

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
December 31, 2014 and 2013

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

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

Assets	Note	December 31,	December 31,
		2014	2013
		US\$ (000)	US\$ (000)
Current Assets			
Cash and cash equivalents	4	174,363	269,614
Trade accounts receivable, net		83,450	139,907
Other accounts receivable		361,079	363,670
Other financial assets	6	32,528	82,806
Inventories, net	5	197,236	108,235
Total current assets		848,656	964,232
Non-Current Assets			
Other accounts receivable		40,765	12,212
Other financial assets	6	92	18,154
Investments in associates		4,333	5,111
Property, plant and equipment, net	7	1,245,825	1,030,051
Mining exploration and evaluation cost, net	8	767,623	865,060
Deferred income tax asset	10	66,559	18,914
Total non-current assets		2,125,197	1,949,502
Total assets		2,973,853	2,913,734
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		16,060	14,024
Trade accounts payable		228,847	251,414
Other accounts payable		65,044	99,905
Other financial liabilities	6	96,209	102,206
Financial obligations	9	201,765	94,103
Total current liabilities		607,925	561,652
Non-Current Liabilities			
Financial obligations	9	620,270	612,444
Other financial liabilities	6	12,041	5,902
Deferred income tax liability	10	167,790	149,718
Provision for contingencies		11,171	13,235
Provision for closing of mining units		63,610	95,656
Total non-current liabilities		874,882	876,955
Total liabilities		1,482,807	1,438,607
Net Stockholders' Equity			
Issued capital	11	1,531,743	1,427,768
Treasury stock		(240,342)	(233,856)
Other capital reserves		118,731	110,736
Capital reserve		20,329	14,209
Unrealized gains (loss)	6	(21,931)	(3,074)
Retained earnings		82,516	159,344
Total net stockholders' equity		1,491,046	1,475,127
Total liabilities and net stockholders' equity, net		2,973,853	2,913,734

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 twelve-month periods ended December 31, 2014 and 2013

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Sales, Note 12	247,527	287,035	1,042,351	1,162,823
Cost of Sales, Note 13	(218,206)	(217,414)	(865,746)	(791,433)
Gross Income	<u>29,321</u>	<u>69,621</u>	<u>176,605</u>	<u>371,390</u>
Operating income (expenses)				
Administrative expenses	(15,015)	(17,092)	(54,558)	(60,813)
Selling expenses	(13,887)	(14,971)	(49,050)	(46,274)
Other income	111,400	17,720	186,000	55,623
Other expenses	(103,177)	(15,126)	(163,609)	(51,993)
	<u>(20,679)</u>	<u>(29,469)</u>	<u>(81,217)</u>	<u>(103,457)</u>
Operating income	<u>8,642</u>	<u>40,152</u>	<u>95,388</u>	<u>267,933</u>
Financial income (expenses)				
Financial income	4,655	4,026	10,331	12,530
Financial expenses	(10,606)	(5,973)	(33,321)	(23,824)
Exchange difference, net	2,481	813	2,145	(815)
Total other income (expenses), net	<u>(3,470)</u>	<u>(1,134)</u>	<u>(20,845)</u>	<u>(12,109)</u>
Income before income tax	<u>5,172</u>	<u>39,018</u>	<u>74,543</u>	<u>255,824</u>
Income tax, Note 10(b)	5,173	(15,304)	(17,720)	(82,464)
Net income	<u>10,345</u>	<u>23,714</u>	<u>56,823</u>	<u>173,360</u>
Net earnings per share	<u>0.003</u>	<u>0.008</u>	<u>0.015</u>	<u>0.059</u>
Weighted average of outstanding shares (in thousands)	<u>3,865,936</u>	<u>2,916,854</u>	<u>3,865,936</u>	<u>2,916,854</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 period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Net income	10,345	23,714	56,823	173,360
Other comprehensive income (loss):				
Net change in gains (losses) unrealized on derivative instruments	(20,573)	(8,532)	(26,938)	(24,852)
Income Tax	6,172	2,560	8,081	7,456
Other comprehensive income (loss) net of income tax	(14,401)	(5,972)	(18,857)	(17,396)
Total comprehensive income	(4,056)	17,742	37,966	155,964

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity

For the period from January 1, to December 31, 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	194,351	1,376,942
Net income	-	-	-	-	-	173,360	173,360
Net change in losses unrealized on derivative instruments	-	-	-	-	(17,396)	-	(17,396)
Comprehensive income for the period	-	-	-	-	(17,396)	173,360	155,964
Capitalization of earnings	144,994	-	-	-	-	(144,994)	-
Distribution of dividends for fiscal year 2012	-	-	-	226	-	(40,205)	(39,979)
Advance of dividends for 2013	-	-	-	-	-	(13,826)	(13,826)
Increase (decrease) in treasury stock transactions	-	(9,318)	-	5,274	-	-	(4,044)
Legal reserve allocation	-	-	11,503	-	-	(11,503)	-
Capital reserve application	-	-	-	(2,091)	-	2,091	-
Conversion effect	-	-	-	-	-	70	70
Balances as of December 31, 2013	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127
Balances as of January 1, 2014	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127
Net income	-	-	-	-	-	56,823	56,823
Net change in gains unrealized on derivative instruments	-	-	-	-	(18,857)	-	(18,857)
Comprehensive income for the period	-	-	-	-	(18,857)	56,823	37,966
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Advance of dividends for 2014	-	-	-	-	-	(7,116)	(7,116)
Increase (decrease) in treasury stock transactions	-	(6,486)	-	6,120	-	-	(366)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	3,282	3,282
Balances as of December 31, 2014	1,531,743	(240,342)	118,731	20,329	(21,931)	82,516	1,491,046

The accompanying notes are an integral part of this statement.

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

For the period from January 1, to December 31, 2014 and 2013 (Note 2-C)

	2014	2013
	<u>US\$(000)</u>	<u>US\$(000)</u>
Operating activities		
Collection of sales proceeds	1,203,121	1,135,787
Income from hedging	11,511	125,435
Refund of the credit balance in favor of the exporter	59,070	-
Payments to suppliers and third parties	(885,251)	(789,601)
Payments to workers	(117,817)	(117,016)
Income tax payments	(26,741)	(64,500)
Royalties	(13,840)	(17,092)
Cash flows from operating activities	<u>230,053</u>	<u>142,622</u>
Investing activities		
Share sales (purchase) payments	(872)	(1,300)
Disbursements for the acquisition of mining rights or the acquisition of property, plant and equipment	(307,831)	(434,391)
Disbursements for exploration and development activities	(106,439)	(128,871)
Cash flows used in investment activities	<u>(415,142)</u>	<u>(564,562)</u>
Financing activities		
Increase in financial obligations	314,409	13,115
Purchase of treasury stock	(366)	(4,045)
Loan amortization or payments	(159,336)	(12,713)
Interest payment	(32,250)	(32,250)
Dividends	(32,619)	(40,205)
Cash flows from (used in) financing activities	<u>89,838</u>	<u>(76,098)</u>
Decrease in cash and cash equivalents for the period	(95,251)	(367,647)
Cash and cash equivalents at the beginning of the period	<u>269,614</u>	<u>637,261</u>
Cash and cash equivalents at the end of the period	<u>174,363</u>	<u>269,614</u>

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of December 31, 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 December 31, 2014 were approved by the Company’s Management on February 11, 2015. 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	
	December 31, 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 Peru S.A. The financial result of this transaction was a net gain of \$ 8.2 million.

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

- (e) Issuance of bonds -

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

and the Company's bylaws, with all powers necessary for its determination of each and all terms, characteristics and conditions applicable to the issuance of bonds.

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

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

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit and the new Alpamarca-Pallanga River unit.

2. Basis of presentation, accounting principles and practices

Basis of presentation -

The consolidated interim financial statements (unaudited) for the twelve-month periods ended December 31, 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.

For a correct reading of the financial statement, certain reclassification have been made in 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, financial assets and financial investment foreing 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 December 31 2014	As of december 31 2013
	US\$(000)	US\$(000)
Funds available:		
Cash	42	54
Fixed fund	41	28
Bank checking accounts	82,238	61,823
Term deposits (a)	29,000	77,487
Mutual funds (b)	-	437
Financial assets at fair value (b)	-	66,737
Financial investments foreing	62,406	62,406
Funds subject to restriction	636	642
	<u>174,363</u>	<u>269,614</u>

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

Date	Nominal currency	Original term	Annual interest rate %	As of December 31, 2014 US\$(000)
31.12.2014	U.S. Dólares	1 to 3 months	0.36%	29,000
				<u>29,000</u>

(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 December 31 2014	As of december 31 2013
	US\$(000)	US\$(000)
Concentrates:	24,789	30,299
Raw material (extracted ore)	31,466	32,021
Miscellaneous supplies	53,638	49,335
	<u>109,893</u>	<u>111,655</u>
CARRIED FORWARD...	109,893	111,655

	As of December 31 <u>2014</u> US\$(000)	As of december 31 <u>2013</u> US\$(000)
...BROUGHT FORWARD	109,893	111,655
Inventories in transit	382	1,068
Value of stockpiles (b)	91,449	-
Allowance for obsolescence of spare parts and supplies (c)	(4,488)	(4,488)
	<u>197,236</u>	<u>108,235</u>

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

- (b) In December 2014, the Company Management valued the stock piles located in Cerro de Pasco unit as US\$ 91.5 million, which has been recognized as an extraordinary income for the year.
- (c) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of December 31, 2014 and as of December 31, 2013.

6. Other financial assets (liabilities)

Herein below is the composition of receivables:

	As of <u>December 31</u> <u>2014</u> US\$(000)	As of <u>December 31</u> <u>2013</u> US\$(000)
Total fair value of receivable hedge instruments	24,749	30,281
Embedded derivative related to sales of concentrates	2,918	5,537
Premiums	4,953	65,142
	<u>32,620</u>	<u>100,960</u>
Less: non-current portion	(92)	(18,154)
Current portion	<u>32,528</u>	<u>82,806</u>

Herein below is the composition of payables:

Total fair value of hedge derivative financial instruments	43,203	30,573
Embedded derivative related to sales of concentrates	1,901	312
Premiums	63,146	77,224
	<u>108,250</u>	<u>108,108</u>
Less: non-current portion	(12,041)	(5,902)
Current portion	<u>96,209</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 December 31, 2014 and 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\$ 21,931 thousands (US\$ 3,074 thousands loss as of December 31, 2013). The net change in this account for the twelve-month period ended December 31, 2014 is US\$ 18,857 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	(26,938)	8,081	(18,857)
Balances as of December 31, 2014	(31,330)	9,399	(21,931)

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 December 31, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost					
Land	6,014	254	-	69	6,337
Buildings and other constructions	235,647	129,156	-	387,151	751,954
Environmental management program infrastructure	22,022	102	-	722	22,846
Machinery and equipment	308,122	15,676	(24,601)	9,488	308,685
Transportation units	13,803	297	(1,785)	-	12,315
Furniture and fixtures and IT equipment	10,469	2,396	(15)	87	12,937
Miscellaneous equipment	348,209	38,290	(386)	42,265	428,378
Units in transit	8,635	661	-	(9,296)	-
Works in progress	593,945	121,000	(1,640)	(436,174)	277,131
	1,546,866	307,832	(28,427)	(5,688)	1,820,583
Accumulated depreciation					
Buildings and other constructions	(47,076)	(31,186)	-	-	(78,262)
Environmental management program infrastructure	(21,010)	(458)	-	(2)	(21,470)
Machinery and equipment	(238,319)	(24,869)	21,914	(6)	(241,280)
Transportation units	(11,412)	(703)	1,703	2	(10,410)
Furniture and fixtures and IT equipment	(5,654)	(746)	15	(1)	(6,386)
Miscellaneous equipment	(193,344)	(23,968)	355	6	(216,951)
	(516,815)	(81,930)	23,987	(1)	(574,759)
Net cost	1,030,051				1,245,825

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	Provision for impairment of assets (*)	Adjustments	Balances as of December 31, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Mining rights and concessions	303,461	1,677	(12,392)	-	1	292,747
Exploration	304,920	33,895	-	(30,456)	(8)	308,351
Development and stripping costs	648,624	69,968	-	(54,929)	4,021	667,684
Closing of mining units	97,256	-	-	-	(32,580)	64,676
Other intangible assets	11,333	899	-	-	2,033	14,265
	1,365,594	106,439	(12,392)	(85,385)	(26,533)	1,347,723
<u>Accumulated amortization</u>						
Mining rights and concessions	(150,071)	(8,803)	-	-	-	(158,874)
Exploration	(56,842)	(13,571)	-	-	(1)	(70,414)
Development and stripping costs	(274,545)	(51,947)	-	-	1	(326,491)
Closing of mining units	(13,184)	(4,254)	-	-	(1)	(17,439)
Other intangible assets	(5,892)	(991)	-	-	1	(6,882)
	(500,534)	(79,566)	-	-	-	(580,100)
Net cost	865,060					767,623

(*) In December 2014, the Company Management recorded a provision for impairment of its assets related to the underground mine located in the Cerro de Pasco unit.

9. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of December 31, 2013	Loans	Payment	Balances as of December 31, 2014
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing				
Banco Internacional del Perú-Interbank	18,292	9,347	11,358	16,281
Scotiabank Perú S.A.A.	5,992	13,727	3,183	16,536
BBVA Banco Continental	901	1,815	731	1,985
Banco de Crédito del Perú BCP	1,362	-	285	1,077
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	-	106,156	-	106,156
Deutsche Bank Ag. New York Branck	-	60,000	60,000	-
Bonds	600,000	-	-	600,000
	706,547	271,045	155,557	822,035
Financial obligations current	94,103			201,765
Financial obligations non-current	612,444			620,270

10. Deferred Income tax

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

	As of December 31 2014	As of December 31 2013
	US\$ (000)	US\$ (000)
Deferred assets with effect on gains (losses)		
Recoverable tax losses	33,486	1,488
Provision for the closing of mining units	16,379	3,475
Contingencies	2,995	3,988
Provision mining royalty	922	3,172
Losses unrealized on derivative financial instruments	8,482	1,317
Vacation payments outstanding	1,764	1,865
Allowance for depreciation of inventories	1,195	1,346
Loss in fair value of financial assets (bonds)	-	253
Sales adjustment	1,336	1,993
Loss in fair value of derivative financial instruments	-	17
Deferred assets	66,559	18,914
Deferred liabilities with effect on gains (losses)		
Amortization of mining rights and concessions, exploration, development and stripping costs	(134,313)	(142,284)
Value of stock piles	(24,700)	-
Financial cost	-	(5,121)
Estimate for values of share	(2,486)	-
Heading unpaid	(921)	-
Bond issuance expenses	(795)	-
Embedded derivative	(274)	(1,627)
Gains in fair value of derivative financial instruments and premiums	(4,258)	-
Interest on bonds portfolio	-	(130)
Other minors expensives	(43)	(556)
Deferred liabilities	(167,790)	(149,718)

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

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2014 US\$(000)	2013 US\$(000)	2014 US\$(000)	2013 US\$(000)
Income Tax				
Current	6,714	11,119	26,264	53,203
Deferred	(13,790)	712	(23,631)	11,298
	(7,076)	11,831	2,633	64,501
Tax on mining royalties	1,837	3,333	14,653	17,092
Contribution to the retirement fund	66	140	434	871
Total income tax expense	(5,173)	15,304	17,720	82,464

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, 181,900,203 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 December 31, 2014, their quotation was S/. 1.50 and S/. 0.72 per share, respectively (S/. 2.10 and S/.1.14 per share, respectively, as of December 31, 2013). As of December 31, 2014, the trading frequency for class "A" shares was 20 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).

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

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

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

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

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

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

12. Net Sales

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

	For the period from October 1 to December 31		For the cumulative period from January 1 to December 31	
	2014	2013	2014	2013
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Net concentrate sales				
Zinc	144,744	137,826	573,031	472,598
Lead	59,756	104,360	298,062	431,315
Copper	6,352	26,471	53,141	83,142
Silver Concentrate	33,172	19,819	115,082	81,880
Bulk Silver	-	-	-	372
Silver Bars	10,387	-	17,541	-
Fluxes	-	-	7	114
Final settlement adjustments	(6,721)	(9,940)	(26,900)	(34,188)
	<u>247,690</u>	<u>278,536</u>	<u>1,029,964</u>	<u>1,035,233</u>
Gain (loss) realized on financial instruments	9,560	7,416	15,095	127,278
Sales adjustment for the current period (b)	(12,942)	(4,596)	(3,159)	(4,862)
Embedded derivatives for the current period (c)	3,219	5,679	451	5,174
	<u>247,527</u>	<u>287,035</u>	<u>1,042,351</u>	<u>1,162,823</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 December 31, 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\$ 3,159 thousands and US\$ 4,862 thousands in the twelve-month periods ended December 31, 2014 and 2013; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of December 31, 2014 the fair value of embedded derivatives yielded gains for US\$ 451 thousands (loss for US\$ 5,174 thousands as of December 31, 2013). It is shown in net sales in consolidated income

statement. The future prices of our open positions as of December 31, 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 October 1 to December 31		For the cumulative period from January 1 to December 31	
	2014	2013	2014	2013
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Concentrates beginning inventory	22,986	29,109	30,299	40,480
Raw materials (extracted ore) beginning inventory	32,102	31,755	32,022	31,884
Production cost:				
Labor	18,160	17,427	71,440	70,974
Rental, power and other expenses	68,888	60,603	255,565	233,849
Supplies used	30,095	27,335	116,140	107,455
Purchase of mineral	-	6,760	5,326	39,693
Depreciation and amortization	46,646	27,908	152,443	111,066
Exceptionals	424	3,168	2,125	17,082
Purchase of concentrate	53,417	73,185	248,939	188,379
Employees' profit sharing	1,014	2,447	6,791	12,892
Others	729	38	911	-
Less - concentrates ending inventory,	(24,789)	(30,299)	(24,789)	(30,299)
Less - raw materials (extracted ore) ending inventory)	(31,466)	(32,022)	(31,466)	(32,022)
	<u>218,206</u>	<u>217,414</u>	<u>865,746</u>	<u>791,433</u>

For a correct reading of the financial statements, certain reclassifications have been made in 2013