

Volcan Compañía Minera S.A.A. and Subsidiaries

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

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

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

Assets	Note	September 30, 2014	December 31, 2013
		US\$ (000)	US\$ (000)
Current Assets			
Cash and cash equivalents	4	115,544	207,208
Trade accounts receivable, net		112,249	139,907
Other accounts receivable		393,238	361,182
Other financial assets	6	49,886	82,806
Inventories, net	5	107,928	108,235
Total current assets		778,845	899,338
Non-Current Assets			
Other accounts receivable		11,894	12,212
Other financial assets	6	4,663	18,154
Investments in associates		66,957	67,517
Property, plant and equipment, net	7	1,190,028	1,030,051
Mining exploration and evaluation cost, net	8	874,309	865,060
Deferred income tax asset	10	41,222	18,914
Total non-current assets		2,189,073	2,011,908
Total assets		2,967,918	2,911,246
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		25,470	14,024
Trade accounts payable		176,818	248,926
Other accounts payable		51,446	99,905
Other financial liabilities	6	111,509	102,206
Financial obligations	9	202,425	94,103
Total current liabilities		567,668	559,164
Non-Current Liabilities			
Financial obligations	9	612,430	612,444
Other financial liabilities	6	8,920	5,902
Deferred income tax liability	10	164,971	149,718
Provision for contingencies		12,833	13,235
Provision for closing of mining units		95,570	95,656
Total non-current liabilities		894,724	876,955
Total liabilities		1,462,392	1,436,119
Net Stockholders' Equity			
Issued capital	11	1,531,743	1,427,768
Treasury stock		(240,308)	(233,856)
Other capital reserves		118,731	110,736
Capital reserve		20,595	14,209
Unrealized gains (loss)	6	(7,530)	(3,074)
Retained earnings		82,295	159,344
Total net stockholders' equity		1,505,526	1,475,127
Total liabilities and net stockholders' equity, net		2,967,918	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 nine-month periods ended September 30, 2014 and 2013

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Sales, Note 12	271,447	268,910	794,824	875,787
Cost of Sales, Note 13	(218,135)	(185,884)	(647,540)	(574,019)
Gross Income	<u>53,312</u>	<u>83,026</u>	<u>147,284</u>	<u>301,768</u>
Operating income (expenses)				
Administrative expenses	(13,619)	(13,156)	(39,543)	(43,722)
Selling expenses	(12,659)	(11,689)	(35,163)	(31,303)
Other income	14,804	11,593	74,600	37,903
Other expenses	(14,478)	(11,887)	(60,432)	(36,867)
Total Operating income (expenses)	<u>(25,952)</u>	<u>(25,139)</u>	<u>(60,538)</u>	<u>(73,989)</u>
Operating income	<u>27,360</u>	<u>57,887</u>	<u>86,746</u>	<u>227,779</u>
Financial income (expenses)				
Financial income	1,434	3,030	5,676	8,504
Financial expenses	(8,092)	(4,996)	(22,715)	(17,850)
Exchange difference, net	3,295	(3,390)	(336)	(1,628)
Total other income (expenses), net	<u>(3,363)</u>	<u>(5,356)</u>	<u>(17,375)</u>	<u>(10,974)</u>
Income before income tax	<u>23,997</u>	<u>52,531</u>	<u>69,371</u>	<u>216,805</u>
Income tax, Note 10(b)	<u>(7,952)</u>	<u>(19,261)</u>	<u>(22,893)</u>	<u>(67,159)</u>
Net income	<u>16,045</u>	<u>33,270</u>	<u>46,478</u>	<u>149,646</u>
Net earnings per share	<u>0.004</u>	<u>0.010</u>	<u>0.012</u>	<u>0.043</u>
Weighted average of outstanding shares (in thousands)	<u>3,867,914</u>	<u>3,458,199</u>	<u>3,867,914</u>	<u>3,458,199</u>

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 three-month and nine-month periods ended September 30, 2014 and 2013

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Net income	16,045	33,270	46,478	149,646
Other comprehensive income (loss):				
Net change in gains (losses) unrealized on derivative instruments	(2,031)	28,041	(6,365)	(16,321)
Income Tax	609	(8,412)	1,909	4,896
Other comprehensive income (loss) net of income tax	(1,422)	19,629	(4,456)	(11,425)
Total comprehensive income	14,623	52,899	42,022	138,221

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity

For the period from January 1, to September 30, 2014 and 2013 (unaudited)

	Capital Issued	Treasury stock	Other capital reserves	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2013	1,282,774	(224,538)	99,233	10,800	14,322	194,352	1,376,943
Net income	-	-	-	-	-	149,646	149,646
Net change in losses unrealized on derivative instruments	-	-	-	-	(11,425)	-	(11,425)
Comprehensive income for the period	-	-	-	-	(11,425)	149,646	138,221
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	-	(9,246)	-	5,370	-	-	(3,876)
Legal reserve allocation	-	-	11,503	-	-	(11,503)	-
Capital reserve application	-	-	-	(2,091)	-	2,091	-
Conversion effect	-	-	-	-	-	31	31
Balances as of Septiembre 30, 2013	1,427,768	(233,784)	110,736	14,305	2,897	149,418	1,471,340
Balances as of January 1, 2014	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127
Net income	-	-	-	-	-	46,478	46,478
Net change in gains unrealized on derivative instruments	-	-	-	-	(4,456)	-	(4,456)
Comprehensive income for the period	-	-	-	-	(4,456)	46,478	42,022
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Increase (decrease) in treasury stock transactions	-	(6,452)	-	6,386	-	-	(66)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	6,290	6,290
Balances as of Septiembre 30, 2014	1,531,743	(240,308)	118,731	20,595	(7,530)	82,295	1,505,526

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries Consolidated Cash Flows Statement (unaudited)

For the period from January 1, to September 30, 2014 and 2013 (Note 2-C)

	2014	2013
	<u>US\$(000)</u>	<u>US\$(000)</u>
Operating activities		
Collection of sales proceeds	817,621	714,808
Income tax receivable	59,070	-
Payments to suppliers and third parties	(781,700)	(648,733)
Payments to workers	(84,011)	(90,625)
Income tax payments	(39,651)	(55,673)
Royalties	(10,909)	-
Other collections (payments) from operating activities	<u>142,266</u>	<u>222,845</u>
Cash flows from operating activities	<u>160,010</u>	<u>142,622</u>
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	(225,597)	(268,184)
Disbursements for exploration and development activities	<u>(73,384)</u>	<u>(90,702)</u>
Cash flows used in investment activities	<u>(293,107)</u>	<u>(360,186)</u>
Financing activities		
Increase in financial obligations	199,785	11,506
Purchase of treasury stock	(66)	(3,876)
Loan amortization or payments	(91,477)	(8,845)
Interest payment	(32,250)	(16,125)
Dividends	<u>(34,559)</u>	<u>(40,205)</u>
Cash flows from (used in) financing activities	<u>41,433</u>	<u>(57,545)</u>
Decrease in cash and cash equivalents for the period	(91,664)	(275,109)
Cash and cash equivalents at the beginning of the period	<u>207,208</u>	<u>574,855</u>
Cash and cash equivalents at the end of the period	<u>115,544</u>	<u>299,746</u>

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of September 30, 2014 and 2013

1. Identification and economic activity

(a) Identification -

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

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

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

(b) Economic activity -

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

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

(c) Approval of consolidated financial statements -

The consolidated interim financial statements as of September 30, 2014 were approved by the Company’s Management on October 23, 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	
	September 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 Energética del Centro S.A.C. (**)	-	100
Hidroeléctrica Huanchor S.A.C (***)	100	99.99
Compañía Hidroeléctrica Tingo S.A. (***)	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 subsidiary 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 Perú S.A. The financial result of this transaction was a net gain of \$ 8.2 million.

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

- (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 nine-month periods ended September 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, 2018. 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 september 30 2014	As of december 31 2013
	<u>US\$(000)</u>	<u>US\$(000)</u>
Funds available		
Cash	34	54
Fixed fund	41	28
Bank checking accounts	85,630	61,823
Term deposits (a)	29,000	77,487
Mutual funds (b)	-	437
Financial assets at fair value (b)	-	66,737
Funds subject to restriction	839	642
	<u>115,544</u>	<u>207,208</u>

- (a) Herein below is the composition of term deposits as of September 30, 2014:

Date	Nominal currency	Original term	Annual interest rate %	As of June 30, 2014 US\$(000)
30.09.2014	U.S. Dólares	1 to 3 months	0.36%	29,000
				29,000

- (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 september 30 <u>2014</u> US\$(000)	As of december 31 <u>2013</u> US\$(000)
Concentrates:	22,986	30,299
Raw material (extracted ore)	32,102	32,022
Miscellaneous supplies	56,681	49,334
Inventories in transit	647	1,068
Allowance for obsolescence of spare parts and supplies (b)	(4,488)	(4,488)
	107,928	108,235

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

6. Other financial assets (liabilities)

Herein below is the composition of receivables:

	As of september 30 2014 <u>US\$(000)</u>	As of December 31 2013 <u>US\$(000)</u>
Total fair value of receivable hedge instruments	30,922	30,283
Embedded derivative related to purchases of concentrates	1,199	-
Embedded derivative related to sales of concentrates	10,529	5,534
Premiums	<u>11,899</u>	<u>65,143</u>
	54,549	100,960
Less: non-current portion	<u>(4,663)</u>	<u>(18,154)</u>
Current portion	<u>49,886</u>	<u>82,806</u>

Herein below is the composition of payables:

	As of Septiembre 30 2014 <u>US\$(000)</u>	As of Diciembre 31 2013 <u>US\$(000)</u>
Total fair value of hedge derivative financial instruments	34,703	30,572
Embedded derivative related to sales of concentrates	7,873	312
Premiums	<u>77,853</u>	<u>77,224</u>
	120,429	108,108
Less: non-current portion	<u>(8,920)</u>	<u>(5,902)</u>
Current portion	<u>111,509</u>	<u>102,206</u>

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 September 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\$ 7,530 thousands (US\$ 3,074 thousands loss as of December 31, 2013). The net change in this account for the nine-month period ended September 30, 2014 is US\$ 4,456 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)
	<hr/>	<hr/>	<hr/>
Balances as of December 31, 2013	(4,392)	1,318	(3,074)
Total change in hedging derivative financial instruments	(6,365)	1,909	(4,456)
	<hr/>	<hr/>	<hr/>
Balances as of September 30, 2014	(10,757)	3,227	(7,530)
	<hr/>	<hr/>	<hr/>

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 Septiembre 30, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost					
Land	6,014	169	-	69	6,247
Buildings and other constructions	235,647	56,426	-	368,139	567,965
Environmental management program infrastructure	22,022	102	-	722	22,847
Machinery and equipment	308,122	14,696	14,696	9,005	313,076
Transportation units	13,803	260	260	-	12,278
Furniture and fixtures and IT equipment	10,469	568	(15)	87	11,108
Miscellaneous equipment	348,209	26,653	(338)	41,883	416,356
Units in transit	8,635	2,207	-	(9,363)	1,479
Works in progress	593,945	124,517	(1,480)	(415,276)	301,706
	1,546,866	225,597	(22,366)	(4,784)	1,745,312
Accumulated depreciation					
Buildings and other constructions	(47,076)	(18,198)	-	-	(65,274)
Environmental management program infrastructure	(21,010)	(359)	-	(2)	(21,371)
Machinery and equipment	(238,319)	(18,943)	16,783	(6)	(240,485)
Transportation units	(11,412)	(529)	1,783	2	(10,236)
Furniture and fixtures and IT equipment	(5,654)	(551)	15	(1)	(6,191)
Miscellaneous equipment	(193,344)	(18,706)	317	6	(211,727)
	(516,815)	(57,286)	18,817	(1)	(555,284)
Net cost	1,030,051				1,190,028

8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2014	Additions	Write-offs	Adjustments	Balances as of September 30, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Mining rights and concessions	303,461	-	(12,392)	3	291,072
Exploration	304,920	19,745	-	-	324,665
Development and stripping costs	648,624	53,079	-	4,436	706,139
Closing of mining units	97,256	-	-	-	97,256
Other intangible assets	11,333	560	-	369	12,263
	1,365,594	73,384	(12,392)	4,808	1,431,395
<u>Accumulated amortization</u>					
Mining rights and concessions	(150,071)	(6,450)	-	-	(156,521)
Exploration	(56,842)	(9,772)	-	(1)	(379,357)
Development and stripping costs	(274,545)	(38,197)	-	-	(312,742)
Closing of mining units	(13,184)	(1,412)	-	-	(14,596)
Other intangible assets	(5,892)	(721)	-	-	(6,613)
	(500,534)	(56,551)	-	(1)	(557,086)
Net cost	865,060				874,309

9. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2014	Loans	Payment	Balances as of September 30, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing				
Banco Internacional del Perú-Interbank	18,292	8,419	8,066	18,645
Scotiabank Perú S.A.A.	5,992	977	2,607	4,362
BBVA Banco Continental	901	1,815	571	2,145
Banco de Crédito del Perú BCP	1,362		233	1,129
Financial Institutions - loans				
Citibank NA	40,000		40,000	-
The Bank of Nova Scotia	40,000		40,000	-
Scotiabank Perú S.A.A.	-	40,000	-	40,000
Scotiabank Perú S.A.A.	-	40,000	-	40,000
BBVA Banco Continental	-	48,574	-	48,574
Deutsche Bank Ag. New York Branck	-	60,000	-	60,000
Bonds	600,000	-	-	600,000
	706,547	199,785	91,477	814,855
Financial obligations current	94,103			202,425
Financial obligations non-current	612,444			612,430

10. Deferred Income tax

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

	As of September 30 2014	As of December 31 2013
	US\$ (000)	US\$ (000)
Deferred assets with effect on gains (losses)		
Recoverable tax losses	22,057	1,488
Provision for the closing of mining units	4,818	3,475
Contingencies	4,000	3,988
Provision mining royalty	3,781	3,172
Losses unrealized on derivative financial instruments	3,227	1,317
Vacation payments outstanding	1,643	1,865
Allowance for depreciation of inventories	1,302	1,346
Loss in fair value of financial assets (bonds)	395	253
Sales adjustment	-	1,993
Loss in fair value of derivative financial instruments	-	17
Deferred assets	41,222	18,914
Deferred liabilities with effect on gains (losses)		
Amortization of mining rights and concessions, exploration, development and stripping costs	(151,859)	(142,284)
Financial cost	(7,462)	(5,121)
Estimate for values of share	(2,855)	-
Sales adjustment	(1,041)	-
Embedded derivative	(707)	(1,627)
Gains in fair value of derivative financial instruments and premiums	(647)	-
Interest on bonds portfolio	(137)	(130)
Provision for sale and transmission for electricity	(28)	-
Other minors expensives	(236)	(556)
Deferred liabilities	(164,971)	(149,718)

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

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Income Tax				
Current	7,725	11,424	19,550	42,104
Deferred	(5,513)	3,985	(9,841)	10,605
	<u>2,212</u>	<u>15,409</u>	<u>9,709</u>	<u>52,709</u>
Tax on mining royalties	5,618	3,675	12,816	13,759
Contribution to the retirement fund	122	177	368	691
Total income tax expense	7,952	19,261	22,893	67,159

11. 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, 181,802,681 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 September 30, 2014, their quotation was S/. 1.68 and S/. 0.99 per share, respectively (S/. 2.10 and S/. 1.14 per share, respectively, as of December 31, 2013). As of September 30, 2014, the trading frequency for class "A" shares was 30 percent, and for class "B" shares 100 percent (for class "A" shares was 5 percent, and for class "B" shares 100 percent as of December 31, 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.

12. Net Sales

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

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2014	2013	2014	2013
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Net concentrate sales				
Zinc	155,874	124,293	428,287	334,772
Lead	80,877	110,145	238,306	326,955
Copper	12,782	14,778	46,789	56,671
Silver Concentrate	31,868	19,487	81,910	62,061
Bulk Silver	-	-	-	372
Silver Bars	2,804	-	7,154	-
Fluxes	-	-	7	-
Final settlement adjustments	(301)	(18,131)	(20,177)	(24,135)
	<u>283,904</u>	<u>251,142</u>	<u>782,275</u>	<u>756,695</u>
Gain (loss) realized on financial instruments	(7,238)	4,165	5,535	119,862
Sales adjustment for the current period (b)	(9,764)	7,575	(2,768)	(265)
Embedded derivatives for the current period (c)	4,545	6,027	9,782	(505)
	<u>271,447</u>	<u>268,910</u>	<u>794,824</u>	<u>875,787</u>

(b) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. 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 September 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 loss for US\$ 2,768 thousands and US\$ 265 thousands in the nine-month periods ended September 30, 2014 and 2013; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of September 30, 2014 the fair value of embedded derivatives yielded gains for US\$ 9,782 thousands (loss for US\$ 505 thousands as of September 30, 2013). It is shown in net sales in consolidated income statement. The future prices of our open positions as of September 30, 2014 and 2013, have been taken from the published prices by the London Metal Exchange (LME).

13. Cost of Sales

The composition of this below:

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2014	2013	2014	2013
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Concentrates beginning inventory	22,862	39,084	30,299	40,480
Raw materials (extracted ore) beginning inventory	31,993	33,655	32,022	31,885
Production cost:				
Labor	18,207	16,266	53,280	53,547
Rental, power and other expenses	68,715	53,519	185,859	173,209
Supplies used	28,541	26,039	86,045	80,120
Purchase of mineral	136	6,521	5,326	32,933
Depreciation and amortization	38,285	23,229	105,797	83,158
Exceptionals	674	438	1,701	13,911
Purchase of concentrate	61,760	45,058	195,522	115,193
Employees' profit sharing	2,050	2,939	5,777	10,447
Less - concentrates ending inventory,	(22,986)	(29,109)	(22,986)	(29,109)
Less - raw materials (extracted ore) ending inventory)	(32,102)	(31,755)	(32,102)	(31,755)
	<u>218,135</u>	<u>185,884</u>	<u>647,540</u>	<u>574,019</u>

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