Compañía Minera Condestable S.A.

Financial statements as of December 31, 2014 and 2013, together with the Independent Auditors' report

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Compañía Minera Condestable S.A.

Financial statements as of December 31, 2014 and 2013, together with the Independent Auditors' report

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To the Shareholders of Compañía Minera Condestable S.A.

We have audited the accompanying financial statements of Compañía Minera Condestable S.A. (a private Peruvian entity, subsidiary of Corporación de Gestión Minera S.A., which is owned by Southern Peaks Mining L.P. an entity domiciled at Cayman Island), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in equity and cash flows for each year ended December 31, 2014 and 2013, respectively, and a summary of significant accounting policies and other explanatory information (see attached notes 1 to 29).

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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified 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 misstatements

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 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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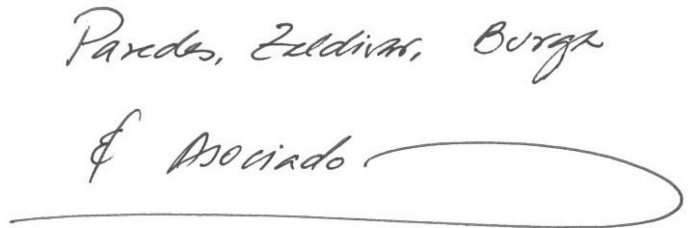
Independent auditors' report (continued)

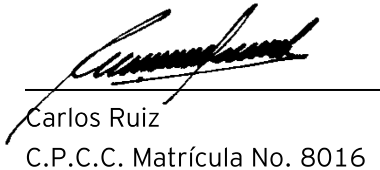
Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Compañía Minera Condestable S.A. as of December 31, 2014 and 2013, its financial performance and its cash flows for the years ended as of December 31, 2014 and 2013, in accordance with International Financial Reporting Standards.

Lima, Peru
February 27, 2015

Countersigned by:





Carlos Ruiz
C.P.C.C. Matrícula No. 8016

Compañía Minera Condestable S.A.

Statement of financial position

As of December 31, 2014 and 2013

	Note	2014 US$(000)	2013 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	894	5,669
Trade and other receivables, net	7	18,897	75,195
Derivative financial instruments	28(a)(b)	20,331	4,756
Inventories, net	8	5,525	5,075
Prepaid expenses		1,730	2,046
		47,377	92,741
Non - current assets			
Restricted funds	25(a)	4,556	8,160
Trade and other receivables, net	7	93,047	202
Property, plant and equipment, net	9	46,332	50,872
Exploration and evaluation assets	10	2,223	-
Derivatives financial instruments	28(a)(b)	14,648	8,944
		160,806	68,178
Total assets		208,183	160,919
Liabilities and equity, net			
Current liabilities			
Trade and other payables	11	19,983	14,145
Income tax payable	14(d)	162	4,190
Derivative financial instruments	28(b)	3,447	-
Embedded derivative for concentrates sales	28(c)	26	8
Current portion of long-term debt	13	24,129	17,870
Provision for mine closure	12	1,886	1,753
		49,633	37,966
Non - current liabilities			
Deferred income tax liability	14(a)	13,694	9,573
Derivative financial instruments	28(b)	3,403	-
Long-term debt	13	25,558	24,399
Provision for mine closure	12	7,859	6,838
		50,514	40,810
Total liabilities		100,147	78,776
Equity, Net	15		
Capital stock		55,368	55,368
Investment shares		31	31
Legal reserves		5,548	2,892
Unrealized gains		17,989	7,285
Retained earnings		29,100	16,567
Total equity, net		108,036	82,143
Total liability and equity, net		208,183	160,919

The accompanying notes are an integral part of this statement.

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Compañía Minera Condestable S.A.

Statement of income

For the years ended December 31, 2014 and 2013

	Note	2014 US$(000)	2013 US$(000)
Gross sales	17	119,870	133,065
Net gain for settlement of derivative contracts	28	10,176	8,486
Net sales		130,046	141,551
Operating costs			
Cost of sales	18	(85,557)	(84,247)
Depreciation and amortization	19	(10,335)	(12,246)
		(95,892)	(96,493)
Gross profit		34,154	45,058
Operating expenses			
Administrative expenses	20	(5,684)	(4,071)
Selling expenses		(1,439)	(1,599)
Other operating expenses, net	22	(99)	(294)
		(7,222)	(5,964)
Operating profit		26,932	39,094
Other income (expenses)			
Finance income	23	3,860	2,454
Gain unrealized of forward contracts	28(b)	-	3,292
Finance costs	23	(3,596)	(1,107)
Net gain from exchange difference		(400)	(90)
		(136)	4,549
Income before income tax		26,796	43,643
Income tax	14(b)	(10,493)	(17,076)
Net income of the year		16,303	26,567

The accompanying notes are an integral part of this statement.

Compañía Minera Condestable S.A.

Statement of comprehensive income

For the years ended December 31, 2014 and 2013

	Note	2014 US$(000)	2013 US$(000)
Net income of the year		16,303	26,567
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent years:			
Net movement on cash flows hedges, net of income tax effect	28(a)	10,704	5,907
Net other comprehensive income to be reclassified to profit or loss in subsequent years		10,704	5,907
Total comprehensive income for the year, net of tax		27,007	32,474

The accompanying notes are an integral part of this statement.

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Compañía Minera Condestable S.A.

Statement of changes in equity

For the years ended December 31, 2014 and 2013

	Capital stock US$(000)	Investment shares US$(000)	Legal reserve US$(000)	Cash flow hedge reserve US$(000)	Retained earnings US$(000)	Total US$(000)
Balance as of January 1, 2013	14,450	13	2,892	1,378	93,236	111,969
Net income of the year	-	-	-	-	26,567	26,567
Other comprehensive income	-	-	-	5,907	-	5,907
Balance as of January 1, 2013	-	-	-	5,907	26,567	32,474
Capitalization of retaining earnings, note 15(a)	40,918	18	-	-	(40,936)	-
Dividends paid, note 15(d.1)	-	-	-	-	(52,300)	(52,300)
Dividends in advance, note 15(d.2)	-	-	-	-	(10,000)	(10,000)
Total comprehensive income	40,918	18	-	5,907	(103,236)	(62,300)
Balance as of December 31, 2013	55,368	31	2,892	7,285	16,567	82,143
Net income of the year	-	-	-	-	16,303	16,303
Other comprehensive income	-	-	-	10,704	-	10,704
Total comprehensive income	-	-	-	10,704	16,303	27,007
Detraction legal reserve, note 15(c)	-	-	2,656	-	(2,656)	-
Dividends paid, note 15(d.3)	-	-	-	-	(1,114)	(1,114)
Balance as of December 31, 2014	55,368	31	5,548	17,989	29,100	108,036

The accompanying notes are an integral part of this statement.

Compañía Minera Condestable S.A.

Statement of cash flows

For the years ended December 31, 2014 and 2013

	2014 US$(000)	2013 US$(000)
Operating activities		
Income before income tax	26,796	43,643
Adjustments to reconcile income before income tax to net cash flow		
Depreciation of property, plant and equipment	10,342	12,321
Unwinding of discount provision for mine closure	563	(158)
Provision for inventory obsolescence	14	124
Gain from sale of property, plant and equipment	1,256	38
Gain unrealized of forward contracts	-	(3,292)
Finance income	(3,860)	(2,454)
Finance costs	3,033	1,265
Changes in working capital accounts		
Decrease (increase) in trade and other accounts receivable	(6,549)	40,296
Decrease (increase) in embedded derivative from concentrated sales	18	(79)
Decrease (increase) in inventories	(464)	104
Decrease (increase) in prepaid expenses	912	(135)
Increase (decrease) in trade and other payables	5,505	(5,162)
Decrease in derivative instruments	-	212
Decrease in provision for mine closure	(333)	(86)
	37,233	86,637
Interest collection	3,860	2,454
Interest paid	(3,033)	(1,265)
Income tax paid	(13,791)	(6,515)
Cash and cash equivalent provided by operating activities	24,269	81,311

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Statement of cash flows (continued)

	2014 US$(000)	2013 US$(000) Restated Note 27(a)
Investing activities		
Loans to affiliates	(30,000)	(57,950)
Proceeds from sale of plant and equipment	-	74
Increase of restricted funds	3,604	(5,524)
Purchase of property, plant and equipment	(3,002)	(1,378)
Purchase of intangibles	(2,223)	-
Cash and cash equivalent used in investing activities	(31,621)	(64,778)
Financing activities		
Proceeds from long-term debt	19,931	40,000
Proceeds from leaseback	6,000	2,364
Payment of loan transaction costs	(595)	(1,234)
Long-term debt payments	(17,029)	(3,636)
Finance lease payments	(4,616)	(6,288)
Dividends paid	(1,114)	(62,300)
Cash and cash equivalent provided by (used in) financing activities	2,577	(31,094)
Decrease in cash and cash equivalents for the year	(4,775)	(14,561)
Cash and cash equivalent at beginning of year	5,669	20,230
Cash and cash equivalent at end of year, note 6	894	5,669
Non – cash transactions:		
Purchase of assets under lease contracts	3,132	2,965
Increase in provision for mine closure	923	533

The accompanying notes are an integral part of this statement.

1. Identification and business activity of the Company

(a) Identification -

Compañía Minera Condestable S.A. (hereinafter "the Company"), is a Peruvian company, subsidiary of Corporación de Gestión Minera S.A. (subsidiary of Southern Peaks Mining L.P.) since July 25, 2013, due to Urion Worldwide Investment Limited sold their participation (98.7 percent) to Corporación de Gestión Minera S.A. The Company's registered address is Manuel Olguin N° 501, office 803, Santiago de Surco, Lima - Peru.

(b) Business activity –

The Company's business activity is mining, processing and selling of copper concentrates, are extracted from mining concession Condestable Accumulation.

(c) Approval of financial statements -

The financial statements as of December 31, 2014 were approved by Management on February 10, 2015, and will be presented for the approval of the Board of Directors and the Shareholders' Meeting within the terms established by law. In Management's opinion, the accompanying financial statements will be approved without any modifications in the Board Meeting and the General Meeting of Shareholders to be held during the first quarter of 2014. The financial statements as of December 31, 2013 were approved by the Shareholders' Meeting held on March 20, 2014.

2. Basis of presentation and summary of significant accounting policies

2.1. Basis of preparation -

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

The financial statements have been prepared based on historical cost basis, except for derivatives financial instruments that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial separate statements are presented in United States Dollars (U.S. Dollars) and all values have been rounded to the nearest thousand (US$000), except when otherwise indicated.

The Company has adopted those new IFRS and revised IAS mandatory for years beginning on or after January 1, 2014, as described below; however, due to the Company's structure and operations, the adoption of the new and revised accounting standards did not have any significant impact on its financial position or performance:

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- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

- IFRIC 21 Levies
  IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

- Annual Improvements 2010-2012 Cycle
  In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

- Annual Improvements 2011-2013 Cycle
  In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied

consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

2.2. Summary of significant accounting policies -

The following describes the significant accounting policies used by the Company to prepare its financial statements:

(a) Cash and cash equivalent -

Cash and cash equivalents in the separate statement of financial position comprise cash at banks and on hand, and short term deposits. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short–term deposits with original maturities of three months or less, net of outstanding bank overdrafts.

(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 financial liability or equity instrument of another entity.

(b.1) 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 financial assets, or as 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 depends on their classification, as described follows:

(i) 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 instrument as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net change in fair value) or finance income (positive net changes in fair value) in the separate statement of income.

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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. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

As of December 31, 2014, the Company has foreign currency forwards contracts as derivative financial instruments at fair value through profit or loss.

(ii) *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 are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the separate statement of income. The losses arising from impairment are recognized in the separate statement of income in finance costs.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 7.

(iii) *Other financial assets* -
The Company has no held-to-maturity investments or available-for-sale financial investments as of December 31, 2014.

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

(i) The rights to receive cash flows, from the asset have expired, or

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor

retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the asset of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an 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.

(b.2) Impairment of financial assets -

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (a 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost -

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar characteristics of credit risk, and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the separate statement of income. Interest

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income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

(b.3) Financial liabilities -

Initial recognition and measurement –

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, 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 payables and loans and borrowings, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement -

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

(i) 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 incurred for the purpose of repurchasing in the near term. This category also 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 as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the separate statement of income.

As of December 31, 2014, the Company has not designated any financial liability as at fair value through profit or loss.

(ii) *Loans and borrowings -*

After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the separate statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the separate statement of income.

This category generally applies to long-term debt, refer to Note 12.

Derecognition -

A financial liability is derecognized when the obligation under the liability 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 separate statement of income.

(b.4) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount reported in the separate 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.

(b.5) Fair value measurement

The Company measures financial instruments, such as, 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, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 re-assessing 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.

External valuers are involved for valuation of significant assets, and significant liabilities. Selection criteria of external values include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

(c) Derivative financial instruments and hedge accounting -

Initial recognition and subsequent measurement -

The Company uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivate contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the separate statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge items affects profits or loss.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

As of December 31, 2014, the Company has foreign currency forwards contracts as derivative financial instruments at fair value thought profit or loss.

Cash flow hedges -

Hedge are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the separate statement of income as other operating expenses.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the forecast sale occurs.

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If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs.

The Company uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

(d) Current versus non-current classification

The Company presents assets and liabilities in separate statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Foreign currency balances and transactions -

The Company's financial statements are presented in U.S. Dollars, which is also the Company's functional currency.

Foreign currency transactions (different currency than U.S. Dollar) are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the separate statement of income.

Non-monetary items that are measured in terms of historical costs in a foreign currency and are translated using the exchange rate at the date of the initial transaction.

(f) Inventories -

Inventories are valued at the lower of cost and net realizable value .Cost is determined on a weighted average basis, except in the case of stocks in transit, which is determined using the specific cost of acquisition. The cost of finished goods and work in progress comprises the cost of direct material and labor, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

Any provision for impairment of inventories is determined by reference to specific items of materials and supplies. A regular review is undertaken to determine the extent of any provision for impairment.

(g) Property, plant and equipment, and mining properties –

Property, plant and equipment and mining properties is stated at cost, net of accumulated depreciation and accumulated impairment losses, 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 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, the 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 the separate statement of income 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 information about the recorded provision for mine closure, refer to note 2.2 (l).

Depreciation of assets used in the mining production process is charged to cost of production on the units-of-production (UOP) basis using proven and probable reserves, except in the case of assets whose useful life is shorter than the life of the mine. These latter assets and assets used for administrative purposes are depreciated using the straight-line method with the following useful lives:

	Years
Buildings and other constructions	4
Machinery and equipment	Between 2 and 4
Vehicles	Between 2 and 4
Furniture and fixtures	Between 2 and 4
Other equipments	Between 2 and 4

Residual value, useful life and methods of depreciation/amortization are reviewed at each reporting date, and adjusted prospectively if appropriate.

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An item of the category property, plant and equipment and mining properties and any significant part is derecognized on sale or when no future economic benefits are expected from its use or sale. Any gain or loss at derecognition date of the asset (calculated as the difference between the net gain obtained from the sale of the asset and its book value) is included in the separate statement of income when the asset is derecognized.

(h) Leases -

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at signed date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement grants a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance Lease -

Finance leases which transfer to the Company substantially all the risks and the benefits incidental to ownership of the leased item, are capitalized at the lease's fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are distributed between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the separate statement of income.

Capitalized leased assets are depreciated over the basis of its useful life. However, if there is no reasonable assurance that the Company will obtain ownership at the end of the contract, the asset is depreciated by taking into account its useful life or the life of the contract, whichever is lower.

Operating Lease -

Operating lease payments are recognized as operating expense in the separate statement of income on a straight-line basis over the lease term.

(i) Mining concessions –

The mining concessions represent the right of exploration and exploitation that the Company have over the mining properties that contain the mineral reserves acquired. The mining concessions are stated at cost and amortized on the basis of production method, using the proven and probable reserves. In case the Company leaves these concessions, the associated costs are punishable under the separate statement of income.

Mining concessions are presented within the Property, plant and equipment and mining properties in the separate statement of financial position.

(j) Exploration and evaluation cost and mineral resources -

Exploration and evaluation costs -

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 and evaluation expenditure is charged to profit or loss as incurred. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Development costs -
When it is determined that a mineral property can be economically viable, that is, when determining the existence of proven and probable reserves, the costs incurred to develop such property, including additional costs to delineate the ore body and remove any impurities are capitalized.

Capitalized development costs are amortized using the units of production method, using the proven and probable reserves. Development costs necessary to maintain production are expensed as incurred.

(k) 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's recoverable amount. An asset's recoverable amount is the higher of an assets' or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. 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. When the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company bases its impairment calculation on detailed budgets, which are prepared separately for each of the Company's CGU to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of income in expense categories consistent with the function of the impaired asset.

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For assets, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or 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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of income.

(l) 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Contingencies –

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.

Provision for mine closure -

The Company recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and vegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Additional disturbances or changes in

rehabilitation costs are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are deal with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the separate statement of income and other comprehensive income.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the separate statement of income as part of finance costs.

The Company recognizes the deferred tax asset in respect of the temporary difference on the decommissioning liability and the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

(m) Revenue recognition -

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in most of the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered occur when title passes to customer. This generally occurs when the product is physically transferred onto a vessel, train, conveyor or other delivery mechanism. Revenue is measured at fair value of the consideration received or receivable.

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The following criteria must also be met before revenue is recognized:

Copper in concentrates sales -
Contract terms for the Company's sale of copper in concentrate to customers allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period or QP). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and four 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. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price which the entity expects to receive at the end of the QP, determined at the date of shipment. The embedded derivative, which does not qualify for hedge accounting, is initially recognized at fair value, with subsequent changes in the fair value recognized in the separate statement of income each period until final settlement, and presented as part of "gross sales". Changes in fair value over the QP and up until final settlement are estimated by reference to forward market prices for copper.

Interest income -
Interest income is recorded using the effective interest rate. Interest income is included in finance income in the separate statement of income.

(n) Taxes -
Current income tax -
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted at the reporting date.

Current income tax related to items recognized directly in equity is recognized in equity and not in the statement of income. Periodically, Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -
Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Special mining tax and mining royalties -
In addition to corporate income taxes, the Company's financial statements also include and recognize as taxes on income, other types of taxes on net income.

Special mining tax and mining Royalties are accounted for under IAS 12 since they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income- rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations

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arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognized as current provisions and included in cost of sales.

Sales tax -
Expenses and assets are recognized net of the amount of sales tax (eg. value added tax), except:

- When 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.

- 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 separate statement of financial position.

(o) Cash dividend and non-cash distribution to equity holders of the parent
The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the separate statement income.

3. Significant accounting judgments, estimates and assumptions -
The preparation of the Company 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 disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

The significant judgments, estimates and assumptions identified by management are:

Estimates of mineral resources and reserves -
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 depreciation of fixed assets related directly to mining activity, provision for mine closure, assessment of the deferred asset's recoverability and the amortization period for development costs.

Units of production depreciation -
Estimated economically recoverable reserves are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure all the change own the estimates are recorded prospectively.

Mine rehabilitation provision -
The Company assesses its mine rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Impairment of non-financial assets -
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes a formal estimate of the asset's recoverable amount. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, and others. These assumptions and estimates are under risks and uncertain.

The fair value of the mining assets is determined, usually, by the present value of the future cash flows provided from the continuing use of the asset, which include estimates such as future capital expenditure, using certain assumptions that a third party can use. The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company have determined to each cash-generating unit, considering the operations of each cash-generating unit as individual base.

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4. New International Financial Reporting Standards (IFRS) issued but not effective on the date of the financial statements-

The IASB issued the following standards and interpretations, but they are not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
  IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual improvements 2010-2012 Cycle
  These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

  IFRS 2 Share-based Payment
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  IFRS 3 Business Combinations
  The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

  IFRS 8 Operating Segments
  The amendments are applied retrospectively and clarifies that:
  - An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

- IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its

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financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
  The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
  The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

  The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Company has not used a revenue-based method to depreciate its non-current assets.

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- Amendments to IAS 27: Equity Method in Separate Financial Statements
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  For first-time adopters of IFRS electing to use the equity method in its financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- IFRS 15 Revenue from Contracts with Customers
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- IFRS 9 Financial Instruments
  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

The Company is in process of assessing the impact, if any, that the application of these standards may have on its financial statements.

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5. Foreign currency transactions

The foreign currency transactions are carried out at market exchange rates published by the Superintendencia de Banca y Seguros y AFP. At December 31, 2014, the exchange rates US$0.3355 for buying and US$0.3346 for sale (US$ 0.3579 for buying and US$0.3576 for sale at December 31, 2013) and have been applied by the Company for the accounts of assets and liabilities, respectively.

At December 31, 2014 and 2013, the Company had the following assets and liabilities in soles:

	2014 S/.(000)	2013 S/.(000)
Asset		
Cash and cash equivalent	2,032	2,968
Trade and other account receivables	3,151	2,733
	5,183	5,701
Liabilities		
Trade and other accounts payable	(23,128)	(32,269)
Net (liability) asset position	(17,945)	(26,568)

6. Cash and cash equivalent

(a) This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Cash	11	9
Bank accounts (b)	883	5,660
	894	5,669

(b) The Company maintains its bank accounts in local banks, earns interest at markert rate and are unrestricted.

7. **Trade and other receivables, net**

(a) This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Trade		
Consorcio Minero S.A.	-	14,201
Trafigura del Perú S.A.C.	12,353	-
CN Minería y Construcción S.A.C.	1,655	-
Others	738	-
	14,746	14,201
Other		
Account receivable to affiliates, note 24 (b)	93,955	59,016
Hedge receivable	1,394	718
Contractors	670	712
Loan to employees	319	317
Other	860	433
	97,198	61,196
Total	111,944	75,397
Less – non-current portion		
Other	(93,047)	(202)
Current portion	18,897	75,195

As of December 31, 2014 and 2013, the fair value of accounts receivables to third parties approximates to its book value due to their current maturities. These balances originated interests and have no specific guarantees.

(b) In Management's opinion, it is not necessary to record on allowance for impairment of receivables as of December 31, 2014 and 2013.

8. **Inventories, net**

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Spare parts and supplies	5,808	5,345
Supplies in transit	3	2
	5,811	5,347
Less:		
Allowance for obsolescence of spare parts and supplies (b)	(286)	(272)
	5,525	5,075

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9. Property, plant and equipment, and mining properties net

(a) The balance and movement of this caption for the years 2014 and 2013 are shown below:

	Balance as of January 1, 2013 US$(000)	Additions US$(000)	Sales / withdrawals US$(000)	Transfers US$(000)	Balance as of December 31, 2013 US$(000)	Additions US$(000)	Sales / withdrawals US$(000)	Transfers US$(000)	Balance as of December 31, 2014 US$(000)
Cost									
Land	358	-	-	-	358	-	-	-	358
Building and other constructions	15,019	-	-	-	15,019	46	-	-	15,065
Mining concessions (b)	27,728	-	-	-	27,728	-	-	-	27,728
Machinery and equipment	67,983	2,103	(194)	2,497	72,389	880	(1,222)	1,032	73,079
Vehicles	1,015	42	(177)	167	1,047	51	(1,297)	1,505	1,306
Furniture and fixture and computer equipment	882	41	(9)	30	944	17	(13)	-	948
Various equipment	720	10	-	-	730	124	(9)	-	845
In-transit equipment	941	1,852	-	(2,694)	99	3,459	-	(2,537)	1,021
Work in progress	1,121	295	-	-	1,416	1,557	-	-	2,973
Mine closure, note 12	6,523	533	-	-	7,056	923	-	-	7,979
	122,290	4,876	(380)	-	126,786	7,057	(2,541)	-	131,302
Accumulated depreciation and amortization									
Building other constructions	7,968	1,410	-	-	9,378	1,133	-	-	10,511
Mining concessions	10,814	3,340	-	-	14,154	2,386	-	-	16,540
Machinery and equipment	40,708	6,292	(173)	-	46,827	5,415	(890)	-	51,352
Vehicles	794	106	(167)	-	733	393	(374)	-	752
Furniture and fixture and computer equipment	715	100	(3)	-	812	61	(13)	-	860
Various equipment	512	147	-	-	659	28	(9)	-	678
Mine closure	2,425	926	-	-	3,351	926	-	-	4,277
	63,936	12,321	(343)	-	75,914	10,342	(1,286)	-	84,970
Net value	58,354				50,872				46,332

(b) The carrying value of assets held under finance leases contracts was US$ 10,958,000 as of December 31, 2014 (US$12,850,000 as of December 31, 2013). During year 2014, the Company acquired assets amounting to US$ 3,132,000 (US$2,965,000 during 2013) under financial leases contracts. Assets under financial leases are pledged as guarantee for the financial contracts held at the statement of financial position date. See also note 13.

(c) The following table shows the distribution of depreciation expense for the years 2014 and 2013:

	2014 US$(000)	2013 US$(000)
Depreciation and amortization, note 19	10,335	12,246
Administrative expenses, note 20	7	75
	10,342	12,321

10. Exploration and development cost

(a) The composition and movement of this caption to the date of the separate statements of financial position is presented below:

	2014 US$(000)
Vinchos (b)	1,134
Punta Colorada (b)	442
Development (c)	647
	2,223

(b) During 2014, it mainly includes exploration costs related to Vinchos Sur project and Punta Colorada project, both located in Mala, Province of Cañete, Department of Lima.

(c) During 2014, it mainly includes development costs related to "Profundizacion Raul" project, located in Mala, Province of Cañete, Department of Lima.

(d) As of December 31, 2014, the Company has assessed the use conditions of its exploration and development assets and did not find any indicator that these assets may be impaired.

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11. Trade and other payables

(a) This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Trade account payables -		
Suppliers (b)	15,314	8,644
Other accounts payable -		
Salaries, profit sharing and employees severance indemnities	3,635	4,109
Other taxes	797	1,269
Account payable to affiliates, note 24(b)	3	65
Other	234	58
	4,669	5,501
	19,983	14,145

(b) This item includes commercial invoices originated, mainly, by the acquisition of materials and supplies for the extraction, exploitation and production of the mining activities of the Company. These invoices are mainly stated in U.S. dollars and do not accrue interest.

12. Mine closure provision

The movement of the mine closure provision for each of the mining units was as follows:

	Total US$(000)
Balance as of January 1, 2013	8,302
Increased by updating the present value of the provision, note 23	(158)
Increased cost for the change in estimates, note 9	533
Application of disbursements	(86)
As of December 31, 2013	8,591
Increased by updating the present value of the provision, note 23	564
Increased cost for the change in estimates, note 9	923
Application of disbursements	(333)
As of December 31, 2014	9,745
Remaining useful life in years	4

By term:

	2014 US$(000)	2013 US$(000)
Current portion	1,886	1,753
Non-current portion	7,859	6,838
As of December 31	9,745	8,591

The Company makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2025. This provision has been created based on studies made by independent parties. These estimates are reviewed regulatory to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

As of December 31, 2014, the future value of the provision for closure of mining units Condestable Accumulated amounts to US$11,114,000 (US$9,760,000 as of December 31, 2013, respectively), which have been discounted using an annual risk-free discount rate adjusted by the specific risk of this provision of 3 percent (1.76 percent as of December 31, 2013). Management's Company has scheduled to make disbursements in the mid and long-term periods.

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13. Long - term debt

(a) This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Financial lease contracts (b)		
Scotiabank Perú S.A.A. (9 contracts)	2,628	3,764
Banco Interamericano de Finanzas S.A. (2 contracts)	1,138	2,029
Banco Internacional del Perú S.A.A. (2 contracts)	339	13
Banco Santander del Perú S.A. (1 contract)	207	-
Banco de Crédito del Perú S.A. (1 contract)	101	-
IBM del Perú S.A. (1 contract)	9	27
Leasing Perú S.A. (1 contract)	-	55
	4,422	5,888
Other financing		
Syndicated loan (c)	42,257	36,364
Banco Santander del Perú S.A.	3,008	-
Hewlett – Packard Perú S.R.L.	-	17
	45,265	36,381
Total	49,687	42,269
less- current portion	24,129	17,870
Long-term portion	25,558	24,399

(b) During the years 2014 and 2013, the movement of long-term financial obligations was as follows:

	2014 US$(000)	2013 US$(000)
Obtaining of new loans	25,931	42,364
Amortization of debt	(21,645)	(9,925)
Acquisition of machinery and equipment through finance leases that do not generate cash flow	3,132	2,965
Net increase in long-term debt	7,418	35,404

(c) The funding received under financial leases are secured with the same assets purchased and accrued interest calculated at rates ranging between 3.00 percent and 7.00 percent at December 31, 2014 (4.95 percent and 3.67 percent at December 31, 2013).

(d) On September 13, 2013 up to march 2018, the Company signed the syndicated loan with Société Générale and The Bank of Nova Scotia for a period of 3 years. The total syndicated loan amounted to US$40 million and the use of these funds were related to general corporate purpose and payment of the transaction cost and expenses related to the loan. On June 2014, an additional amount of US$19 million has been borrowed to the Company.

The Company must meet certain commitments and financial indicators, as well as other restrictions. Compliance with the restrictive covenants is overseen by the Company Management, and in its opinion, at December 31, 2014 and 2013, the Company complied with said requirements.

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14. Income tax

(a) The composition and movement of the caption is as follows:

	As of January 1, 2013 US$(000)	Operating results Income (expenses) US$(000)	Change in equity US$(000)	As of December 31, 2013 US$(000)	Change in equity US$(000)	Operating results Income (expenses) US$(000)	As of December 31, 2014 US$(000)
Income tax							
Deferred asset							
Effect from translation of non-monetary items into U.S. dollar	2,255	-	(1,977)	278	-	(969)	(691)
Other provisions	2,032	-	(68)	1,964	-	188	2,152
	4,287	-	(2,045)	2,242	-	(781)	1,461
Deferred liability							
Differences on depreciation rates	(1,615)	-	(611)	(2,226)	-	106	(2,120)
Amortization of Raúl mining unit	(2,682)	-	(973)	(3,655)	-	578	(3,077)
Depreciation of higher value of fixed assets	(1,676)	-	218	(1,458)	-	267	(1,191)
Derivative financial instruments	(627)	(2,533)	(948)	(4,108)	(3,725)	5	(7,828)
Projects	-	-	-	-	-	(611)	(611)
	(6,600)	(2,533)	(2,314)	(11,447)	(3,725)	345	(14,827)
Net	(2,313)	(2,533)	(4,359)	(9,205)	(3,725)	(436)	(13,366)
Mining tax							
Deferred asset							
Exploration expense	7	-	(1)	6	-	(2)	4
Deferred liability							
Depreciation of higher value of fixed assets	(393)	-	19	(374)	-	42	(332)
Net	(386)	-	18	(368)	-	40	(328)
Total net	(2,699)	(2,533)	(4,341)	(9,573)	(3,725)	(396)	(13,694)

(b) The current and deferred portion of the income tax provision showed in the statement of income for the years 2014 and 2013, comprises the following:

	2014 US$(000)	2013 US$(000)
Current portion		
Income tax	(8,533)	(10,587)
Mining royalty	(1,189)	(1,321)
Special mining tax	(375)	(827)
	(10,097)	(12,735)
Deferred portion		
Income tax	(771)	(4,358)
Effect of change in tax rates	335	-
Mining royalty	34	(15)
Special mining tax	6	32
	(396)	(4,341)
Total	(10,493)	(17,076)

(c) The reconciliation of the income tax expense and the accounting profit determined based on the application of the tax rate to the statement of income is as follows:

	2014 US$(000)	2013 US$(000)
Income before income tax	26,796	43,643
Mining tax	(1,564)	(2,148)
Total basis	25,232	41,495
Theorical expense	7,570	12,449
Permanent differences:		
Effect of non-deductible expenses	765	519
Effect of translation to U.S. Dollars	969	1,977
Effect of change in tax rates	(335)	-
	8,969	14,945
Mining tax expense	1,524	2,131
Total	10,493	17,076

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(d) As of December 31, 2014 and 2013 the balance of income tax payable is made up as follows:

	2014 US$(000)	2013 US$(000)
Income tax	(222)	3,673
Mining royalty	285	320
Special mining tax	99	197
	162	4,190

15. Equity, net

(a) Capital stock -

As of December 31, 2012, the subscribed and paid capital amounts to S/.42,951,317 (equivalent to US$14,450,000), which is represented by 42,951,317 common shares subscribed and paid, with a nominal value of S/.1.00 per share.

The Shareholders' Meeting held on March 30, 2013 approved the capitalization of earnings for US$40,918,443 (equivalent to S/106,403,401), which is represented by 106,403,401 common, with a nominal value of S/.1.00 per share.

As of December 31, 2014 and 2013, the subscribed and paid capital amounts S/. 149,354,718 (equivalent to US$ 55,368,443), which is represented by 149,354,718 common shares with a nominal value of S/.1.00 per share.

(b) Investment Shares-

These are shares delivered to employees until December 31, 1990. Investment shares give to its holders the right in the dividends distribution, according to their equity participation, but do not participate or vote in Shareholders' Meetings.

As of December 31, 2014 and 2013, investment shares are represented by 66,827 shares with a par value of S/1.00 each, equivalent to US$31,000.

(c) Legal reserve –

The Peruvian Corporations Law establishes that no less than ten percent of the net income of a company must be transferred to a legal reserve until the reserve is the fifth part of the Company's paid capital. This reserve cannot be used for dividend distribution purposes, and its use to offset losses and/or capitalization forces to replenish it with future profits.

The Shareholders' Meeting held on August 08, 2014 agreed to distribute legal reserves for US$ 2,656,000, amount applied against the retained earnings as of December 31, 2013.

(d) Dividend distribution –

(d.1) The Shareholders' Meeting held on March 20, 2013 agreed to distribute dividends for US$52,300,000 (US$0.35 per share), amount applied against the retained earnings for the periods 2012 and 2011.

(d.2) The Shareholders' Meeting held on September 30, 2013 agreed to prepaid dividends for US$10,000,000 amount apply against the retained earnings as of December 31, 2013.

(d.3) The Shareholders' Meeting held on September 10, 2014 agreed to prepaid dividends for US$ 1,114,000 amount applied against the retained earnings as of December 31, 2013.

16. Tax situation

The Company is subject to taxation in Peru. At December 31, 2014 and 2013, the income tax rate was 30% percent on taxable income.

Until December 31, 2014, Peruvian statutory Income Tax rate is 30 percent on taxable income after calculating the workers' profit sharing, which is determined using a 5 percent rate. Through Law N°30296, published in December 31, 2014 the income tax rate was reduced according to the following terms:

Effective for year	%
2015 and 2016	28
2017 and 2018	27
From 2019 onward	26

Legal persons not domiciled in Peru and citizens must pay an additional tax on dividends received. In this regard, attention to Law No. 30296, the additional tax on dividends on profits generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014.
- By the profits generated from 2015, whose distribution it carried after that date will be:
  - 2015 and 2016: 6.8 percent.
  - 2017 and 2018: 8 percent.
  - 2019 onwards: 9.3 percent.

For purposes of determining income tax and general sales tax, transfer pricing of transactions with related companies and companies residing in areas of low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria used for its determination. Based on the analysis of the operations of the Company, the Company's management and its legal counsel believe that, as a result of the application of these standards will not result in significant contingencies for the Company at December 31, 2014 and 2013.

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The tax authorities have the right to review and, if necessary, adjust the income tax calculated by the Company in a range of four years since the filing of the tax return. The Income Tax and Value Added Tax returns for the periods 2010 to 2014 are pending of audit 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 the Management's and its legal advisors' opinion, any additional tax assessment would not be significant to the financial statements as of December 31, 2014 and 2013.

On September 28, 2011, the Legislative Congress of Peru enacted Law No. 29788 amending the Mining Royalty Law (Law No. 28258) and Law No. 29789 creating the special mining tax "IEM" with order to increase tax revenues to mining companies that produce and market and non-metallic minerals and have no current tax stability contract. These taxes are calculated on the basis of operating profit using cumulative and progressive rates and are settled quarterly. The new rules came into force on 1 October 2011. At December 31, 2014, the Company recorded a current expense of mining royalties of US$ 1,188,000 and IEM of US$375,000 (a current expense of mining royalties of US$1,321,000 and IEM of US$827,000 at December 31, 2013).

The mining tax has been recognized in accordance with IAS 12 "Income Taxes". Therefore, the Company presents the current provision of such taxes as part of the annual tax expense on profits. It also recognized the deferred effects of temporary differences between the accounting and taxable to be compensated in future periods, see note 14 (a).

17. Gross sales

(a) This caption is made up as follows:

	2014		2013	
	TMS(000) (Unaudited)	US$(000)	TMS(000) (Unaudited)	US$(000)
Copper concentrates	80,557	119,887	82,698	132,987
Embedded derivative for concentrate sales (b)		(17)		78
		119,870		133,065

The copper concentrates sales were totally sold to Trafigura Perú S.A.C. (during the 2013 Consorcio Minero S.A.)

(b) Embedded derivative -
At December 31, 2014 and 2013, the Company had embedded derivatives based on forward prices of copper for the expected settlement dates. Final prices on these concentrates sales will be established over the next several months pursuant to terms of commercial contract. The adjustment to the provisional value of these sales is recorded as an adjustmen to "Net sales".

Concentrate sales include adjustments to the provisional sale value resulting from changes in the fair value of the embedded derivative.

18. Cost of sales

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Services provided by third parties	35,755	30,238
Personnel expenses, note 21	23,308	25,218
Spare parts and supplies consumptions	14,935	17,512
Electrical energy	7,340	7,386
Other costs of production	4,219	3,893
	85,557	84,247

19. Depreciation and amortization

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Depreciation	7,024	7,980
Amortization of mining concession "Raúl"	2,386	3,340
Mine closure amortization	925	926
	10,335	12,246

20. Administrative expenses

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Services provided by third parties	3,513	2,643
Personnel expenses, note 21	1,991	1,084
Various administration charges	173	268
Depreciation, note 9(c)	7	75
Other	-	1
	5,684	4,071

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21. Personnel expenses

The detail of personnel expenses is made up as follows:

	2014 US$(000)	2013 US$(000)
Salaries	12,481	12,465
Workers' profit sharing	2,486	3,084
Legal gratifications	2,539	2,480
Social contributions	1,224	1,253
Vacations	1,066	837
Severance indemnities	1,231	1,237
Other	4,340	4,946
	25,367	26,302

The following shows the distribution of personnel expenses:

	2014 US$(000)	2013 US$(000)
Costs of sales, note 18	23,308	25,218
Administrative expense, note 20	1,991	1,084
Sales expensive	68	-
	25,367	26,302

22. Other operational expenses, net

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Revenue		
Gain on sale of supplies	5,736	4,171
Proceeds from disposal of property, plant and equipment	1,638	74
Others	208	336
	7,582	4,581
Expenses		
Expenses from sale of supplies	5,674	4,124
Impairment of supplies	46	124
Expenses from sale of property, plant and equipment	1,256	37
Other	705	590
	7,681	4,875
Net	(99)	(294)

23. Finance income and costs

This caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Finance income		
Interests and commissions on loan to Southern Peaks Mining LP, note 24(a)	3,117	1,441
Interests and commissions on loan to Iberian Minerals	-	406
Interests and commissions other vinculates note 24(a)	2	-
Instrument Derivates	632	-
Other minors	109	607
	3,860	2,454
Finance costs		
Interest from syndicated loan	2,549	821
Interest from financial lease	345	306
Interests and expenses from long-term obligations	139	138
	3,033	1,265
Updated by mine closure at present value, note 12	564	(158)
	3,596	1,107

24. Transactions with affiliates

(a) During the years 2014 and 2013, the Company engaged in the following transactions with its affiliates:

	2014 US$(000)	2013 US$(000)
Revenues		
Interest earned, note 23	3,119	1,467
Sales of machinery and equipment	10	-
Sales of supplies	35	-
	3,164	1,467
Expenses		
Management service	3,000	2,055
Sales of machinery and equipment	164	-
Other	8	-
	3,172	2,055

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(b) As a result of transactions with affiliates previously mentioned, the company has accounts receivable and payable balances as of December 31, 2014 and 2013:

	2014 US$(000)	2013 US$(000)
Account receivable, note 7(a)		
Other -		
Southern Peaks Mining LP (b.1)	91,645	57,950
Ariana Operaciones Mineras S.A.C. (b.2)	889	531
Southern Peaks Mining Perú S.A.C. (b.3)	1,034	500
Others	387	35
	93,955	59,016
Accounts payable, note 11a)		
Other-		
Southern Peaks Mining Perú S.A.C.	2	65
Compañía Minera Quiruvilca S.A.	1	-
	3	65

The Company performs its transactions with affiliates on terms equivalent to those that prevail in arm´s transactional.

(b.1) Accounts receivable to Southern Peaks Mining LP are related granted a loan amounting to US$86,267,000 for the financing the purchase of Condestable, will be recovered in long term through certain transactions that Southern Peaks Mining LP's Management expect to perform with important assets that exists into its subsidiaries, to cancelled such loan. The loans do not have specific guaranties and bear interest at an annual rate of 4.27percent.

(b.2) Corresponds to loan for working capital, the loans accrues interest at an annual rate of 4.75 percent.

(b.3) Until July 25, 2013, Consorcio Minero S.A. (Cormin) was an affiliate company controlled by Trafigura B.V. after through Urion Worldwide Investments sold its participation in the Company to Corporación de Gestión Minera S.A. The account receivables was related with concentrate copper sales which do not accrue interest, have no specific guarantees and have current maturities as of December 31, 2012. During the period 2013, Cormin continued having transactions with the Company as a third party until March 2014, from April 2014 began to have operations Peru Trafigura (Trafigura Group) See note 7.

(b.4) The salary expenses of the Management of the Company were US$904,000 and US$259,000 as of December 31, 2014 and 2013.

25. Commitments

(a) Mine closure -

The Company conducts its exploration and development activities with care to avoid affecting the environment or altering the balance of ecosystems, or causing harm to rural and collective communities, in compliance with the provisions set forth in the rules of the Code of the Environment and Natural Resources. On November 8, 2002, the Ministry of Energy and Mines issued a Ministerial Resolution approving the Environmental Adjustment and Management Program (PAMA by its Spanish Acronym) prepared by the Company for the mining unit in which the Company operates.

On October 14, 2003, the Congress of the Republic issued Law 28090 – Mine Closure Law. The purpose of this Law is to set out the commitments and procedures that companies engaged in mining activities must comply with to prepare, file and implement a mining site closure plan, as well as to establish the corresponding environmental guarantees to ensure compliance with the required investments subject to environmental protection, preservation and recovery principles.

In 2006, the Company prepared and presented its Mine Closure Plan for the mining units Raúl and Condestable. On April 30, and September 29, 2009, Ministry of Energy and Mines through of the Director Resolution 095-2009-MEM/AAM and Director Resolution 298-2009-MEM/AAM approved the mine closure plan of the mining units Constable and Raúl, respectively.

In compliance with the provisions of the Mine Closure Act, dated May 2, 2013 and September 17, 2013, the Company complied with the updated file Mine Closure Plan of the mining units "Condestable" and "Raúl "respectively. At the date December 31, 2014 of this report both plans are pending approval by the competent entity.

Finally In compliance with the provisions of the Mine Closure Act, dated May 29, 2014, the Company complied with the updated file Mine Closure Plan of the mining unit "Condestable Accumulation". The Mine closure was approved at the date July 15, 2014

At December 31, 2014, the Company has estimated the useful life of its mining units in four years, but has been conducting exploration studies to increase the life of its mines, and consequently re-estimate their budgets and estimates for closing mining units.

On January 6, 2010, the Company performed the opening of an escrow account in an amount of US$832,610, in order to ensure the compliance of the obligation for the mine closure plan. This guarantee is deposited in a local financial institution whose current account is denominated in U.S. dollars and yield interest at an annual effective rate of 1 percent. As of December 31, 2014, the deposit amounts to US$$4,533,323 (US$4,116,315 as of December 31, 2013), which has been classified as “Long-term restricted funds” in the statement of financial position.

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(b) Commitments –

Sales of copper concentrates -

As of December 31, 2014, the Company maintains sale commitments of copper concentrates with Trafigura Peru S.A.C. by 81,093 DMT (estimated production of the year 2014). These commitments will be settled at the market price in force at a proper time.

(c) Financial lease contracts –

The minimum payments under financial lease contracts are as follows:

	2014		2013	
	Minimum payments US$(000)	**Present value of lease payments** US$(000)	**Minimum payments** US$(000)	**Present value of lease payments** US$(000)
Within the year	3,514	3,404	3,526	3,307
Between 1 and 3 years	1,033	1,018	2,649	2,581
Total payments to disburse	4,547	4,422	6,175	5,888
Less-unearned interest	(125)	-	(287)	-
	4,422	4,422	5,888	5,888

26. Contingencies

During 2007, the Tax Administration began the audit of the income tax returns corresponding to the years 2004 and 2005. At the date of this report, the Company has not been notified of any assessment related with these audits.

As of December 31, 2014 and 2013, the Company maintains several administrative procedures with the Tax Administration related with: (i) income tax of the year 2001, (ii) mining royalty of the year 2006 and (iii) income tax advance payments corresponding to January 2008, (iv) added value tax of the year 2001 and (v) income tax of the year 2008 for S/.858,338, S/.439,116, S/.37,909, S/.6,816,464 and S/.40,190,502, respectively (equivalent to US$336,471, US$172,135, US$14,860, US$2,672,075 and US$15,754,803 respectively). On February 17, 2013, the Company had received the resolution N°0150140010136, which accepts in part Company's claim related to added value tax of 2001. From this resolution, Tax Administration re-calculated the amount claimed to S/.4,987,222 equivalent to US$1,955,007; this amount was appealed on March 7, 2013. In Management´s opinion and the Company's legal advisors, these claims will be resolved in favor of the Company and, as a consequence, the final resolution of these contingencies will not represent any additional liability for the Company.

Management considers that no significant lawsuits judgments pending resolution or other contingencies would arise against the Company with respect to the years, 2014 and 2013.

27. Financial risk management objectives and polices

The Company principal financial liabilities, other than derivatives, comprise of loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company´s operations and to provide guarantees to support its operations. The Company principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

The Company's Management reviews and approves policies for managing each of these risks, which are summarized below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices include three types of risk: price risk, interest rate risk and currency risk. The financial instruments affected by market risk include deposits, long-term debt, bank loans and derivatives.

The sensitivity analysis shown in the following sections relate to the position as of December 31, 2014 and 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2014

Interest rate risk -

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2014, the Company maintains a long term debt of Libor 3M plus 3.0 percent which will be fully canceled in the year 2017. The effect on the Statements of Operations, from changes in Libor rate is a follows:

	Increase/ decrease Libor rate	**Effect on profit before income tax** US$(000)
2014		
U.S. Dollars / Nuevos Soles	+1%	(428)
U.S. Dollars / Nuevos Soles	-1%	428

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Foreign Money Exchange risk-

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency). The Company's functional currency is the U.S. dollar, but retains some of its assets and liabilities in Nuevos Soles, as a result of their operations.

The company mainly produces concentrated cooper, which are sold mostly in U.S. dollars, but a proportion of the Company's cost are in soles. As a result, the Company's financial results may be affected by fluctuations in the exchange rate between the U.S. dollar and the Nuevo sol. The Company does not use derivative instruments to reduce this risk.

Below is a summary which shows the effect on income before income taxes of the Company, a reasonable variation in exchange rates on foreign currency (Nuevos Soles), holding constant all other variables:

	Increase/ decrease in exchange rate	**Effect in the income before income tax** US$(000)
2014		
U.S. Dollars / Nuevos Soles	+10%	546
U.S. Dollars / Nuevos Soles	-10%	(667)
2013		
U.S. Dollars / Nuevos Soles	+10%	864
U.S. Dollars / Nuevos Soles	-10%	(1,056)

Price risk -

As of December 31, 2014 and 2013, the Company is exposed to the price risk fluctuations on the metals market (copper). Prices are significantly affected by changes in global economic conditions and related industry cycles. Generally, producers of copper are unable to influence prices directly. In general, sellers of mineral concentrates are not in a position to influence prices directly. The Company´s strategy is to cover part of the production of copper by trying to minimize price risk.

Below shows the effect of price change in copper net of hedge accounting impact:

	Increase/decrease in international copper price	**Effect in the income before income tax** US$(000)
2014		
International copper Price	+10%	2,387
International copper Price	-10%	(2,387)
2013		
International copper Price	+10%	2,563
International copper Price	-10%	(2,563)

(b) Liquidity risk-

The Company monitors its shortage risk of funds by monitoring its debt rating and the maturity dates of existing debts and other payables. Therefore, it uses a short-term cash flows projection to determine any short-term cash deficiencies, and a long-term cash flow projection to determine any structural cash gaps and investments possibilities Both cash flows are being input on a continual basis to enable management to monitor or mitigate any liquidity risk, programming all future payments according to estimated available cash .

The following table summarizes the maturities of the obligations of the Company, based on contractual amounts to be disbursed not discounted:

	On demand US$(000)	Less than 3 months US$(000)	3 to 12 months US$(000)	1 to 5 years US$(000)	Total US$(000)
As of December 31, 2014					
Interest payable	-	44	65	16	125
Trade and other payables	254	18,932	-	-	19,186
Long-term debt	-	8,590	15,539	25,558	49,687
Total	254	27,566	15,604	25,574	68,998
As of December 31, 2013					
Interest payable	-	-	218	69	287
Trade and other payables	-	12,876	-	-	12,876
Long-term debt	-	74	17,796	24,543	42,413
Total	-	12,950	18,014	24,612	55,576

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(c) Credit Risk-

It is the risk that a counter party would not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposition to credit risk for the components of financial statements as of December 31, 2014 and 2013, comprise the total of cash and cash equivalents, trade and other receivables.

Financial instruments and cash deposits -

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Counterparty credit limits are reviewed by the Company's Board of Directors. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Trade receivables -

Customer credit risk is managed by the Company subject to established policy, procedures and controls properly established. As indicated in note 17(b), the Company mainly trades with Trafigura Peru S.A.C, (during the 2013 Consorcio Minero S.A. mining trader, subsidiary of Trafigura Beheer B.V. part of Trafigura Group), for which guarantees are not required the Company does not trade with third parties. In this sense, due that the Company has credit risk concentration with this entity, Management monitors the financial and economic situation of the trader. Moreover, the outstanding balances of receivables are regularly reviewed to ensure their recovery and an assessment is made on debts whose collection is estimated as remote to determine the required allowance for doubtful accounts.

Other receivable –

Other account receivable comprises outstanding amounts not related with the Company's business. As December 31, 2014 and 2013, other accounts receivable corresponds to: loans granted to affiliate, tax credit, advances to supplier, among others. The Company's management perform a continue evaluation of the credit risk of these receivables to estimate if it is required to constitute an allowance for doubtful accounts.

(d) Capital management -

The objective is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and maintain an optimal structure that would reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry, the Company monitors its capital based on the leverage ratio. This ratio is calculated by dividing net debt by total capital. Net debt is the total debt (including current and non current debt) less cash and cash equivalents. The total capital corresponds to the equity as shown in the statement of financial position plus net debt.

During the years ended December 31, 2014 and 2013, there were no changes in the objectives, policies, or processes related to capital management.

28. Derivative financial instruments and hedging embedded derivative for concentrated operations, net

(a) Hedging operations on metal prices-

The Company has derivative contracts (forwards and commodity options) to hedge the risk of price variation with The Bank of Nova Scotia and Societé Générale.

The estimated fair values of derivative financial instruments outstanding at December 31, 2014 and 2013, amounted to assets to US$34,979,000 and US$10,408,000 respectively. According to the expiration dates of derivatives contracts, fair values are classified as follows:

	2014 US$(000)	2013 US$(000)
Current portion	20,331	3,464
Non - current portion	14,648	6,944
	34,979	10,408

As of December 31, 2014 and 2013, the Company's Management, has measured the effectiveness of its derivatives contracts, and determined that such contracts were effective.

As of December 31, 2014, the hedging transactions outstanding were the following:

Metal	Contracts	Average Monthly Volume FMT	Total Volume FMT	Fixed Price US$	Period
Cooper	Sale of forwards	138	1,656	7,939	January -December 2015
Cooper	Sale of forwards	389	4,668	7,939	January - December 2015
Cooper	Sale of forwards	224	2,688	7,020	January - December 2015
Cooper	Sale of forwards	538	3,228	7,020	January - June 2016
Cooper	Sale of forwards	538	3,228	7,017	January - June 2016
Cooper	Sale of forwards	389	4,668	7,939	January - December 2015
Cooper	Sale of forwards	538	3,225	6,569	July 2016-Sep 2017
Cooper	Sale of forwards	538	3,225	6,569	July 2016-Sep 2017
Gold	Sale of forwards	287.5 Oz	1,725 Oz	1,310	January - June 2016
Gold	Sale of forwards	304.5 Oz	3,654 Oz	1,310	January - December 2015
Gold	Sale of forwards	287.5 Oz	1,725 Oz	1,309	January - June 2016
Gold	Sale of forwards	304.5 Oz	3,654 Oz	1,309	January - December 2015
Gold	Sale of forwards	675 Oz	10,125 Oz	1,267	July 2016-Sep 2017
Silver	Sale of forwards	7,500 Oz	135,000 Oz	22	January 2015 - June 2016
Silver	Sale of forwards	7,877 Oz	94,524 Oz	22	January - December 2015
Silver	Sale of forwards	7,017 Oz	42,102 Oz	22	January - June 2016
Silver	Sale of forwards	14,000 Oz	210,000 Oz	19	July 2016-Sep 2017

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(b) Hedging of fair value for transactions foreign currency

The Company signed during 2014 and 2013, three foreign currency forward contracts related to hedge the foreign currency risk, with The Bank of Nova Scotia. These contracts have the objective to hedge the exchange rate variation for transactions in Nuevos Soles maintains by the Company.

The estimated fair values of derivative financial instruments outstanding at December 31, 2014 and 2013, according to the expiration dates of derivatives contracts, fair values are classified as follows:

	2014 US$(000)	2013 US$(000)
Assets		
Current portion	-	1,292
Non – current portion	-	2,000
	-	3,292
Liability		
Current portion	3,447	-
Non – current portion	3,403	-
	6,850	-

As of December 31, 2014 and 2013, the Company's Management, has measured the effectiveness of its derivatives contracts, and determined that such contracts were effective.

N°contracts	Forward rate S/.	National Amount US$	Period
X75250	0.35099	2,299,000	January 2015-August 2016
X76350	0.34456	2,417,000	January 2015-August 2016
X75193	0.34938	2,134,000	January 2015-September 2016

(c) Embedded derivatives by the variation of prices in commercial contracts in operations of concentrated -

At December 31, 2014 and 2013, the Company has embedded derivatives based on estimated future price of copper on the expected date of settlement. Final sales price of concentrated will be established in the coming months according to the terms of the commercial contract.

As of December 31, 2014, there was a provision for embedded derivatives to be liquidated in the future amounting to US$8,000. The provisional settlements (in metric tons of copper) maintained as of December 31, 2014 and 2013, its final settlement period and the fair value of the embedded derivatives is:

As of December 31, 2014:

Sale of concentrate			Quotation		
		Quote	**Provisional**	**Future**	
Metal	**Quantity**	**period**	Low-High	Low-High	**Fair Value**
	TMS	**2015**	US$	US$	US$(000)
Cooper	6,867	January	6,408	6,434	(26)
				Total Liabilities, Net	(26)

As of December 31, 2013:

Sale of concentrate			Quotation		
		Quote	**Provisional**	**Future**	
Metal	**Quantity**	**period**	Low-High	Low-High	**Fair Value**
	TMS	**2014**	US$	US$	US$(000)
Cooper	6,999	January	7,203	7,197	(8)
				Total Liabilities, Net	(8)

At December 31, 2014, the fair value of the embedded derivative operations of concentrated generated a loss of US$ 27 (net loss of US$ 8 at December 31, 2013). Future contributions of the dates used to liquidate the open positions at December 31, 2013 are taken from the publications of the London Metal Exchange.

29. Fair value of financial instruments

Fair value is defined as the amount at which assets would be exchanged or liabilities settled between knowledgeable and willing parties, in a current transaction. Assuming, the Company is an ongoing business.

The management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Long-term fixed-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2014 and 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- Obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly commodity forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, forward rates, and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralized, thereby eliminating both counterparty and the Company's own non-performance risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

- Fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own nonperformance risk as at 31 December 2014 and 2013 were assessed to be insignificant.

Based in the aforementioned analysis, Management estimates that the book values of the financial instruments do not differ significantly from their estimated market value as of December 31, 2014 and 2013.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments measured at fair value use Level 2 valuation techniques.

There have been no transfers between fair value levels during the reporting period.

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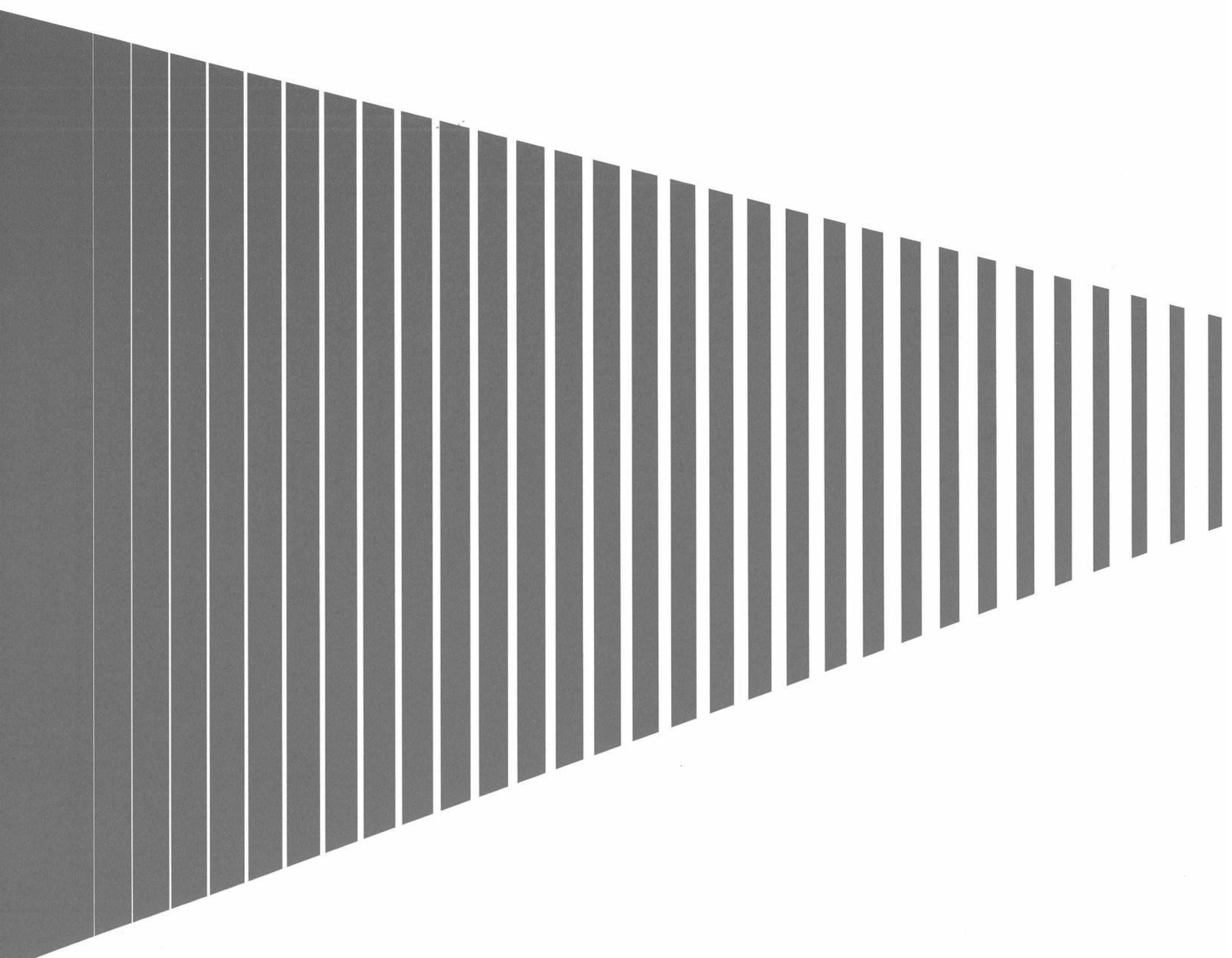

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