

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated interim financial information (unaudited) as of
June 30, 2015 and 2014

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

As of June 30, 2015 (unaudited) and as of December 31, 2014 (audited)

Assets	Note	June 30, 2015	December 31, 2014
		US\$ (000)	US\$ (000)
Current Assets			
Cash and cash equivalents	4	189,466	174,363
Trade accounts receivable, net		85,684	83,450
Other accounts receivable		352,779	361,079
Other financial assets	6	22,548	32,528
Inventories, net	5	182,710	197,236
Total current assets		833,187	848,656
Non-Current Assets			
Other accounts receivable		34,906	40,765
Other financial assets	6	1,838	92
Investments in associates		4,333	4,333
Property, plant and equipment, net	7	1,262,293	1,245,825
Mining exploration and evaluation cost, net	8	759,684	767,623
Deferred income tax asset	10	97,858	89,761
Total non-current assets		2,160,912	2,148,399
Total assets		2,994,099	2,997,055
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		31,041	16,060
Trade accounts payable		181,443	228,847
Other accounts payable		48,613	65,044
Other financial liabilities	6	110,887	96,209
Financial obligations	9	226,419	201,765
Total current liabilities		598,403	607,925
Non-Current Liabilities			
Financial obligations	9	617,459	620,270
Other financial liabilities	6	11,980	12,041
Deferred income tax liability	10	174,903	190,992
Provision for contingencies		10,291	11,171
Provision for closing of mining units		63,653	63,610
Total non-current liabilities		878,286	898,084
Total liabilities		1,476,689	1,506,009
Net Stockholders' Equity			
Issued capital	11	1,531,743	1,531,743
Treasury stock		(240,448)	(240,342)
Other capital reserves		119,837	118,731
Capital reserve		20,297	20,329
Unrealized gains (loss)	6	(15,391)	(21,931)
Retained earnings		101,372	82,516
Total net stockholders' equity		1,517,410	1,491,046
Total liabilities and net stockholders' equity, net		2,994,099	2,997,055

The accompanying notes are an integral part of this statement.

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

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Sales, Note 12	226,181	278,935	429,700	523,377
Cost of Sales, Note 13	(179,205)	(229,830)	(344,496)	(429,405)
Gross Income	<u>46,976</u>	<u>49,105</u>	<u>85,204</u>	<u>93,972</u>
Operating income (expenses)				
Administrative expenses	(12,088)	(15,142)	(22,957)	(25,924)
Selling expenses	(10,559)	(10,719)	(18,767)	(22,504)
Other income	8,728	45,960	18,745	59,796
Other expenses	(7,223)	(33,159)	(15,804)	(45,954)
	<u>(21,142)</u>	<u>(13,060)</u>	<u>38,783</u>	<u>(34,586)</u>
Operating income	<u>25,834</u>	<u>36,045</u>	<u>46,421</u>	<u>59,386</u>
Financial income (expenses)				
Financial income	2,064	1,713	7,211	4,242
Financial expenses	(10,577)	(8,212)	(22,221)	(14,623)
Exchange difference, net	66	(2,683)	(242)	(3,631)
Total other income (expenses), net	<u>(8,447)</u>	<u>(9,182)</u>	<u>(15,252)</u>	<u>(14,012)</u>
Income before income tax	<u>17,387</u>	<u>26,863</u>	<u>31,169</u>	<u>45,374</u>
Income tax, Note 10(b)	(4,362)	(6,483)	(5,236)	(14,941)
Net income	<u>13,025</u>	<u>20,380</u>	<u>25,933</u>	<u>30,433</u>
Net earnings per share	<u>0.003</u>	<u>0.004</u>	<u>0.007</u>	<u>0.007</u>
Weighted average of outstanding shares (in thousands)	<u>3,858,650</u>	<u>4,669,586</u>	<u>3,858,650</u>	<u>4,669,586</u>

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries
Consolidated Statement of Comprehensive Income (unaudited)

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Net income	13,025	20,380	25,933	30,433
Other comprehensive income (loss):				
Net change in gains (losses) unrealized on derivative instruments	8,970	1,975	9,954	(4,334)
Income Tax	(3,119)	(592)	(3,414)	1,300
Other comprehensive income (loss) net of income tax	5,851	1,383	6,540	(3,034)
Total comprehensive income	18,876	21,763	32,473	27,399

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Statement of changes in the Net Stockholders' Equity

For the period from January 1, to June 30, 2015 and 2014 (unaudited)

	Capital Issued	Treasury stock	Other capital reserves	Capital reserve	Unrealized gains (loss)	Retained earnings	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2014	1,427,768	(233,856)	110,736	14,209	(3,074)	159,344	1,475,127
Net income	-	-	-	-	-	30,433	30,433
Net change in gains unrealized on derivative instruments	-	-	-	-	(3,034)	-	(3,034)
Comprehensive income for the period	-	-	-	-	(3,034)	30,443	27,399
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Increase (decrease) in treasury stock transactions	-	(6,416)	-	6,410	-	-	(6)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	5,306	5,306
Balances as of June 30, 2014	1,531,743	(240,272)	118,731	20,619	(6,108)	65,266	1,489,979
Balances as of January 1, 2015	1,531,743	(240,342)	118,731	20,329	(21,931)	82,516	1,491,046
Net income	-	-	-	-	-	25,933	25,933
Net change in gains unrealized on derivative instruments	-	-	-	-	6,540	-	6,540
Comprehensive income for the period	-	-	-	-	6,540	25,933	32,473
Allocation of dividends corresponding to 2014	-	-	-	-	-	(5,971)	(5,971)
Increase (decrease) in treasury stock transactions	-	(106)	-	(32)	-	-	(138)
Legal reserve allocation	-	-	1,106	-	-	(1,106)	-
Balances as of June 30, 2015	1,531,743	(240,448)	119,837	20,297	(15,391)	101,372	1,517,410

The accompanying notes are an integral part of this statement.

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

For the period from January 1, to June 30, 2015 and 2014 (Note 2-C)

	2015	2014
	<u>US\$(000)</u>	<u>US\$(000)</u>
Operating activities		
Collection of sales proceeds	515,035	522,139
Refund of the credit balance in favor of the exporter	15,298	-
Payments to suppliers and third parties	(361,949)	(538,867)
Payments to workers	(43,832)	(57,875)
Income tax payments	(8,537)	(7,497)
Royalties	(5,640)	(7,198)
Other collections (payments) from operating activities	(2,544)	142,266
Cash flows from operating activities	<u>107,831</u>	<u>52,968</u>
Investing activities		
Share sales (purchase) payments	-	5,874
Disbursements for the acquisition of mining rights or the acquisition of property, plant and equipment	(63,769)	(151,507)
Disbursements for exploration and development activities	(33,709)	(53,367)
Cash flows used in investment activities	<u>(97,478)</u>	<u>(199,000)</u>
Financing activities		
Increase in financial obligations	256,202	198,913
Purchase of treasury stock	(138)	(6)
Loan amortization or payments	(216,337)	(87,167)
Interest payment	(18,545)	(16,703)
Dividends	(16,432)	(34,559)
Cash flows from financing activities	<u>4,750</u>	<u>60,478</u>
Increase (Decrease) in cash and cash equivalents for the period	15,103	(85,554)
Cash and cash equivalents at the beginning of the period	<u>174,363</u>	<u>182,864</u>
Cash and cash equivalents at the end of the period	<u>189,466</u>	<u>97,310</u>

The accompanying notes are an integral part of this statement.

Volcan Compañía Minera S.A.A. and Subsidiaries

Notes to the consolidated interim financial statements (unaudited)

As of June 30, 2015 and 2014

1. Identification and economic activity

(a) Identification -

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

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

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

(b) Economic activity -

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

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

(c) Approval of consolidated financial statements -

The consolidated interim financial statements as of June 30, 2015 were approved by the Company’s Management on July 17, 2015. The consolidated financial statements as of December 31, 2014 were approved by the Shareholders’ Meeting on March 26, 2015.

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

	Percentage of direct or indirect interest in the capital	
	June 30, 2015	December 31, 2014
Subsidiaries:		
Empresa Administradora Chungar S.A.C	99.99	99.99
Empresa Explotadora de Vinchos Ltda. S.A.C	99.99	99.99
Empresa Minera Paragsha S.A.C.	99.99	99.99
Compañía Minera El Pilar S.A.C	100	100
Compañía Minera Alpamarca S.A.C. (*)	100	100
Shalca Compañía Minera S.A.C. (*)	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Compañía Minera Huascarán S.A.C. (*)	100	100
Empresa Administradora de Cerro S.A.C.	99.99	99.99
Minera San Sebastián AMC S.R.L.	100	100
Hidroeléctrica Huanchor S.A.C (***)	100	99.99
Compañía Hidroeléctrica Tingo S.A. (***)	99.99	99.99
Empresa de Generación Eléctrica Baños S.A.(***)	99.99	99.99

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

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

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

On June 6, 2014, the Company held the sale of Compañía Energética del Centro S.A.C. from Odebrecht Energía del Peru S.A. The financial result of this transaction was a net gain of \$ 8.2 million.

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

(e) Issuance of bonds -

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

At the Company's Board Meeting held on January 16, 2012, it was agreed to approve an issuance of bonds under Regulation 144A and Regulation S of the U.S. Securities Act of the United States of America, in the aggregate amount of US\$600,000,000 (Six Hundred

Million U. S. Dollars), subject to the terms and conditions determined by the attorneys-in-fact designated by the Parent Company for such purpose, and at market conditions.

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

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

2. Basis of presentation, accounting principles and practices

Basis of presentation -

The consolidated interim financial statements (unaudited) for the six-month periods ended June 30, 2015 and 2014 were prepared in accordance with IAS 34 “Interim Financial Reporting”.

The consolidated interim financial statements do not include all information and disclosures required from annual consolidated financial reports and should be read together with annual consolidated financial statements for year 2014.

For a correct reading of the financial statement, certain reclassification have been made in 2014.

Accounting principles and practices -

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

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

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

liabilities into foreign currency at the exchange rates prevailing as of fiscal year closing are recognized in the consolidated income statement.

(c) Cash and cash equivalents

This heading included in the Company's statement of financial position includes all cash balances, term deposits, mutual funds, financial assets and financial investment foreing which are short-term, highly liquid and readily convertible into cash and have free availability and investment abroad.

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

3. Seasonality of operations

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

4. Cash and cash equivalents

Herein below is the composition of this heading:

	<u>As of June 30 2015</u>	<u>As of december 31 2014</u>
	US\$(000)	US\$(000)
Funds available:		
Cash	15	42
Fixed fund	27	41
Bank checking accounts	62,378	82,238
Term deposits (a)	50,320	29,000
Mutual funds	13,503	-
Financial investments foreing	62,406	62,406
Funds subject to restriction	817	636
	<u>189,466</u>	<u>174,363</u>

(a) Herein below is the composition of term deposits as of June 30, 2015:

Date	Nominal currency	Original term	Annual interest rate %	As of June 30, 2015 US\$(000)
24.06.2015	U.S. Dólares	1 to 30 days	0.14%	21,320
30.06.2015	U.S. Dólares	1 to 3 months	0.36%	29,000
				<u>50,320</u>

5. Inventories

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

	As of June 30	As of december 31
	<u>2015</u>	<u>2014</u>
	US\$(000)	US\$(000)
Concentrates:	18,108	24,789
Raw material (extracted ore)	30,227	31,466
Miscellaneous supplies	54,774	53,638
Inventories in transit	887	382
Value of stockpiles (b)	83,202	91,449
Allowance for obsolescence of spare parts and supplies (c)	(4,488)	(4,488)
	<u>182,710</u>	<u>197,236</u>

The Company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of June 30, 2015 and as of December 31, 2014.

(b) In December 2014, the Company Management valued the stock piles located in Cerro de Pasco unit as US\$ 91.5 million, which has been recognized as an extraordinary income for the year.

(c) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of June 30, 2015 and as of December 31, 2014.

6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of	As of
	June 30	December 31
	<u>2015</u>	<u>2014</u>
	US\$(000)	US\$(000)
Fair value of receivable hedge instruments	16,638	22,520
Settled Hedge derivative financial instruments	1,873	2,229
Embedded derivative related to sales of concentrates	3,353	2,918
Premiums	1,622	4,953
Fair value synthetic forward	900	-
	<u>24,386</u>	<u>32,620</u>
Less: non-current portion	<u>(1,838)</u>	<u>(92)</u>
Current portion	<u>22,548</u>	<u>32,528</u>

Here in below is the composition of payables:

	As of June 30	As of December 31
	2015	2014
	US\$(000)	US\$(000)
Fair value of hedge derivative financial instruments	39,417	38,077
Settled Hedge derivative financial instruments	5,574	5,126
Embedded derivative related to sales of concentrates	5,306	1,901
Premiums	72,475	63,146
Fair value swaps	95	-
	<u>122,867</u>	<u>108,250</u>
Less: non-current portion	<u>(11,980)</u>	<u>(12,041)</u>
Current portion	<u>110,887</u>	<u>96,209</u>

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

Mineral quotations hedging transactions -

As of June 30, 2015 and 2014, the Company has executed price hedging operations contracts (swaps) and zero-cost collars to hedge future cash flows from its sales. Critical hedge transaction terms have been negotiated with agents so as to match those terms negotiated under the related commercial contracts.

The net fair value of the deferred income tax is shown under equity account "Unrealized loss" for US\$ 15,391 thousands (US\$ 21,931 thousands loss as of December 31, 2014). The net change in this account for the three-month period ended June 30, 2015 is US\$ 6,540 thousands.

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

	Hedging Financial Derivatives	Income tax	Unrealized Gains (losses)
	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2014	(4,392)	1,318	(3,074)
Total change in hedging derivative financial instruments	(26,938)	8,081	(18,857)
Balances as of December 31, 2014	(31,330)	9,399	(21,931)
Total change in hedging derivative financial instruments	9,954	(3,414)	6,540
Balances as of June 30, 2015	(21,376)	5,985	(15,391)

7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2015	Additions	Write-offs	Adjustments	Balances as of June 30, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Cost					
Land	6,337	-	-	-	6,337
Buildings and other constructions	751,954	124	-	57,792	809,870
Environmental management program infrastructure	22,846	-	-	-	22,846
Machinery and equipment	308,685	6,890	(4,241)	1,410	312,744
Transportation units	12,315	-	(138)	-	12,177
Furniture and fixtures and IT equipment	12,937	57	-	26	13,020
Miscellaneous equipment	428,379	4,685	(158)	81	432,987
Units in transit	-	3,780	(210)	(99)	3,471
Works in progress	277,131	48,233	-	(60,139)	265,224
	1,820,584	63,769	(4,748)	(929)	1,878,676
Accumulated depreciation					
Buildings and other constructions	(78,262)	(22,468)	-	-	(100,730)
Environmental management program infrastructure	(21,470)	(175)	-	-	(21,645)
Machinery and equipment	(241,280)	(9,494)	3,409	-	(247,365)
Transportation units	(10,410)	(271)	115	-	(10,566)
Furniture and fixtures and IT equipment	(6,386)	(471)	-	-	(6,857)
Miscellaneous equipment	(216,951)	(12,419)	150	-	(229,220)
	(574,759)	(45,298)	3,674	-	(616,383)
Net cost	1,245,825				1,262,293

8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	<u>Balances as of January 1, 2015</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Adjustments</u>	<u>Balances as of June 30, 2015</u>
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Mining rights and concessions	292,747	-	-	-	292,747
Exploration	308,351	6,316	-	-	314,667
Development and stripping costs	667,684	27,393	-	-	695,077
Closing of mining units	64,676	-	-	-	64,676
Other intangible assets	14,265	-	-	929	15,194
	<u>1,347,723</u>	<u>33,709</u>	-	<u>929</u>	<u>1,382,361</u>
<u>Accumulated amortization</u>					
Mining rights and concessions	(158,874)	(3,727)	-	-	(162,601)
Exploration	(70,414)	(7,338)	-	-	(77,752)
Development and stripping costs	(326,491)	(28,744)	-	-	(355,235)
Closing of mining units	(17,439)	(2,744)	-	-	(19,594)
Other intangible assets	(6,882)	(613)	-	-	(7,495)
	<u>(580,100)</u>	<u>(42,577)</u>	-	-	<u>(622,677)</u>
Net cost	<u><u>767,623</u></u>				<u><u>759,684</u></u>

9. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of December 31, 2014	Effect Exchange difference	Loans	Payment	Balances as of June 30, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing					
Banco de Crédito del Perú	1,077	-	-	189	888
Banco Internacional del Perú-Interbank	16,281	-	1,757	(5,938)	12,100
Scotiabank Perú S.A.A.	16,536	-	-	(2,599)	13,936
BBVA Banco Continental	1,985	-	3,504	(824)	5,145
Financial Institutions - loans					
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	-	(2,026)	79,509	-	77,483
BBVA Banco Continental	106,156	(4,834)	-	(101,322)	-
BBVA Banco Continental	-	(1,257)	49,952	-	48,695
BBVA Banco Continental	-	(387)	58,518	-	58,131
ITAU UNIBANCO S.A	-	-	27,500	-	27,500
ITAU UNIBANCO S.A	-	-	20,000	(20,000)	-
Bonds	600,000	-	-	-	600,000
	822,035	(8,504)	241,221	(210,874)	843,878
Financial obligations current	201,765				226,419
Financial obligations non-current	620,270				617,459

10. Deferred Income tax

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

	As of June 30 2015	As of December 31 2014
	US\$ (000)	US\$ (000)
Deferred assets with effect on gains (losses)		
Recoverable tax losses	42,382	33,487
Allowance for impairment of assets	21,791	23,202
Provision for the closing of mining units	16,944	16,379
Contingencies	2,810	2,995
Provision mining royalty	863	922
Losses unrealized on derivative financial instruments	6,156	8,483
Vacation payments outstanding	1,652	1,764
Estimate for impairment of supplies	1,122	1,195
Embedded derivative	2,396	-
Sales adjustment	-	1,336
Other minor	1,742	-
Deferred assets	97,858	89,761
Deferred liabilities with effect on gains (losses)		
Amortization of mining rights and concessions, exploration, development and stripping costs	(147,495)	(157,515)
Value of stock piles	(23,224)	(24,700)
Sales adjustment	(340)	-
Estimate for values of share	(1,846)	(2,486)
Heading unpaid	(866)	(921)
Bond issuance expenses	(747)	(795)
Embedded derivative	-	(273)
Gains in fair value of derivative financial instruments and premiums	-	(4,258)
Other minors expensives	(385)	(43)
Deferred liabilities	(174,903)	(190,992)

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

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2015	2014	2015	2014
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Income Tax				
Current	11,537	5,733	18,501	11,824
Deferred	(10,689)	(2,800)	(19,111)	(4,327)
	<u>848</u>	<u>2,933</u>	<u>(610)</u>	<u>7,497</u>
Tax on mining royalties	3,330	3,401	5,531	7,198
Contribution to the retirement fund	184	149	315	246
	<u>4,362</u>	<u>6,483</u>	<u>5,236</u>	<u>14,941</u>
Total income tax expense	4,362	6,483	5,236	14,941

11. 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, 182,208,127 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 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 and 306,283 class "A" shares by subsidiary Hidroeléctrica Huanchor S.A.C. All common shares are fully subscribed and paid and have a face value of S/. 1.00 (Nuevos Soles) per share.

Both class "A" and class "B" common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of June 30, 2015, their quotation was S/. 1.88 and S/. 0.70 per share, respectively (S/. 1.80 and S/.1.10 per share, respectively, as of June 30, 2014). As of June 30, 2015, the trading frequency for class "A" shares was 45 percent, and for class "B" shares 100 percent (for class "A" shares was 5 percent, and for class "B" shares 100 percent as of June 30, 2014).

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

The Mandatory Annual Shareholders' Meeting held on March 26, 2015 resolved to distribute dividends in cash to its shareholders corresponding to 2014 profit for S/. 31,490,475 (equivalent to US\$10,168,058). Such dividends will be paid on May 5, 2015.

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

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

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

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

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

12. Net Sales

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

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Net concentrate sales				
Zinc	130,384	136,040	242,169	272,412
Lead	56,848	88,234	112,613	157,428
Copper	6,430	19,268	13,825	34,007
Silver Concentrate	25,808	26,885	53,111	50,043
Silver Bars	16,578	4,351	27,080	4,351
Fluxes	-	(2)	-	7
Final settlement adjustments	(1,334)	(7,023)	(16,698)	(19,878)
	<u>234,714</u>	<u>267,753</u>	<u>432,100</u>	<u>498,370</u>
Gain (loss) realized on financial instruments	(1,332)	4,950	(3,471)	12,773
Sales adjustment for the current period (b)	(1,127)	(4,161)	8,898	5,238
Embedded derivatives for the current period (c)	(6,074)	10,393	(7,827)	6,996
	<u>226,181</u>	<u>278,935</u>	<u>429,700</u>	<u>523,377</u>

(b) Sales adjustment

Sales of concentrates by the Company and its Subsidiaries are based on commercial contracts whereby a provisional value is assigned to sales, to be adjusted in accordance with a forward and final quotation. The sales adjustment is regarded as an embedded derivative which must be separated from the contract. Commercial contracts are related to market prices (London Metal Exchange). The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of June 30, 2015 and 2014, the Company holds embedded derivatives based on forward prices with respect to the anticipated liquidation date, since, under commercial contracts, final prices are to be established over the next months. The adjustment of the provisional sales value is recorded as an adjustment of net current sales.

Sales of concentrates include adjustments to the provisional sales value resulting from changes in the embedded derivatives fair value. Such adjustments resulted in gain for US\$ 8,898 thousands and US\$ 5,238 thousands in the six-month periods ended June 30, 2015 and 2014; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of June 30, 2015 the fair value of embedded derivatives yielded loss for US\$ 7,827 thousands (profit for US\$ 6,996 thousands as of June 30, 2014). It is shown in net sales in consolidated income statement. The future prices of our open positions as of June 30, 2015 and 2014 have been taken from the published prices by the London Metal Exchange (LME).

13. Cost of Sales

The composition of this below:

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Concentrates beginning inventory	23,029	33,353	24,789	30,299
Raw materials (extracted ore) beginning inventory	29,859	31,396	31,466	32,022
Production cost:				
Labor	16,164	18,352	31,920	35,073
Rental, power and other expenses	57,628	64,468	117,180	118,143
Supplies used	28,662	30,297	53,739	57,504
Purchase of mineral	-	2,282	-	5,190
Depreciation and amortization	42,976	36,448	84,237	67,512
Exceptionals	160	667	1,862	1,027
Purchase of concentrate	24,930	65,274	41,986	133,763
Employees' profit sharing	2,146	2,148	3,666	3,727
Amortization Stock Piles	1,986	-	1,986	-
Less - concentrates ending inventory, Less - raw materials (extracted ore) ending inventory)	(18,108) (30,227)	(22,862) (31,993)	(18,108) (30,227)	(22,862) (31,993)
	<u>179,205</u>	<u>229,830</u>	<u>344,496</u>	<u>429,405</u>

14. Information by business segment

For management purposes, the Company and its subsidiaries present segment information based on business units which are: Mining and Energy.

For the cumulative period from January 1 to June 30, 2015:

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	429,700	5,729	(5,729)	429,700
Cost of Sales	(344,496)	(3,147)	3,147	(344,496)
Gross Income	85,204	2,582	(2,582)	85,204
OPERATING INCOME (EXPENSES)				
Administrative expenses	(22,664)	(433)	140	(22,957)
Selling expenses	(18,767)	-	-	(18,767)
Other income	13,597	43	5,106	18,745
Other expenses	(12,963)	(17)	(2,824)	(15,804)
	(40,797)	(407)	2,422	(38,783)
Operating income	44,407	2,175	(160)	46,421
Financial income (expenses)				
Financial income	15,542	183	(8,515)	7,211
Financial expenses	(30,283)	(449)	8,511	(22,221)
Exchange difference, net	(624)	382	-	(242)
Total other income (expenses), net	(15,365)	116	(4)	(15,252)
Income before income tax	29,042	2,291	(164)	31,169
Income tax	(4,374)	(862)	-	(5,236)
Net income	24,668	1,429	(164)	25,933

Information to June 30, 2015:

Assets

Current Assets

Cash and cash equivalents	172,952	16,514	-	189,466
Trade accounts receivable, net	83,023	2,661	-	85,684
Accounts receivable to subsidiaries	16,177	26,126	(42,303)	-
Other accounts receivable	349,269	3,510	-	352,779
Other financial assets	22,548	-	-	22,548
Inventories, net	182,278	432	-	182,710
Total current assets	826,247	49,243	(42,303)	833,187

Non-Current Assets

Other accounts receivable	34,906	-	-	34,906
Other financial assets	1,838	-	-	1,838
Investments in associates	65,981	-	(61,648)	4,333
Property, plant and equipment, net	1,213,998	48,295	-	1,262,293
Mining exploration and evaluation cost, net	749,574	80	10,030	759,684
Deferred income tax asset	96,925	933	-	97,858
Total non-current assets	2,066,297	49,308	(51,618)	2,160,912

Total assets

2,892,544	98,551	(93,921)	2,994,099
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Liabilities

Current Liabilities

Overdrafts	31,041	-	-	31,041
Trade accounts payable	180,912	531	-	181,443
Accounts payable to subsidiaries	26,106	16,142	(42,248)	-
Other accounts payable	46,891	1,776	(55)	48,613
Other financial liabilities	110,887	-	-	110,887
Financial obligations	198,919	27,500	-	226,419
Total current liabilities	594,756	45,949	(42,303)	598,403

Non-Current Liabilities

Financial obligations	617,459	-	-	617,459
Other financial liabilities	11,980	-	-	11,980
Deferred income tax liability	174,672	231	-	174,903
Provision for contingencies	10,291	-	-	10,291
Provision for closing of mining units	63,653	-	-	63,653
Total non-current liabilities	878,055	231	-	878,286

Total liabilities

1,472,811	46,180	(42,303)	1,476,689
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For the cumulative period from January 1 to June 30, 2014:

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	523,377	4,656	(4,656)	523,377
Cost of Sales	(429,362)	(2,307)	2,264	(429,405)
Gross Income	94,015	2,349	(2,392)	93,972
OPERATING INCOME (EXPENSES)				
Administrative expenses	(25,716)	(443)	235	(25,924)
Selling expenses	(22,504)	-	-	(22,504)
Other income	55,535	-	4,261	59,796
Other expenses	(43,853)	(4)	(2,097)	(45,954)
	(36,538)	(447)	2,399	(34,586)
Operating income	57,477	1,902	7	59,386
Financial income (expenses)				
Financial income	4,429	-	(187)	4,242
Financial expenses	(14,622)	(188)	187	(14,623)
Exchange difference, net	(3,625)	(6)	-	(3,631)
Total other income (expenses), net	(13,818)	(194)	-	(14,012)
Income before income tax	43,659	1,708	7	45,374
Income tax	(14,385)	(556)	-	(14,941)
Net income	29,274	1,152	7	30,433

Information to December 31, 2014:

Assets

Current Assets

Cash and cash equivalents	170,533	3,830	-	174,363
Trade accounts receivable, net	80,226	3,224	-	83,450
Accounts receivable to subsidiaries	17,849	10,524	(28,373)	-
Other accounts receivable	357,288	3,791	-	361,079
Other financial assets	32,528	-	-	32,528
Inventories, net	196,847	389	-	197,236
Total current assets	855,271	21,758	(28,373)	848,656

Non-Current Assets

Other accounts receivable	40,765	-	-	40,765
Other financial assets	92	-	-	92
Investments in associates	65,988	-	(61,655)	4,333
Property, plant and equipment, net	1,196,549	49,276	-	1,245,825
Mining exploration and evaluation cost, net	757,497	92	10,034	767,623
Deferred income tax asset	88,732	1,029	-	89,761
Total non-current assets	2,060,891	50,397	(51,621)	2,148,399

Total assets

2,916,162	72,155	(79,994)	2,997,055
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Liabilities

Current Liabilities

Overdrafts	16,060	-	-	16,060
Trade accounts payable	227,278	1,569	-	228,847
Accounts payable to subsidiaries	10,518	17,779	(28,297)	-
Other accounts payable	63,534	1,586	(76)	65,044
Other financial liabilities	96,209	-	-	96,209
Financial obligations	201,765	-	-	201,765
Total current liabilities	615,364	20,934	(28,373)	607,925

Non-Current Liabilities

Financial obligations	620,270	-	-	620,270
Other financial liabilities	12,041	-	-	12,041
Deferred income tax liability	190,720	272	-	190,992
Provision for contingencies	11,171	-	-	11,171
Provision for closing of mining units	63,610	-	-	63,610
Total non-current liabilities	897,812	272	-	898,084

Total liabilities

1,513,176	21,206	(28,373)	1,506,009
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