

**Volcan Compañía Minera S.A.A. and Subsidiaries**

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

# Volcan Compañía Minera S.A.A. and Subsidiaries

## Consolidated Statement of Financial Position

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

Assets	Note	September 30,	December 31,
		2015	2014
		US\$ (000)	US\$ (000)
<b>Current Assets</b>			
Cash and cash equivalents	4	187,666	174,363
Trade accounts receivable, net		49,877	83,450
Other accounts receivable		358,223	361,079
Other financial assets	6	26,411	32,528
Inventories, net	5	183,015	197,236
<b>Total current assets</b>		<b>805,192</b>	<b>848,656</b>
<b>Non-Current Assets</b>			
Other accounts receivable		34,739	40,765
Other financial assets	6	21,539	92
Investments in associates		3,018	4,333
Property, plant and equipment, net	7	1,266,202	1,245,825
Mining exploration and evaluation cost, net	8	761,135	767,623
Deferred income tax asset	10	105,703	89,761
<b>Total non-current assets</b>		<b>2,192,336</b>	<b>2,148,399</b>
<b>Total assets</b>		<b>2,997,528</b>	<b>2,997,055</b>
<b>Liabilities and Net Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Overdrafts		164	16,060
Trade accounts payable		168,194	228,847
Other accounts payable		44,424	65,044
Other financial liabilities	6	168,848	96,209
Financial obligations	9	198,983	201,765
<b>Total current liabilities</b>		<b>580,613</b>	<b>607,925</b>
<b>Non-Current Liabilities</b>			
Financial obligations	9	640,346	620,270
Other financial liabilities	6	24,525	12,041
Deferred income tax liability	10	170,413	190,992
Provision for contingencies		10,004	11,171
Provision for closing of mining units		63,620	63,610
<b>Total non-current liabilities</b>		<b>908,908</b>	<b>898,084</b>
<b>Total liabilities</b>		<b>1,489,521</b>	<b>1,506,009</b>
<b>Net Stockholders' Equity</b>			
Issued capital	11	1,531,743	1,531,743
Treasury stock		(240,448)	(240,342)
Other capital reserves		119,837	118,731
Capital reserve		20,298	20,329
Unrealized gains (loss)	6	(14,052)	(21,931)
Retained earnings		90,629	82,516
<b>Total net stockholders' equity</b>		<b>1,508,007</b>	<b>1,491,046</b>
<b>Total liabilities and net stockholders' equity, net</b>		<b>2,997,528</b>	<b>2,997,055</b>

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 July 1 to September 30		For the cumulative period from January 1 to September 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Sales, Note 12	183,109	271,447	612,809	794,824
Cost of Sales, Note 13	(176,369)	(218,135)	(520,865)	(647,540)
<b>Gross Income</b>	<b>6,740</b>	<b>53,312</b>	<b>91,944</b>	<b>147,284</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(10,215)	(13,619)	(33,172)	(39,543)
Selling expenses	(10,309)	(12,659)	(29,076)	(35,163)
Other income	12,099	14,804	30,844	74,600
Other expenses	(8,251)	(14,478)	(24,055)	(60,432)
	(16,676)	(25,952)	(55,459)	(60,538)
<b>Operating income</b>	<b>(9,936)</b>	<b>27,360</b>	<b>36,485</b>	<b>86,746</b>
<b>Financial income (expenses)</b>				
Financial income	2,010	1,434	5,542	5,676
Financial expenses	(10,880)	(8,092)	(29,422)	(22,715)
Exchange difference, net	(939)	3,295	(1,181)	(336)
<b>Total other income (expenses), net</b>	<b>(9,809)</b>	<b>(3,363)</b>	<b>(25,061)</b>	<b>(17,375)</b>
<b>Income before income tax</b>	<b>(19,745)</b>	<b>23,997</b>	<b>11,424</b>	<b>69,371</b>
Income tax, Note 10(b)	8,893	(7,952)	3,657	(22,893)
<b>Net income</b>	<b>(10,852)</b>	<b>16,045</b>	<b>15,081</b>	<b>46,478</b>
<b>Net earnings per share</b>	<b>(0.003)</b>	<b>0.004</b>	<b>0.004</b>	<b>0.012</b>
<b>Weighted average of outstanding shares (in thousands)</b>	<b>3,858,828</b>	<b>3,867,914</b>	<b>3,858,828</b>	<b>3,867,914</b>

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 July 1 to September 30		For the cumulative period from January 1 to September 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
<b>Net income</b>	(10,852)	16,045	15,081	46,478
<b>Other comprehensive income (loss):</b>				
Net change in gains (losses) unrealized on derivative instruments	1,859	(2,031)	11,813	(6,365)
Income Tax	(520)	609	(3,934)	1,909
<b>Other comprehensive income (loss) net of income tax</b>	1,339	(1,422)	7,879	(4,456)
<b>Total comprehensive income</b>	(9,513)	14,623	22,960	42,022

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Statement of changes in the Net Stockholders' Equity

For the period from January 1, to September 30, 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)
<b>Balances as of January 1, 2014</b>	<b>1,427,768</b>	<b>(233,856)</b>	<b>110,736</b>	<b>14,209</b>	<b>(3,074)</b>	<b>159,344</b>	<b>1,475,127</b>
Net income	-	-	-	-	-	46,478	46,478
Net change in gains unrealized on derivative instruments	-	-	-	-	(4,456)	-	(4,456)
Comprehensive income for the period	-	-	-	-	(4,456)	46,478	42,022
Capitalization of earnings	103,975	-	-	-	-	(103,975)	-
Allocation of dividends corresponding to 2013	-	-	-	-	-	(17,847)	(17,847)
Increase (decrease) in treasury stock transactions	-	(6,452)	-	6,386	-	-	(66)
Legal reserve allocation	-	-	7,995	-	-	(7,995)	-
Conversion effect	-	-	-	-	-	6,290	6,290
<b>Balances as of september 30, 2014</b>	<b>1,531,743</b>	<b>(240,308)</b>	<b>118,731</b>	<b>20,595</b>	<b>(7,530)</b>	<b>82,295</b>	<b>1,505,526</b>
<b>Balances as of January 1, 2015</b>	<b>1,531,743</b>	<b>(240,342)</b>	<b>118,731</b>	<b>20,329</b>	<b>(21,931)</b>	<b>82,516</b>	<b>1,491,046</b>
Net income	-	-	-	-	-	15,081	15,081
Net change in gains unrealized on derivative instruments	-	-	-	-	7,879	-	7,879
Comprehensive income for the period	-	-	-	-	7,879	15,081	22,960
Allocation of dividends corresponding to 2014	-	-	-	-	-	(5,862)	(5,862)
Increase (decrease) in treasury stock transactions	-	(106)	-	(31)	-	-	(137)
Legal reserve allocation	-	-	1,106	-	-	(1,106)	-
<b>Balances as of September 30, 2015</b>	<b>1,531,743</b>	<b>(240,448)</b>	<b>119,837</b>	<b>20,298</b>	<b>(14,052)</b>	<b>90,629</b>	<b>1,508,007</b>

The accompanying notes are an integral part of this statement.

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

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

	2015	2014
	<u>US\$(000)</u>	<u>US\$(000)</u>
<b>Operating activities</b>		
Collection of sales proceeds	746,312	817,621
Refund of the credit balance in favor of the exporter	20,783	59,070
Payments to suppliers and third parties	(493,833)	(599,238)
Payments to workers	(60,250)	(84,011)
Income tax payments	(11,324)	(39,651)
Royalties	(8,963)	(10,909)
Other collections (payments) from operating activities	2,829	17,128
	<u>195,554</u>	<u>160,010</u>
<b>Cash flows from operating activities</b>		
<b>Investing activities</b>		
Share sales (purchase) payments	7,938	5,874
Disbursements for the acquisition of mining rights or the acquisition of property, plant and equipment	(96,972)	(225,597)
Disbursements for exploration and development activities	(51,201)	(73,384)
	<u>(140,235)</u>	<u>(293,107)</u>
<b>Cash flows used in investment activities</b>		
<b>Financing activities</b>		
Increase in financial obligations	243,193	199,785
Purchase of treasury stock	(137)	(66)
Loan amortization or payments	(232,604)	(91,477)
Interest payment	(35,784)	(32,250)
Dividends	(16,684)	(34,559)
	<u>(42,016)</u>	<u>41,433</u>
<b>Cash flows from financing activities</b>		
Increase (Decrease) in cash and cash equivalents for the period	13,303	(91,664)
Cash and cash equivalents at the beginning of the period	<u>174,363</u>	<u>207,208</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>187,666</u>	<u>115,544</u>

The accompanying notes are an integral part of this statement.

## Volcan Compañía Minera S.A.A. and Subsidiaries

### Notes to the consolidated interim financial statements (unaudited)

As of September 30, 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 September 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	
	September 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
Compañía Minera Alpamarca S.A.C. (*)	100	100
Shalca Compañía Minera S.A.C. (*)	-	100
Minera Aurífera Toruna S.A.C. (*)	80	80
Compañía Minera Huascarán S.A.C. (*)	-	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	100
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.

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.

On September 1, 2015, the merger of Compañía Minera El Pilar S.A.C, Shalca Compañía Minera S.A.C., Compañía Minera Huascarán S.A.C. Cía Minera Santa Clara y Llacsacocha Sociedad Anónima, Recursos Troy S.A.C and Empresa Administradora Chungar S.A.C.(survivor company) took place.

(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, the new Alpamarca-Pallanga River unit, and the acquisition of Hidroeléctrica Huancho S.A.C.

## **2. Basis of presentation, accounting principles and practices**

Basis of presentation -

The consolidated interim financial statements (unaudited) for the nine-month periods ended September 30, 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 foreign 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 September 30, 2015</u>	<u>As of december 31, 2014</u>
	US\$(000)	US\$(000)
Funds available:		
Cash	22	42
Fixed fund	31	41
Bank checking accounts	79,605	82,238
Term deposits (a)	29,000	29,000
Mutual funds	15,892	-
Financial investments foreing	62,406	62,406
Funds subject to restriction	710	636
	<u>187,666</u>	<u>174,363</u>

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

Date	Nominal currency	Original term	Annual interest rate	As of September 30, 2015
			%	US\$(000)
30.09.2015	U.S. Dólares	1 to 3 months	0.36%	29,000
				29,000

## 5. Inventories

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

	As of September 30, 2015	As of december 31, 2014
	US\$(000)	US\$(000)
Concentrates:	23,435	24,789
Raw material (extracted ore)	30,736	31,466
Miscellaneous supplies	55,418	53,638
Inventories in transit	864	382
Value of stockpiles (b)	77,050	91,449
Allowance for obsolescence of spare parts and supplies (c)	(4,488)	(4,488)
	183,015	197,236

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

## 6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of September 30 2015	As of December 31 2014
	US\$(000)	US\$(000)
Fair value of receivable hedge instruments	31,458	22,520
Settled Hedge derivative financial instruments	2,077	2,229
Embedded derivative related to sales of concentrates	8,752	2,918
Premiums	5,663	4,953
	<u>47,950</u>	<u>32,620</u>
Less: non-current portion	<u>(21,539)</u>	<u>(92)</u>
Current portion	<u>26,411</u>	<u>32,528</u>

Here in below is the composition of payables:

	As of Septiembre 30 2015	As of December 31 2014
	US\$(000)	US\$(000)
Fair value of hedge derivative financial instruments	57,286	38,077
Settled Hedge derivative financial instruments	8,086	5,126
Embedded derivative related to sales of concentrates	284	1,901
Premiums	125,901	63,146
Fair value swaps	918	-
Fair value forward	898	-
	<u>193,373</u>	<u>108,250</u>
Less: non-current portion	<u>(24,525)</u>	<u>(12,041)</u>
Current portion	<u>168,848</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 September 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\$ 14,052 thousands (US\$ 21,931 thousands loss as of December 31, 2014). The net change in this account for the three-month period ended September 30, 2015 is US\$ 7,879 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)
<b>Balances as of January 1, 2014</b>	<b>(4,392)</b>	<b>1,318</b>	<b>(3,074)</b>
Total change in hedging derivative financial instruments	(26,938)	8,081	(18,857)
<b>Balances as of December 31, 2014</b>	<b>(31,330)</b>	<b>9,399</b>	<b>(21,931)</b>
Total change in hedging derivative financial instruments	11,813	(3,934)	7,879
<b>Balances as of September 30, 2015</b>	<b>(19,517)</b>	<b>5,465</b>	<b>(14,052)</b>

## 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 September 30, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>					
Land	6,337	-	-	-	6,337
Buildings and other constructions	751,954	21,103	-	95,604	868,661
Environmental management program infrastructure	22,846	-	-	-	22,846
Machinery and equipment	308,685	8,595	(10,968)	1,669	307,981
Transportation units	12,315	-	(138)	-	12,177
Furniture and fixtures and IT equipment	12,937	97	-	28	13,062
Miscellaneous equipment	428,379	13,172	(418)	208	441,341
Units in transit	-	7,309	(210)	(99)	7,000
Works in progress	277,131	46,696	(70)	(98,339)	225,418
	<b>1,820,584</b>	<b>96,972</b>	<b>(11,804)</b>	<b>(929)</b>	<b>1,904,823</b>
<b>Accumulated depreciation</b>					
Buildings and other constructions	(78,262)	(38,195)	-	-	(116,457)
Environmental management program infrastructure	(21,470)	(257)	-	-	(21,727)
Machinery and equipment	(241,280)	(14,287)	8,847	(1)	(246,721)
Transportation units	(10,410)	(397)	115	-	(10,692)
Furniture and fixtures and IT equipment	(6,386)	(701)	-	-	(7,087)
Miscellaneous equipment	(216,951)	(19,265)	278	1	(235,937)
	<b>(574,759)</b>	<b>(73,102)</b>	<b>9,240</b>	<b>-</b>	<b>(638,621)</b>
<b>Net cost</b>	<b>1,245,825</b>				<b>1,266,202</b>

## 8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1, 2015	Additions	Write-offs	Adjustments	Balances as of September 30, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Mining rights and concessions	292,747	-	-	3,521	296,268
Exploration	308,351	9,161	-	-	317,512
Development and stripping costs	667,684	41,962	-	-	709,646
Closing of mining units	64,676	-	-	-	64,676
Other intangible assets	14,265	78	-	929	15,272
	<u>1,347,723</u>	<u>51,201</u>	-	<u>4,450</u>	<u>1,403,374</u>
<b><u>Accumulated amortization</u></b>					
Mining rights and concessions	(158,874)	(5,182)	-	-	(164,056)
Exploration	(70,414)	(10,439)	-	-	(80,853)
Development and stripping costs	(326,491)	(42,373)	-	-	(368,864)
Closing of mining units	(17,439)	(3,233)	-	-	(20,672)
Other intangible assets	(6,882)	(912)	-	-	(7,794)
	<u>(580,100)</u>	<u>(62,139)</u>	-	-	<u>(642,239)</u>
<b>Net cost</b>	<u><u>767,623</u></u>				<u><u>761,135</u></u>

## 9. Financial obligations:

The activity and composition of this heading are presented below:

	Balances as of January 1, 2015	Effect Exchange difference	Loans	Payment	Balances as of September 30, 2015
	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Financial Institutions - leasing</b>					
Banco de Crédito del Perú	1,077	-	-	(273)	804
Banco Internacional del Perú-Interbank	16,281	-	3,200	(8,068)	11,413
Scotiabank Perú S.A.A.	16,536	-	-	(3,804)	12,732
BBVA Banco Continental	1,985	-	4,514	(1,412)	5,087
<b>Financial Institutions - loans</b>					
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	40,000	-	-	(40,000)	-
Scotiabank Perú S.A.A.	-	(3,084)	79,509	-	76,425
BBVA Banco Continental	106,156	(8,133)	-	(98,023)	-
BBVA Banco Continental	-	(1,922)	49,952	-	48,030
BBVA Banco Continental	-	(1,180)	58,518	-	57,338
ITAU UNIBANCO S.A	-	-	27,500	-	27,500
ITAU UNIBANCO S.A	-	-	20,000	(20,000)	-
<b>Bonds</b>	600,000	-	-	-	600,000
	<b>822,035</b>	<b>(14,319)</b>	<b>243,193</b>	<b>(211,580)</b>	<b>839,329</b>
Financial obligations current	(201,765)				(198,983)
Financial obligations non-current	<b>620,270</b>				<b>640,346</b>



## 10. Deferred Income tax

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

	As of September 30 2015	As of December 31 2014
	US\$ (000)	US\$ (000)
<b>Deferred assets with effect on gains (losses)</b>		
Recoverable tax losses	46,880	33,485
Allowance for impairment of assets	21,480	23,202
Provision for the closing of mining units	17,315	16,379
Losses unrealized on derivative financial instruments	5,465	8,483
Embedded derivative	4,716	-
Sales adjustment	3,370	1,336
Contingencies	2,770	2,995
Vacation payments outstanding	1,630	1,764
Estimate for impairment of supplies	1,106	1,195
Provision mining royalty	719	922
Value forward	252	-
	<b>105,703</b>	<b>89,761</b>
<b>Deferred assets</b>		
<b>Deferred liabilities with effect on gains (losses)</b>		
Amortization of mining rights and concessions, exploration, development and stripping costs	(141,794)	(157,515)
Value of stock piles	(22,907)	(24,700)
Estimate for values of share	(1,824)	(2,486)
Embedded derivative	(1,261)	(273)
Heading unpaid	(854)	(921)
Bond issuance expenses	(737)	(795)
Value swap	(149)	-
Gains in fair value of derivative financial instruments and premiums	-	(4,258)
Other minors expensives	(887)	(44)
	<b>(170,413)</b>	<b>(190,992)</b>
<b>Deferred liabilities</b>		

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

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Income Tax				
Current	(376)	(7,725)	(18,877)	(19,550)
Deferred	12,602	5,513	31,713	9,841
	<b>12,226</b>	<b>(2,212)</b>	<b>12,836</b>	<b>(9,709)</b>
Tax on mining royalties	(3,331)	(5,618)	(8,862)	(12,816)
Contribution to the retirement fund	(2)	(122)	(317)	(368)
	<b>8,893</b>	<b>(7,952)</b>	<b>3,657</b>	<b>(22,893)</b>
<b>Total income tax expense</b>				

## 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, 182,215,041 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 Alparmarca S.A.C .

Both class "A" and class "B" common shares listed in the Lima Stock Exchange were frequently traded by the stock market. As of September 30, 2015, their quotation was S/. 1.25 and S/. 0.378 per share, respectively (S/. 1.68 and S/.0.99 per share, respectively, as of September 30, 2014). As of September 30, 2015, the trading frequency for class "A" shares was 5 percent, and for class "B" shares 95 percent (for class "A" shares was 30 percent, and for class "B" shares 100 percent as of September 30, 2014).

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.

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

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

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

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

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

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

## 12. Net Sales

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

	For the period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2015 US\$(000)	2014 US\$(000)	2015 US\$(000)	2014 US\$(000)
Net concentrate sales				
Zinc	94,948	155,874	337,117	428,286
Lead	56,659	80,877	169,272	238,306
Copper	5,591	12,782	19,416	46,789
Silver Concentrate	19,918	31,868	73,029	81,910
Silver Bars	17,233	2,804	44,313	7,154
Fluxes	-	-	-	7
Final settlement adjustments	(7,680)	(301)	(24,378)	(20,177)
	<u>186,669</u>	<u>283,904</u>	<u>618,769</u>	<u>782,275</u>
Gain (loss) realized on financial instruments	896	(7,238)	(2,575)	5,535
Sales adjustment for the current period (b)	(14,877)	(9,764)	(5,979)	(2,768)
Embedded derivatives for the current period (c)	10,421	4,545	2,594	9,782
	<u>183,109</u>	<u>271,447</u>	<u>612,809</u>	<u>794,824</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. Sales agreements are related to future market prices (London Metal Exchange). The embedded derivative does not qualify as a hedging instrument; accordingly, any changes in its fair value are charged to profit and loss. As of September 30, 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\$ 5,979 thousands and US\$ 2,768 thousands in the nine-month periods ended September 30, 2015 and 2014; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of September 30, 2015 the fair value of embedded derivatives yielded loss for US\$ 2,594 thousands (profit for US\$ 9,782 thousands as of September 30, 2014). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of September 30, 2015 and 2014 have been taken from entities that work with the London Metal Exchange (LME) publications.

13. Cost of Sales

The composition of this below:

	For the period from July 1 to September 30		For the cumulative period from January to September 30	
	2015	2014	2015	2014
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Concentrates beginning inventory	18,108	22,862	24,789	30,299
Raw materials (extracted ore) beginning inventory	30,227	31,993	31,466	32,022
<b>Production cost:</b>				
Labor	16,641	20,257	52,227	59,057
Rental, power and other expenses	62,125	68,715	179,305	186,859
Supplies used	31,370	28,541	85,109	86,045
Purchase of mineral	-	136	-	5,326
Depreciation and amortization	45,668	38,285	129,905	105,797
Exceptionals	665	674	2,527	1,701
Purchase of concéntrate	19,584	61,760	61,570	195,522
Amortization Stock Piles	6,152	-	8,138	-
<b>Less - concentrates ending inventory,</b>	<b>(23,435)</b>	<b>(22,986)</b>	<b>(23,435)</b>	<b>(22,986)</b>
<b>Less - raw materials (extracted ore) ending</b>	<b>(30,736)</b>	<b>(32,102)</b>	<b>(30,736)</b>	<b>(32,102)</b>
	176,369	218,135	520,865	647,540

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 September 30, 2015:

	Mining US\$(000)	Energy US\$(000)	Reclassifications and eliminations US\$(000)	Total US\$(000)
Sales	612,809	8,710	(8,710)	612,809
Cost of Sales	(520,779)	(4,780)	4,694	(520,865)
<b>Gross Income</b>	<b>92,030</b>	<b>3,930</b>	<b>(4,016)</b>	<b>91,944</b>
<b>OPERATING INCOME (EXPENSES)</b>				
Administrative expenses	(32,666)	(769)	263	(33,172)
Selling expenses	(29,076)	-	-	(29,076)
Other income	22,979	126	7,739	30,844
Other expenses	(19,591)	(231)	(4,233)	(24,055)
	<b>(58,354)</b>	<b>(874)</b>	<b>3,769</b>	<b>(55,459)</b>
<b>Operating income</b>	<b>33,676</b>	<b>3,056</b>	<b>(247)</b>	<b>36,485</b>
<b>Financial income (expenses)</b>				
Financial income	5,800	380	(638)	5,542
Financial expenses	(29,293)	(767)	638	(29,422)
Exchange difference, net	(1,629)	448	-	(1,181)
<b>Total other income (expenses), net</b>	<b>(25,122)</b>	<b>61</b>	<b>-</b>	<b>(25,061)</b>
<b>Income before income tax</b>	<b>8,554</b>	<b>3,117</b>	<b>(247)</b>	<b>11,424</b>
Income tax	4,844	(1,187)	-	3,657
<b>Net income</b>	<b>13,398</b>	<b>1,930</b>	<b>(247)</b>	<b>15,081</b>

Information to September 30, 2015:

**Assets**

**Current Assets**

Cash and cash equivalents	179,921	7,745	-	187,666
Trade accounts receivable, net	46,472	3,405	-	49,877
Accounts receivable to subsidiaries	16,635	35,904	(52,539)	-
Other accounts receivable	354,575	3,648	-	358,223
Other financial assets	26,411	-	-	26,411
Inventories, net	182,582	432	-	183,014
<b>Total current assets</b>	<b>806,596</b>	<b>51,134</b>	<b>(52,539)</b>	<b>805,191</b>

**Non-Current Assets**

Other accounts receivable	34,739	-	-	34,739
Other financial assets	21,539	-	-	21,539
Investments in associates	64,666	-	(61,648)	3,018
Property, plant and equipment, net	1,218,507	47,695	-	1,266,202
Mining exploration and evaluation cost, net	751,030	74	10,031	761,135
Deferred income tax asset	104,701	1,002	-	105,703
<b>Total non-current assets</b>	<b>2,195,182</b>	<b>48,771</b>	<b>(51,617)</b>	<b>2,192,336</b>

**Total assets**

<b>3,001,778</b>	<b>99,905</b>	<b>(104,156)</b>	<b>2,997,526</b>
------------------	---------------	------------------	------------------

**Liabilities**

**Current Liabilities**

Overdrafts	164	-	-	164
Trade accounts payable	167,347	848	-	168,195
Accounts payable to subsidiaries	36,303	16,109	(52,412)	-
Other accounts payable	42,759	1,793	(128)	44,424
Other financial liabilities	168,848	-	-	168,848
Financial obligations	195,054	3,929	-	198,983
<b>Total current liabilities</b>	<b>610,475</b>	<b>22,679</b>	<b>(52,540)</b>	<b>580,614</b>

**Non-Current Liabilities**

Financial obligations	24,525	-	-	24,525
Other financial liabilities	616,775	23,571	-	640,346
Deferred income tax liability	170,110	303	-	170,413
Provision for contingencies	10,004	-	-	10,004
Provision for closing of mining units	63,620	-	-	63,620
<b>Total non-current liabilities</b>	<b>885,034</b>	<b>23,874</b>	<b>-</b>	<b>908,908</b>

**Total liabilities**

<b>1,495,509</b>	<b>46,553</b>	<b>(52,540)</b>	<b>1,489,522</b>
------------------	---------------	-----------------	------------------

For the cumulative period from January 1 to September 30, 2014:

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	794,824	7,817	(7,817)	794,824
Cost of Sales	(647,445)	(3,634)	3,539	(647,540)
<b>Gross Income</b>	<b>147,379</b>	<b>4,183</b>	<b>(4,278)</b>	<b>147,284</b>
OPERATING INCOME (EXPENSES)				
Administrative expenses	(39,075)	(669)	201	(39,543)
Selling expenses	(35,163)	-	-	(35,163)
Other income	66,486	692	7,422	74,600
Other expenses	(57,146)	(11)	(3,275)	(60,432)
	<b>(64,898)</b>	<b>12</b>	<b>4,348</b>	<b>(60,538)</b>
<b>Operating income</b>	<b>82,481</b>	<b>4,195</b>	<b>70</b>	<b>86,746</b>
<b>Financial income (expenses)</b>				
Financial income	5,965	38	(327)	5,676
Financial expenses	(22,749)	(293)	327	(22,715)
Exchange difference, net	(364)	28	-	(336)
<b>Total other income (expenses), net</b>	<b>(17,148)</b>	<b>(227)</b>	<b>-</b>	<b>(17,375)</b>
<b>Income before income tax</b>	<b>65,333</b>	<b>3,968</b>	<b>70</b>	<b>69,371</b>
Income tax	(21,538)	(1,355)	-	(22,893)
<b>Net income</b>	<b>43,795</b>	<b>2,613</b>	<b>70</b>	<b>46,478</b>

**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
<b>Total current assets</b>	<b>855,271</b>	<b>21,758</b>	<b>(28,373)</b>	<b>848,656</b>

**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
<b>Total non-current assets</b>	<b>2,149,623</b>	<b>50,397</b>	<b>(51,621)</b>	<b>2,148,399</b>

**Total assets**

<b>3,004,894</b>	<b>72,155</b>	<b>(79,994)</b>	<b>2,997,055</b>
------------------	---------------	-----------------	------------------

**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
<b>Total current liabilities</b>	<b>615,364</b>	<b>20,934</b>	<b>(28,373)</b>	<b>607,925</b>

**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
<b>Total non-current liabilities</b>	<b>897,812</b>	<b>272</b>	<b>-</b>	<b>898,084</b>

**Total liabilities**

<b>1,513,176</b>	<b>21,206</b>	<b>(28,373)</b>	<b>1,506,009</b>
------------------	---------------	-----------------	------------------