

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

Consolidated interim financial information (unaudited) as of  
June 30, 2016 and 2015

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

## Consolidated Statement of Financial Position

As of June 30, 2016 (unaudited) and as of December 31, 2015 (unaudited)

	Note	June 30, 2016 US\$(000)	December 31, 2015 US\$(000)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	193,195	192,307
Trade accounts receivable, net		71,129	55,247
Other accounts receivable		387,821	352,356
Other financial assets	6	39,383	14,508
Inventories, net	5	100,185	106,968
<b>Total current assets</b>		<b>791,713</b>	<b>721,386</b>
Other accounts receivable		31,412	31,050
Other financial assets	6	47,697	48,935
Investments in associates		1,861	1,861
Property, plant and equipment, net	7	1,064,532	1,087,110
Mining exploration and evaluation cost, net	8	391,626	392,488
Deferred income tax asset	10	239,867	269,765
<b>Total non-current assets</b>		<b>1,776,995</b>	<b>1,831,209</b>
<b>Total assets</b>		<b>2,568,708</b>	<b>2,552,595</b>
<b>Liabilities and Net Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Overdrafts		45,332	14,043
Trade accounts payable		168,344	165,294
Other accounts payable		63,551	48,775
Other financial liabilities	6	108,950	90,831
Financial obligations	9	253,741	216,989
<b>Total current liabilities</b>		<b>639,918</b>	<b>535,932</b>
Other financial liabilities	6	85,213	143,949
Financial obligations	9	568,010	623,571
Deferred income tax liability	10	125,621	143,749
Provision for contingencies		5,514	5,514
Provision for closing of mining units		72,239	72,381
<b>Total non-current liabilities</b>		<b>856,597</b>	<b>989,164</b>
<b>Total liabilities</b>		<b>1,496,515</b>	<b>1,525,096</b>
<b>Patrimonio neto</b>			
Issued capital	11	1,253,181	1,531,743
Treasury stock		(196,725)	(240,450)
Other capital reserves		3,553	119,837
Capital reserve		20,296	20,296
Unrealized gains (loss)		(18,376)	(25,563)
Retained earnings		10,264	(378,364)
<b>Total net stockholders' equity</b>		<b>1,072,193</b>	<b>1,027,499</b>
<b>Total liabilities and net stockholders' equity, net</b>		<b>2,568,708</b>	<b>2,552,595</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 January 1, to June 30, 2016 and 2015 (unaudited)

	For the period from April		For the cumulative	
	1 to June 30		period from January 1 to	
	2016	2015	2016	2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 12	196,756	226,181	380,168	429,700
Cost of Sales, Note 13	(142,777)	(179,205)	(278,574)	(344,496)
<b>Gross Income</b>	<b>53,979</b>	<b>46,976</b>	<b>101,594</b>	<b>85,204</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(11,062)	(12,088)	(20,402)	(22,957)
Selling expenses	(8,861)	(10,559)	(15,472)	(18,767)
Other income	7,572	8,728	30,127	18,745
Other expenses	(11,579)	(7,223)	(24,336)	(15,804)
	(23,930)	(21,142)	(30,083)	(38,783)
<b>Operating income</b>	<b>30,049</b>	<b>25,834</b>	<b>71,511</b>	<b>46,421</b>
<b>Financial income (expenses)</b>				
Financial income	3,473	2,064	5,530	7,211
Financial expenses	(10,984)	(10,577)	(21,619)	(22,221)
Exchange difference, net	267	66	932	(242)
<b>Total other income (expenses), net</b>	<b>(7,244)</b>	<b>(8,447)</b>	<b>(15,157)</b>	<b>(15,252)</b>
<b>Income before income tax</b>	<b>22,805</b>	<b>17,387</b>	<b>56,354</b>	<b>31,169</b>
Income tax, Note 10(b)	(7,412)	(4,362)	(21,615)	(5,236)
<b>Net income</b>	<b>15,393</b>	<b>13,025</b>	<b>34,739</b>	<b>25,933</b>
<b>Net earnings per share</b>	<b>0.004</b>	<b>0.003</b>	<b>0.009</b>	<b>0.007</b>
<b>Weighted average of outstanding shares (in thousands)</b>	<b>3,858,677</b>	<b>3,858,650</b>	<b>3,858,677</b>	<b>3,858,650</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 January 1, to June 30, 2016 and 2015 (unaudited)

	For the period from April 1 to June 30		For the cumulative period from January 1 to June 30	
	2016	2015	2016	2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Net income</b>	15,393	13,025	34,739	25,933
<b>Other comprehensive income (loss):</b>				
Net change in gains (losses) unrealized on derivative instruments	9,803	8,970	9,982	9,954
Income tax	(2,745)	(3,119)	(2,795)	(3,414)
<b>Other comprehensive income (loss) net of income tax</b>	7,058	5,851	7,187	6,540
<b>Total comprehensive income</b>	22,451	18,876	41,926	32,473

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, 2016 and 2015 (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, 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	-	-	-	-	-	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)	-
<b>Balances as of June 30, 2015</b>	<b>1,531,743</b>	<b>(240,448)</b>	<b>119,837</b>	<b>20,297</b>	<b>(15,391)</b>	<b>101,372</b>	<b>1,517,410</b>
<b>Balances as of January 1, 2016</b>	<b>1,531,743</b>	<b>(240,450)</b>	<b>119,837</b>	<b>20,296</b>	<b>(25,563)</b>	<b>(378,364)</b>	<b>1,027,499</b>
Net income	-	-	-	-	-	34,739	34,739
Net change in gains unrealized on derivative instruments	-	-	-	-	7,187	-	7,187
Comprehensive income for the period	-	-	-	-	7,187	34,739	41,926
Reduction of Capital	(278,562)	43,725	(116,516)	-	-	351,353	-
Legal reserve allocation	-	-	232	-	-	(232)	-
Conversion effect	-	-	-	-	-	2,768	2,768
<b>Balances as of June 30, 2016</b>	<b>1,253,181</b>	<b>(196,725)</b>	<b>3,553</b>	<b>20,296</b>	<b>(18,376)</b>	<b>10,264</b>	<b>1,072,193</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 December 31, 2015 and 2014 (Note 2-C)

	2016	2015
	US\$(000)	US\$(000)
<b>Operating activities</b>		
Collection of sales proceeds	390,327	515,035
Refund of the credit balance in favor of the exporter and taxes	35,032	15,298
Payments to suppliers and third parties	(275,992)	(361,949)
Payments to workers	(36,933)	(43,832)
Income tax payments	(5,709)	(8,537)
Royalties	(4,595)	(5,640)
Expenses for coverage	(18,208)	-
Other collections (payments) from operating activities	-	(2,544)
<b>Cash flows from operating activities</b>	<b>83,922</b>	<b>107,831</b>
<b>Investing activities</b>		
Dividends received	303	-
Purchase of investment property	(22,501)	-
Disbursements for the acquisition of mining rights, property, plant and equipment	(22,314)	(63,769)
Disbursements for exploration and development activities	(31,526)	(33,709)
<b>Cash flows (used in) investment activities</b>	<b>(76,038)</b>	<b>(97,478)</b>
<b>Financing activities</b>		
Increase in financial obligations	13,074	39,865
Purchase of treasury stock	-	(138)
Interest payment	(20,038)	(18,545)
Dividends	(32)	(16,432)
<b>Cash flows (used in) from financing activities</b>	<b>(6,996)</b>	<b>4,750</b>
Increase (Decrease) in cash and cash equivalents for the period	888	15,103
Cash and cash equivalents at the beginning of the period	192,307	174,363
<b>Cash and cash equivalents at the end of the period</b>	<b>193,195</b>	<b>189,466</b>

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, 2016 and December 31, 2015

#### 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, 2016 were approved by the Company’s Management on July 22, 2016. The consolidated financial statements as of December 31, 2015 were approved by the Shareholders’ Meeting on february 12, 2016.

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

	Percentage of direct or indirect interest in the capital	
	June 30, 2016	December 31, 2015
Subsidiaries:		
Empresa Administradora Chungar S.A.C	-	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 Chungar S.A.C.	100	100
Minera Aurífera Toruna S.A.C. (*)	80	80
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
Óxidos de Pasco S.A.C	99.99	99.99

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

(\*\*) This is, in turn, a subsidiary of Compañía Minera Chungar S.A.C.

(\*\*\*) Subsidiary engaged in the energy generation.

(\*\*\*\*) This is, in turn, a subsidiary of Hidroeléctrica Huanchor S.A.C.

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.

By shareholders meeting of Empresa Administradora Cerro S.A.C. a spin-off of a business section was agreed, which included the oxide plant as well as related assets and liabilities for S/368,670 in favor of a new company, Óxidos de Pasco S.A.C., (hereinafter, Óxidos), which was incorporated as a consequence of the spin-off. Óxidos shareholders, the Company, being one of them, received shares issued by Óxidos that represent 99.99% of its capital stock.

According to the Shareholders Meeting, the spin-off entered in force on October 1, 2015

On January 1, 2016, the merger of Empresa Administradora Chungar S.A.C. and Compañía Minera Alpamarca S.A.C. (survivor company) took place, at the same event, the latter changed its name to Compañía Minera Chungar S.A.C.



The shareholders meeting of Compañía Minera Chungar S.A.C. agreed a spin-off of the assets and liabilities related to Rucuy Project, valued in S/1,446,000.00, in favor of Empresa de Generación Eléctrica Baños S.A. According to the Shareholders Meeting, the spin-off entered in force on June 1, 2016.

(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\$ 4.8 million U.S. dollars. As of June 30, 2016 the outstanding liability amounts to US\$ 535,264 thousands.

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 Huanchor S.A.C.

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

### **Basis of presentation -**

The consolidated interim financial statements (unaudited) for the three-month periods ended June 30, 2016 and 2015 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:

	As of June 30, 2016 US\$(000)	As of December 31, 2015 US\$(000)
Funds available:		
Cash	28	19
Fixed fund	22	23
Bank checking accounts	84,664	89,221
Term deposits (a)	37,287	28,612
Mutual funds	8,380	11,616
Financial investments foreing	62,406	62,406
Funds subject to restriction	408	410
	<u>193,195</u>	<u>192,307</u>

(a) Herein below is the composition of term deposits as of December 31, 2015:

Date	Nominal currency	Original term	Annual interest rate %	As of June 30,2016 US\$(000)
30.06.2016	U.S. Dollars	1 a 3 months	0.36%	28,587
06.04.2016	U.S. Dollars	9 months	0.70%	8,700
				<u>37,287</u>

#### 5. Inventories

The composition of this heading is presented below:

	As of June 30, 2016 US\$(000)	As of December 31, 2015 US\$(000)
Concentrates:	14,088	19,335
Raw material (extracted ore)	27,028	28,726
Miscellaneous supplies	55,352	54,618
Inventories in transit	453	1,025
Value of stockpiles (a)	7,752	7,752
Allowance for obsolescence of spare parts and supplies (b)	(4,488)	(4,488)
	<u>100,185</u>	<u>106,968</u>

The Company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of June 30, 2016 and as of December 31, 2015.

- (a) According to International Accounting Standards, and due to drop in prices, the Company once again tested the fair value of the Stock Piles related to which an accounting estimation was registered in 2014. The Company has recognised a write-down of inventories reducing the amount of inventories for US\$ 69.3 million.
- (b) 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, 2016 and as of December 31, 2015.

## 6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of June 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
Fair value of hedging derivatives	9,888	3,351
Fair value of trading derivatives	46,821	43,960
Cash-settled derivatives and premiums	15,361	14,981
Embedded derivative related to sales of concentrates	15,010	1,151
	<b>87,080</b>	<b>63,443</b>
Less: non-current portion	(47,697)	(48,935)
Current portion	<b>39,383</b>	<b>14,508</b>

Here in below is the composition of payables:

	As of June 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
Fair value of hedging derivatives	35,410	38,855
Fair value of trading derivatives	23,919	30,425
Cash-settled derivatives and premiums	134,834	161,528
Embedded derivative related to sales of concentrates	-	3,972
	<b>194,163</b>	<b>234,780</b>
Less: non-current portion	(85,213)	(143,949)
Current portion	<b>108,950</b>	<b>90,831</b>

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, 2016 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\$ 18,376 thousands (US\$ 25,563 thousands loss as of December 31, 2015). The net change in this account for the three-month period ended June 30, 2016 is US\$ 7,187 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 December 31, 2014	(31,330)	9,399	(21,931)
Total change in hedging derivative financial instruments	(4,174)	542	(3,632)
Balances as of December 31, 2015	<u>(35,504)</u>	<u>9,941</u>	<u>(25,563)</u>
Total change in hedging derivative financial instruments	9,982	(2,795)	7,187
Balances as of June 30, 2016	<u>(25,522)</u>	<u>7,146</u>	<u>(18,376)</u>

## 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	Impairment	Balances as of June 30,2016
<u>2016</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b><u>Cost</u></b>						
Land	6,338	-	-	(1)	-	6,337
Buidings and other constructions	728,376	-	(216)	1,406	-	729,566
Environmental management program infrastrl	22,846	-	-	-	-	22,846
Machinery and equipment	308,664	1,373	(7,185)	265	-	303,117
Transportation units	12,169	307	(76)	(227)	-	12,173
Furniture and fixtures and IT equipment	13,105	7	-	-	-	13,112
Miscellaneous equipment	445,391	2,877	(815)	114	-	447,567
Units in transit	484	382	-	-	-	866
Works in progress	199,391	15,561	(35,055)	38,019	-	217,916
	<b>1,736,764</b>	<b>20,507</b>	<b>(43,347)</b>	<b>39,576</b>	<b>-</b>	<b>1,753,500</b>
<b><u>Accumulated depreciation</u></b>						
Buidings and other constructions	(119,923)	(19,102)	-	-	-	(139,025)
Environmental management program infrastrl	(21,807)	(147)	-	-	-	(21,954)
Machinery and equipment	(246,335)	(8,524)	3,090	(228)	-	(251,997)
Transportation units	(10,806)	(246)	55	227	-	(10,770)
Furniture and fixtures and IT equipment	(7,317)	(455)	-	1	-	(7,771)
Miscellaneous equipment	(243,466)	(14,063)	78	-	-	(257,451)
	<b>(649,654)</b>	<b>(42,537)</b>	<b>3,223</b>	<b>-</b>	<b>-</b>	<b>(688,968)</b>
<b>Net cost</b>	<b>1,087,110</b>					<b>1,064,532</b>
<b><u>2015</u></b>						
<b>Cost</b>	<b>1,820,584</b>	<b>117,302</b>	<b>(17,753)</b>	<b>193</b>	<b>(183,562)</b>	<b>1,736,764</b>
<b>Accumulated depreciation</b>	<b>(574,759)</b>	<b>(89,062)</b>	<b>14,167</b>	<b>-</b>	<b>-</b>	<b>(649,654)</b>
<b>net cost</b>	<b>1,245,825</b>					<b>1,087,110</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	Impairment	Balances as of June 30, 2016
<u>2016</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>						
Mining rights and concessions	257,282	8,814	(43)	(1)	-	266,052
Exploration	199,414	2,562	(7,599)	4	-	194,381
Development and stripping costs	436,493	20,088	-	1	-	456,582
Closing of mining units	73,456	-	-	-	-	73,456
Other intangible assets	15,393	62	-	34	-	15,489
	<b>982,038</b>	<b>31,526</b>	<b>(7,642)</b>	<b>38</b>	<b>-</b>	<b>1,005,960</b>
<b>Accumulated amortization</b>						
Mining rights and concessions	(166,400)	(2,902)	4	-	-	(169,298)
Exploration	(79,162)	(2,779)	-	-	-	(81,941)
Development and stripping costs	(313,236)	(15,956)	-	(2)	-	(329,194)
Closing of mining units	(22,686)	(2,623)	-	-	-	(25,309)
Other intangible assets	(8,066)	(526)	-	-	-	(8,592)
	<b>(589,550)</b>	<b>(24,786)</b>	<b>4</b>	<b>(2)</b>	<b>-</b>	<b>(614,334)</b>
<b>Net cost</b>	<b>392,488</b>					<b>391,626</b>
<u>2015</u>						
<b>Cost</b>	1,347,723	73,055	-	(53,678)	(385,062)	982,038
Accumulated depreciation	(580,100)	(65,964)	-	56,514	-	(589,550)
<b>Net cost</b>	<b>767,623</b>					<b>392,488</b>

## 9. Financial Obligations:

The activity and composition of this heading are presented below:

	Reference	Balances as of	Loans	Payment	Balances as of	Current	Non-current
	S/. (000)	January 1, 2016 US\$ (000)	US\$ (000)	US\$ (000)	June 30, 2016 US\$ (000)	US\$ (000)	US\$ (000)
<b>Financial Institutions - leasing</b>							
Banco de Credito del Perú		719	-	(172)	547	329	218
Banco internacional del Perú-Interb		9,326	-	(3,177)	6,149	4,811	1,338
Scotiabank Perú S.A.A.		11,539	167	(2,003)	9,703	2,268	7,435
Banco Continental		4,476	-	(1,230)	3,246	1,914	1,332
<b>Financial Institutions - loans</b>							
Itau Unibanco - Nassau Branch		27,500	-	(1,964)	25,536	3,929	21,607
Atlas Copco Financial Solutions AB		-	1,469	(163)	1,306	490	816
Itau Unibanco - Nassau Branch		10,000	23,000	(33,000)	-	-	-
Scotiabank Perú S.A.A.	246,320	80,000	80,000	(80,000)	80,000	80,000	-
Banco Continental	380,910	110,000	110,000	(110,000)	110,000	110,000	-
<b>Short term debt instruments</b>		-	50,000	-	50,000	50,000	-
<b>Bonds</b>		587,000	-	(51,736)	535,264	-	535,264
		<b>840,560</b>	<b>264,636</b>	<b>(283,445)</b>	<b>821,751</b>	<b>253,741</b>	<b>568,010</b>
Financial obligations current		(216,989)			(253,741)		
Financial obligations non-current		<b>623,571</b>			<b>568,010</b>		



## 10. Deferred Income tax

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

	As of June 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
<b>Deferred assets with effect on gains (losses)</b>		
Allowance for impairment of assets	148,054	180,261
Recoverable tax losses	54,410	52,520
Provision for the closing of mining units	18,856	19,558
Losses unrealized on derivative financial instruments	7,350	10,735
Cost estimate sale	6,329	-
Vacation payments outstanding	1,964	1,968
Estimate for impairment of supplies	1,084	1,084
Provisions of costs and social responsibility	1,062	-
Royalties	401	861
Contingencies provisions	339	396
Sales adjustment	-	1,589
Embedded derivative	-	793
Other minors	18	-
<b>Deferred assets</b>	<b>239,867</b>	<b>269,765</b>
<b>Deferred liabilities with effect on gains (losses)</b>		
Amortization of mining rights and concessions, exploration, development and stripping costs	(107,663)	(137,569)
Gains in fair value of derivative financial instruments and premi	(8,496)	(1,766)
Embedded derivative	(2,483)	-
Sales adjustment	(2,298)	-
Value of stock piles	(1,901)	(1,901)
Estimate for values of share	(1,802)	(1,802)
Bond issuance expenses	(559)	(611)
Other minors	(419)	(100)
<b>Deferred liabilities</b>	<b>(125,621)</b>	<b>(143,749)</b>

(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	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2015 US\$(000)
Income Tax				
Current	(9,403)	(11,537)	(13,965)	(18,501)
Deferred	4,728	10,689	(3,389)	19,111
	<u>(4,675)</u>	<u>(848)</u>	<u>(17,354)</u>	<u>610</u>
Tax on mining royalties	(2,570)	(3,330)	(4,014)	(5,531)
Contribution to the retirement fund	(167)	(184)	(247)	(315)
<b>Total income (loss) tax expense</b>	<b><u>(7,412)</u></b>	<b><u>(4,362)</u></b>	<b><u>(21,615)</u></b>	<b><u>(5,236)</u></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, 182,223,802 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,442,345 class "A" shares by subsidiary Compañía Minera Chungar 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 June 30,2016, their quotation was S/ 0.95 and S/ 0.60 per share, respectively (S/ 1.09 and S/ 0.19 per share, respectively, as of December 31, 2015). As of June 30,2016, the trading frequency for class "A" shares was 5 percent, and for class "B" shares 100 percent (for class "A" shares was 20 percent, and for class "B" shares 100 percent as of December 31, 2015).

On March 31, 2016, the General Meeting of Shareholders agreed to reduce the share capital of the Company S/ 529,954,383 of S/ 4,076,572,175 to S/ 3,546,617,792 by reducing the nominal value of all the Class "A" and Class "B" issued by the Company, ie, affecting the 4,076,572.175 shares issued by the Company, whose nominal value is reduced to S/ 1.00 to S/ 0.87.

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.

## 12. Net Sales

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

	For the period from January 1 to June 30		For the cumulative period from January 1 to June 30	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2015 US\$(000)
Net concentrate sales				
Zinc	95,716	130,384	176,181	242,169
Lead	53,344	56,848	106,729	112,613
Copper	3,091	6,430	9,820	13,825
Silver	19,218	25,808	33,889	53,111
Bulk	6,272	-	8,270	-
Silver Bars	19,179	16,578	33,360	27,080
Gold Bars	-	-	712	-
Final settlement adjustments	(2,765)	(1,334)	(9,780)	(16,698)
	194,055	234,714	359,181	432,100
Gain (loss) realized on financial instruments	(16,095)	(1,332)	(4,300)	(3,471)
Sales adjustment for the current period (b)	4,659	(1,127)	7,455	8,898
Embedded derivatives for the current period (c)	14,137	(6,074)	17,832	(7,827)
	196,756	226,181	380,168	429,700

(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. 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, 2016 and 2015, 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\$ 7,455 thousands and US\$ 8,898 thousands in the six-months periods ended June 30, 2016 and 2015; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of June 30, 2016 the fair value of embedded derivatives yielded profit for US\$ 17,832 thousands (loss for US\$ 7,827 thousands as of June 30, 2015). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of June 30, 2016 and 2015 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 April 1 to June 30		For the cumulative period from January 1 to June 30	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2015 US\$(000)
Concentrates beginning inventory	17,342	23,029	19,335	24,789
Raw materials (extracted ore) beginning inventory	27,554	29,859	28,726	31,466
Production cost:				
Labor	16,336	18,310	30,477	35,586
Rental, power and other expenses	54,707	57,628	108,968	117,180
Supplies used	24,873	28,662	49,912	53,739
Depreciation and amortization	28,738	42,976	58,744	84,237
Purchase of concentrate	14,014	24,930	26,253	41,986
Exceptionals, others	329	2,146	(2,725)	3,848
Less - concentrates ending inventory,	(14,088)	(18,108)	(14,088)	(18,108)
Less - raw materials (extracted ore) ending inventory)	(27,028)	(30,227)	(27,028)	(30,227)
	<u>142,777</u>	<u>179,205</u>	<u>278,574</u>	<u>344,496</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, 2016:

	Mining	Energy	Reclasifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	380,168	5,745	(5,745)	380,168
Cost of Sales	(278,574)	(3,454)	3,454	(278,574)
<b>Gross Income</b>	<b>101,594</b>	<b>2,291</b>	<b>(2,291)</b>	<b>101,594</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(20,180)	(350)	128	(20,402)
Selling expenses	(15,472)	-	-	(15,472)
Other income	25,050	-	5,077	30,127
Other expenses	(21,270)	(11)	(3,055)	(24,336)
	<b>(31,872)</b>	<b>(361)</b>	<b>2,150</b>	<b>(30,083)</b>
<b>Operating income</b>	<b>69,722</b>	<b>1,930</b>	<b>(141)</b>	<b>71,511</b>
<b>Financial income (expenses)</b>				
Financial income	5,753	671	(894)	5,530
Financial expenses	(21,708)	(805)	894	(21,619)
Exchange difference, net	968	(36)	-	932
<b>Total other income (expenses), net</b>	<b>(14,987)</b>	<b>(170)</b>	<b>-</b>	<b>(15,157)</b>
<b>Income before income tax</b>	<b>54,735</b>	<b>1,760</b>	<b>(141)</b>	<b>56,354</b>
Income tax	(20,943)	(672)	-	(21,615)
<b>Net income</b>	<b>33,792</b>	<b>1,088</b>	<b>(141)</b>	<b>34,739</b>

Information to June 30, 2016:

	Mining	Energy	Reclasifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	184,065	9,130	-	193,195
Trade accounts receivable, net	67,251	3,878	-	71,129
Accounts receivable to subsidiaries	35,453	13,323	(48,776)	-
Other accounts receivable	382,922	4,899	-	387,821
Other financial assets	39,383	-	-	39,383
Inventories, net	99,687	498	-	100,185
<b>Total current assets</b>	<b>808,761</b>	<b>31,728</b>	<b>(48,776)</b>	<b>791,713</b>
Other accounts receivable	31,412	-	-	31,412
Other financial assets	47,697	-	-	47,697
Investments in associates	63,503	6	(61,648)	1,861
Property, plant and equipment, net	972,862	91,670	-	1,064,532
Mining exploration and evaluation cost, net	381,556	56	10,014	391,626
Deferred income tax asset	239,441	426	-	239,867
<b>Total non-current assets</b>	<b>1,497,030</b>	<b>92,158</b>	<b>(51,634)</b>	<b>1,776,995</b>
<b>Total assets</b>	<b>2,305,791</b>	<b>123,886</b>	<b>(100,410)</b>	<b>2,568,708</b>
<b>Liabilities and Net Stockholders' Equity</b>				
<b>Current Liabilities</b>				
Overdrafts	45,332	-	-	45,332
Trade accounts payable	166,504	1,840	-	168,344
Accounts payable to subsidiaries	13,304	35,424	(48,728)	-
Other accounts payable	61,278	2,323	(50)	63,551
Other financial liabilities	108,950	-	-	108,950
Financial obligations	249,812	3,929	-	253,741
<b>Total current liabilities</b>	<b>645,180</b>	<b>43,516</b>	<b>(48,778)</b>	<b>639,918</b>
Financial obligations	85,213	-	-	85,213
Other financial liabilities	546,403	21,607	-	568,010
Deferred income tax liability	125,400	221	-	125,621
Provision for contingencies	5,514	-	-	5,514
Provision for closing of mining units	72,239	-	-	72,239
<b>Total non-current liabilities</b>	<b>834,769</b>	<b>21,828</b>	<b>-</b>	<b>856,597</b>
<b>Total liabilities</b>	<b>1,479,948</b>	<b>65,344</b>	<b>(48,778)</b>	<b>1,496,514</b>

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)
<b>Gross Income</b>	<b>85,204</b>	<b>2,582</b>	<b>(2,582)</b>	<b>85,204</b>
<b>Operating income (expenses)</b>				
Administrative expenses	(22,664)	(433)	140	(22,957)
Selling expenses	(18,767)	-	-	(18,767)
Other income	13,596	43	5,106	18,745
Other expenses	(12,963)	(17)	(2,824)	(15,804)
	<b>(40,798)</b>	<b>(407)</b>	<b>2,422</b>	<b>(38,783)</b>
<b>Operating income</b>	<b>44,406</b>	<b>2,175</b>	<b>(160)</b>	<b>46,421</b>
<b>Financial income (expenses)</b>				
Financial income	15,543	183	(8,515)	7,211
Financial expenses	(30,283)	(449)	8,511	(22,221)
Exchange difference, net	(624)	382	-	(242)
<b>Total other income (expenses), net</b>	<b>(15,364)</b>	<b>116</b>	<b>(4)</b>	<b>(15,252)</b>
<b>Income before income tax</b>	<b>29,042</b>	<b>2,291</b>	<b>(164)</b>	<b>31,169</b>
Income tax	(4,374)	(862)	-	(5,236)
<b>Net income</b>	<b>24,668</b>	<b>1,429</b>	<b>(164)</b>	<b>25,933</b>

Information to December 31, 2015:

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	183,436	8,871	-	192,307
Trade accounts receivable, net	51,862	3,385	-	55,247
Accounts receivable to subsidiaries	22,597	41,723	(64,320)	-
Other accounts receivable	348,826	3,530	-	352,356
Other financial assets	14,508	-	-	14,508
Inventories, net	106,532	436	-	106,968
<b>Total current assets</b>	<b>727,761</b>	<b>57,945</b>	<b>(64,320)</b>	<b>721,386</b>
Other accounts receivable	31,050	-	-	31,050
Other financial assets	48,935	-	-	48,935
Investments in associates	63,509	-	(61,648)	1,861
Property, plant and equipment, net	1,037,733	49,377	-	1,087,110
Mining exploration and evaluation cost, net	382,406	68	10,014	392,488
Deferred income tax asset	269,342	423	-	269,765
<b>Total non-current assets</b>	<b>1,563,633</b>	<b>49,868</b>	<b>(51,634)</b>	<b>1,831,209</b>
<b>Total assets</b>	<b>2,291,394</b>	<b>107,813</b>	<b>(115,954)</b>	<b>2,552,595</b>
<b>Liabilities and Net Stockholders' Equity</b>				
<b>Current Liabilities</b>				
Overdrafts	14,043	-	-	14,043
Trade accounts payable	161,979	3,315	-	165,294
Accounts payable to subsidiaries	42,121	21,559	(63,680)	-
Other accounts payable	47,614	1,802	(641)	48,775
Other financial liabilities	90,831	-	-	90,831
Financial obligations	213,060	3,929	-	216,989
<b>Total current liabilities</b>	<b>569,648</b>	<b>30,605</b>	<b>(64,321)</b>	<b>535,932</b>
Financial obligations	143,949	-	-	143,949
Other financial liabilities	600,000	23,571	-	623,571
Deferred income tax liability	143,531	218	-	143,749
Provision for contingencies	5,514	-	-	5,514
Provision for closing of mining units	72,381	-	-	72,381
<b>Total non-current liabilities</b>	<b>965,375</b>	<b>23,789</b>	<b>-</b>	<b>989,164</b>
<b>Total liabilities</b>	<b>1,535,023</b>	<b>54,394</b>	<b>(64,321)</b>	<b>1,525,096</b>