Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of June 30, 2014 and 2013

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of June 30, 2014 (unaudited) and as of December 31, 2013 (audited)

Assets	Note	June 30, 2014	December 31, 2013
		US$ (000)	US$ (000)
Current Assets			
Cash and cash equivalents	4	97,310	182,864
Trade accounts receivable, net		123,598	139,907
Other accounts receivable		458,346	385,526
Other financial assets	6	73,943	82,806
Inventories, net	5	105,587	108,235
Total current assets		**858,784**	**899,338**
Non-Current Assets			
Other accounts receivable		12,409	12,212
Other financial assets	6	11,331	18,154
Investments in associates		66,957	67,517
Property, plant and equipment, net	7	1,143,635	1,030,051
Mining exploration and evaluation cost, net	8	870,664	865,060
Deferred income tax asset	9	33,405	18,914
Total non-current assets		**2,138,401**	**2,011,908**
Total assets		**2,997,185**	**2,911,246**
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		20,358	14,024
Trade accounts payable		195,108	248,926
Other accounts payable		68,555	99,905
Other financial liabilities	6	124,140	102,206
Financial obligations		204,235	94,103
Total current liabilities		**612,396**	**559,164**
Non-Current Liabilities			
Financial obligations		613,480	612,444
Other financial liabilities	6	10,232	5,902
Deferred income tax liability	9	162,282	149,718
Provision for contingencies		13,233	13,235
Provision for closing of mining units		95,583	95,656
Total non-current liabilities		**894,810**	**876,955**
Total liabilities		**1,507,206**	**1,436,119**
Net Stockholders' Equity			
Issued capital	10	1,531,743	1,427,768
Treasury stock		(240,272)	(233,856)
Other capital reserves		118,731	110,736
Capital reserve		20,619	14,209
Unrealized gains (loss)		(6,108)	(3,074)
Retained earnings		65,266	159,344
Total net stockholders' equity		**1,489,979**	**1,475,127**
Total liabilities and net stockholders' equity, net		**2,997,185**	**2,911,246**

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Income Statement (unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2014 US$(000)	**2013** US$(000)	**2014** US$(000)	**2013** US$(000)
Sales, Note 11	278,935	374,115	523,377	606,877
Cost of Sales, Note 12	(229,830)	(221,028)	(429,405)	(388,135)
Gross Income	49,105	153,087	93,972	218,742
Operating income (expenses)				
Administrative expenses	(15,142)	(17,052)	(25,924)	(30,566)
Selling expenses	(10,719)	(11,197)	(22,504)	(19,614)
Other income	45,960	13,854	59,796	26,310
Other expenses	(33,159)	(13,053)	(45,954)	(24,980)
Total Operating income (expenses)	(13,060)	(27,448)	(34,586)	(48,850)
Operating income	36,045	125,639	59,386	169,892
Financial income (expenses)				
Financial income	1,713	3,028	4,242	5,473
Financial expenses	(8,212)	(5,823)	(14,623)	(12,854)
Exchange difference, net	(2,683)	1,908	(3,631)	1,763
Total other income (expenses), net	(9,182)	(887)	(14,012)	(5,618)
Income before income tax	26,863	124,752	45,374	164,274
Income tax, Note 9(b)	(6,483)	(30,786)	(14,941)	(47,899)
Net income	**20,380**	**93,966**	**30,433**	**116,375**
Net earnings per share	0.004	0.028	0.007	0.034
Weighted average of outstanding shares (in thousands)	4,669,586	3,415,331	4,669,586	3,415,331

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Comprehensive Income (unaudited)

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2014 US$(000)	**2013** US$(000)	**2014** US$(000)	**2013** US$(000)
Net income	20,380	93,966	30,433	116,375
Other comprehensive income (loss):				
Net change in gains (losses) unrealized on derivative instruments	1,975	(64,437)	(4,334)	(44,363)
Income Tax	(592)	19,331	1,300	13,309
Other comprehensive income (loss) net of income tax	1,383	(45,106)	(3,034)	(31,054)
Total comprehensive income	21,763	48,860	27,399	85,321

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity

For the six-month periods ended June 30, 2014 and 2013 (unaudited)

	Capital	Treasury stock	Other capital reserves	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Balances as of January 1, 2013	1,282,774	(224,538)	99,233	10,800	14,322	194,352	1,376,943
Net income	-	-	-	-	-	116,375	116,375
Net change in losses unrealized on derivative instruments	-	-	-	-	(31,054)	-	(31,054)
Comprehensive income for the period	-	-	-	-	(31,054)	116,375	85,321
Capitalization of earnings	144,994	-	-	-	-	(144,994)	-
Distribution of dividends for fiscal year 2012	-	-	-	226	-	(40,205)	(39,979)
Increase (decrease) in treasury stock transactions		(6,594)	-	5,846	-	-	(748)
Legal reserve allocation	-	-	11,503	-	-	(11,503)	-
Capital reserve application	-	-	-	(2,091)	-	2,091	-
Conversion effect	-	-	-	-	-	32	32
Balances as of June 30, 2013	**1,427,768**	**(231,132)**	**110,736**	**14,781**	**(16,732)**	**116,148**	**1,421,569**
Balances as of January 1, 2014	**1,427,768**	**(233,856)**	**110,736**	**14,209**	**(3,074)**	**159,344**	**1,475,127**
Net income	-	-	-	-	-	30,433	30,433
Net change in gains unrealized on derivative instruments	-	-	-	-	(3,034)	-	(3,034)
Comprehensive income for the period	-	-	-	-	(3,034)	30,433	27,399
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Increase (decrease) in treasury stock transactions		(6,416)	-	6,410	-	-	(6)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	5,306	5,306
Balances as of June 30, 2014	**1,531,743**	**(240,272)**	**118,731**	**20,619**	**(6,108)**	**65,266**	**1,489,979**

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Cash Flows Statement (unaudited)

For the six-month periods ended June 30, 2014 and 2013 (Note 2-C)

	2014	2013
	US$(000)	**US$(000)**
Operating activities		
Collection of sales proceeds	522,139	485,997
Payments to suppliers and third parties	(538,867)	(416,868)
Payments to workers	(57,875)	(76,685)
Income tax payments	(7,497)	(37,302
Royalties	(7,198)	-
Other collections (payments) from operating activities	142,266	165,483
Cash flows from operating activities	52,968	120,625
Investing activities		
Share sales (purchase) payments	5,874	(1,300)
Disbursements for the acquisition of mining rights or the acquisition of property, plant and equipment	(151,507)	(148,851)
Disbursements for exploration and development activities	(53,367)	(50,359)
Cash flows used in investment activities	(199,000)	(200,510)
Financing activities		
Increase in financial obligations	198,913	5,851
Purchase of treasury stock	(6)	(748)
Loan amortization or payments	(87,745)	(6,121)
Interest payment	(16,125)	(16,125)
Dividends	(34,559)	(40,205)
Cash flows from (used in) financing activities	60,478	(57,348)
Decrease in cash and cash equivalents for the period	(85,554)	(137,233)
Cash and cash equivalents at the beginning of the period	182,864	574,855
Cash and cash equivalents at the end of the period	97,310	437,622

The accompanying notes are an integral part of this statement.

1. Identification and economic activity

(a) Identification -

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

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

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

(b) Economic activity -

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

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

(c) Approval of consolidated financial statements –

The consolidated interim financial statements as of June 30, 2014 were approved by the Company’s Management on July 21, 2014. The consolidated financial statements as of December 31, 2013 were approved by the Shareholders’ Meeting on March 20, 2014.

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

	Percentage of direct or indirect interest in the capital	
	June 30, 2014	December 31, 2013
Subsidiaries:		
Empresa Administradora Chungar S.A.C	99.99	99.99
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera El Pilar S.A.C	100	100
Compañía Minera Alpamarca S.A.C. (*)	100	100
Shalca Compañía Minera S.A.C. (*)	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Compañía Minera Huascarán S.A.C. (*)	100	100
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100	100
Compañía Energetica del Centro S.A.C. (**)	-	100
Hidroeléctrica Huanchor S.A.C (***)	100	99.99
Empresa de Generación Eléctrica Baños S.A.(***)	99.99	99.99

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

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

(***) Subsidiary engaged in the energy generation, was purchased by the Company in February 2012.

On June 6, 2014, the Company held the sale of Compañía Energética del Centro S.A.C. from Odebrecht Energía del Peru S.A. The financial result of this transaction was a net gain of $ 7.5 million.

(e) Issuance of bonds –

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

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

On February 2, 2012, bonds were issued and all of the so-called “Senior Notes due 2022” were placed for US$600,000,000 at the international market, at an annual rate of 5.375%, with a ten- year maturity and half-yearly installments payable from August 2, 2012 through February 2, 2022. It is worth noting that the demand for such bonds from investors interested in their acquisition reached US$4,809 million U.S. Dollars.

2. Basis of presentation, accounting principles and practices

Basis of presentation –

The consolidated interim financial statements (unaudited) for the six-month periods ended June 30, 2014 and 2013 were prepared in accordance with IAS 34 “Interim Financial Reporting”.

The consolidated interim financial statements do not include all information and disclosures required from annual consolidated financial reports and should be read together with annual consolidated financial statements for year 2013.

Accounting principles and practices –

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

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

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

The standard issued and not applicable on the Company's financial statements issue date, which is anticipated to apply to such statements, is:

- IFRS 9, Financial Instruments: Classification and measurement, applicable to annual periods beginning on January 1, 2015. It amends the treatment and classification of financial assets defined in IAS 39: Financial Instruments, Recognition and Measurement.

The Company will assess the impact, if any, of the adoption of this modification and of the new International Financial Reporting Standards (IFRS) issued but not yet effective as of the date of the separate financial statements.

(c) Cash and cash equivalents

This heading included in the Company's statement of financial position comprises all balances of cash, term deposits, mutual funds and financial assets with maturities of three or more months.

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

3. Seasonality of operations

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

4. Cash and cash equivalents

Herein below is the composition of this heading:

	As of june 30 2014	As of december 31 2013
	US$(000)	US$(000)
Funds available		
Cash	36	54
Fixed fund	41	28
Bank checking accounts	61,226	37,479
Term deposits (a)	35,000	77,487
Mutual funds (b)	-	437
Financial assets at fair value (b)	-	66,737
Funds subject to restriction	1,007	642
	97,310	**182,864**

(a) Herein below is the composition of term deposits as of March 31, 2014:

Date	Nominal currency	Original term	Annual interest rate	As of June 30, 2014
			%	US$(000)
30.06.2014	U.S. Dólares	1 to 3 months	0.36%	35,000
				35,000

(b) The Company's Management has decided to invest its cash surpluses in diversified portfolios of international, investment-grade, corporate bonds. Such investments were made through international first–rate banks. Furthermore, in the opinion of Management, these are highly-liquid investments with a very low risk.

5. Inventories

(a) The composition of this heading is presented below:

	As of june 30 2014	As of december 31 2013
	US$(000)	US$(000)
Concentrates:	22,862	30,299
Raw material (extracted ore)	31,993	32,022
Miscellaneous supplies	54,606	49,334
Inventories in transit	614	1,068
Allowance for obsolescence of spare parts and supplies (b)	(4,488)	(4,488)
	105,587	108,235

The Company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of June 30, 2014 and as of December 31, 2013.

(b) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of June 30, 2014 and as of December 31, 2013.

6. Other financial assets (liabilities)

Herein below is the composition of receivables:

	As of june 30 2014 US$(000)	As of December 31 2013 US$(000)
Total fair value of receivable hedge instruments	50,559	30,283
Embedded derivative related to purchases of concentrates	1,035	-
Embedded derivative related to sales of concentrates	12,420	5,534
Premiums	21,260	65,143
	85,274	**100,960**
Less: non-current portion	(11,331)	(18,154)
Current portion	**73,943**	**82,806**

Herein below is the composition of payables:

	As of June 30 2014 US$(000)	As of Diciembre 31 2013 US$(000)
Total fair value of hedge derivative financial instruments	50,374	30,572
Embedded derivative related to sales of concentrates	-	312
Premiums	83,998	77,224
	134,372	**108,108**
Less: non-current portion	(10,232)	(5,902)
Current portion	**124,140**	**102,206**

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

Mineral quotations hedging transactions –

As of June 30, 2014 and as of December 31, 2013, the Company has executed price hedging operations contracts (swaps) and zero-cost collars to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The net fair value of the deferred income tax is shown under equity account “Unrealized loss” for US$ 6,108 thousands (US$ 3,074 thousands loss as of December 31, 2013). The net change in this account for the three-month period ended June 30, 2014 is US$ 3,034 thousands.

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

	Hedging Financial Derivatives	**Income tax**	**Unrealized Gains (losses)**
	US$(000)	US$(000)	US$(000)
Balances as of January 1, 2013	**20,460**	**(6,138)**	**14,322**
Total change in hedging derivative financial instruments	(24,852)	7,456	(17,396)
Balances as of December 31, 2013	**(4,392)**	**1,318**	**(3,074)**
Total change in hedging derivative financial instruments	(4,334)	1,300	(3,034)
Balances as of June 30, 2014	**(8,726)**	**2,618**	**(6,108)**

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2014	Additions	Write-offs	Adjustments	Balances as of June 30, 2014
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Cost					
Land	6,014	164	-	69	6,247
Buildings and other constructions	235,647	41,098	-	291,220	567,965
Environmental management program infrastructure	22,022	-	-	-	22,022
Machinery and equipment	308,122	9,689	(12,674)	1,919	307,056
Transportation units	13,803	109	(1,780)	-	12,132
Furniture and fixtures and IT equipment	10,469	361	(15)	87	10,902
Miscellaneous equipment	348,209	19,558	(247)	41,112	408,632
Units in transit	8,635	1,269	-	(2,074)	7,830
Works in progress	593,945	79,259	(1,480)	(332,106)	339,618
	1,546,866	**151,507**	**(16,196)**	**227**	**1,682,404**
Accumulated depreciation					
Buildings and other constructions	(47,076)	(9,757)	-	-	(56,833)
Environmental management program infrastructure	(21,010)	(269)	-	(2)	(21,281)
Machinery and equipment	(238,319)	(12,679)	11,443	(6)	(239,561)
Transportation units	(11,412)	(352)	1,697	2	(10,065)
Furniture and fixtures and IT equipment	(5,654)	(360)	15	(1)	(6,000)
Miscellaneous equipment	(193,344)	(11,920)	229	6	(205,029)
	(516,815)	**(35,337)**	**13,384**	**(1)**	**(538,769)**
Net cost	**1,030,051**				**1,143,635**

8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented herein below:

-	Balances as of January 1, 2014	Additions	Write-offs	Adjustments	Balances as of June 30, 2014
	US$ (000)	US$ (000)	US$ (000)	US$ (000)	US$ (000)
Mining rights and concessions	303,461	-	(12,392)	3	291,072
Deferred exploration and development, and stripping costs	953,544	53,178	-	(547)	1,006,175
Closing of mining units	97,256	-	-	-	97,256
Other intangible assets	11,333	189	-	341	11,863
	1,365,594	**53,367**	**(12,392)**	**(203)**	**1,406,366**
Accumulated amortization					
Mining rights and concessions	(150,071)	(4,207)	-	-	(154,278)
Deferred exploration, development and stripping costs	(331,387)	(29,546)	-	(1)	(360,934)
Closing of mining units	(13,184)	(942)	-	-	(14,126)
Other intangible assets	(5,892)	(472)	-	-	(6,364)
	(500,534)	**(35,167)**	**-**	**(1)**	**(535,702)**
Net cost	**865,060**				**870,664**

9. Deferred Income tax

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

	As of june 30 2014	As of december 31 2013
	US$ (000)	US$ (000)
Deferred assets with effect on gains (losses)		
Allowance for depreciation of inventories	1,346	1,346
Recoverable tax losses	16,139	1,488
Provision for the closing of mining units	3,729	3,475
Vacation payments outstanding	1,815	1,865
Provision mining royalty	2,961	3,172
Sales adjustment	409	1,993
Contingencies	3,989	3,988
Loss in fair value of financial assets (bonds)	399	253
Losses unrealized on derivative financial instruments	2,618	1,317
Loss in fair value of premiums (call)	-	17
Deferred assets	**33,405**	**18,914**
Deferred liabilities with effect on gains (losses)		
Amortization of mining rights and concessions, exploration, development and stripping costs	(144,713)	(142,284)
Unrealized gains on derivative financial instruments	(1,745)	-
Estimate for values of share	(2,926)	-
Financial cost	(8,192)	(5,121)
Embedded derivative	(4,012)	(1,627)
Interest on bonds portfolio	(138)	(130)
Other minors expensives	(556)	(556)
Deferred liabilities	**(162,282)**	**(149,718)**

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

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2014	**2013**	**2014**	**2013**
	US$(000)	US$(000)	US$(000)	US$(000)
Income Tax				
Current	5,733	19,067	11,824	30,680
Deferred	(2,801)	7,286	(4,327)	6,622
	2,932	26,353	7,497	37,302
Tax on mining royalties	3,401	4,111	7,198	10,084
Contribution to the retirement fund	150	322	246	513
Total income tax expense	6,483	30,786	14,941	47,899

10. Net stockholders' equity

Issued capital

It is represented by 1,633,414,553 class "A" shares with right to vote and 2,443,157,622 class "B" shares with no right to vote but right to preference dividend distribution; such right is not cumulative. From the total, 181,700,631 acciones class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., and 23,432,075 class "A" shares by subsidiary Empresa Administradora Chungar S.A.C., and 10,270 class "A" shares by subsidiary Compañía Minera Alpamarca S.A.C. 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 June 30, 2014, their quotation was S/. 1.65 and S/. 1.09 per share, respectively (S/. 2.10 and S/.1.14 per share, respectively, as of December 31, 2013). The trading frequency for class "A" shares was 5 percent, and for class "B" shares 100 percent as of December 31, 2013.

The Mandatory Annual Shareholders' Meeting held on March 20, 2014 resolved to increase the share capital by S/. 336,615,526, (equivalent to approximately US$ 103,975,232) corresponding to the capitalization of the profit balance of year 2013, and the capital reserve deduction , thus increasing the share capital from S/. 3,739,956,649 to S/. 4,076,572,175, which represents the delivery of 9% in paid-up shares, both for Class "A" and Class "B" shares.

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

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

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

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

11. Net Sales

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

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2014	**2013**	**2014**	**2013**
	US$(000)	US$(000)	US$(000)	US$(000)
Net concentrate sales				
Zinc	137,090	123,293	272,412	209,910
Lead	88,234	119,132	157,428	216,810
Copper	19,268	16,296	34,007	41,893
Silver Concentrate	26,885	372	50,043	372
Silver Bars	4,351	-	4,351	-
Fluxes	(2)	25,111	7	42,573
Final settlement adjustments	(8,073)	(14,541)	(19,878)	(6,004)
	267,753	269,663	498,370	505,554
Gain (loss) realized on financial instruments	4,950	110,496	12,773	115,696
Sales adjustment for the current period (b)	(4,161)	(6,166)	5,238	(7,841)
Embedded derivatives for the current period (c)	10,393	122	6,996	(6,532)
	278,935	374,115	523,377	606,877

(b) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Commercial contracts are related to market prices (London Metal Exchange). The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of June 30, 2014 and 2013, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in gains for US$ 5,238 thousands and loss for US$ 7,841 thousands in the three-month periods ended June 30, 2014 and 2013; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of Junes 30, 2014 the fair value of embedded derivatives yielded loss for US$ 6,996 thousands (loss for US$ 6,532 thousands as of June 30, 2013). It is shown in net sales in consolidated income statement.

12. Cost of Sales

The composition of this below:

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2014	**2013**	**2014**	**2013**
	US$(000)	US$(000)	US$(000)	US$(000)
Concentrates beginning inventory	33,353	55,156	30,299	40,480
Raw materials (extracted ore) beginning inventory	31,396	32,821	32,022	31,884
Production cost:				
Labor	18,352	18,468	35,073	37,733
Rental, power and other expenses	64,933	59,496	117,108	116,773
Supplies used	30,297	28,211	57,504	56,545
Purchase of mineral	2,282	13,935	5,190	26,412
Depreciation and amortization	36,448	30,979	67,512	59,929
Exceptionals	667	12,519	1,027	13,474
Purchase of concentrate	64,809	37,463	134,798	70,136
Employees' profit sharing	2,148	4,719	3,727	7,508
Less – concentrates ending inventory,	(22,862)	(39,084)	(22,862)	(39,084)
Less – raw materials (extracted ore) ending inventory)	(31,993)	(33,655)	(31,993)	(33,655)
	229,830	221,028	429,405	388,135

For a correct reading of the financial statements, reclassifications have been made in note of 2013 mainly to separate mineral and concentrate buys.