

Volcan Compañía Minera S.A.A. and Subsidiaries

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

Volcan Compañía Minera S.A.A. and Subsidiaries

Consolidated Statement of Financial Position

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

	Note	September 30, 2016 US\$(000)	December 31, 2015 US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	184,101	192,307
Trade accounts receivable, net		72,274	55,247
Other accounts receivable		398,759	352,356
Other financial assets	6	42,103	14,508
Inventories, net	5	101,165	106,968
Total current assets		798,402	721,386
Other accounts receivable		31,081	31,050
Other financial assets	6	35,081	48,935
Investments in associates		1,863	1,861
Property, plant and equipment, net	7	1,059,376	1,087,110
Mining exploration and evaluation cost, net	8	396,511	392,488
Deferred income tax asset	10	233,671	269,765
Total non-current assets		1,757,583	1,831,209
Total assets		2,555,985	2,552,595
Liabilities and Net Stockholders' Equity			
Current Liabilities			
Overdrafts		44,985	14,043
Trade accounts payable		180,206	165,294
Other accounts payable		55,799	48,775
Other financial liabilities	6	106,381	90,831
Financial obligations	9	252,018	216,989
Total current liabilities		639,389	535,932
Other financial liabilities	6	57,155	143,949
Financial obligations	9	565,427	623,571
Deferred income tax liability	10	124,630	143,749
Provision for contingencies		5,514	5,514
Provision for closing of mining units		72,128	72,381
Total non-current liabilities		824,854	989,164
Total liabilities		1,464,243	1,525,096
Patrimonio neto			
Issued capital	11	1,253,181	1,531,743
Treasury stock		(196,738)	(240,450)
Other capital reserves		3,553	119,837
Capital reserve		20,300	20,296
Unrealized gains (loss)		(10,020)	(25,563)
Retained earnings		21,466	(378,364)
Total net stockholders' equity		1,091,742	1,027,499
Total liabilities and net stockholders' equity, net		2,555,985	2,552,595

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 September 30, 2016 and 2015 (unaudited)

	For the period from July		For the cumulative	
	1 to September 30		period from January 1 to	
	2016	2015	2016	2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales, Note 12	214,987	183,109	595,155	612,809
Cost of Sales, Note 13	(144,784)	(176,369)	(423,358)	(520,865)
Gross Income	70,203	6,740	171,797	91,944
Operating income (expenses)				
Administrative expenses	(9,996)	(10,215)	(30,398)	(33,172)
Selling expenses	(8,261)	(10,309)	(23,733)	(29,076)
Other income	7,574	12,099	37,701	30,844
Other expenses	(9,342)	(8,251)	(33,677)	(24,055)
	(20,025)	(16,676)	(50,107)	(55,459)
Operating income	50,178	(9,936)	121,690	36,485
Financial income (expenses)				
Financial income	2,724	2,010	8,254	5,542
Financial expenses	(11,026)	(10,880)	(32,645)	(29,422)
Exchange difference, net	(3,468)	(939)	(2,537)	(1,181)
Total other income (expenses), net	(11,770)	(9,809)	(26,928)	(25,061)
Income before income tax	38,408	(19,745)	94,762	11,424
Income tax, Note 10(b)	(12,070)	8,893	(33,685)	3,657
Net income	26,338	(10,852)	61,077	15,081
Net earnings per share	0.007	(0.003)	0.016	0.004
Weighted average of outstanding shares (in thousands)	3,858,677	3,858,828	3,858,677	3,858,828

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 September 30, 2016 and 2015 (unaudited)

	For the cumulative period from July 1 to September 30		For the cumulative period from January 1 to September 30	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2016 US\$(000)
Net income	26,338	(10,852)	61,077	15,081
Others comprehensive income (loss):				
Net change in gains (losses) unrealized on derivate instruments	11,604	1,859	21,587	11,813
Income tax	(3,249)	(520)	(6,044)	(3,934)
Other comprehensive income (loss) net of income tax	8,355	1,339	15,543	7,879
Total comprehensive income	34,693	(9,513)	76,620	22,960

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, 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)
Balances as of January 1, 2015	1,531,743	(240,342)	118,731	20,329	(21,931)	82,516	1,491,046
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)	-
Balances as of september 30, 2015	1,531,743	(240,448)	119,837	20,298	(14,052)	90,629	1,508,007
Balances as of January 1, 2016	1,531,743	(240,450)	119,837	20,296	(25,563)	(378,364)	1,027,499
Net income	-	-	-	-	-	61,077	61,077
Net change in gains unrealized on derivative instruments	-	-	-	-	15,543	-	15,543
Comprehensive income for the period	-	-	-	-	15,543	61,077	76,620
Reduction of Capital	(278,562)	43,725	(116,516)	-	-	351,353	-
Dividends declared	-	-	-	-	-	(15,136)	(15,136)
Legal reserve allocation	-	-	232	-	-	(232)	-
Increase (decrease) in treasury stock transactions	-	(13)	-	4	-	-	(9)
Conversion effect	-	-	-	-	-	2,768	2,768
Balances as of September 30, 2016	1,253,181	(196,738)	3,553	20,300	(10,020)	21,466	1,091,742

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)
Operating activities		
Collection of sales proceeds	640,947	746,312
Refund of the credit balance in favor of the exporter and taxes	39,645	20,783
Payments to suppliers and third parties	(400,249)	(493,833)
Payments to workers	(66,101)	(60,250)
Income tax payments	(9,688)	(11,324)
Royalties	(7,011)	(8,963)
Expenses for coverage	(37,363)	-
Other collections (payments) from operating activities	-	2,829
Cash flows from operating activities	160,180	195,554
Investing activities		
Share sales (purchase) payments	-	7,938
Dividends received	303	-
Purchase of investment property	(24,910)	-
Disbursements for the acquisition of mining rights, property, plant and equipment	(47,571)	(96,972)
Disbursements for exploration and development activities	(39,769)	(51,201)
Cash flows (used in) investment activities	(111,947)	(140,235)
Financing activities		
Increase in financial obligations	271,727	243,193
Purchase of treasury stock	4	(137)
Loan amortization or payments	(276,741)	(232,604)
Interest payment	(36,049)	(35,784)
Dividends	(15,380)	(16,684)
Cash flows (used in) from financing activities	(56,439)	(42,016)
Increase (Decrease) in cash and cash equivalents for the period	(8,206)	13,303
Cash and cash equivalents at the beginning of the period	192,307	174,363
Cash and cash equivalents at the end of the period	184,101	187,666

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, 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 September 30, 2016 were approved by the Company’s Management on October 21, 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 September 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 September 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 2015.

For a correct reading of the financial statement, certain reclassification have been made in 2015.

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 September 30,	As of December 31,
	2016	2015
	US\$(000)	US\$(000)
Funds available:		
Cash	14	19
Fixed fund	21	23
Bank checking accounts	75,219	89,221
Term deposits (a)	37,274	28,612
Mutual funds	8,768	11,616
Financial investments foreing	62,406	62,406
Funds subject to restriction	399	410
	184,101	192,307

(a) Herein below is the composition of term deposits as of September 30, 2016:

Date	Nominal currency	Original term	Annual interest rate	As of September 30,2016
			%	US\$(000)
30.06.2016	U.S. Dollars	1 a 3 months	0.36%	28,574
06.04.2016	U.S. Dollars	9 months	0.70%	8,700
				28,574

5. Inventories

The composition of this heading is presented below:

	As of September 30,	As of December 31,
	2016	2015
	US\$(000)	US\$(000)
Concentrates:	13,453	19,335
Raw material (extracted ore)	27,088	28,726
Miscellaneous supplies	57,241	54,618
Inventories in transit	119	1,025
Value of stockpiles (a)	7,752	7,752
Allowance for obsolescence of spare parts and supplies (b)	(4,488)	(4,488)
	101,165	106,968

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

6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of September 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
Fair value of hedging derivatives	3,203	3,351
Fair value of trading derivatives	50,637	43,960
Settled derivative financial instruments and premiums	16,120	14,981
Embedded derivative related to sales of concentrates	7,224	1,151
	77,184	63,443
Less: non-current portion	(35,081)	(48,935)
Current portion	42,103	14,508

Here in below is the composition of payables:

	As of September 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
Fair value of hedging derivatives	17,120	38,855
Fair value of trading derivatives	22,241	30,425
Settled derivative financial instruments and premiums	124,174	161,528
Embedded derivative related to sales of concentrates	-	3,972
	163,535	234,780
Less: non-current portion	(57,155)	(143,949)
Current portion	106,380	90,831

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, 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\$ 10,020 thousands (US\$ 25,563 thousands loss as of December 31, 2015). The net change in this account for the nine-month period ended September 30, 2016 is US\$ 15,543 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	(35,504)	9,941	(25,563)
Total change in hedging derivative financial instruments	21,587	(6,044)	15,543
Balances as of September 30, 2016	(13,917)	3,897	(10,020)

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 September 30,2016
<u>2016</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<u>Cost</u>						
Land	6,338	84	(46)	(1)	-	6,375
Buidings and other constructions	728,376	5,025	(216)	54,189	-	787,374
Environmental management program infrastrl	22,846	28	-	-	-	22,874
Machinery and equipment	308,664	1,356	(7,185)	6,844	-	309,679
Transportation units	12,169	334	(414)	(227)	-	11,862
Furniture and fixtures and IT equipment	13,105	16	-	-	-	13,121
Miscellaneous equipment	445,391	5,270	(815)	65	-	449,911
Units in transit	484	671	-	-	-	1,155
Works in progress	199,391	23,849	(35,055)	(21,737)	-	166,448
	1,736,764	36,633	(43,731)	39,133	-	1,768,799
<u>Accumulated depreciation</u>						
Buidings and other constructions	(119,923)	(28,487)	-	-	-	(148,410)
Environmental management program infrastrl	(21,807)	(209)	-	-	-	(22,016)
Machinery and equipment	(246,335)	(12,431)	3,090	(228)	-	(255,904)
Transportation units	(10,806)	(357)	356	227	-	(10,580)
Furniture and fixtures and IT equipment	(7,317)	(682)	-	1	-	(7,998)
Miscellaneous equipment	(243,466)	(21,127)	78	-	-	(264,515)
	(649,654)	(63,293)	3,524	-	-	(709,423)
Net cost	1,087,110					1,059,376
<u>2015</u>						
Cost	1,820,584	117,302	(17,753)	193	(183,562)	1,736,764
Accumulated depreciation	(574,759)	(89,062)	14,167	-	-	(649,654)
net cost	1,245,825					1,087,110

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 September 30,2016
<u>2016</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<u>Cost</u>						
Mining rights and concessions	257,282	-	-	8,770	-	266,052
Exploration	199,414	6,767	(9,886)	3	-	196,298
Development and stripping costs	436,493	32,924	-	1	-	469,418
Closing of mining units	73,456	-	-	-	-	73,456
Other intangible assets	15,393	78	-	35	-	15,506
	982,038	39,769	(9,886)	8,809	-	1,020,730
<u>Accumulated amortization</u>						
Mining rights and concessions	(166,400)	(4,310)	4	-	-	(170,706)
Exploration	(79,162)	(4,105)	2,341	-	-	(80,926)
Development and stripping costs	(313,236)	(23,874)	-	(2)	-	(337,112)
Closing of mining units	(22,686)	(3,935)	-	-	-	(26,621)
Other intangible assets	(8,066)	(788)	-	-	-	(8,854)
	(589,550)	(37,012)	2,345	(2)	-	(624,219)
Net cost	392,488					396,511
 <u>2015</u>						
Cost	1,347,723	73,055	-	(53,678)	(385,062)	982,038
Accumulated depreciation	(580,100)	(65,964)	-	56,514	-	(589,550)
Net cost	767,623					392,488

9. Financial Obligations:

The activity and composition of this heading are presented below:

	Reference	Balances as of January 1, 2016	Loans	Payment	Saldos al 30 de septiembre del 2016	Current	Non-current
	S/. (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
Financial Institutions - leasing							
Banco de Credito del Perú		719	-	(260)	459	333	126
Banco internacional del Perú-Interb		9,326	-	(5,167)	4,159	3,287	873
Scotiabank Perú S.A.A.		11,539	306	(2,797)	9,048	2,230	6,818
Banco Continental		4,476	-	(1,821)	2,655	1,708	946
Financial Institutions - loans							
Itau Unibanco - Nassau Branch		27,500	-	(2,946)	24,554	3,929	20,625
Itau Unibanco - Nassau Branch		10,000	23,000	(33,000)	-	-	-
Scotiabank Perú S.A.A.		-	80,000	-	80,000	80,000	-
Atlas Copco Financial Solutions AB		-	1,469	(163)	1,306	531	775
Itau Corpbanca		-	15,000	(15,000)	-	-	-
Financial Institutions - synthetic loans							
Scotiabank Perú S.A.A.	246,320	80,000	-	(80,000)	-	-	-
Banco Continental	380,910	110,000	110,000	(110,000)	110,000	110,000	-
Short term debt instruments		-	50,000	-	50,000	50,000	-
Bonds		587,000	-	(51,736)	535,264	-	535,264
		<u>840,560</u>	<u>279,775</u>	<u>(302,890)</u>	<u>817,445</u>	<u>252,018</u>	<u>565,427</u>
Financial obligations current		(216,989)			(252,018)		
Financial obligations non-current		<u>623,571</u>			<u>565,427</u>		

10. Deferred Income tax

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

	September 30 2016	As of December 31 2015
	US\$(000)	US\$(000)
Deferred assets with effect on gains (losses)		
Allowance for impairment of assets	129,862	180,261
Recoverable tax losses	53,374	52,520
Losses unrealized on derivative financial instruments	23,181	10,735
Provision for the closing of mining units	20,413	19,558
Vacation payments outstanding	1,980	1,968
Estimate for impairment of supplies	1,084	1,084
Royalties	711	861
Contingencies provisions	396	396
Sales adjustment	-	1,589
Embedded derivative	-	793
Other minors	2,670	-
Deferred assets	233,671	269,765
Deferred liabilities with effect on gains (losses)		
Amortization of mining rights and concessions, exploration, development and stripping costs	(103,811)	(137,569)
Sales adjustment	(3,623)	-
Gains in fair value of derivative financial instruments and premiums	(9,902)	(1,766)
Value of stock piles	(1,901)	(1,901)
Embedded derivative	(1,158)	-
Estimate for values of share	(1,115)	(1,802)
Bond issuance expenses	(611)	(611)
Royalties paid	(278)	-
Other minors	(2,231)	(100)
Deferred liabilities	(124,630)	(143,749)

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

	For the period from July 1		For the cumulative period	
	to September 30		from January 1 to September 30	
	2016	2015	2016	2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Income Tax				
Current	(8,112)	(376)	(22,076)	(18,877)
Deferred	(1,957)	12,602	(5,346)	31,713
	(10,068)	12,226	(27,422)	12,836
Tax on mining royalties	(1,858)	(3,331)	(5,872)	(8,862)
Contribution to the retirement fund	(144)	(2)	(391)	(317)
Total income (loss) tax expense	(12,070)	8,893	(33,685)	3,657

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 July 1 to September 30		For the cumulative period from January 1 to September 30	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2015 US\$(000)
Net concentrate sales				
Zinc	116,804	94,948	292,985	337,117
Lead	50,656	56,659	157,385	169,272
Copper	5,703	5,591	15,524	19,416
Silver	17,613	19,918	51,501	73,029
Bulk	7,395	-	15,665	-
Silver Bars	21,953	17,233	55,313	44,313
Golds Bars	-	-	712	-
Final settlement adjustments	12,585	(7,680)	2,805	(24,378)
	<u>232,708</u>	<u>186,669</u>	<u>591,890</u>	<u>618,769</u>
Gain (loss) realized on financial instruments	(14,685)	896	(18,985)	(2,575)
Sales adjustment for the current period (b)	4,749	(14,877)	12,204	(5,979)
Embedded derivatives for the current period (c)	(7,786)	10,421	10,046	2,594
	<u>214,987</u>	<u>183,109</u>	<u>595,155</u>	<u>612,809</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. 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, 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\$ 12,204 thousands and loss for US\$ 5,979 thousands in the nine-months periods ended September 30, 2016 and 2015; respectively, and are shown as part of net sales.

(c) Embedded derivatives

As of September 30, 2016 the fair value of embedded derivatives yielded profit for US\$ 10,046 thousands (US\$ 2,594 thousands as of September 30, 2015). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of September 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 July 1 to September 30		For the cumulative period from January 1 to September 30	
	2016 US\$(000)	2015 US\$(000)	2016 US\$(000)	2015 US\$(000)
Concentrates beginning inventory	14,088	18,108	19,335	24,789
Raw materials (extracted ore) beginning inventory	27,028	30,227	28,726	31,466
Production cost:				
Labor	16,018	16,641	46,495	52,227
Rental, power and other expenses	55,363	62,125	164,331	179,305
Supplies used	25,636	31,370	75,548	85,109
Depreciation and amortization	28,939	51,820	87,683	138,043
Purchase of concentrate	16,141	19,584	42,394	61,570
Exceptionals, others	2,112	665	(613)	2,527
Less - concentrates ending inventory	(13,453)	(23,435)	(13,453)	(23,435)
Less - raw materials (extracted ore) ending inventory	(27,088)	(30,736)	(27,088)	(30,736)
	<u>144,784</u>	<u>176,369</u>	<u>423,358</u>	<u>520,865</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 September 30, 2016:

	Mining	Energy	Reclasificaciones and	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	595,155	8,815	(8,815)	595,155
Cost of Sales	(423,358)	(5,289)	5,289	(423,358)
Gross Income	171,797	3,526	(3,526)	171,797
Operating income (expenses)				
Administrative expenses	(30,119)	(438)	159	(30,398)
Selling expenses	(23,733)	-	-	(23,733)
Other income	29,767	6	7,928	37,701
Other expenses	(28,933)	(29)	(4,715)	(33,677)
	(53,018)	(461)	3,372	(50,107)
Operating income	118,779	3,065	(154)	121,690
Financial income (expenses)				
Financial income	8,718	691	(1,155)	8,254
Financial expenses	(32,484)	(1,316)	1,155	(32,645)
Exchange difference, net	(2,246)	(291)	-	(2,537)
Total other income (expenses), net	(26,012)	(916)	-	(26,928)
Income before income tax	92,767	2,149	(154)	94,762
Income tax	(32,784)	(901)	-	(33,685)
Net income	59,983	1,248	(154)	61,077

Information to September 30, 2016:

	Mining	Energy	Reclasificaciones and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Assets				
Current Assets				
Cash and cash equivalents	174,889	9,212	-	184,101
Trade accounts receivable, net	68,919	3,355	-	72,274
Accounts receivable to subsidiaries	37,568	13,689	(51,257)	-
Other accounts receivable	393,991	4,768	-	398,759
Other financial assets	42,103	-	-	42,103
Inventories, net	100,664	501	-	101,165
Total current assets	818,134	31,525	(51,257)	798,402
Other accounts receivable	31,081	-	-	31,081
Other financial assets	35,081	-	-	35,081
Investments in associates	63,505	6	(61,648)	1,863
Property, plant and equipment, net	967,011	92,365	-	1,059,376
Mining exploration and evaluation cost, net	386,447	50	10,014	396,511
Deferred income tax asset	233,245	426	-	233,671
Total non-current assets	1,483,125	92,847	(51,634)	1,757,583
Total assets	2,301,259	124,372	(102,891)	2,555,985
Liabilities and Net Stockholders' Equity				
Current Liabilities				
Overdrafts	44,985	-	-	44,985
Trade accounts payable	178,965	1,241	-	180,206
Accounts payable to subsidiaries	14,141	36,980	(51,121)	-
Other accounts payable	53,733	2,202	(136)	55,799
Other financial liabilities	106,381	-	-	106,381
Financial obligations	248,089	3,929	-	252,018
Total current liabilities	646,294	44,352	(51,257)	639,389
Financial obligations	57,155	-	-	57,155
Other financial liabilities	544,802	20,625	-	565,427
Deferred income tax liability	124,409	221	-	124,630
Provision for contingencies	5,514	-	-	5,514
Provision for closing of mining units	72,128	-	-	72,128
Total non-current liabilities	804,008	20,846	-	824,854
Total liabilities	1,450,302	65,198	(51,257)	1,464,244

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

	Mining	Energy	Reclassifications and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Sales	612,809	8,710	(8,710)	612,809
Cost of Sales	(520,779)	(4,780)	4,694	(520,865)
Gross Income	92,030	3,930	(4,016)	91,944
OPERATING INCOME (EXPENSES)				
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)
	(58,354)	(874)	3,769	(55,459)
Operating income	33,676	3,056	(247)	36,485
Financial income (expenses)				
Financial income	5,800	380	(638)	5,542
Financial expenses	(29,293)	(767)	638	(29,422)
Exchange difference, net	(1,629)	448	-	(1,181)
Total other income (expenses), net	(25,122)	61	-	(25,061)
Income before income tax	8,554	3,117	(247)	11,424
Income tax	4,844	(1,187)	-	3,657
Net income	13,398	1,930	(247)	15,081

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
Total current assets	806,596	51,134	(52,539)	805,191

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
Total non-current assets	2,195,182	48,771	(51,617)	2,192,336

Total assets

3,001,778	99,905	(104,156)	2,997,526
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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
Total current liabilities	610,475	22,679	(52,540)	580,614

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
Total non-current liabilities	885,034	23,874	-	908,908

Total liabilities

1,495,509	46,553	(52,540)	1,489,522
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