

Compañía Minera Miski Mayo S.R.L.
Financial Statements
December 31, 2014 and 2013
(including Independent Auditors' Report)



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INDEPENDENT AUDITORS' REPORT

To the Partners and Directors of
Compañía Minera Miski Mayo S.R.L.

We have audited the accompanying financial statements of Compañía Minera Miski Mayo S.R.L. (a subsidiary of MVM Resources International B.V.), which comprise the statement of financial position as of December 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended December 31, 2014, and Notes 1 to 28 to such financial statements, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 accordance with International Standards on Auditing approved for its application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' 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, we consider internal control relevant to the entity's 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Compañía Minera Miski Mayo S.R.L. as of December 31, 2014, and its financial performance and its cash flows for the year then ended December 31, 2014 in accordance with International Financial Reporting Standards.

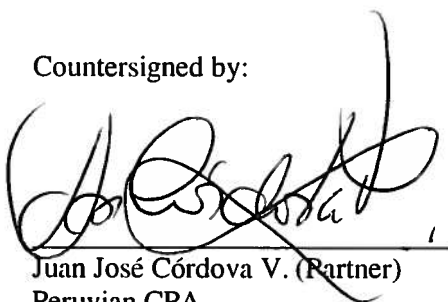
Other Matter

The Financial statements of the Compañía Minera Miski Mayo S.R.L. for the year ended December 31, 2013 and the related explanatory notes that are presented for comparative purposes were audited by another independent auditors, whose report dated March 6, 2014, expressed an unqualified opinion on those statements.

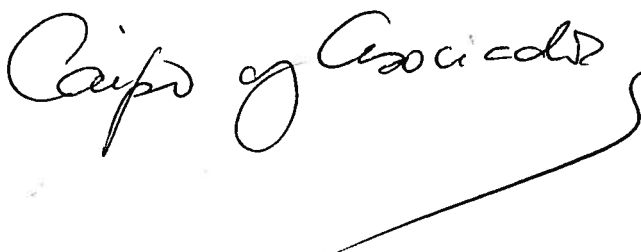
Lima, Peru

February 20, 2015

Countersigned by:



Juan José Córdova V. (Partner)
Peruvian CPA
Registration N° 01-18869



COMPAÑIA MINERA MISKI MAYO S.R.L.

Financial Statements
December 31, 2014

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US\$ = United States dollar

S/. = New Peruvian sol

DMT = Dry Metric Ton

COMPAÑÍA MINERA MISKI MAYO S.R.L.

Statement of Financial Position

As of December 31, 2014 and 2013

(In United States Dollars – USD)

	Note	<u>2014</u>	<u>2013</u>		Note	<u>2014</u>	<u>2013</u>
Assets				Liabilities and Equity			
Current assets				Current liabilities			
Cash and cash equivalents	5	86,840,908	86,818,000	Trade payables	12	32,588,809	30,686,314
Trade receivables	6	31,568,124	30,963,067	Other payables	13	35,592,527	51,846,349
VAT receivable	7	22,725,576	7,702,578	Finance lease liabilities	14	3,721,828	3,382,559
Current tax asset		14,025,649	8,399,847			-----	-----
Other receivables		7,450,522	2,147,352	Total current liabilities		71,903,164	85,915,222
Inventories	8	15,062,791	26,028,000			-----	-----
Total current assets		<u>177,673,570</u>	<u>162,058,844</u>	Non-current liabilities			
Non-current assets				Other Payables		199,070	-
Deferred tax asset	9	19,309,415	18,260,131	Finance lease liabilities	14	61,282,247	65,004,075
Property, plant and equipment	10	393,838,319	423,308,558	Provision for environmental remediation	15	49,023,312	42,656,664
Mining development assets	11	88,648,887	91,391,376			-----	-----
Intangible		392,998	-	Non-current liabilities		110,504,629	107,660,739
Total non-current assets		<u>502,189,619</u>	<u>532,960,065</u>	Total liabilities		182,407,793	193,575,961
		-----	-----			-----	-----
Total assets		<u>679,863,189</u>	<u>695,018,909</u>	Equity			
		=====	=====	Capital	16(a)	64,564,813	64,564,813
				Share premium	16(b)	400,014,523	400,014,523
				Legal reserve	16(c)	9,836,377	7,928,910
				Cumulative translation adjustment	16(d)	25,460,028	25,460,028
				Retained earnings	16(e)	(2,420,345)	3,474,674
						-----	-----
				Total equity		497,455,396	501,442,948
						-----	-----
				Total liabilities and equity		679,863,189	695,018,909
						=====	=====

The notes on pages 5 to 46 are an integral part of these financial statements.

COMPAÑÍA MINERA MISKI MAYO S.R.L.

Statement of comprehensive income

For the years ended December 31, 2014 and 2013

(In United States Dollars-USD)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue	18	305,942,635	339,802,608
Cost of sales	19	(269,090,687)	(275,065,318)
Gross profit		----- 36,851,948 -----	----- 64,737,290 -----
Administrative expenses	20	(10,926,727)	(19,789,248)
Selling expenses	21	(4,171,632)	(3,014,676)
Exploration and evaluation Expenses	22	(13,107,190)	(6,598,601)
Other income		1,060,978	2,723,826
Other expenses		(2,348,250)	(1,245,169)
Operating profit		----- 7,359,127 -----	----- 36,813,422 -----
Finance income	25	220,718	1,082,658
Finance costs	25	(9,092,983)	(9,295,742)
Exchange loss		(1,956,491)	(815,936)
Net finance costs		----- (10,828,756) -----	----- (9,029,090) -----
Loss (Profit) before income tax		(3,469,629)	27,784,402
Income tax expense	17	1,049,284	(8,709,728)
Loss (Profit)		----- (2,420,345) -----	----- 19,074,674 -----
Other comprehensive income		-	-
Total comprehensive income		----- (2,420,345) =====	----- 19,074,674 =====

The notes on pages 5 to 46 are an integral part of these financial statements.

COMPAÑÍA MINERA MISKI MAYO S.R.L.

Statement of Changes in Equity

For the years ended 31 December 2014 and 2013

	Number of Shares	Capital (note 16 (a))	Share premium (note 16 (b))	Legal Reserve (note 16(c))	Cumulative translation adjustment (note 16 (d))	Retained Earnings (note 16 (e))	Total Equity
United States Dollars (USD)							
Balances at 1 of January 2013	46,998,338,000	166,218,813	400,014,523	-	21,885,968	34,289,101	622,408,405
Profit		-	-	-	-	19,074,674	19,074,674
Total comprehensive income		166,218,813	400,014,523	-	21,885,698	53,363,775	641,483,079
Dividend distributions		-	-	-	-	(41,960,191)	(41,960,191)
Capital decrease		(101,654,000)	-	-	-	-	(101,654,000)
Transfer of legal reserve		-	-	7,928,910	-	(7,928,910)	-
Adjustment		-	-	-	3,574,060	-	3,574,060
Total transactions with owners of the company		(101,654,000)	-	7,928,910	3,574,060	(49,889,101)	(140,040,131)
Balances as of 31 December, 2013		64,564,813	400,014,523	7,928,910	25,460,028	3,474,674	501,442,948
Balances at 1 of January 2014	19,307,838,400	64,564,813	400,014,523	7,928,910	25,460,028	3,474,674	501,442,948
Loss for the year		-	-	-	-	(2,420,345)	(2,420,345)
Total comprehensive income of the year		64,564,813	400,014,523	7,928,910	25,460,028	1,054,329	499,022,603
Dividend distribution		-	-	-	-	(1,567,207)	(1,567,207)
Transfer of legal reserve		-	-	1,907,467	-	(1,907,467)	-
Total transactions with owners of the company		-	-	1,907,467	-	(3,474,674)	(1,567,207)
Balance at 31 December, 2014		64,564,813	400,014,523	9,836,377	25,460,028	(2,420,345)	497,455,396

The notes on pages 5 to 46 are an integral part of these financial statements.

COMPAÑÍA MINERA MISKI MAYO S.R.L.

Statement of Cash Flows

For the years ended December 31, 2014 and 2013

(In United States Dollars)

	<u>2014</u>	<u>2013</u>
Operating activities:		
Cash flows from operating activities		
Loss (Profit) for the year	(2,420,345)	19,074,674
Adjustments for:		
Depreciation and amortization	68,524,847	63,344,291
Price adjustment	(17,049,966)	35,980,385
Deferred income tax	(1,049,284)	(8,931,102)
Updating expenses of provision for closure of mine closure	1,586,829	1,396,530
Loss in sale of property, plant and equipment	6,576	3,193
Changes in assets and liabilities:		
Trade accounts receivable	16,444,909	(7,220,683)
Other accounts receivable	(10,928,972)	(6,921,628)
Inventories	10,965,209	1,666,127
Tax credit to be applied	(15,022,998)	12,708,596
Trade accounts payable	1,902,495	(11,611,883)
Other accounts payable	(16,054,752)	(28,959,819)
Payment of obligations for mine closure	(299,498)	(335,743)
	-----	-----
Net cash from operating activities	36,605,050	70,192,938
	-----	-----
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(31,632,376)	(21,931,205)
	-----	-----
Net cash used in investing activities	(31,632,376)	(21,931,205)
	-----	-----
Cash flows from financing activities:		
Capital decrease	-	(101,654,000)
Payment of finance lease contract	(3,382,559)	(2,195,172)
Payment of dividends	(1,567,207)	(41,960,191)
	-----	-----
Net cash used in financing activities	(4,949,766)	(145,809,363)
	-----	-----
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 January	86,818,000	184,365,630
Effect of movements in exchange rates on cash held	22,908	(97,547,630)
	-----	-----
Cash and cash equivalents at 31 December	86,840,908	86,818,000
	=====	=====
Transactions that do not represent cash flows:		
Asset for retirement obligation adjustment	5,079,317	(13,385,618)
Cumulative translation adjustment	-	3,574,060
	-----	-----
Other Information:		
Interest paid	7,285,434	6,816,555
Income Tax Paid	2,221,054	21,520,550

The notes on pages 5 to 46 are an integral part of these financial statements.