Sociedad Minera El Brocal S.A.A.

Financial Statements as of December 31, 2013 and 2012 together with the Report of Independent Auditors

Building a better working world

Sociedad Minera El Brocal S.A.A.

Financial statements as of December 31, 2013 and 2012 together with the Report of Independent Auditors

Content

Medina, Zaldívar, Paredes & Asociados
Sociedad Civil de Responsabilidad Limitada

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 statement of financial position as of December 31, 2013 and 2012, and the related statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the periods then ended, and a 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 the financial statements in accordance with the International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 those risk assessments, the auditor considers the internal control relevant to the Company in the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating 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.

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Report of Independent Auditors (continued)

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, 2013 and 2012; and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Lima, Peru,
February 12, 2014

Countersigned by: Medina, Zaldívar, Paredes & Asociados

Víctor Burga
C.P.C.A. Register No.14859

Sociedad Minera El Brocal S.A.A.

Statement of financial position

As of December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000) (Note 2.2)
Assets			
Current assets			
Cash and cash equivalents	6	12,273	23,421
Accounts receivable and others, net	7(a)	50,537	84,542
Tax credit for income tax		14,511	10,021
Embedded derivative for transactions of concentrates, net	26(b)	1,067	-
Inventories, net	8(a)	30,655	23,779
Prepaid expenses		2,067	4,074
Total current assets		111,110	145,837
Long-term inventories	8(a)	23,366	40,253
Property, plant and equipment, net	9(a)	237,384	241,579
Expansion operations project	10	305,242	126,668
Deferred income tax asset, net	14(b)	5,591	7,828
Other assets		4,243	1,506
		575,826	417,834
Total assets		686,936	563,671
Liabilities and shareholders´ equity			
Current liabilities			
Accounts payable and others	11(a)	86,736	72,794
Hedge derivative financial instruments	26(a)	1,093	-
Embedded derivative for transactions of concentrates, net	26(b)	-	656
Current portion provision for mine closure and environmental liabilities	13(c)	15,015	6,150
Financial obligations	12(a)	11,370	5,791
Total current liabilities		114,214	85,391
Provision for mine closure and environmental liabilities	13(c)	25,063	37,820
Financial obligations	12(a)	104,027	54,470
		129,090	92,290
Total liabilities		243,304	177,681
Shareholders' equity	15		
Capital stock		211,967	30,281
Additional capital stock		70,534	-
Investment shares		12,672	1,810
Additional investment shares		1,037	-
Others capital reserves		6,418	6,418
Others equity reserves	26(a)	(715)	-
Retained earnings		141,719	347,481
Total shareholders' equity		443,632	385,990
Total liabilities and shareholders' equity		686,936	563,671

Sociedad Minera El Brocal S.A.A.

Statement of profit or loss

For the years ended December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000) (Note 2.2)
Net revenues	17(a)	187,769	268,480
Cost of sales	18	(155,613)	(179,795)
Gross profit		32,156	88,685
Operating expenses			
General and administrative	19	(15,620)	(19,348)
Selling	20	(8,763)	(8,243)
Exploration in non-operating areas	21	(5,220)	(18,396)
Other expenses, net		(656)	(1,091)
Total operating expenses		(30,259)	(47,078)
Operating profit		1,897	41,607
Other revenues (expenses)			
Gain (loss) from exchange difference, net		(2,827)	576
Accretion expense of the provision for closure of mining units	13(c)	(1,729)	(1,667)
Financial revenue (expenses), net		(47)	249
Total expenses, net		(4,603)	(842)
Profit (loss) before income tax		(2,706)	40,765
Income tax	14(a)	(5,003)	(13,632)
Net profit (loss)		(7,709)	27,133
Net profit (loss) per share, basic and diluted, stated in U.S. dollars	22	(0.0700)	0.2464
Weighted average number of shares outstanding (in units)	22	110,105,236	110,105,236

Sociedad Minera El Brocal S.A.A.

Statement of comprehensive income

For the years ended December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Net profit (loss)		(7,709)	27,133
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in unrealized results on hedge derivative financial instruments	26(a)	(1,093)	(1,283)
Income tax	26(a)	378	439
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(715)	(844)
Total comprehensive income		(8,424)	26,289

Sociedad Minera El Brocal S.A.A.

Statement of changes in shareholders' equity

For the years ended December 31, 2013 and 2012

	Capital stock US$(000)	Additional capital stock US$(000)	Investment shares US$(000)	Additional investment shares US$(000)	Others capital reserves US$(000)	Others equity reserves US$(000)	Retained earnings US$(000)	Total US$(000)
Balance as of January 1, 2012	30,281	-	1,810	-	6,418	844	352,279	391,632
Net profit	-	-	-	-	-	-	27,133	27,133
Net change in unrealized loss on hedge derivative financial instruments	-	-	-	-	-	(844)	-	(844)
Comprehensive income of the year	-	-	-	-	-	(844)	27,133	26,289
Dividends paid, note 15(e)	-	-	-	-	-	-	(31,931)	(31,931)
Balance at December 31, 2012	30,281	-	1,810	-	6,418	-	347,481	385,990
Net loss	-	-	-	-	-	-	(7,709)	(7,709)
Net change in unrealized loss on hedge derivative financial instruments, note 26(a)	-	-	-	-	-	(715)	-	(715)
Comprehensive income of the year	-	-	-	-	-	(715)	(7,709)	(8,424)
Capitalization, note 15(a)	181,686	-	10,862	-	-	-	(192,548)	-
Capital contribution, note 15(b)	-	53,262	-	783	-	-	-	54,045
Capital premium contribution, note 15(b)	-	17,272	-	254	-	-	-	17,526
Dividends paid, note 15(e)	-	-	-	-	-	-	(5,505)	(5,505)
Balance at December 31, 2013	211,967	70,534	12,672	1,037	6,418	(715)	141,719	443,632

Sociedad Minera El Brocal S.A.A.

Statement of cash flows

For the years ended December 31, 2013 and 2012

	2013 US$(000)	2012 US$(000)
Operating activities		
Collections from customers	216,849	225,866
Payments to suppliers	(112,716)	(122,881)
Payments to employees	(17,123)	(23,788)
Income tax and mining taxes paid	(6,741)	(21,472)
Other collections (payments) of operations, net	3,152	(5,473)
Net cash and cash equivalents provided by operating activities	83,421	52,252
Investing activities		
Disbursements for the expansion operations project	(183,652)	(103,648)
Purchase of property, plant and equipment	(32,106)	(35,164)
Income for sales of property, plant and equipment	-	14
Decrease in time deposits	-	1,112
Net cash and cash equivalents used in investing activities	(215,758)	(137,686)
Financing activities		
Increase of financial obligations	176,531	60,257
Capital contributions	71,571	-
Increase of bank loans	60,000	-
Long-term debt payments	(181,395)	-
Dividends paid	(5,505)	(31,931)
Net cash and cash equivalents provided by financing activities	121,202	28,326
Net cash and cash equivalents decrease during the year	(11,135)	(57,108)
Exchange difference, net	(13)	544
Cash and cash equivalents at beginning of year	23,421	79,985
Cash and cash equivalents at year-end	12,273	23,421

Statement of cash flows (continued)

	2013 US$(000)	2012 US$(000)
Reconciliation of net (loss) profit to cash and cash equivalents provided by operating activities		
Net profit (loss)	(7,709)	27,133
Add (less) – Items that do not affect operating cash flows		
Depreciation and amortization	36,574	27,416
Embedded derivative for transactions of concentrates	(1,913)	845
Accretion expense of the provision for closure of mining units	1,729	1,667
Income (expense) for deferred income tax	2,615	(533)
Loss (gain) from exchange difference, net	2,827	(576)
Provision for impairment of classified mineral	2,030	-
Net cost of disposal of property, plant and equipment	-	(11)
Changes of net operating assets and liabilities		
Decrease (increase) net in operating assets -		
Accounts receivable and others	34,231	(49,181)
Tax credit for income tax	(4,490)	(9,234)
Inventories, net	7,981	25,367
Prepaid expenses	2,007	(1,959)
Other assets	(2,737)	-
Increase net in operating liabilities -		
Accounts payable and others	10,276	31,318
Net cash and cash equivalents provided by operating activities	83,421	52,252
Transactions not affecting cash flows		
Capitalization of retained earnings, note 15(a)	192,548	-
Increase (decrease) in the estimate of provision for closure of mining units, note 9(a)	(4,804)	18,872

1. Company´s identification and business activity

(a) Identification -

Sociedad Minera El Brocal S.A.A. (hereafter "the Company") is a publicly traded corporation incorporated in Peru in 1956. Compañía de Minas Buenaventura S.A.A. owns direct and indirectly the 100.00 percent of Inversiones Colquijirca S.A.'s which owns 48.18 percent of its 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, lead and copper, 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 statements approval -

The financial statements as of December 31, 2013 were approved by Management on February 12, 2014 and in its opinion, will be approved without changes by the Board of Directors and Shareholders' Meetings that will be held in the first quarter of 2014.

The financial statements as of December 31, 2012 were approved in a Board of Directors meeting on February 14, 2013 and Shareholders 'meeting held in March 21, 2013.

2. Basis of preparation and accounting policies

2.1. Basis of preparation -

The financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS"), as issued by the International Accounting Standards Board (hereinafter "IASB").

The financial statements of the Company have been prepared on a historical cost basis, except for financial assets and liabilities at fair value with change in results, that include derivative financial instruments. The financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

The preparation of financial statements require that Management use judgments, estimates and assumptions, as detailed on the following note 3.

2.2. Changes in accounting policies and disclosure

The Company applied for the first time, certain standards and amendments effective from January 1, 2013. The unique rule requiring modification of previously issued financial statements is referred to IFRIC 20 Stripping costs in the production phase of a surface mine. In addition, the application of IFRS 13 Fair Value Measurement at resulted in additional disclosures in the financial statements.

These standards are effective from 2013 had no impact on the financial statements of the Company:

- IAS 1 "Presentation of items of other comprehensive income - Amendments to IAS 1": Changes the grouping of items presented in Other Comprehensive Income (OCI, for its acronym in English). Items that may be reclassified ('recycled') to profit at a future time be presented separately from items that will never be reclassified. This change affects only the presentation and has no effect on the financial position or results of operations of the Company.

- IAS 19 "Employee Benefits (amended)": The amendment eliminates the option to defer the recognition of actuarial gains and losses, for example, the mechanism of the corridor. All changes in the value of the defined benefit plans are recorded in the profit and loss and other comprehensive income.

- IAS 28, "Investments in associates and joint ventures (revised)". As a consequence of the new IFRS 11"Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 was renamed "Investments in Associates and Joint Ventures", describes the application of the equity method to investments in joint ventures in addition to associates.

- IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (amendment)": Correction requires entities to disclose the gross amounts subject to rights of compensation and net exposure resulting. This information will help to understand the extent to which an entity has net positions reflected in their financial statements the effects of compensation rights in the rights and obligations of the entity.

- IFRS 10 "Consolidated Financial Statements". IFRS 10 replaces the portion of IAS 27 "Consolidated **and** Separate Financial Statements" which addresses the accounting for consolidated financial statements. It also includes considerations raised in SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities, including special purpose entities.

- IFRS 11 "Joint Arrangements". IFRS 11 supersedes IAS 31 "Interests in Joint Ventures and SIC 13 "Entities jointly-controlled non-monetary contributions of the participants". IFRS 11 removes the option to register to jointly controlled entities (JCE) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be recorded by the equity method.

- IFRS 12 "Disclosure of Interests in Other Entities". IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing for subsidiaries. For example, when a subsidiary is controlled by less than the majority of votes.

- Annual Improvements to IFRSs (issued in May 2012)
  The IASB published a preview of the changes and improvements to IFRSs in May 2012. The changes made to IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1, including improvements in this cycle, have no significant effect on the accompanying financial statements.

The nature and impact of each new standard applicable to the Company is described next:

IFRIC 20 Stripping costs in the production phase of a surface mine
The Interpretations Committee issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20), effective January 1, 2013.

Until December 31, 2012, the Company recorded costs of clearing removal (stripping cost of production) in the production stage as part of the production cost of inventories. As a result of the adoption of IFRIC 20, the stripping cost of production that is necessary to produce the inventory is recorded as cost of production, while allowing access to additional amounts of reserves to be exploited in future periods are capitalized and amortized based on proved and probable reserves of each ore body (component) identified in the open pit. See further explanation of the application of IFRIC 20 in note 9 (d).

The following table shows the adjustments that were made in the financial statements, as well as the result statements for the year ended December 31, 2012:

	Reported US$(000)	Adjustment US$(000)	Adjusted US$(000)
Statement of financial position as of 31.12.12			
Assets			
Current asset			
Inventories, net	29,313	(5,534)	23,779
Other assets	122,058	-	122,058
	151,371	(5,534)	145,837
Non-current assets			
Long-term inventories	55,937	(15,684)	40,253
Property, plant and equipment, net	216,050	25,529	241,579
Deferred income tax asset, net	9,470	(1,642)	7,828
Other assets	128,174	-	128,174
	409,631	8,203	417,834
Total assets	561,002	2,669	563,671
Liabilities and shareholders 'equity			
Current liabilities	85,391	-	85,391
Non-current liabilities	92,290	-	92,290
Total liabilities	177,681	-	177,681
Shareholders 'equity			
Retained earnings	344,812	2,669	347,481
Other reserves of equity	38,509	-	38,509
Total shareholders 'equity	383,321	2,669	385,990
Total liability and shareholders 'equity	561,002	2,669	563,671
Statement of profit or loss as of 31.12.12			
Net revenue	268,480	-	268,480
Cost of sales	(184,106)	4,311	(179,795)
Gross profit	84,374	4,311	88,685
Operating expenses	(47,078)	-	(47,078)
Operating profit	37,296	4,311	41,607
Other expenses, net	(842)	-	(842)
Profit before income tax	36,454	4,311	40,765
Income tax	(11,990)	(1,642)	(13,632)
Net profit	24,464	2,669	27,133
Profit per share, basic and diluted, stated in U.S. dollars	0.2222	0.0242	0.2464

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of reference under IFRS for all fair value measurements. IFRS 13 does not change when an entity should use fair value, but provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. IFRS 13 required additional disclosures.

The application of IFRS 13 had no significant impact in measuring the fair value of the Company. Additional disclosures were made to the individual notes of assets and liabilities for which fair values were determined. The fair value hierarchy is presented in Note 28.

2.3. Significant accounting judgments -

(a) Foreign currency transactions -

The financial statements are presented in US dollars, which is also the parent entity's functional currency and the Company's presentation currency.

Transactions and balance

Transactions in foreign currency (a currency other than the functional currency) are initially recorded by the Company at the exchange rates prevailing at the dates of the transactions, published by the Superintendence of Banking and Insurance and Pension Fund Administrators (AFP for its acronym in Spanish). Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the reporting date. Gains or losses from exchange differences arising from the settlement or translation of monetary assets and liabilities are recognized in the income statement.

Non-monetary assets and liabilities recognized in terms of historical cost are translated using the exchange rates prevailing at the dates of the original transactions.

(b) Financial instruments - initial recognition and subsequent measurement -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement -
The subsequent measurement of financial assets is classified into four categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Held-to-maturity investments.
- AFS financial investments

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes) or finance income (positive changes) in the statement of profit or loss.

The Company did not maintain any financial assets at fair value through profit or loss as id December 31, 2013 and 2012, except for derivatives embedded describe below:

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss.

Loans and receivables -
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. The losses arising from impairment are recognized in the statement of profit or loss.

This category generally applies to account receivables and others.

Held-to-maturity investments -
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's Management has

the positive intention and ability to hold to maturity. The Company did not maintain any held-to-maturity investment as of December 31, 2013 and 2012.

Available-for-sale financial investments –
The available-for-sale financial investments include investments in shares and debt securities. Equity investments classified as available for sale are those which are not classified as held for trading or are designated as at fair value through profit or loss. Debt securities in this category are those that are thought to have for an indefinite period of time and may be sold in response to liquidity requirements or changes in market conditions. The Company does not have these financial assets at December 31, 2013 and 2012.

Derecognition of financial assets -
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from such asset have expired.

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party under a pass-through arrangement; and (a) the Company has transferred substantially all of the risks and rewards of the asset or, (b) not having transferred or retained substantially all of the risks and rewards of the asset, it has transferred its control.

When the Company transferred its rights to receive cash flows from an asset or signs a transfer agreement, assesses whether and to what extent it has retained the risks and rewards of ownership. When has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent that the Company will continue involvement with the asset. In this case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Impairment of financial assets -
The Company assesses at the end of each period whether there is objective evidence of impairment of a financial asset or group of financial assets. A decline if one or more events that have occurred since the initial recognition of the asset ("loss event") has an impact on the estimated cash flows of the financial asset future cash or a group of financial assets and can be reliably estimated . Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, non-payment or delays in payment of interest or principal, likely to enter bankruptcy or other financial reorganization and other information indicating that there a significant decrease in the estimated future cash flows, such as changes in economic conditions that may cause failures.

For financial assets held at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are individually insignificant. The amount of any identified impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. This value is discounted using the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income (recorded as revenue in the statement of profit or loss) continues to be accrued, using the interest rate used to discount future cash flows for the purpose of measuring the impairment loss. Loans and the related allowance are written off when there is no realistic expectation of a future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period the estimated impairment loss increases or decreases the amount due to an event occurring after the impairment was recognized, the impairment loss previously recognized value is increased or decreased by adjusting the allowance account. If a punishment is reversed subsequently, the recovery is credited as the financial cost in the statement of profit or loss.

(iii) Financial liabilities –

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of accounts payable and financial obligation, net of directly attributable transaction costs.

The Company´s financial liabilities include accounts payables and others, financial obligation, derivative financial instruments and embedded derivative.

Subsequent measurement -

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Except for the embedded derivative for concentrate sales, the Company has not designated any financial liability at fair value through profit or loss at initial recognition.

Interest-bearing loans and borrowing -
After initial recognition, interest-bearing loans and borrowing are measured at amortized cost using the effective interest rate method. Any profit or loss is recognized in the statement of profit and cost when the liability is terminated, as well as through the process of amortizing the effective interest rate.

Amortized costs are calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization of the effective interest rate is included in financial cost in the statement of profit or loss.

Derecognition of financial liabilities -
A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

(iv) Offsetting of financial instruments -
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(c) Cash and cash equivalents -
Cash and cash equivalents in the statement of financial position comprise cash at banks and on time deposits.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and time deposits with and original maturity of three months or less.

(d) Inventories -

Finished goods and products in process are valued at the lower of average cost or net realizable value.

Cost is determined using the average method. In the case of finished goods and work in progress, cost includes the cost of materials and direct labor and a portion of indirect manufacturing expenses, excluding financing costs.

The net realization value is the estimated sales price in the normal operations, less the estimates cost of finished and the cost necessaries to sell.

Provision (reversal) for losses on the net realizable value are calculated based on a specific analysis conducted annually by the Management and is charged to income in the period in which it determines the need for the provision (reversal).

Classified mineral

The classified ore is placed in stockpiles to be processed in the medium term until the expansion project of the Company's operations is completed (see note 10) and generally contain lower grade ore than the average ore currently treated. In this sense, the mineral is available free to continue the recovery process ores and concentrates.

According to the mine plan, classified mineral will be treated over the next three years. As consequence, the ore is accounted for as non-current inventory and measured at the lower of cost and net realizable value. Annually, the Company's Management assess the net realizable value of its non-current inventory based on the cash-flow projections obtained by the production and sales of the low grade ore stockpiled considering to: (i) the forward copper price at the year that to be expected to process the low grade ore, (ii) the future costs of processing (considering inflation rates, technological changes and other significant aspects would change), and (iii) the discount rate.

(e) Property, plant and equipment -

The property, plant and equipment, is stated at cost, net of accumulated depreciation and accumulated impairment in value, if any such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. For further details related the provision, see 3.2. (e).

Depreciation -

Units-of-production method

Depreciation of assets directly related to the operation of the mine, whose useful life is greater than that of the mining unit, is calculated using units of production method, which is based on economically recoverable reserves of the mining unit.

Straight-line method

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

	Years
Buildings, construction and other	20
Machinery and equipment	Between 10 and 20
Transportation units	5
Furniture and fixtures	6
Other equipment	Between 5 and 6
Computer equipment	4

The asset's residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Disposal of assets -

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognizing an asset (calculated as the difference between the proceeds from the sale and the book value of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

(f) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Finance lease -

Finance leases, which transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases -
Operating lease payments are recognized as operating expenses in the statement of profit or loss on a straight-line basis over the lease term.

(g) Exploration and mine development costs –
Exploration expenditure –
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:
- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

Exploration costs are expensed as incurred. These costs primarily include materials and fuels used, surveying costs, drilling costs and payments made to contractors.

Development costs –
When it is determined that a mineral property can be economically viable, when the existence of proven and probable reserves are determined, the costs incurred to develop such property, including additional costs to delineate the ore body and remove the impurities contained are capitalized as development costs under "Property, plant and equipment, net." caption. These costs are amortized using the units of production method using the basis of proven and probable reserves.

When it is determined that a mining unit is not economically viable, is recognized as exploration and evaluation costs, see policy "Exploration costs".

The development costs include:
- Metallurgical and engineering studies.
- Drilling and other costs necessary to delineate ore body.
- Removal of the initial clearing related to an ore body.

Drilling costs incurred during the production phase of ore, are assigned to inventory costs and are then included as a component of cost of sales.

Development costs necessary to maintain production are expensed as incurred year.

(h) Stripping (waste removal) costs -
As part of its mining operations, the Company incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine starts production.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits are probable.
- The component of the ore body for which access will be improved can be accurately identified.
- The costs associated with the improved access can be reliably measured.

To identify components of deposit, the Company works closely with the operating personnel to analyze the mine plans. Mostly, a reservoir can have several components. The mine plans, and therefore the identification of components can vary between mines for diverse reasons.

The stripping activity asset is initially measured at cost, which surges from an accumulation of costs directly incurred during the stripping activity. The stripping cost is presented in the "Property, plant and equipment, net" caption.

The cost of production is subsequently clearing depreciated using the units of production method taking into account the life of the component identified in the reservoir that is more accessible as a result of the stripping activity. This cost is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

See the impact of the adoption of IFRIC 20 "Stripping costs in the production phase of a surface mine" in note 2.2.

(i) 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 indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit (hereinafter CGU) fair value less costs of disposal and its value in use. The recoverable amount 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining Fair value less cost of disposal, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or Cash Generating unit recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of profit or loss.

(j) Provisions -

General -

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. When they are significant, 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.

Provision for closure of mining units -

At the time of initial registration, the provision for mine closure is measured at fair value with a contra increased book value of long-lived assets (property, plant and equipment).

Subsequently, the provision increases in each period to reflect the cost of interest considered in the initial estimate of fair value and, in addition, the capitalized cost is depreciated and/or amortized based on the useful life of the asset. To settle the obligation, the Company recorded in profit or loss any gain or loss that is generated.

Changes in the fair value of the obligation or the useful life of the related assets arising from the review of the initial estimates are recorded as an increase or decrease in the carrying amount of the obligation and the related asset. Any reduction in a provision for mine closure and, therefore, any reduction of the related asset, cannot exceed the carrying amount of the asset. If you do, any excess of the carrying amount is immediately taken to the income statement. If the change in estimate would result in an increase in the provision and, therefore, an increase in the carrying value of the asset, the Company must consider whether this is an indication of impairment of the asset as a whole and make impairment tests in accordance with IAS 36 "impairment of assets" reliably.

(k) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measurement, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding right and taxes. The following specific recognition criteria must also be met before revenue is recognized:

Sales of concentrates -

Revenues from sales of concentrates, are recognized when the significant risks and rewards of ownership usually on delivery of the goods.

Contract terms for the Company´s sale of concentrate allow for a price adjustment based on final assay results of the metal in concentrate to determine the final content. The process of determination of the final content is known as "arbitration", where the quotation period is determined. The period of quotation correspond to the prices at a future specific date (date of the final liquidation), after the date of the delivery (date of the provisional liquidation). The period between provisional invoicing and final settlement can be between one and six months.

Sales contracts for metal in concentrate that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted with final liquidations .

Recognition of sales for sale of concentrates is based on the most recently determined estimate of metal in concentrate and the estimated forward price that the Company expects to receive at the final quotation period, determine at the delivery date. The embedded derivative, which does not qualify for hedge accounting, is initially recognize at fair value, with subsequent changes in the fair value recognized in the statement of profit or loss, and presented in the "Net sales". Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market commodity prices.

Interest revenue -
For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for-sale, interest income or expense is recorded using the EIR, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest revenue is included in finance revenue in the statement of profit or loss.

(l) Borrowing costs -
Costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as finance part of the cost of an asset. A qualifying asset is one whose value is greater than US$5 million and requires a longer construction period to 12 months. All other borrowing costs are recognized in the statement of profit and loss in the period in which they are incurred. Borrowing costs include interest and other costs that the Company incurs in obtaining financing.

(m) Taxes –
Current income tax -
Assets and liabilities for current income tax are measured at the amount expected to be recovered from or paid or the tax authority. The tax rates and tax laws used to compute the amount are those that are in effect at the close of the reporting period under review.

The current income tax that relates to items recognized directly in equity is also recognized in equity and not in the income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -
The income tax, mining royalties and special mining tax for future periods are recognized using the liability method, considering the temporary differences between the taxes and accounting bases of assets and liabilities as of the date of the statement of financial position.

Liabilities for deferred income taxes are recognized for all taxable temporary differences.

The deferred income tax assets are recognized for all deductible temporary differences, and the future compensation of tax credits and tax loss carryforwards utilized, to the extent that the existence of future taxable income against which it probably is can offset these deductible temporary differences, and/or they can use those tax credits and tax loss carryforwards.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Assets and liabilities for tax deferred gain is measured at the tax rates that are expected to apply in the year in which the asset is realized or the liability is settled, based on tax rates and tax rules that were approved to the closing date of the reporting period under review, or whose approval be nearing completion at that time.

The deferred income tax is recognized in relation to the consignment which originates either in income or directly in equity.

The assets and liabilities for deferred income tax are offset if there is a legal right to offset the assets and liabilities for current income tax law, and if the deferred income taxes relate to the same taxation authority and the same jurisdiction prosecutor.

Mining Royalties and Special Mining Tax in Peru -
Mining royalties and special mining tax are accounted for in accordance with IAS 12 because they have the characteristics of a tax on the gain. That is, they are imposed by the government and are based on net income after adjustments costs of temporary differences, instead of being calculated based on the quantity produced or a percentage of revenue. Legal rules and rates used to calculate the amounts payable are those in effect on the date of the statement of financial position.

Therefore, payments made by the Company to government authority as Mining Royalties and Special Mining Tax are in the scope of IAS 12 and be considered as income tax. Both, Mining Royalties and Special Mining Tax generated deferred assets and liabilities which should be measured using average rates that have to be applied to operating income in those quarters in which the Company expects to reverse the temporary differences.

Sales tax –
Revenues for ordinary activities, expenses, assets and liabilities are recognized net of the amount of sales tax (IVA) except:

(i) Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

(ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(n) Fair value measurement

The Company measures derivatives at fair value at each balance-sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company´s Management determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests analyze the movements of the asset and liabilities values that should be reexpressed or reevaluated in accordance with Company accounting policies.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(o) Derivative financial instruments -

Initial recognition and subsequent measurement –

The Company uses derivative instruments to manage its exposure to changes in metal prices. Such derivative instruments are initially recognized at fair value in force on the date on which the derivative contract is entered into and are subsequently restated at fair value. Derivatives are presented as financial assets when the fair value is positive and as liabilities when fair value is negative.

At the inception date of the hedge relation, the Company formally documents hedge relation for which will apply the hedge accounting, the objective and the strategy to be taken to carry out the hedging.

The documentation includes identification of the hedging instrument, the asset covered, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in flows cash attributable to the hedged risk. Hedges are expected to be highly effective in offsetting changes in cash flow hedges and are constantly evaluated to determine if they are really being highly effective for financial reporting periods for which they have been designated as such.

All of the Company hedges are classified as cash flows. The effective portion of gain or loss on the hedging instrument is initially recognized in the statement of changes in equity, under the caption "other equity reserves", while the ineffective portion is recognized immediately in the income statement in the under "financial expenses".

(p) Profit (loss) per basic and diluted share -

The profit (loss) for basic share and diluted share has been calculated over the average base of the common shares and investments circulating in the statement of financial position.

3. Significant accounting judgments, estimates and assumptions -

The preparation of the Company´s financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company has identified the following areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

3.1. Judgments

In the process of applying the Company´s accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) Stripping costs - (note 2.2 (h) and 9(c)) –

The Company incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as a stripping activity asset, where certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes (e.g., in tons) of waste to be stripped and ore to be mined in each of these components.

(b) Recoverability of deferred tax assets - (note 2.2(m) and 14) -

An assessment is required to determine whether deferred tax assets should be recognized in the statement of financial position. Deferred tax assets, including those resulting from unused tax losses, require Management to assess the likelihood that the Company would generate taxable earnings in future periods to apply the deferred tax assets. Estimated future taxable income is based on projections of cash flows from operations and application of the tax law existing in each jurisdiction. To the extent to which future cash flows and taxable income differ significantly from those estimated; they could have an impact on the Company's capability to realize the deferred tax assets posted as of the reporting date.

Additionally, future changes in tax law in the jurisdictions in which the Company operates could limit the Company's ability to obtain tax deductions in future periods.

(c) Contingencies - (note 24) -

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

3.2. Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Determination of mineral reserves and resources -

The Company computes its reserves using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

The process of estimating the amount of reserves is complex and requires making subjective decisions at the time of evaluating all the geologic, geophysical, engineering and economic information that is available. Revisions could occur in estimated reserves due to, among other things, revisions of the geologic data or assumptions, changes in assumed prices, production costs and the results of exploration activities.

Changes in estimated reserves could affect mainly the book value of property, plant and equipment; charges of depreciation and amortization, and the book value of the provision form mine closing.

(b) Inventories - (note 8) -

Inventories are classified in short and long term in accordance with the time that Management estimates will start the production of the concentrate extracted from the mining unit. Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

The deposits of low-grade ore mined from the Colquijirca mining unit are measured by estimating the number of tons added and removed, the number of tons of concentrates content is based on measurements of test samples obtained by drilling. The recovery percentages of copper, lead and zinc mineral deposits are determined by qualified metallurgical sampling. The recoverability of copper, lead and zinc mineral deposits free, once they enter the production process, can be quickly converted into mineral concentrate.

(c) Unit-of-production depreciation - (note 2.2(e)) -

Reserves are used in determining the depreciation and amortization of mine specific assets. This results in a depreciation or amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regarded to: i) physical life limitations, and ii) present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes are recorded prospectively.

(d) Recoverability of assets (note 2.2(i)) -
The Company assesses in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, and others. These estimates and assumptions are subject to risk and uncertainty.

The recoverable amount of mining assets is generally determined by the present value of future cash flows arising from the continued use of the asset, which includes estimates as the cost of future expansion plans, using assumptions that a third party could consider. The cash flows are discounted to their present value using a discount rate that reflects the current assessment of the value of money over time market and specific risks of the asset or cash-generating unit.

The Company has determined the operations of the mining unit as a single cash generating unit.

(e) Provision for closure of mining units - (note 2.2(j) and 13) -
The Company assesses its provision for closure of mining units annually. Significant estimates and assumptions are made in determining this provision, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulations changes, costs increases as compared to the inflation rates and changes in the discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents Management´s best estimate of the present value of future rehabilitation costs required.

4. Standards issued but not effective

At the date issued of the financial statements, there is only one standard that applies to the Company that has been presented but not effective yet:

IFRS 9 "Financial instruments: Classification and measurement"

This norm does not have an effective date. IFRS 9 reflects the first phase of the IASB's work for the replacement of IAS 39 and refers to the classification and measurement of financial assets as defined in IAS 39. The approval of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but potentially will have no impact on the classification and measurement of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

5. Transactions in foreign currency

Transactions in foreign currency are completed using exchange rates published by the Superintendent of Banks, Insurance and AFP. As of December 31, 2013, the exchange rates for U.S. dollars published by this Institution were US$0.3579 for buying and US$0.3577 for selling (US$0.3923 for buying and US$0.3920 for selling as of December 31, 2012) and have been applied for the assets and liabilities accounts, respectively.

As of December 31, 2013 and 2012, the Company had the following assets and liabilities denominated in Nuevos Soles:

	2013 S/.(000)	2012 S/.(000)
Assets		
Cash and cash equivalents	19,699	11,656
Accounts receivable and others, net	72,115	51,986
	91,814	63,642
Liabilities		
Accounts payable and others	(38,522)	(34,253)
	(38,522)	(34,253)
Asset position, net	53,292	29,389

As of December 31, 2013 and 2012, Management has decided to take the risk of currency change that generates this position, for which they have not performed, at this date, covering operations with derivative products.

6. Cash and cash equivalents

The table below presents the components of this caption:

	2013 US$(000)	2012 US$(000)
Cash on hand	15	31
Bank accounts	12,258	7,390
Time deposits with less than 90 days maturity	-	16,000
Final balance of cash and cash equivalents considered in the statement of cash flow	12,273	23,421

Bank accounts earn interest at floating rates based on market rates.

As of December 31, 2012, time deposits were made for 10 day, and generated interest at 1.40 percent annual rate.

7. **Accounts receivable and others, net**

(a) The table below presents the components of this caption:

	2013 US$(000)	2012 US$(000)
Accounts receivable and others, net (b)		
Domestic clients	34,586	60,790
Foreign clients	4,203	8,802
	38,789	69,592
Allowance for impairment of accounts receivables (c)	(4,132)	(4,132)
	34,657	65,460
Other accounts receivable		
Value added tax credit	9,371	7,169
Loans to third parties (d)	2,729	2,518
Advances to suppliers	273	6,450
Other minors	3,507	2,945
	15,880	19,082
Total accounts receivable and others, net	50,537	84,542

(b) Below the maturity of the balance of accounts receivable occurs:

			Past due but not impaired	
	Total US$(000)	Neither past due nor impaired US$(000)	From 1 to 120 days US$(000)	More than 120 days US$(000)
2013	34,657	27,727	6,707	223
2012	65,460	30,344	35,116	-

The accounts receivable are denominated in U.S. dollars, and are due as of the date of receipt.

(c) The allowance for impairment of accounts receivables do not have movement in 2013 (US$4,132,000 as of December 31, 2013 and 2012). In the opinion of Management of the Company, the allowance for impairment for accounts receivable is sufficient to cover the risk of default to the date of the statement of financial position. Accounts receivable due but not impaired are within normal ranges in the industry, and are related to the provisional assessments pending final settlement.

(d) Corresponds to disbursements made by the Company as a member of Consorcio Transportador Callao. This consortium aims to implement a project for the construction of a sash and fixed deposits in the Port of Callao. This receivable bears interest at an annual rate of 6.25 percent over LIBOR to 3 months (equivalent to 6.496 percent as of December 31, 2013) and is expected to be fully charged in March 2014.

8. Inventory, net

(a) The table below presents the components of this caption:

	2013 US$(000)	2012 US$(000)
Classified mineral (b)	42,861	47,931
Copper mineral	4,519	4,345
Concentrates	2,146	5,727
Spare parts and supplies	6,426	6,028
Others	100	2
	56,052	64,033
Provision for (c):		
Provision for impaired of classified mineral	(2,030)	-
Provision for obsolescence of spare parts and supplies	(1)	(1)
	54,021	64,032
Classification by maturity:		
Current portion	30,655	23,779
Non-current portion	23,366	40,253
	54,021	64,032

(b) The table below shows the composition of the classified mineral that is stored mainly in the surrounding stocks in Tajo Norte mine as of December 31, 2013 and 2012:

	2013		2012	
	US$(000)	DMT	US$(000)	DMT
Type I and II (copper mineral)	2,883	369,564	3,643	494,280
Type III (lead/zinc mineral)	39,978	2,369,576	44,288	2,405,266
	42,861	2,739,140	47,931	2,899,546
Classification by maturity:				
Current portion	19,495		7,678	
Non-current portion	23,366		40,253	
	42,861		47,931	

As part of the mining unit preparation to extract and treat mineral to a 18,000 DMT/per day, El Brocal´s Management decided to accumulate the material with metal content in stockpiles nearby to Tajo Norte in order to be treated when the expansion operation plant will be completed, which is estimated to be in the first quarter of 2014. This mineral is available for the following processes of recovery of copper, lead and zinc.

During the period of twelve months period ended December 31, 2013, there has been extracted and treated 110,568 and 235,356 metric tons type I and type II, respectively. Also, for the mineral type II has been extracted 1,233,091 and 1,268,781 metric tons, respectively.

(c) The provision for impaired of value of inventory had the following movement during the years 2013 and 2012:

	2013 US$(000)	2012 US$(000)
Opening balance	1	1
Provision for impaired of classified mineral	2,030	-
Ending balance	2,031	1

During December of 2013, the Company recognize a provision for impaired of a qualified mineral (type I) corresponding to 180,072 DMT. Based on the technical review performed by the Company's Management, this mineral does not result economical for the treatment, production and future sale.

In the opinion of Company's Management, the provision for impaired of classified mineral and the provision for obsolescence of spare parts and supplies adequately covers this risk as of December 31, 2013.

9. **Property, plant and equipment, net**

(a) Below is presented the movement in cost and accumulated depreciation for the years 2013 and 2012:

	As of January 1, 2012 US$(000)	Additions US$(000)	Transfer of expansion operations project US$(000)	Transfers US$(000)	Disposals US$(000)	As of December 31, 2012 US$(000)	Additions US$(000)	Transfer of expansion operations project US$(000)	Transfers US$(000)	Reclassification US$(000)	As of December 31, 2013 US$(000)
Cost											
Land	1,330	-	-	-	-	1,330	-	-	-	-	1,330
Buildings, and other constructions	104,584	-	-	65,373	(610)	169,347	-	-	6,149	-	175,496
Machinery and equipment	65,672	1,360	-	12,840	-	79,872	1,042	-	271	-	81,185
Transportation units	1,877	-	-	-	(12)	1,865	-	-	-	-	1,865
Furniture and mixtures	383	-	-	6	-	389	2	-	-	-	391
Other equipments	3,343	282	-	1,371	(23)	4,973	240	-	215	-	5,428
Units in transit	5,134	563	45,771	(50,616)	-	852	211	4,072	(4,072)	(719)	344
Work in progress	29,068	7,430	-	(34,145)	-	2,353	4,003	1,006	(2,563)	-	4,799
Development costs	17,828	-	-	-	-	17,828	260	-	-	-	18,088
Stripping cost (c)	-	25,790	-	-	-	25,790	27,067	-	-	-	52,857
Mine closure costs, note 13(c)	11,128	18,872	-	-	-	30,000	(4,804)	-	-	-	25,196
	240,347	54,297	45,771	(5,171) (*)	(645)	334,599	28,021	5,078	-	(719)	366,979
Accumulated depreciation and amortization											
Buildings, and other constructions	25,673	16,859	-	-	(610)	41,922	25,676	-	-	-	67,598
Machinery and equipment	30,896	7,430	-	-	-	38,326	8,073	-	-	-	46,399
Transportation units	1,614	63	-	-	(11)	1,666	45	-	-	-	1,711
Furniture and mixtures	364	11	-	-	-	375	10	-	-	-	385
Other equipments	1,656	659	-	-	(23)	2,292	790	-	-	-	3,082
Other costs	891	891	-	-	-	1,782	314	-	-	-	2,096
Stripping cost (c)	-	262	-	-	-	262	854	-	-	-	1,116
Mine closure costs	5,153	1,242	-	-	-	6,395	813	-	-	-	7,208
	66,247	27,417	-	-	(644)	93,020	36,575	-	-	-	129,595
Net cost	174,100					241,579					237,384

(*) Corresponds mainly to reclassifications of "Projects of expansion of operations".

(b) The distribution of depreciation and amortization of 2013 and 2012 is as follows:

	2013 US$(000)	2012 US$(000)
Cost of sales, note 18	35,644	26,362
General and administration, note 19	918	1,049
Exploration in non-operational areas	13	6
	36,575	27,417

(c) Stripping cost, net -

As of December 31, 2013 and 2012, the Company has 5 components or flanks that make up this unique open pit mining (Chocayoc, La Llave, Principal, Mercedes and La Pampa). As of today, La Pampa component is not in the production phase.

As of December 31, 2013, the deferred stripping net cost of amortization amounts to US$51,741,000 (US$25,528,000 as of December 31, 2012).

The accumulated amortization as of December 31, 2013 is US$1,116,000 (US$262,000 as of December 31, 2012) which is calculated based on the units of production method.

(d) During 2013, the Company determined that there is objective evidence that its long-lived assets are impaired mainly due to the overall decline of mineral prices. As a consequence, the Company estimates the long-lived assets´s recoverable amount and concluded that no impairment for its long-lived assets is required as of December 31, 2013.

10. Expansion operations project

As of December 31, 2013 and 2012, the Company has been performing various works related to the expansion operations project, which have a goal to achieve a refining capacity of 18,000 DMT of mineral per day, starting the first quarter of 2014. The table below shoes the detail:

	2013 US$(000)	2012 US$(000)
Expansion of refining plant capacity to 18,000 DMT / day	168,814	125,623
Optimization of crushing plant and conveyor belt	111,950	53,674
Construction of Huachacaja tailings fields	101,071	38,060
Expansion of power grid	21,455	14,812
Development costs of Tajo Norte – Marcapunta Norte	17,828	17,828
New offices and camping	15,118	16,188
Management of program	8,804	2,451
Area of support	6,305	4,311
Borrowing costs	5,656	334
Mineral storage	2,098	2,098
Other minor activities	2,501	2,569
	461,600	277,948
Additions to operations of property, plant and equipment	(138,530)	(133,452)
Development costs of Tajo Norte and– Marcapunta Norte	(17,828)	(17,828)
	305,242	126,668

11. Accounts payable and others

(a) This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Accounts payable (b)		
Domestic suppliers	76,605	58,406
Foreign suppliers	1,991	4,380
	78,596	62,786
Accounts payable to related entities, note 23(a)	3,722	1,670
	82,318	64,456
Other account payable		
Other workers´ remunerations	1,207	1,207
Mining royalty payable	1,078	945
Provision for labor contingencies, note 24(c)	983	1,477
Other taxes	694	467
Dividends payable	159	171
Worker's profit sharing	-	3,114
Board of Directors´ remuneration payable	-	750
Other minor	297	207
	4,418	8,338
Account payable and others	86,736	72,794

(b) The account payable start mainly by the services given by suppliers, acquisition of materials, supplies and are denominated mainly in U.S. American Dollars, no interest is reduced and have a current maturity. There are no specific warranties for these obligations.

12. Financial obligations

(a) This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Banco de Crédito del Perú		
Loan (b)	-	60,000
Banco de Crédito del Perú		
Leaseback (c)	115,298	-
Leasing contract	95	257
Other minors	4	4
	115,397	60,261
Classification by maturity:		
Current portion	11,370	5,791
Non-current portion	104,027	54,470
	115,397	60,261

(b) On September 28, 2012, the Company signed a medium-term loan with Banco de Crédito del Perú for a total of US$120,000,000, the same as was approved by the Board on April 23, 2012 under the terms and conditions:

- Capital: US$120,000,000.
- Term and rate: 4 years with a variable rate (3 month Libor + 3 percent).
- Guarantee: Pledge of 2 concentrate sales contract, one of copper and another of lead.
- Amortization: Quarterly constant maturities and a final payment of 25 percent of capital.

The first disbursement of US$60,000,000 was received on November 2012. In May 2013, the Company received a second disbursement of US$60,000,000.

This loan was amortized in its totality on November 22, 2013, with the funds proceeding from the obtained financing under the leaseback. See (c); together with the funds obtained as a result of additional paid capital, see note 15 (b).

(c) Shareholder's meeting held on September 25, 2013 approved obtain financing through sales contract leaseback up to US$180,000,000 through the sale of assets by the same amount, covering equipment, machinery and production plants in Colquijirca mining unit. On November 22, 2013, the Company received US$116,531,000 through two contracts of sale -leaseback, one for US$93,103,000 and the other for US$23,428,000, both with a five-year term, redeemable in 20 quarterly installments, at a rate variable annual 5 percent over Libor 3 months (equivalent to 5.246 percent at December 31, 2013), which will begin to be amortized as of March 20, 2014. The proceeds of this financing were used to repay the loan of US$120,000,000 described in the previous paragraph and allow also to cover the obligations necessary to complete the expansion project operations. The remaining balance amounts to US$63,469,000 and was received on January 23, 2014.

These contracts of sale and leaseback are secured by a trust agreement related to receivables, sales contracts and claims on money flows by sales contracts, and other related administration, use, disposal and vindication of the assets according to the contract.

(d) As part of the commitments made in relation to the above debt, the Company must comply with the following financial ratios listed below:

(i) Debt service coverage ratio: higher than 1.3 times since January 1, 2014.
(ii) Leverage ratio: less than 1.0 time.
(iii) Debt ratio:
  a. Less than 5.0 times from the Closing Date until March 31, 2014;
  b. Less than 4.5 times at June 30, 2014;
  c. Less than 4.0 times at September 30, 2014;
  d. Less than 3.0 times the December 31, 2014;
  e. Less than 2.5 times since January 1, 2015 until December 31, 2015 and,
  f. Less than 2.0 times from January 1, 2016

The financial ratios mentioned above apply to financial statements of the Company, which should be calculated as of each quarter ending in March, June, September and December of each year since the year 2014.

Compliance with the restrictive covenants described above will be monitored by Management.

(e) The financial obligations held by the Company mature as follows:

Year	2013 US$(000)	2012 US$(000)
2014	-	11,345
2015	22,968	11,250
2016	23,041	11,250
2017	28,955	20,625
2018	29,063	-
	104,027	54,470

13. Environmental liabilities

(a) Provision for mine closing -

On July 12, 2012, the Company presented to the Ministry of Energy and Mine the updated Mine Closure Plan for Colquijirca where new obligations from the expansion of operations are included (note 10). The main changes are related to the closure update clearing deposits and tailings impoundments, decommissioning and dismantling of the concentrator plant expansion to 7,000 DMT / day and new concentrator plant from 2,500 DMT / day to 11,000 DMT/day.

The new Mine Closure Plan was approved by the Ministry of Energy and Mines (MEM) on August 17, 2012 by Resolution R.D. N ° 243-2012-MEM by a nominal value of US$52,952,000.

(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 company authorized by the Peruvian State to draw up a closure plan for the Santa Barbara mine environmental liabilities. This mine was declared a Historic Cultural Heritage according to the Institute of Culture.

The Santa Barbara mine has not been operative for many years now, 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 re-vegetation.

On April 12, 2011, MEM issued a last Resolution N ° 012-2011-MEM/AAM, in approving the amended plan closing environmental liabilities miners mining unit "Santa Barbara "with its schedule and budget requested by the Company. From the year 2012 it began implementing the environmental liability, so Management has decided that part of the provision for environmental liabilities, amounting to US$4,761,000 (US$850,000 as current portion and US$3,911,000 as non-current portion) and US$5,401,000 (US$850,000 as current portion and US$4,551,000 as non-current portion) as of December 31, 2013 and 2012, respectively.

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

	Mine closure Colquijirca US$(000)	Environmental liability Santa Bárbara US$(000)	Total US$(000)
Balance as of January 1, 2012	18,313	4,980	23,293
Increased by updating the present value	1,667	-	1,667
Changes in estimates	18,872	648	19,520
Payments	(283)	(227)	(510)
Balance as of December 31, 2012	38,569	5,401	43,970
Increased by updating the present value	1,729	-	1,729
Changes in estimates, net, note 9 (a)	(4,804)	-	(4,805)
Payments	(177)	(640)	(816)
Balance as of December 31, 2013	35,317	4,761	40,078
Classification by maturity:			
Current portion	14,165	850	15,015
Non-current portion	21,152	3,911	25,063
	35,317	4,761	40,078

The provision for closure of mining units represents the present value of the closure costs that are expected to be incurred between the progressive and final of the mine. Estimates of the costs for closure of mining units are based on studies prepared by independent advisers that meet the environmental regulations in effect. The provision for closure of mining units and exploration projects corresponds mostly to activities that must be carried out for restoring the mining units and areas affected by operation and production activities. The principal works to be performed correspond to earthworks, re-vegetation efforts and dismantling of the plants. Closure budgets are reviewed regularly to take into account any significant change in the studies conducted. Nevertheless, the closure costs of mining units will depend on the market prices for the closure works required, which would reflect future economic conditions. Also, the time when the disbursements will be made depends on the useful life of the mine, which will be based on reserves of minerals.

As of December 31, 2013, the future value of the provision for closure of mining units and environmental liabilities was US$52,493,000, which has been discounted using the "Curva cupon Cero VAC Soberana" rate from 1to 3 percent during a period of 1 to 40 years, resulting in an updated liability of US$40,078,000 (US$43,970,000 as of December 31, 2012).

The Company believes that this liability is sufficient to meet the current environmental protection laws approved by the MEM.

The Company has provided letters of guarantee in favor of the MEM for US$8,301,000 as security for the closure plans for mining unit as of December 31, 2013 (US$5,977,000 as of December 31, 2012).

14. Income tax

(a) The expense shown in the statement of profit or loss for the years 2013 and 2012 is made up as follows:

	2013 US$(000)	2012 US$(000)
Income tax		
Current	-	(10,400)
Deferred	(2,657)	813
	(2,657)	(9,587)
Mining royalties and special mining tax		
Current	(2,388)	(3,765)
Deferred	42	(280)
	(2,346)	(4,045)
Total	(5,003)	(13,632)

(b) The deferred income tax asset and liability movement, mining royalties and special mining taxes are made up as follows:

	As of January 1, 2012 US$(000)	Credit (debit) to profit or loss statement US$(000)	Debit to changes in shareholders' equity US$(000)	As of December 31, 2012 US$(000)	Credit (debit) to profit or loss statement US$(000)	Debit to changes in shareholders' equity US$(000)	As of December 31, 2013 US$(000)
Deferred asset for income tax							
Difference in depreciation rates	7,079	2,417	-	9,496	4,554	-	14,050
Provision for mine closure of the mining unit Santa Barbara	3,701	789	-	4,490	710	-	5,200
Environmental liability of the mining unit Santa Barbara	1,494	127	-	1,621	(192)	-	1,429
Tax-loss carryforward	-	-	-	-	1,238	-	1,238
Unrealized loss on hedge derivative financial instruments	-	-	-	-	-	328	328
Mining royalties	190	94	-	284	39	-	323
Other minor	1,922	(1,940)	-	(18)	419	-	401
	14,386	1,487	-	15,873	6,768	328	22,969
Less: Provision for recoverability of the deferred asset related to the mine closure provision	-	-	-	-	(3,537)	-	(3,537)
	14,386	1,487	-	15,873	3,231	328	19,432
Deferred assets for mining royalties and special mining tax							
Unrealized gain on hedge derivative financial instruments	-	-	-	-	-	50	50
Open provisional liquidations	239	(345)	-	(106)	106	-	-
	239	(345)	-	(106)	106	50	50
Total deferred asset	14,625	1,142	-	15,767	3,337	378	19,482
Deferred liability for income tax							
Stripping costs (IFRIC 20)	-	(1,642)	-	(1,642)	(3,800)	-	(5,442)
Amortization of mine development costs	(4,331)	179	-	(4,152)	(62)	-	(4,214)
Effect for translation of the tax basis held in New Soles into U.S. Dollars (c)	(1,117)	375	-	(742)	(1,770)	-	(2,512)
Deemed cost of fixed assets	(1,611)	248	-	(1,363)	194	-	(1,169)
Embedded derivative for selling of concentrates	(36)	166	-	130	(450)	-	(320)
Unrealized loss on derivative financial instruments	(384)	-	384	-	-	-	-
	(7,479)	(674)	384	(7,769)	(5,888)	-	(13,657)
Deferred liability for mining royalties and special mining tax							
Deemed cost of fixed assets	(231)	39	-	(192)	30	-	(162)
Embedded derivative for selling of concentrates	(5)	27	-	22	(94)		(72)
Fair value of unrealized hedged	(54)	(1)	55	-	-	-	-
	(290)	65	55	(170)	(64)	-	(234)
Total deferred liability	(7,769)	(609)	439	(7,939)	(5,952)	-	(13,891)
Total deferred income tax asset, net	6,856	533		7,828	(2,615)		5,591

(c) The reconciliation of the legal combined rate with the effective rate of income tax, royalties and special mining tax for the years 2013 and 2012:

	2013 US$(000)	2012 US$(000)
Profit (loss) before income tax	(2,706)	40,765
Expected income tax	-	(12,230)
Effect for translation into U.S. Dollars (b)	(1,770)	375
Royalties and special mining tax	(716)	(1,130)
Loss on currency exchange difference not tax deductible	-	2,225
Other minors	(171)	1,173
Income tax expense	(2,657)	(9,587)
Royalties and Special Mining Tax	(2,346)	(4,045)
Total	(5,003)	(13,632)

15. Shareholders' equity, net

(a) Capital stock –

As of December 31, 2013 and 2012, the share capital of the Company is represented by 103,893,888 ordinary shares fully subscribed and paid, respectively; whose nominal value is seven Nuevos Soles per share at the end of each year.

On March 21, 2013, General Meeting of Shareholders approved to capitalize accumulated results for US$192,548,000 (equivalent to S/.660,631,000), in which the capital stock was increased in US$181,686,000 (obtained an increase of the nominal value for the shares in Nuevos Soles) and the investment shares in US$10,862,000. This capitalization was subscribed in the Public Register in June 19, 2013.

The market value of the common shares is S/.10.00 per share as of December 31, 2013 (S/.34.75 per share as of December 31, 2012) and presents a negotiation frequency rate of 33.33 percent (90 percent as of December 31, 2012).

(b) Capital stock and additional investment shares –

On September 25, 2013, the General Meeting of Shareholders approved a capital increase of US$70,000,000 (equivalent to S/.195,999,991) by cash contributions from its shareholders. The increase in share capital and shares investment was made on three rounds, on November 20, 26 November and December 2, 2013, with up to an additional remaining US$1,571,000 (equivalent to S/.4,386,000). With this contribution, the number of shares will increase 21,456,361, of this total, 21,143,287 are common shares (US$53,262,000 or equivalent to S/.148,003,000) and 313,074 are investment shares (US$783,000 or equivalent S/.2,192,000), of which will have a nominal value of seven Nuevos Soles. At the date of this report, these contributions are presented under the captions "Additional capital stock" and

"Additional investment shares" and reclassified to the final products, once they are formally registered in the Public Registry.

Additionally, as a result of the capital contribution previously mentioned, the Company recognized premium shares for US$17,526,000 (equivalent to S/.48,708,000); of this total US$17,272,000 (equivalent to S/.47,997,000) corresponds to additional capital stock US$254,000 (equivalent to S/.711,000) corresponds to additional investment shares.

(c) Investment shares -
Investment shares do not have voting rights or participate in shareholders' meetings but do participate in the distribution of dividends. As of December 31, 2013 and 2012 the investment shares amount to 6,211,348 shares respectively, which nominal value is of seven Nuevo Soles per share to the closure of each year.

The market value of investment shares amounted to S/.8.80 as of December 31, 2013 (S/.22.99 as of December 31, 2012) and it presented a trading frequency of 14.29 percent (15 percent as of December 31, 2012).

(d) Other reserves of equity (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.

(e) Dividends declared and paid -
The table below presents the dividends declared and paid as of December 31, 2013 and 2012:

	Dividends declared US$(000)	**Dividend per share** US$	**Available**
2013 Dividends			
Mandatory Annual Shareholders´Meeting			
March 21, 2013	5,505	0.05	April 25, 2013
2012 Dividends			
Mandatory Annual Shareholders´Meeting			
March 21, 2012	31,931	0.29	April 26, 2012

16. Taxation

(a) Current tax situation -

The Company is subject to Peruvian Tax Law. As of December 31, 2013, the statutory income tax rate was 30 percent of taxable income.

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

(b) Years open to tax audit -

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.

At the date of this report, the Tax Administration is overseeing the Income Tax of 2011.

The Income Tax declared by the Company for the years 2009 to 2013 and Value Added Tax by the periods from January 2010 and December 2013, are subject to be audited by 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, 2013 and 2012.

(c) Tax-loss carryforwards -

As of December 31, 2013, the tax-loss carryforward estimated by the Company amounts to S/.11,537,000 (equivalent to US$4,126,000). According to the allowed by the tax income law, the Company has elected to offset compensate losses to the third category tax with taxable profit that the Company will obtain in the following four years calculated since the initial year.

The Company has decided to recognize a deferred income tax asset for US$1,238,000 as of December 31, 2013 as there it is more likely than not that the tax-loss carryforward can be used to offset future taxable net income.

(d) Transfer pricing –

For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be substantiated with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Company's operations, the Company's Management and its legal advisers believe that, as a result of the application of these standards, no material contingencies will arise for the Company as of December 31, 2013 and 2012.

17. Net sales

(a) The Company's revenues are mostly from sales of copper, zinc and lead concentrates. The table below presents the net sales by concentrate for the years 2013 and 2012:

	2013 DMT	2012 DMT	2013 US$(000)	2012 US$(000)
Net sales by concentrates				
Copper	109,183	92,891	130,271	151,789
Zinc	48,212	66,737	32,328	48,944
Lead	20,247	20,945	28,109	39,679
Silver	1,251	13,372	804	26,186
	178,893	193,945	191,512	266,598
Embedded derivative of the period, note 26(b)			1,067	(845)
Gain (loss) on hedge derivative instruments, note 26(a)			662	(72)
Adjustment to open provisional liquidations of the period			167	1,852
Adjustment to open provisional liquidations of the previous period			(5,639)	947
			187,769	268,480

During the year ended 2013, net sales decrease by US$80,711,000 compared to the same period in 2012, due to mainly the decrease of international quotations of mineral and mineral contents that are produced and sold by the Company.

(b) The table below presents the net sales to customers by geographic region (without include the effect of the valuation of embedded derivative on sale, unrealized gain on hedge derivative financial instruments and others):

	2013 US$(000)	2012 US$(000)
Peru	122,612	208,330
Asia	67,979	53,090
Africa	921	-
America	-	5,178
	191,512	266,598

(c) The volume sold according to the payable product was:

	2013	2012
Copper	25,120 MT	22,305 MT
Zinc	20,011 MT	27,765 MT
Lead	8,392 MT	10,679 MT
Silver (*)	1,461,597 Oz	2,600,616 Oz
Gold (*)	4,690 Oz	7,512 Oz

(*) Silver is found in concentrated of lead, zinc and copper, while gold is found in copper concentrate .

(d) The sales average market quotes were:

	2013 US$	2012 US$
Copper	7,177.00 MT	7,942.00 MT
Zinc	1,851.00 MT	1,912.00 MT
Lead	2,087.00 MT	2,012.00 MT
Silver	28.80 Ou	30.40 Ou
Gold	1,353.00 Ou	1,694.00 Ou

18. Cost of sales

This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Beginning inventory of concentrates, note 8(a)	5,727	2,973
Beginning mineral, note 8(a)	52,275	80,800
Total beginning inventory	58,002	83,773
Production cost		
Depreciation and amortization, note 9(b)	35,644	26,362
Services provided by third parties:		
Mining of Marcapunta	40,754	39,660
Mining of Tajo Norte	14,145	13,821
Electricity	9,966	10,424
Ore crushing	5,651	4,491
Other minors	4,481	4,108
Consumption of materials and supplies	28,373	26,450
Direct labor	8,309	8,229
Workers' profit sharing	-	2,104
Purchase of concentrate from third parties	(175)	18,376
Retirement of concentrate for testing	(11)	-
Total production cost	147,137	154,025
Final inventory of concentrates, note 8(a)	(2,146)	(5,727)
Final inventory of mineral, note 8(a)	(47,380)	(52,276)
Total final inventory, net	(49,526)	(58,003)
Total cost of sales	155,613	179,795

19. General and administrative expenses

This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Transportation, travel expenses and consultancies	6,162	6,118
Personnel expenses	4,920	5,307
Securities and others	3,117	3,378
Depreciation, note 9(b)	918	1,049
Taxes	216	280
Workers' profit sharing	-	1,023
Directors remuneration	-	750
Other minors	287	1,443
	15,620	19,348

20. Selling expenses

This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Transport and freight concentrates	4,979	4,712
Boarding and export costs	2,429	1,645
Storage of concentrates	658	918
Supervision and assays	427	487
Labor	180	147
Workers' profit sharing	-	28
Other minors	90	306
	8,763	8,243

21. Exploration in non-operating areas

This item is made up as follows:

	2013 US$(000)	2012 US$(000)
Services provided by third parties	4,028	14,882
Licences, minings, rights, and service	565	2,335
Electricity and water	364	496
Consumption of materials and supplies	85	377
Transport	12	29
Labor	4	-
Rentals	-	11
Others	162	266
	5,220	18,396

22. Net profit (loss) per basic and diluted

The computation of basic and diluted profit (loss) per share for the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, except for the number of common and investment shares):

	2013	2012
Net profit (loss) US$(000)	(7,709)	27,133
Common and investment shares – units	110,105,236	110,105,236
Basic and diluted profit (loss) per share - US$	(0.0700)	0.2464

There has not been any other transaction related to common and potential shares occurred between the reporting date and date of the financial statements.

23. Transactions with related parties

(a) During 2013 and 2012, the Company contracted a storage service of supplies to Compañía de Minas Buenaventura S.A.A for approximately US$27,000 and US$57,000, respectively. During 2013 and 2012, the Company contracted the services of supervision of the Expansion operations project to Buenaventura Ingenieros S.A. for approximately US$7,775,000 and US$5,289,000 respectively.

The Company maintains accounts payable with related parties as of December 31, 2013 and 2012 for an approximate US$3,722,000 and US$1,670,000, respectively, see note 11(a).

(b) The Directors remuneration and Management's key personnel remuneration were approximately US$2,493,000 during 2013 (approximately US$1,484,000 during 2012), and include current benefits, labor benefits and others. The Company does not pay in the long term to its Directors and key personnel.

As of December 31, 2013, there is no any other transaction with related parties.

24. Commitments and contingencies

Commitments

(a) Environmental Impact Study (EIA for its Spanish acronym) -
According to Supreme Decree 016-93-EM, effective since 1993, all mining companies must have an EIA submitted to the Ministry of Energy and Mines (MEM). The environmental impact studies are prepared by environmental consultants registered with the MEM. These studies consider all environmental controls that mining companies implemented during the life of its mining units. The mining unit of the Company has approved the Environmental Impact Study for their activities.

(b) Finance leases -

The Company has leases for several of its assets. These leases have purchase options. The following table shows the future minimum lease payments and the present value of the same is presented:

	2013		2012	
	Minimum payment US$(000)	**Present value of payments** US$(000)	**Minimum payment** US$(000)	**Present value of payments** US$(000)
In a year	16,284	10,519	191	163
After one year but no more than five years	116,932	104,878	112	94
Total minimum lease payments	133,216	115,397	303	257
Less – amounts that represent finance charges	(17,819)	-	(46)	-
Present value of minimum lease payments	115,397	115,397	257	257

Contingencies

(c) Judicial and administrative proceedings -

As of December 31, 2013 and 2012, 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 decided, based on the available information, to record accruals for the labor demands, which are considered sufficient to cover the related risks of US$983,000 and US$1,477,000 as of December 31, 2013 and 2012, respectively, see note 11(a).

25. Disclosure of information on segments

IFRS 8 "Operating Segments" requires companies to submit their financial information taking into account the reported information that is used internally by management to assess the performance of operating segments and allocating resources to those segments (an approach "through Management's eyes ").

The only reportable segment for the Company to comply with the reporting scope is mining. Management of the Company believes that it can be considered in a single segment (mining) because that show financial performance and similar in nature to its products, the nature of the production process, the kind of customers and the environment legal.

The Board has identified as the body responsible for approving the operational decisions of the Company. The Board is the body of the Company responsible for allocating resources and assessing performance as a single operating unit.

26. Derivative financial instruments

(a) Copper Price hedging operations –

The Company produces and sell copper. The volatility of copper this year has meant that the Management decided to enter into contracts for the future. These contracts, which began from August 8, 2013, are intended to reduce the volatility of cash flows attributable to the fluctuating price of copper, according to the risk strategy approved by the Board of Directors. The contracts seek to eliminate price volatility of copper sales from September 2013 to December 2014, according to the commitments of existing copper concentrate sales, which are related to 25 percent of the annual production of the metal (50 percent of the total production from the year 2014).

As of December 31, 2013, the fair value of future contracts amounted to a liability of US$1,093,000. The counterpart, net of deferred income tax amounts to a deficit of US$715,000 and is shown in the equity account "Other equity reserves".

Moreover, as a result of hedging transactions settled at December 31, 2013, the Company has accounts receivable from intermediaries Metal Exchange London for US$93,000, which is presented under accounts receivables and others, net caption.

The net change in the equity account "Other equity reserves" is as follows:

	Hedge derivative financial instruments US$(000)	Income tax and mining taxes US$(000)	Other equity reserves US$(000)
Balances as of January 1, 2012	1,283	(439)	844
Loss on hedging transactions settled during the period, note 17 (a)	(72)	20	(52)
Unrealized gain on financial derivative instruments	(1,211)	419	(792)
Total changes in financial hedge derivative instruments	(1,283)	439	(844)
Balance as of December 31, 2012	-	-	-
Loss on hedging transactions settled during the period, note 17 (a)	662	(229)	433
Unrealized loss on financial derivative instrument	(1,755)	607	(1,148)
Total changes in financial hedge derivative instruments	(1,093)	378	(715)
Balance as of December 31, 2013	(1,093)	378	(715)

(b) Embedded derivatives for concentrates operations, net -
The Company´sales of concentrates are based in commercial agreements, which establish a provisional value to the sales based in future quotations (forward). The adjustment to the sales is considered as an embedded derivative which needs to be separated to the agreement. The commercial agreements are related to the market quotations (London Metal Exchange) of the dates in which the open provisional liquidations will close as of December 31, 2013 and 2012. The embedded derivative is not classified as a hedge instruments.

Embedded derivatives held by the Company as of December 31, 2013:

Concentrate sale			**Quotes**		
			Provisional	**Futures**	
Metal	**Quantity**	**Quote periods**	**Low-High**	**Low-High**	**Fair value**
	DMT	**2015**	US$	US$	US$(000)
Copper	26,609	January - June	7,051 - 7,229	7,350 - 7,371	1,067
	26,609			**Total asset, net**	1,067

Embedded derivatives held by the Company as of December 31, 2012:

Concentrate sale			**Quotes**		
			Provisional	**Futures**	
Metal	**Quantity**	**Quote periods**	**Low-High**	**Low-High**	**Fair value**
	DMT	**2013**	US$	US$	US$(000)
Copper	36,060	January - April	7,607 - 8,193	7,912 - 7,935	(895)
Zinc	2,755	January -February	1,810 - 1,964	2,055 - 2,066	130
Lead	581	January	2,169	2,315	(80)
	39,396				(845)
Concentrate purchase					
Copper	1,136	January	7,965	7,912	189
				Total liability, net	(656)

27. 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. Financial instruments affected by market risk include accounts receivable, accounts payable, embedded derivatives and hedging derivatives.

In accordance with the Company's policies, derivative instruments must not be held for speculative purposes. With respect to the points mentioned in note 26 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, although it is important to note that these have expired in December 2013 and discuss with the Management Board Committee of the Board hedges whether or not to continue with these operations.

There were no changes in the objectives, policies or procedures during the years ended December 31, 2013 and 2012.

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, 2013 and 2012, and has been prepared considering that the proportion of financial instruments in foreign currency remains constant.

(a.1) Exchange 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 New 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, 2013, the Company had posted a net loss of US$2,827,000 from exchange differences (in the 2012 period, a net gain of US$576,000 from exchange differences), 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 results US$(000)
2013		
Exchange rate	+10%	1,928
Exchange rate	-10%	(1,928)
2012		
Exchange rate	+10%	1,166
Exchange rate	-10%	(1,166)

(a.2) Risk of prices

Risks in the prices of minerals -

The international price of minerals has an important impact on the results of the Company's operations. The price of mineral sold by the Company (copper, zinc and lead) has fluctuated historically and are affected by numerous factors beyond the control of the Company. The Company manages its price risk primarily through the use of sales commitments in customer contracts. In order to hedge the risk arising from a fall in metal prices to market, the Company entered into derivative contracts that qualify as cash flow hedges, see note 26 (a).

Embedded derivative -

The Company assigned a provisional retail value sales that are subject to future settlement in accordance with the trade agreements signed with customers. The exposure to changes in the price of metals generates an embedded derivative must be separated from commercial contract. At the end of each year, the provisional sales value is adjusted according to the estimated price for the contribution period stipulated in the contract. The adjustment of the provisional sales value is recorded as an increase or decrease in net sales. See note 2.3 (k).

The estimate of the change in price for sales that are pending final settlement, which is revealed in net sales of the embedded derivative at December 31, 2013 amounts to a gain of US$1,067,000 (note 16 (b)). The estimate for those assessments that were closed in January 2014 was reduced (less loss) by 30 percent compared to the actual value paid due to increase in the price of metals sold from January 2014 (the settlements that were closed in January 2013 was increased (greater loss) at 36 percent).

(a.3) Interest-rate risk

The interest-rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in market interest rates. The Company is exposure to interest-rate risk change especially by its long-term financial obligations with floating interest rates.

A table showing the effect:

	Increase / decrease of Libor rate (percentage)	Effect on results US$(000)
2013		
Interest rates	+10.0	80
Interest rates	-10.0	(80)
2012		
Interest rates	+10.0	45
Interest rates	-10.0	(45)

(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.

The Company invests the excess cash in financial institutions of first order, sets conservative credit policies and constantly evaluates the market conditions in which they operate, so used classification of risk reports for commercial operations and credit.

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. See concentration of sales in note 17(b). The Company performs an assessment on those debts whose collection is estimated as a variable to determine the allowance for doubtful accounts.

Credit risk is limited to the book value of the financial assets to the date of statement of financial position which is mainly composed by cash and cash equivalents, accounts receivable and others and derivative financial instruments.

(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 statement of financial position date:

	Less than 1 year US$(000)	Between 1 and 4 years US$(000)	Total US$(000)
As of December 31, 2013			
Accounts payable	82,318	-	82,318
Other accounts payable	2,646	-	2,646
Financial obligations	16,284	116,932	133,216
	101,248	116,932	218,180
As of December 31, 2012			
Accounts payable	64,456	-	64,456
Other accounts payable	6,926	-	6,926
Financial obligations	191	112	303
	71,573	112	71,685

(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, however the Company signed a long-term loan with Banco de Crédito del Perú, see note 12, in order to finance the expansion project to 18,000 DMT. Also, the Company received a capital input of US$71,571,000 for completion of the expansion of operations project. The Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

28. Hierarchy and fair value of financial instruments

Hierarchy:

The following, represents a summary of the hierarchy for measuring the fair value of the assets and liabilities of the Company:

		Fair value measurement		
	Total US$(000)	Quoted prices in an active market (Level 1) US$(000)	Observable market data (Level 2) US$(000)	Non-observable market data (Level 3) US$(000)
As of December 31, 2013				
Assets recognized at the fair value:				
Derivative financial assets:				
- Embedded derivatives for concentrates sales, net	1,067	1,067	-	-
Liabilities recognized at the fair value:				
Derivative financial liabilities:				
- Derivative financial instruments	1,093	1,093	-	-
As of December 31, 2012				
Liabilities recognized at the fair value:				
Derivative financial liabilities:				
- Embedded derivatives for concentrates sales, net	656	656	-	-

Fair value:

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

For financial assets and liabilities such as cash and cash equivalents, accounts receivable, accounts payable and other, 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 derivatives are also recorded at the fair value so that differences do not need to be reported.

The fair value of embedded derivatives is determined using valuation techniques with information directly observable in the market (future metal quotations)

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, there are no important existing difference between the value in books and the reasonable value of the assets and financial liabilities as of December 31, 2013 and 2012.

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