

**Volcan Compañía Minera S.A.A. and Subsidiaries**

Consolidated interim financial information (unaudited) as of  
December 31, 2015 and 2014

# Volcan Compañía Minera S.A.A. and Subsidiaries

## Consolidated Statement of Financial Position

As of December 31, 2015 (unaudited) and as of December 31, 2014 (audited)

Assets	Note	December 31,	December 31,
		2015	2014
		US\$ (000)	US\$ (000)
<b>Current Assets</b>			
Cash and cash equivalents	4	192,307	174,363
Trade accounts receivable, net		55,247	83,450
Other accounts receivable		352,356	361,079
Other financial assets	6	14,508	32,528
Inventories, net	5	106,968	197,236
<b>Total current assets</b>		<b>721,386</b>	<b>848,656</b>
<b>Non-Current Assets</b>			
Other accounts receivable		31,050	40,765
Other financial assets	6	48,935	92
Investments in associates		1,861	4,333
Property, plant and equipment, net	7	1,087,110	1,245,825
Mining exploration and evaluation cost, net	8	392,488	767,623
Deferred income tax asset	10	269,765	89,761
<b>Total non-current assets</b>		<b>1,831,209</b>	<b>2,148,399</b>
<b>Total assets</b>		<b>2,552,595</b>	<b>2,997,055</b>
<b>Liabilities and Net Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Overdrafts		14,043	16,060
Trade accounts payable		165,294	228,847
Other accounts payable		53,453	65,044
Other financial liabilities	6	104,480	96,209
Financial obligations	9	198,662	201,765
<b>Total current liabilities</b>		<b>535,932</b>	<b>607,925</b>
<b>Non-Current Liabilities</b>			
Financial obligations	9	623,571	620,270
Other financial liabilities	6	143,949	12,041
Deferred income tax liability	10	143,749	190,992
Provision for contingencies		5,514	11,171
Provision for closing of mining units		72,381	63,610
<b>Total non-current liabilities</b>		<b>989,164</b>	<b>898,084</b>
<b>Total liabilities</b>		<b>1,525,096</b>	<b>1,506,009</b>
<b>Net Stockholders' Equity</b>			
Issued capital	11	1,531,743	1,531,743
Treasury stock		(240,450)	(240,342)
Other capital reserves		119,837	118,731
Capital reserve		20,296	20,329
Unrealized gains (loss)	6	(25,563)	(21,931)
Retained earnings		(378,364)	82,516
<b>Total net stockholders' equity</b>		<b>1,027,499</b>	<b>1,491,046</b>
<b>Total liabilities and net stockholders' equity, net</b>		<b>2,552,595</b>	<b>2,997,055</b>

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 October 1 to December 31		For the cumulative period from January 1 to December 31	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Sales, Note 12	181,705	247,528	794,514	1,042,351
Cost of Sales, Note 13	(140,873)	(218,207)	(661,738)	(865,746)
<b>Gross Income</b>	<b>40,832</b>	<b>29,321</b>	<b>132,776</b>	<b>176,605</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(11,446)	(15,015)	(44,618)	(54,558)
Selling expenses	(13,948)	(13,887)	(43,023)	(49,050)
Other income	25,403	111,400	56,247	186,000
Other expenses	(15,179)	(103,177)	(39,234)	(163,609)
	(15,170)	(20,679)	(70,628)	(81,217)
<b>Operating income before assets impairment loss and the inventory write-down, net</b>	<b>25,662</b>	<b>8,642</b>	<b>62,148</b>	<b>95,388</b>
<b>Assets impairment loss and the inventory write-down, net</b>	<b>(470,100)</b>	<b>-</b>	<b>(470,100)</b>	<b>-</b>
<b>Operating income (loss) after assets impairment loss and the inventory write- down, net</b>	<b>(444,438)</b>	<b>8,642</b>	<b>(407,952)</b>	<b>95,388</b>
<b>Financial income (expenses)</b>				
Financial income	2,619	4,655	8,160	10,331
Financial expenses	(14,342)	(10,606)	(43,763)	(33,321)
Exchange difference, net	(8,052)	2,481	(9,234)	2,145
<b>Total other income (expenses), net</b>	<b>(19,775)</b>	<b>(3,470)</b>	<b>(44,837)</b>	<b>(20,845)</b>
<b>Income before income tax</b>	<b>(464,213)</b>	<b>5,172</b>	<b>(452,789)</b>	<b>74,543</b>
Income tax, Note 10(b)	(4,780)	5,173	(1,123)	(17,720)
<b>Net income</b>	<b>(468,993)</b>	<b>10,345</b>	<b>(453,912)</b>	<b>56,823</b>
<b>Net earnings per share</b>	<b>(0.122)</b>	<b>0.003</b>	<b>(0.118)</b>	<b>0.015</b>
<b>Weighted average of outstanding shares (in thousands)</b>	<b>3,858,733</b>	<b>3,865,936</b>	<b>3,858,733</b>	<b>3,865,936</b>

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 October 1 to December 31		For the cumulative period from January 1 to December 31	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
<b>Net income</b>	(468,993)	10,345	(453,912)	56,823
<b>Other comprehensive income (loss):</b>				
Net change in gains (losses) unrealized on derivative instruments	(15,987)	(20,573)	(4,174)	(26,938)
Income Tax	4,476	6,172	542	8,081
<b>Other comprehensive income (loss) net of income tax</b>	(11,511)	(14,401)	(3,632)	(18,857)
<b>Total comprehensive income</b>	(480,504)	(4,056)	(457,544)	37,966

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

For the period from January 1, to December 31, 2015 and 2014 (unaudited)

	Capital Issued	Treasury stock	Other capital reserves	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of January 1, 2014</b>	<b>1,427,768</b>	<b>(233,856)</b>	<b>110,736</b>	<b>14,209</b>	<b>(3,074)</b>	<b>159,344</b>	<b>1,475,127</b>
Net income	-	-	-	-	-	56,823	56,823
Net change in gains unrealized on derivative instruments	-	-	-	-	(18,857)	-	(18,857)
Comprehensive income for the period	-	-	-	-	(18,857)	56,823	37,966
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Allocation of dividends corresponding to 2014	-	-	-	-	-	(7,116)	(7,116)
Increase (decrease) in treasury stock transactions	-	(6,486)	-	6,120	-	-	(366)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	3,282	3,282
<b>Balances as of september 30, 2014</b>	<b>1,531,743</b>	<b>(240,342)</b>	<b>118,731</b>	<b>20,329</b>	<b>(21,931)</b>	<b>82,516</b>	<b>1,491,046</b>
<b>Balances as of January 1, 2015</b>	<b>1,531,743</b>	<b>(240,342)</b>	<b>118,731</b>	<b>20,329</b>	<b>(21,931)</b>	<b>82,516</b>	<b>1,491,046</b>
Net income	-	-	-	-	-	(453,912)	(453,912)
Net change in gains unrealized on derivative instruments	-	-	-	-	(3,632)	-	(3,632)
Comprehensive income for the period	-	-	-	-	(3,632)	(453,912)	(457,544)
Allocation of dividends corresponding to 2014	-	-	-	-	-	(5,862)	(5,862)
Increase (decrease) in treasury stock transactions	-	(108)	-	(33)	-	-	(141)
Legal reserve allocation	-	-	1,106	-	-	(1,106)	-
<b>Balances as of December 31, 2015</b>	<b>1,531,743</b>	<b>(240,450)</b>	<b>119,837</b>	<b>20,296</b>	<b>(25,563)</b>	<b>(378,364)</b>	<b>1,027,499</b>

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 December 31, 2015 and 2014 (Note 2-C)

	2015	2014
	<u>US\$(000)</u>	<u>US\$(000)</u>
<b>Operating activities</b>		
Collection of sales proceeds	982,220	1,203,121
Refund of the credit balance in favor of the exporter	25,327	59,070
Payments to suppliers and third parties	(694,436)	(885,251)
Payments to workers	(90,614)	(117,817)
Income tax payments	(3,916)	(26,741)
Royalties	(11,271)	(13,840)
Other collections (payments) from operating activities	25,373	11,511
	<u>232,683</u>	<u>230,053</u>
<b>Cash flows from operating activities</b>		
<b>Investing activities</b>		
Share sales (purchase) payments	7,938	(872)
Disbursements for the acquisition of mining rights or the acquisition of property, plant and equipment	(117,302)	(307,831)
Disbursements for exploration and development activities	(64,275)	(106,439)
	<u>(173,639)</u>	<u>(415,142)</u>
<b>Cash flows used in investment activities</b>		
<b>Financing activities</b>		
Increase in financial obligations	253,193	314,409
Purchase of treasury stock	(141)	(366)
Loan amortization or payments	(241,289)	(159,336)
Interest payment	(36,179)	(32,250)
Dividends	(16,684)	(32,619)
	<u>(41,100)</u>	<u>89,838</u>
<b>Cash flows from financing activities</b>		
Increase (Decrease) in cash and cash equivalents for the period	17,944	(95,251)
Cash and cash equivalents at the beginning of the period	<u>174,363</u>	<u>269,614</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>192,307</u>	<u>174,363</u>

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 December 31, 2015 and 2014

#### 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 december 31, 2015 were approved by the Company’s Management on february 12, 2016. The consolidated financial statements as of December 31, 2014 were approved by the Shareholders’ Meeting on March 26, 2015.

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

	Percentage of direct or indirect interest in the capital	
	December 31, 2015	December 31, 2014
Subsidiaries:		
Empresa Administradora Chungar S.A.C	99.99	99.99
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera El Pilar S.A.C	-	100
Compañía Minera Alpamarca S.A.C. (*)	100	100
Shalca Compañía Minera S.A.C. (*)	-	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Compañía Minera Huascarán S.A.C. (*)	-	100
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
Oxidos de Pasco S.A.C	99.99	-

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

(\*\*) This is, in turn, a subsidiary of Empresa Administradora Chungar S.A.C.

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

On June 6, 2014, the Company held the sale of Compañía Energética del Centro S.A.C. from Odebrecht Energía del Peru S.A. The financial result of this transaction was a net gain of \$ 8.2 million.

In June, 2014, Empresa Administradora Chungar S.A.C. purchase Compañía Hidroeléctrica Tingo S.A. The investment was of \$13.5 million.

On September 1, 2015, the merger of Compañía Minera El Pilar S.A.C, Shalca Compañía Minera S.A.C., Compañía Minera Huascarán S.A.C. Cía Minera Santa Clara y Llacsacocha Sociedad Anónima, Recursos Troy S.A.C and Empresa Administradora Chungar S.A.C.(survivor company) took placed.

By shareholders meeting of Empresa Administradora Cerro S.A.C. a spin-off of a business section was agreed, which included the oxide plant as well as related assets and liabilities for S/368,670 in favor of a new company, Óxidos de Pasco S.A.C., (hereinafter, Óxidos), which was incorporated as a consequence of the spin-off. Óxidos shareholders, the Company, being one of them, received shares issued by Óxidos that represent 99.99% of its capital stock.

According to the Shareholders Meeting, the spin-off entered in force on October 1, 2015



(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 nuevos 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\$4,809 million U.S. Dollars.

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit, the new Alpamarca-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 nine-month periods ended December 31, 2015 and 2014 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 year 2014.

For a correct reading of the financial statement, certain reclassification have been made in 2014.

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 six 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 december 31, 2015	As of december 31, 2014
	US\$(000)	US\$(000)
Funds available:		
Cash	19	42
Fixed fund	23	41
Bank checking accounts	89,221	82,238
Term deposits (a)	28,612	29,000
Mutual funds	11,616	-
Financial investments foreing	62,406	62,406
Funds subject to restriction	410	636
	<u>192,307</u>	<u>174,363</u>

(a) Herein below is the composition of term deposits as of December 31, 2015:

Date	Nominal currency	Original term	Annual interest rate	As of December 31, 2015
			%	US\$(000)
31.12.2015	U.S. Dólares	1 to 3 months	0.36%	28,612
				<u>28,612</u>

#### 5. Inventories

The composition of this heading is presented below:

	As of December 31, 2015	As of december 31, 2014
	US\$(000)	US\$(000)
Concentrates:	19,335	24,789
Raw material (extracted ore)	28,726	31,466
Miscellaneous supplies	54,618	53,638
Inventories in transit	1,025	382
Value of stockpiles (a)	7,752	91,449
Allowance for obsolescence of spare parts and supplies (b)	(4,488)	(4,488)
	<u>106,968</u>	<u>197,236</u>

The Company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of December 31, 2015 and as of December 31, 2014.

- (a) According to International Accounting Standards, and due to drop in prices, the Company once again tested the fair value of the Stock Piles related to which an accounting estimation was registered in 2014. The Company has recognised a write-down of inventories reducing the amount of inventories for US\$ 69.3 million.
- (b) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of December 31, 2015 and as of December 31, 2014.

## 6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of December 31 2015	As of December 31 2014
	US\$(000)	US\$(000)
Fair value of hedging derivatives	3,351	997
Fair value of trading derivatives	43,960	21,523
Hedging derivatives liquidated	8,156	2,229
Embedded derivative related to sales of concentrates	1,151	2,918
Premiums	6,825	4,953
	<b>63,443</b>	<b>32,620</b>
Less: non-current portion	(48,935)	(92)
Current portion	<b>14,508</b>	<b>32,528</b>

Here in below is the composition of payables:

	As of December 31 2015	As of December 31 2014
	US\$(000)	US\$(000)
Fair value of hedging derivatives	38,855	32,327
Fair value of trading derivatives	30,425	5,750
Settled Hedge derivative financial instruments	10,065	5,126
Embedded derivative related to sales of concentrates	3,972	1,901
Premiums	151,463	63,146
	<b>234,780</b>	<b>108,250</b>
Fair value swaps	4,671	-
Fair value forward	8,978	-
	<b>248,429</b>	<b>108,250</b>
Less: non-current portion	(143,949)	(12,041)
Current portion	<b>104,480</b>	<b>96,209</b>

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 December 31, 2015 the Company has executed price hedging operations contracts (swaps) and zero-cost collars 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 net fair value of the deferred income tax is shown under equity account "Unrealized loss" for US\$ 25,563 thousands (US\$ 21,931 thousands loss as of December 31, 2014). The net change in this account for the three-month period ended december 31, 2015 is US\$ 3,632 thousands.

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)
<b>Balances as of January 1, 2014</b>	<b>(4,392)</b>	<b>1,318</b>	<b>(3,074)</b>
Total change in hedging derivative financial instruments	(26,938)	8,081	(18,857)
<b>Balances as of December 31, 2014</b>	<b>(31,330)</b>	<b>9,399</b>	<b>(21,931)</b>
Total change in hedging derivative financial instruments	(4,174)	542	(3,632)
<b>Balances as of December 31, 2015</b>	<b>(35,504)</b>	<b>9,941</b>	<b>(25,563)</b>

## 7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

2015	Balances as of January	Additions	Write-offs	Adjustments	Impairment (*)	Balances as of
	1,2015					December 31,2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>						
Land	6,337	1	-	-	-	6,338
Buildings and other constructions	751,954	24,539	(352)	135,180	(182,945)	728,376
Environmental management program infrastru	22,846	-	-	-	-	22,846
Machinery and equipment	308,685	13,494	(16,414)	2,899	-	308,664
Transportation units	12,315	(7)	(138)	(1)	-	12,169
Furniture and fixtures and IT equipment	12,937	141	-	27	-	13,105
Miscellaneous equipment	428,379	17,121	(569)	460	-	445,391
Units in transit	-	1,061	(210)	(367)	-	484
Works in progress	277,131	60,952	(70)	(138,005)	(617)	199,391
	<b>1,820,584</b>	<b>117,302</b>	<b>(17,753)</b>	<b>193</b>	<b>(183,562)</b>	<b>1,736,764</b>
<b>Accumulated depreciation</b>						
Buildings and other constructions	(78,262)	(41,693)	31	1	-	(119,923)
Environmental management program infrastru	(21,470)	(337)	-	-	-	(21,807)
Machinery and equipment	(241,280)	(18,769)	13,714	-	-	(246,335)
Transportation units	(10,410)	(512)	117	(1)	-	(10,806)
Furniture and fixtures and IT equipment	(6,386)	(931)	-	-	-	(7,317)
Miscellaneous equipment	(216,951)	(26,820)	305	-	-	(243,466)
	<b>(574,759)</b>	<b>(89,062)</b>	<b>14,167</b>	<b>-</b>	<b>-</b>	<b>(649,654)</b>
<b>Net cost</b>	<b>1,245,825</b>					<b>1,087,110</b>
<b>2014</b>						
<b>Cost</b>	1,546,866	307,833	(28,427)	(5,688)	-	1,820,584
<b>Accumulated depreciation</b>	(516,815)	(81,930)	23,987	(1)	-	(574,759)
<b>Net cost</b>	<b>1,030,051</b>					<b>1,245,825</b>

## 8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

2015	Balances as of	Additions	Adjustments	Impairment (*)	Balances as of
	January 1, 2015				December 31, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>					
Mining rights and concessions	292,747	3,521	(1,676)	(37,310)	257,282
Exploration	308,351	8,647	3,477	(121,061)	199,414
Development and stripping costs	667,684	52,014	(56,514)	(226,691)	436,493
Closing of mining units	64,676	8,780	-	-	73,456
Other intangible assets	14,265	93	1,035	-	15,393
	<u>1,347,723</u>	<u>73,055</u>	<u>(53,678)</u>	<u>(385,062)</u>	<u>982,038</u>
<b>Accumulated amortization</b>					
Mining rights and concessions	(158,874)	(7,525)	(1)	-	(166,400)
Exploration	(70,414)	(8,748)	-	-	(79,162)
Development and stripping costs	(326,491)	(43,259)	56,514	-	(313,236)
Closing of mining units	(17,439)	(5,247)	-	-	(22,686)
Other intangible assets	(6,882)	(1,185)	1	-	(8,066)
	<u>(580,100)</u>	<u>(65,964)</u>	<u>56,514</u>	<u>-</u>	<u>(589,550)</u>
<b>Net cost</b>	<u><u>767,623</u></u>				<u><u>392,488</u></u>
<b>2014</b>					
<b>Cost</b>	1,365,594	106,439	(38,925)	(85,385)	1,347,723
<b>Accumulated depreciation</b>	<u>(500,534)</u>	<u>(79,566)</u>	<u>-</u>	<u>-</u>	<u>(580,100)</u>
<b>Net cost</b>	<u><u>865,060</u></u>				<u><u>767,623</u></u>

(\*) According to International Accounting Standards, and due to the drop in prices, and the paralyzation of the Cash Generating Unit (CGU), the Company has recognised an impairment loss of US\$568.6 million. The Management estimates that the impairment is sufficient to cover any long-lived assets impairment risk of the Company up to the date of the consolidated statement of financial position.

## 9. Financial Obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2015	Loans	Effect Exchange difference	Payment	Balances as of December 31, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Financial Institutions - leasing</b>					
Banco de Crédito del Perú	1,077	-	-	(358)	719
Banco Internacional del Perú-Interbank	16,281	3,200	-	(10,155)	9,326
Scotiabank Perú S.A.A.	16,536	-	-	(4,997)	11,539
BBVA Banco Continental	1,985	4,514	-	(2,023)	4,476
<b>Financial Institutions - loans</b>					
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	-	79,509	(7,338)	-	72,171
BBVA Banco Continental	106,156	-	(13,188)	(92,968)	-
BBVA Banco Continental	-	49,952	(4,596)	-	45,356
BBVA Banco Continental	-	58,518	(4,372)	-	54,146
ITAU UNIBANCO S.A	-	27,500	-	-	27,500
ITAU UNIBANCO S.A	-	20,000	-	(20,000)	-
ITAU UNIBANCO S.A	-	10,000	-	-	10,000
<b>Bonds</b>	<b>600,000</b>	<b>-</b>	<b>-</b>	<b>(13,000)</b>	<b>587,000</b>
	<b>822,035</b>	<b>253,193</b>	<b>(29,494)</b>	<b>(223,501)</b>	<b>822,233</b>
Financial obligations current	(201,765)				(198,662)
Financial obligations non-current	<b>620,270</b>				<b>623,571</b>



## 10. Deferred Income tax

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

	As of December 31 2015	As of December 31 2014
	US\$ (000)	US\$ (000)
<b>Deferred assets with effect on gains (losses)</b>		
Allowance for impairment of assets	180,261	23,202
Recoverable tax losses	52,520	33,486
Provision for the closing of mining units	19,558	16,379
Losses unrealized on derivative financial instruments	10,735	8,483
Vacation payments outstanding	1,968	1,764
Sales adjustment	1,589	1,336
Estimate for impairment of supplies	1,084	1,195
Provision mining royalty	861	921
Value forward	793	-
Contingencies	396	2,995
	<b>269,765</b>	<b>89,761</b>
<b>Deferred liabilities with effect on gains (losses)</b>		
Amortization of mining rights and concessions, exploration, development and stripping costs	(102,098)	(157,515)
Value of stock piles	(35,899)	(24,700)
Estimate for values of share	(1,802)	(2,486)
Gains in fair value of derivative financial instruments and premiums	(1,766)	(4,258)
Assets for the closing of mining units	(1,473)	-
Bond issuance expenses	(611)	(795)
Heading unpaid	-	(921)
Other minors expensives	(100)	(317)
	<b>(143,749)</b>	<b>(190,992)</b>

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

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Income Tax				
Current	101	(6,714)	(18,876)	(26,264)
Deferred	176,808	13,790	208,521	23,631
	<u>176,909</u>	<u>7,076</u>	<u>189,745</u>	<u>(2,633)</u>
Tax on mining royalties	(3,074)	(1,837)	(11,935)	(14,653)
Contribution to the retirement fund	1	(66)	(317)	(434)
	<u>173,836</u>	<u>5,173</u>	<u>117,493</u>	<u>(17,720)</u>
Reclassification of the asset impairment loss and the inventory write-down, others (net of tax)	(178,616)	-	(178,616)	-
	<u>(4,780)</u>	<u>5,173</u>	<u>(1,123)</u>	<u>(17,720)</u>
<b>Total income tax expense</b>	<b>(4,780)</b>	<b>5,173</b>	<b>(1,123)</b>	<b>(17,720)</b>

## 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, 182,218,550 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,432,075 class "A" shares by subsidiary Empresa Administradora Chungar S.A.C. and 10,270 class "A" shares by subsidiary Compañía Minera Alpamarca 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 December 31, 2015, their quotation was S/. 1.09 and S/. 0.190 per share, respectively (S/. 1.50 and S/.0.72 per share, respectively, as of December 31, 2014). As of December 31, 2015, the trading frequency for class "A" shares was 20 percent, and for class "B" shares 100 percent (for class "A" shares was 20 percent, and for class "B" shares 100 percent as of December 31, 2014).

The Mandatory Annual Shareholders' Meeting held on March 26, 2015 resolved to distribute dividends in cash to its shareholders corresponding to 2014 profit for S/. 31,490,475 (equivalent to US\$10,168,058). Such dividends will be paid on May 5, 2015.

In a meeting held on December 22, 2014, the Board of Directors, resolved the payment of dividends in cash for S/.20,993,650 (equivalent to US\$ 7,116,492), corresponding to the profit balance of the 2014 year. Such dividends have been paid on January 20, 2015.

The Mandatory Annual Shareholders' Meeting held on March 20, 2014 resolved to increase the share capital by S/. 336,615,526, (equivalent to approximately US\$ 103,975,232) corresponding to the capitalization of the profit balance of year 2013, and the capital reserve deduction , thus increasing the

share capital from S/. 3,739,956,649 to S/. 4,076,572,175, which represents the delivery of 9% in paid-up shares, both for Class “A” and Class “B” shares.

It also resolved to distribute to its shareholders dividends in cash corresponding to 2013 profit for S/. 57,780,413 (equivalent to US\$ 17,847,459). Such dividends have been paid on April 22, 2014.

The Mandatory Annual Shareholders’ Meeting held on March 20, 2013 approved a share capital increase by S/. 339,996,059, (equivalent to approximately US\$ 144,994,174) corresponding to the capitalization of the profit balance of year 2012, thus increasing the share capital from S/. 3,399,960,590 to S/. 3,739,956,649, which represents the delivery of 10% in paid-up shares, both for Class “A” and Class “B” shares.

It also resolved to distribute to its shareholders dividends in cash corresponding to 2012 profit by S/. 105,055,297 (equivalent to US\$ 40,205,771).

In meeting held on December 4, 2013, the Board of Directors, resolved the payment of dividends in cash for S/. 38,520,276 (equivalent to US\$ 13,826,373), corresponding to the profit balance of year 2013. Such dividends have been cancelled on January 7, 2014.

## 12. Net Sales

(a) The table herein below provides a detail of net sales:

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Net concentrate sales				
Zinc	103,354	144,744	440,472	573,031
Lead	43,235	59,756	212,507	298,062
Copper	6,402	6,352	25,818	53,141
Silver Concentrate	20,550	33,172	93,580	115,082
Silver Bulk	2,314	-	2,314	-
Silver Bars	17,320	10,387	61,633	17,540
Fluxes	-	-	-	7
Final settlement adjustments	(13,165)	(6,721)	(37,544)	(26,899)
	<u>180,010</u>	<u>247,690</u>	<u>798,780</u>	<u>1,029,964</u>
Gain (loss) realized on financial instruments	2,874	9,560	298	15,095
Sales adjustment for the current period (b)	10,111	(12,942)	4,132	(3,159)
Embedded derivatives for the current period (c)	(11,290)	3,219	(8,696)	451
	<u>181,705</u>	<u>247,527</u>	<u>794,514</u>	<u>1,042,351</u>

(b) 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 (London Metal Exchange). 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 December 31, 2015 and 2014, 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 gain for US\$ 4,132 thousands and US\$ 3,159 thousands in the nine-month periods ended December 31, 2015 and 2014; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of December 31, 2015 the fair value of embedded derivatives yielded loss for US\$ 8,696 thousands (profit for US\$ 451 thousands as of December 31, 2014). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of December 31, 2015 and 2014 have been taken from entities that work with the London Metal Exchange (LME) publications.

13. Cost of Sales

The composition of this below:

	For the period from October 1 to December 31		For the cumulative period from January to December 31	
	2015	2014	2015	2014
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Concentrates beginning inventory	23,435	22,986	24,789	30,299
Raw materials (extracted ore) beginning inventory	30,736	32,102	31,466	32,022
<b>Production cost:</b>				
Labor	11,486	18,160	63,713	71,440
Rental, power and other expenses	65,260	68,888	236,426	255,565
Supplies used	26,115	30,095	111,224	116,140
Purchase of mineral	-	-	-	5,326
Depreciation and amortization	17,223	46,646	155,267	152,443
Exceptionals	955	424	3,482	2,125
Purchase of concentrate	19,041	53,417	80,611	248,939
workers' profit sharing	(4,465)	1,014	3,673	6,791
Others	(853)	730	(853)	911
Less - concentrates ending inventory,	(19,335)	(24,789)	(19,335)	(24,789)
Less - raw materials (extracted ore) ending inventory)	(28,725)	(31,466)	(28,725)	(31,466)
	<u>140,873</u>	<u>218,207</u>	<u>661,738</u>	<u>865,746</u>

#### 14. Information by business segment

For management purposes, the Company and its subsidiaries present segment information based on business units which are: Mining and Energy.

For the cumulative period from January 1 to December 31, 2015:

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	794,514	11,385	(11,385)	794,514
Cost of Sales	(661,738)	(6,824)	6,824	(661,738)
<b>Gross Income</b>	<b>132,776</b>	<b>4,561</b>	<b>(4,561)</b>	<b>132,776</b>
<b>OPERATING INCOME (EXPENSES)</b>				
Administrative expenses	(43,621)	(1,228)	231	(44,618)
Selling expenses	(43,023)	-	-	(43,023)
Other income	45,950	136	10,161	56,247
Other expenses	(32,797)	(265)	(6,172)	(39,234)
	<b>(73,491)</b>	<b>(1,357)</b>	<b>4,220</b>	<b>(70,628)</b>
<b>Operating income before assets impairment loss and the inventory write-down, net</b>	<b>59,285</b>	<b>3,204</b>	<b>(341)</b>	<b>62,148</b>
Assets impairment loss and the inventory write-down, net	(470,100)	-	-	(470,100)
<b>Operating income (loss) after assets impairment loss and the inventory write-down, net</b>	<b>(410,815)</b>	<b>3,204</b>	<b>(341)</b>	<b>(407,952)</b>
<b>Financial income (expenses)</b>				
Financial income	8,495	865	(1,200)	8,160
Financial expenses	(43,784)	(1,179)	1,200	(43,763)
Exchange difference, net	(10,007)	773	-	(9,234)
<b>Total other income (expenses), net</b>	<b>(45,296)</b>	<b>459</b>	<b>-</b>	<b>(44,837)</b>
<b>Income before income tax</b>	<b>(456,111)</b>	<b>3,663</b>	<b>(341)</b>	<b>(452,789)</b>
Income tax	538	(1,661)	-	(1,123)
<b>Net income</b>	<b>(455,573)</b>	<b>2,002</b>	<b>(341)</b>	<b>(453,912)</b>

Information to December 31, 2015:

#### Assets

##### Current Assets

Cash and cash equivalents	183,436	8,871	-	192,307
Trade accounts receivable, net	51,862	3,385	-	55,247
Accounts receivable to subsidiaries	22,597	41,723	(64,320)	-
Other accounts receivable	348,826	3,530	-	352,356
Other financial assets	14,508	-	-	14,508
Inventories, net	106,532	436	-	106,968
<b>Total current assets</b>	<b>727,761</b>	<b>57,945</b>	<b>(64,320)</b>	<b>721,386</b>

##### Non-Current Assets

Other accounts receivable	31,050	-	-	31,050
Other financial assets	48,935	-	-	48,935
Investments in associates	63,509	-	(61,648)	1,861
Property, plant and equipment, net	1,037,733	49,377	-	1,087,110
Mining exploration and evaluation cost, net	382,406	68	10,014	392,488
Deferred income tax asset	269,342	423	-	269,765
<b>Total non-current assets</b>	<b>1,563,633</b>	<b>49,868</b>	<b>(51,634)</b>	<b>1,831,209</b>

##### Total assets

<b>2,291,394</b>	<b>107,813</b>	<b>(115,954)</b>	<b>2,552,595</b>
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#### Liabilities

##### Current Liabilities

Overdrafts	14,043	-	-	14,043
Trade accounts payable	161,979	3,315	-	165,294
Accounts payable to subsidiaries	42,121	21,559	(63,680)	-
Other accounts payable	52,292	1,802	(641)	53,453
Other financial liabilities	104,480	-	-	104,480
Financial obligations	194,733	3,929	-	198,662
<b>Total current liabilities</b>	<b>569,648</b>	<b>30,605</b>	<b>(64,321)</b>	<b>535,932</b>

##### Non-Current Liabilities

Financial obligations	143,949	-	-	143,949
Other financial liabilities	600,000	23,571	-	623,571
Deferred income tax liability	143,531	218	-	143,749
Provision for contingencies	5,514	-	-	5,514
Provision for closing of mining units	72,381	-	-	72,381
<b>Total non-current liabilities</b>	<b>965,375</b>	<b>23,789</b>	<b>-</b>	<b>989,164</b>

##### Total liabilities

<b>1,535,023</b>	<b>54,394</b>	<b>(64,321)</b>	<b>1,525,096</b>
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For the cumulative period from January 1 to December 31, 2014:

	<b>Mining</b>	<b>Energy</b>	<b>Reclassifications and eliminations</b>	<b>Total</b>
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	1,042,351	10,842	(10,842)	1,042,351
Cost of Sales	(865,635)	(5,784)	5,673	(865,746)
<b>Gross Income</b>	<b>176,716</b>	<b>5,058</b>	<b>(5,169)</b>	<b>176,605</b>
<b>OPERATING INCOME (EXPENSES)</b>				
Administrative expenses	(53,974)	(846)	262	(54,558)
Selling expenses	(49,050)	-	-	(49,050)
Other income	175,029	692	10,279	186,000
Other expenses	(158,177)	(57)	(5,375)	(163,609)
	<b>(86,172)</b>	<b>(211)</b>	<b>5,166</b>	<b>(81,217)</b>
<b>Operating income</b>	<b>90,544</b>	<b>4,847</b>	<b>(3)</b>	<b>95,388</b>
<b>Financial income (expenses)</b>				
Financial income	10,609	93	(371)	10,331
Financial expenses	(33,312)	(380)	371	(33,321)
Exchange difference, net	2,035	110	-	2,145
<b>Total other income (expenses), net</b>	<b>(20,668)</b>	<b>(177)</b>	<b>-</b>	<b>(20,845)</b>
<b>Income before income tax</b>	<b>69,876</b>	<b>4,670</b>	<b>(3)</b>	<b>74,543</b>
Income tax	(16,025)	(1,695)	-	(17,720)
<b>Net income</b>	<b>53,851</b>	<b>2,975</b>	<b>(3)</b>	<b>56,823</b>
<b>Information to December 31, 2014:</b>				
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	170,533	3,830	-	174,363
Trade accounts receivable, net	80,226	3,224	-	83,450
Accounts receivable to subsidiaries	17,849	10,524	(28,373)	-
Other accounts receivable	357,288	3,791	-	361,079
Other financial assets	32,528	-	-	32,528
Inventories, net	196,847	389	-	197,236
<b>Total current assets</b>	<b>855,271</b>	<b>21,758</b>	<b>(28,373)</b>	<b>848,656</b>
<b>Non-Current Assets</b>				
Other accounts receivable	40,765	-	-	40,765
Other financial assets	92	-	-	92
Investments in associates	65,988	-	(61,655)	4,333
Property, plant and equipment, net	1,196,549	49,276	-	1,245,825
Mining exploration and evaluation cost, net	757,497	92	10,034	767,623
Deferred income tax asset	88,732	1,029	-	89,761
<b>Total non-current assets</b>	<b>2,060,891</b>	<b>50,397</b>	<b>(51,621)</b>	<b>2,148,399</b>
<b>Total assets</b>	<b>2,916,162</b>	<b>72,155</b>	<b>(79,994)</b>	<b>2,997,055</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Overdrafts	16,060	-	-	16,060
Trade accounts payable	227,278	1,569	-	228,847
Accounts payable to subsidiaries	10,518	17,779	(28,297)	-
Other accounts payable	63,534	1,586	(76)	65,044
Other financial liabilities	96,209	-	-	96,209
Financial obligations	201,765	-	-	201,765
<b>Total current liabilities</b>	<b>615,364</b>	<b>20,934</b>	<b>(28,373)</b>	<b>607,925</b>
<b>Non-Current Liabilities</b>				
Financial obligations	620,270	-	-	620,270
Other financial liabilities	12,041	-	-	12,041
Deferred income tax liability	190,720	272	-	190,992
Provision for contingencies	11,171	-	-	11,171
Provision for closing of mining units	63,610	-	-	63,610
<b>Total non-current liabilities</b>	<b>897,812</b>	<b>272</b>	<b>-</b>	<b>898,084</b>
<b>Total liabilities</b>	<b>1,513,176</b>	<b>21,206</b>	<b>(28,373)</b>	<b>1,506,009</b>