Translation of a report and financial statements originally issued in Spanish – See note 28

Sociedad Minera El Brocal S.A.A.

Financial Statements as of December 31, 2009 and 2008 together with the Report of Independent Auditors

ERNST & YOUNG

Translation of a report and financial statements originally issued in Spanish – See note 28

Sociedad Minera El Brocal S.A.A.

Financial Statements as of December 31, 2009 and 2008 together with the Report of Independent Auditors

Content

Translation of a report and financial statements originally issued in Spanish – See note 28

Report of Independent Auditors

To the Shareholders of Sociedad Minera El Brocal S.A.A.

We have audited the accompanying financial statements of Sociedad Minera El Brocal S.A.A. (a Peruvian corporation, subsidiary of Inversiones Colquijirca S.A.), which comprise the balance sheets as of December 31, 2009 and 2008, and the statements of income, changes in shareholders' equity and cash flows for the years then ended, as well as the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with generally accepted accounting principles in Peru. This responsibility includes: designing, implementing and maintaining relevant internal control for the preparation and fair presentation of financial statements, in order to be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making reasonable accounting estimates according to the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in conformity with generally accepted auditing standards in Peru. Those standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers the relevant internal control of the Company in the preparation and fair presentation of the financial statement, in order to design audit procedures according to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the evaluation of the

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Report of Independent Auditors (continue)

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sociedad Minera El Brocal S.A.A. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Peru.

Medina, Zaldivar, Paredes & Asociados

Lima, Peru,
February 9, 2010

Countersigned by,

Marco Antonio Zaldívar
C.P.C.C. Register 12477

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Sociedad Minera El Brocal S.A.A.

Balance Sheet

As of December 31, 2009 and 2008

	Note	2009 US$(000)	2008 US$(000)
Assets			
Current assets			
Cash, banks and time deposits	4	178,075	193,080
Trade accounts receivable, net	5	42,604	17,184
Other accounts receivable, net	14(a)	2,876	12,507
Embedded derivative on sale of concentrates	14(c)	4,838	-
Current portion of derivate financial instruments	14(a)	-	52,873
Inventories, net	6(a)	10,339	6,051
Prepaid income tax		-	6,274
Value added tax credit and others		1,360	2,942
Total current assets		240,092	290,911
Derivate financial instruments	14(a)	-	21,464
Property, plant and equipment, net	7	44,430	39,081
Expansion project of operations	8	73,158	21,611
Deferred income tax and workers´profit sharing assets	12(b)	13,472	10,832
Total assets		371,152	383,899
Liabilities and shareholders´equity			
Current liabilities			
Trade accounts payable	9	13,193	8,625
Accounts payable to affiliates	23	455	62
Other current liabilities	10	13,098	10,913
Income tax payable		2,092	-
Embedded derivative on sale of concentrates	14(c)	-	8,299
Current portion of derivate financial instruments	14(a)	1,468	-
Current portion of long-term debt		4	4
Total current liabilities		30,310	27,903
Provision for mine closure and environmental liabilities	11(c)	21,568	21,031
Derivate financial instruments	14(a)	5,375	-
Deferred income tax and workers´ profit sharing liability	12(b)	6,524	31,315
Total liabilities		63,777	80,249
Shareholders´equity	13		
Capital stock		30,281	30,281
Investment shares		1,810	1,810
Legal reserve		6,418	6,418
Unrealized gain on valuation of derivative financial Instruments, net		(4,407)	47,873
Retained earnings		273,273	217,268
Total shareholders' equity		307,375	303,650
Total liabilities and shareholders´equity		371,152	383,899

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish – See note 28

Sociedad Minera El Brocal S.A.A.

Statement of Income

For the years ended December 31, 2009 and 2008

	Note	2009 US$(000)	2008 US$(000)
Net sales	16	220,728	197,227
Cost of sales	17	(88,619)	(65,260)
Gross income		132,109	131,967
Operating expenses			
Exploration in non-operating areas	18	(3,997)	(13,584)
Selling	19	(4,717)	(9,997)
General and administrative	20	(9,131)	(5,951)
Royalties to the Peruvian State		(3,001)	(3,162)
Total operating expenses		(20,846)	(32,694)
Operating income		111,263	99,273
Other revenues (expenses)			
Financial income		2,327	10,139
Gain (loss) from exchange difference, net		1,675	(9,097)
Mining closure expenses	11(c)	(1,265)	(1,198)
Support to neighboring communities		(544)	(945)
Voluntary and temporary contribution to the Peruvian State	21	(819)	(828)
Rehabilitation due to casualty		-	(203)
Financial expenses		(24)	(21)
Other, net		(28)	(583)
Total other revenues (expenses), net		1,322	(2,736)
Income before workers' profit sharing and income tax		112,585	96,537
Workers' profit sharing	12(a)	(7,271)	(7,763)
Income tax	12(a)	(25,086)	(26,782)
Net income		80,228	61,992
Net income per share, basic and diluted, stated in U.S. dollars	22	0.7286	0.5630
Weighted average number of shares outstanding	22	110,105,236	110,105,236

The accompanying notes are an integral part of this statement.

Sociedad Minera El Brocal S.A.A.

Statement of Changes in Shareholders' Equity

For the years ended December 31, 2009 and 2008

	Number of shares							
	Common	**Investment**	**Capital stock** US$(000)	**Investment shares** US$(000)	**Legal reserve** US$(000)	**Unrealized gain (loss) on derivative financial instruments, net** US$(000)	**Retained earnings** US$(000)	**Total** US$(000)
Balance as of January 1, 2008	103,893,888	6,211,348	30,281	1,810	6,418	5,129	190,508	234,146
Dividend distributions, note 13(b)	-	-	-	-	-	-	(35,232)	(35,232)
Net change in unrealized gain on derivative financial instruments, note 14(b)	-	-	-	-	-	42,744	-	42,744
Net income	-	-	-	-	-	-	61,992	61,992
Balance as of December 31, 2008	103,893,888	6,211,348	30,281	1,810	6,418	47,873	217,268	303,650
Dividend distributions, note 13(b)	-	-	-	-	-	-	(24,223)	(24,223)
Net change in unrealized gain on derivative financial instruments, note 14(a)	-	-	-	-	-	(52,280)	-	(52,280)
Net income	-	-	-	-	-	-	80,228	80,228
Balance as of December 31, 2009	103,893,888	6,211,348	30,281	1,810	6,418	(4,407)	273,273	307,375

The accompanying notes are an integral part of this statement.

Translation of a report and financial statements originally issued in Spanish – See note 28

Sociedad Minera El Brocal S.A.A.

Statement of Cash Flows

For the years ended December 31, 2009 and 2008

	2009 US$(000)	2008 US$(000)
Operating activities		
Collection from customers	188,010	235,324
Collection on interest	2,327	10,139
Income tax payments	(15,582)	(33,406)
Payments to suppliers	(95,023)	(99,281)
Payments to workers and third parties	(14,410)	(20,232)
Payments of royalties to the Peruvian State	(2,306)	(4,370)
Interest payments	(24)	(23)
Other collections, net	11,306	-
Net cash and cash equivalents provided by operating activities	74,298	88,151
Investing activities		
Decrease in time deposits	24,040	46,952
Disbursements for project for the expansion of operations	(51,547)	(21,096)
Purchase of property, plant and equipment	(15,032)	(11,612)
Proceeds from sale of property, plant and equipment	-	73
Net cash and cash equivalents provided by (used in) investing activities	(42,539)	14,317
Financing activities		
Payment of dividends	(24,399)	(35,261)
Payments of long-term debt	-	(115)
Net cash and cash equivalents used in financing activities	(24,399)	(35,376)
Net cash and cash equivalents increase during the year	7,360	67,092
Cash and cash equivalents at beginning of year	170,715	103,623
Cash and cash equivalents at year-end, note 4	178,075	170,715

Statement of Cash Flows (continued)

	2009 US$(000)	2008 US$(000)
Reconciliation of net income to cash and cash equivalents provided by operating activities		
Net income	80,228	61,992
Add (less) – Items that do not affect operating cash flows		
Depreciation	9,535	8,190
Increase of provision for doubtful accounts	4,132	295
Embedded derivative on sale of concentrates	(4,838)	8,299
Expense due to mine closure accrual	1,265	1,198
Deferred income tax and employee profit sharing expense	1,468	4,171
Gain on sale of machinery and equipment	-	(15)
Net cost of fixed assets retired	85	-
Provision for obsolescence of spare part and supplies	13	35
Changes of net operating assets and liabilities		
Decrease (increase) in operating assets -		
Trade accounts receivable	(29,552)	35,558
Other accounts receivable	9,631	(11,007)
inventory	(4,288)	4,105
Prepaid income tax	6,274	(6,274)
Value added tax credit and others	1,582	(2,416)
Increase (decrease) in operating liabilities -		
Trade accounts payable	4,924	69
Other accounts liabilities	(8,253)	(6,191)
Income tax payable	2,092	(9,858)
Net cash and cash equivalents provided by operating activities	74,298	88,151

The accompanying notes are an integral part of this statement.

1. Identification and business activity of the Company

(a) Identification -

Sociedad Minera El Brocal S.A.A. (hereafter, "the Company") was incorporated in Peru in 1956. The Company is a subsidiary of Inversiones Colquijirca S.A. (hereinafter, "the Principal"), which owns 51.06 percent of its common shares. Compañía de Minas Buenaventura S.A.A. owns direct and indirectly the 81.30 percent of Inversiones Colquijirca S.A.'s common shares. The Company's legal address is Av. Javier Prado Oeste 2173, San Isidro, Lima, Peru.

(b) Economic activity

The Company is engaged in the extraction, concentration and commercialization of polymetallic ores, mainly zinc, silver and lead, and carries out its operations at the Colquijirca mining unit (which comprises the Colquijirca mine and the Huaraucaca plant) located in the district of Tinyahuarco, province of Cerro de Pasco, department of Pasco, Peru.

(c) Financial statement approval

The 2009 financial statements have been approved by Management on February 9, 2010 and will be presented for the approval of the Directors and Shareholders at the times established by Law. In Management's opinion, the accompanying financial statements will be approved without modifications in the Board of Directors' and Shareholders' meeting to be held during the first quarter of 2010. Financial statements as of December 31, 2008 were approved in the shareholders meeting held on March 24, 2009.

2. Significant accounting principles and policies

2.1. Basis of preparation and accounting changes -

The financial statements have been prepared in accordance with generally accepted accounting principles in Peru, which comprises International Financial Reporting Standards (IFRS) duly approved by the Peruvian Accounting Standards Board (Consejo Normativo de Contabilidad) and are consistent with those used the previous year, except for the adoption of the following standards starting January 1, 2009:

- IAS 32 "Financial Instruments – Presentation" (revised 2006) – The objective of this standard is to provide principles for presenting financial instruments as liabilities and equity and for offsetting financial assets and liabilities.

- IFRS 7 "Financial Instruments – Disclosures"- The objective of this IFRS is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, to understand the nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

- IFRS 8 "Operating Segments" - This IFRS replaces IAS 14, "Segment Reporting"

- IFRIC 13 "Customer Loyalty Programs" - This interpretation requires that the benefits from customer loyalty programs be accounted for as a separate component of the sale transaction as and when granted.

- IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – This standard provides guidance on employee defined benefit plans pursuant to IAS 19 "Employee Benefits".

The Company has adopted these standards for application in the posting of its operations. However, the only ones that had an effect on preparing its financial statements are IAS 32 "Financial Instruments – Presentation "(revised in 2006) and IFRS 7 Financial Instruments – Disclosures", without making it necessary to amend the financial statements for previous years. See note 2.2, paragraphs (a) to (c), and notes 25 and 26 to the financial statements.

Regarding the foregoing, as of the date of these financial statements, the CNC had authorized the application of IFRS 1 to 8, IAS 1 to 41, SIC 1 to 32 and IFRIC 1 to 14.

The preparation of the financial statements following generally accepted accounting principles in Peru requires Management to make certain estimates and assumptions in order to determine the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2009 and 2008. In Management's opinion, these estimates have been made based on its best knowledge of the relevant facts and circumstances to the date of preparing the financial statements. However, the final results may differ from the estimates included in the financial statements. The Company's Management does not expect that the changes, if any, would have a material effect on the financial statements.

The most significant estimates with regard to the accompanying financial statements refer to: (i) the fair value of embedded derivatives of sales prices of lead, copper and zinc concentrates, which are set according to sales contracts that are subsequent to the delivery date, (ii) the fair value of derivative financial instruments, (iii) valuation of supplies and spare parts obsolescence, (iv) the useful life and recoverable value of mining rights and property, plant and equipment, (v) the determination of mineral reserves, (vi) the provision for closure of mining units, (vii) the provision for doubtful accounts, viii) the contingences and (ix) deferred income tax and workers' profit sharing. Any subsequent difference between such estimates and the actual disbursements will be posted to results in the year in which it occurs.

2.2. Summary of significant accounting principles and practices -

(a) Financial assets - Recognition and initial measurement and Subsequent measurement
The purchases or sales of financial assets that require delivery of the assets within a period of time established by regulation or by market convention (conventional transactions) are recognized on the date of the transaction, that is to say, on the date on which the Company is committed to sell the assets. The derivatives are recognized on the trade date.

The classification of financial instruments in its initial recognition depends on the purpose for which the financial instruments were acquired and characteristics. All financial assets are recognized at their fair value plus the direct costs initially attributed to the transaction, except for financial assets at fair value, for which any transaction costs derived are recognized in results.

To the date of the financial statements, the Company classifies its financial instruments in the following categories defined in the IAS 39: (i) financial assets and liabilities at fair value recognized in profit or loss, (ii) loans and accounts receivable, (iii) financial liabilities and (iv) hedging derivatives. At initial recognition, Management determines the classification of its financial instruments. The most relevant aspects of each category are described below:

(i) Financial assets at fair value through profit or loss -
Included derivative financial instruments of trading that are recognized in the balance sheet at their fair value. Their reasonable values are obtained based on market exchange rates and interest rates. All derivatives are considered as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains and losses from changes in their fair value are posted in the statement of income.

(ii) Loans and receivables -
The Company has the following accounts: cash, banks and time deposits, trade accounts receivable, miscellaneous accounts receivable and accounts receivable from affiliates in this category; they are stated at the transaction value, net of an allowance for doubtful accounts when applicable.

All such instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and Management has no the intention to settle them in a next future and have no risks different that its credit impairment.

After initial measurement receivables are subsequently carried at amortized cost using the effective interest method less any provision for impairment. The amount of the loss must be recognized in the statement of income.

The allowance for doubtful accounts is established if there is objective evidence that the Company will not be able to recover the amounts of the debts according to the original sales terms. As a result, Management periodically evaluates the sufficiency of the provision through the aging analysis of the accounts receivable and the collection statistics maintained by the Company. The allowance for doubtful accounts is recorded through the profit or loss of the year of determination of its necessity. In Management's opinion, the procedure allows the reasonable estimation of the allowance for doubtful accounts, in order to adequately hedge the risk of loss in the accounts receivable according to the market conditions where the Company operates.

(iii) Financial liabilities-

Financial liabilities include bank loans, trade accounts payable, other accounts payable, accounts payable to affiliates and long-term debt.

The financial liabilities are register when the Company is part of the instruments contracts. After initial measurement receivables are subsequently carried at amortized cost using the effective interest method less any provision for impairment. Amortized costs are computed considering any acquisition discount or premium and any commissions or costs that are an integral part of the effective interest rate.

(b) Derecognition of financial assets and liabilities

Financial Assets -

A financial asset is derecognized when (i) the rights to receive cash flow from such asset have ended ; or (ii) the Company has transferred its rights to receive cash flow from the asset or has assumed an obligation to pay all of the cash flow to a third party by virtue of a transfer agreement; and (iii) the Company has transferred substantially all of its risks and benefits from the asset or; not having transferred or retained substantially all of the risks and benefits from the asset, it has transferred its control.

Financial liabilities -

A financial liability is derecognized when the payment obligation ends, is paid or expires. When an existing financial liability is replaced by another one from the same borrower under significantly different conditions, or the conditions are materially amended, such replacement or amendment is treated as a derecognition of the original liability and a recognition of the new liability, recognizing the difference between the two in results for the period.

(c) Offsetting financial instruments -

Financial assets and liabilities are offset and the net amount reported in the balance sheet, if there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

(d) Cash and cash equivalents -

Cash, banks caption include all cash on hand and deposited in banks. For purposes of preparing the statement of cash flows, the cash balance includes the cash in hand, and the highly liquid deposits with original maturity of three months or less.

(e) Trade accounts receivable -

Trade accounts receivable are initially recognized at their fair value and subsequently measured at the amortized cost using the effective interest method, less the provision for impairment. The amount of allowance account is measured as the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at an original effective interest rate. The carrying amount of the receivable is reduced by means of an allowance account. The amount of the loss is recognized in the statement of income.

(f) Inventories -

Inventories are stated at the lower of cost or net realizable value. Net realizable value is defined as the estimated sales price obtainable in the ordinary course of business, less estimated costs of completion and estimated selling and distribution expenses. Cost is determined using the average cost method.

The accrual for obsolescence is based on an item-by-item analysis completed by the Company's management, and the related amounts are charged to expense in the period in which the obsolescence is deemed to have occurred.

(g) Property, plant and equipment -

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The cost comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimation of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repair and maintenance costs are charged to the cost of production during the period in which they are incurred.

Depreciation is calculated under the straight-line method of accounting considering the lower of estimated useful lives of the asset or estimated reserves of the mining unit. The useful lives are the following:

	Years
Buildings and other constructions	6
Machinery and equipment	Between 5 and 6
Transportation units	5
Furniture and fixtures	6
Other equipment	Between 5 and 6
Computing equipment	4

The useful lives assigned and the depreciation are reviewed periodically to ensure that are consistent with the economic benefit and life expectations for use of property, plant and equipment items.

When the assets are sold or retired, their cost and accumulated depreciation are eliminated and any profit or loss resulting from their disposal is reported in the statements of income.

(h) Exploration and mine development costs -

Exploration costs are charged to expense as incurred. When it is determined that a mineral property can be economically developed, the costs incurred to develop it, including the costs to further delineate the ore body and remove overburden to initially expose the ore body, are capitalized. In addition, expenditures that increase significantly the economic reserves in the mining units under exploitation are capitalized. Mine development costs are amortized using the units-of-production method, based on proven and probable reserves. On-going development expenditures to maintain production are charged to operations as incurred.

(i) Determination of mineral reserves and resources -

Annually, the Company computes its reserves using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed, which are audited by an independent third party, represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

The process for estimating the amount of reserves is complex and requires making subjective decisions at the time of assessing all the geologic, geophysical, engineering and economic data that is available. Revisions could be made of the current estimates of ore reserves due to, among other factors: revisions of the geologic data or assumptions; changes in estimated prices; and the results of exploration activities.

Changes in the amount of ore reserves could mainly affect the depreciation of fixed assets directly related to the mining activity and the period for amortization of development costs.

Currently, Management hires firms specialized at the global level for the inventory reserve audit of its mining unit.

(j) Impairment of non-financial assets -

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized on the statement of Income at the same category of expenses related to the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The revised valuation cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

(k) Provisions -

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and are adjusted to reflect the best estimate available as of the date of the balance sheet. The expense relating to any provision is presented in the statement of income. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. The accounting treatment of the provision for closure of mining units is described in (l) below.

(l) Provision for closure of mining units -

The Company records a provision for mine closure when a legally enforceable obligation arises, independently of the full depletion of the reserves. Once such obligation has been appropriately measured, which is presented at fair value, it is recorded by creating a liability equal to the amount of the obligation and recording a corresponding increase to the carrying amount of the related long-lived assets (mine development costs and property, plant and equipment). Subsequently, this liability is increased in each period to reflect the interest cost considered in the initial fair-value estimate and, in addition, the capitalized cost is depreciated and/ or amortized based on the useful life of the related asset. When settling the liability, the Company will record any gain or loss that is generated. Changes in the obligation's fair value or in the useful life of the related asset that arise from revision of those initially estimated are recognized as an increase or decrease in the book value of the obligation and the related asset.

(m) Derivative financial instruments -

The Company uses derivative instruments to manage its exposure to changes in metals prices. In order to manage special risks, the Company applies hedge accounting for those transactions that meet the specific criteria applicable.

At the beginning of the hedge relation, the Company formally documents the relationship between the item hedged and the hedging instrument, including the nature of the risk, the objective and the strategy to be taken to carry out the hedging, and the method to be used to estimate the effectiveness of the hedge relation.

Also, a formal assessment is made upon beginning the hedge relation, to assure that the hedging instrument is highly effective in offsetting the risk designated in the item hedged. Hedges are formally assessed every half. A hedge is considered as highly effective if it is expected that the changes in cash flow attributed to the risk hedged during the period for which the hedge is designated are offset within a range from 80 to 125 percent.

As of December 31, 2009 and 2008, the Company had contracted derivative instruments on metals quotes under the Asian swap and Collar option modes that qualify as cash-flow hedging instruments. For those cash flow hedges that qualify as such, any gain or loss from the effective portion of the hedging instrument is initially recognized in shareholders' equity. Any gain or loss from the ineffective portion of the hedging instrument is initially recognized in the statement of income. When the cash flow hedged affects the statement of income, any gain or loss from the hedging instrument is posted in the statement of income.

For cash flow hedges that qualify as such, the effective part of profit or loss over the hedging instrument is initially recognized in equity, in the "Unrealized gain (loss) on valuation of derivative financial instruments, net" caption. The ineffective portion of gain or loss of the hedging instrument is initially recognized in the statement of income in the "Financial expenses, net" caption. When the cash flow covered is recognized as profit or loss, the gain or loss in the hedging instrument is recorded in the "Sales" caption in the statement of income.

The embedded derivatives contained in the guest contracts are recorded as a separate derivative and recorded at fair value if the economic characteristics and related risks are not directly related to the guest contract and this contract has not been designated as a negotiable financial asset or designated at fair value through profit or loss. The gains and losses arising from changes in fair value of embedded derivatives are recorded in the statement of income.

(n) Recognition of revenues -

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company. The amount of revenue is measured at fair value of the consideration received excluding any discount. The following recognition criteria must also be met before revenue is recognized:

Sales of concentrates

Income from sales of concentrates are recognized when the significant risks and benefits of ownership are transferred to the customer, which happens on delivery of the minerals.

As far as the measurement of income from concentrate sales is concerned, concentrates sales are assigned a provisional value as the operation is subject to a final adjustment at the end of a period established in the contract, which is normally between 30 and 180 days after delivery of the concentrate to the client; the final adjustment is based on the market prices set forth in the commercial contract. Exposure to change in the price of the metals is considered an implicit derivative which should be separated from the commercial contract. At the close of each period, the provisional sale value is adjusted in accordance with the forward price for the period of quotation stipulated in the contract. The sale price for the quotation period can be measured accurately as these metals (lead, zinc and copper) are sold in international markets. The adjustment to the provisional sale value is recorded as an adjustment to net sales.

Interest received

The revenue is recognized when the interest accrues using the effective interest rate.

(o) Foreign currency transactions -

Functional and reporting currency

The Company has defined the U.S. dollar as its functional and reporting currency

Transactions and balances

Transactions in foreign currency (Nuevos Soles) are initially translated to the functional currency (U.S dollars) using the exchange rates in force at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of

exchange ruling at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.
Exchange differences resulting from the settlement of the transactions in foreign currencies and from the translation of the monetary assets and liabilities at the exchange rates at year-end, are recognized in the statement of income.

(p) Income Tax and workers´ profit sharing -
Current portion of the Income Tax and workers´ profit sharing
Income Tax and employee profit sharing for the current period are measured at the amount expected to be paid to the taxation authorities and workers, respectively. The rates and laws used to compute the amount are those in force as of the date of the balance sheet date.

Deferred portion of income tax and workers´ profit sharing
Deferred income tax and employee profit sharing are provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities.

Deferred income tax and workers´ profit sharing liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

All deductible temporary differences and loss carry forwards generate the recognition of deferred assets to the extent that it is probable that they can be used in calculating taxable income in future years. Deferred income tax and employee profit sharing liabilities are recognized for all deductible temporary differences and tax loss carry-forwards, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of the deferred income tax and employee profit sharing assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilized. Unrecognized deferred assets are reassessed at each balance sheet date.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(q) Contingencies -
Contingencies liabilities are recorded in the financial statements when it is probable their occurrence and they can be fairly determined. In other case, they are only disclosed in notes to the financial statements.

Contingent assets are not recognized in the financial statements; however, they are disclosed in notes to the financial statements if it is probable that such contingent assets will be realized.

(r) Basic and diluted earnings per share -

Basic and diluted earnings per share have been calculated based on the weighted average number of common and investment shares outstanding at the date of the balance sheets.

(s) Comparative financial statements -

There were no material reclassifications with respect to the balances as of December 31, 2009 in order to make them comparable with those of the year 2008.

(t) The following standards are issued internationally as of December 31, 2009, but they have not been approved by the Peruvian Accounting Standards Board (CNC) and have not been applied by the Company:

- IFRS 2 (revised 2008) "Share-based Payments; Vesting conditions and cancellation", effective for periods that begin on or after January 1, 2009.

- IFRS 2 (revised 2009) "Share-based Payments: Group of transactions cash settled and share-based payment ", effective for periods that begin on or after January 1, 2010.

- Revision of IAS 1, IAS 23, IAS 27, IAS 32, IAS 39 and IFRS1, effective for periods that begin on or after January 1, 2009.

- Revision of IFRS 3 and IAS 27, effective for periods that begin on or after July 1, 2009.

- IFRS 9 “Financial Instruments”, that modified the classification and measurement of financial assets established on IAS 39 “Financial instruments: Recognition and Measurement”, it is mandatory internationally for periods beginning on or after January 1, 2013.

- IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”, effective for periods beginning on or after June 30, 2009.

- IFRIC 15 “Agreements for the Construction of Real estate”, effective for periods beginning on or after January 1, 2009.

- IFRIC 16 “Hedges of a net investment in a Foreign Operation”, effective for periods beginning on or after October 1, 2008.

- IFRIC 17 “Distributions of non cash-assets to owners”, effective internationally for periods beginning on or after July 1, 2009.

- IFRIC 18 "Transfers of Assets from Customers", effective internationally for periods beginning on or after July 1, 2009.

- "Improvements to IFRS" – Within in project scope to amend IFRS, in May 2008 and April 2009, the IAS adopted and published amendments to several international standards, covering a wide array of accounting issues. The amendments fall into two categories: 1) amendments related to disclosure, recognition and measurement that have accounting implications, and 2) amendments related to the terms and reduction of international standard s which are expected to have minimal effect, if any, in the accounting issues. The amendments were aimed primary to eliminate inconsistencies, clarify the text and its adoption would result in changes to accounting policies. The amended standards are: IFRS 2, 5, 7 y 8; IAS 1, 7, 8, 10, 16, 18, 19, 20, 23, 27, 28, 31, 34, 36, 38, 39 y 40; and IFRICs 9 and 16.

As of this date, the Company's management is analyzing the impact of those standards and interpretations that have not been yet approved by the CNC but will have on its operations once such standards are approved for application in Peru.

3. Foreign currency transactions

Translations to foreign currency (Nuevos Soles) are completed using exchange rates published by the Superintendencia de Banca y Seguros y AFP. As of December 31, 2009, the exchange rates published by this Institution were US$0.3463 for buying and US$0.3459 for selling U.S. dollars (US$0.3188 for buying and US$0.3183 for selling as of December 31, 2008) and have been applied for the assets and liabilities accounts, respectively.

As of December 31, 2009 and 2008, the Company had the following assets and liabilities denominated in foreign currency:

	2009 S/(000)	2008 S/(000)
Assets		
Cash, banks and time deposits	41,656	123,133
Trade accounts receivable, net	787	1,423
Prepaid income tax	-	19,713
	42,443	144,269
Liabilities		
Trade accounts payable	1,090	1,883
Other current liabilities	34,588	21,290
Tax income payable	6,048	-
	41,726	23,173
Net asset position	717	121,096

As of December 31, 2009 and 2008, Management has decided to assume the currency risk set by this position. As a result, no hedging operations with derivatives to cover the currency risk have been taken.

4. Cash, banks and time deposit

(a) This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Cash	38	21
Bank accounts (b)	4,412	3,467
Time deposits(c)	173,625	167,227
Cash balances included in the statement of cash flows	178,075	170,715
Time deposits with original maturity greater than 90 days (d)	-	22,365
	178,075	193,080

(b) As of December 31, 2009 and 2008, the Company maintains its demand deposit accounts mainly in foreign currency. These funds are unrestricted, are deposited in domestic and foreign banks and earn interest at prevailing market rates.

(c) As of December 31, 2009, the Company holds deposits in U.S. dollars of US$161,000,000, which accrue interest rates calculated with annual rates that fluctuate between 0.45% and 1.00% and have original maturities between 62 and 90 days. Similarly, the Company holds time deposits in Nuevos Soles of S/36,500,000 (equivalent to US$12,625,000), which accrue interest rates calculated with annual rates that fluctuate between 1.05% and 1.35%. As of December 31, 2008, it corresponded to deposits in U.S. dollars of US$135,400,000 and in Nuevos Soles of S/100,000,000 (equivalent to US$31,827,000), which accrue interest rates that fluctuated between 6.75% and 7.20% and had original maturities between 30 and 90 days.

(d) As of December 31, 2008, the Company holds time deposits in Nuevos Soles of S/20,000,000 (equivalent to US$6,365,000) and in U.S. dollars of US$16,000,000, which accrue interest rates at an annual average rate of 6.30% and have original maturities not exceeding 96 days.

5. Trade accounts receivable, net

(a) This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Consorcio Minero S.A. - CORMIN	18,070	8,422
Glencore International AG	11,144	972
Louis Dreyfus Commodities Metals	9,016	1,364
Doe Run Perú	4,132	1,792
Votarantim Metais Cajamarquilla	3,306	4,090
Other	1,068	839
	46,736	17,479
Provision for doubtful accounts (b)	(4,132)	(295)
	42,604	17,184

Trade accounts receivable are denominated in U.S. dollars and have the issue date of the proof of payment as maturity.

(b) In accordance with the analysis conducted by Management, an account receivable is deemed as impaired when it has been classified as an uncollectible account and, therefore, has been provisioned in the statement of income. As of December 31, 2008 and 2009, the Company's Management believes that the Company has no bad debt in addition to the accounts receivable provisioned as doubtful accounts, since its main customers have recognized prestige in the international market and did not show financial problems at the period's close. Also, even though it holds some accounts receivable aged between 90 and 180 days, these are not considered as overdue since they are in the normal process of confirming the final grades of the concentrated sold, which process could take between one and six months starting from issuance of the provisional settlement.

(c) The movement of the allowance for doubtful trade accounts receivable for the years ended December 31, 2009 and 2008 was the following:

	2009 US$(000)	2008 US$(000)
Opening balance	295	-
Additions, note 20	4,132	295
Deductions	(295)	-
Closing balance	4,132	295

In Management's opinion, the allowance for doubtful accounts as of December 31, 2009 and 2008 adequately covers the credit risk of these parties to those dates.

6. Inventories, net

(a) This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Stockpiles (b)	6,147	2,514
Supplies and spare parts	3,344	3,326
Inventory in transit	590	1
Concentrates	271	245
	10,352	6,086
Provision for supplies and spare parts obsolescence (c)	(13)	(35)
	10,339	6,051

(b) The composition of the mineral is presented below:

	2009 US$(000)	2008 US$(000)
Zinc and lead mineral (Zn, Pb)	5,796	2,439
Copper mineral (Cu)	351	75
	6,147	2,514

As of December 31, 2009, the Company holds a stock of 222,747 TMS of zinc and lead mineral and 7,737 TMS of copper mineral (197,401 TMS and 4,040 TMS as of December 31, 2008, respectively) that will be treated in the concentrator plant in the year 2010.

(c) Accrual for spare parts and supplies obsolescence had the following movements during 2009 and 2008:

	2009 US$(000)	2008 US $(000)
Beginning balance	35	44
Allowance for the year	13	35
Write-off	(35)	(44)
Ending balance	13	35

In Management's opinion, the reserve above created is sufficient to cover the risks of obsolescence as of December 31, 2009 and 2008.

7. Property, plant and equipment, net

(a) The movement with the cost and accumulated depreciation accounts as of December 31, 2009, is show below:

	Beginning balance US$(000)	Additions US$(000)	Transfers and adjustment US$(000)	Retires US$(000)	Ending balance US$(000)
Cost					
Land	296	-	-	-	296
Building and other constructions	30,238	-	(101)	(497)	29,640
Machinery and equipment	23,642	-	527	(375)	23,794
Transportation units	1,541	-	-	-	1,541
Furniture and mixtures	404	-	(1)	(14)	389
Other equipment	5,436	-	214	(67)	5,583
Units in transit	11	1,068	(833)	-	246
Work in progress (e)	8,606	13,964	5	-	22,575
Mine closure costs	11,719	-	-	-	11,719
	81,893	15,032	(189)	(953)	95,783
Accumulated depreciation					
Buildings and other constructions	17,687	5,227	(126)	(446)	22,342
Machinery and equipment	17,124	2,244	-	(346)	19,022
Transportation units	1,401	41	-	-	1,442
Furniture and fixture	282	50	-	(14)	318
Other equipment	1,599	216	-	(62)	1,753
Mine closure costs	4,719	1,757	-	-	6,476
	42,812	9,535	(126)	(868)	51,353
Net cost	39,081				44,430

(b) Fully depreciated assets as of December 31, 2009 amount to US$20,359,000 (US$17,177,000 as of December 31, 2008) approximately. These assets are being used by the Company.

(c) In the year 1993, as a result of the analysis and physical inventory of fixed asset of the Company, the Management decided to assign fair values to certain assets based on valuation made by an independent expert. Since that date, these values have been considered as the new cost base for these assets. As of December 31, 2009, the net cost assigned to these assets amounts to US$1,218,000 (US$1,633,000 as of December 31, 2008).

(d) The distribution of the annual depreciation expenses for 2009 and 2008 is as follow:

	2009 US$(000)	2008 US$(000)
Cost of sales, note 17	9,186	7,844
General and administrative, note 20	327	324
Exploration costs in non-operational mining sites	22	22
	9,535	8,190

(e) The table below presents the composition of the works in progress:

	2009 US$(000)	2008 US$(000)
Optimization of the Río Blanco – Jupayragra Hydroelectric Power Station	6,942	1,140
Expansion of tailings fields Nos. 6 and 7	5,419	1,540
Implementation of the Lead – copper separation circuit	3,561	1,376
Optimization of the pumping system of the Lead and Zinc processing plant	2,899	2,268
Drainage System	1,263	-
Installation of reactive distribution and dosage system	914	338
Other minor activities	1,577	1,944
	22,575	8,606

Management expects that the works in progress will be completed during the year 2010.

(f) As of December 31, 2009, under the application of the IAS 36 "Impairment of Assets," the Company's Management performed an evaluation of the value of its fixed assets through the present value of the future cash flows in U.S. dollars expected to arise from these assets. In Management's opinion, during 2009 there have not been indicators of impairment of the Company's fixed assets. As a result, Management has concluded that it is not required to record a loss due to impairment of long term assets.

8. Project for the expansion of operations

On August 15, 2008, the Board of Directors of the Company approved a project to expand its operations in order to reach a treatment level of 18,000 MT/day of ore from its Tajo Norte and Marcapunta mines. The project involves setting up the open pit, expanding the level of operations, modernizing the Huaraucaca concentrator plant and adapting those services required to support the new production capacity. This project will allow the use of minerals of lower ore grade of lead-zinc of the La Llave flank and of copper of Marcapunta Norte.

As of December 2009 and 2008, the Company executed the following work related to the Project for the expansion of operations, whose costs based on the economic viability of the project made by the Management, has been capitalized:

	2009 US$(000)	**2008** US$(000)
Enhancement of the benefit plant to 18,000 TMD	47,605	3,635
Tajo Norte – Marcapunta Norte expansion	15,801	15,036
Optimization of the crushing plant and the conveyor belt	2,741	760
Feasibility study	2,082	1,429
Enhancement of the electrical system	1,510	66
Construction of Huachuacaja tailings area	1,389	635
Other minor activities	2,030	50
	73,158	21,611

9. Trade accounts payable

This item is made up as follows:

	2009 US$(000)	**2008** US$(000)
Domestic suppliers	10,653	8,557
Foreign suppliers	2,540	68
	13,193	8,625

These trade accounts payable are mainly denominated in U.S. dollars, have current maturities and accrue no interest.

10. Other current liabilities

The table below presents the composition of the caption:

	2009 US$(000)	2008 US$(000)
Worker's profit sharing and other remunerations	7,934	7,452
Board members' remuneration payable	1,835	750
Mining royalty payable	917	222
Voluntary and temporal contribution to Peruvian State, note 21	819	828
Value added tax and other taxes	750	705
Provision for labor contingencies	401	412
Dividends payable	103	279
Other	339	265
	13,098	10,913

11. Environmental liabilities

(a) Provision for mine closing- In order to comply with the in force environmental legislation related to the current operation mine closing, in August 2006 the Company hired an independent firm authorized by the Peruvian State to elaborate the mine closing plan for its mining unit of Colquijirca. The objectives of the study were:

- Guarantee the adequate environmental protection around the area that surrounds the mining units through the execution of measures and works, applying technologies aimed at risk control, land stabilization and the retention of physical and chemical discharges, with pollution prevention being the primary consideration.

- To achieve sustainability of the economic and social environment in the zone and enabling the land to be used profitably once closure has been completed.

- Fulfill with current environmental protection regulations adopting international parameters about environmental protection.

- Estimating the useful life of the mine, in order to regulate the obligations and procedures that mine owners must comply with, and making the respective annual environmental guarantee provisions to cover the estimated cost of the closure plan and ensure that no environmental liabilities are left to affect the surroundings or the socioeconomic component.

Base of this study the Company estimates that the provision for closure of the mining unit (currently operating) amounts to approximately US$16,051,000 as of December 31, 2009.

On August 15, 2006, the closure plan of the Colquijirca production unit was presented to the Ministry of Energy and Mines (MEM) for its revision and approval. To date, the MEM has performed some formal observations to the closure plan presented by the Company, which have been answered by the Company's Management. On March 20, 2009, the Ministry of Energy and Mines issued a Directorial Resolution No 064-2009-MEM/AAM, which approves the Closure Plan of the Colquijirca Mining Unit. Nevertheless, as a result of the project for the expansion of operations, described in note 8, Management is obliged to present to MEM an environmental impact study that will include an update of the Colquijirca production mine site closing plans. As a consequence, the budget and the schedule of execution will be updated. To date, the study has been delegated to a specialized firm, and is expected to be completed during the second quarter of the year 2010, in which, has mentioned, the provision for closure of mining units recorded to date will be updated. Taking into account that Management expects the schedule of execution of activities related to the mine site closure to be done starting 2011, it has decided that all the provision for closure of the Colquijirca mining unit, amounting to US$16,588,000, must be disclosed as a non-current provision.

(b) Mining environmental liability-

In compliance with existing legislation governing the restoration of areas affected by environmental liabilities, in October 2006 the Company hired a specialist company authorized by the Peruvian state to draw up a closure plan for the Santa Barbara mine environmental liabilities.

The Santa Barbara mine has not been operative since the 1970s, so there is no environmental impact study (EIS) or Environment Program (PAMA). Thus it is deemed necessary to draw up a "Santa Barbara Mine Environmental Liabilities Closure Plan", a technical document that will determine not only the strategies, criteria and most viable measures for remedying the environmental liabilities; but will also determine the exact investment that these activities will require. The Santa Barbara mine environmental liabilities involve the physical and chemical stabilization of open pits, tailings ponds, spoil dumps, mine entrances, camps, etc., as well as the recovery of soils and replanting. The estimated value of this liability amounts to US$4,980,000 as at December 31, 2009.

On December 11, 2006 the closure plan for Santa Barbara mine environmental liabilities was submitted to the Ministry of Energy and Mines (MEM) for review and approval. The MEM has not yet approved the environmental liabilities closure plan and the budget included in the document. Management expects to start in 2010 with the execution of the mining environmental liability. As a result, Management has decided that all the provision for the environmental liability, amounting US$4,980,000, must be disclosed as a non-current liability.

(c) The movement of the provision for mine closing and environmental liabilities is as follow:

	US$(000)
Balance as of January 1, 2008, note 24(a)	20,046
Expense	1,198
Payments	(213)
Balance as of December 31, 2008, note 24(a)	21,031
Expense	1,265
Payments	(728)
Balance as of December 31, 2009, note 24(a)	21,568

The breakdown of the provision for mine closure and environmental liabilities is as follows:

	2009 US$(000)	**2008** US$(000)
Current portion	-	-
Non – current portion	21,568	21,031
	21,568	21,031

(d) As of December 31, 2009, the future value of the provision for closure of mining units amounts US$20,204,000, which has been discounted using the adjusted annual risk-free rate of 8 percent, resulting in an updated liability of US$16,588,000. The Company believes that this liability is sufficient to comply with the environmental protection laws in effect approved by the Ministry of Energy and Mines.

12. Deferred income tax and workers' profit sharing

(a) The deferred income tax and workers' profit sharing liability movement is made up as follows for the years 2009 and 2008:

	2009 US$(000)	2008 US$(000)
Workers' profit sharing		
Current	(6,941)	(6,826)
Deferred	(330)	(937)
	(7,271)	(7,763)
Income tax		
Current	(23,948)	(23,548)
Deferred	(1,138)	(3,234)
	(25,086)	(26,782)
	(32,357)	(34,545)

(b) The deferred income tax and workers' profit sharing asset and liability movement is made up as follows:

	Balance as of January 1°, 2008 US$(000)	Credit (debit) to the statement of income US$(000)	Debit to the statement of changes in shareholders' equity US$(000)	Balance as of December 31, 2008 US$(000)	Credit (debit) to the statement of income US$(000)	Debit to the statement of changes in shareholders' equity US$(000)	Balance as of December 31, 2009 US$(000)
Deferred asset							
Difference in depreciation rates	2,561	203	-	2,764	2,056	-	4,820
Provision for mine closure	2,236	976	-	3,212	816	-	4,028
Unrealized gain on derivative financial instruments	-	-	-	-	-	2,435	2,435
Environmental liability of the mining unit Santa Bárbara	1,773	-	-	1,773	-	-	1,773
Mining royalties	508	(429)	-	79	247	-	326
Embedded derivative for selling of concentrates	2,051	904	-	2,955	(2,955)	-	-
Others	188	(139)	-	49	41	-	90
	9,317	1,515	-	10,832	205	2,435	13,472
Deferred liability							
Amortization of mine development costs	1,332	(5,849)	-	(4,517)	(54)	-	(4,571)
Embedded derivative for selling of concentrates	-	-	-	-	(1,722)	-	(1,722)
Market value allocation of fixed assets, note 7(c)	(497)	163	-	(334)	103	-	(231)
Unrealized gain on derivative financial instruments	(2,835)	-	(23,629)	(26,464)	-	26,464	-
	(2,000)	(5,686)	(23,629)	(31,315)	(1,673)	26,464	(6,524)

(c) The reconciliation of the legal combined rate with the effective rate of workers' profit sharing and income tax for the years 2009 and 2008 is shown below:

	2009 US$(000)	%	2008 US$(000)	%
Income before workers' profit sharing and income tax	112,585	100	96,537	100
Expected income tax and workers' profit sharing according to the legal combined rate	(40,080)	(35.6)	(34,367)	(35.6)
Tax exempt financial income	828	0.7	3,609	3.7
Loss (gain) on currency exchange difference not deductible	596	0.5	(3,239)	(3.4)
Effect for translation of the tax basis held in Nuevos Soles into U.S. Dollars	5,550	4.9	(567)	(0.6)
Other minor activities	749	0.8	19	0.1
Income tax and workers' profit sharing expense	(32,357)	(28.7)	(34,545)	(35.8)

13. Shareholders' equity, net

(a) Capital stock -

As of December 31, 2009 and 2008, the Company's capital stock is represented by 103,893,888 fully subscribed and paid common shares, with a nominal value of one Peruvian Nuevo Sol each.

The capital stock structure as of December 31, 2009 and 2008 is shown below:

	Number of shareholders		Participation	
	2009	**2008**	**2009**	**2008**
Percentage				
Less than 0.20%	3,458	3,568	5.49	6.05
From 0.20 to 1.00%	17	13	9.47	5.82
From 1.01 to 5.00%	10	9	25.66	28.75
From 5.01 to 10.00%	1	1	8.32	8.32
From 10.01 to 100.00%	1	1	51.06	51.06
Total	3,487	3,592	100.00	100.00

The market value of the common shares is S/44 as of December 31, 2009 (S/14.10 as of December 31, 2008), and presents a negotiation frequency rate of 100 percent (90 percent as of December 31, 2008).

(b) Investment shares -

As of December 31, 2009 and 2008, this caption corresponds to 6,211,348 investment shares, with a nominal value of one Peruvian Nuevo Sol each.

The market value of the common shares is S/31.50 as of December 31, 2009 (S/10.40 as of December 31, 2008), and presents a negotiation rate of 55 percent (40 percent as of December 31, 2008).

The owners of investment shares have rights to the dividend distribution according to the by-laws of the Company and Law 27028, Law that replaces the work shares by investment shares.

(c) Legal reserve -

According to the *Ley General de Sociedades* (General Corporations Law), a minimum of 10 percent of distributable income in each year, after deducting income tax, shall be transferred to a legal reserve, until such reserve is equal to 20 percent of capital stock. This legal reserve may be used to offset losses or may be capitalized; however, if used to offset losses or if capitalized, the reserve must be replenished with future profits.

(d) Dividend distribution -

The General Shareholders' Meeting held on March 26, 2008 approved the payment of dividends in cash of US$28,626,000 corresponding to the retained earnings as of December 31, 2007. The Board of Director's Meeting held on October 22, 2008 agreed the payment of dividends corresponding to the earnings of the year 2008 for US$6,606,000.

The General Shareholders' Meeting held on March 26, 2009 approved the payment of dividends in cash of US$30,829,000, corresponding to the retained earnings as of December 31, 2008. The Board of Director's Meeting held on October 22, 2008 agreed the payment of dividends corresponding to the earnings of the year 2009 for US$24,223,000.

14. Hedge derivative financial instruments

The Company's policy is to carry out metal price hedging operations using any of the derivatives instruments existing in the financial market, for a period of up to 3 years and a total not more than 25% of the estimated metal production each year. In the session held on February 23, 2007, the Company's Board of Directors appointed a Hedging Committee to be responsible for approving all hedging operations before contracting and/or executing. To carry out its price hedging operations, the Company has credit lines with the brokers in the London Metals Exchange (LME).

(a) Mineral price hedging operations -

Hedge contracts "Asian Swaps" - During 2008 the Company entered into metal price hedging contracts (Asian swaps) to cover future cash flows from its sales. The critical terms of these hedge operations have been negotiated with brokers so that they agree with the negotiated terms of the commercial contracts to which they are related.

Hedging contracts: Zero cost collar options -

During 2009, the Company subscribed three price-hedging zero cost option contracts to insure future flows originating from its sales of 2010 and 2011. The critical terms of hedging transactions have been negotiated with the brokers so as to agree with the terms negotiated in the related commercial contracts.

These hedging options establish a maximum and a minimum price. When the average price for the quotation period is above the maximum price established, the purchase option in favor of the counterpart is activated, generating a payment to the Company of the difference between the two prices. On the other hand, when the average price for the quotation period is below the minimum price established, the sale option in favor of the Company, resulting in receipt of the difference between the two prices.

The hedging operations in effect as of December 31, 2009 are the following:

Metal	**Monthly average amount TMF**	**Total Amount TMF**	**Fixed average price per TMF** US$	**Period**	**Fair value** US$(000)
Zero cost collar-option contracts ("Cashless collars")					
Copper	50	150	5,500 – 7,063	January 2010 - March 2010	(78)
Copper	125	1,125	5,500 – 7,063	April 2010 - December 2010	(969)
Copper	150	1,800	5,500 – 7,063	January 2011 - December 2011	(1,808)
Copper	50	150	6,000 – 7,050	January 2010 - March 2010	(76)
Copper	125	1,125	6,000 – 7,050	April 2010 - December 2010	(847)
Copper	150	1,800	6,000 – 7,050	January 2011 - December 2011	(1,552)
Copper	50	150	5,500 – 8,020	January 2010 - March 2010	(25)
Copper	125	1,125	5,500 – 8,020	April 2010 - December 2010	(478)
Copper	150	1,800	5,500 – 8,020	January 2011 - December 2011	(1,145)
Fair value of options					(6,978)
Asian swap contracts					
Zinc	675	3,375	2,621	February 2010 - June 2010	198
Zinc	425	2,550	2,481	July 2010 - December 2010	(340)
Lead	625	3,125	2,145	January 2010 - June 2010	518
Lead	625	3,750	2,568	July 2010 - December 2010	342
Lead	300	1,800	2,145	January 2011 - June 2011	(583)
Fair value of swap contracts					135
Total fair value of hedging instruments					(6,843)
Less – non-current portion					(5,375)
Current portion					(1,468)

The fair value of the derivative hedging instruments held as of December 31, 2008 was US$74,337,000, which is presented in the "Derivative financial instruments" caption of the balance sheet (with a US$52,873,000 and US$21,464,000 current and non-current composition, respectively).

Price hedge operations for cash flow from the next few years' sales have been evaluated by the Management and found to be highly effective. The effectiveness of hedging operations was measure using the flow-compensation method, a method that the Company's management considers best reflects the risk management aim relating to the hedging operations.

As of December 31, 2009, the Company held accounts receivable of US$1,703,000 from London Metal Exchange brokers as a result of the hedging transactions settled as of December 31, 2009 (US$11,314,000 to December 31, 2008), which is presented in the "Other accounts receivable" caption of the balance sheet.

(b) The change in the "Unrealized gain (loss) on derivative financial instruments for hedging, net" equity account is as follows:

	Hedge derivative financial instruments US$(000)	**Income tax and workers' profit sharing** US$(000)	**Unrealized gain (loss) on derivative financial instruments for hedging, net** US$(000)
Balance as of January1, 2008	7,964	(2,835)	5,129
Gains from hedging transactions settled during the period, nota 16 (b)	(21,403)	7,619	(13,784)
Unrealized gain on derivative financial instruments for hedging	87,776	(31,248)	56,528
Total change in derivative financial instruments for hedging	66,373	(23,629)	42,744
Balance as of December 31, 2008	74,337	(26,464)	47,873
Gains from hedging transactions settled during the period, nota 16 (b)	(28,005)	9,970	(18,035)
Unrealized losses on derivative financial instruments for hedging	(53,175)	18,930	(34,245)
Total change in derivative financial instruments for hedging	(81,180)	28,900	(52,280)
Balance as of December 31, 2009, (see (a))	(6,843)	2,436	(4,407)

(c) Embedded derivatives from changes in the provisional prices of commercial settlements -
As indicated in Note 2(n), exposure to risk by price variations of zinc, lead and copper is considered as an embedded derivative and is separated from de commercial contract.

As of December 31, 2009 and 2008, the provisional settlements (in dry metric tons of zinc, lead and copper) maintained on that date, their final liquidation periods of final settlement and the fair value of the embedded derivatives are as follows:

As of December 31, 2009

			Prices		
Metal	**Quantity**	**Maturity 2010**	**Provisional** US$	**Futures** US$	**Fair Value** US$(000)
Zinc	40,671 DMT	January - February	Between 1,884 y 2,376	Between 2,585 y 2,574	1,527
Lead	15,893 DMT	January - February	Between 1,900 y 2,329	Between 2,455 y 2,445	116
Copper	17,211 DMT	January - February	Between 5,216 y 6,982	Between 7,399 y 7,389	3,195
					4,838

As of December 31, 2008:

			Prices		
Metal	**Quantity**	**Maturity 2009**	**Provisional** US$	**Futures** US$	**Fair value** US$(000)
Zinc	55,150 DMT	January	Between 1,101 to 1,895	Between 1,101 and 1,852	(850)
Lead	20,759 DMT	January - February	Between 963 to 1,926	Between 963 and 1,480	(2,890)
Copper	22,540 DMT	January - March	Between 2,917 to 8,669	Between 3,072 and 3,717	(4,559)
					(8,299)

As of December 31, 2009 and 2008, the fair value of the embedded derivative is a gain of US$4,838,000 and a loss of US$8,299,000, respectively and is shown in the "Net Sales" caption of the income statement. Forward prices on the dates on which it is expected to settle the open positions as of December 31, 2009 are taken from publications of the London Metals Exchange.

15. Taxation

(a) The Company is subject to Peruvian Tax Law. As of December 31, 2009, the statutory income tax rate in Peru was 30 percent.

Non - domiciled companies in Peru and individuals must pay an additional tax of 4.1 percent over received dividends.

(b) The tax authorities are legally entitled to review and, if necessary, adjust the income tax calculated by the Company during the four years subsequent to the year of the related tax return filing. During 2006, the tax authorities reviewed the income tax for 2003 and determined additions to the book income by S/2,292,018 (equivalent to US$729,477) by omission of sales (undue deductions of freights and insurances when exporting concentrates), resulting in a reduction of the tax loss carry forward of that year. The tax assessment of S/343,803 (equivalent to US$118,922, without considering interest as of December 31, 2009) has not been accepted by the Company and is under claim.

The Company's income tax return and value added tax returns of 2005 to 2009 are still subject to review by the tax authorities. Due to various possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Company. In the event that additional taxes payable, interest and surcharges result from tax authority reviews, they will be charged to expense in the period assessed and paid. However, in Management's and legal advisors' opinion, any additional tax assessment would not be significant to the financial statements as of December 31, 2009 and 2008.

(c) With the purpose of determining the income tax and the value added tax, the transfer prices among related parties and for transactions with companies domiciled in countries considered tax havens, prices should be supported by documentation containing information about the valuation methods applied and criteria used in its determination. Based on an analysis of the Company's operations, Management and its legal advisors do not believe that the new regulations will result in significant contingencies for the Company as of December 31, 2009 and 2008.

16. Net sales by geographic region

(a) The Company's revenues primarily result from the sale of zinc, lead and copper concentrates. The following table shows net sales by geographical region:

	2009 US$(000)	2008 US$(000)
Peru	190,101	136,852
Asia	30,627	41,198
Africa	-	14,080
America	-	5,097
	220,728	197,227

(b) The following table shows net sales by concentrates:

	2009 US$(000)	2008 US$(000)
Zinc	82,245	88,331
Lead	57,267	65,323
Copper	47,835	30,327
Others	538	142
	187,885	184,123
Embedded derivative on sale of concentrates, note 14(b)	4,838	(8,299)
Hedging, note 14(a)	28,005	21,403
	220,728	197,227

(c) In 2009, the Company's three largest customers accounted for 38%, 31% and 9%, respectively, of total sales (32%, 17% and 12% of total sales in 2008). As of December 31, 2009, 90% of the trade accounts receivable is related to these customers (83% as of December 31, 2008).

17. Cost of sales

This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Beginning balance of concentrates, note 6(a)	245	1,863
Beginning balance of ore in tailing field, note 6(a)	2,514	6,387
Consumption of materials and supplies	11,794	11,771
Direct labor	4,992	5,156
Services provided by third parties	37,535	23,665
Other manufacturing expenses	14,651	11,333
Depreciation, note 7(d)	9,186	7,844
Purchase of concentrate from related party, note 23	14,120	-
Less – Final balance of concentrates, note 6(a)	(271)	(245)
Less – Final balance of ore in tailing field, note 6(a)	(6,147)	(2,514)
	88,619	65,260

18. Exploration in non-operating areas

The expenses incurred in 2009 and 2008 by exploration area:

	2009 US$(000)	2008 US$(000)
Marcapunta Oeste	3,196	7,118
Marcapunta Norte	308	3,549
La Llave	276	2,591
Others	217	326
	3,997	13,584

19. Selling expenses

This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Transport and freight concentrates	3,876	8,339
Loading and unloading of concentrate	210	534
Storage of concentrates	193	293
Supervision and assays	173	203
Personnel expense	98	120
Custom duties	71	170
Service fees	37	209
Others	59	129
	4,717	9,997

20. General and administrative expenses

(a) This item is made up as follows:

	2009 US$(000)	2008 US$(000)
Allowance for doubtful accounts, note 5(c)	4,132	295
Personnel expenses	2,850	2,961
Board members' remuneration (b)	750	750
Services provided by third parties	449	589
Depreciation, note 7(d)	327	324
Various expenses	325	651
Taxes	298	381
	9,131	5,951

(b) According to the policies on the Board member's remuneration approved during the Board of Directors' Meeting held on July 12, 2007, since 2007, Board member's remuneration will amount to the lesser of 4 percent of annual net income less the statutory reserve, or the equivalent to US$50,000 for each director.

21. Voluntary and temporary contribution to Peruvian State

On January 16, 2007 the Company signed an agreement entitled "Mining Program Involving the People" with the Peruvian State, assuming a commitment to create private funds from extraordinary and temporary voluntary economic contributions to promote welfare and social development and to help to improve the living conditions of the population and communities located principally in the areas of influence of mining projects, through works, projects and/or projects.

In year 2009, the economic contribution amounted to US$819,000 (US$828,000 as of December 31, 2008).

On April 8, 2009 the Company handed over to "Asociación Civil sin Fines de Lucro Don Eulogio Fernandini" a voluntary contribution corresponding to fiscal year 2008, US$166,000 (equivalent to S/521,000) for the creation of a Local Mining Fund and US$662,000 (equivalent to S/2,082,000) for the creation of a Regional Mining Fund. Details of the voluntary, temporary economic contribution to the mining fund are given below:

	2009 US$(000)	2008 US$(000)
Voluntary and temporary contribution to "Programa Minero de Solidaridad con el Pueblo"		
Local Mining Fund	163	166
Regional Mining Fund	656	662
	819	828

22. Basic and diluted earnings per share

The computation of basic and diluted earnings per share for the years ended December 31, 2009 and 2008 is presented below (in thousands of U.S. dollars, except for the number of shares):

	2009	2008
Net income	80,228	61,992
Common and investment shares	110,105,236	110,105,236
Basic and diluted earnings per share	0.7286	0.5630

23. Transactions with related parties

(a) For the year 2009, the Company signed a commercial contract with Compañía de Minas Buenaventura S.A.A. for the purchase of gold and silver concentrates from the Orcopampa mining unit. The provisional sales value are estimated based on the average price of the month of delivery, whereas the final price adjustments are adjusted based on the average price of the quotation period, which normally is the month after the delivery. The concentrate value purchased by Compañía de Minas Buenaventura S.A.A. during 2009 for US$14,120,000 has been mixed with the copper concentrate and is part of the production cost. See note 17.

During 2009 and 2008, the Company contracted a storage service of supplies to Compañía de Minas Buenaventura S.A.A for approximately US$27,000 per year. Similarly, during 2009, the Company contracted the services of supervision of the "Project for the expansion of operations" to Buenaventura Ingenieros S.A. for approximately US$1,092,000 and USS$465,000, respectively.

The Company maintains liabilities with related parties as of December 31, 2009 for an approximate amount of US$455,000.

(b) The Board members' remuneration and Management's remuneration were approximately US$2,228,544 during 2009 (approximately US$2,571,410 in 2008), and include current benefits, labor benefits and others.

24. Commitments and contingencies

(a) Environmental matters -

The Company's mining and exploration activities are subject to environmental protection standards. In order to comply with these standards, the Company has presented the preliminary studies covering Environmental Assessment (EVAP) and the Environmental Adjustment and Management Program (PAMA) for Colquijirca Mining Unit. In 1996, the Ministry of Energy and Mines approved the PAMA submitted by the Company, as required by the Supreme Decree No. 016-93-PM and Supreme Decree No. 059-93-EM (Regulations for Environmental Protection in the Mining-Metallurgic al Industry). The activities as defined in the PAMA were completed as of December 31, 2003.

On October 14, 2003, the Congress issued the Law 28090 which regulates the procedures and commitments that the mining activities must follow in order to elaborate, file and implement a mining site closing plan, as well as establishes the constitution of a guarantee to assure the compliance of the committed plan in connection with protection, conservation and recovery of the environment. On August 15, 2005 the corresponding ruling was approved.

In relation with the environmental monitoring procedures, the Company continues with the development of permanent activities of environmental adjustment and management program –

PAMA executing proactive activities over the areas affected by environmental liabilities and the treatment of acid water.

As of December 31, 2009, the Company has recognized liabilities of US$21,568,000 (US$21,031,000 as of December 31, 2008) in connection with its future obligations for the closing of the mining unit, see note 11(c).

(b) Legal proceedings -

As of December 31, 2009 and 2008, the Company has diverse labor demands and civil, constitutional and tax proceedings which are management by the legal advisors of the Company. Management of the Company has recorded, based on the available information, accruals for the labor demands, which are considered sufficient to cover the related risks as of December 31, 2009 and 2008. See note 10.

25. Financial-risk management objectives and policies

The Company's activities expose it to a variety of financial risks. The principal risks that could adversely affect the Company's financial assets and liabilities and its future cash flows are exchange-rate risk, risk of changes in the prices of minerals, interest-rate risk, liquidity risk and credit risk. The Company's risk management program deals with minimizing the potential adverse effects on its financial performance.

The Company's Management is expert as to the conditions existing in the market and, based on its knowledge and experience, reviews and decides on policies to manage each of these risks, which are described in the following paragraphs. This also includes analyses seeking to reveal sensitivity in the Company's financial instruments to changes in market variables and show the impact on the statement of income or equity, if necessary. Financial instruments that are affected by market risks include accounts receivable, accounts payable, embedded derivatives and derivative financial instruments for hedging.

The sensitivity analysis has been prepared as of December 31, 2009 and 2008 based on the amounts of the financial assets and liabilities held to those dates.

In accordance with the Company's policies, derivative instruments must not be held for speculative purposes. With respect to the points mentioned in Note 14 of the financial statements, the Company performs hedging operations over the prices of metals using some of the derivative instruments present in the financial markets.

The Board of Directors reviews and approves policies to manage each of these risks, which are described below:

(a) Market risk

Market risk is the risk that the fair value of the future cash flows from financial instruments should fluctuate as a result of changes in market prices. The market risks that apply to the Company include three types of risk: exchange-rate risk, risk of changes in the prices of minerals and interest-rate risk. Financial instruments affected by market risks include loans, deposits and derivative financial instruments.

The sensitivity analysis in this section relates to the positions as of December 31, 2009 and 2008, and has been prepared considering that the proportion of financial instruments in foreign currency remains constant.

(a.1) Exchange-rate risk

The Company bills the sale of its products (locally and abroad) mostly in United States dollars. Exchange-rate risk arises mainly from deposits and other accounts payable in Nuevos Soles. The Company mitigates the effect of exposure to exchange-rate risk by carrying out almost all of its transactions in its functional currency. Management retains smaller amounts in Nuevos Soles in order to cover its needs (taxes and compensation) in this currency.

As of December 31, 2009, the Company had posted a net gain of US$1,675,000 from exchange differences (in the 2008 period, a net loss of US$9,097,000), from the translation of balances in Nuevos Soles to the functional currency.

A table showing the effect on results of a reasonable change in foreign-currency exchange rates is presented below, with all other variables kept constant:

	Exchange-rate increase / decrease	**Effect on earnings before income tax and workers' profit sharing** US$(000)
2009		
Exchange rate	+10%	10
Exchange rate	-10%	(10)
2008		
Exchange rate	+10%	1,231
Exchange rate	-10%	(1,231)

(a.2) Risk of changes in the prices of minerals

The international price of minerals has an important impact on the results of the Company's operations. In order to cover the risk resulting from a drop in the prices of metals to be marketed, the Company signed derivative contracts that qualify as cash-flow hedges. See note 14.

In order to control and follow up on hedges, the Company approved a hedging policy "Policy for Hedging Metals Prices", which is carried out and enforced together with the Policy for Management of Financial Risks. Likewise, the Company has a Hedging Committee with the objective of mitigating the risks associated with the changes and volatility taking place in metals prices.

As of December 31, 2009, the fair value of the embedded derivatives contained in the commercial contracts amount to US$4,838,000 (See note 14(c)). The estimate corresponding to the provisional sales value, pending final adjustments, which were closed on January 2010, were reduced by 4 percent with respect to the real adjusted value. In the case of the settlements that are still held at provisional value as of December 31, 2010, their estimate was also reduced by 4 percent due to the decrease in the quotation of the metals produced from the second half of the month of January.

With respect to future prices (copper, lead and zinc) as of December 31, 2009 and 2008, and the fair value as of those dates of the position in derivative financial instruments for hedging contracted by the Company, a sensitivity analysis of the position's fair value is presented considering a change on the order of 10 per cent for the relevant prices, while all other variables remain constant:

	Effect on unrealized gain (loss) on derivative financial instruments for hedging, net US$(000)
2009	
Increase of 10 percent in future quotes	
Hedges in effect for 2010	(3,580)
Hedges in effect for 2011	(2,201)
	(5,781)
Decrease of 10 percent in future quotes	
Hedges in effect for 2010	3,059
Hedges in effect for 2011	2,439
	5,498

2008	
Increase of 10 percent in future quotes	
Hedges in effect for 2009	2,256
Hedges in effect for 2010	1,007
Hedges in effect for 2011	113
	3,376
Decrease of 10 percent in future quotes	
Hedges in effect for 2009	(2,256)
Hedges in effect for 2010	(1,007)
Hedges in effect for 2011	(113)
	(3,376)

(a.3) Interest-rate risk

The Company has significant assets such as time deposits that are placed with leading financial institutions, they accrue interest at rates in effect in the market; the Company's income and operating cash flows are independent of changes in market interest rates.

If the interest rates to which the time deposits and long-term debt are subject would have been 10% higher (or lower) as of December 31, 2009, the effect on earnings before income tax and workers' profit sharing would have been US$22,000 higher (lower).

(b) Credit risk -

The Company's credit risk arises from the inability of debtors to be able to fulfill their obligations, to the extent to which they are overdue. Therefore, the Company deposits its excess funds in leading financial institutions, establishes conservative credit policies and constantly evaluates conditions of the market in which it is involved, for which it uses risk-rating reports for commercial and credit transactions and conducts hedging transactions with London Metal Exchange brokers of recognized prestige. Therefore, the Company does not expect to incur significant losses from credit risk.

There is concentration-of-credit risk when there are changes in the economic, industrial or geographic factors that equally affect the counterparts related to the Company. The Company's gold and concentrate sales are made to investment banks and companies of recognized national and international prestige. Transactions are executed with various counterparts with credit solvency, which mitigates any significant concentration of credit.

Trade accounts receivable are denominated in United States dollars; their due dates are the dates of emission on the proof of payment, which amounts becomes cash in days following their due dates The Company's sales of the Company are made to domestic and foreign customers; as of December 31, 2009 it had a portfolio of 8 customers (13 customers as of December 31, 2008). As of December 31, 2009 the Company's three largest customers accounted for 38%, 31% and 9%, respectively, of total sales (32%, 17% and 12% of total sales in 2008).The Company performs an assessment on those debts whose collection is estimated as a variable to determine the allowance for doubtful accounts.

Collections in January 2010 amounted to US$33,957,000, which represents 79% percent of the balances receivable as of December 31, 2009, for which reason the credit risk would be mitigated.

(c) Liquidity risk -

Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents and the possibility of committing or having financing committed through an adequate number of credit sources. The Company maintains suitable levels of cash and cash equivalents; its shareholders also include companies with economic backing and it has sufficient credit capacity to allow it to have access to lines of credit in leading financial entities.

The Company continually monitors its liquidity reserves based on cash flow projections.

An analysis of the Company's financial liabilities classified according to their aging is presented Below, considering the period from their due date to the balance sheet date:

	Less than 1 year US$(000)	**Between 1 and 2 years** US$(000)	**Total** US$(000)
As of December 31, 2009			
Trade accounts payable	13,648	-	13,648
Other accounts payable	13,098	-	13,098
Financial hedging instruments	1,468	5,375	6,843
Total	28,214	5,375	33,589
As of December 31, 2008			
Trade accounts payable	8,687	-	8,687
Other accounts payable	10,913	-	10,913
Embedded derivative from sale of concentrate	8,299	-	8,299
Total	27,899	-	27,899

(d) Capital management -

The objective is to safeguard the Company's capacity to continue as a going concern for the purpose of providing returns for shareholders, benefits for the stakeholders and maintaining an optimal structure that allows reducing the cost of capital.

The Company manages its capital structure and makes adjustments to confront changes in the market's economic conditions. The Company's policy is to finance all its short- and long-term projects with its own operating resources. In order to maintain or adapt the capital structure, the Company may amend the policy for dividend payments to shareholders, return capital to its shareholders or issue new shares. There were no changes in objectives, policies or procedures during the years ending December 31, 2009 and 2008.

26. Fair value of financial instruments

Fair value is defined as the amount at which assets would be exchanged or liabilities settled between knowing and willing parties to an ordinary transaction, under the assumption that the entity is a going concern.

When a financial instrument is traded in a liquid and active market, its price as set in a real market transaction offers the best evidence of its fair value. When no price is set in the market or the latter may not be indicative of the instrument's fair value, the market value of another substantially similar instrument, the analysis of discounted flows or other applicable techniques may be used to determine this fair value, which is materially affected by the assumptions used. Although Management has used its best judgment in estimating the fair values of its financial instruments, any technique for making these estimates entails a certain level of inherent fragility. As a result, fair value may not be indicative of the net realizable or liquidation value of financial instruments.

The following methods and assumptions were used in order to estimate fair values:

Financial instruments whose fair value is similar to their book value –

For financial assets and liabilities such as cash, banks and time deposits, accounts receivable, accounts payable and other current liabilities that are liquid or have short-term maturities (less than three months), it is estimated that their book value is similar to their fair value.

The Company carries out derivative financial instrument transactions with financial entities having investment grade credit ratings. These derivative financial instruments products are estimated using market valuation techniques; the majority of contracts are derivative instruments for hedging metals prices.

The valuation technique most frequently applied includes the projections of flows using models and the calculation of present value. These models incorporate numerous variables such as the counterpart entity's credit-risk rating and future quotes for the prices of minerals.

Financial instruments at fixed and variable rates –

The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is determined by comparing the market interest rates at the time of their initial recognition to the current market rates with regard to similar financial instruments. The estimated fair value of deposits that accrue interest is determined by means of cash flows discounted using the prevailing market interest rates in the currency with similar maturities and credit risks.

Based on the foregoing, a comparison of the carrying values and the fair values of the financial instruments of the Company presented in the balance sheet is presented below. The table does not include the fair values of the non financial assets and liabilities:

	2009		2008	
	Book value US$(000)	**Fair value** US$(000)	**Book value** US$(000)	**Fair value** US$(000)
Financial Assets				
Cash, banks and time deposits	178,075	178,075	193,080	193,080
Trade accounts receivable, net	42,604	42,604	17,184	17,184
Other accounts receivable, net	2,876	2,876	12,507	12,507
Financial Liabilities				
Trade accounts payable	13,648	13,648	8,687	8,687
Accounts payable to affiliates	455	455	62	62
Other accounts payable	13,098	13,098	10,913	10,913
Long-term debts	4	4	4	4

27. Statistical data (not audited)

Statistical data related to the volume sold and the net average sales prices of ore reserves of the Company for the years ended December 31, 2009 and 2008 are shown below:

(a) The metal volumes sold base on the payable metallic content in metric tonnes were:

	2009	2008
Silver	2,955,917Oz	3,608,735 Oz
Zinc	57,003MT	70,038 MT
Lead	19,099T MT	23,962 MT
Copper	7,815T MT	7,793 MT
Gold	18,820Oz	2,749 Oz

(b) The net average prices of the sales were:

	2009	2008
Silver	14.67 US$/Oz	15.19 US$/Oz
Zinc	1,661.37 US$/MT	1,884.83 US$/MT
Lead	1,805.83 US$/MT	1,929.36 US$/MT
Copper	5,348.48 US$/MT	6,684.74 US$/MT
Gold	991 US$/Oz	874.00 US$/Oz

28. Explanation added for English language translation

The accompanying financial statements are presented on the basis of generally accepted accounting principles in Peru. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Peru may differ, in certain respects, to generally accepted accounting principles in other countries.

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