VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012

TOGETHER WITH

THE INDEPENDENT AUDITOR'S REPORT

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012

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Tel: +511 2225600
Fax: +511 5137872
www.bdo.com.pe

PAZOS, LÓPEZ DE ROMAÑA, RODRÍGUEZ
Sociedad Civil de Responsabilidad Limitada
Av. Camino Real 456
Torre Real, Piso 5
San Isidro
LIMA 27- PERU

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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, 2013 and 2012, and the consolidated statements of income, of comprehensive income, of changes in net equity and of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Management of the Parent Company is responsible for the preparation and fair presentation of these financial statements according to International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing, and maintaining appropriate internal control in preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making according estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Audit Standards 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 on 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 financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent Company and Subsidiaries' 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 the Parent Company 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 accompanying 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, 2013 and 2012, its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in accordance with International Financial Reporting Standards.

Lima, Peru
February 19, 2014

Pazos, López de Romaña, Rodríguez

Countersigned by

___________________________ (Partner)
Luis Pierrend Castillo
CPA Resgistration N° 01-03823

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

ASSETS	Notes	2013	2012
CURRENT ASSETS			
Cash and cash equivalents	5	182,864	574,855
Trade accounts receivable, net	6	139,907	114,724
Other accounts receivable	7	385,526	264,302
Other financial assets	8	82,806	30,042
Inventories, net	9	108,235	118,744
Total current assets		899,338	1,102,667
NON-CURRENT ASSETS			
Other accounts receivable	7	12,212	13,231
Other financial assets	8, 18 (a)	18,154	40,377
Investments in associates	1 (b)	67,517	66,217
Property, plant and equipment, net	10	1,030,051	660,889
Mining titles & concessions, and exploration, development & stripping costs	11	865,060	744,319
Deferred income tax assets	16(b)	18,914	15,513
Total non-current assets		2,011,908	1,540,546
Total assets		2,911,246	2,643,213

LIABILITIES AND EQUITY	Notes	2013	2012
CURRENT LIABILITIES			
Bank overdrafts		14,024	-
Trade accounts payable	12	248,926	186,679
Other accounts payable	13	99,905	88,135
Other financial liabilities	8	102,206	59,463
Financial obligations	14	94,103	92,903
Total current liabilities		559,164	427,180
NON-CURRENT LIABILITIES			
Other financial liabilities	8	5,902	-
Long-term financial obligations	14	612,444	613,242
Deferred income tax liability	16(b)	149,718	155,642
Provision for contingencies	28 (f)	13,235	16,585
Provision for the closure of mining units	15(b)	95,656	53,622
Total non-current liabilities		876,955	839,091
Total liabilities		1,436,119	1,266,271
NET EQUITY	17		
Issued capital		1,427,768	1,282,774
Shares in treasury		(233,856)	(224,538)
Other capital reserves		110,736	99,233
Capital reserve		14,209	10,800
Unrealized gain or loss		(3,074)	14,322
Accumulated gain or loss		159,344	194,351
Total net equity		1,475,127	1,376,942
Total liabilities and net equity		2,911,246	2,643,213

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

	Notes	2013	2012
NET SALES	20	1,162,823	1,178,403
COST OF SALES	21	(791,433)	(736,567)
Gross profit		371,390	441,836
OPERATIONAL (EXPENSES) REVENUES:			
Administrative expenses	22	(60,813)	(58,898)
Selling expenses	23	(46,274)	(35,876)
Other revenues	24	55,623	65,138
Other expenses	24	(51,993)	(55,023)
		(103,457)	(84,659)
Operating profit		267,933	357,177
FINANCIAL REVENUES (EXPENSES):			
Revenues	25	38,002	47,221
Expenses	25	(50,111)	(72,700)
		(12,109)	(25,479)
Profit before income tax		255,824	331,698
INCOME TAX	16 (a)	(82,464)	(120,748)
Net profit		173,360	210,950
Weighted average of the number of issued and outstanding shares (in thousands)	26	2,916,854	3,172,115
Basic and diluted earnings per share	26	0.059	0.067

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

	Notes	2013	2012
Net profit		173,360	210,950
OTHER COMPREHENSIVE INCOME			
Net variation in unrealized gain on derivative financial instruments	18 (c)	(24,852)	35,016
Income tax	18 (c)	7,456	(10,505)
Other comprehensive income, net of income tax		(17,396)	24,511
Total comprehensive income		155,964	235,461

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

	NUMBER OF SHARES								
	COMMON A SHARES	COMMON B SHARES	ISSUED CAPITAL US$(000)	SHARES IN TREASURY US$(000)	OTHER CAPITAL RESERVES US$(000)	CAPITAL RESERVE US$(000)	UNREALIZED GAIN OR LOSS US$(000)	ACCUMULATED GAIN OR LOSS US$(000)	TOTAL US$(000)
Balance as of December 31, 2011	1,094,402,196	1,869,175,979	1,142,894	(217,917)	85,376	4,309	(10,189)	234,420	1,238,893
Net profit	-	-	-	-	-	-	-	210,950	210,950
Net variation of unrealized gain on derivative financial instruments (Note 18 (c))	-	-	-	-	-	-	24,511	-	24,511
Capitalization of profit	112,638,193	168,477,047	139,880	-	-	-	-	(139,880)	-
Appropriation	-	-	-	-	13,857	-	-	(13,857)	-
Dividends distribution	-	-	-	-	-	-	-	(68,443)	(68,443)
Advances on dividends	-	-	-	-	-	-	-	(29,039)	(29,039)
Purchase of shares of the Company by a subsidiary	(15,428,854)	(2,824,558)	-	(1,621)	-	1,491	-	-	(130)
Adjustment	-	-	-	(5,000)	-	5,000	-	-	-
Effect from conversion	-	-	-	-	-	-	-	200	200
Balance as of December 31, 2012	1,191,611,535	2,034,828,468	1,282,774	(224,538)	99,233	10,800	14,322	194,351	1,376,942
Net profit	-	-	-	-	-	-	-	173,360	173,360
Net variation of unrealized gain on derivative financial instruments (Note 18 (c))	-	-	-	-	-	-	(17,396)	-	(17,396)
Capitalization of profit	136,230,756	203,765,303	144,994	-	-	-	-	(144,994)	-
Appropriation	-	-	-	-	11,503	(2,091)	-	(9,412)	-
Dividends distribution	-	-	-	-	-	226	-	(40,205)	(39,979)
Advances on dividends (Note 31 (b))	-	-	-	-	-	-	-	(13,826)	(13,826)
Purchase of shares of the Company by a subsidiary	(17,498,259)	(8,400,063)	-	(9,318)	-	5,274	-	-	(4,044)
Effect from conversion	-	-	-	-	-	-	-	70	70
Balance as of December 31, 2013	1,310,344,032	2,230,193,708	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

	2013	2012
OPERATING ACTIVITIES:		
Collection of sales	1,010,361	1,173,008
Payments to suppliers and third parties	(853,366)	(816,050)
Payments to employees	(117,016)	(186,455)
Payments of income tax and other taxes	(81,592)	(119,353)
Other operating collections	316,298	223,636
	-----------	-----------
NET CASH INCREASE FROM OPERATING ACTIVITIES	274,685	274,786
	-----------	-----------
INVESTMENT ACTIVITIES:		
Acquisition of property, plant and equipment	(434,391)	(232,321)
Acquisition of investments in shares	(1,300)	(5,162)
Disbursements for acquisition of mining concessions	-	(12,696)
Disbursements for exploration, development and stripping activities	(171,012)	(135,781)
	-----------	-----------
NET CASH DECREASE FROM INVESTMENT ACTIVITIES	(606,703)	(385,960)
	-----------	-----------
FINANCING ACTIVITIES:		
Increase of financial obligations	402	45,642
Issue of bonds	-	600,000
Sale of shares in treasury	-	-
Purchase of shares in treasury	(4,045)	(129)
Payment of interests	(16,125)	(16,125)
Payment of dividends	(40,205)	(68,443)
Advances on dividends	-	(29,039)
	-----------	-----------
NET CASH (DECREASE) INCREASE FROM FINANCING ACTIVITIES	(59,973)	531,906
	-----------	-----------
NET (DECREASE) INCREASE OF CASH AND CASH EQUIVALENT	(391,991)	420,732
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	574,855	154,123
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 5)	182,864	574,855
	========	========

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousand US Dollars)

	2013	2012
RECONCILIATION OF NET PROFIT OR LOSS WITH CASH FROM OPERATING ACTIVITIES:		
Net profit	173,360	210,950
Plus (less) adjustments in net profit:		
Depreciation and amortization	117,823	119,950
Net changes in assets and liabilities		
Increase of operating assets -		
Accounts receivable, net	(145,388)	(113,347)
Inventories	10,509	(21,199)
Increase of operating liabilities -		
Trade accounts payable	62,247	38,563
Other accounts payable	56,134	39,869
	----------	----------
NET CASH FROM OPERATING ACTIVITIES	274,685	274,786
	=======	=======

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013 AND 2012

1. IDENTIFICATION AND ECONOMIC ACTIVITY

(a) Identification

Volcan Compañía Minera S.A.A. (hereinafter "the Company", "The Parent Company" or "Volcan") was incorporated in Peru, 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., acquired by the Company in a privatization process that took place in year 1997.

Shares making up the Company share capital are listed in the Lima Stock Exchange (see Note 17 (a)).

The registered office and administrative headquarters of the Company and its subsidiaries are located at Av. Manuel Olguín No. 375, Santiago de Surco, Lima.

(b) Economic Activity

The Company is engaged, on its own account, in the exploration and exploitation of mining claims and in the extraction, concentration, treatment, and commercialization of polymetallic ores. Until January 2011, two mining units of its own, located in the departments of Pasco and Junín, in the Peruvian central highlands (*sierra central*) operated as part of its structure. In February 2011, the Cerro de Pasco Unit was split from the Company as a result of a simple reorganization process but it has always kept control over this subsidiary (see (d)). In these units, it produces concentrates of zinc, copper, lead, and silver.

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

In the month of January 2011, the Volcan Group, in order to have the a company to supply it with energy, subsidiary Empresa Administradora Chungar S.A.C. acquired 100% of the shares of Compañía Energética del Centro S.A.C. for a value of US$ 12,500 thousand. Although as of December 2013 it is partially operating, there is a plant expansion project to serve the entire group.

Between the months of April and July 2011, in order to diversify the group operations, subsidiary Empresa Minera Paragsha S.A.C. acquired 20.63% of the shares of Cementos Polpaico S.A. domiciled in Chile for US$ 58 million. As of December 31, 2012 it owns a 22.69% stake to a share capital increase for US$ 62 million.

In the month of November 2011, in order to finance the mining projects it was resolved to issue bonds for US$ 600 million in a first tranche. These were placed in February 2012 (See section (f) of this Note).

(c) Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2012 were approved in General Shareholders' Meeting held on March 20, 2013. Those corresponding to December 31, 2013 have been approved by the Company Management on February 12, 2014 and will be submitted to the Board of Directors and to the Shareholders for approval within the terms required by Law. In the opinion of the Company General, the accompanying consolidated financial statements will be approved without changes in a Meeting of the Board of Directors and General Shareholders' Meeting to be held in the first quarter of 2014.

(d) Split

By resolution of the General Shareholders' Meeting dated January 27, 2011 and in order to transfer to another entity the Cerro de Pasco Unit, a simple reorganization was resolved to separate the equity block including the assets that made up the Cerro de Pasco Unit for US$ 386,600 thousand (equivalent to S/. 1,021,082 thousand), transferring to Empresa Administradora de Cerro S.A.C. (hereinafter "Cerro"), such split equity and receiving for that the shares of Cerro corresponding to such contribution, accounting for 99.99% of its capital.

According to Shareholders' resolution, the effective date of the split was February 1, 2011.

(e) The consolidated financial statements as of December 31, 2013 and 2012 include the financial statements of the following subsidiaries:

Name of the Subsidiary	Percentage of direct and indirect capital interest	
	2013	2012
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.	100.00	100.00
Compañía Minera Alpamarca S.A.C. (*)	100.00	100.00
Shalca Compañía Minera S.A.C. (*)	100.00	100.00
Minera Aurífera Toruna S.A.C. (*)	80.00	80.00
Compañía Minera Huascarán S.A.C. (*)	100.00	100.00
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100.00	100.00
Compañía Energética del Centro S.A.C. (**)	100.00	100.00
Hidroeléctrica Huanchor S.A.(***)	99.99	99.99
Empresa de Generación Eléctrica Baños S.A.(***)	99.99	99.99

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

(**) It is in turn subsidiary of Empresa Administradora Chungar S.A.C.

(***) Electric power generation companies acquired in 2012.

A brief description of each subsidiary is given below:

- Empresa Administradora Chungar S.A.C. was incorporated in Peru, in the city of Lima, on august 15, 1996 through the merger of Empresa Administradora S.A. and Compañía Minera Chungar S.A. It is a subsidiary of Volcan since September 2000. It has a mining unit located in the department of Pasco. It is engaged in the exploration, development and exploitation of mining deposits, basically zinc, copper, and lead-bearing ore.

- Empresa Explotadora de Vinchos Ltda. S.A.C. was incorporated in Peru, in the city of Lima, on January 27, 1925. It is a subsidiary of Volcan since September 2000. It has a mining unit in the department of Pasco, which activity of concentrates production goes back to year 1990. From December 1997 to date, the subsidiary carries out through experts, different geologic and mining studies as part of the process of geologic and exploration redefinition of its mining claims; and it is engaged in lead and silver exploration. As from September 2004 it has resumed the exploitation and processing of ore extracted from its mining concessions; to that effect it uses the San Expedito concentrating plant owned by Volcan.

- Empresa Minera Paragsha S.A.C. was incorporated in Peru, in the city of Lima, on December 27, 1996 by virtue of resolution 026-96-CEPRI-CENTROMIN dated May 6, 1996. It is a subsidiary of Volcan since May 2000. It is engaged in mining exploration, exploitation, assignment and usufruct, being its main activity the exploration of its mining concessions with financing provided by the Parent Company or the other entities of the group. The Company Management considers that it will continue with the financial support provided by the Parent Company due to the strategic importance it has for the Volcan Group.

- Compañía Minera El Pilar S.A.C. was incorporated in Peru, in the city of Lima, on August 19, 1947. It is a subsidiary of Volcan since September 2007. It is engaged in the exploration, development and exploitation of mining deposits, basically of zinc, copper and lead-bearing ore, being its main activity the exploration of its mining concessions with financing provided by the Parent Company or the other entities of the Group.

- Compañía Minera Alpamarca S.A.C. was incorporated in Peru, in the city of Lima, on November 2, 2006. It is a subsidiary of Paragsha since November 2006. It is engaged in the exploration, development and exploitation of mining deposits, basically of zinc, copper and lead-bearing ore, being its main activity the exploration and development of its mining concessions with financing provided by the Parent Company or the other entities of the Group.

- Shalca Compañía Minera S.A.C. was incorporated in Peru, in the city of Lima, on December 6, 2006. It is a subsidiary of Paragsha since December 2006. It is engaged in the exploration, development and exploitation of mining deposits, basically of zinc, copper and lead-bearing ore, being its main activity the exploration of its mining concessions with financing provided by the Parent Company or the other entities of the Group.

- Minera Aurífera Toruna S.A.C. was incorporated in Peru, in the city of Lima, on January 25, 2005. It is a subsidiary of Paragsha since March 2007. It is engaged in the exploration, development and exploitation of mining deposits, basically gold-bearing ore, being its main activity the exploration of its mining concessions with financing provided by the Parent company or the other entities of the Group.

- Compañía Minera Huascarán S.A.C. was incorporated in Peru, in the city of Lima, on May 12, 2007. It is a subsidiary of Paragsha since February 2008. It is engaged in the exploration, development and exploitation of mining deposits, basically gold-bearing ore, being its main activity the exploration of its mining concessions with financing provided by the Parent company or the other entities of the Group.

- Empresa Administradora de Cerro S.A.C. was incorporated in Peru, in the city of Lima, on December 29, 2010. It is a subsidiary of Volcan since February 2011. It is engaged in the exploration, development and exploitation of mining deposits, basically zinc, lead and copper-bearing ore.

- Minera San Sebastián AMC S.R.L. was incorporated in Peru, in the city of Cerro de Pasco, on November 12, 2011. It is a subsidiary of Volcan since February 2011. It is engaged in the exploration, development and exploitation of mining deposits, basically zinc, copper, and lead-bearing ore.

- Compañía Energética del Centro S.A.C. was incorporated in Peru, in the city of Lima, on June 23, 2008. It is a subsidiary of Chungar since January 2011. It is engaged in the development and operation of hydroelectric projects.

- Hidroeléctrica Huanchor S.A.C. was incorporated in Peru, in the city of Lima, and is engaged in electric power generation activities, having Huanchor, Tamboraque I and II hydroelectric power plants. The Company acquired through sales agreement dated February 29, 2012 all of the shares held by Minera Corona S.A. in Hidroeléctrica Huanchor S.A.

- Empresa de Generación Energética Río Baños S.A.C. was incorporated in Peru, in the city of Lima, on June 23, 2010. It has Hydroelectric Power Plant Baños V. This project is in progress and is developed at the confluence of the Quiles river with the Baños river, both tributary of the Chancay river.

(f) Issue of bonds

By resolution of the General Shareholders' Meeting held on November 4, 2011, the Company approved the issue of obligations for up to US$ 1,100,000,000 (One Thousand One Hundred Million US Dollars), or its equivalent in Nuevos Soles, to be placed in the international and/or local market, with a first tranche for up to US$ 600,000,000 (Six Hundred Million US 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 Regulation S of the US Securities Act, for up to US$ 600,000,000 (Six Hundred Million US Dollars) subject to the terms and conditions to be determined by the attorneys-in-fact designated by the Parent Company to that effect and the market conditions.

On February 2, 2012 bonds were issued and the so called “Senior Notes Due 2022” were placed in full for $ 600,000,000 in the international market at an annual rate of 5.375% with maturity in 10 years through installments due from August 2, 2012 to February 2, 2022. Interests will be paid through semiannual installments from August 02, 2012 to February 2, 2022. It is worth noting that the demand to underwrite the bonds by investors interested in acquiring them reached US$ 4,809 million US Dollars.

Payments made in the first, second, and third coupons for US$ 16,125 thousand of interests were on the following dates, according to the payment schedule.

1st coupon August 2, 2012
2nd coupon February 2, 2013
3rd coupon August 2, 2013

These funds were mainly used in a growth project, including the Silver Oxides Plant located in the Cerro de Pasco unit, which investment at the closing of year 2013 is approximately US$ 242 million and the new Alpamarca-Pallanga River unit currently in its final stage, having invested approximately US$ 147.6 million in camps, tailings dams, concentrating plant, and mine development. These projects will contribute with an annual aggregate of approximately 8 ounces silver additional to the production being generated by the Company, and according to estimates, commercial production will begin by the end of the first quarter 2014. In the case of the Alpamarca-Pallanga River unit, it will also mean an additional production of zinc, lead, and copper.

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

For control operating reasons, the agreement was entered on August 5, 2013 by and between Banco Internacional del Perú S.A.A. (hereinafter “Interbank”) (trustee) and Volcan Compañía Minera S.A.A. (trustor), and on August 7, 2013 by and between Interbank (trustee), Empresa Administradora Chungar S.A.C. (trustor), and Empresa Administradora Cerro S.A.C. (trustor), under which trust assets were granted for management and guarantee, and the referred entities transferred to Interbank the beneficial ownership of Cash Flows credited to their Collection Accounts.

2. ACCOUNTING PRINCIPLES AND PRACTICES FOLLOWED BY THE COMPANY AND ITS SUBSIDIARIES

The main accounting principles adopted by the Company to prepare and present its accompanying consolidated financial statements, which have been consistently applied for the years presented, are given below:

2.1. Basis of preparation

Statement of compliance -

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”), issued by the International Accounting Standards Board (hereinafter “IASB”), effective as of December 31, 2013 and 2012.

Responsibility for the information -

The Company Management is responsible for the information contained in these consolidated financial statements, which expressly state that the principles and criteria included in the IFRS issued by IASB have been applied in full.

Basis of measurement -

The consolidated financial statements have been prepared in historical cost terms, based on the accounting records kept by the Company and its subsidiaries, except for derivative financial instruments at fair value through profit or loss. The accompanying consolidated financial statements are presented in US Dollars, and all of the values have been rounded to thousands, unless stated otherwise.

Principle of Consolidation -

The consolidated financial statements include all the accounts of the Company and its subsidiaries in which it holds an interest of over 50 percent in their net equity and/or it has control. All material intercompany balances and transactions have been eliminated.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using similar accounting principles and policies.

2.2. Significant accounting judgments, estimates and assumptions

Preparing the consolidated financial statements under IFRS requires that the Management makes judgments, estimates and assumptions to assess the reported figures of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported figures of revenues and expenses for the years ended December 31, 2013 and 2012.

In the opinion of the Management, these estimates were made based on its better knowledge of relevant facts and circumstances as of the date of preparation of the consolidated financial statements; however, final profit or loss may differ from the estimates included in the consolidated financial statements. Any difference between such estimates and subsequent actual amounts will be accounted in the profit or loss of the year in which they occur. The Company Management does not expect that variations, if any, will have a significant effect on the consolidated financial statements.

The significant estimates considered by the Management in preparing the consolidated financial statements include:

(a) Assessment of reserves and mineral resources

The Company and its 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 under the current conditions can be economically and legally extracted from the mining concessions of the Company and its subsidiaries. Resources represent the measured and indicated quantities of ore with a lower degree of certainty and 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. Reviews of the estimates of reserves and resources may occur due to, among other reasons, to data or geological assumption reviews, changes in assumed prices, production costs and results of exploration activities.

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

(b) Functional currency (Note 2.4 (a))

The Company has considered the US Dollar as its functional and presentation currency, as it reflects the economic essence of the pertinent events and circumstances of its main operations and transactions, which are established and settled mainly in US Dollars.

(c) Provision for closure of mining units (Note 15 (b))

The Company computes a provision for the closure of mining units on an annual basis. In order to assess such provision, it is necessary to make significant estimates and assumptions, as many factors exist that will affect the final liabilities for these obligations. These factors include scope estimates and the costs of closure activities, technological changes, changes in the regulations, increases in costs compared to inflation rates and changes in discount rates. Such estimates and/or assumptions may result in actual expenses in the future, which may differ from the amounts estimated at the time of setting up the provision. 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.

(d) Production unit method (Notes 10 and 11)

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 the use of 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 are accounted prospectively.

(e) Costs of mine exploration and development (Note 11)

Applying the Company policy for mine exploration and development costs requires the Management's judgment to assess whether it is probable that economic benefits enter the Company as a result of future exploratory phases. The assessment of ore reserves and resources is a complex estimation process involving levels of uncertainty depending on 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 the Company Management makes 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. Therefore, in case there is information available giving signs about the unrecoverability of certain disbursements that had been capitalized as development costs, they should be charged to the profit or loss of the year in which the new information available is known.

(f) Impairment of non-financial assets (Notes 10 and 11)

The Company assesses at the end of every year whether there is any sign that the value of its assets has been impaired. If such sign exists, the Company makes an estimate of the recoverable amount of the asset. The recoverable amount of the asset is the highest of its fair value less costs of sale and its value in use, and it is assessed, for each asset separately (cash generating unit), unless the asset does not generate any cash flows that are clearly independent from other assets or groups of assets. This assessment requires using estimates and assumptions such as long-term ore prices, discount rates, costs of operation, among others.

A cash generating unit is the smallest group of assets that can be identified, named mining unit, which continuous use generates cash entries separate from the cash flows generated by other assets or groups of assets. To assess cash flow generating units, the Company has considered whether there is an active market for the ore and metals produced by a mining unit.

When the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the asset is considered that has lost value and is then reduced to the recoverable amount. To assess the value in use, the estimated future flows are discounted at their present value at a discount rate before taxes that reflects the current market evaluation of the money value in time and the asset specific risks.

Loss on impairment is recognized in the consolidated statement of income under operating expenses. Loss on impairment recognized in previous years is reversed if there is a change in the estimates used the last time that a loss on impairment was recognized. Reversion cannot exceed the resulting carrying amount, net of depreciation, in case a loss on impairment had not been recognized for the asset in previous years. Such reversion is recognized in the consolidated statement of income.

(g) Stripping costs (Note 2.4 (k.2))

The costs of removing waste rock or waste material to access the ore body (stripping costs), incurred by the Company before the mining project operation begins, are capitalized as part of the mine development cost and they will be amortized as from the time in which production begins and as a function of the mine reserves.

Computation requires using judgments and making estimates such as estimates of waste rock tons to be removed during the mine zone lifetime and the economically recoverable reserves that will be extracted as a result of that. Changes in a mine life and design will usually result in changes in the expected stripping ratio (stripping/ore reserves ratio). Changes are accounted prospectively.

(h) Contingencies (Note 28)

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 consolidated financial statements, but disclosed in notes when the contingency has a probable degree.

Contingent liabilities are recorded in the consolidated financial statements when it is considered likely that they are confirmed in time and can be reasonably quantified; otherwise they are only disclosed in notes to the consolidated financial statements.

(i) Fair value of financial instruments (Note 30)

In cases in which the fair value of financial assets and liabilities recorded in the consolidated statement of financial position do not result from active markets, they are assessed using valuation techniques including the discounted cash flow model. When possible, details feeding these models are taken from observable markets, but, when that is not the case, a degree of discretional judgment is required to assess fair values. These judgments include considering data such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors may affect the reported fair value of financial instruments.

(j) Date of production begin

The Company assesses the situation of each mine in development to assess when the production stage begins. The criteria used to assess the date of begin are determined based on the nature of each mining project, the complexity of the respective facility and its location. The Company considers different criteria as 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 facility 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, certain costs cease to be capitalized to be then 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 in which depreciation or amortization starts.

(k) Recovery of deferred tax assets (Note 16)

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 the Management assesses the likeliness that the Company generates taxable profit in future periods to use the deferred tax assets. Estimates of future taxable revenues are 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 revenues differ significantly from estimates, this may have an impact on the Company capacity to realize the net deferred tax assets recorded on the reporting date.

(l) Inventories (Note 9)

The net realization value test is made on an annual basis and represents the future price of sale based on metal selling prices as of the reporting date, less the estimated cost of completion and the costs that are necessary to make the sale. To compute the long-term inventory value, the Management additionally considers that the value of money in time reduces the net realization value.

Allowance for loss in the net realization value is computed based on a specific analysis that is made by the Management on an annual basis (see Note 2.4(i)). Loss is charged to profit or loss in the year in which the need of such estimate is established.

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

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

(m) Fair value hierarchy (Note 30)

When the fair value of financial assets and liabilities recorded in the consolidated statement of financial position cannot be assessed in active markets, their fair value is assessed using valuation techniques including the discounted cash flow model. The data of these models are taken from observable markets, if possible, but when that is not the case, a degree of judgment is required to assess the fair value. Judgments include liquidity risk, credit risk, and volatility. Changes in assumptions regarding these factors may affect the recorded fair value of financial instruments.

2.3 Changes in accounting policies: New standards, interpretation and amendments

This is a list of the standards and interpretations issued and amended, effective for periods starting on January 1, 2013, which have been adopted by the Company; however, due to the Company structure and the nature of its transactions, the adoption of such standards had no material effect in its financial position and income; therefore, it has not been necessary to amend the Company comparative financial statements.

- IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRS 7, Financial Instruments: Disclosures (amendments - offsetting financial assets and financial liabilities)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- IAS 1 – Presentation of Financial Statements (improvements to IFRS (2009 - 2011 cycle))
- IAS 16 Property, Plant and Equipment (improvements to IFRS (2009 - 2011 cycle))
- IAS 19 Employee Benefits (revised 2011)
- IAS 27 Separate Financial Statements (amended)
- IAS 28 Investments in Associates and Joint Ventures (amended)

- IAS 32 Financial Instruments: Presentation - IFRS (2009 - 2011 cycle)

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

2.4. Summary of significant accounting principles and practices

(a) Transactions in foreign currency

Transactions and balances in foreign currency

Transactions in foreign currency (any currency other than the functional currency) are initially translated to the functional currency using the current exchange rates of the transaction dates. In the conversion of foreign currency the exchange rates set by the Superintendence of Banking, Insurance and Pension Fund Managers (SBS) are used. Monetary assets and liabilities in foreign currency are later adjusted to the functional currency using the current exchange rate of the date of the consolidated statement of financial position. Gain or loss on exchange difference resulting from the settlement of such transactions and the translation of monetary assets and liabilities in foreign currency at the year-end exchange rates are recognized in the consolidated statement of income.

Non-monetary assets and liabilities in foreign currency, which are recorded in historical costs, are translated to the functional currency using the current exchange rates of the original transaction dates.

(b) Financial assets

Initial recognition and measurement

The Company classifies its financial assets under the following categories: Financial assets at fair value through profit or loss, loans and accounts receivable, investments held to maturity, and financial assets available for sale. At the time of initial recognition, financial assets are measured at their fair value. The Company determines the classification of its financial assets after their initial recognition and, when appropriate, it re-evaluates such determination at the end of every year.

Every financial asset is first recognized at their fair value plus the direct costs attributed to the transaction, except for financial assets at fair value which transaction costs are recognized under profit or loss.

Purchases and sales of financial assets requiring the delivery of assets within a period of time established by a regulation or market convention (conventional transactions) are recognized on the date of negotiation, that is, on the date in which the Company undertakes to sell the asset.

The Company financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, trade accounts receivable, other accounts receivable, and embedded derivatives for the sale of concentrates, included under other financial assets.

Subsequent measurement -

Subsequent measurement of financial assets depends on their classification, as detailed below:

Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss include assets held for trading, and financial assets designated at the time of their initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if acquired with the purpose of selling them or repurchase then in a near future. This category includes derivative financial instruments taken by the Company that are not designated as hedging instruments in hedging relationships as defined in IAS 39. Financial assets at fair value through profit or loss are accounted in the consolidated statement of financial position for their fair value and changes in such fair value are recognized as financial revenues or costs in the consolidated statement of income.

At the time of initial recognition, the Company did not classify any financial asset at their fair value through profit or loss.

The Company assesses financial assets held for trade, other than derivatives, to assess whether the intention to sell them in a near future continues to be appropriate. When the company cannot trade these financial assets due to the market inactivity and the Management's intention to sell them in a near future has changed, the Company may consider reclassify them due to such circumstances. The reclassification of loans and accounts receivable or financial assets available for sale will depend on the nature of the asset. Such assessment does not affect any financial asset at fair value through profit or loss that had used the fair value option at the time of its designation.

Embedded derivatives contained in commercial contracts are accounted as separate derivatives and are recorded at their fair value of the economic characteristics and associated risks are not directly related to the commercial contract and if this contract has not been classified as a trading financial asset or at fair value through profit or loss. Gain or loss on changes in the fair value of embedded derivatives is recorded in the consolidated statement of income.

Accounts receivable -

The Company has the following accounts under this category: Trade accounts receivable and other accounts receivable, which are expressed at the transaction value, net of an estimate for doubtful accounts when applicable.

All these instruments are derivative financial assets, with fixed or assessable payments, that are not quoted in an active market. After their initial recognition, loans and accounts receivable are kept at their amortized cost using the effective interest rate method, less any estimate for bad debts.

The Company assesses as of the date of its consolidated financial statements whether there is objective evidence that a loss on impairment has resulted in a loss on impairment of the asset value (such as likeliness of insolvency, significant financial difficulties of the debtor, lack of payment of the principal or interests or any observable information indicating that estimated future flows associated to accounts receivable have decreased). The loss amount is measured as the difference between the asset carrying amount and the present value of future estimated cash flows, discounted at an effective interest rate, original or applicable for similar transactions. The carrying amount of the account receivable is reduced using a valuation account. The loss amount is recognized in the consolidated statement of income. Impaired accounts receivable are written off when considered as bad debts.

If in a later period the loss amount decreases, the Company reinvests it crediting it to the consolidated statement of income.

Impairment of financial assets -

The Company evaluates at the end of each year, whether there is evidence that a financial asset or group of financial assets show impairment. A financial asset or group of financial assets are considered affected if, and only if, there is objective evidence of impairment as a result of one or more events subsequent to the asset initial recognition (“loss event”) and when such loss event has an impact on estimated future cash flows of the financial asset or group of financial assets that can be estimated on a reliable basis. Evidence of impairment may be a sign that debtors or a group of debts is experiencing significant financial difficulties, default or delay in the payment of the principal or interests, likeliness of financial reorganization or bankruptcy, and when observable data indicate that there is a significant reduction in the estimated future cash flows, such as changes in delays or economic conditions correlated with failure to pay.

(c) Financial liabilities

Initial recognition and measurement -

Financial liabilities within the scope of IAS 39 are classified as: financial liabilities at fair value through profit or loss, loans or derivatives designated as hedging instruments, as appropriate.

The Company determines the classification of its financial liabilities when they are initially recognized. All of the financial liabilities are initially recognized at fair value, except in the case of loans in which they are recognized at the fair value of cash received, less costs directly attributable to the transaction.

The Company financial liabilities include trade accounts payable, other accounts payable, financial obligations and provision for the closure of mining units.

Subsequent measurement -

Subsequent measurement of financial liabilities depends on their classification, as detailed below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial assets designated at the time of their initial recognition as at fair value through profit or loss. This category includes derivative financial instruments underwritten by the Company that have not been designated as hedging instruments. Separate embedded derivatives are also classified as trading unless designated as instruments of effective hedging. Gain or loss on liabilities held for trading is recognized in the consolidated statement of income. The Company has not designated any financial liability at the time of its initial recognition at fair value through profit or loss.

Loans accruing interests -

After their initial recognition, loans accruing interests are subsequently measured at their amortized cost using the effective rate interest rate method. Gain and loss are recognized in the consolidated statement of income when liabilities are written off, as well as through the process of amortization of the effective interest rate. Amortized costs are computed considering any discount or premium on the acquisition and commissions or costs that are an integral part of the effective interest rate. The effective interest rate is included under financial cost in the consolidated statement of income.

(d) Derecognition of financial assets and liabilities

Financial assets -

A financial asset (or when applicable part of a financial asset and part of a group of similar financial assets) is written off when:

(i) The rights to receive cash flows of the asset has terminated; or

(ii) The Company has transferred its rights its receive cash flows of the asset or has assumed an obligation to pay the received cash flows in full immediately to a third party under a pass-through agreement;

(iii) The Company has transferred substantially all of the risks and benefits of the asset or, if it has not transferred or withheld substantially all of the risks and benefits of the asset, it has transferred its control.

In case the Company transfers its rights to receive cash flows from an asset or enters a transfer agreement, but it has not transferred substantially all of the risks and still holds control of the asset, it should recognize an associated liability. The transferred asset and associated liability are measured on a base that reflects the rights and obligations the Company had withheld.

Financial liabilities -

A financial liability is derecognized when the obligation to pay ends, is cancelled, or expires. 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 and the recognition of a new liability, recognizing the difference between them in the period profit or loss.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is an effective legal right at that moment to offset the recognized amounts and if the intention exists to settle in net terms or to realize the assets and settle the liabilities simultaneously.

(f) 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, 2013 and 2012. (See note 30).

(g) Cash and cash equivalents

The heading presented in the Company statement of financial position includes all cash balances, term deposits, mutual funds, and investment-grade corporate bonds, which are short-term, highly liquid investments that are readily convertible into cash and have free availability.

On the other hand, for the purpose of presentation in the statement of cash flows, it includes cash, mutual funds and term deposits, with original maturity of six months or less but liquidable at any time. It also includes short-term investment-grade Corporate Bonds for being highly liquid in the Company Management's opinion.

(h) Inventories

Inventories, including products in process, are valued at the lesser of cost or net realization value. The net realization value is the estimated selling price in the regular course of operations, less estimated costs of termination and costs needed to make the sale.

The cost is assessed based on a weighted average, except for inventories receivable, which are shown at the specific cost of acquisition. The cost of finished products and products in process includes the cost of contractors' services, consumption of materials and supplies, cost of direct labor, other direct costs and manufacturing overhead expenses (based on the regular operation capacity established as the present production) and excludes financing expenses and exchange differences.

Estimate for loss on the realization value is computed based on a specific analysis that is made by the Management on an annual basis and is charged to profit or loss in the year in which the need of such estimate is determined.

(i) Investments in associates

It includes investments in entities in which an interest between 20 percent and 50 percent of the net equity is held, where significant influence but no control is exercised. These investments are recorded at cost.

(j) Property, Plant and Equipment

It is presented at cost less depreciation. The initial cost of an asset comprises its purchase price or its manufacturing cost, including nonrefundable tariffs and purchasing taxes and any other cost necessary to put such asset in operation, the initial estimate of the obligation to rehabilitate and, in the case of qualifying assets, the cost of indebtedness and any cost directly attributable to putting such assets in operation.

Depreciation -

Production unit method

Depreciation of buildings and other mining constructions is computed per unit of production 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 units of production depreciation method 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:

	Years
Buildings and other constructions	33
Infrastructure of environmental compliance program	10
Machinery and equipment	Between 3 and 10
Transport units	5
Furniture and fixture and computer equipment	Among 4, 5 and 10
Various equipment	Between 5 and 10

A fixed asset item or a significant component is removed at the time of disposal or when no economic benefits or subsequent disposal are expected. Any gain or loss resulting at the time of removal of the fixed asset (computed as the difference between revenues from the sale and the carrying amount of the asset) is included in the consolidated statement of income in the year in which the asset is removed.

Residual value, useful life, and depreciation and amortization methods are reviewed and adjusted prospectively of appropriate, at the end of every year.

Maintenance and minor 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 during an additional useful life period.

When the replaced part of the asset was not considered separately as a 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.

(k) Mining titles & concessions, and exploration, development & stripping costs

(k.1) Mining titles and concessions

Mining titles correspond to ore reserves and costs for the acquisition of mining concessions occurred in previous years. Mining titles represent the Company title 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 and measured and indicated resources.

Mining concessions correspond to exploration titles in zones of interest for the Company. Mining concessions are capitalized in the consolidated statement of financial position and represent the Company title 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 the Company Management. In case the Company abandons such concessions, associated costs are written off in the consolidated statement of income.

At the year end, the Company assesses for each mining unit whether there is any sign that the value of its mining rights has been impaired. If such sign exists, the Company makes an estimate of the recoverable amount of the asset. See paragraph 2.2(f).

(k.2) 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 later 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. The stripping costs incurred in the period are deferred to the extent that the relation 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.

(k.3) Mine 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 the 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 the Company Management.

(m) Leases

Assessing whether a contract is or contains a lease is made based on the substance of the contract on the date of beginning thereof. It is necessary taking into consideration whether the contract compliance depends on the use of a specific asset or assets or whether the contract transfers the right to use the asset. After the lease begins, it is only possible to reassess the asset if one of the following considerations is applicable:

(i) There is a change in the contracting terms, which is not the contract renewal or postponement.

(ii) An option of renewal has been exercised or a postponement has been granted, unless the renewal or postponement is provided within the contract terms.

(iii) There is a change in determining whether compliance depends on a specific asset; or

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

If the revaluation is made, the lease accounting will start of cease as from the date in which the change of circumstances gives place to the revaluation in the case of scenarios (i), (iii) or (iv), and on the date of renewal of begin of the period of postponement 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 leasing begin. Financial expenses are charged to profit or loss in the period in which they become due, and depreciation of assets is charged to profit or loss based on their useful life or contract term.

Embedded lease -

All Take-or-Pay contracts are reviewed, at the time of their initial recognition in order to identify embedded leases.

(n) Intangibles

Intangibles (software) are recorded at their initial recognition and then, at the initial cost less the corresponding accumulated amortization. Intangibles are amortized using the straight-line method based on their estimated useful life, which is of 10 years. The amortization period and method are reviewed at the end of every year.

(ñ) Provisions

General -

A provision is recognized only when the Company has any (legal or implicit) present obligation resulting from a past fact, an outflow of resources will be likely required for its liquidation, and a reliable estimation of the obligation amount can be made. Provisions are reviewed from time to time and are adjusted to reflect the best estimate available as of the date of the consolidated statement of financial position. A provision related expense is shown in the consolidated statement of income. When significant, provisions are discounted at its present value using a rate that reflects the specific risks related with the liability. When the discount is made, the provision increase for the time elapsing is recognized as a financial expense.

Provision for closure of mining units -

At the time of the initial recording of the liability for this obligation is measured at fair value, having as contra account a higher carrying amount of long lasting assets related to development costs and fixed assets.

Later, the liability increases in each period to reflect the cost for interest considered in the initial estimation of the fair value and, in addition, the capitalized cost is depreciated and/or amortized 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 in the year profit or loss. Changes in the fair value of the obligation or in the useful life of related assets resulting from the review of initial estimates are recognized as an increase or decrease of the carrying amount of the obligation and related asset of Property, Plant and Equipment. Any reduction in a mine closure liability and, therefore, any deduction of the related asset cannot exceed the carrying amount of such asset. If it does, any excess over the carrying amount is immediately taken to the consolidated statement of income.

If the change in the estimate may result in an increase in the closure liability and, therefore, an addition to the carrying amount of the asset, the Company is required to take into consideration whether it is a sign of impairment of the asset as a whole and perform tests of impairment. Also, in the case of mature mines, if the reviewed mining assets, net of provisions for closure, exceed the recoverable value, such portion of the increase is directly charged to expenses. In the case of already closed mines, changes in the estimated costs are immediately recognized under profit or loss. Likewise, any closure liabilities that may result from the phase of production of a mine should be included under expenses when incurred.

(o) Recognition of revenues

Revenues are recognized to the extent it is likely that economic benefits will flow to the Company. Revenues are measured at the fair value of the received or receivable contra account, excluding discounts. The following criteria should be met for revenue recognition:

Sales of concentrates -

Revenues for the sale of concentrates are 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 contracts.

As for the measurement of the revenue for the sale of concentrates, on the date of recognition of the sale, the Company recognizes the revenue for 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 contract. For this purpose, at the closing of each year, the selling price initially used is estimated according to the future price for the quotation period provided in the contract. Thus, the difference in estimating the selling value is recorded as an increase or reduction of net sales.

Revenues from interests -

Revenues from interests are recognized based on the proportion of time elapsed, using the effective interest rate method.

Other revenues -

Other revenues are recognized when accrued.

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

(p) Recognition of costs and expenses

Cost of sales corresponds to the production cost of the products commercialized by the Company and is recorded when they are delivered to the customer.

Other expenses are recognized when accrued.

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

(q) Borrowing Costs

Borrowing 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, the gain generated on the temporary investment are capitalized and deducted from the total cost of debt. When the funds used to finance a project are part of the general debt, the capitalized amount is computed using the weighted average of the rates applicable to the Company general debt during the period. All other costs of debt are recognized in the consolidated statement of income in the period in which they are incurred.

(r) Income tax

Current

Income tax is computed based on non-consolidated financial statements and is shown for the accumulated amount resulting from each subsidiary expected to be paid to the tax authorities. The legal standards and rates used to compute amounts payable are the ones effective on the date of the consolidated statement of financial position.

Current income tax related with equity items is recognized in the consolidated statement of changes in net equity and not in the consolidated statement of income. The Management makes from time to time an assessment of the tax position in which the tax regulation is subject to interpretation and recognizes provisions when necessary.

Deferred -

Deferred income tax is recognized using the liabilities method, considering temporary differences between the tax and accounting basis of assets and liabilities, as of the date of the consolidated statement of financial position.

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 (revenues less expenses), rather than being computed based on produced quantity or percentage of revenues, after temporary differences adjustment.

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

(s) Derivative financial instruments

Derivatives that do not qualify as hedging instruments -

Derivative contracts are recognized as assets and liabilities at fair value in the consolidated statement of financial position. Any changes in the fair value of derivative contracts that do not qualify as hedging instruments are recorded in the heading “Net gain (loss) on derivative financial instruments” of the consolidated statement of income.

Derivatives qualified as hedging instruments -

In order to manage particular risks, the Company applies hedge accounting to the transactions that meet the specific criteria for that.

At the beginning of the hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument; including risk nature, objective and strategy for undertaking the hedge and the method to be used to assess the hedging relationship effectiveness.

Also at the beginning of the hedging relationship, a formal assessment is made to ensure that the hedging instrument is highly effective to offset the risk designated in the hedged item. Hedges are formally assessed on a quarterly basis. A hedge is considered as highly effective if it is expected that any changes in the cash flows, attributed to the risk hedged during the period for which the hedge is designated, are offset and are in a range of 80 to 125 percent.

As of December 31, 2013 and 2012, the Company has contracted derivative instruments under the form of de “Asian-Style Swaps” and “Option Collars” on metal quotes that qualify as cash flow hedging instruments.

For cash flow hedges that qualify as such, the effective part of gain or loss on the hedging instrument is initially recognized in the consolidated statement of net equity under “Unrealized gain or loss”. The ineffective part of gain or loss on the hedging instrument is initially is recognized in the consolidated statement of income. When the hedged cash flow affects the consolidated statement of income, the gain or loss on the hedging instrument is recorded in heading “Net sales” of the consolidated statement of income.

Embedded derivatives contained in host contracts are accounted as a separate derivative and recorded at their fair value if the economic characteristics and associated risks are not directly related to the host contract and such contract has not been designated as a trading financial asset or at fair value through profit or loss. Gain or loss on changes in the fair value of embedded derivatives are recorded in the heading Sales of the consolidated statement of income. As of December 31, 2013 and 2012, the Company only holds embedded derivatives related to its commercial sales contracts

Classification as current or non-current -

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or are separated in a current part and a non-current part based on the assessment of facts and circumstances (for instance, underlying contracted cash flows).

Embedded derivatives that are not closely related with the main contract are consistently classified with the cash flows of the main contract.

Derivative instruments designated as effective hedging instruments are classified according to the underlying hedged item classification. The derivative instrument is separated in a current part and a non-current part only if the separation can be reliably made.

(t) Basic and diluted earnings per share

Basic and diluted profit per share has been computed based on the same weighted average of common and investment shares outstanding as of the date of the consolidated statement of financial position. When the number of shares changes as a result of the capitalization of withheld profit, split or consolidation of shares, computation of basic and diluted earnings per share is retroactively adjusted for the presented periods. If the change occurs after the date of the consolidated financial statements, but before they are disclosed, earnings per share computation for all presented periods should be based on the new number of shares.

(u) Segments

An operating segment is a component of an entity: (i) that develops business activities from which it can obtain revenues and incur in expenses (including related revenues and expenses for transactions with other components of the same entity), (ii) which operating results are regularly reviewed by the 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 27.

3. STANDARDIZATION

The consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of income, comprehensive income, net equity, and cash flows for the year ended December 31, 2013 and 2012, are included in this report for comparative purposes, have been prepared in accordance with IFRS, with a consistent application of accounting principles and criteria.

Certain figures of the financial statements as of December 31, 2012 have been reclassified in order to make them comparable with those of December 31, 2013 (see Notes 20 and 21 (c)).

4. TRANSACTION IN NUEVOS SOLES

Transactions in foreign currency (Nuevos Soles) are made at the exchange rates published by the Superintendence of Banking, Insurance and Pension Fund Managers (SBS). As of December 31, 2013 the exchange rates issued by such institution were US$ 0.3579 for buying and US$ 0.3577 for selling transactions (US$ 0.3923 for buying and US$ 0.3920 for selling transactions as of December 31, 2012), and have been applied by the Company in assets and liabilities accounts, respectively.

As of December 31, 2013 and 2012, the Company had the following assets and liabilities in Nuevos Soles:

	2013 S/.	2012 S/.
Assets		
Cash and cash equivalents	150,673	346,307
Trade accounts receivable	153,885	43,748
Other accounts receivable	649,322	259,669
	953,880	649,724
Liabilities		
Trade accounts payable	(149,520)	(122,469)
Other accounts payable	(184,489)	(164,622)
	(334,009)	(287,091)
Net assets	619,871	362,633

5. CASH AND CASH EQUIVALENTS

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Cash	54	94
Fixed fund	28	20
Bank checking accounts	37,479	67,640
Term deposits (a)	77,487	154,764
Mutual funds (b)	437	9,067
Funds subject to restriction	642	510
Investment-grade Corporate Bonds (c)	66,737	342,760
	182,864	574,855

(a) Breakdown of term deposits as of December 31, 2013, which are kept in local and international first-rank financial entities, is given below:

Date	Nominal currency	Original terms	Annual interest rate %	US$(000)
Nov 04, 2013	Nuevos Soles	1 to 3 months	3.82%	42,487
Dec 31, 2013	U.S. Dollars	1 to 3 months	0.36%	35,000

				77,487
				=======

(b) The Company holds mutual funds with Interbank for S/. 136,575 and US$ 120,237, in BBVA Banco Continental for S/. 613,096, and in SURA for US$ 48,446. These funds have variable return and during year 2013 they have generated revenues for approximately S/. 168 thousand equivalent to US$ 65 thousand (in year 2012, revenues amount to S/. 244 thousand, equivalent to US$ 93 thousand). During 2013, a large part of such funds were settled by the Company Management.

(c) It corresponds to short-term bonds in foreign currency belonging to investment-grade Corporations. These securities were acquired through international first-rank financial entities and are held to comply with short-term commitments. In year 2013 they have generated revenues for US$ 1,666 thousand (in 2012, revenues amounted to US$ 3,024 thousand).

During 2013, the Company Management was settling these bonds to face its obligations.

6. TRADE ACCOUNTS RECEIVABLE, NET

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Invoices	157,508	132,325
Estimate for doubtful accounts (a)	(17,601)	(17,601)
	----------	----------
	139,907	114,724
	=======	=======

Accounts receivable are denominated in US Dollars, have current maturity, accrue no interests and lack specific securities. Trade accounts receivable past due or to become due are being collected in the first quarter of the following year. The Company presents an analysis of accounts receivable of the Company rated according to their aging in Note 29(b).

(a) As of December 31, 2013 and 2012, the Company Management considers that, except for accounts receivable estimated as doubtful accounts, it has no other bad debts, as its main customers are well renowned in the international market and show no financial problems at the closure of the period. 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. See Note 2.4(o).

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

7. OTHER ACCOUNTS RECEIVABLE

A breakdown of this heading is given below:

Description	2013 US$(000)	2012 US$(000)
Loan to related entity (a)	87,819	77,848
Advance payments granted to contractors	73,627	69,796
Tax credit favorable for the Company, Value Added Tax	130,175	35,766
Credit for Income Tax and temporary tax on net assets (b)	29,394	15,284
Loans to third parties (c)	40,803	25,698
Claims to National Superintendence of Tax Administration (SUNAT)	11,508	7,420
Water & Sewerage Utility (SEDAPAL) (d)	-	7,023
Prepaid insurance	1,039	7,018
Commission for bond issuing	3,737	4,006
Interest on portfolio of bonds	-	3,270
Public works for taxes (e)	1,738	5,262
Accountable advances	2,986	2,266
Loans to personnel (f)	2,387	4,443
Taxes recoverable (g)	8,456	9,268
Estimate for doubtful accounts (h)	(1,618)	(1,618)
Other minor	5,687	4,783
	397,738	277,533
Non-current part	12,212	13,231
Current part	385,526	264,302

(a) It corresponds to loans made to related entities Compañía Minera Vichaycocha S.A.C. and Compañía Minera Santa Clara y Llacsacocha S.A. for working capital, which accrue interests at the market rate and are considered of current maturity.

(b) It corresponds mainly to the balance of income tax advance payments and payments corresponding to the temporary tax on net assets.

(c) They include loans to third parties, which accrue interests at the market rate and are considered of current maturity.

(d) This claim was collected in year 2013.

(e) The Company has been participating in the design of projects under the scheme provided in Law 29230 on Works for Taxes. During year 2013, six projects were approved for a total amount of S/. 76.5 million (approximately US$ 27 million) having completed two projects with an investment of S/. 34 million (equivalent to approximately US$ 12 million), which correspond to the Huariaca Municipality Solid Waste Management Improvement Project for S/. 5.1 million (equivalent to approximately US$ 1.8 million) and the Project for the Creation of the Road Exchange of Avenues América, Norte, Nicolás de Piérola, and Mansiche in the city of Trujillo, with an investment of S/. 29.5 million (equivalent to approximately US$ 10.5 million in consortium with Cementos Pacasmayo).

(f) These loans accrue interests according to collective bargaining agreement.

(g) It includes mainly refund requests to the Tax Administration for the following: in the Company they correspond to fines for unpaid withholdings for US$ 2,919 from December 2001 to March 2002 and Income Tax of year 2001 for US$ 2,466, and in the Subsidiary, Empresa Administradora Chungar S.A.C., they correspond to the exporter VAT credit balance for US$ 3,008 of April, June, July, August, September and December 2004. In the opinion of the Company Management and its legal counselors, the application will have a favorable result for the companies. This balance is considered of non-current maturity.

(h) In the opinion of the Company Management, the estimate for doubtful accounts is enough to hedge the risk of failure to pay as of the date of the consolidated statement of financial position.

The activity of the estimate for doubtful accounts for the years ended December 31, 2013 and 2012 was as follows:

	2013 US$(000)	2012 US$(000)
Initial balances	(1,618)	(1,466)
Additions, Note 23	-	(152)
Final balances	(1,618)	(1,618)

The Company presents an analysis of other accounts receivable of the Company rated according to their aging in Note 29(b).

8. OTHER FINANCIAL ASSETS AND LIABILITIES

A breakdown of this heading is given below:

Receivable:

	2013 US$(000)	2012 US$(000)
Embedded derivatives	5,534	883
Hedging:		
- Settled	37,288	2,607
- Provisions in the Statement of Income	51,622	-
- Provisions in Equity (outstanding settlement)	6,516	66,929
	95,426	69,536
	100,960	70,419
Less:		
Non-current part - Provisions in the Statement of Income	17,889	-
Non-current part - Provision in Equity Note 18 (a)	265	40,377
Non-current part	18,154	40,377
Current part (a)	82,806	30,042

(a) It includes coverage transactions to become due in 2014 for US$ 6,251 thousand (US$ 26,552 thousand in 2012) (See Note 18 (a)) and US$ 37,288 thousand (US$ 2,607 thousand in 2012) due at the year closing.

(b) Coverage contracts have been traded basically with various international first-rank financial entities. The main ones include Bank of America Merril Lynch, J. Aron & Co., Morgan Stanley & Co. International, Societe Generale / New York, BBVA Banco Continental, Morgan Stanley Capital Group, JP Morgan, Standard Bank Pic, BNP Paribas New York, Credit Suisse International y Mitsui & Co. Precious Metals Inc.

Payable:

	2013 US$(000)	2012 US$(000)
Embedded derivatives	312	633
	----------	---------
Hedging: (c)		
- Settled	45,324	12,365
- Provisions in the Statement of Income	51,564	-
- Provisions in equity (outstanding settlement)	10,908	46,465
	----------	---------
	107,796	58,830
	----------	---------
	108,108	59,463
Less: Non-current part	(5,902)	-
	----------	---------
Current part	102,206	59,463
	=======	======

(c) In 2013 it includes hedging transactions to become due in 2014 for US$ 10,908 thousand (US$ 46,465 thousand in 2012) (See Note 18 (a)) and US$ 45,324 thousand due at the year closing.

9. INVENTORIES, NET

A breakdown of this heading is given below:

	As of December 31, 2013 US$(000)	As of December 31, 2012 US$(000)
Concentrates	30,299	40,480
Raw material (extracted ore)	32,022	31,885
Various supplies	49,334	50,084
Inventories in transit	1,068	783
Estimate for obsolescence of spare parts and supplies	(4,488)	(4,488)
	----------	----------
	108,235	118,744
	=======	=======

The Company Management estimates that the balances presented under inventories do not exceed their net realization values as of December 31, 2013 and 2012.

It also believes that the estimate for obsolescence of spare parts and supplies properly hedges such risk as of December 31, 2013 and 2012.

10. PROPERTIES, PLANT AND EQUIPMENT, NET

The activity and breakdown of this heading is given below:

YEAR 2013	BALANCES AS OF DECEMBER 31, 2012 US$(000)	ADDITIONS US$(000)	REMOVALS US$(000)	TRANSFERS AND ADJUSTMENTS US$(000)	BALANCES AS OF DECEMBER 31, 2013 US$(000)
COST					
Land	6,005	8	-	1	6,014
Buildings and other constructions	219,855	6,984	-	8,808	235,647
Infrastructure of environmental compliance program	22,022	-	-	-	22,022
Machinery and equipment	301,097	21,070	(16,310)	2,265	308,122
Transport units	14,376	1,006	(1,580)	1	13,803
Furniture and fixture and computer equipment	9,491	984	(10)	4	10,469
Various equipment	315,406	26,564	(56)	6,295	348,209
Units in transit	14,217	-	-	(5,582)	8,635
Works in progress (a)	228,496	377,775	-	(12,326)	593,945
	1,130,965	434,391	(17,956)	(534)	1,546,866
ACCUMULATED DEPRECIATION					
Buildings and other constructions	34,563	12,513	-	-	47,076
Infrastructure of environmental compliance program	20,215	796	-	(1)	21,010
Machinery and equipment	227,364	24,851	(13,893)	(3)	238,319
Transport units	11,850	834	(1,273)	1	11,412
Furniture and fixture and computer equipment	4,972	683	(1)	-	5,654
Various equipment	171,112	22,242	(13)	3	193,344
	470,076	61,919	(15,180)	-	516,815
Net cost	660,889				1,030,051

YEAR 2012					
COST	903,364	232,321	(2,934)	(1,786)	1,130,965
ACCUMULATED DEPRECIATION	402,451	69,783	(2,151)	(7)	470,076
Net cost	500,913				660,889

(a) The main projects under Works in progress as of December 31, 2013 and 2012 are given below:

In the Company:

Projects	2013 US$000	2012 US$000
Expansion of concentrating plant, 3200 MTD	1,726	1,395
Infrastructure for cemented fill, Andaychagua	1,515	1,128
Mine concrete slab on ramps 05-06-04 and BY PASS	1,912	1,726
Mine concrete slab at lv 630 - 730 - 780 -820	1,131	1,131
Transmission line, 50KV, substation Pomacocha – substation San Antonio – S.E.S.	2,502	2,473
New substation, Pomacocha – San Cristóbal	3,865	2,017
Shaft, Andaychagua	7,701	1,635
Heigthening Rumichaca	10,662	4,361
Tailings deposit, Andaychagua Alto – Stage II	13,745	13,366
Tailings Deposit, Chumpe	3,305	1,865
Tailings Deposit # 6 - Mahr Tunel - Stage III	3,117	3,058
Pumping system – lv 9 to lv 5 – pumping chambers	1,897	1,865
Pumping system, lv 900 - 800 - 678 – Andaychagua Mine	822	698
Digital communication system, Andaychagua mine	2,457	1,709
Digital communication system, San Cristobal mine	2,062	2,056
Digital communication system, Ticlio mine	-	883
Technological infrastructure system-Yauli	1,590	1,590
Volcan - Projects in progress	46,190	19,954
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Subtotal	106,199	62,910
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In Subsidiary Empresa Administradora Chungar S.A.C.:

Expansion to 5,000 MTD, Animón Plant	507	8,427
Hydroelectric power plant, 110 MV, Chancay	2,376	2,197
Chungar - Projects in progress	33,202	20,341
Data Center - Chungar	1,788	1,305
Transmission Line, 22.9 KV, Substation Baños IV – Hydroelectric Power Plant Huanchay, 21km	1,156	1,156
Transmission line, 220 KV, Paragsha II - FRANCOISE	18,871	12,404
Optimization of power circuit inside Mine	543	543
Jacob Timmers shaft	21,558	15,339
Heightening of Tailings deposit, Animón, elev. 4614	14,043	-
Heightening of Tailings deposit, Animón, elev. 4618	16,556	16,427
Communications System, Hydroelectric Power Plants BAÑOS and CHICRIN	782	-
Pump System, Esperanza lv 175	728	727
Outer bypass road, Huayllay	1,946	548
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Subtotal	114,056	79,414
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Projects	2013 US$000	2012 US$000
In Subsidiary Empresa Administradora Cerro S.A.C.:		
Cerro - Projects in progress	5,817	7,041
Construction of Almirante Grau school	888	888
Data Center - Cerro de Pasco	1,550	1,116
Tailings line, Paragsha - Ocroyoc	-	19,372
New Paragsha plant, basic engineering	-	348
Supplementary Plant Paragsha Oxides	242,432	28,904
Neutral water pumping system	2,662	2,412
Pasco village	2,688	2,688
Subtotal	256,037	62,769
Other minor in Subsidiaries	117,653	23,403
Total	593,945	228,496

The main projects under works in progress are estimated to be completed between 2014 and 2016.

(b) The net cost of buildings under financial leasing amounts to US$ 8,353 thousand, and the net cost of machinery and equipment under financial leasing amounts to US$ 26,408 thousand. The disbursement in year 2013 amounted to US$ 14,847 thousand. The amounts payable in 2014 amount to US$ 14,022 thousand and to US$ 12,439 thousand in years 2015 to 2017.

(c) The Company maintains insurance policies covering their main assets according to the policies established by the Management.

11. MINING TITLES & CONCESSIONS, AND EXPLORATION, DEVELOPMENT & STRIPPING COSTS

The activity and breakdown of this heading is given below:

	BALANCES AS OF DECEMBER 31, 2012 US$(000)	ADDITIONS US$(000)	TRANSFERS AND ADJUSTMENT US$(000)	BALANCES AS OF DECEMBER 31, 2013 US$(000)
2013				
Cost				
Mining titles and concessions (a)	284,710	18,692	59	303,461
Exploration costs (b)	274,403	25,298	5,219	304,920
Development costs (c)	564,719	83,903	2	648,624
Closure of mining units (d)	55,115	42,141	-	97,256
Other intangibles	9,998	978	357	11,333
	1,188,945	171,012	5,637	1,365,594
Accumulated amortization				
Mining titles and concessions (a)	144,844	5,225	2	150,071
Exploration costs (b)	48,535	8,305	2	56,842
Development costs (c)	234,992	39,553	-	274,545
Closure of mining units (d)	11,213	1,971	-	13,184
Other intangibles	5,042	850	-	5,892
	444,626	55,904	4	500,534
Net cost	744,319			865,060
2012				
Cost	1,036,898	148,477	3,570	1,188,945
Accumulated amortization	394,460	50,167	(1)	444,626
Net cost	642,438			744,319

(a) Mining titles and concessions

The activity and breakdown of this heading is given below:

Year 2013	Balances as of December 31, 2012 US$(000)	Additions US$(000)	Adjust-ments US$(000)	Balances as of December 31, 2013 US$(000)
Cost				
Yauli	136,046	1,238	59	137,343
Cerro de Pasco	92,283	-	-	92,283
Animón	24,188	17,454	-	41,642
Paragsha and subsidiaries	3,848	-	-	3,848
Vinchos	2,388	-	-	2,388
San Sebastián	2,347	-	-	2,347
Other concessions	23,610	-	-	23,610
	284,710	18,692	59	303,461
Accumulated amortization				
Yauli	80,747	3,993	1	84,741
Cerro de Pasco	49,844	432	-	50,276
Animón	13,139	765	-	13,904
Paragsha and subsidiaries	20	-	-	20
Vinchos	995	8	-	1,003
Other concessions	99	27	-	126
	144,844	5,225	1	150,070
Net cost	139,866			153,391

Year 2012				
Cost	280,310	12,696	(8,296)	284,710
Accumulated amortization	140,186	4,658	-	144,844
Net cost	140,124			139,866

(b) Exploration Costs

The activity and breakdown of this heading is given below:

Year 2013	Balances as of December 31, 2012 US$(000)	Additions US$(000)	Transfers US$(000)	Balances as of December 31, 2013 US$(000)
Cost				
Yauli	90,364	7,407	93	97,864
Cerro de Pasco	64,126	5,051	-	69,177
Animón	32,812	9,774	1	42,587
Paragsha and subsidiaries	49,282	1,416	5,124	55,822
Vinchos	26,184	510	1	26,695
El Pilar	7,568	347	-	7,915
San Sebastian	4,067	793	-	4,860
	274,403	25,298	5,219	304,920
Accumulated amortization				
Yauli	26,010	3,840	-	29,850
Cerro de Pasco	7,257	333	-	7,590
Animón	6,727	1,874	1	8,602
Paragsha and subsidiaries	1,631	337	-	1,968
Vinchos	6,910	1,921	1	8,832
	48,535	8,305	2	56,842
Net cost	225,868			248,078

Year 2013				
Cost	273,882	40,769	(40,248)	274,403
Accumulated amortization	44,099	7,934	(3,498)	48,535
Net cost	229,783			225,868

(c) Development costs

The activity and breakdown of this heading is given below:

Year 2013	Balances as of December 31, 2012 US$(000)	Additions US$(000)	Transfers US$(000)	Balances as of December 31, 2013 US$(000)
Cost				
Yauli	216,190	40,876	-	257,066
Cerro de Pasco	243,588	2,975	-	246,563
Animón	65,788	12,350	1	78,139
Paragsha and subsidiaries	19,683	26,977	-	46,660
Vinchos	19,470	725	1	20,196
	564,719	83,903	2	648,624
Accumulated amortization				
Yauli	109,848	23,587	-	133,435
Cerro de Pasco	84,705	2,961	-	87,666
Animón	31,602	9,610	-	41,212
Vinchos	8,837	3,395	-	12,232
	234,992	39,553	-	274,545
Net cost	329,927			374,079

Year 2012				
Cost	432,950	79,939	51,830	564,719
Accumulated amortization	201,575	34,856	(1,439)	234,992
Net cost	231,375			329,927

(d) Closure of mining units

The activity and breakdown of this heading is given below:

	Balances as of December 31, 2012 US$(000)	Additions US$(000)	Transfers US$(000)	Balances as of December 31, 2013 US$(000)
2013				
Cost				
Closure of mining units	55,115	42,141	-	97,256
Accumulated amortization				
Closure of mining units	11,213	1,971	-	13,184
Net cost	43,902			84,072
2012				
Cost	41,542	13,573	-	55,115
Accumulated amortization	4,220	2,056	4,937	11,213
Net cost	37,322			43,902

12. TRADE ACCOUNTS PAYABLE

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Invoices	196,782	138,665
Drafts	117	117
Provisions for contractors' services (a)	52,027	47,897
	248,926	186,679

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 US Dollars, have current maturity, and accrue no interests. No specific security has been granted for such obligations. The Company policy to manage liquidity risk and aging of accounts payable is outlined in Note 29(c).

(a) They correspond to services received from contractors in December 2013 and 2012, who have not issued their invoices at the year closing.

13. OTHER ACCOUNTS PAYABLE

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Remunerations and employees' profit sharing (a)	36,314	44,107
Advances from customers	3,100	-
Advances on dividends payable (b)	13,531	-
Interests on bonds payable (c)	13,438	13,438
Discounts (*detracciones*) payable	16,311	9,219
Mining royalties payable (Note 2.4 (r) and 16)	6,353	8,485
Retirement fund	91	815
Corporate Income Tax corresponding to the Company and its Subsidiaries	1,156	963
Value Added Tax		196
Employees' length of service compensation	1,371	1,999
Employees' supplementary occupational risk insurance premiums	749	541
Value Added Tax – Withholdings	1,093	300
Income Tax withheld from personnel	1,769	1,284
Contributions to the Social Security Health Insurance agency (EsSalud)	1,771	680
Contributions to pension fund managers	517	603
Court-ordered withholdings	919	791
Contributions to the Public Pension System	518	337
Other	904	4,377
	---------	---------
	99,905	88,135
	======	======

The Company policy to manage liquidity risk and aging of accounts payable is outlined in Note 29(c).

(a) As of December 31, 2013 and 2012, it includes mainly US$ 16,653 thousand and US$ 24,026 thousand for employees' profit sharing.

(b) It corresponds to General Shareholders' Meeting resolution dated December 4, 2013 for the distribution of dividends on account of 2013 profits, which payment was made on January 7, 2014.

(c) They correspond to accrued interests for the August-December 2013 period on bonds issued by the Company (See Note 14).

14. FINANCIAL OBLIGATIONS

(a) This heading includes the following debts:

NAME OF CREDITORS	Contract	ORIGINAL AMOUNT US$(000)	SECURITY GRANTED	INTEREST RATE	MATURITY	Total 2013 US$(000)	Total 2012 US$(000)
Loans:							
Citibank N.A.	-	40,000	None	2.10 percent	Jul-2014	40,000	40,000
The Bank of Nova Scotia	-	40,000	None	Libor +0.9%	Nov-2014	40,000	40,000
Bonds:							
Traded Bonds	-	600,000		5.375 percent	Feb-2022	600,000	600,000
Financial leasing:							
Interbank	Various	-	The leased goods themselves	Between 4.00 and 5.52 percent	Between Feb-2013 and Aug-2015	17,988	19,065
Scotiabank	Various	-	The leased goods themselves	Between 3.85 and 4.30 percent	Between Dec-2013 and Aug-2016	6,217	5,422
Banco de Crédito del Perú	32657AFB	2,005	The leased goods themselves	5.75 percent	Dec-2017	1,362	1,658
BBVA Banco Continental	506075	1,039	The leased goods themselves	3.90 percent	Aug-2016	980	-
Total financial obligations						706,547	706,145
Non-current part						612,444	613,242
Current part						94,103	92,903

(b) The debt amortization schedule as of December 31, 2013 and 2012 is as follows:

Year	2013 US$(000)	2012 US$(000)
2012	-	65
2013	-	92,838
2014	94,103	8,992
2015	8,737	3,530
2016	3,337	350
2017	370	370
2022	600,000	600,000
	706,547	706,145

15. ENVIRONMENTAL OBLIGATIONS

(a) Provision for the closure of environmental liabilities

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 regulating the identification of the 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, previous 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 has 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 2014 there is no environmental liability to remediate. All previously existing ones have been incorporated in the Mine Closure Plan update for the respective mining units.

The Corporate Management is assessing the possibility to initiate exploitation works in various mining concessions, in order to be able to identify the economic effect of environmental liabilities, which, once proven to be feasible, would be remediated according to Law 28090; otherwise the closure activities will be postponed according to Law 28271.

(b) Provision for the 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 2012 and 2013 the Company 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, 2013, the Company has recognized liabilities amounting to US$ 95,656 thousand corresponding to all of its mining units (US$ 53,622 thousand as of December 31, 2012) related to its obligations for the their future closure:

Mining Unit	2013 Future Value US$(000)	2012 Future Value US$(000)
Andaychagua	10,946	3,944
Ticlio	5,083	3,746
San Cristóbal	19,765	5,619
Cerro de Pasco	17,577	28,150
Carahuacra	27,439	4,654
Animón	7,383	3,729
Vinchos	7,463	3,780
	---------	---------
Total	95,656	53,622
	======	======

The activity of the provision for the closure of mining units and exploration projects is given below:

	US$(000)
Balance as of December 31, 2012	53,622
Disbursements	(219)
Year provision	42,142
Increase for provision present value update	111
Balance as of December 31, 2013	95,656

The provision for the closure of the mining unit accounts for the present value of costs of closure expected to be incurred between years 2013 and 2030. Estimated costs for the closure of mining unit are based on a study prepared by an independent expert in compliance with current environmental regulations. Provision for the closure of mining unit corresponds mainly to activities that have to be carried out to restore the mining unit 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 reviewed to take into account any significant change in the studies made. However, the costs for the closure of the mining unit 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, 2013, the future value of the provision for mining unit closure and environmental liabilities is US$ 150,152 thousand, which has been discounted using the risk free annual rate of 5.57 percent, resulting in an updated liability of US$ 97,257 thousand (US$ 74,156 thousand as of December 31, 2012 using the risk free annual rate of 1.85 percent, resulting in an updated liability of US$ 53,622 thousand). The Company considers that this liability is enough to comply with current environment protection as approved by the Ministry of Energy and Mines.

16. INCOME TAX

(a) Income tax expenses shown in the consolidated statement of income for years 2013 and 2012 include:

	2013 US$(000)	2012 US$(000)
Income tax		
Current	53,203	82,085
Deferred	11,298	13,995
	---------	----------
	64,501	96,080
Tax on mining royalties (i)	17,092	23,273
Contribution to the mining retirement fund (ii)	871	1,395
	---------	----------
	82,464	120,748
	======	=======

(i) It corresponds to mining royalties that Companies 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 year 2012.

(b) The Company recognizes 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:

	As of December 31, 2012 US$(000)	credit (charge) to the consolidated statement of income US$(000)	Effect from conversion US$(000)	As of December 31, 2013 US$(000)
Deferred assets through profit or loss				
Estimate for impairment of supplies	1,346	-	-	1,346
Provision for the closure of Mining Units	3,176	2,036	(1,737)	3,475
Vacations pending payment	2,154	(123)	(166)	1,865
Provision for contingencies	4,993	(652)	(353)	3,988
Loss on fair value of premiums (call)	3,273	1,620	(4,876)	17
Loss on fair value of financial assets (portfolio of bonds)	36	352	(135)	253
Adjustment of sales	535	1,390	68	1,993
Tax loss	-	1,488	-	1,488
Mining royalty	-	3,172	-	3,172
Deferred assets through unrealized gain or loss				
Unrealized loss on derivative financial instruments	-	1,317	-	1,317
Deferred assets	15,513	10,600	(7,199)	18,914
Deferred liabilities through profit or loss				
Amortization of mining titles & concessions, and exploration, development & stripping costs	(148,484)	(14,518)	20,718	(142,284)
Embedded derivative for sale of concentrates	(75)	(1,502)	(50)	(1,627)
Interests on portfolio of bonds	(945)	732	83	(130)
Capitalized interests	-	(5,121)	-	(5,121)
Other minor	-	(556)	-	(556)
Deferred liabilities through unrealized gain or loss				
Unrealized loss on derivative financial instruments	(6,138)	6,138	-	-
Deferred liabilities	(155,642)	(14,827)	20,751	(149,718)

(c) The reconciliation of the income tax effective rate with the legal rate for years 2013 and 2012 is given below:

	2013 US$(000)	%	2012 US$(000)	%
Accounting profit before income tax	237,861	100	307,030	100
Theoretical income tax	71,358	30.00	92,109	30.00
Non-deductible expenses, net	(6,857)	2.88	3,971	1.29
	64,501	27.12	96,080	31.29

17. NET EQUITY

(a) Issued capital

It is represented by 1,498,538,320 class "A" shares with right to vote and 2,241,418,329 class "B" shares with no right to vote but right to preference dividend distribution; such right is not cumulative. From the total, 166,687,652 class "A" shares and 11,224,621 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., and 21,497,214 class "A" shares by subsidiary Empresa Administradora Chungar S.A.C., and 9,422 class "A" shares by subsidiary Compañía Minera Alpamarca S.A.C. All common shares are fully subscribed and paid and have a face value of S/. 1.00 (Nuevos Soles) per share.

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, 2013, their quotation was S/. 2.10 and S/. 1.14 per share, respectively (S/. 4.24 and S/. 2.59 per share, respectively, as of December 31, 2012). The trading frequency for class "A" shares was 55 percent, and for class "B" shares 100 percent.

The shareholding structure as of December 31, 2013 and 2012 is as follows:

Percentage of individual interest in issued share capital	Number of shareholders		Percentage of total equity interest	
	2013	2012	2013	2012
Less than 0.20	570	569	1.87	1.92
0.20 to 1.00	6	7	4.06	4.12
1.01 to 5.00	8	8	19.79	19.79
5.01 to 10.00	6	2	52.83	16.18
10.01 to 20.00	2	1	21.45	11.09
Over 20.01	-	1	-	46.90
	592	588	100.00	100.00

The Mandatory Annual Shareholders' Meeting held on March 20, 2013 resolved to increase the share capital by S/. 339,996,059, (equivalent to approximately US$ 144,994,174) corresponding to the capitalization of the profit balance of year 2012, and the capital reserve deduction (*detracción*), 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 for S/. 105,055,297 (equivalent to US$ 40,205,771).

The Board of Directors, in Meeting held on December 4, 2013, approved the payment of dividends to its shareholders on account of dividends corresponding to year 2013 for S/. 38,520,276 (equivalent to US$ 13,826,373). Such dividends have been cancelled on January 7, 2014.

The Mandatory Annual Shareholders’ Meeting held on March 22, 2012 approved a share capital increase by S/. 281,115,240, (equivalent to approximately US$ 139,880,000) corresponding to the capitalization of the profit balance of year 2011, thus increasing the share capital from S/. 3,118,845,350 to S/. 3,399,960,590, which represents the delivery of 9.01% 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 2011 profit by S/. 183,.560,237 (equivalent to US$ 68,443,000).

In meeting held on October 3, 2012, the Board of Directors, according to express powers granted by the Mandatory Annual Shareholders' Meeting held on March 22, 2012, and based on the previously approved partial financial statements as of December 31, 2012, resolved the payment of dividends for S/. 70,036,865 (equivalent to US$ 29,039,000).

(b) Shares in treasury

It corresponds to own shares acquired by the subsidiaries.

(c) Other capital reserves

In accordance with the General Corporate Law, a minimum 10 percent of distributable annual earnings, income tax deducted, is required to be transferred to a legal reserve until it equals 20% of the paid-in share capital. The legal reserve may offset loss or may be capitalized, and in both cases it is an obligation to replenish it.

According to article 229 of the New Business Act, the Company may capitalize the legal reserve, but must replenish it in the year immediately after profits are 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 shares in treasury is credited to or debited from this account.

(e) Unrealized gain or loss

It corresponds to unrealized gain (loss) on derivative instruments to hedge cash flows (Note 18). This unrealized gain or loss originates because the commodities price was agreed at a value that was higher or lower than their settlement value.

(f) Accumulated gain or loss

They may be capitalized or distributed as dividends, by resolution of the Shareholders' Meeting. Dividends and any other form of distributed profit are subject to the Income Tax at a 4.1% rate on the distributed amount to be borne by the shareholders or company members, which is only applicable to such shareholder who is an individual domiciled or not in Peru, or to such juridical person which is non-domiciled in Peru. According to the General Corporate Act, dividends appropriation must be proportionate to the shareholders contribution.

18. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative instruments to reduce the market risks to which it is exposed. Risks are mainly referred to the effects of changes in the prices of the metals commercialized by the Company, which show constant fluctuations. The Management's intention is to maintain derivative instruments to hedge any fluctuations in the prices of its metals, mainly zinc.

(a) Ore quote hedging transactions

Hedging contracts: Swap Contracts -

During years 2013 and 2012, the Company entered price hedging transaction contracts (swaps) to secure future flows from its sales. Hedging transactions critical terms have been negotiated with the brokers so that they match the terms negotiated in the related commercial contracts.

Hedging contracts: zero-cost option collars -

During years 2013 and 2012, the Company entered price hedging zero-cost option collars to secure future flows from its sales for years 2013 and 2014. Hedging transactions critical terms have been negotiated with the brokers so that they match the terms negotiated in the related commercial contracts.

Through hedging zero-cost options a maximum and a minimum price are set. When the average price for the quotation period is above the maximum price set, the purchase option in favor of the counterpart is activated generating a payment for the Company for the difference between both prices. On the other hand, when the average price for the quotation period is below the maximum price set, the selling option in favor of the Company is activated generating a collection for the difference between both prices.

The Company uses derivative instruments to reduce the market risks to which it is exposed. Risks are mainly referred to the effects of changes in the prices of the metals commercialized by the Company, which show constant fluctuations. The Management's intention is to maintain derivative instruments to hedge any fluctuations in the prices of its metals, mainly zinc and silver.

During years 2013 and 2012, the Company entered price hedging zero-cost option collars to secure future flows from its sales for years 2013 and 2016. Hedging transactions critical terms have been negotiated with the brokers so that they match the terms negotiated in the related commercial contracts.

As of December 31, 2013, the Company has the following current hedging transactions receivable:

Metal	Total volume FMT	Periods	Fair Value US$(000)
Swap Contracts			
Silver	765,828	Between Jan and Dec 2014	2,225
Zinc	7,252	Between Jan and Jun 2014	208
Gold	50	Feb 2014	5
Lead	1,934	Between Jan and Feb 2014	281
Total fair value of swap contracts			2,719
Zero-cost option collar contracts			
Silver	40,000	Between Jan and Mar 2014	34
Zinc	460	Jan 2014	33
Total fair value of collar contracts			67
Scaling Contracts			
Silver	63,600	Jan 2014	9
Copper	110	Jan 2014	38
Zinc	22,547	Between Jan 2014 and Jan 2015	3,161
Lead	1,702	Between Jan 2014 and Jan 2015	286
Total fair value of scaling contract			3,494
Purchase and sales contracts - Quotation Period			
Silver	230,289	Between Jan and Feb 2014	228
Copper	267	Mar 2014	3
Zinc	3,405	Apr 2014	5
Total fair value of purchase and sales contract - Quotation Period			236
Total fair value of hedging instruments receivable			6,516
Less - non-current part (Note 8)			(265)
Current part (Note 8)			6,251

As of December 31, 2012, the Company has the following current hedging transactions receivable:

Metal	Total volume FMT	Periods	Fair Value US$(000)
Swap Contracts			
Silver	11,358,925	Jan 2013 and Sep 2015	30,203
Copper	383	Jan and Jun 2013	135
Zinc	27,283	Jan and Jun 2013	1,068
Gold	150	Jan and Mar 2013	7

Total fair value of swap contracts			31,413

Zero-cost option collar contracts			
Silver	75,000	Between Jan 2012 and Mar 2013	145

Total fair value of collar contracts			145

Scaling Contracts			
Silver	1,075,000	Between Jan 2013 and Dec 2014	197
Copper	2,475	Between Jan 2013 and Dec 2014	1,023
Lead	18,675	Between Jan 2013 and Dec 2015	6,053
Zinc	129,804	Between Jan 2013 and Dec 2015	28,098

Total fair value of scaling contract			35,371

Total fair value of hedging instruments receivable			66,929
Less - non-current part (Note 8)			(40,377)

Current part (Note 8)			26,552
			======

As of December 31, 2013, the Company has the following hedging transactions payable:

Metal	Total volume FMT	Periods	Fair Value US$(000)
Swap Contracts			
Silver	335,475	Between Jan and Dec 2014	(149)
Copper	736	Between Jan and Sep 2014	(103)
Lead	1,447	Between Jan and Sep 2014	(62)
Zinc	51,230	Between Jan and Sep 2014	(3,069)

Total fair value of swap contracts (Note 8)			(3,383)

Scaling Contracts			
Silver	1,359,000	Between Jan 2014 and Jan 2015	(6,710)

Total fair value of scaling contract			(6,710)

Purchase and sales contract - Quotation Period			
Silver	536,149	Between Feb and Mar 2014	(111)
Copper	547	Between Jan and Mar 2014	(154)
Lead	2,982	Between Jan and Mar 2014	(166)
Zinc	4,639	Between Jan and May 2014	(384)

Total fair value of purchase and sales contract - Quotation Period			(815)

Total fair value of hedging instruments payable			(10,908)
			======

As of December 31, 2012, the Company has the following hedging transactions payable:

Metal	Total volume FMT	Periods	Fair Value US$(000)
Swap Contracts			
Silver	3,149,996	Between Jan and Dec 2013	(44,623)
Copper	962	Between Jan and Apr 2013	(119)
Lead	11,160	Between Jan 2013 and Dec 2014	(1,327)
Zinc	11,606	Between Jan and Dec 2013	(432)
Gold	530	Between Jan and Apr 2013	36

Total fair value of swap contracts (Note 8)			(46,465)
			======

(b) The hedging of cash flows from sales to be made in future years has 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.

(c) The variation under the equity heading "Unrealized gain or loss on hedging derivative financial instruments, net" is as follows:

	Hedging derivative financial instruments US$(000)	Income tax US$(000)	Unrealized (loss) gain on hedging derivative financial instruments, net US$(000)
Balances as of December 31, 2011	(14,556)	4,367	(10,189)
Gain on hedging transactions settled during the period	17,617	(5,285)	12,332
Unrealized gain on hedging derivative financial instruments	17,399	(5,220)	12,179
Total variation in hedging derivative financial instruments	35,016	(10,505)	24,511
Balances as of December 31, 2012	20,460	(6,138)	14,322
Loss on hedging transactions settled during the period	190,064	(57,019)	133,045
Unrealized gain on hedging derivative financial instruments	(214,916)	64,475	(150,441)
Total variation in hedging derivative financial instruments	(24,852)	7,456	(17,396)
Balances as of December 31, 2013	(4,392)	1,318	(3,074)

(d) Embedded derivative for quote variation in concentrate sales contracts

As of December 31, 2013 and 2012, temporary settlements (in metric tons of copper, silver, zinc, and lead) held as of that date, their final settlement periods, and the fair value of embedded derivatives include:

As of December 31, 2013:

Concentrate	Qty DMT	Quotation period 2012	Fair Value US$(000)
Receivable -			
Copper	2,848	Jan 2014 – May 2014	239
Silver	2,151	Jan 2014 – Mar 2014	143
Zinc	51,683	Jan 2014 – Mar 2014	4,147
Lead	17,865	Jan 2014 – Mar 2014	1,005

			5,534
			=====
Payable -			
Copper	2946.1	Jan 2014 – May 2014	12
Silver	1391.68	Jan 2014 – Mar 2014	300

			312
			=====

As of December 31, 2012:

Concentrate	Qty DMT	Quotation period 2012	Fair Value US$(000)
Receivable -			
Zinc	17,987	Jan 2013 – Mar 2013	863
Lead	189	Jan 2013 – Mar 2013	20

			883
			=====
Payable -			
Copper	1,640	Jan 2013 – Jan 2013	(633)
			=====

As of December 31, 2013 and 2012, the fair value of embedded derivatives generated gain of US$ 5,174 and US$ 8,972 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, 2013 and 2012 are expected to be settled are taken from London Metal Exchange publications.

(e) Fair value hierarchy -

The Company uses the following hierarchy to assess and disclose financial instruments that are measured at fair value using measurement technique:

Level 1: Quoted prices (w/o adjustments) in an active market for identical assets and liabilities.

Level 2: Other techniques for all that information or data other than quoted prices included under Level 1 that are directly or indirectly available.

Level 3: Techniques using information with significant effect on fair value measurement that are not based on information observable in the market.

Financial instruments measured at fair value applied by the Company use level 1 valuation techniques for the periods ended December 31, 2013 and 2012.

No transfers have occurred between fair value hierarchy levels during periods 2013 and 2012.

19. TAXATION

(a) Tax Authorities have the power to review and, is appropriate, correct the Income Tax assessed by the Company and subsidiaries in the four years following the year of tax return filing. Income Tax and VAT returns for the following years are subject to audit by tax authorities:

Entity	Years open to review by tax authorities
Volcan Compañía Minera S.A.A.	2009, 2010, 2011 and 2012
Empresa Administradora Chungar S.A.C.	2009, 2011 and 2012
Empresa Explotadora de Vinchos Ltda. S.A.C.	2009, 2010, 2011 and 2012
Empresa Minera Paragsha S.A.C.	2009, 2010, 2011 and 2012
Compañía Minera El Pilar S.A.C.	2009, 2010, 2011 and 2012
Compañía Minera Alpamarca S.A.C.	2009, 2010, 2011 and 2012
Shalca Compañía Minera S.A.C.	2009, 2010, 2011 and 2012
Minera Aurífera Toruna S.A.C.	2009, 2010, 2011 and 2012
Compañía Minera Huascarán S.A.C.	2009, 2010, 2011 and 2012
Empresa Administradora de Cerro S.A.C.	2010, 2011 and 2012
Minera San Sebastian AMC S.R.L.	2009, 2010, 2011 and 2012
Compañía Energética del Centro S.A.C.	2009, 2010, 2011 and 2012
Hidroeléctrica Huanchor S.A.C.	2011 and 2012
Empresa de Generación Eléctrica Baños S.A.C.	2010, 2011 and 2012

Due to the fact that differences may emerge in the interpretation made by the Tax Administration based on the regulations applicable by the Company, it is not possible to anticipate 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. The Company Management estimates that no material liabilities will result from these possible reviews.

(b) The Company and its Subsidiaries are subject to the Peruvian tax regime. The Income Tax rate applicable to entities is 30%. If the entity distributes its profit fully or partially, it shall apply an additional rate of 4.1% on the distributed amount, which will be borne by the shareholders, provided that they are individuals or entities domiciled abroad.

The 4.1% rate tax will be borne by the entity and will apply on 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 revenues.

As from January 1, 2007 taxpayers shall settle and pay 4.1% the tax directly, without a previous audit by the Tax Administration being required, within one month upon the date of indirect income disposition, together with its monthly obligations. As from January 1, 2008, in case it is not possible to determine the time in which the indirect disposal of income was made, the tax is to be paid within the month following the date in which the expense was accrued, and it if it is not possible to determine the date in which the expense was accrued, the tax is to be paid in the monthly of January of the year following the year in which the indirect disposal of income was made.

For the assessment of the Income Tax, Value Added Tax and Excise Tax, if any, the assessment of transfer prices for transactions with related entities or entities resident in countries or territories of low or no taxation must be accompanied with documents, information and a Transfer Price Survey, as appropriate, supporting the market value used and the criteria considered for their assessment. Furthermore, a Sworn Statement of Transfer Prices must be filed according to the regulations in force.

In opinion of the Management, there will be no major contingencies for the Company as of December 31, 2013 from the application of these regulations. In any case, any assessment on such regard by the tax authorities would be recognized in the year in which it occurs.

(c) As from August 2012, new rules have been incorporated for the assessment of Income Tax payments on account.

Provisions include that companies shall credit as payment on account, the higher amount resulting from comparing the monthly installment assessed according to the procedure outlined in the new wording of article 85, paragraph a) and the installment resulting from applying 1.5% to the net income obtained in the same month.

Furthermore, specific rules have been provided to modify the ratios applicable for the assessment of payments on account.

As from August 2012, for Income Tax withholding of non-domiciled to proceed at a rate of 15% for technical assistance services, the obligation has been eliminated to file a tax return issued by the non domiciled entity (where the service provision and the accounted revenues are filed). Likewise, it has been provided that the technical assistance local user is obliged to obtain and file with SUNAT a report issued by an auditing firm certifying that the technical assistance has been actually given, provided that the consideration for technical assistance services, in one single contract, included its delays and/or amendments, exceed 140 tax units.

(d) As from year 2013, Transfer Prices provisions no longer apply regarding the Value Added Tax.

(e) For tax purposes, any goods subject to financial leasing, corresponding to agreements undersigned as from January 1, 2001, are considered as fixed assets of the lessee, and are accountably recorded according to International Accounting Standards, while the depreciation will be made according to the Income Tax Law.

As an exception, and previous to the fulfillment of certain assumptions, the goods subject matter of the agreement can be depreciated during the term of the agreement.

(f) As from 2004 special measures to fight evasion and informality have been approved, requiring the use of certain payment means for money obligations (Bankarization) and creating the Financial Transactions Tax, levying a wide range of transactions in local or foreign currency made mainly through the Financial System.

In those cases in which obligations are paid by means other than the delivery of money or without using the required payment means, the tax shall double the tax rate and always on any amount exceeding 15% of the respective entity obligations so settled.

As from April 1, 2011, the aliquot was reduced to 0.005%.

(g) A Constitutional Court Decision declared the Additional Income Tax Advance Payment unconstitutional, making its effects retroactively effective as from the date on which the provisions creating it were published.

(h) Law 28424 has established the Temporary Tax on Net Assets, effective as from January 1, 2005, as a new tax on equity payable by third-class income earners subject to the General IT Regime. The effectiveness of this tax, originally of temporary nature, was successively extended giving it a permanent nature.

This tax base is the value of net assets recorded in the balance sheet as of December 31, of the year previous to the one on which payment is applicable, after deducting the depreciations and amortizations admitted by the Income Tax Law. For year 2012, on the referred basis, the first million Nuevos Soles (S/. 1,000,000) shall not be subject to tax, while the aliquot of 0.4% applies to any excess.

The Temporary Tax on Net Assets can be paid in cash or in nine monthly installments between April and December of the same year. The amount paid as Temporary Tax on Net Assets can be used as credit against the income tax of the year to which it corresponds or as a credit against the regularization income tax of the corresponding year.

20. NET SALES

(a) The Company and Subsidiaries revenues result basically from the sale of zinc, lead and copper concentrates. The table below shows a breakdown of the net sales per concentrate in years 2013 and 2012:

Description	2013 US$(000)	2012 US$(000)
Net sales per concentrate:		
Zinc	468,919	486,353
Lead	414,817	488,742
Copper	74,675	145,704
Bulk silver	76,822	27,225
	------------	------------
	1,035,233	1,148,024
Realized gain on financial instruments (c)	127,278	17,618
Embedded derivative (d)	5,174	8,972
Adjustment of open temporary settlements	(4,862)	3,789
	------------	------------
	1,162,823	1,178,403
	========	========

(b) Net sales of concentrates to customers per geographic area are given below:

	2013 US$(000)	2012 US$(000)
Peru	555,593	772,810
America	72,599	252,648
Asia	242,548	95,324
Europe	164,493	27,242
	------------	------------
	1,035,233	1,148,024
	========	========

(c) As from January 1, 2013, gain or loss on hedging of derivative financial instruments are shown grouped in the Company sales line. Until December 31, 2012, gain or profit on such transactions were shown after Operating Profit and made up financial revenues and expenses. For presentation purposes, hedging transactions for the accumulated period from January 1 to December 31, 2012 have been reclassified into the sales line.

During the second quarter 2013, the Company pre-settled its hedging positions generating an extraordinary revenue.

(d) Embedded derivative

The Company and Subsidiaries' sales of concentrates are based on commercial contracts, 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 contract. Commercial contracts 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, 2013 and 2012, 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 contracts. Temporary selling value adjustment is recorded as an adjustment to current net sales.

(e) Concentration of sales

In year 2013, the three most important customers accounted for 66% of total sales (69% of total sales in year 2012). As of December 31, 2013, 74% of accounts receivable is related to these clients (76% as of December 31, 2012). The Company sales of concentrate are made to locally and internationally renowned companies.

(f) Commitments to sell

As of December 31, 2013, the Company maintains commitments with third parties for the sale of lead, zinc and copper concentrates for 130,809 WMT and 586,431 WMT and 17,777 WMT (328,473 WMT, 1,765,131 WMT and 39,954 WMT as of December 31, 2012), respectively until year 2015. These sales will be made at market price.

21. COST OF SALES

A breakdown of this heading is given below:

Description	For the accumulated period from Jan 1 to Dec 31 2013 US$(000)	2012 US$(000)
Initial inventory of concentrates	40,480	32,000
Initial inventory of raw material (extracted ore)	31,884	30,174
Production cost:		
Labor	70,937	77,951
Services from third parties, energy and other	234,508	246,952
Supplies used	106,833	120,144
Purchase of ore	39,693	36,942
Depreciation and amortization	111,066	111,056
Exceptional	17,081	1,002
Purchase of concentrates	188,379	133,266
Employees' profit sharing	12,893	19,444
Less – final inventory of concentrates	(30,299)	(40,480)
Less - final inventory of raw material (extracted ore)	(32,022)	(31,884)
	791,433	736,567

For a proper reading of the financial statements, certain reclassifications were made of 2012 figures to separate mainly the purchase of ore and concentrates.

22. ADMINISTRATIVE EXPENSES

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Personnel charges	20,510	30,006
Insurance	10,134	8,881
Professional fees	5,160	6,139
Employees' profit sharing	2,367	4,249
Mail and telecommunication, and other minor expenses	22,642	9,623
	60,813	58,898

23. SELLING EXPENSES

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Freight	29,287	23,254
Shipping expenses	7,217	4,829
Various services	9,770	7,641
Doubtful accounts	-	152
	---------	---------
	46,274	35,876
	======	======

24. OTHER OPERATING REVENUES (EXPENSES)

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Revenues		
Revenue for sale of various supplies	38,453	38,106
Recovery of provision for contingencies	3,135	10,366
Revenue from sale of energy to third parties	8,798	8,716
Ore treatment and other services to third parties	2,488	3,223
Insurance indemnification	492	1,548
Disposal of fixed assets	937	191
Other	1,320	2,988
	---------	---------
	55,623	65,138
	======	======
Expenses		
Cost of sales of various supplies	(38,024)	(37,839)
Cost of ore treatment and other services to third parties	(1,269)	(1,474)
Cost of energy sales	(4,650)	(4,324)
Tax administrative penalties	(225)	(5,581)
Provision for contingency	(940)	(2,208)
Cost of pit in subsidiary	(2,602)	(918)
Disposal of fixed assets	(3,164)	(844)
Non-deductible various expenses	(1,119)	(1,691)
Other	-	(144)
	--------	--------
	(51,993)	(55,023)
	======	======

25. FINANCIAL REVENUES (EXPENSES)

A breakdown of this heading is given below:

	2013 US$(000)	2012 US$(000)
Revenues		
Gain on exchange difference	25,472	36,047
Interests on term deposits	5,207	4,075
Redemption of acquired bonus	272	3,024
Interests on loans	4,418	3,152
Other financial revenues	2,633	923
	---------	---------
	38,002	47,221
	======	======
Expenses		
Interests and expenses on bank loans	(2,699)	(2,644)
Financial leasing interests	(1,176)	(1,208)
Interests on issued bonds	(16,605)	(30,373)
Loss on exchange difference	(26,288)	(37,257)
Commissions and other expenses	(3,343)	(1,218)
	---------	---------
	(50,111)	(72,700)
	======	======

26. BASIC AND DILUTED EARNINGS PER SHARE

Computation of basic and diluted earnings per share in the years ended December 31, 2013 and 2012 (in thousand US Dollars, except for the information on common and investment shares) is given below:

	2013 US$(000)	2012 US$(000)
Net year profit US$(000)	173,360	210,950
Common shares - thousand units	2,916,854	3,172,115
Basic and diluted net earnings per share of the year	0.059	0.067

Basic and diluted earnings per share are the same because no reducing effects on profit exist.

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

27. DISCLOSURE OF INFORMATION BY SEGMENTS

IFRS 8 “Operating segments” require that companies present their financial information taking into account the reported information that is internally used by the Management to assess operating segments results and distribute the resources of such segments. The Management uses business and geographic segments of the Company to make operating decisions. A business segment is a differentiable 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 differentiable 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.

The only segment for the Company is mining.

28. COMMITMENTS AND CONTINGENCIES

In the Company:

(a) Labor proceedings

As of December 31, 2013 there are labor claims amounting to S/. 14,049,579 (equivalent to US$ 4,929,677) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, compensation for fatal accidents with contractors' personnel, payment of profit and others in process of appeal and/or pending judgment.

There are also 5 proceedings (1 for profit sharing 2010, 1 for production bonds 1998, 1 for labor actions payable, and 2 compensations for damages and loss for fatal accident) for which it has not been possible to assess the claimed amounts, as they will be computed once the judgment has been issued in case of an unlikely unfavorable decision. In the proceedings for compensation for fatal accident, the Company has obtained in one case a favorable decision absolving it from any liability in both instances, and is currently in a cassation proceeding; while in the other case it is seeking settlement with the family of the deceased employee, who was in the payroll of a contractor entity that provided services to the Company.

(b) Tax proceedings

As of December 31, 2013, the Company keeps various administrative proceedings pending resolution with the National Superintendence of Tax Administration (SUNAT), for various tax assessment resolutions, including fines and interests, totaling an approximate of S/. 355,997 thousand (equivalent to US$ 127,141 thousand).

Tax assessment resolutions, fines and interests correspond, in SUNAT's opinion, to failure to pay third parties' taxes and withholdings, as well as for the application of different criteria in assessing the tax basis for the settlement of third-class income tax and value added tax of years 1998 to 2004. As of this date, these proceedings have been administratively challenged with SUNAT and/or under appeal with the Tax Court, as well as in court with the Judiciary.

(c) Proceedings filed with Municipal Authorities

As of December 31, 2013, the Company keeps various administrative proceedings on tax issues pending resolution with the District Municipality of Pasco for a Resolutions of Property Tax Assessment for S/. 617 thousand (equivalent to US$ 220 thousand), which are currently under claim.

(d) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2013 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, 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 others contained in the Mining Health and Safety Regulations for S/. 33,422,100 thousand (equivalent to US$ 11,936,464).

In opinion of the Company Management and its legal consultants, based on arguments *de jure* and *de facto,* no additional liabilities will result from all these proceedings that are significant for the Company.

(e) The Company Management, based on the opinion of independent advisors, has made a review of all of the proceedings including tax, labor, civil law and administrative proceedings, assessing a provision for probable contingencies for US$ 13,225 thousand (US$ 16,585 thousand in 2012).

In the opinion of the Company Management and its legal advisors this provision covers probable contingencies on which an exhaustive review was made and no provision additionally to the assessed one should be set up.

In subsidiary Empresa Administradora Chungar S.A.C.:

(a) Labor proceedings

As of December 31, 2013 there are labor claims amounting to S/. 1,294,699 (equivalent to US$ 454,270) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, and others under appeal and/or pending judgment.

(b) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2013 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, 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 others contained in the Mining Health and Safety Regulations for S/. 3,396,600 (equivalent to US$ 1,213,071).

(c) Tax proceedings

As of December 31, 2013, the subsidiary keeps various administrative proceedings pending resolution with the National Superintendence of Tax Administration (SUNAT), for various assessment resolutions for tax, fines and interests totaling an approximate of S/. 107,346 thousand (equivalent to US$ 35,782 thousand).

Assessment resolutions for tax, fines and interests correspond, in SUNAT's opinion, to failure to pay taxes and to withhold taxes from third parties, as well as for the application of different criteria in assessing the tax basis for the settlement of third-class income tax and value added tax of years 2001 to 2005. In 2009 the subsidiary filed claims against the resolutions issued by the tax administration, which were declared unfounded by a resolution. In February 2009, the subsidiary filed an appeal against the above referred resolutions, requesting SUNAT to move up such appeal to the Fiscal Court. Likewise, through Resolution N° 08974-3-2009, the Fiscal Court partially dismissed the appeal made against the assessment and fine corresponding to the audit made in year 2001. In January 2010, the subsidiary filed with the Superior Court of Justice of Lima an administrative litigation complaint requesting the partial nullity of the above referred resolution, and obtain a favorable resolution in first instance. In June 2012, SUNAT appealed the decision issued in favor of the Subsidiary, and it is currently pending judgment.

(d) Proceedings filed with Municipal Authorities

As of December 31, 2013, the Subsidiary keeps an administrative proceedings on tax issues pending resolution with the District Municipality of Huayllay for the Property Tax Assessment of years 2006 to 2011 for S/. 477 thousand (equivalent to US$ 170 thousand), which is currently under appeal.

Additionally, as of such date, it keeps and administrative proceeding pending resolution with the referred District Municipality against various administrative fines for S/. 571 thousand (equivalent to US$ 204 thousand), which is in currently under appeal.

In opinion of the Subsidiary Management and its legal advisors, based on *de jure* and *de facto* foundations, no additional liabilities will result from all these proceedings that are significant.

In Subsidiary Empresa Administradora Cerro S.A.C.:

(a) Labor proceedings

As of December 31, 2013 there are labor claims amounting to S/. 19,652,733 (equivalent to US$ 6,895,696) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, reimbursement of profit sharing, payment of production bonds, and others under appeal and/or pending judgment.

Although the volume of court proceedings increased during year 2013, it resulted from the closure of our open-pit underground operations, which caused the voluntary withdrawal with incentives of 470 employees, who have filed recurrent claims for compensation for damage and loss resulting from occupational illnesses, on which a proper legal defense is being provided to share the liability with their former employer Centromin, thus minimizing the final amounts payable therefor.

(b) Proceedings filed with Municipal Authorities

As of December 31, 2013, the Subsidiary keeps various administrative proceedings pending resolution with District Municipalities for various orders to pay and assessment resolutions on the Property Tax of years 2012 and 2013 for S/. 413 thousand (equivalent to US$ 148 thousand), which are currently under claim.

Additionally, as of such date, it keeps a request for undue payment refund pending resolution with the Province Municipality of Pasco for the Property Tax of year 2011 for S/. 386 thousand (equivalent to US$ 138 thousand), which is currently under claim.

(c) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2013 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, 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 others contained in the Mining Health and Safety Regulations for S/. 4,282,750 (equivalent to US$ 1,529,553).

In opinion of the Subsidiary Management and its legal advisors, based on *de jure* and *de facto* foundations, no additional liabilities will result from all these proceedings that are significant.

In Subsidiary Empresa Explotadora de Vinchos Ltda S.A.C.:

(a) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2013 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, 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 others contained in the Mining Health and Safety Regulations for S/. 3,083,950 (equivalent to US$ 1,101,411).

In opinion of the Subsidiary Management and its legal advisors, based on *de jure* and *de facto* foundations, no additional liabilities will result from all these proceedings that are significant.

In the other subsidiaries:

In opinion of the Corporate Management and its legal consultants, there are no major lawsuits or complaints pending to be solved or other contingencies against them as of December 31, 2013.

29. 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 Company and Subsidiaries financial assets and liabilities, as well as their future cash flows include: Ore price variation risk, interest rate risk, liquidity risk, and exchange risk, and credit risk. The Company Management risk management program tries to minimize the potential adverse effects in its financial performance.

The Company Management is aware of the market conditions and, based on its knowledge and experience, it revises and agrees policies to manage each of these risks, as outlined below. Likewise, a sensitivity analysis is included that intends to show the Company financial statements sensitivity to changes in market variables and show the impact in the consolidated statement of income, or equity, if any. Financial instruments that are affected by market risks include accounts receivable, accounts payable, embedded derivatives, and hedging derivative financial instruments.

Sensitivity has been prepared for the years ended December 31, 2013 and 2012, using the amounts of financial assets and liabilities held as of that dates.

As outlined in Note 18 to the consolidated financial statements, the Company Management makes hedging transactions on ore price 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 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, 2013 and 2012. 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 the Company Management to invoice the sale of its (local and foreign) products mainly in US Dollars. Exchange rate risk emerges mainly in deposits and other accounts payable in foreign currency (Nuevos Soles). The Company Management 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 (Nuevos Soles), which is used to cover its needs in such currency (taxes and remunerations).

As of December 31, 2013, the Company and Subsidiaries have recorded a net exchange rate loss of US$ 815 thousand (in year 2012, a net exchange rate loss of US$ 1,210 thousand), resulting from the conversion of balances on foreign currency to the functional currency.

A table showing a fair variation in foreign currency exchange rates through profit or loss maintaining all the other variables constant:

	Exchange rate increase (decrease)	Through profit (loss) US$(000)
2013		
Exchange Rate	10%	(2,891)
Exchange Rate	(10%)	3,534
2012		
Exchange Rate	+10%	3,284
Exchange Rate	(10%)	(4,013)

(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 a fall of the price of metals to be traded, the Company Management entered derivative contracts qualifying as cash flow hedging, see Note 18(a).

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

As of December 31, 2013, the fair value of embedded derivatives contained in commercial contracts amounts to S/. 5,222 thousand (see Note 18 (d)). As of the closing of the month of January 2014, provisional settlements pending final invoice have not been closed. In the case of settlements still kept at their temporary value as of December 31, 2013, their estimate decreased by 5 percent due to a fall in the quotes of metals produced as from the second half of January.

As for future prices (copper, lead, and zinc) as of December 31, 2013 and 2012, and market value, as of such dates, of such hedging derivative financial instruments contracted by the Company; an analysis is presented of market value sensitivity of this position against a variation of 10 percent for relevant prices; while the rest of the variables stay constant:

	Through unrealized gain (loss) on hedging derivative financial instruments, net
	US$(000)
2013	
Increase of 10 percent in future quotations	
Hedges with maturity in 2014	(9,305)
Hedges with maturity in 2015	354

	(8,951)
	======
Decrease of 10 percent in future quotations	
Hedges with maturity in 2014	12,380
Hedges with maturity in 2015	(349)

	12,031
	======
2012	
Increase of 10 percent in future quotations	
Hedges with maturity in 2013	(34,107)
Hedges with maturity in 2014	23,862
Hedges with maturity in 2015	4,249

	(5,996)
	======
Decrease of 10 percent in future quotations	
Hedges with maturity in 2013	7,866
Hedges with maturity in 2014	34,614
Hedges with maturity in 2015	18,046

	60,526
	======

(a.3) Interest rate risk

The Company and Subsidiaries have significant assets, such as term deposits, which are placed in first-rank financial institutions, and accrue interests at market current rates; the Company and Subsidiaries operating revenues and cash flows are independent from changes in market interest rates. They also have liabilities at fixed rate, in which case no risk exists because they are not variable and there is cash flow available to meet their obligations.

(b) Credit risk

The Company and Subsidiaries' credit risk arises from the inability of debtors to meet the payment of their already accrued obligations. Therefore, the Company management 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, the Company Management 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 and Subsidiaries. The Company sales of concentrates 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 US 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. As of December 31, 2013, the 3 most important customers of the Company and Subsidiaries accounted for 66% of total sales (69% of total sales in year 2012). The Company Management makes an assessment on such debts which collection is estimated as changing in order to set up a provision for bad debts.

An analysis is given below of the Company and Subsidiaries' financial assets rated according to their aging, considering the period from the date of maturity to the date of the consolidated statement of financial position:

	2013			2012		
Description	Past due US$(000)	To become due US$(000)	Total US$(000)	Past due US$(000)	To become due US$(000)	Total US$(000)
Trade accounts receivable	32,842	107,065	139,907	48,315	66,409	114,724
Other accounts receivable	119,543	278,195	397,738	110,411	153,891	264,302
	152,385	385,260	537,645	158,726	220,300	379,026

(c) Liquidity risk

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

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

An analysis is given below of the Company and Subsidiaries' financial liabilities rated according to their aging, considering the period from the date of maturity to the date of the consolidated statement of financial position:

	Less than 1 year US$(000)	Between 1 and 2 years US$(000)	Between 2 and 10 years US$(000)	Total US$(000)
As of December 31, 2013				
Trade accounts payable	248,926	-	-	248,926
Other accounts payable	99,905	-	-	99,905
Other financial liabilities	102,206	5,902	-	108,108
Financial obligations	94,103	12,074	600,370	706,547
Total	545,140	17,976	600,370	1,163,486
As of December 31, 2012				
Trade accounts payable	186,679	-	-	186,679
Other accounts payable	88,135	-	-	88,135
Other financial liabilities	59,463	-	-	59,463
Financial obligations	92,903	8,992	604,250	706,145
Total	427,180	8,992	604,250	1,040,422

(d) Capital management

The objective is to safeguard the capacity of Company and Subsidiaries to continue as ongoing concern in order to provide returns for shareholders and benefits for stakeholders and maintain an optimal structure that allows reducing capital cost.

The Company Management manages its capital structure and makes adjustments to face changes in the market economic conditions. The Company Management policy is to finance all of its short and long-term projects with own operating resources. To maintain or adjust the capital structure, the Company Management may adjust the payment of dividends to shareholders, return capital to its shareholders, or issue new shares. There have been no changes in the objectives, policies or procedures during the years ended December 31, 2013 and 2012.

30. 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:

	2013 US$(000)	2012 US$(000)
Financial assets and liabilities at fair value through profit or loss		
Cash	38,203	68,264
Term deposits	77,487	154,764
Embedded derivative	5,537	883
Investment-grade corporate bonds	66,737	342,760
Total	187,964	566,671
Investments available for sale		
Mutual funds	437	9,067
Accounts receivable		
Accounts receivable, short and long term	537,645	392,257
Financial liabilities at amortized cost		
Financial obligations	706,547	706,145
Trade accounts payable	248,926	186,679
Other accounts payable	99,905	88,135
Total	1,055,378	980,959
Financial assets and liabilities at fair value through other comprehensive income		
Hedge of cash flow	(3,074)	14,322

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

Based on the above, comparison is made between the carrying amounts and fair values of the Company and Subsidiaries' financial instruments presented in the consolidated statement of financial position. The table does not include the fair value of non-financial assets and liabilities.

	2013		2012	
	Carrying amount US$(000)	Fair Value US$(000)	Carrying amount US$(000)	Fair Value US$(000)
Financial assets				
Cash and cash equivalents	182,864	182,864	574,855	574,855
Trade accounts receivable	139,907	139,907	114,724	114,724
Other accounts receivable	397,738	397,738	277,533	277,533
Financial liabilities				
Trade accounts payable	248,926	248,926	186,679	186,679
Other accounts payable	99,905	99,905	88,135	88,135
Financial obligations	706,547	706,547	706,145	706,145

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 the Company Management has 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 an indicative 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 equivalent, accounts receivable, accounts payable and other current liabilities, it is considered that the carrying amount is similar to the fair value.

The Company Management makes 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 fix 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.

31. TRANSACTIONS THAT HAVE NOT GENERATED FUNDS TURNOVER

(a) During years 2013 and 2012, charges (credits) have been recorded in the following accounts and for the following descriptions, which do not generate cash flow:

	INVESTMENTS		CLOSURE OF MINING UNITS		PROVISION FOR THE CLOSURE OF MINING UNITS		CAPITAL RESERVE	
	2013 US$(000)	2012 US$(000)	2013 US$(000)	2012 US$(000)	2013 US$(000)	2012 US$(000)	2013 US$(000)	2012 US$(000)
The subsidiaries Empresa Minera Paragsha S.A.C. and Empresa Administradora Chungar S.A.C. earned dividends in cash from the Company and they were credited to the Capital Reserve. The equity increase in the subsidiary caused an increase in the Company investments.	238	4,642	-	-	-	-	(238)	(4,642)
The Company and subsidiaries Empresa Administradora Chungar S.A.C. and Empresa Explotadora de Vinchos Ltda. S.A.C. and Empresa Administradora Cerro S.A.C. have recorded a provision for mine closure.	-	-	42,141	13,591	(42,141)	(13,591)	-	-
	238	4,642	42,141	13,591	(42,141)	(13,591)	(238)	(4,642)

(b) Transaction requiring no accounting at all

Buildings and machinery were acquired under financial leasing for US$ 15,249 thousand (US$ 12,985 thousand in 2012), where the US$ 13,169 thousand pending payment as of December 31, 2013 (US$ 11,107 thousand in 2012) is accounted under financial obligations.

In 2013 the General Shareholders' Meeting resolved and advance on dividends for US$ 13,826 thousand, which was settled on January 7, 2014.

32. REMUNERATIONS OF KEY PERSONNEL

Remuneration of the Group key personnel and Directors considers all of the payments they receive. The total for all that amounts to approximately US$ 21.5 million and US$ 19 million for the years 2013 and 2012, respectively, corresponding to salaries and other short-term benefits. During year 2013 no payments to key personnel have been made for post-employment benefits, other long-term benefits, benefits for termination, or share-based payments.

33. AMENDMENTS AND NEW IFRS ISSUED BUT NOT EFFECTIVE AS OF THE DATE OF THE FINANCIAL STATEMENTS

The amendments to current and new IFRS, issued by IASB and approved by the Peruvian Standards Board as of December 31, 2013, applicable to the Company, which effectiveness will begin on a subsequent date, are shown below. The Management estimates that amendments and IFRS applicable to the Company will be fairly considered in the preparation of the Company financial statements on the date on which they are actually effective.

IFRS		Effective Date
IFRS 7 *Financial Instruments: Disclosures*		
1. Amendments to IFRS 7 Issued: December 2011	*IFRS 7 - Financial Instruments: Disclosures - Transition Disclosures* The amendments to IFRS 9 Financial Instruments (see point 9) mean that entities applying IFRS 9 for the first time do not need to restate prior periods but are instead required to provide modified disclosures, some of which are set out in IFRS 7. The new disclosures in IFRS 7 include: Changes in the classifications of financial assets and financial liabilities, showing separately: - The changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (i.e. not resulting from a change in measurement attribute on transition to IFRS 9). - The changes in the carrying amounts arising resulting from a change in measurement attribute, such as from amortized cost to fair value, on transition to IFRS 9. The following applies to financial assets and financial liabilities that have been reclassified so that they are measured at amortized cost as a result of the transition to IFRS 9: – The fair value of financial assets or financial liabilities at the end of the reporting period – The fair value gain or loss that would have been recognized in profit or loss or other comprehensive income in that year if the financial assets or financial liabilities had not been reclassified – The effective interest rate determined on the date of reclassification. The interest income or expense, recognized.	Mandatory adoption to be confirmed. Early adoption permitted

IFRS		Effective Date
IFRS 7 *Financial Instruments: Disclosures*		
2. IFRS 9 Issued: November 2009	IFRS 9 applies to all assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment, and hedge accounting As each phase is completed, the IASB is deleting the relevant portions of IAS 39 and creating new chapters in IFRS 9. IFRS 9 requires that on initial recognition, all financial assets are measured at fair value (plus an adjustment for certain transaction costs if they are measured at fair value through profit or loss) and are classified into one of two subsequent measurement categories: – Amortized Cost – Fair Value IFRS 9 eliminates the Held To Maturity (HTM), Available For Sale (AFS), and Loans and Accounts Receivable categories. In addition, the exception under which equity instruments and related derivatives are measured at cost rather than fair value, where the fair value cannot be reliably determined, has been eliminated with fair value measurement being required for all of these instruments. A financial asset is measured after initial recognition at amortized cost only if it meets the following conditions: 1. The objective of an entity's business model is to hold the financial asset in order to collect contractual cash flows 2. The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interests on the principal amount outstanding. All other instruments are required to be measured after their initial recognition at fair value. IFRS 9 retains the current requirement for financial instruments that are held for trading to be recognized and measured at fair value through profit or loss, including any derivatives that are not designated in a hedging relationship. Hybrid contracts with a host that is within the scope of IFRS 9 (i.e. a financial host) must be classified in their entirety in accordance with the classification approach summarized above. This eliminates the existing IAS 39 requirement to account separately for a host contract and certain embedded derivatives. The embedded derivative requirement under IAS 39 continue to apply (i) when the host contract is a non-financial asset, and (ii) for financial liabilities. IFRS 9 includes an option which permits investments in equity instruments to be measured at fair value through other comprehensive income. This is an irrevocable election to be made, on an instrument by instrument basis, at the date of initial recognition. Where the election is made, no amounts are subsequently recycled from other comprehensive income to profit or loss. Where this option is not taken, all equity instruments with the scope of IFRS 9 are classified at fair value through profit or loss. Irrespective of the approach adopted for the equity instrument itself, dividends received on an equity instrument are always recognized in the year profit or loss (unless they represent a return of the cost of investment.) Subsequent reclassification of financial assets between the amortized cost and fair value is prohibited, unless an entity changes its business model for managing its financial assets in which case reclassification is required. However, the guidance is restrictive and such changes are expected to be very infrequent. IFRS 9 states explicitly that the following are not changes in business model: **1.** A change in intention relating to particular financial assets (even in circumstances of significant changes in market conditions) **2.** A temporary disappearance of a particular market for financial assets **3.** A transfer of financial assets between parts of the entity with different business models. Accounting impact: Major changes in the classification and measurement (valuation) of financial assets.	Mandatory adoption to be confirmed Early adoption permitted

<table>
<tr><th>IFRS</th><th></th><th>Effective Date</th></tr>
<tr><td>3. Amendments to IFRS 9
Issued: October 2011</td><td>Amendments to IFRS 9 Financial Instruments
As noted above, IFRS 9 was published in November 2009 and contained requirements for the classification and measurement of financial assets. Equivalent requirements for financial liabilities were added in October 2010, with most of them being carried forward unchanged from IAS 39. In consequence:
– A financial liability measured at fair value through profit or loss (FVTPL) if it is held for trading, or is designated as at FVTPL using the fair value option.
– Other liabilities are measured at amortized cost.
In contrast to the requirements for financial assets, the bifurcation requirements for embedded derivatives have been retained; similarly, equity conversion features will continue to be accounted for separately by the issuer.
However, some changes have been made, in particular to address the issue of where changes in the fair value of an entity's financial liabilities designated as at FVTPL using the fair value option, which arise from changes in the entity's own credit risk, should be recorded. This amendment is a result of consistent feedback received by the IASB from its constituents that changes in an entity's own credit risk should not affect profit or loss unless the financial liability is held for trading.
IFRS 9 requires that changes in the fair value of financial liabilities designated as at FVTPL which relate to changes in an entity's own credit risk should be recognized directly in other comprehensive income (OCI). However, as an exception, where this would create an accounting mismatch (which would be where there is a matching asset position that is also measured as at FVTPL), an irrevocable decision can be taken to recognize the entire change in fair value of the financial liability through profit or loss.
The other changes made to the accounting requirements for financial liabilities are:
– Guidance has been added to assist in differentiating between credit risk and asset specific performance risk
– Consistent with the elimination of the potential, in very limited circumstances, for investments in unquoted equity instruments to be measured at cost, the exemption from fair value measurement for derivative liabilities that are linked to, and must be settled by delivery of, an unquoted equity instrument where the fair value of that equity instrument is not reliably measurable has been deleted.
A number of related disclosure requirements have been added to IFRS 7 Financial Instruments: Disclosures.
Accounting impact: Changes in the fair value of liabilities designated as at fair value through profit or loss, that relate to changes in an entity's own credit risk, are now required to be recorded in Other Comprehensive Income. The exemption from fair value measurement for derivatives linked to unquoted equity instruments that cannot be reliably measured has been removed.</td><td>Mandatory adoption to be confirmed
Early adoption permitted</td></tr>
</table>

IFRS		Effective Date
4. Amendments to IFRS 7 Issued: December 2011	*Amendments to IFRS 9 Financial Instruments - Mandatory Effective Date* The amendment changes the effective date of IFRS 9 (2009) and IFRS 9 (2010) so that IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2015; however this has now been superseded by the release of IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)* – see 10 below. Early adoption is permitted. The amendment also modifies the relief from restating prior periods. Entities that initially apply IFRS 9 in periods: – Beginning before 1 January 2012 need not restate prior periods and are not required to provide modified disclosures – Beginning on or after 1 January 2012 and before 1 January 2013 must elect either to provide the modified disclosures or to restate prior periods. – Beginning on or after 1 January 2013 are required to provide modified disclosures. The entity need not restate prior periods. The modified disclosures are discussed under point 1.	Mandatory adoption to be confirmed Early adoption permitted
5. Amendments to IFRS 9 Issued: November 2013	*IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)* These make three significant changes/additions to IFRS 9: – Add the new hedge accounting requirements (see below) – Withdraw the previous effective date of January 1, 2015 and leave it open other outstanding phases of IFRS 9 have been finalized – Make the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option available for early adoption without early application of the other requirements of IFRS 9. The new hedge accounting requirements are more principles-based, less complex, and provide a better link to risk management and treasury operations than the requirements in IAS 39 *Financial Instruments: Recognition and Measurement*. The new model allows entities to apply hedge accounting more broadly to manage profit or loss mismatches, and as a result reduce 'artificial' hedge ineffectiveness that can arise under IAS 39. Key changes introduced by the new model include: – Simplified effectiveness testing, including removal of the 80-125% highly effective threshold – More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions – Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods – Less profit or loss volatility when using options, forwards, and foreign currency swaps – New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.	Mandatory adoption to be confirmed Early adoption permitted

IFRS		Effective Date
IFRS 13 *Fair Value Measurement*		
6. Annual Improvements (2010 - 2012 cycle) Issued: December 2013	*Short-term accounts receivable and payable* The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial in relative terms.	Mandatory adoption for years beginning on or after July 01, 2014 Early adoption permitted.
7. Annual Improvements (2011 - 2013 cycle) Issued: December 2013	*Scope of paragraph 52 (portfolio exemption)* IFRS 13.52 defines the scope of the exception that permits an entity to measure t he fair value of a group of financial assets and financial liabilities on a net basis. This his is referred to as the portfolio exception. The amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 *Financial Instruments* if this has been adopted early), regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32 *Financial Instruments*: *Presentation*.	Mandatory adoption for years beginning on or after July 01, 2014. Early adoption permitted
IAS 16 *Property, Plant and Equipment*		
8. Annual Improvements (2010 - 2012 cycle) Issued: December 2013	Revaluation method – proportionate restatement of accumulated depreciation The amendment clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either: (i) The gross carrying amount is adjusted in a manner consistent with the net carrying amount (e.g. proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated depreciation is then adjusted to equal the difference between the gross and net carrying amounts (ii) Accumulated depreciation is eliminated against the gross carrying amount.	Mandatory adoption for years beginning on or after July 01, 2014. Early adoption permitted
IAS 19 *Employee Benefits*		
9. Amendments to IAS 19 Issued: November 2013	*Defined Benefit Plans: Employee Contributions* The amendment introduces a narrow scope amendments that: – Provides a practical expedient to certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service – Clarify the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70. Contributions that are independent of the number of years of service include: – Contributions that are based on a fixed percentage of salary – Contributions of a fixed amount throughout the service period – Contributions that are dependent on the employee's age.	Mandatory adoption for years beginning on or after January 01, 2014. Early adoption permitted

IFRS		Effective Date
IAS 24 *Related Party Disclosures*		
10. Annual Improvements (2010 - 2012 cycle) Issued: December 2013	*Key management personnel* The amendment clarifies that an entity that provides key management personnel services (‘management entity’) to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity, and: – Would require separate disclosure of amounts recognized as an expense for key management personnel services provided by a separate management entity – Would not require disaggregated disclosures by the categories set out in IAS 24.17.	Mandatory adoption for years beginning on or after January 01, 2014. Early adoption permitted
IAS 32 *Financial Instruments: Presentation*		
11. Amendments to IAS 32 Issued: December 2011	*Offsetting Financial Assets and Financial Liabilities* Amendments address inconsistencies in current practice when applying the offsetting criteria. They clarify: – The meaning of ‘currently has a legally enforceable right to set-off’ – That some gross settlement systems may be considered equivalent to net settlement. The amendments are part of the IASB’s offsetting project. As part of that project, the IASB also separately issued *Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to *IFRS* 7), which is mandatory for periods beginning on or after 1 January 2013.	Mandatory adoption for years beginning on or after January 01, 2014 Early adoption permitted

<table>
<tr><th colspan="2">IFRS</th><th>Effective Date</th></tr>
<tr><td colspan="3">IAS 36 Impairment of assets</td></tr>
<tr><td>12. Amendments to IAS 36

Issued: May 2013</td><td>Recoverable Amount Disclosures for Non-financial Assets
The amendments align the disclosures required for the recoverable amount of an asset (or CGU) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use, and require an entity to:

1. Disclose the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that asset (or CGU)
2. Disclose the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique
3. To expand and clarify the disclosure requirements when an assets (CGUs) recoverable amount has been determined on the basis of fair value less disposal, including:

– The level of the fair value hierarchy[1] within which the fair value measurement of the asset (cash-generating unit) is categorized in its entirety (without taking into account whether the ‘costs of disposal’ re observable)
– For fair value measurements categorized within Level 2[1] and Level 3[1] of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, the entity is required to disclose that change and the reason(s) for making it
– For fair value measurements categorized within Level 2[1] and Level 3[1] of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. Key assumptions are those to which the asset’s (CGU’s) recoverable amount is most sensitive
– The discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.

1 Refer to IFRS 13 Fair Value Measurement for information about the fair value hierarchy including descriptions of the Level 2 and Level 3 fair value measurement categories.</td><td>Mandatory adoption for years beginning on or after January 01, 2014.

Early adoption permitted unless IFRS 13 Fair Value Measurement has not been adopted.</td></tr>
</table>

IFRS		Effective Date
IAS 38 *Intangible Assets*		
13. Annual Improvements (2010 - 2012 cycle) Issued: December 2013	*Revaluation method – proportionate restatement of accumulated amortization* The amendment clarifies the computation of accumulated amortization when intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either: **(i)** The gross carrying amount is adjusted in a manner consistent with the net carrying amount (e.g. proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated depreciation is then adjusted to equal the difference between the gross and net carrying amounts **(ii)** Accumulated amortization is eliminated against the gross carrying amount.	Mandatory adoption for years beginning on or after July 01, 2014. Early adoption permitted.
IAS 39 *Financial Instruments: Recognition and Measurement*		
14. Amendments to IAS 39 Issued: June 2013	*Novation of Derivatives and Continuation of Hedge Accounting* The amendments introduce a narrow scope exception that would allow the continuation of hedge accounting under IAS 39 (and IFRS 9) when a derivative is novated, subject to the following criteria: **a)** The novation comes as a consequence of laws or regulations (or the introduction of laws or regulations) **b)** The parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty of each party **c)** Any changes to the hedging instrument are limited only to those that are necessary to effect such a replacement of the counterparty. These changes are limited to those that are consistent with the terms that would be expected if the hedging instrument were originally cleared with the clearing counterparty, and include: – Changes in the collateral requirements – Rights to offset receivables and payables balances – Charges levied. For more information see BDO IFR Bulletin 2013/15.	Mandatory adoption for years beginning on or after January 01, 2014 Early adoption permitted

IFRS		Effective Date
IFRIC 21 *Levies*		
15. New interpretation Issued: May 2013	IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. A levy is defined as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), except for: **a)** Outflows of resources within the scope of other IFRSs (e.g. income taxes under IAS 12 *Income Taxes*) **b)** Fines or other penalties relating to breaches of the legislation. The following factors do not create or imply the existence of an obligating event: – Preparation of the financial statements under the going concern principle – Economic compulsion of the entity. The recognition of a levy liability occurs progressively so long as the obligating event itself occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is breached, and not before.	Mandatory adoption for years beginning on or after January 01, 2014 Early adoption permitted

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