

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

Consolidated interim financial information (unaudited) as of  
March 31, 2017 and 2016

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

### Consolidated Statement of Financial Position

As of March 31, 2017 (unaudited) and as of December 31, 2016 (audited)

	Note	March 31, 2017 US\$(000)	December 31, 2016 US\$(000)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	200,490	203,351
Trade accounts receivable, net		51,213	69,121
Other accounts receivable		335,638	350,479
Other financial assets	6	41,830	43,248
Inventories, net	5	88,526	90,553
<b>Total current assets</b>		<b>717,697</b>	<b>756,752</b>
Other accounts receivable		30,534	30,213
Other financial assets	6	16,693	21,159
Investments in associates		442	442
Property, plant and equipment, net	7	1,018,068	1,021,428
Mining exploration and evaluation cost, net	8	583,907	579,738
Deferred income tax asset	10	271,936	274,811
<b>Total non-current assets</b>		<b>1,921,580</b>	<b>1,927,791</b>
<b>Total assets</b>		<b>2,639,277</b>	<b>2,684,543</b>
<b>Liabilities and Net Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Overdrafts		15,059	30,256
Trade accounts payable		184,665	211,244
Other accounts payable		108,197	111,161
Other financial liabilities	6	104,183	105,228
Financial obligations	9	179,478	250,923
<b>Total current liabilities</b>		<b>591,582</b>	<b>708,812</b>
Other financial liabilities	6	18,652	24,570
Financial obligations	9	630,571	562,504
Deferred income tax liability	10	163,513	162,050
Provision for contingencies		34,449	34,449
Provision for closing of mining units		70,332	70,528
<b>Total non-current liabilities</b>		<b>917,517</b>	<b>854,101</b>
<b>Total liabilities</b>		<b>1,509,099</b>	<b>1,562,913</b>
<b>Patrimonio neto</b>			
Issued capital	11	1,253,181	1,253,181
Treasury stock		(196,802)	(196,778)
Other capital reserves		3,553	3,553
Capital reserve		20,284	20,298
Unrealized gains (loss)		(875)	-
Retained earnings		50,837	41,376
<b>Total net stockholders' equity</b>		<b>1,130,178</b>	<b>1,121,630</b>
<b>Total liabilities and net stockholders' equity, net</b>		<b>2,639,277</b>	<b>2,684,543</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 March 31, 2017 and 2016 (unaudited)

	For the cumulative period from January 1 to March 31	
	2017	2016
	US\$(000)	US\$(000)
Sales, Note 12	205,496	183,412
Cost of Sales, Note 13	(138,296)	(135,797)
<b>Gross Income</b>	<b>67,200</b>	<b>47,615</b>
<b>Operating income (expenses)</b>		
Administrative expenses	(10,500)	(9,340)
Selling expenses	(7,704)	(6,611)
Other income	8,537	22,555
Other expenses	(10,163)	(12,757)
	<b>(19,830)</b>	<b>(6,153)</b>
<b>Operating income</b>	<b>47,370</b>	<b>41,462</b>
<b>Financial income (expenses)</b>		
Financial income	1,930	2,057
Financial expenses	(11,378)	(10,635)
Exchange difference, net	130	665
<b>Total other income (expenses), net</b>	<b>(9,318)</b>	<b>(7,913)</b>
<b>Income before income tax</b>	<b>38,052</b>	<b>33,549</b>
Income tax, Note 10(b)	(14,512)	(14,203)
<b>Net income</b>	<b>23,540</b>	<b>19,346</b>
<b>Net earnings per share</b>	<b>0.006</b>	<b>0.005</b>
<b>Weighted average of outstanding shares (in thousands)</b>	<b>3,858,449</b>	<b>3,858,688</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 March 31, 2017 and 2016 (unaudited)

	For the cumulative period from January 1 to March 31	
	2017 US\$(000)	2016 US\$(000)
<b>Net income</b>	23,540	19,346
<b>Others comprehensive income (loss):</b>		
Net change in gains (losses) unrealized on derivate instruments	(1,241)	179
Income tax	366	(50)
<b>Other comprehensive income (loss) net of income tax</b>	(875)	129
<b>Total comprehensive income</b>	<b>22,665</b>	<b>19,475</b>

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 March 31, 2017 and 2016 (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, 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	-	-	-	-	-	19,346	19,346
Net change in gains unrealized on derivative instruments	-	-	-	-	129	-	129
Comprehensive income for the period	-	-	-	-	129	19,346	19,475
Reduction of Capital	(278,562)	43,728	(116,516)	-	-	351,350	-
Legal reserve allocation	-	-	232	-	-	(232)	-
Conversion effect	-	-	-	-	-	2,768	2,768
<b>Balances as of March 31, 2016</b>	<b>1,253,181</b>	<b>(196,722)</b>	<b>3,553</b>	<b>20,296</b>	<b>(25,434)</b>	<b>(5,132)</b>	<b>1,049,742</b>
<b>Balances as of January 1, 2017</b>	<b>1,253,181</b>	<b>(196,778)</b>	<b>3,553</b>	<b>20,298</b>	-	<b>41,376</b>	<b>1,121,630</b>
Net income	-	-	-	-	-	23,540	23,540
Net change in gains unrealized on derivative instruments	-	-	-	-	(875)	-	(875)
Comprehensive income for the period	-	-	-	-	(875)	23,540	22,665
Allocation of dividends corresponding to 2016	-	-	-	-	-	(14,066)	(14,066)
Increase (decrease) in treasury stock transactions	-	(24)	-	(14)	-	-	(38)
Conversion effect	-	-	-	-	-	(13)	(13)
<b>Balances as of March 31, 2017</b>	<b>1,253,181</b>	<b>(196,802)</b>	<b>3,553</b>	<b>20,284</b>	<b>(875)</b>	<b>50,837</b>	<b>1,130,178</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 March 31, 2017 and 2016 (Note 2C)

	2017	2016
	US\$(000)	US\$(000)
<b>Operating activities</b>		
Collection of sales proceeds	242,779	164,031
Refund of the credit balance in favor of the exporter and taxes	20,240	6,736
Payments to suppliers and third parties	(156,758)	(170,014)
Payments to workers	(23,229)	(17,689)
Income tax payments	(1,833)	(608)
Royalties	(4,370)	(2,369)
Expenses for coverage	(2,406)	(9,374)
<b>Cash flows from operating activities</b>	<b>74,423</b>	<b>(29,287)</b>
<b>Investing activities</b>		
Purchase of investment property	(1,534)	-
Disbursements for the acquisition of mining rights, property, plant and equipment	(12,999)	(6,675)
Disbursements for exploration and development activities	(17,517)	(9,905)
<b>Cash flows (used in) investment activities</b>	<b>(32,050)</b>	<b>(16,580)</b>
<b>Financing activities</b>		
Increase (decrease) in financial obligations	(13,937)	60,124
Interest payment	(17,231)	(15,070)
Dividends	(14,066)	-
<b>Cash flows (used in) from financing activities</b>	<b>(45,234)</b>	<b>45,054</b>
Increase (Decrease) in cash and cash equivalents for the period	(2,861)	(813)
Cash and cash equivalents at the beginning of the period	203,351	192,307
<b>Cash and cash equivalents at the end of the period</b>	<b>200,490</b>	<b>191,494</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 March 31, 2017 and December 31, 2016

#### 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 March 31, 2017 were approved by the Company’s Management on April 25, 2017. The consolidated financial statements as of December 31, 2016 were approved by the Shareholders’ Meeting on february 14, 2017.

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

	Percentage of direct or indirect interest in the capital	
	March 31, 2017	December 31, 2016
Subsidiaries:		
Empresa Administradora Chungar S.A.C	-	-
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
Empresa Administradora de Puertos 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 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 thousand, 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.

On October 5, 2016, Empresa Administradora de Puertos S.A.C. capitalizes the debts it maintains with Volcan Compañía Minera S.A.A. equivalent to S/ 145,849 thousand.

(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 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 March 31, 2017 the outstanding liability amounts to US\$ 535,264 thousand.

These funds were mainly used in growth projects, including the Silver Oxide Plant located in the Cerro de Pasco unit, the new Alparmarca-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 three-month periods ended March 31, 2017 and 2016 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 2016.

For a correct reading of the financial statement, certain reclassification have been made in 2016.

Accounting principles and practices -

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

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

- (b) The functional and presentation currency used by the Company is the United States Dollar. Transactions in foreign currency (i.e. any currency other than the functional currency) are initially translated into functional currency using the exchange rates in force on the date of the transactions. Monetary assets and liabilities expressed in foreign currency are subsequently adjusted to functional currency using the exchange rate prevailing on the date of the consolidated statement of financial position. Non-monetary

assets and liabilities in foreign currency, recorded at historical costs, are translated into functional currency using the exchange rates in force on the original dates of transactions. Any gains or losses from the exchange rate differential resulting from the liquidation of such transactions and the translation of monetary assets and liabilities into foreign currency at the exchange rates prevailing as of fiscal year closing are recognized in the consolidated income statement.

(c) Cash and cash equivalents

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

Furthermore, for purposes of their presentation in the cash flows statement, the cash, mutual funds and term deposits with original maturities of twelve 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 March 31, 2017	As of December 31, 2016
	US\$(000)	US\$(000)
Funds available:		
Cash	22	16
Fixed fund	35	32
Bank checking accounts	82,770	96,438
Term deposits (a)	28,546	37,261
Mutual funds	26,298	6,795
Financial investments foreing	62,406	62,406
Funds subject to restriction	413	403
	<b>200,490</b>	<b>203,351</b>

(a) Herein below is the composition of term deposits as of March 31, 2017:

Date	Nominal currency	Original term	Annual interest rate %	As of March 31, 2017 US\$(000)
31.03.2017	U.S. Dollars	1 a 3 months	0.36%	28,546
				<u>28,546</u>

## 5. Inventories

The composition of this heading is presented below:

	As of March 31 2017 US\$(000)	As of December 31 2016 US\$(000)
Concentrates	5,259	8,046
Raw material (extracted ore)	26,492	27,079
Miscellaneous supplies	57,270	55,972
Inventories in transit	513	464
Value of stockpiles	7,752	7,752
Allowance for obsolescence of spare parts and supplies (a)	(8,760)	(8,760)
	<u>88,526</u>	<u>90,553</u>

The company's Management estimates that the balances carried under "Inventories" do not exceed their net realization values as of March 31, 2017 and as of December 31, 2016.

(a) In the opinion of the Company's Management, the allowance for obsolescence of spare parts and supplies adequately covers such risk as of March 31, 2017 and as of December 31, 2016.

## 6. Other financial assets (liabilities)

Here in below is the composition of receivables:

	As of March 31 2017 US\$(000)	As of December 31 2016 US\$(000)
Fair value of hedging derivatives	456	-
Fair value of trading derivatives	40,584	42,831
Settled derivative financial instruments and premiums	15,367	16,623
Embedded derivative related to sales of concentrates	2,116	4,953
	<u>58,523</u>	<u>64,407</u>
Less: non-current portion	(16,693)	(21,159)
Current portion	<u>41,830</u>	<u>43,248</u>

Here in below is the composition of payables:

	As of March 31 2017	As of December 31 2016
	US\$(000)	US\$(000)
Fair value of trading derivatives	11,279	14,820
Settled derivative financial instruments and premiums	109,435	111,731
Embedded derivative related to sales of concentrates	425	3,247
	<u>121,139</u>	<u>129,798</u>
Fair value swaps	1,696	-
	<u>1,696</u>	-
	<u>122,835</u>	<u>129,798</u>
Less: non-current portion	<u>(18,652)</u>	<u>(24,570)</u>
Current portion	<u>104,183</u>	<u>105,228</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 March 31, 2017 the Company has executed price hedging operations contracts 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 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, 2015	(35,504)	9,941	(25,563)
Total change in hedging derivative financial instruments	35,504	(9,941)	25,563
Balances as of December 31, 2016	-	-	-
Total change in hedging derivative financial instruments	(1,241)	366	(875)
Balances as of March 31, 2017	(1,241)	366	(875)

## 7. Property, Plant and Equipment, net

The activity and composition of this heading are presented below:

	Balances as of January 1,2017	Additions	Write-offs	Adjustments	Impairment	Balances as of March 31,2017
<u>2017</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>						
Land	7,751	-	-	-	-	7,751
Buidings and other constructions	787,249	-	-	346	-	787,595
Environmental management program infras	22,874	-	-	-	-	22,874
Machinery and equipment	303,219	621	(609)	294	-	303,525
Transportation units	11,999	-	-	-	-	11,999
Furniture and fixtures and ITEquipment	13,283	40	-	-	-	13,323
Miscellaneous equipment	430,822	2,566	-	-	-	433,388
Units in transit	1,059	2,226	-	422	-	3,707
Works in progress	167,836	9,271	-	(640)	-	176,467
	<b>1,746,092</b>	<b>14,724</b>	<b>(609)</b>	<b>422</b>	<b>-</b>	<b>1,760,629</b>
<b>Accumulated depreciation</b>						
Buidings and other constructions	(158,633)	(9,411)	-	-	-	(168,044)
Environmental management program infras	(22,076)	(52)	-	-	-	(22,128)
Machinery and equipment	(253,328)	(3,563)	548	-	-	(256,343)
Transportation units	(10,737)	(104)	-	-	-	(10,841)
Furniture and fixtures and ITEquipment	(8,273)	(224)	-	-	-	(8,497)
Miscellaneous equipment	(271,617)	(5,091)	-	-	-	(276,708)
	<b>(724,664)</b>	<b>(18,445)</b>	<b>548</b>	<b>-</b>	<b>-</b>	<b>(742,561)</b>
<b>Net cost</b>	<b>1,021,428</b>					<b>1,018,068</b>
<u>2016</u>						
<b>Cost</b>	1,737,714	101,323	(11,789)	(45,275)	(35,880)	1,746,093
Accumulated depreciation	(649,654)	(85,086)	10,075	-	-	(724,665)
<b>net cost</b>	<b>1,088,060</b>					<b>1,021,428</b>

## 8. Mining exploration and evaluation costs, net

The activity and composition of this heading are presented below:

	Balances as of January 1,2017	Additions	Write-offs	Adjustments	Impairment	Balances as of March 31,2017
<u>2017</u>	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Cost</b>						
Mining rights and concessions	285,211	(306)	-	(909)	-	283,996
Exploration	227,155	4,187	-	(422)	-	230,920
Development and stripping costs	548,567	15,927	-	-	-	564,494
Closing of mining units	71,972	-	-	-	-	71,972
Other intangible assets	82,917	33	-	-	-	82,950
	<b>1,215,822</b>	<b>19,841</b>	<b>-</b>	<b>(1,331)</b>	<b>-</b>	<b>1,234,332</b>
<b>Accumulated amortization</b>						
Mining rights and concessions	(172,075)	(2,144)	-	-	-	(174,219)
Exploration	(82,179)	(2,681)	-	-	-	(84,860)
Development and stripping costs	(345,192)	(8,047)	-	-	-	(353,239)
Closing of mining units	(27,520)	(1,208)	-	-	-	(28,728)
Other intangible assets	(9,118)	(261)	-	-	-	(9,379)
	<b>(636,084)</b>	<b>(14,341)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(650,425)</b>
<b>Net cost</b>	<b>579,738</b>					<b>583,907</b>
<u>2016</u>						
Cost	981,088	149,097	(1,642)	-	87,279	1,215,822
Accumulated depreciation	(589,550)	(48,878)	2,344	-	-	(636,084)
<b>Net cost</b>	<b>391,538</b>					<b>579,738</b>

## 9. Financial Obligations:

The activity and composition of this heading are presented below:

	Reference	Balances as of January 1, 2017	Loans	Payment	Balances as of March 31, 2017	Current	Non-current
	S/. (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)	US\$ (000)
<b>Financial Institutions - leasing</b>							
Banco de Credito del Perú		370	-	(91)	279	248	31
Banco internacional del Perú-Interbank		2,874	-	(1,117)	1,757	1,543	214
Scotiabank Perú S.A.A.		8,044	-	(466)	7,578	2,094	5,484
Banco Continental		2,121	-	(519)	1,602	1,175	427
<b>Financial Institutions - loans</b>							
Itau Unibanco - Nassau Branch		23,571	-	(981)	22,590	3,929	18,661
Scotiabank Perú S.A.A.		-	20,000	-	20,000	20,000	-
Citibank NA, New York		-	70,000	-	70,000	-	70,000
Scotiabank Perú S.A.A.		80,000	-	(40,000)	40,000	40,000	-
Atlas Copco Financial Solutions AB		1,183	-	(204)	979	489	490
<b>Financial Institutions - synthetic loans</b>							
Banco Continental	70,100	20,000	-	(20,000)	-	-	-
Banco Continental	172,250	50,000	-	(50,000)	-	-	-
Banco Continental	138,560	40,000	-	(40,000)	-	-	-
Banco Continental	197,790	-	60,000	-	60,000	60,000	-
<b>Bonds</b>		535,264	-	-	535,264	-	535,264
<b>Short term debt instruments</b>		50,000	-	-	50,000	50,000	-
		<b>813,427</b>	<b>150,000</b>	<b>(153,378)</b>	<b>810,049</b>	<b>179,478</b>	<b>630,571</b>
Financial obligations current		(250,923)			(179,478)		
Financial obligations non-current		<b>562,504</b>			<b>630,571</b>		



## 10. Deferred Income tax

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

	As of March 31 2017 US\$(000)	As of December 31 2016 US\$(000)
<b>Deferred assets with effect on gains (losses)</b>		
Provision for impairment	152,581	152,581
Recoverable tax losses	65,164	70,635
Provision for the closing of mining units	24,155	24,730
Contingencies provisions	12,879	12,948
Derivative financial instruments and premiums	2,556	4,529
Vacation payments outstanding	2,534	2,583
Estimate for impairment of supplies	2,513	2,513
Provision for doubtful accounts	1,497	1,497
Provision of mining royalties	1,299	1,542
Sales adjustment	990	-
Cost provisions and social responsibility	591	-
Other minors	5,177	1,253
<b>Deferred assets</b>	<b>271,936</b>	<b>274,811</b>
<b>Deferred liabilities with effect on gains (losses)</b>		
Amortization of mining rights and concessions, exploration, development and stripping costs	154,795	153,580
Sales adjustment	4,139	3,680
Value of stock piles	2,310	2,310
Estimate for values of share	1,584	1,584
Bond issuance expenses	685	685
Embedded derivative	-	211
<b>Deferred liabilities</b>	<b>163,513</b>	<b>162,050</b>

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

	For the period from January 1 to March 31	
	2017 US\$(000)	2016 US\$(000)
Income Tax		
Current	(5,894)	(4,561)
Deferred	(4,667)	(8,118)
	<b>(10,561)</b>	<b>(12,679)</b>
Tax on mining royalties	(3,773)	(1,444)
Contribution to the retirement fund	(178)	(80)
<b>Total income (loss) tax expense</b>	<b>(14,512)</b>	<b>(14,203)</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, 182,446,277 class "A" shares and 12,234,901 class "B" shares are held by subsidiary Empresa Minera Paragsha S.A.C., 23,442,075 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 March 31, 2017, their quotation was S/ 2.32 and S/ 0.88 per share, respectively (S/ 1.41 and S/ 0.72 per share, respectively, as of December 31, 2016). As of March 31, 2017, the trading frequency for class "A" shares was 20 percent, and for class "B" shares 100 percent (for class "A" shares was 60 percent, and for class "B" shares 100 percent as of December 31, 2016).

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, i.e., affecting the 4,076,572,175 shares issued by the Company, whose nominal value is reduced to S/ 1.00 to S/ 0.87.

At the board meeting held on July 5, 2016, the directors approved the distribution of cash dividends of up to S/ 52,484,125.70 (equivalent to US\$.15,967,181) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on August 9, 2016.

At the board meeting held on January 23, 2017, the directors approved the distribution of cash dividends of up to S/ 49,105,817 (equivalent to US\$.15,114,133) in favor of the shareholders, which correspond to the profits of fiscal year 2014. Said dividends were paid on February 28, 2017.

## 12. Net Sales

The table herein below provides a detail of net sales:

	For the period from January 1 to March 31	
	2017 US\$(000)	2016 US\$(000)
Net concentrate sales		
Zinc	117,544	80,465
Lead	39,335	53,385
Copper	7,422	6,730
Silver	15,288	14,671
Bulk	3,972	1,998
Silver Bars	15,554	14,180
Golds Bars	-	712
Final settlement adjustments	5,029	(7,015)
	<u>204,144</u>	<u>165,126</u>
Gain (loss) realized on financial instruments	2,856	11,795
Sales adjustment for the current period (a)	(1,489)	2,796
Embedded derivatives for the current period (b)	(15)	3,695
	<u>205,496</u>	<u>183,412</u>

(a) 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 March 31, 2017 and 2016, 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 loss for US\$ 1,489 thousand and gain US\$ 2,796 thousand in the three-months periods ended March 31, 2017 and 2016; respectively, and are shown as part of net sales.

(b) Embedded derivatives

As of March 31, 2017 the fair value of embedded derivatives yielded loss for US\$ 15 thousand (US\$ 3,695 thousand of gain as of March 31, 2016). It is shown in net sales in consolidated income statement. The price forecasts of our open positions as of March 31, 2017 and 2016 have been taken from entities that work with the London Metal Exchange (LME) publications.

13. Cost of Sales

The composition of this below:

	As of March 31, 2017	As of March 31, 2016
	US\$(000)	US\$(000)
Concentrates beginning inventory	8,046	19,335
Raw materials (extracted ore) beginning inventory	27,079	28,726
<b>Production cost:</b>		
Labor	15,382	14,141
Rental, power and other expenses	54,589	54,261
Supplies used	27,083	25,039
Depreciation and amortization	29,612	30,006
Purchase of concentrate	6,428	12,239
Exceptionals, others	1,828	-
Less - concentrates ending inventory,	(5,259)	(17,342)
Less - raw materials (extracted ore ending inventory)	(26,492)	(27,554)
	<u>138,296</u>	<u>135,797</u>