VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014 AND 2013

TOGETHER WITH

THE INDEPENDENT AUDITOR'S REPORT

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014 AND 2013

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
VOLCAN COMPAÑÍA MINERA S.A.A.

We have audited the consolidated financial statements of **VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES**, which comprise the consolidated statement of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, of other comprehensive income, of changes in equity and of cash flows for the years then ended, and a summary of significant accounting policies and other accompanying explanatory notes, 1 through 34.

Management's Responsibility for the Financial Statements

The Parent Company Management is responsible for the preparation and fair presentation of these financial statements according to International Financial Reporting Standards (IFRS) and for the internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing applicable in Peru, as approved by the Board of Deans of Peru Public Accountants' Professional Association. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Parent Company and Subsidiaries' preparation and fair presentation of the financial statements in order to set up audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company and Subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management of the Parent Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES** as of December 31, 2014 and 2013, their financial performance and it cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Lima, Peru
February 19, 2015

Pazos, López de Romaña, Rodríguez

Countersigned by

____________________________ (Partner)
Luis Pierrend Castillo
CPA N° 01-3823

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

ASSETS	Notes	2014	2013
CURRENT ASSETS			
Cash and cash equivalents	5	174,363	269,614
Trade accounts receivable, net	6	83,450	139,907
Other accounts receivable	7	361,079	363,670
Other financial assets	8	32,528	82,806
Inventories, net	9	197,236	108,235
Total current assets		848,656	964,232
NON-CURRENT ASSETS			
Other accounts receivable	7	40,765	12,212
Other financial assets	8	92	18,154
Investments in associates		4,333	5,111
Property, plant and equipment, net	10	1,245,825	1,030,051
Mining titles & concessions, and exploration, development & stripping costs	11	767,623	865,060
Deferred income tax assets	16 (b)	89,761	18,914
Total non-current assets		2,148,399	1,949,502
Total assets		2,997,055	2,913,734

LIABILITIES AND EQUITY	Notes	2014	2013
CURRENT LIABILITIES			
Bank overdrafts		16,060	14,024
Financial obligations	12	201,765	94,103
Trade accounts payable	13	228,847	251,414
Other accounts payable	14	65,044	99,905
Other financial liabilities	8	96,209	102,206
Total current liabilities		607,925	561,652
NON-CURRENT LIABILITIES			
Long-term financial obligations	12	620,270	612,444
Other financial liabilities	8	12,041	5,902
Deferred income tax liability	16 (b)	190,992	149,718
Provision for contingencies	28 (e)	11,171	13,235
Provision for the closure of mining units	15 (b)	63,610	95,656
Total non-current liabilities		898,084	876,955
Total liabilities		1,506,009	1,438,607
NET EQUITY	17		
Issued capital		1,531,743	1,427,768
Shares in treasury		(240,342)	(233,856)
Other capital reserves		118,731	110,736
Capital reserve		20,329	14,209
Unrealized profit or loss		(21,931)	(3,074)
Retained earnings		82,516	159,344
Total net equity		1,491,046	1,475,127
Total liabilities and net equity		2,997,055	2,913,734

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

	Notes	2014	2013
NET SALES	20	1,042,351	1,162,823
COST OF SALES	21	(865,746)	(791,433)
Gross profit		176,605	371,390
OPERATIONAL (EXPENSES) REVENUES:			
Administrative expenses	22	(54,558)	(60,813)
Selling expenses	23	(49,050)	(46,274)
Other revenues	24	186,000	55,623
Other expenses	24	(163,609)	(51,993)
		(81,217)	(103,457)
Operating profit		95,388	267,933
FINANCIAL REVENUES (EXPENSES):			
Revenues	25	29,096	38,002
Expenses	25	(49,941)	(50,111)
		(20,845)	(12,109)
Profit before income tax		74,543	255,824
INCOME TAX	16 (a)	(17,720)	(82,464)
Net profit		56,823	173,360
Weighted average of the number of issued and outstanding shares (in thousands)	26	3,865,936	2,916,854
Basic and diluted earnings per share	26	0.015	0.059

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

	Notes	2014	2013
Net profit		56,823	173,360
		---------	----------
OTHER COMPREHENSIVE INCOME:			
Items that may be later reclassified the year profit or loss:			
Net variation in unrealized gain on derivative financial instruments	18 (c)	(26,939)	(24,852)
Income tax	18 (c)	8,082	7,456
		---------	----------
Other comprehensive income, net of income tax		(18,857)	(17,396)
		---------	----------
Items that will not be reclassified to profit or loss:			
Adjustment for deferred income tax		(10,105)	-
		---------	----------
Total comprehensive income		27,861	155,964
		======	=======

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN THE NET EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

	NUMBER OF SHARES								
	COMMON A SHARES	COMMON B SHARES	ISSUED CAPITAL US$(000)	SHARES IN TREASURY US$(000)	OTHER CAPITAL RESERVES US$(000)	CAPITAL RESERVE US$(000)	UNREALIZED PROFIT OR LOSS US$(000)	RETAINED EARNINGS US$(000)	TOTAL US$(000)
Balance as of Dec 31, 2012	1,191,611,535	2,034,828,468	1,282,774	(224,538)	99,233	10,800	14,322	194,351	1,376,942
Net profit	-	-	-	-	-	-	-	173,360	173,360
Net variation of unrealized gain on derivative financial instruments (Note 18 (c))	-	-	-	-	-	-	(17,396)	-	(17,396)
Capitalization of profit	136,230,756	203,765,303	144,994	-	-	-	-	(144,994)	-
Appropriation	-	-	-	-	11,503	(2,091)	-	(9,412)	-
Distribution of dividends	-	-	-	-	-	226	-	(40,205)	(39,979)
Advances on dividends	-	-	-	-	-	-	-	(13,826)	(13,826)
Purchase of shares of the Company by a subsidiary	(17,498,259)	(8,400,063)	-	(9,318)	-	5,274	-	-	(4,044)
Effect from conversion	-	-	-	-	-	-	-	70	70
Balance as of Dec 31, 2013	1,310,344,032	2,230,193,708	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127
Net profit	-	-	-	-	-	-	-	56,823	56,823
Net variation of unrealized gain on derivative financial instruments (Note 18 (c))	-	-	-	-	-	-	(18,857)	-	(18,857)
Capitalization of profit	134,876,233	201,739,293	103,975	-	-	-	-	(103,975)	-
Appropriation	-	-	-	-	7,995	-	-	(7,995)	-
Distribution of dividends	-	-	-	-	-	-	-	(17,847)	(17,847)
Advances on dividends	-	-	-	-	-	-	-	(7,116)	(7,116)
Purchase of shares of the Company by a subsidiary	(17,148,260)	(1,010,280)	-	(6,486)	-	6,120	-	-	(366)
Adjustment for deferred income tax	-	-	-	-	-	-	-	(10,105)	(10,105)
Effect from conversion	-	-	-	-	-	-	-	13,387	13,387
Balance as of Dec 31, 2014	1,428,072,005	2,430,922,721	1,531,743	(240,342)	118,731	20,329	(21,931)	82,516	1,491,046

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

	2014	2013
OPERATING ACTIVITIES:		
Collection of sales	1,203,121	1,135,787
Revenues from coverage	11,511	125,435
Refund of credit balance subject to benefit	59,070	-
Payments to suppliers and third parties	(885,251)	(789,601)
Payments to employees	(117,817)	(117,016)
Payments of income tax and other taxes	(26,741)	(64,500)
Other operating collections	(13,840)	(17,092)
NET CASH INCREASE FROM OPERATING ACTIVITIES	230,053	273,013
INVESTMENT ACTIVITIES:		
Acquisition of property, plant and equipment	(307,833)	(434,391)
Acquisition of investments in shares	(870)	(1,300)
Disbursements for exploration, development and stripping activities	(106,439)	(128,871)
NET CASH DECREASE FROM INVESTMENT ACTIVITIES	(415,142)	(564,562)
FINANCING ACTIVITIES:		
Increase of financial obligations	155,073	402
Purchase of shares in treasury	(366)	(4,045)
Payment of interests	(32,250)	(32,250)
Payment of dividends	(32,619)	(40,205)
NET CASH INCREASE (DECREASE) FOR FINANCING ACTIVITIES	89,838	(76,098)
NET DECREASE OF CASH AND CASH EQUIVALENTS	(95,251)	(367,647)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	269,614	637,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 5)	174,363	269,614

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousand US Dollars)

	2014	2013
RECONCILIATION OF NET PROFIT OR LOSS WITH CASH FROM OPERATING ACTIVITIES:		
Net profit	56,823	173,360
Plus (less) adjustments to net profit:		
Depreciation and amortization	161,496	117,823
Allowance for impairment of assets	85,385	-
Removal of property, plant and equipment	4,440	2,776
Valuation of oxide and pyrite stockpiles	(91,449)	-
Net changes in assets and liabilities		
(Increase) decrease of operating assets -		
Accounts receivable, net	30,495	(145,388)
Inventories	2,448	10,509
Increase (decrease) of operating liabilities -		
Trade accounts payable	(22,567)	62,247
Other accounts payable	2,982	51,686
	----------	----------
NET CASH FROM OPERATING ACTIVITIES	230,053	273,013
	=======	=======

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

VOLCAN COMPAÑÍA MINERA S.A.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014 AND 2013

1. IDENTIFICATION, ECONOMIC ACTIVITY AND OTHER CORPORATE MATTERS

(a) Identification

Volcan Compañía Minera S.A.A. (hereinafter “the Company”, “the Parent Company”, “Volcan” or "Volcan Group") was incorporated in Peru, in the city of Lima, on February 1, 1998 through merger of Volcan Compañía Minera S.A., incorporated in June 1943, and Empresa Minera Mahr Túnel S.A., acquired by the Company in a privatization process that took place in year 1997.

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

The registered office and administrative headquarters of the Company and its subsidiaries are located at Av. Manuel Olguín No. 375, Santiago de Surco, Lima. The mining operation centers and hydroelectric power plant are located in the departments of Cerro de Pasco, Junín and Lima.

(b) Economic activity

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

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

Subsidiary Empresa Administradora Chungar S.A.C. owner of 100% shareholders of Compañía Energética del Centro S.A.C. sold in June 2014 its subsidiary Compañía Energética del Centro S.A.C., generating a net profit of US$ 11.7 million. The strategy of focusing new investments in growing mining projects and in hydroelectric power plants near the Company operations was determinant in the selling decisions.

Furthermore, in an action aligned with the referred strategy, the subsidiary acquired Central Hidroeléctrica Tingo S.A., an hydroelectric power plant located in the province of Huaral, Department of Lima with a capacity of 1.25 MW and 82 km of transmission lines of 22.9 and 50 KV for USD 13.5 million, having a similar fair value. In the future, this power plant will be expanded to a minimum of 8.8 MW and connected to the Alpamarca – Río Pallanga unit.

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

(c) Approval of the consolidated financial statements

The consolidated financial statements as of December 31, 2013 were approved in General Shareholders' Meeting held on March 20, 2014. Those corresponding to December 31, 2014 have been approved by the Company Management on February 11, 2015 and will be submitted to the Board of Directors and to the Shareholders for approval within the terms required by Law. In the Company Management's opinion, the accompanying consolidated financial statements will be approved without changes in a Meeting of the Board of Directors and General Shareholders' Meeting to be held in the first quarter of 2014.

(d) Ore price

During the last years, the reduction of prices of lead, silver and zinc ore exploited by the Volcan Group has caused profit to be significantly diminished; this is reflected in the net profit of year 2013 amounting to US$ 173,360 thousand and of year 2014 amounting to US$ 56,823 mil. To offset this situation, Management has been applying a cost and expense reduction plan that has allowed it to continue generating profit, and it estimates that this metal ore price downtrend will reverse in the next years; consequently, revenues will increase and Volcan Group's net profit will improve.

(e) The consolidated financial statements as of December 31, 2014 and 2013 include the financial statements of the following subsidiaries:

Name of the Subsidiary	Percentage of direct and indirect capital interest 2014	2013
Empresa Administradora Chungar S.A.C.	99.99	99.99
Empresa Explotadora de Vinchos Ltda. S.A.C.	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera El Pilar S.A.C.	100.00	100.00
Compañía Minera Alpamarca S.A.C. (*)	100.00	100.00
Shalca Compañía Minera S.A.C. (*)	100.00	100.00
Minera Aurífera Toruna S.A.C. (*)	80.00	80.00
Compañía Minera Huascarán S.A.C. (*)	100.00	100.00
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100.00	100.00
Hidroeléctrica Huanchor S.A.(**)	99.99	99.99
Empresa de Generación Eléctrica Baños S.A.(**)	99.99	99.99
Compañía Hidroeléctrica Tingo S.A. (***)	99.99	-
Compañía Energética del Centro S.A.C. (**)	-	100.00

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

(**) Electric power generation companies acquired in 2012. In June 2014 Compañía Energética del Centro S.A.C. was sold to third parties. They are in turn subsidiaries of Empresa Administradora Chungar S.A.C.

(***) Electric power generation company acquired in 2014. It is in turn subsidiary of Empresa Administradora Chungar S.A.C.

A brief description of each subsidiary is given below:

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

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

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

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

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

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

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

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

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

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

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

- Empresa Administradora de Cerro S.A.C. was incorporated in Peru, in the city of Lima, on June 23, 2010. It is a subsidiary of Empresa Administradora Chungar S.A.C. and has hydroelectric power plant Baños V. This project is in progress and is developed at the confluence of the Quiles river with the Baños river, both tributary of the Chancay river.

- Compañía Hidroeléctrica Tingo S.A. was incorporated on March 4, 2009 and started operations on May 1, 2009. It is a subsidiary of Empresa Administradora Chungar S.A.C. and its main purpose is to engage in the operation and maintenance of power generating plants and electric power transmission systems. It has hydroelectric power plant Tingo of 1.25 MW and 82 km of transmission lines of 22.9 and 50 kV.

(f) Issue of bonds

By resolution of the General Shareholders' Meeting held on November 4, 2011, the Company approved the issue of obligations for up to US$ 1,100,000,000 (One Thousand One Hundred Million US Dollars), or its equivalent in Nuevos Soles, to be placed in the international and/or local market, with a first tranche for up to US$ 600,000,000 (Six Hundred Million US Dollars), to finance mining and energy projects in the next five years.

In the Company Board meeting held on January 16, 2012, it was resolved to approve the issue of bonds, under Rule 144A and Regulation S of the US Securities Act, for up to US$ 600,000,000 (Six Hundred Million US Dollars) subject to the terms and conditions to be determined by the attorneys-in-fact designated by the Parent Company to that effect and the market conditions.

On February 2, 2012 bonds were issued and the so called "Senior Notes Due 2022" were placed in full for US$ 600,000,000 in the international market at an annual rate of 5.375% with maturity in 10 years through installments due from August 2, 2012 to February 2, 2022. Interests will be paid through semiannual installments from August 02, 2012 to February 2, 2022.

These funds were mainly used to growing projects, including Silver Oxides Plant located at the Cerro de Pasco unit and the new Alpamarca-Río Pallanga unit.

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

For control operating reasons, two of such agreements were entered; one on August 5, 2013 by and between "Interbank" (trustee) and Volcan Compañía Minera S.A.A. (trustor), and a second one on August 7, 2013 by and between Interbank (trustee), Empresa Administradora Chungar S.A.C. (trustor), and Empresa Administradora Cerro S.A.C. (trustor), under which trust assets were granted for management and guarantee, and the referred entities transferred to Interbank the beneficial ownership of Cash Flows credited to their Collection Accounts. These trust agreements are being fulfilled and allow ensuring cash flows to the obligations of the Companies involved.

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

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

2.1. Basis of preparation

Statement of compliance -

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”), issued by the International Accounting Standards Board (hereinafter “IASB”), effective as of December 31, 2014 and 2013.

Responsibility for the information -

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

Basis of measurement -

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

Principle of Consolidation -

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

The list of companies included in the consolidated financial statements is shown in note 1(e).

Subsidiaries' financial statements are prepared for the same reporting period as the Company, using similar accounting principles and policies.

2.2. Significant accounting judgments, estimates and assumptions

Preparing consolidated financial statements under IFRS requires that Management makes judgments, estimates and assumptions to assess the reported figures of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported figures of revenues and expenses for the years ended December 31, 2014 and 2013.

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

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

(a) Assessment of reserves and mineral resources

The Company and its subsidiaries compute their reserves using methods generally applied by the mining industry and according to international guidelines.

Reserves represent estimated quantities of proven and probable ore, which under the current conditions can be economically and legally extracted from the mining concessions of the Company and its subsidiaries. Resources represent the measured and indicated quantities of ore with a lower degree of certainty, which is determined based on blocks of adjacent reserves and/or diamond drilling holes. The process to estimate the quantities of reserves and resources is complex and requires making subjective decisions at the time of assessing all of the geological, geophysical, engineering and economic information available. The estimates of reserves and resources may be reviewed due, among other reasons, to reviews of data or geological assumptions, changes in assumed prices, production costs, and exploration activity results.

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

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

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

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

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

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

Proven and probable reserves, as well as measured and indicated resources are used at the time of assessing the depreciation and amortization of specific assets of the mine. This results in charges for depreciation and/or amortization proportionate to the exhaustion of the remaining useful life of the mine production. Each useful life is estimated based on: i) physical asset limitations, and ii) new assessments of economically feasible reserves. These computations require the use of estimates and assumptions, which include the amount of estimated reserves and estimates of future capital disbursements. Changes in the production unit methods adopted by the Company are accounted prospectively.

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

Applying the Company policy for mine exploration and development costs requires Management's judgment to assess whether it is probable that economic benefits enter the Company as a result of future exploratory phases. The assessment of ore reserves and resources is a complex estimation process involving levels of uncertainty depending on sub-classifications, and such estimates directly affect the classification between mine exploration and development cost and the period of amortization for the cost of development. This policy requires that the Company Management makes certain estimates and assumptions about future events and specific circumstances to assess whether it is economically feasible to access, extract, process, and sell ore. Estimates and assumptions may change if there is new information available. And, in case there is information available giving signs about the irrecoverability of certain disbursements that had been capitalized as development costs, they should be charged to profit or loss of the year in which the new information available is known.

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

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

A cash generating unit is the smallest identifiable group of assets, known as mining unit, which continuous use generates cash inflows separate from cash flows generated by other assets or groups of assets. To identify cash flow generating units, the Company has considered whether there is an active market for the ore and metals produced by a mining unit.

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

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

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

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

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

(h) Contingencies (Note 28)

Contingencies are assets or liabilities that result from past events, which existence will be confirmed only if future events somehow beyond the Company control actually happen.

Contingent assets are not recorded in the consolidated financial statements, but disclosed in notes when the contingency has a probable degree.

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

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

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

(j) Date of production begin

The Company assesses the situation of each mine in development to assess when the production stage begins. The criteria used to assess the date of begin are determined based on the nature of each mining project, the complexity of the respective facility and its location. The Company considers different criteria as relevant to assess when the mine is substantially complete and ready for its planned use. Some of these criteria include but are not limited to:

- The level of capital expenses compared to estimated development costs.
- Termination of a reasonable period to test the mine facility and equipment.
- The capacity to produce tradable metal (within the specifications).
- The capacity to maintain a continuous production of metals.

When a mine development project enters the production stage, certain costs cease to be capitalized to be then considered as inventory or expenses, except in the case of costs that qualify for their capitalization (additions or improvements of mining assets), underground mine exploitation or exploitable reserve exploitation. It is also the time in which depreciation or amortization starts.

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

An assessment is required to determine whether the deferred tax assets should be recognized in the consolidated statement of financial position. Deferred tax assets require that Management assesses the likeliness that the Company generates taxable profit in future periods to use the deferred tax assets. Estimates of future taxable revenues are based on operations cash flow projections and the application of current tax regulations in each jurisdiction. To the extent that future cash flows and taxable revenues differ significantly from estimates, this may have an impact on the Company capacity to realize the net deferred tax assets recorded on the reporting date.

(l) Inventories (Note 9)

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

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

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

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

(m) Fair value hierarchy (Note 30)

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

2.3 The standards that became effective for 2014 are listed below; they were adopted, but none of them had a material effect on the financial statements.

IFRS 10 Consolidated Financial Statements

1.	**Investment Entities (Amendment to IFRS 10, IFRS 12 & IAS 27)**
Amendments to IFRS 10, IFRS 12, and IAS 27 Issued: October 2012	The amendment introduces an exception to the principle that all subsidiaries require to be consolidated.
	Amendments define an investment entity and require that a parent that is an investment entity measures its investments in particular subsidiaries at fair value through profit or loss, in both its consolidated and separate financial statements. Furthermore, they introduce disclosure requirements applicable to investment entities included in IFRS 12 and amend IAS 27.

IAS 32 Financial Instruments: Presentation

2.	**Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32),**
Amendments to IAS 32 Issued: December 2011	The amendment clarifies the accounting requirements applicable to financial instruments offsetting.
	IAS 32, Paragraph 42, which remains unchanged, requires that an entity offsets financial assets and financial liabilities when it has a legally enforceable right to set off the recognized amounts and intends either to set off on a net basis or to realize the asset and settle the liability simultaneously. However, new guidance in IAS 32.AG38B clarifies that the right of set off: a) must not be contingent on a future event; and b) must be legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

IAS 36 Impairment of Assets

3.	**Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**
Amendments to IAS 36 Issued: May 2013	**Disclosure - Recoverable amount of an asset (or Cash Generating Unit - CGU)** Paragraph 134(c) of IAS 36 currently requires that the recoverable amount of an asset (or CGU) is disclosed (in case its carrying amount is significant) irrespective of whether an which impairment has been recorded or reversed in respect of that asset (or CGU)
	By virtue of the amendments, this requirement has been eliminated from Paragraph 134(c) of IAS 36. As a result of this, disclosure of the recoverable amount of an asset (or CGU) is only required where Paragraph 130(e) of IAS 36 is applicable, that is in periods in which impairment has been recorded or reversed in respect of that asset (or CGU)

IAS 39 Financial Instruments: Recognition and Measurement

4.	**Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)**
Amendments to IAS 39 **Issued: June 2013**	The Amendments introduce a narrow scope exception that would allow the continuation of hedge accounting under IAS 39 (and IFRS 9) when a derivative is novated, subject to the following criteria: a) The novation comes as a consequence of laws or regulations (or the introduction of laws or regulations) b) The parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty of each party. c) Any changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty. These changes are limited to those that are consistent with the terms that would be expected if the hedging instrument were originally cleared with the clearing counterparty, and include: - Changes in the collateral requirements - Rights to offset receivables and payables balances - Charges levied.

IFRIC 21 - Levies

5.	
IFRIC 21 **Issued: May 2013**	IFRIC 21 provides guidance on when to recognize a liability for government imposed levies that: - Are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Where the timing and amount are certain.

2.4. Summary of significant accounting principles and practices

(a) Transactions in foreign currency

Transactions and balances in foreign currency

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

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

(b) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement -

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

Financial assets at fair value through profit or loss -

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

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

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

Loans and accounts receivable -

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

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

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

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

Impairment of financial assets -

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

(c) Financial liabilities

Initial recognition and measurement -

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

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

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

Subsequent measurement -

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

Financial liabilities at fair value through profit or loss -

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

Loans accruing interests -

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

(d) Derecognition of financial assets and financial liabilities

Financial assets -

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

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

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

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

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

Financial liabilities -

A financial liability is derecognized when the obligation to pay ends, is cancelled, or expires. When an existing financial liability is replaced by another one of the same lender under significantly different conditions, or the conditions are materially modified, such replacement or modification is treated as a write off of the original liability and the recognition of a new liability, recognizing the difference between them in the period profit or loss.

(e) Offsetting financial instruments

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

(f) Fair value of financial instruments

The fair value of financial instruments traded in active markets on each reporting date is assessed by reference to prices quoted in the market or stock brokers' price quotations (purchase price for long positions and selling price for short positions), with no deduction for transaction costs.

In the case of financial instruments that are not traded in an active market, the fair value is assessed using suitable valuation techniques. Such techniques may include comparing with recent market transactions, reference to the present fair value of another instrument that is substantially equal, the analysis of adjusted flow of funds or other valuation models.

There have been no changes in the valuation techniques as of December 31, 2014 and 2013. (See note 30).

(g) Cash and cash equivalents

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

On the other hand, for the purpose of presentation in the statement of cash flows, it includes cash, mutual funds and time deposits, with original maturity of six months or less but liquidable at any time. It also includes short-term investment-grade Corporate Bonds because they are highly liquid in the Company Management's opinion. Maturities of up to six months are considered of immediate liquidity because they offer a higher return, as if they had been taken to three months.

(h) Inventories

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

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

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

(i) Investments in associates

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

(j) Property, plant and equipment

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

Depreciation -

Production unit method

Depreciation of buildings and other mining constructions is computed per unit of production based on economically recoverable and measured and indicated resources of the mining unit.

Units of production are measured in recoverable metric tons of lead, copper and zinc. The units of production depreciation method takes into consideration the expenses disbursed to date.

Straight-line method

Depreciation of other assets is computed following the straight-line method based on the lesser of estimated useful life of the asset or remaining useful life of the mining unit. Useful lives used include:

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

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

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

Maintenance and minor repairs -

Major maintenance or repair expenses include the cost of replacement of assets or parts of assets and the overhaul costs. Disbursements are capitalized when an asset or part of an asset, which was separately depreciated and which carrying amount was removed from the books, is replaced and the future economic benefits associated with such asset or part of asset are likely to flow to the Company during an additional useful life period.

When the replaced part of the asset was not considered separately as a component, the replacement value is used to estimate the carrying amount of the replaced assets, which is immediately written off. All other daily maintenance costs are recognized as expenses as they are incurred.

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

(k.1) Mining titles and concessions

Mining titles correspond to ore reserves and costs for the acquisition of mining concessions occurred in prior years. Mining titles represent the Company title on mining properties containing the acquired ore reserves. Mining titles that are related to ore reserves are amortized following the production unit method based on proven and probable reserves and measured and indicated resources.

Mining concessions correspond to exploration titles in zones of interest for the Company. Mining concessions are capitalized in the consolidated statement of financial position and represent the Company title on mining properties of geological interest. Mining concessions are amortized as from the production phase based on the production unit method, using proven and probable reserves and measured and indicated resources together with future development expenses approved by the Company Management. In case the Company abandons such concessions, associated costs are written off in the consolidated statement of income.

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

(k.2) Stripping cost

Stripping costs incurred in the development of a mine before production begin are capitalized as part of the mine construction cost and subsequently amortized along the useful life of the mine based on production units.

When a mine operates various open pits which are considered as separate operations for mining planning purposes, stripping costs are accounted separately by reference to the ore of each separated pit. However, if pits are much integrated for mining planning effects, the second pit and subsequent pits are considered as extensions of the first pit when accounting the stripping costs. In such cases, the initial stripping (for instance, the removal of waste rock and other waste material) of the second pit and subsequent pits is considered as stripping of the production phase related with the combined operation.

Stripping costs incurred later during the operation production phase are deferred in the most appropriate form to agree the cost with the related economic benefits. The amount of deferred stripping costs is based on the mine average stripping ratio, which is obtained dividing the mined wasted rock tonnage by the amount of mined ore. The stripping costs incurred in the period are deferred to the extent that the relation of the period in course exceeds the life of the mine stripping ratio. Such deferred costs incurred are then charged to profit or loss to the extent that, in subsequent periods, the ratios of the period in course are below the mine average ratio. Mine average stripping ratio is based on proven and probable reserves, and measured and indicated resources that are economically recoverable. Changes are accounted prospectively as from the date of the change.

(k.3) Mine exploration and development costs

Exploration costs are capitalized only to the extent to which they are estimated to be economically recoverable through successful exploitation in the future or, when the activities in the area of interest are in progress and no such a stage has been reached that allows making a fairly assessment on whether economically recoverable reserves exist.These costs include mainly used materials and fuel, topographic survey costs, drilling costs, and payments made to contractors. For that purpose, economically recoverable benefits of exploration projects can be duly assessed when any of the following conditions are met: i) the Board of Directors authorizes Management to perform the project feasibility study, and ii) the exploration objective is to convert resources in reserves or confirm resources. Exploration costs in operating zones incurred in evidencing potential resources are charged to operating costs. Exploration costs are amortized just like development costs.

Costs associated with the mine development stage are capitalized. Development costs needed to maintain production are charged to the period profit or loss as they are incurred.

Development costs are amortized as from production begin and amortized using the production unit method. Development costs are amortized based on proven and probable reserves, and on measured and indicated resources to which they are related, together with future development expenses approved by the Company Management.

(m) Leases

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

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

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

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

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

If the revaluation is made, the lease accounting will start of cease as from the date in which the change of circumstances gives place to the revaluation in the case of scenarios (i), (iii) or (iv), and on the date of renewal of begin of the period of postponement for scenario (ii).

Financial leasing

In financial leasing transactions the method used consists of showing under fixed assets the total cost of the agreement and its corresponding liability for the same amount, equal to the fair value of the leased good, or if lower, at the present value of the leasing minimum payments, as assessed at the leasing begin. Financial expenses are charged to profit or loss in the period in which they become due, and depreciation of assets is charged to profit or loss based on their useful life or agreement term.

Embedded lease -

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

(n) Intangibles

Intangibles (software) (Note 11) are recorded at their initial recognition and then, at the initial cost less the corresponding accumulated amortization. Intangibles are amortized using the straight-line method based on their estimated useful life, which is of 10 years. The amortization period and method are reviewed at the end of every year.

(ñ) Provisions

General -

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

Provision for closure of mining units -

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

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

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

(o) Recognition of revenues

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

Sales of concentrates -

Revenues from the sale of concentrates are recognized when the significant risks and benefits inherent to their title are transferred to the purchaser, which takes place at the time of physical ore delivery according to the means of delivery provided in commercial agreements.

As for the measurement of the revenue for the sale of concentrates, on the date of recognition of the sale, the Company recognizes the revenue for sale based on a provisional selling value, according to quotations on such date, and such sales are subject to a final price adjustment at the end of a contractually established period, usually ranging between 30 and 180 days upon delivery of the concentrate to the customer. Exposure to metals price change generates an embedded derivative that should be separated from the commercial agreement. For this purpose, at the closing of each year, the selling price initially used is estimated according to the future price for the quotation period provided in the agreement. Thus, the difference in estimating the selling value is recorded as an increase or reduction of net sales.

Revenues from interests -

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

Other revenues -

Other revenues are recognized when accrued.

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

(p) Recognition of costs and expenses

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

Other expenses are recognized when accrued.

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

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalized and added to the cost of the project up to the moment in which assets are considered substantially ready for their planned use, that is, when they are able to generate commercial production. When specific-purpose loans had been requested in a project, the capitalized amount represents the actual costs incurred to obtain the loan. When surplus funds are available in the short term from the specific-purpose loan, the gain generated on the temporary investment are capitalized and deducted from the total cost of debt. When the funds used to finance a project are part of the general debt, the capitalized amount is computed using the weighted average of the rates applicable to the Company general debt during the period. All other costs of debt are recognized in the consolidated statement of income in the period in which they are incurred.

(r) Income tax

Current

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

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

Deferred -

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

Mining royalties and special tax on mining -

Mining royalties and special tax on mining are accounted when they have the characteristics of an income tax. That is, when they are imposed by the Government and are based on a net amount (revenues less expenses), rather than being computed based on produced quantity or percentage of revenues, after temporary differences adjustment.

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

(s) Derivative financial instruments

Derivatives that do not qualify as hedging instruments -

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

Derivatives qualified as hedging instruments -

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

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

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

As of December 31, 2014 and 2013, the Company has contracted derivative instruments under the form of "Swaps" and "Option Collars", "European-style options" and "exotic options" on metal quotes that qualify as cash flow hedging instruments.

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

Embedded derivatives contained in host contracts are accounted as a separate derivative and recorded at their fair value if the economic characteristics and associated risks are not directly related to the host contract and such contract has not been designated as a trading financial asset or at fair value through profit or loss. Gain or loss on changes in the fair value of embedded derivatives are recorded in the heading Sales of the consolidated statement of income. As of December 31, 2014 and 2013, the Company only holds embedded derivatives related to its commercial sales agreements

Classification as current or non-current -

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

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

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

(t) Basic and diluted earnings per share

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

(u) Segments

An operating segment is a component of an entity: (i) that develops business activities from which it can obtain revenues and incur in expenses (including related revenues and expenses for transactions with other components of the same entity), (ii) which operating results are regularly reviewed by Management to make decisions about the resources that should be allocated to the segment and assess its performance, and (iii) for which confidential financial information is available. See note 27.

3. STANDARDIZATION

The consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, net equity, and cash flows for the year ended December 31, 2014 and 2013, are included in this report for comparative purposes, have been prepared in accordance with IFRS, with a consistent application of accounting principles and criteria.

Certain figures of the financial statements as of December 31, 2013 have been reclassified in order to make them comparable with those of December 31, 2014.

4. TRANSACTION IN NUEVOS SOLES

Transactions in foreign currency (Nuevos Soles) are made at the exchange rates published by the Superintendence of Banking, Insurance and Pension Fund Managers (SBS). As of December 31, 2014, the exchange rates issued by such institution were US$ 0.3355 for buying and US$ 0.3346 for selling transactions (US$ 0.3579 for buying and US$ 0.3577 for selling transactions as of December 31, 2013), and have been applied by the Company in assets and liabilities accounts, respectively.

As of December 31, 2014 and 2013, the Company had the following assets and liabilities in Nuevos Soles:

	2014	2013
	S/.	S/.
Assets		
Cash and cash equivalents	258,736	150,673
Other accounts receivable	690,416	649,322
	----------	----------
	949,152	799,995
	----------	----------

	2014 S/.	2013 S/.
Liabilities		
Trade accounts payable	(144,708)	(149,520)
Other accounts payable	(159,647)	(184,489)
VAT deposit of trade accounts receivable	(75,866)	(153,885)
	----------	----------
	(380,221)	(487,894)
	----------	----------
Net assets	568,931	312,101
	=======	=======

5. CASH AND CASH EQUIVALENTS

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Cash and fixed fund	83	82
Bank checking accounts	82,238	61,823
Time deposits (a)	29,000	77,487
Mutual funds	-	437
Funds subject to restriction	636	642
Investment-grade Corporate Bonds (b)	-	66,737
Investments abroad (c)	62,406	62,406
	----------	----------
	174,363	269,614
	=======	=======

(a) Breakdown of time deposits as of December 31, 2014 and 2013, which are kept in local first-rank financial entities, is given below. In 2014, part of these deposits were settled to use them as working capital and to cancel obligations of the Company.

Date	Nominal currency	Original terms	Annual interest rate %	US$(000)
Dec 31, 2014	US Dollars	1 to 3 months	0.36%	29,000
				======
Nov 24, 2013	Nuevos Soles	1 to 3 months	3.82%	42,487
Dec 31, 2013	US Dollars	1 to 3 months	0.36%	35,000

				77,487
				======

(b) It corresponds to short-term bonds in foreign currency belonging to investment-grade Corporations. These securities were acquired through international first-rank financial entities and were held to comply with short-term commitments. In year 2014 they have generated revenues for US$ 1,103 thousand (in 2013, revenues amounted to US$ 1,666 thousand).

In February 2014, the Company Management settled these bonds to face its obligations.

(c) It corresponds to highly liquid investments abroad listed in the Santiago de Chile Stock Exchange.

6. TRADE ACCOUNTS RECEIVABLE, NET

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Invoices	101,051	157,508
Allowance for doubtful accounts (a)	(17,601)	(17,601)
	83,450	139,907

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

(a) As of December 31, 2014 and 2013, the Company Management considers that, except for accounts receivable estimated as doubtful accounts, it has no bad debts. Its main customers are well renowned in the international market and show no financial problems at the year ending. Furthermore, although it has some accounts receivable that are 90 and 180 days old, this is regular in the mining sector because final settlement agreement may take between three and six months once the ore is shipped. See Note 2.4(o).

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

7. OTHER ACCOUNTS RECEIVABLE

A breakdown of this heading is given below:

Description	2014 US$(000)	2013 US$(000)
Loan to related entities (a)	95,653	87,819
Advance payments granted to contractors	23,415	73,627
Tax credit favorable for the Company, Value Added Tax	116,644	130,175
Credit for Income Tax and temporary tax on net assets (b)	43,716	16,558
Loans to third parties (c)	48,303	40,803
Sale of CEC shares (d)	26,500	-
Prepaid insurance	3,014	1,039
Commission for bond issuing	3,281	3,737
Public works for taxes, in progress	7,483	4,113
Certificate of Regional and Local Public Investment (e)	1,629	1,738
Accountable advances	2,245	2,986
Loans to personnel (f)	1,354	2,387
Taxes recoverable (g)	8,232	8,456
Claims to SUNAT for seizures	4,924	-
Dividends receivable	1,952	-
Claims to OEFA	2,537	-
Accounts receivable from contractors	3,670	2,488
Other minor	8,910	1,574
Allowance for doubtful accounts (h)	(1,618)	(1,618)
	401,844	375,882
Non-current part	40,765	12,212
Current part	361,079	363,670

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

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

(c) They accrue interests at the market rate and are considered of current maturity.

(d) The balance of US$ 26.5 million corresponds to the balance receivable from the sale of Compañía Energética del Centro S.A.C. made in June 2014 by subsidiary Empresa Administradora Chungar S.A.C. to Odebrecht Energía del Perú S.A. This balance will be collected between years 2015 and 2019.

(e) It corresponds to the certificate for completed works pending application for taxes. The Company has continued participating in the execution of projects under the Works for Taxes regime provided in Law 29230. In year 2014, three projects were completed with an investment of S/. 10.9 million. Completed projects include: “Improvement of School N° 34438 in San Isidro de Yanapampa, Ticlacayán, Pasco” (S/. 2.6 million), “Improvement and Expansion of the Sewerage and Water Supply System in Colquijirca, Pasco” (S/. 5.1 million) and “Construction of Roads, Sidewalks and Conditioning of Green Areas in Colquijirca, Pasco” (S/. 2.6 million), which benefited a total of 12,601 inhabitants.

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

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

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

The Company presents a breakdown of its other accounts receivable rated according to their aging in Note 29(b).

8. OTHER FINANCIAL ASSETS AND LIABILITIES

A breakdown of this heading is given below:

Receivable:

	2014 US$(000)	2013 US$(000)
Embedded derivatives	2,918	5,534
Hedging:		
- Settled	7,181	37,288
- Provisions in the Statement of Income	21,524	51,622
- Provisions in Equity (Note 18 (a))	997	6,516
	29,702	95,426
	32,620	100,960
Less:		
Non-current part - Provisions in the Statement of Income	(92)	(17,889)
Non-current part - Provisions in Equity Note 18 (a)	-	(265)
Non-current part	(92)	(18,154)
Current part (a)	32,528	82,806

Hedging contracts have been traded basically with various international first-rank financial entities. The main ones include Bank of America Merril Lynch, J. Aron & Co., Morgan Stanley & Co. International, Société Générale / New York, BBVA Banco Continental, Morgan Stanley Capital Group, JP Morgan, Standard Bank Pic, BNP Paribas New York, Credit Suisse International, Mitsui & Co. Precious Metals Inc, Natixis, and Scotiabank.

(a) In 2014 it includes coverage transactions to become due in 2015 for US$ 997 thousand (US$ 6,251 thousand in 2013) and US$ 7,181 thousand due at the year closing (US$ 37,288 thousand in 2013).

Payable:

	2014 US$(000)	2013 US$(000)
Embedded derivatives	1,901	312
	----------	----------
Hedging:		
- Settled	68,272	45,324
- Provisions in the Statement of Income	5,750	51,564
- Provisions in equity (Note 18 (a))	32,327	10,908
	----------	----------
	106,349	107,796
	----------	----------
	108,250	108,108
Less: Non-current part - Provision in profit or loss	(2,845)	(5,872)
Less: Non-current part - Provision in Equity (Note 18 (a))	(9,196)	(30)
	----------	----------
Non-current part	(12,041)	(5,902)
	----------	----------
Current part (b)	96,209	102,206
	=======	=======

(b) In 2014 it includes coverage transactions to become due in 2015 for US$ 23,131 thousand (US$ 10,878 thousand in 2013) and US$ 68,272 thousand due at the year closing (US$ 45,324 thousand in 2013).

9. INVENTORIES, NET

A breakdown of this heading is given below:

	As of Dec 31, 2014 US$(000)	As of Dec 31, 2013 US$(000)
Concentrates	24,789	30,299
Raw material (extracted ore)	31,466	32,022
Various supplies	53,638	49,334
Inventories in transit	382	1,068
Valuation of oxide and pyrite stockpiles	91,449	-
Allowance for obsolescence of spare parts and supplies	(4,488)	(4,488)
	----------	----------
	197,236	108,235
	=======	=======

In December 2014, the Company Management valued, based on a technical study, the stockpiles of oxide and pyrite concentrates kept in the Cerro de Pasco unit for US$ 91.5 million. This amount has been recognized as an extraordinary revenue of the year.

The Company Management estimates that the balances presented under inventories do not exceed their net realization values as of December 31, 2014 and 2013.

It also believes that the allowance for obsolescence of spare parts and supplies properly hedges such risk as of December 31, 2014 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT, NET

The movement and breakdown of this heading is given below:

YEAR 2014	BALANCES AS OF DECEMBER 31, 2013 US$(000)	ADDITIONS US$(000)	REMOVALS US$(000)	TRANSFERS AND ADJUSTMENTS US$(000)	BALANCES AS OF DECEMBER 31, 2014 US$(000)
COST					
Land	6,014	254	-	69	6,337
Buildings and other constructions	235,647	129,156	-	387,151	751,954
Infrastructure of environmental compliance program	22,022	102	-	722	22,846
Machinery and equipment	308,122	15,676	(24,601)	9,488	308,685
Transport units	13,803	297	(1,785)	-	12,315
Furniture and fixture and computer equipment	10,469	2,396	(15)	87	12,937
Various equipment	348,209	38,291	(386)	42,265	428,379
Units in transit	8,635	661	-	(9,296)	-
Works in progress (a)	593,945	121,000	(1,640)	(436,174)	277,131
	1,546,866	307,833	(28,427)	(5,688)	1,820,584
ACCUMULATED DEPRECIATION					
Buildings and other constructions	47,076	31,186	-	-	78,262
Infrastructure of environmental compliance program	21,010	458	-	2	21,470
Machinery and equipment	238,319	24,869	(21,914)	6	241,280
Transport units	11,412	703	(1,703)	(2)	10,410
Furniture and fixture and computer equipment	5,654	746	(15)	1	6,386
Various 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

YEAR 2013					
COST	1,130,965	434,391	(17,956)	(534)	1,546,866
ACCUMULATED DEPRECIATION	470,076	61,919	(15,180)	-	516,815
Net cost	660,889				1,030,051

(a) A breakdown of the projects under Works in progress as of December 31, 2014 and 2013 is given below:

In the Company:

Projects	2014 US$000	2013 US$000
Shaft, Andaychagua	12,720	7,701
Tailings Deposit # 6 - Mahr Tunel - Stages IV and V	10,158	5,447
Heightening, Rumichaca, elev. 4,218	7,804	6,272
Heightening, Rumichaca, elev. 4219	6,580	-
Tailings deposit, Andaychagua Alto – Stage III	6,108	2,405
Tailings Deposit, Chumpe	4,691	3,305
Tailings Deposit # 6 - Mahr Tunel - Stage III	3,117	3,117
Primary circuit SB - replacement of Mill	3,016	2,660
Supporting liabilities, permanent work	2,591	1,686
Tailings deposit, Rumi- thickened tailings deposit syst	1,585	-
Infrastructure for cemented fill, Andaychagua	1,514	1,515
Pumping system, mine - installations	1,154	579
Technological infrastructure system -Yauli	827	751
Household waste water plant	700	485
Tailings deposit, Mahr Tunel # 3	678	161
Construction of chemical laboratory	632	-
Central shaft um Carahuacra	629	629
Arquímides project	609	118
Heightening, Rumichaca, elev. 4,230	603	603
Comprehensive water mgmt plan, San Cristobal- study	538	346
Household waste water plant, Carahuacra	530	373
Installation of shotcrete plant, Andaychagua	494	482
Installation of high frequency screen	469	466
Implementation of SAP management proceses	465	483
Drinking water treatment plant	454	306
Comprehensive cover, Victoria plant	451	451
Installation of cc45 filter in Victoria plant	448	449
Comprehensive cover, Andaychagua plant	438	438
Transmission line 4.16 kv substation - Letts shaft	433	433
Neutralization plant, Huacracocha zone	430	333
New substation, San Cristóbal 50/10.5 kv	424	424
Heightening of Rumichaca tailings deposit - interests	398	225
Construction and transport of shotcrete	387	210
Bay expansion 50kv San Antonio substation	333	333
Concentrates shed, Carahuacra	308	308
Scada measurement system, Yauli	295	239
Vibratory screen, 8 x 16, installations	276	276
Oh mill, Marcy, 8.0x6.0, #4	266	266
Electro-hydraulic hoppers - San Cristóbal	257	257
Overhaul crane link belt 70 tn	255	255
Installation of 11,400 cfm blower, Andaychagua	244	244

Projects	2014 US$000	2013 US$000
Temporary waste storage, Andaychagua	241	235
Storage yard, Carahuacra	232	232
Hydraulic j-113 jumbo overhaul	230	230
New substation, Pomacocha – San Cristóbal	50	3,865
Floor vibratory screen, 8 x 16, installations	-	485
High frequency screen - Victoria plant	-	411
Supporting liabilities, permanent work	-	702
Technological infrastructure system-Yauli	-	1,590
Digital communication system, Ticlio mine	-	-
Digital communication system, San Cristobal mine	-	2,062
Digital communication system, Andaychagua mine	-	2,457
Pumping syst, lv 900 - 800 - 678 – Andaychagua Mine	-	822
Pumping system, San Cristobal mine - installations	-	1,788
Pumping system – lv 9 to lv 5 – pumping chambers	-	1,897
Water conduction syst. Yauli river to tailings dep 1,2,3,	-	463
Pump System, San Cristobal lv 1020	-	387
Tailings deposit, Andaychagua Alto – Stage II	-	13,745
Heightening, Rumichaca, elev. 4,215	-	3,788
Powder magazine inside mine lv 630	-	544
Camp prefab modules, Mahr Tunel	-	446
Camp prefab modules, Carahuacra	-	764
Prefab modules, Andaychagua - instalations	-	1,024
Transmission line, 50KV, substation Pomacocha – substation San Antonio - Substation San Cristóbal	-	2,502
Concrete slab, San Cristobal mine, zones I and II	-	1,190
Concrete slab, mine at lv 630 - 730 - 780 -820	-	1,131
Concrete slab, mine, on ramps 05-06-04 and BY PASS	-	1,912
Installation of courier line, Victoria plant	-	635
Concentrates shed, Mahr Tunel	-	247
Courir, Andaychagua plant	-	743
Copper-lead separation circuit - i	-	503
Concentrates loading to railway cars	-	313
Expansion of Victoria Plant 4,500 TPD	-	1,009
Expansion of concentrating plant, 3200 DMT, Andaych	-	1,726
Storage of concentrates gvol - infrastructure	-	602
Storage of pb and cu concentrates, 34x33 m	-	285
Mine closure plan update sc-mt	-	203
Other projects	16,257	10,230
Subtotal	91,319	106,199

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

Projects	2014 US$000	2013 US$000
Heightening of Tailings deposit, Animón, elev. 4614	32,609	14,043
Transmission line, 220 KV, Paragsha II - FRANCOISE	26,181	18,871
Hydroelectric power plant project, Rucuy	12,768	-
Outer bypass road, Huayllay	3,998	1,946
Main substation - capacity expansion	2,380	2,380
Hydroelectric power plant, 110 MV, Chancay	2,376	2,376
Water pumping system, mine-level 175	1,942	-
Expansion of Animón substation, stage 2	1,083	1,014
Modernization of winch, Esperanza, motor-braking syst	979	979
Overflow channel, Baños V	965	466
Pump system installation, Esperanza lv 150	801	758
Communications Syst, Hydroelc PP BAÑOS &CHICRIN	782	782
Pump System, Esperanza lv 175	745	728
Construction of settling ponds - stage 2	739	739
Pumping system, Montenegro lv 150	731	680
Communication and data network	689	325
Tailings deposit Naticocha	645	233
Inner equipment maintenance workshop, lv 200	507	507
Transmission line 22.9 kv, Chungar-Islay	477	477
Hydroelectric power plant Chancay 2	448	448
Mounting of equip, civil works (psi 30)/pe-2ch00010	411	399
Household waste water treatment plant	409	137
Camp La Rinconada - 24 people	393	109
Instal of water reinforcement, Shagua-Vicha road	361	292
Accesses-platforms-covers, concentrating plant	358	358
Mine equipment shop, lv 200 - infrastructure	355	355
Perimeter fence hydroelectric power plant Baños V	339	339
Improvement of electro-mechanic system, concent plant	306	306
Equipment shop, Islay	296	146
Electric substation, Mirko o	285	250
Mine water treatment and surface water intake syst	243	163
Camp - 24 people	243	244
Medical center	210	210
Pumps and motors tank C - installation	206	206
Distribution substation 2*1000 kva - Mirko es	199	199
Waste rock deposit, Islay	199	199
Hydroelectric power plant Pacaros	191	191
Hydroelectric power plant Rucuy	188	188
Electric substation, ramp Mirko e	185	185
New IQF logistic warehouse	180	180
Overhaul of crusher, Metso HP 400	178	104
Construction of dump truck washing site	175	175
Heightening of tailings deposit, elev. 4614 - interests	174	174
Electric substation	174	174
Mine energy system - repowering	170	170
System to control lamps and people location	163	163
Jacob Timmers shaft	161	21,558
Baños VI - feasibility study - engineering	160	160

Projects	2014 US$000	2013 US$000
Automation, hydroelectric power plant Shagua	154	120
System of pumps stand by-deep cone	143	143
HPP Chancay 110 lv - community relations, non-deductible	135	135
HPP Chancay 110 lv - community relations, deductible	129	129
Pumping system by vertical move, hydrog study	125	125
Fitting out of quarrey, Islay	124	124
Automation, hydroelectric PP Baños II & Huanchay	118	118
Service shop, mine, La Esperanza sector	117	117
Fitting out of old medical center to dining room	115	115
Expansion to 5,000 MTD, Animón Plant	110	244
Electric substation integration tunnel, Islay	109	107
Distribution substation 2*1000 kva	109	109
Expansion of copper concentrate unit	101	101
Installation-power transformer 3mv	9	9
Transm Line, 22.9 KV, SS Baños IV –HPP Plant Huanchay, 21km	-	1,156
Optimization of power circuit inside Mine	-	543
Heightening of Tailings deposit, Animón, elev. 4618	-	16,556
Mine closure plan update, Animón	-	190
Project admin-overhead expenses-expansion, Animón	-	20
Sewerage and potable water, Colquijir	-	665
Courier analyzer - unit in transit	-	686
X ray analyzer - installation	-	458
Camp La Rinconada - 24 people	-	274
Construction of hydroelectric power plant Baños V	-	291
Construction of equipment shop, Islay	-	198
Deposit of solid waste to recycle, Quimacoch	-	592
Bowling equipment - installation	-	666
Filter press 140tpd - lead Animón - installation	-	477
Bridge crane for winch, shaft Esperanza -mounting	-	134
Urban development, Esperanza	-	376
Improvement of potable water and sewerage	-	921
Modernization of winch, Esperanza	-	317
New electric substation, shaft Esperanza	-	416
New electric substation, shaft Montenegro	-	323
Maintenance offices and shops	-	210
Pavement of roads, inside mines	-	1,180
Pumping system, stationary pumps installation	-	1,909
Pumping system, Montenegro, stage II - lv 250	-	437
Draining system, Montenegro lv -175 (new inst)	-	534
Protection system for atmospheric discharges	-	181
Mine emergency electrical system	-	298
Distribution substation 3*360 kva	-	114
Mechanic and electric shop, Chungar	-	247
Roofing of maintenance shops, Esperanza sector	-	405
Data Center - Chungar		1,788
Other projects	8,038	4,712
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Subtotal	108,393	114,056
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In Subsidiary Empresa Administradora Cerro S.A.C.:

Projects	2014 US$000	2013 US$000
Heightening of Ocroyoc Dam –elev. 4272	18,997	-
Heightening of Ocroyoc Dam –elev. 4268	15,551	-
Supplementary Plant Paragsha Oxides	2,373	242,432
Repowering of San Expedito Plant to 1800	1,528	-
Heightening of Ocroyoc Dam –elev. 42	1,491	-
Ocroyoc Dam - pumping system	1,343	-
Tests April - June- 2014- oxide plant	1,235	-
Cont channel of pipelines of tailings for neutralization	1,188	-
Supply Plant Petroperu Cerro	1,069	1,069
Overhead expenses-heightening, Ocroyoc dam	659	-
Infrastructure for cemented fill, Andaychagua	558	347
Heightening, agreements and development, deductible	548	-
Plant expansion study -biot	470	-
New basic engineering plant Paragsha	348	-
Industrial spillway treatment plant	283	-
Reconfiguration of circuits to treat 6500 tmsd	220	-
Construction of Almirante Grau school	-	888
Data Center - Cerro de Pasco	-	1,550
Tailings line, Paragsha - Ocroyoc	-	-
New Paragsha plant, basic engineering	-	-
Neutral water pumping system	-	2,662
Villa Pasco	-	2,688
Other projects	1,960	4,401
Subtotal	49,821	256,037
Other minor in Subsidiaries	27,598	117,653
Total	277,131	593,945

The main projects under Works in progress are estimated to be completed between 2015 and 2017.

(b) The net cost of buildings and machinery and equipment under financial leasing amounts to US$ 16,588 thousand and US$ 30,207 thousand, respectively. The disbursement in year 2014 amounted to US$ 15,557 thousand. The amounts payable in 2015 amount to US$ 15,609 thousand and to US$ 20,270 thousand in years 2016 to 2019.

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

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

The movement and breakdown of this heading is given below:

	BALANCES AS OF DECEMBER 31, 2013 US$(000)	ADDITIONS US$(000)	ALLOWANCE FOR IMPAIRMENT OF ASSETS US$(000)	TRANSFERS AND ADJUSTMENT US$(000)	BALANCES AS OF DECEMBER 31, 2014 US$(000)
2014					
Cost					
Mining titles and concessions (a)	303,461	1,677	-	(12,391)	292,747
Exploration costs (b)	304,920	33,895	(30,456)	(8)	308,351
Development costs (c)	648,624	69,968	(54,929)	4,021	667,684
Closure of mining units (d)	97,256	-	-	(32,580)	64,676
Other intangibles	11,333	899	-	2,033	14,265
	1,365,594	106,439	(85,385)	(38,925)	1,347,723
Accumulated amortization					
Mining titles and concessions (a)	150,071	8,803	-	-	158,874
Exploration costs (b)	56,842	13,571	-	1	70,414
Development costs (c)	274,545	51,947	-	(1)	326,491
Closure of mining units (d)	13,184	4,254	-	1	17,439
Other intangibles	5,892	991	-	(1)	6,882
	500,534	79,566	-	-	580,100
Net cost	865,060				767,623
2013					
Cost	1,188,945	171,012	-	5,637	1,365,594
Accumulated amortization	444,626	55,904	-	4	500,534
Net cost	744,319				865,060

(a) Mining titles and concessions

The movement and breakdown of this heading is given below:

Year 2014	Balances as of Dec 31, 2013 US$(000)	Additions US$(000)	Adjustments US$(000)	Balances as of Dec 31, 2014 US$(000)
Cost				
Yauli	137,343	-	(13)	137,330
Cerro de Pasco	92,283	-	-	92,283
Animón	41,642	-	-	41,642
Paragsha and subsidiaries	3,848	-	(2)	3,846
Vinchos	2,388	-	(1)	2,387
San Sebastián	2,347	-	-	2,347
Other concessions	23,610	1,677	(12,375)	12,912
	303,461	1,677	(12,391)	292,747
Accumulated amortization				
Yauli	84,741	4,578	-	89,319
Cerro de Pasco	50,276	433	-	50,709
Animón	13,904	3,761	1	17,666
Paragsha and subsidiaries	20	-	(16)	4
Vinchos	1,003	4	-	1,007
Other concessions	127	27	16	170
	150,071	8,803	1	158,87
Net cost	153,390			133,872
Year 2013				
Cost	284,710	18,692	59	303,461
Accumulated amortization	144,844	5,225	1	150,070
Net cost	139,866			153,391

(b) Exploration Costs

The movement and breakdown of this heading is given below:

Year 2014	Balances as of December 31, 2013	Additions	Allowance for impairment of assets	Transfers	Balances as of December 31, 2014
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost					
Yauli	97,864	6,675	-	-	104,539
Cerro de Pasco	69,177	631	(30,456)	(2)	39,350
Animón	42,587	10,810	-	-	53,397
Paragsha and subsidiaries	55,822	14,567	-	(7)	70,382
Vinchos	26,695	458	-	-	27,153
El Pilar	7,915	330	-	-	8,245
San Sebastián	4,860	424	-	1	5,285
	304,920	33,895	(30,456)	(8)	308,351
Accumulated amortization					
Yauli	29,850	5,479	-	2	35,331
Cerro de Pasco	7,590	316	-	(1)	7,905
Animón	8,602	3,882	-	-	12,484
Paragsha and subsidiaries	1,968	2,911	-	1	4,880
Vinchos	8,832	983	-	(1)	9,814
	56,842	13,571	-	1	70,414
Net cost	248,078	20,324	(30,456)	(9)	237,937

Year 2013					
Cost	274,403	25,298	-	5,219	304,920
Accumulated amortization	48,535	8,305	-	2	56,842
Net cost	225,868				248,078

In December 2014, the Company Management has recognized an allowance for impairment of its assets related to underground mine in the Cerro de Pasco unit.

(c) Development costs

The movement and breakdown of this heading is given below:

Year 2014	Balances as of December 31, 2013 US$(000)	Additions US$(000)	Allowance for impairment of assets US$(000)	Transfers US$(000)	Balances as of December 31, 2014 US$(000)
Cost					
Yauli	257,066	43,011	-	1,245	301,322
Cerro de Pasco	246,563	393	(54,929)	2,778	194,805
Animón	78,139	14,447	-	-	92,586
Paragsha and subsidiaries	46,660	11,644	-	(1)	58,303
Vinchos	20,196	473	-	(1)	20,668
	648,624	69,968	(54,929)	4,021	667,684
Accumulated amortization					
Yauli	133,435	30,430	-	-	163,865
Cerro de Pasco	87,666	2,652	-	-	90,318
Animón	41,212	13,929	-	-	55,141
Paragsha and subsidiaries	-	3,289	-	-	3,289
Vinchos	12,232	1,647	-	(1)	13,878
	274,545	51,947	-	(1)	326,491
Net cost	374,079	18,021	(54,929)	4,022	341,193
Year 2013					
Cost	564,719	83,903	-	2	648,624
Accumulated amortization	234,992	39,553	-	-	274,545
Net cost	329,927				374,079

In December 2014, the Company Management has recognized an allowance for impairment of its assets related to underground mine in the Cerro de Pasco unit.

(d) Closure of mining units

The movement and breakdown of this heading is given below:

	Balances as of December 31, 2013 US$(000)	Additions US$(000)	Transfers and adjustments US$(000)	Balances as of December 31, 2014 US$(000)
2014				
Cost				
Closure of mining units	97,256	-	(32,580)	64,676
Accumulated amortization				
Closure of mining units	13,184	4,254	1	17,439
Net cost	84,072			47,237
2013				
Cost	55,115	42,141	-	97,256
Accumulated amortization	11,213	1,971	-	13,184
Net cost	43,902			84,072

12. FINANCIAL OBLIGATIONS

(a) This heading includes the following debts:

NAME OF CREDITORS	Contract	ORIGINAL AMOUNT US$(000)	SECURITY GRANTED	INTEREST RATE	MATURITY	Total 2014 US$(000)	Total 2013 US$(000)
Loans:							
Citibank N.A.	-	40,000	None	2.10 percent	Jul-2014	-	40,000
The Bank of Nova Scotia	-	40,000	None	Libor +0.9%	Nov-2014	-	40,000
Scotiabank	-	40,000	None	1.10 percent	Mar-2015	40,000	-
Scotiabank	-	40,000	None	1.10 percent	Mar-2015	40,000	-
Banco Continental	various	106,156	None	Between 4.70 & 5.00%	Mar-2015	106,156	-
Bonds:							
Traded Bonds (1)	-	600,000		5.375 percent	Feb-22	600,000	600,000
Financial leasing:							
Interbank	Various	-	The leased goods themselves	Between 3.07 & 3.87%	Between Jan-15 and Nov-17	16,281	18,292
Scotiabank	Various	-	The leased goods themselves	Between 3.20 & 4.00%	Between Jan-15 and Dec-19	16,536	5,992
Banco de Crédito del Perú	32657AFB	2,005	The leased goods themselves	5.75 percent	Dec -2017	1,077	1,362
BBVA Banco Continental	506075	1,039	The leased goods themselves	Between 3.20 & 3.90%	Between Jan-15 and Apr-17	1,985	901
Total financial obligations						822,035	706,547
Non-current part						620,270	612,444
Current part						201,765	94,103

(1) Traded bonds were issued on February 2, 2012 and were fully placed in the international market designated as "Senior Notes Due 2022" for $ 600,000 thousand at an annual rate of 5.375 percent with 10-year maturity. Interests are being paid through semiannual installments from August 02, 2012 to February 2, 2022. Their amortized cost is similar to their carrying amount. This obligation has not established any type of covenant or restriction in compliance.

(b) The debt amortization schedule as of December 31, 2014 and 2013 is as follows:

Year	2014 US$(000)	2013 US$(000)
2014	-	94,103
2015	201,765	8,737
2016	10,414	3,337
2017	4,510	370
2018	2,630	-
2019	2,716	-
2022	600,000	600,000
	822,035	706,547

13. TRADE ACCOUNTS PAYABLE

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Invoices	183,593	199,269
Drafts	117	117
Provisions for contractors' services (a)	45,137	52,028
	228,847	251,414

Trade accounts payable mainly originate from the acquisition of materials, supplies, spare parts and services rendered by third parties. These obligations are mainly denominated in US Dollars, have current maturity, and accrue no interests. No specific security has been granted for such obligations. The Company policy to manage liquidity risk and aging of accounts payable is outlined in Note 29(c).

(a) They correspond to services received from contractors in December 2014 and 2013, who have not issued their invoices at the year closing.

14. OTHER ACCOUNTS PAYABLE

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Remunerations and employees' profit sharing (a)	21,883	36,314
Advances from customers	-	3,100
Advances on dividends payable (b)	11,058	13,531
Interest payable on bonds (c)	13,438	13,438
Withholdings for VAT deposits payable	7,156	16,311
Royalties payable (Note 2.4 (r) and 16 (a) (i))	3,612	5,655
Interest payable on financial obligations	2,758	698
Mining retirement fund	1,204	91
Corporate Income Tax corresponding to the Company and its Subsidiaries	428	1,156
Employees' length of service compensation	248	1,371
Employees' supplementary occupational risk insurance premiums	469	749
Value Added Tax – Withholdings	100	1,093
Income Tax withheld from personnel	397	1,769
Contributions to the Social Security Health Insurance agency (EsSalud)	304	1,771
Contributions to pension fund managers	493	517
Court-ordered withholdings	692	919
Contributions to the Public Pension System	63	518
Other minor	741	904
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	65,044	99,905
	======	======

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

(a) As of December 31, 2014 and 2013, it includes mainly US$ 9,072 thousand and US$ 16,653 mil for employees' profit sharing.

(b) In Meeting held on December 22, 2014, the Board of Directors approved the payment of dividends on account of 2014 profit for S/. 20.9 million (equivalent to US$ 7.1 million), which were cancelled on January 20, 2015.

On December 4, 2013 dividends were distributed on account of 3013 profit, which payment was made on January 7, 2014.

(c) It corresponds to accrued interests on bonds issued by the Company (See Note 12) corresponding to the August-December 2014 period.

15. ENVIRONMENTAL OBLIGATIONS

(a) Provision for the closure of environmental liabilities

On July 6, 2004, the Congress of the Republic issued Law 28271, "Law Regulating Environmental Liabilities in the Mining Activity" The purpose of this Law is regulating the identification of the environmental liabilities of the mining activity and financing for remediation of the affected areas. According to this regulation, an environmental liability corresponds to the impact caused in the environment by mining operations that are currently abandoned or inactive.

On December 9, 2005, the Regulations to Law 28271 were published, previous to that Law 28526 was published on May 25, 2005 providing that those responsible for environmental liabilities have a term of one year as from the date of effectiveness of the regulations to submit the Environmental Liabilities Closure Plan; such term expired December 11, 2006. The Consolidated Text of Administrative Procedure provides that Environmental Liabilities Closure Plans can be submitted in conceptual engineering or budget terms.

On December 11, 2006, the Company has submitted the Environmental Liabilities Closure Plan; such submission was made only in conceptual engineering terms and no budget was included. Such liability is to be recognized increasing an assets account and is to be amortized in the term of execution of the Plan, which, according to Law is 3 years, and exceptionally 4 years; besides, such liability is to be recognized at the present value of future estimated cash flows expected to be disbursed.

As of February 2015 there is no environmental liability to remediate. All previously existing ones have been incorporated in the Mine Closure Plan update for the respective mining units.

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

(b) Provision for the closure of mining units

On October 14, 2003, the Congress of the Republic issued Law 28090 to regulate the obligations and procedures that mining titleholders shall comply in preparing, filing and implementing the Mine Closure Plan, as well as the granting of the corresponding environmental performance bonds to guarantee compliance of the corresponding investment commitments, subject to the principles of environmental protection, preservation and reclaiming. The regulations for Law 28090 were published on August 16, 2005.

During 2014 and 2013 the Company has filed with the Ministry of Energy and Mines the updates for the valued Mine Closure Plan of its main mining units.

As of December 31, 2014, the Company has recognized liabilities amounting to US$ 63,610 thousand corresponding to all of its mining units (US$ 95,656 thousand as of December 31, 2013) related to its obligations for the their future closure:

Mining Unit	2014 Future Value US$(000)	2013 Future Value US$(000)
Alpamarca	3,115	-
Andaychagua	6,507	10,946
Ticlio	3,780	5,083
San Cristóbal	10,430	19,765
Cerro de Pasco	9,515	17,577
Carahuacra	19,868	27,439
Animón	4,207	7,383
Vinchos	6,188	7,463
	---------	---------
Total	63,610	95,656
	======	======

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

	US$(000)
Balance as of Dec 31, 2013	95,656
Disbursements	(1,218)
Year provision	3,115
Decrease for provision present value update	(33,943)

Balance as of Dec 31, 2014	63,610
	======

The provision for the closure of the mining unit accounts for the present value of costs of closure expected to be incurred between years 2014 and 2030. Estimated costs for the closure of mining unit are based on a study prepared by an independent expert in compliance with current environmental regulations. Provision for the closure of mining unit corresponds mainly to activities that have to be carried out to restore the mining unit and zones affected by the exploitation activities. The main works to be carried out correspond to earth movement, re-vegetation works and plant dismantling. Closure budgets are regularly reviewed to take into account any significant change in the studies made. However, the costs for the closure of the mining unit will depend on the market prices of the required closure works that will reflect future economic conditions. Likewise, the time in which disbursements will be made depends on the useful life of the mine, which will depend on future metal quotations.

As of December 31, 2014, the future value of the provision for mining unit closure and environmental liabilities is US$ 159,488 thousand, which has been discounted using the risk free annual rate of 12 percent, resulting in an updated liability of US$ 63,610 thousand (US$ 150,152 thousand as of December 31, 2013 using the risk free annual rate of 5.57 percent, resulting in an updated liability of US$ 95,656 thousand). The Company considers that this liability is enough to comply with current environment protection as approved by the Ministry of Energy and Mines.

16. INCOME TAX

(a) Income tax expenses shown in the consolidated statement of income for years 2014 and 2013 include:

	2014 US$(000)	2013 US$(000)
Income tax		
Current	26,264	53,203
Deferred	(23,631)	11,298
	2,633	64,501
Tax on mining royalties (i)	14,653	17,092
Contribution to the mining retirement fund (ii)	434	871
	17,720	82,464

(i) It corresponds to mining royalties that Companies have to pay as titleholders of mining concessions in valuable consideration for the exploitation of metallic and non-metallic resources in compliance with Law 28258 “Mining Royalty Act” as amended by Law 27988 dated September 28, 2011.

(ii) It corresponds to the contribution of 0.5% of the annual income recorded by mining, metallurgical and iron and steel entities before taxes as supplementary payment, additional to retirement, disability and survival pensions of mining, metallurgical and iron and steel employees, as provided in Law 29741, effective as from year 2012.

(b) The Company recognizes the effects of temporary differences between the accounting and the tax base. A breakdown of this heading, according to the items that originated them, is given below:

	As of Dec 31, 2013 US$(000)	Credit (charge) to the consolidated statement of income US$(000)	Exchange rate US$(000)	Effect from conversion US$(000)	As of December 31, 2014 US$(000)
Deferred assets through profit or loss					
Estimate for impairment of supplies	1,346	-	(67)	(84)	1,195
Provision for the closure of Mining Units	3,475	3,077	10,045	(218)	16,379
Vacations pending payment	1,865	91	(75)	(117)	1,764
Provision for contingencies	3,988	(327)	(416)	(250)	2,995
Loss on fair value of premiums (call)	17	(16)	-	(1)	-
Loss on fair value of financial assets (portfolio of bonds)	253	(237)	-	(16)	-
Adjustment of sales	1,993	1,698	(2,230)	(125)	1,336
Tax loss of subsidiary	1,488	34,735	(2,644)	(93)	33,486
Mining royalty	3,172	1	(2,052)	(199)	922
Allowance for impairment of assets	-	25,780	(2,578)	-	23,202
Deferred assets through unrealized profit or loss					
Unrealized loss on derivative financial instruments	1,317	-	7,250	(85)	8,482
Deferred assets	18,914	64,802	7,233	(1,188)	89,761
Deferred liabilities through profit or loss					
Amortization of mining titles & concessions, and exploration, development & stripping costs	(142,284)	(11,264)	4,928	(8,895)	(157,515)
Embedded derivative for sale of concentrates	(1,627)	(864)	2,112	105	(274)
Valuation of oxide and pyrite stockpiles	-	(27,444)	2,744	-	(24,700)
Estimated of securities disposal	-	(2,769)	283	-	(2,486)
Unpaid hedges	-	(1,026)	105	-	(921)
Capitalization of expenses for bond issue	-	-	(795)	-	(795)
Gain on fair value of hedges and premiums	-	(4,576)	318	-	(4,258)
Interests on portfolio of bonds	(130)	122	-	8	-
Capitalized interests on bonds	(5,121)	4,790	-	331	-
Other minor	(556)	50	427	36	(43)
Deferred liabilities	(149,718)	(42,981)	10,122	(8,415)	(190,992)

(c) The reconciliation of the income tax effective rate with the legal rate for years 2014 and 2013 is given below:

	2014 US$(000)	%	2013 US$(000)	%
Accounting profit before income tax	59,456	100	237,861	100
Theoretical income tax	17,837	30	71,358	30.00
Non-deductible expenses, net	(15,204)	(25.57)	(6,857)	(2.88)
Income tax expenses	2,633	4.43	64,501	27.12

17. NET EQUITY

(a) 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 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 100 percent for class "B" shares (5 percent for class "A" shares and 100 percent for class "B" shares as of December 31, 2013).

The shareholding structure as of December 31, 2014 and 2013 is as follows:

Percentage of individual interest in issued share capital	Number of shareholders		Total interest percentage	
	2014	2013	2014	2013
Less than 0.20	566	570	1.86	1.87
0.20 to 1.00	6	6	4.04	4.06
1.01 to 5.00	8	8	19.80	19.79
5.01 to 10.00	6	6	52.83	52.83
10.01 to 20.00	2	2	21.47	21.45
	588	592	100.00	100.00

In Meeting held on December 22, 2014, the Board of Directors approved the payment of dividends in cash on account of 2014 profit for S/. 20,993,650 (equivalent to US$ 7,116,492). Such dividends have been cancelled as of 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 capitalization of the 2013 profit balance, and drawing on capital reserve, 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 dividends in cash to its shareholders corresponding to 2013 profit for S/. 57,780,413 (equivalent to US$ 17,847,459). Such dividends have been cancelled on April 22, 2014.

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

In Meeting held on December 4, 2013, the Board of Directors approved the payment of dividends to its shareholders on account of 2013 profit for S/. 38,520,276 (equivalent to US$ 13,826,373). Such dividends have been cancelled on January 07, 2014.

(b) Shares in treasury

It corresponds to own shares acquired by the subsidiaries.

(c) Other capital reserves

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

According to article 229 of the New Business Act, the Company may capitalize the legal reserve, but must replenish it in the year immediately after profits are obtained.

(d) Capital reserve

It includes a special reserve to pay social responsibility expenses related to the communities and communities around the mining operations. Likewise, the effect of dividends and the result obtained for the disposal of shares in treasury is credited to or debited from this account.

(e) Unrealized profit or loss

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

(f) Retained earnings

They may be capitalized or distributed as dividends, by resolution of the Shareholders' Meeting. Dividends and any other form of distributed profit are subject to Income Tax at a 4.1% rate (see Note 9 (b)) on the distributed amount to be borne by the shareholders or company members, which is only applicable to such shareholder who is an individual domiciled or not in Peru, or to such juridical person which is non-domiciled in Peru. According to the General Business Act, distribution of dividends must be proportionate to the shareholders contribution.

18. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

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

(a) Ore quote hedging transactions

Hedging contracts: Swap Contracts -

During years 2014 and 2013, the Company entered price hedging transaction contracts (swaps) to secure future flows from its sales. Hedging transactions critical terms have been negotiated with the brokers so that they match the terms negotiated in the related commercial agreements.

Hedging contracts: zero-cost option collars -

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

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

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

During years 2014 and 2013, the Company entered price hedging zero-cost option collars to secure future flows from its sales for years 2014 and 2017. Hedging transactions critical terms have been negotiated with the brokers so that they match the terms negotiated in the related commercial agreements.

As of December 31, 2014, the Company has the following current hedging transactions receivable:

Metal	Total volume FMT/OZ	Periods	Fair Value US$(000)
Swap Contracts			
Silver	95,672	Between Jan & Feb 2015	504
Zinc	2,008	Between Feb & Apr 2015	(113)
Copper	651	Between Jan & Mar 2015	92
Lead	438	Between Jan & Jun 2015	136

Total fair value of swap contracts			619

Scaling Contracts			
Copper	75	Jan 2015	(2)
Zinc	1,400	Jan 2015	374

Total fair value of scaling contracts			372

Option-buying contract			
Copper	27	Jan 2015	6

Total fair value of option buying agreement			6

Total fair value of hedging instruments receivable			997

Less - Non-current part (Note 8)			-

Current part (Note 8)			997
			====

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

Metal	Total volume FMT/OZ	Periods	Fair Value US$(000)
Swap Contracts			
Silver	765,828	Between Jan & Dec 2014	2,225
Zinc	7,252	Between Jan & Jun 2014	208
Gold	50	Feb 2014	5
Lead	1,934	Between Jan & Feb 2014	281

Total fair value of swap contracts			2,719

Zero-cost option collar contracts			
Silver	40,000	Between Jan & Mar 2014	34
Zinc	460	Jan 2014	33

Total fair value of collar contracts			67

Scaling Contracts			
Silver	63,600	Jan 2014	9
Copper	110	Jan 2014	38
Zinc	22,547	Between Jan 2014 & Jan 2015	3,161
Lead	1,702	Between Jan 2014 & Jan 2015	286

Total fair value of scaling contracts			3,494

Purchase and sales contract - Quotation Period			
Silver	230,289	Between Jan & Feb 2014	228
Copper	267	Mar 2014	3
Zinc	3,405	Apr 2014	5

Total fair value of purchase and sales contract - Quotation Period			236

Total fair value of hedging instruments receivable			6,516

Less - Non-current part (Note8)			(265)

Current part (Note 8)			6,251
			=====

As of December 31, 2014, the Company has the following hedging transactions payable:

Metal	Total volume FMT/OZ	Periods	Fair Value US$(000)
Swap Contracts			
Silver	1,465,091	Between Jan & Aug 2015	(1,196)
Copper	962	Between Jan & Apr 2015	85
Zinc	28,497	Between Jan 2015 & Feb 2016	(362)
Lead	589	Between Jan 2015 & Feb 2016	63

Total fair value of swap contracts			(1,410)

Scaling Contracts			
Silver	1,029,000	Between Jan 2015 & Jan 2016	(9,944)
Copper	2,000	Between Aug & Sep 2016	(983)
Lead	1,800	Between Feb 2016 & Jan 2017	(175)
Zinc	1,500	Jan 2015	143

Total fair value of scaling contracts			(10,959)

Zero-cost option collar contracts			
Silver	75,000	Between Jan & Mar 2015	312
Copper	8,000	Between May & Dec 2016	(13,278)

Total fair value of zero-cost option collar contract			(12,966)

Option-buying contracts			
Silver	5,062,856	Between Jan & Mar 2015	(6,104)
Copper	82	Between Feb & Mar 2015	(6)
Zinc	21,002	Between Jan & Dec 2015	(882)

Total fair value of option buying contract			(6,992)

Total fair value of hedging instruments payable			(32,327)

Less - Non-current part (Note 8)			9,196

Current part (Note 8)			(23,131)
			======

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

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

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

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

Total fair value of scaling contract			(6,710)

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

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

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

Less - non-current part	(Note 8)		30

Current part (Note 8)			(10,878)
			======

(b) The hedging of cash flows from sales to be made in future years has been assessed by the Company Management as highly effective. Effectiveness has been measured using the flow offset method, as the Company Management considers that this is the method that better reflects the purpose of managing the risk in relation to the hedge.

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

	Hedging derivative financial instruments US$(000)	Income tax US$(000)	Unrealized (loss) gain on hedging derivative financial instruments, net US$(000)
Balances as of December 31, 2012	20,460	(6,138)	14,322
Gain or loss on hedging transactions settled during the period	133,044	(39,913)	93,131
Unrealized gain or loss on hedging derivative financial instruments	(157,896)	47,369	(110,527)
Total variation in hedging derivative financial instruments	(24,852)	7,456	(17,396)
Balances as of December 31, 2013	(4,392)	1,318	(3,074)
Gain or loss on hedging transactions settled during the period	(622)	187	(435)
Unrealized gain or loss on hedging derivative financial instruments	(26,317)	7,895	(18,422)
Total variation in hedging derivative financial instruments	(26,939)	8,082	(18,857)
Balances as of December 31, 2014	(31,331)	9,400	(21,931)

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

As of December 31, 2014 and 2013, temporary settlements (in metric tons and ounces (OZ) of copper, silver, zinc, and lead) held as of that date, their final settlement periods, and the fair value of embedded derivatives include:

As of December 31, 2014:

Concentrate	Qty DMT/OZ	Quotation period 2014	Fair Value US$(000)
Receivable -			
Zinc	22,654	Jan 2015 – Mar 2015	188
Lead	4,653	Jan 2015 – Feb 2015	2,730

			2,918
			=====
Payable -			
Copper	1,652	Jan 2015 – Mar 2015	(211)
Silver	5,806	Jan 2015 – Mar 2015	(853)
Zinc	33,105	Jan 2015 – Mar 2015	(114)
Lead	2,736	Jan 2015 – Feb 2015	(723)

			(1,901)
			=====

As of December 31, 2013:

Concentrate	Qty DMT/OZ	Quotation period 2013	Fair Value US$(000)
Receivable -			
Copper	2,848	Jan 2014 – May 2014	239
Silver	2,151	Jan 2014 – Mar 2014	143
Zinc	51,683	Jan 2014 – Mar 2014	4,147
Lead	17,865	Jan 2014 – Mar 2014	1,005

			5,534
			=====
Payable -			
Copper	2946.1	Jan 2014 – May 2014	(12)
Silver	1391.68	Jan 2014 – Mar 2014	(300)
			-------
			(312)
			=====

As of December 31, 2014 and 2013, the fair value of embedded derivatives generated gains for US$ 451 thousand and US$ 5,174 thousand, respectively, as shown under "Net sales" in the consolidated statement of income. Future quotes of the dates on which open positions as of December 31, 2014 and 2013 are expected to be settled are taken from London Metal Exchange publications.

(e) Fair value hierarchy -

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

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

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

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

Financial instruments measured at fair value applied by the Company use level 1 valuation techniques for the periods ended December 31, 2014 and 2013.

No transfers have occurred between fair value hierarchy levels during periods 2014 and 2013.

19. TAXATION

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

Entity	Years open to review by tax authorities
Volcan Compañía Minera S.A.A.	2009, 2010, 2011, 2012, 2013 & 2014
Empresa Administradora Chungar S.A.C.	2012, 2013 & 2014
Empresa Explotadora de Vinchos Ltda. S.A.C.	2010, 2011, 2012, 2013 & 2014
Empresa Minera Paragsha S.A.C.	2010, 2011, 2012, 2013 & 2014
Compañía Minera El Pilar S.A.C.	2010, 2011, 2012, 2013 & 2014
Compañía Minera Alpamarca S.A.C.	2010, 2011, 2012, 2013 & 2014
Shalca Compañía Minera S.A.C.	2010, 2011, 2012, 2013 & 2014
Minera Aurífera Toruna S.A.C.	2010, 2011, 2012, 2013 & 2014
Compañía Minera Huascarán S.A.C.	2010, 2011, 2012, 2013 & 2014
Empresa Administradora de Cerro S.A.C.	2010, 2011, 2012, 2013 & 2014
Minera San Sebastian AMC S.R.L.	2010, 2011, 2012, 2013 & 2014
Hidroeléctrica Huanchor S.A.C.	2011,2012, 2013 & 2014
Empresa de Generación Eléctrica Baños S.A.C.	2010, 2011, 2012, 2013 & 2014
Compañía Hidroeléctrica Tingo S.A.	2010, 2011, 2012, 2013 & 2014

Due to the fact that differences may emerge in the interpretation made by the Tax Administration based on the regulations applicable by the Company, it is not possible to anticipate if additional tax liabilities will result from eventual reviews. Any additional tax, delay, surcharge and interests, if any, will be recognized in the profit or loss of the year in which the difference of opinion with the Tax Administration is resolved. The Company Management estimates that no material liabilities will result from these possible reviews.

(b) The Income Tax rate applicable to companies is 30% for year 2014. Later, such rate will be progressively reduced to 28% in years 2015 and 2016, to 27% in years 2017 and 2018 and to 26% since year 2019. If the company distributes its profit fully or partially, it shall apply for year 2014 an additional rate of 4.1% on the distributed amount, which will be borne by the shareholders, provided that they are individuals or companies domiciled abroad. Later, the rate will be progressively increased to 6.8% in years 2015 and 2016, to 8% in years 2017 and 2018 and to 9.3% since year 2019.

For dividend distributions and any other form of profit distribution on Retained earnings obtained until December 31, 2014 a 4.1% rate will be applied.

The 4.1% rate tax will be borne by the entity and will apply on any amount or delivery in kind resulting third-class taxable income that may represent an indirect disposition not subject to subsequent tax control, including amounts charged to expenses and not declared revenues.

In Management's opinion, there will be no major contingencies for the Company as of December 31, 2014 from the application of these regulations. In any case, any assessment on such regard by the tax authorities would be recognized in the year in which it occurs.

(c) As from August 2012, new rules have been incorporated for the assessment of Income Tax payments on account. Regulations include that companies shall credit as payment on account, the higher amount resulting from comparing the monthly installment assessed according to the procedure outlined in the new wording of article 85, paragraph a) and the installment resulting from applying 1.5% to the net revenues obtained in the same month.

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

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

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

As from year 2013, the Tax Return Declaring Transfer Prices of year 2012 must be filed together with the respective Transfer Price Survey.

For Income Tax assessment, the assessment of transfer prices for transactions with related entities or entities resident in countries or territories of low or no taxation must be accompanied with documents, information and a Transfer Price Survey, as appropriate, supporting the market value used and the criteria considered for their assessment.

(f) As from January 1, 2013, exchange differences originated for liabilities in foreign currency related to and fully identifiable with inventories in stock or in transit as of the date of the statement of financial position, and the exchange differences originated for liabilities in foreign currency related to fixed assets current or in transit as of the date of the statement of financial position, must be included in the assessment of the tax base for the period in which the exchange rate fluctuates, considering it as profit or loss.

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

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

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

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

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

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

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

This tax basis is the value of net assets recorded in the statement of financial position as of December 31, of the year prior to the one on which payment is applicable, net of deductions admitted by the Income Tax Law. For years 2014 and 2013, on the referred basis, the first million Nuevos Soles (S/. 1,000,000) shall not be subject to tax, while the aliquot of 0.4% applies to any excess.

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

20. NET SALES

(a) The Company and Subsidiaries revenues result basically from the sale of zinc, lead and silver concentrates. Detail of net sales per concentrate in years 2014 and 2013 is given below:

Description	2014 US$(000)	2013 US$(000)
Net sales per concentrate:		
Zinc	574,001	468,919
Lead	275,289	414,817
Copper	52,256	74,675
Silver	110,904	76,822
Silver dore	17,514	-
	1,029,964	1,035,233
Gain (loss) on fair value of financial instruments	15,717	(5,766)
Gain (loss) on execution of financial instruments (Note 18 (c))	(622)	133,044
Embedded derivative (c) (Note 18 (d))	451	5,174
Adjustment of open temporary settlements	(3,159)	(4,862)
	1,042,351	1,162,823

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

	2014 US$(000)	2013 US$(000)
Peru	594,577	555,593
The Americas/USA	54,158	72,599
Asia	280,053	242,548
Europa	101,176	164,493
	------------	------------
	1,029,964	1,035,233
	========	========

(c) Embedded derivative

The Company and Subsidiaries' sales of concentrates are based on commercial agreements, according to which a temporary value is assigned to the sales, which are to be adjusted at a future final quote. Sales adjustment is considered as an embedded derivative that should be separated from the agreement. Commercial agreements are related to market prices (London Metal Exchange). Embedded derivative does not qualify as a hedging instrument; therefore, changes in the fair value are charge to profit or loss. As of December 31, 2014 and 2013, the Company holds embedded derivatives based on future prices (forwards) of the expected settlement date, as final prices will be established in subsequent months as provided in the commercial agreements. Temporary selling value adjustment is recorded as an adjustment to current net sales.

(d) Concentration of sales

In year 2014, the three most important customers accounted for 67% of total sales (66% of total sales in year 2013). As of December 31, 2014, 52% of accounts receivable is related to these customers (74% as of December 31, 2013). The Company sales of concentrate are made to locally and internationally renowned companies.

(e) Commitments to sell

As of December 31, 2014, the Company maintains commitments with third parties for the sale of lead, zinc and copper concentrates for 146,258 WMT, 189,991 WMT and 47,695 WMT, 130,809 WMT, 586,431 WMT and 17,777 WMT as of December 31, 2013), respectively, until year 2016. As for dore bars, sales amount to 900,000 oz until year 2016.

21. COST OF SALES

Assessment of this heading is given below:

Description	For the accumulated period from Jan 1 to Dec 31 2014 US$(000)	2013 US$(000)
Initial inventory of concentrates	30,299	40,480
Initial inventory of raw material (extracted ore)	32,022	31,884
Production cost:		
Labor	71,440	70,937
Services from third parties, energy and other	255,566	234,508
Supplies used	116,140	106,833
Purchase of ore	5,326	39,693
Depreciation and amortization	152,443	111,066
Exceptional	3,035	17,081
Purchase of concentrates	248,939	188,379
Employees’ profit sharing	6,791	12,893
Less – final inventory of concentrates	(24,789)	(30,299)
Less - final inventory of raw material (extracted ore)	(31,466)	(32,022)
	865,746	791,433

22. ADMINISTRATIVE EXPENSES

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Personnel charges	24,653	30,193
Insurance	8,951	10,134
Professional fees	5,326	5,160
Employees’ profit sharing	1,000	2,367
Compensations	3,879	3,184
Personnel services	2,062	938
Depreciation and amortization	1,496	1,692
Supplies	1,224	1,200
Leases	1,136	1,519
Communications and IT	1,115	1,041
Mail and telecommunication, and other minor expenses	3,716	3,385
	54,558	60,813

23. SELLING EXPENSES

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Freight	30,124	29,287
Shipping expenses	7,947	7,217
Services provided by third parties	3,569	2,833
Personnel expenses	1,202	1,265
Samples, analysis and supervision	1,644	1,655
Services for sale of concentrates -	1,594	1,833
Various services	2,970	2,184
	---------	---------
	49,050	46,274
	======	======

24. OTHER OPERATING REVENUES (EXPENSES)

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Revenues		
Valuation of oxide and pyrite stockpiles	91,449	-
Revenue for sale of various supplies	34,641	38,453
Recovery of provision for contingencies	4,954	3,135
Revenue from sale of energy to third parties	10,842	8,798
Ore treatment and other services to third parties	4,991	2,488
Insurance indemnification	181	492
Disposal of fixed assets	1,074	937
Disposal of shares (Note 1 (b))	31,359	-
Other	6,509	1,320
	---------	---------
	186,000	55,623
	=======	======
Expenses		
Allowance for impairment of assets (Note 11 (a))	(85,385)	-
Cost of sales of various supplies	(34,098)	(38,024)
Cost of ore treatment and other services to third parties	(3,763)	(1,269)
Cost of energy sales	(5,673)	(4,650)
Provision for contingency	(3,777)	(940)
Derecognition of fixed assets	(4,440)	(2,776)
Non-deductible various expenses	(2,460)	(1,119)
Net cost of disposal of shares (Note 1 (b))	(20,731)	-
Tax administrative penalties	(821)	(225)
Other	(2,461)	(2,990)
	---------	---------
	(163,609)	(51,993)
	=======	======

25. FINANCIAL REVENUES (EXPENSES)

A breakdown of this heading is given below:

	2014 US$(000)	2013 US$(000)
Revenues		
Gain on exchange difference	18,765	25,472
Interests on time deposits	1,189	5,207
Redemption of acquired bonus	-	272
Interests on loans granted	4,687	4,418
Other financial revenues	2,503	2,604
Dividends received from Investments abroad	1,952	29
	29,096	38,002
Expenses		
Interests and expenses on bank loans	(4,777)	(2,699)
Financial leasing interests	(1,129)	(1,176)
Interests on issued bonds (Note 12)	(23,762)	(16,605)
Loss on exchange difference	(16,620)	(26,288)
Commissions and other expenses	(3,653)	(3,343)
	(49,941)	(50,111)

26. BASIC AND DILUTED EARNINGS PER SHARE

Computation of basic and diluted earnings per share in the years ended December 31, 2014 and 2013 (in thousand US Dollars, except for the information on common and investment shares) is given below:

	2014 US$(000)	2013 US$(000)
Net year profit US$(000)	56,823	173,360
Common shares - thousand of units	3,865,936	2,916,854
Basic and diluted net earnings per share of the year	0.015	0.059

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

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

27. DISCLOSURE OF INFORMATION BY SEGMENTS

IFRS 8 "Operating segments" require that companies present their financial information taking into account the reported information that is internally used by Management to assess operating segments results and distribute the resources of such segments. Management uses business and geographic segments of the Company to make operating decisions. A business segment is a differentiable component of an entity that supplies an individual product or service or a group of products or related services, which is subject to risks and return, which are different from other business segments. A geographic segment is a differentiable component of an entity that is engaged in supplying products or services within a particular economic environment and is subject to risks and return, which are different from those of other components operating in other economic environments.

The only segment for the Company is mining.

28. COMMITMENTS AND CONTINGENCIES

In the Company:

(a) Labor proceedings

As of December 31, 2014 there are labor claims amounting to S/. 22,208 thousand (equivalent to US$ 7,430 thousand) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, compensation for fatal accidents with contractors' personnel, payment of profit and others in process of appeal and/or pending judgment.

There are also 8 proceedings (1 for profit sharing 2010, 1 for production bonds 1998, 1 for labor shares payable, and 1 for incorporation of 19 employees from Subsidiary Cerro to the Company including payment of remuneration items and remuneration-related benefits, and 4 for compensation for damages and loss for fatal accident) for which it has not been possible to assess the claimed amounts, as they will be computed once the judgment has been issued in case of an unlikely unfavorable decision. In proceedings on compensation for fatal accident, first-instance judgment is about to be issued in one case, while other three are pending Supreme Court's decision on cassation appeal with few probabilities to modify the unfavorable decision, two of them with contractor companies and one of its own.

(b) Tax proceedings

As of December 31, 2014, the Company keeps various administrative proceedings pending resolution with SUNAT, for various resolutions assessing taxes, fines and interests, totaling an approximate of S/. 798,698 thousand (equivalent to US$ 267,212 thousand).

Resolutions assessing taxes, fines and interests correspond, in SUNAT's opinion, to failure to pay third parties' taxes and withholdings, as well as for the application of different criteria in assessing the tax base for the settlement of third-class income tax and value added tax of years 2007 to 2004. As of this date, these proceedings have been administratively challenged with SUNAT and/or on appeal with the Tax Court, as well as in court with the Judiciary.

(c) Proceedings filed with Municipal Authorities

As of December 31, 2014, the Company keeps various administrative proceedings on tax issues pending resolution with the District Municipality of Pasco for a Resolution Assessing Property for S/. 617 thousand (equivalent to US$ 206 thousand), which are currently on appeal. However, as of this date and despite the Tax Court requirements, the referred Municipality has failed to forward the case file.

(d) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2014 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and others contained in the Mining Health and Safety Regulations for S/. 29,988 thousand (equivalent to US$ 10,033 thousand).

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

(e) The Company Management, based on the opinion of independent advisors, has made a review of all of the proceedings including tax, labor, civil law and administrative proceedings, assessing a provision for probable contingencies for US$ 11,171 thousand (US$ 13,235 thousand in 2012).

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

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

(a) Labor proceedings

As of December 31, 2014 there are labor claims amounting to S/. 392 thousand (equivalent to US$ 131 thousand) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, and others on appeal and/or pending judgment.

(b) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2014 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and others contained in the Mining Health and Safety Regulations for S/. 3,988 thousand (equivalent to US$ 1,334 thousand).

(c) Tax proceedings

As of December 31, 2014, the subsidiary keeps various administrative proceedings pending resolution with SUNAT, for resolutions assessing taxes, fines and interests totaling an approximate of S/. 213,419 thousand (equivalent to US$ 71,402 thousand).

Resolutions assessing taxes, fines and interests correspond, in SUNAT's opinion, to failure to pay taxes and to withhold taxes from third parties, as well as for the application of different criteria in assessing the tax basis for the settlement of third-class income tax and value added tax of years 2001 to 2005. As of this date, these proceedings have been administratively challenged with SUNAT and/or on appeal with the Tax Court, as well as in court with the Judiciary.

(d) Proceedings filed with Municipal Authorities

As of December 31, 2014, the Subsidiary keeps an administrative proceedings on tax issues pending resolution with the District Municipality of Huayllay on the Property Tax Assessment of years 2012 to 2011 for S/. 477 thousand (equivalent to US$ 160 thousand), which is currently subject to appeal.

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

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

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

(a) Labor proceedings

As of December 31, 2014 there are labor claims amounting to S/. 9,801 thousand (equivalent to US$ 3,279 thousand) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, reimbursement of profit sharing, payment of production bonds, and others on appeal and/or pending judgment.

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

(b) Proceedings filed with Municipal Authorities

As of December 31, 2014, the Subsidiary keeps various administrative proceedings pending resolution with District Municipalities for various orders to pay and resolutions assessing the Property Tax of years 2012 and 2013 for S/. 413 thousand (equivalent to US$ 138 thousand), which are currently on appeal.

Additionally, two administrative proceedings are pending resolution with District Municipality of Yanacancha for various orders to pay upon having determined an alleged omission in the payment of fees to obtain demolition licenses for S/. 583 thousand (equivalent to US$ 195 thousand), which are currently on claim.

On the other hand, Province Municipality of Cerro de Pasco imposed a fine for S/. 3,927 thousand (equivalent to US$ 1,314 thousand) for building fences without building permit, which has been challenged Administrative Litigation Action filed with the Judiciary and pending resolution to date.

Finally, as of such date, it keeps a request for undue payment refund pending resolution with the Province Municipality of Pasco for the Property Tax of year 2011 for S/. 386 thousand (equivalent to US$ 129 thousand), which is currently on appeal.

(c) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2014 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and others contained in the Mining Health and Safety Regulations for S/. 482 thousand (equivalent to US$ 162 thousand).

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

In Subsidiary Compañía Minera Alpamarca S.A.C.

(a) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2014 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and others contained in the Mining Health and Safety Regulations for S/. 7 thousand (equivalent to US$ 2 thousand).

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

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

(a) Labor proceedings

As of December 31, 2014 there are labor claims rated as likely favorable amounting to S/. 87 thousand (equivalent to US$ 29 thousand) for the payment of compensation for damage and loss resulting from occupational illness, reimbursement of remuneration-related benefits, and others under appeal and/or pending judgment.

(b) Administrative Sanctioning Proceedings and Administrative Litigation Actions

As of December 31, 2014 the Company has various proceedings on environmental and occupational health and safety issues with the Regulating Agencies pending resolution. National Water Authority - Local Water Authorities, Ministry of Labor and Employment Promotion, - National Superintendence of Labor Law Enforcement, Ministry of Energy and Mines, Ministry of Production, Supervisory Agency for Investment in Energy and Mining (OSINERGMIN), and Agency for Environmental Assessment and Control (OEFA) for alleged infringement of various environmental provisions and others contained in the Mining Health and Safety Regulations for S/. 1,334 thousand (equivalent to US$ 446 thousand).

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

In the other subsidiaries:

In opinion of the Corporate Management and its legal consultants, there are no major lawsuits or complaints pending to be solved or other contingencies against them as of December 31, 2014.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Company and subsidiaries expose them to a variety of financial risks: The main risks that may adversely affect the Company and Subsidiaries financial assets and liabilities, as well as their future cash flows include: Ore price variation risk, interest rate risk, liquidity risk, and exchange risk, and credit risk. The Company Management risk management program tries to minimize the potential adverse effects in its financial performance.

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

Sensitivity has been prepared for the years ended December 31, 2014 and 2013, using the amounts of financial assets and liabilities held as of that dates.

As outlined in Note 18 to the consolidated financial statements, the Company Management makes hedging transactions on ore price using some derivative instruments existing in the financial market.

The Board of Directors revises and approves the policies to manage each of these risks, which are outlined below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows from financial instruments fluctuates as a result of changes in market prices. Market prices applicable for the Company include two types of risks: ore price variation risk, and interest rate risk. Financial instruments affected by market risks include loans, deposits and derivative financial instruments.

The sensitivity analysis in this section is related to the position as of December 31, 2014 and 2013. The sensitivity analysis has been prepared based on the fact that the proportion of financial instruments in foreign currency will stay constant.

(a.1) Exchange rate risk

It is a policy of the Company Management to invoice the sale of its (local and foreign) products mainly in US Dollars. Exchange rate risk emerges mainly in deposits and other accounts payable in foreign currency (Nuevos Soles). The Company Management mitigates the effect of exposure to foreign currency by making almost all of its transactions in its functional currency. It holds minor amounts in foreign currency (Nuevos Soles), which is used to cover its needs in such currency (taxes and remunerations).

As of December 31, 2014, the Company and Subsidiaries have recorded a net exchange rate loss of US$ 815 thousand (US$ 1,210 thousand in year 2013).

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

	Exchange rate increase (decrease)	Through profit (loss) US$(000)
2014		
Exchange Rate	10%	(31,726)
Exchange Rate	(10%)	38,776
2013		
Exchange Rate	10%	(2,891)
Exchange Rate	(10%)	3,534

(a.2) Price risk

The Company and Subsidiaries are exposed to commercial risks resulting from changes in ore market prices. In order to hedge the risk resulting from a fall of the price of metals to be traded, the Company Management entered derivative contracts qualifying as cash flow hedging, see Note 18(a).

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

As of December 31, 2014, the fair value of embedded derivatives contained in commercial agreements amounts to S/. 1,017 thousand (see Note 18 (d)). As of the closing of the month of January 2014, provisional settlements pending final invoice have not been closed.

As for future prices (copper, lead, and zinc) as of December 31, 2014 and 2013, and market value, as of such dates, of such hedging derivative financial instruments contracted by the Company; an analysis is presented of market value sensitivity of this position against a variation of 10 percent for relevant prices; while the rest of the variables stay constant:

	Through unrealized gain (loss) on hedging derivative financial instruments, net US$(000)
2014	
Increase of 10 percent in future quotations	
Hedges with maturity in 2015	5,102
Hedges with maturity in 2016	3,753

	8,855
	======
Decrease of 10 percent in future quotations	
Hedges with maturity in 2015	(3,332)
Hedges with maturity in 2016	(4,302)
Hedges with maturity in 2017	(14)

	(7,648)
	======

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

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

	12,031
	======

(a.3) Interest rate risk

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

(b) Credit risk

The Company and Subsidiaries' credit risk arises from the inability of debtors to meet the payment of their already accrued obligations. Therefore, the Company management deposits its funds surplus in first-rank financial institutions, establishes conservative credit policies and is constantly assessing the market conditions in which they operate, for which they use risk rating reports for commercial and credit transactions, and makes hedging transactions with renown brokers of the London Metal Exchange. Therefore, the Company Management does not expect incurring in significant credit risk loss.

Credit risk concentration exists when changes in economic, industrial, or geographic changes occur that similarly affect the counterparts related with the Company and Subsidiaries. The Company sales of concentrates are made to locally and internationally renowned companies. Transactions are made with various counterparts with credit solvency, thus mitigating any significant credit concentration.

Trade accounts receivable are denominated in US Dollars, their maturity date is the date of issue of the payment receipt, and their amount is made effective on the days following maturity. The sales made by the Company and Subsidiaries are to local and foreign customers. As of December 31, 2014, the 3 most important customers of the Company and Subsidiaries accounted for 67% of total sales (66% of total sales in year 2013). The Company Management makes an assessment on such debts which collection is estimated as changing in order to set up a allowance for bad debts.

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

	2014			2013		
Description	Past due US$(000)	To become due US$(000)	Total US$(000)	Past due US$(000)	To become due US$(000)	Total US$(000)
Trade accounts receivable	4,284	79,166	83,450	18,770	121,137	139,907
Other accounts receivable	95,611	306,233	401,844	119,543	256,339	375,882
	99,895	385,399	485,294	138,313	377,476	515,789

(c) Liquidity risk

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

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

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

	Less than 1 year US$(000)	Between 1 and 2 years US$(000)	Between 2 and 10 years US$(000)	Total US$(000)
As of Dec 31, 2014				
Trade accounts payable	228,847	-	-	228,847
Other accounts payable	65,044	-	-	65,044
Other financial liabilities	96,209	12,041	-	108,250
Financial obligations	201,765	14,924	605,346	822,035
Total	591,865	26,965	605,346	1,224,176
As of Dec 31, 2013				
Trade accounts payable	251,414	-	-	251,414
Other accounts payable	99,905	-	-	99,905
Other financial liabilities	102,206	5,902	-	108,108
Financial obligations	94,103	12,074	600,370	706,547
Total	547,628	17,976	600,370	1,165,974

(d) Capital management

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

The Company Management manages its capital structure and makes adjustments to face changes in the market economic conditions. The Company Management policy is to finance all of its short and long-term projects with own operating resources. To maintain or adjust the capital structure, the Company Management may adjust the payment of dividends to shareholders, return capital to its shareholders, or issue new shares. There have been no changes in the objectives, policies or procedures during the years ended December 31, 2014 and 2013.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following amounts correspond to financial assets and liabilities shown in the consolidated statement of financial position, classified by categories according to IAS 39:

	2014 US$(000)	2013 US$(000)
Financial assets and liabilities at fair value through profit or loss		
Cash	82,957	62,547
Time deposits	29,000	77,487
Embedded derivative	1,017	5,222
Investment-grade corporate bonds	-	66,737
Other financial assets	28,705	88,910
Total	141,679	300,903
Investments available for sale		
Mutual funds	-	437
Accounts receivable		
Accounts receivable, short and long term	342,524	395,557
Financial liabilities at amortized cost		
Financial obligations	822,035	706,547
Trade accounts payable	228,847	251,414
Other accounts payable	63,259	93,081
Other financial liabilities	74,022	96,888
Total	1,188,163	1,147,930
Financial assets and liabilities at fair value through other comprehensive income		
Hedge of cash flow	(31,330)	(4,392)

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

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

	2014		2013	
	Carrying amount US$(000)	Fair Value US$(000)	Carrying amount US$(000)	Fair Value US$(000)
Financial assets				
Cash and cash equivalents	111,957	111,957	207,208	207,208
Trade accounts receivable	101,051	101,051	157,508	157,508
Other accounts receivable	241,473	241,473	238,049	238,049
Other financial assets	32,620	32,620	100,960	100,960
	487,101	487,101	703,725	703,725
Financial liabilities				
Trade accounts payable	228,847	228,847	251,414	251,414
Other accounts payable	63,259	63,259	93,081	93,081
Financial obligations	822,035	822,035	706,547	706,547
Other financial liabilities	108,250	108,250	108,108	108,108
	1,222,391	1,222,391	1,159,150	1,159,150

When a financial instrument is traded in a liquid and active market, its market set price in an actual transaction give the best evidence of its fair value. When there is no market set price or it cannot be an indicative of the instrument fair value, to assess such fair value, the market value of another substantially similar instrument can be used, the analysis of discounted flows, or other applicable techniques; which are significantly affected by the assumptions used. Notwithstanding the Company Management has used its better judgment in estimating the fair value of its financial instruments, any technique to make such estimate involves certain level of inherent fragility. As a result of this, the fair value cannot be an indicative of the net realization value or settlement value of financial instruments.

The following methods and assumptions were used to estimate fair values:

Financial instruments which fair value is similar to the carrying amount –

For financial assets and liabilities that are liquid or have short-term maturity (less than three months), such as cash and cash equivalents, accounts receivable, accounts payable and other current liabilities, it is considered that the carrying amount is similar to the fair value.

The Company Management makes transactions with derivative financial instruments with financial entities with investment grade credit rating. Derivative financial instruments are valued according to the market valuation techniques, the main contracted products being metal quote hedging derivative instruments.

The most frequent valuation technique applied includes flow projections using models and present value computation. Models incorporate various variables as the credit risk rating of the counterpart entity, and ore price future quotes.

Financial instruments at fix and variable rates –

The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is assessed comparing market interest rates at their initial recognition with current market rates related to similar financial instruments. The estimated fair value of deposits accruing interests is assessed through discounted cash flows using market interest rates in the prevailing currency with similar maturity and credit risks.

31. TRANSACTIONS THAT HAVE NOT GENERATED FUNDS TURNOVER

During years 2014 and 2013, charges (credits) have been recorded in the following accounts and for the following descriptions, which do not generate cash flow:

	INVESTMENTS		FIXED ASSETS		CLOSURE OF MINING UNITS		FINANCIAL OBLIGATIONS		OTHER ACCOUNTS PAYABLE		PROVISION FOR THE CLOSURE OF MINING UNITS		CAPITAL RESERVE		RETAINED EARNINGS	
	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)	2014 US$(000)	2013 US$(000)
Subsidiaries Empresa Minera Paragsha S.A.C. and Empresa Administradora Chungar S.A.C. earned dividends in cash from the Company and they were credited to the Capital Reserve. Equity increase in the subsidiary caused an increase in the Company investments.	3,861	238	-	-	-	-	-	-	-	-	-	-	(3,861)	(238)	-	-
The Company and subsidiaries Empresa Administradora Chungar S.A.C. and Empresa Explotadora de Vinchos Ltda. S.A.C. and Empresa Administradora Cerro S.A.C. have recorded a provision for mine closure.	-	-	-	-	30,828	42,141	-	-	-	-	(30,828)	(42,141)	-	-	-	-
Buildings and machinery were acquired under financial leasing for US$ 24,889 thousand (US$ 15,249 thousand in 2013), US$ 35,879 thousand of which is pending payment as of December 31, 2014 (US$ 26,547 thousand in 2013) accounted under financial obligations.	-	-	35,879	26,547	-	-	(35,879)	(26,547)	-	-	-	-	-	-	-	-
In 2014 and 2013 General Shareholders' Meetings resolved advances of dividends for US$ 7,116 thousand and US$ 13,826 thousand, which was settled on January 20, 2015 and January 7, 2014, respectively.	-	-	-	-	-	-	-	-	(7,116)	(13,826)	-	-	-	-	7,116	13,826
	3,861	238	35,879	26,547	30,828	42,141	(35,879)	(26,547)	(7,116)	(13,826)	(30,828)	(42,141)	(3,861)	(238)	7,116	13,826

32. REMUNERATIONS OF KEY PERSONNEL

Remuneration of the Group key personnel (Managers) and Directors considers all of the payments they receive. The total for all that amounts to approximately US$ 16 million and US$ 21.5 million for years 2014 and 2013, respectively, corresponding to salaries and other short-term benefits. During year 2013 no payments to key personnel have been made for post-employment benefits, other long-term benefits, benefits for termination, or share-based payments.

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

The amendments to current and new IFRS, issued by IASB and approved by the Peruvian Standards Board as of December 31, 2014, applicable to the Company, which effectiveness will begin on a subsequent date, are shown below. Management estimates that amendments and IFRS applicable to the Company will be fairly considered in the preparation of the Company consolidated financial statements on the date on which they are actually effective.

The Company has not estimated the effect on its financial statements for the application of these standards, but estimates they would be immaterial.

- Annual Improvements to IFRS of 2010 - 2012. The eight amendments were related to seven Standards.

IFRS		**Subject to change**
IFRS 2	Share-based payments	Definition of vesting condition
IFRS 3	Business Combinations	Accounting for contingent consideration in a business combination
IFRS 8	Operating segments	Aggregation of operating segments
		Reconciliation of the total of a reportable segment’s assets to the entity’s assets.
IFRS 13	Fair value measurement	Short-term trade accounts receivable and payable
IAS 16	Property, plant and equipment	Revaluation method – proportionate restatement of accumulated depreciation
IAS 24	Related party disclosures	Key management personnel
IAS 38	Intangible assets	Revaluation method - proportionate restatement of accumulated depreciation

- Annual Improvements to IFRS of 2011 - 2013. The four amendments were related to four Standards.

IFRS		Subject to change
IFRS 1	First-time adoption of International Financial Reporting Standards	Meaning of "effective IFRS"
IFRS 3	Business Combinations	Scope exceptions for joint ventures
IFRS 13	Fair value measurement	Scope of paragraph 52 (portfolio exemption)
IAS 40	Investment properties	Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying an investment property or owner-occupied property

- Annual Improvements to IFRS of 2012 - 2014.

IFRS	
IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments: Amendments
IAS 10	Consolidated financial statements: Amendment to IFRS 10 and IAS 28
	It refers to accounting for sale or contribution of assets between investor and its associate or joint venture.
IFRS 11	Joint Arrangements: Amendments to the acquisition of interests in joint operations
IFRS 27	Separated financial statements: Amendment
	Using the equity method is allowed
IAS 41	Agriculture: Amendment - the concept of bearer plants is added

New pronouncements	
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenues

34. SUBSEQUENT EVENTS

No significant events have occurred since the date of closure of the financial statements as of December 31, 2014 until February 18, 2015.

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