

# **Minsur S.A. and Subsidiaries**

## **Notes to the interim consolidated financial statements (unaudited)**

For the period ended June 30, 2015

### **1. Corporate Information**

#### **(a) Identification -**

Minsur S.A. (hereinafter the "Company") was incorporated in Peru in October 1977. The activities of the Company are regulated by the Peruvian General Mining Law. The Company is a subsidiary of Inversiones Breca S.A. domiciled in Peru, which holds 99.99% of the Company's common shares. The Company's registered address is Las Begonias Street N°441, Office No.338, San Isidro, Lima, Peru.

#### **(b) Business activity -**

The main activity of the Company is the production and selling of metallic tin. Metallic tin is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno. After the tin concentrate is obtained, it is subject to smelting and refinery processes in the Company's plant located in Pisco. The Company started its production activities at the Pucamarca mining unit (located in the region of Tacna), which contains reserves of gold.

Through its subsidiary Minera Latinoamericana S.A.C., the Company maintains investments in Mineração Taboca S.A. and its subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and its subsidiaries (group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur S.P.A. (located in Chile and engaged in mining exploration activities). Also, through Cumbres Andinas S.A., the Company has investments in Minera Sillustani S.A., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C., companies of the mining sector which are at the exploration and evaluation of mineral resources and pre-feasibility (Marcobre).

### **2. Basis of preparation, presentation and changes in the accounting policies**

#### **2.1 Basis of preparation -**

The interim consolidated financial statements of the Company and its subsidiaries (hereinafter the "Group") have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements as of December 31, 2014.

#### **2.2. Standards and accounting policies -**

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2014, except for income taxes in interim periods which are recognized using the tax rate that would be applicable to expected annual earnings.

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 2.3 Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of June 30, 2015 and December 31, 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, an entity is controlled if, and only if, has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

On January 29, 2015 the subsidiary Minera Latinoamericana S.A.C. agreed with the related party Inversiones Breca S.A., hereinafter "Breca", a shareholder agreement by which its set the Breca (minority shareholder of the subsidiary Inversiones Cordillera del Sur I Ltda.) hereinafter "Cordillera", group engaged into the production and sale of cement in Chile, will control all relevant activities of Cordillera from 2015. Consequently, according to IFRS10 "Consolidated financial statements", the Company will stop controlling and consolidating the financial information of Cordillera from 2015.

The accounting effects of the loss of control are presented below:

#### Consolidated statements of financial position -

|   | <b>As of December<br/>31, 2014<br/>US\$(000)</b> |
|---|--|
| Total de assets reported                                    | 3,247,800  |
| Effect of loss of control in subsidiary                     | <u>(398,470)</u>                                 |
| Proforma total asset modified                               | <u>2,849,330</u>                                 |
| <br>  |  |
| Total liabilities reported                                  | 1,298,134  |
| Effect of loss of control in subsidiary                     | <u>(300,945)</u>                                 |
| Proforma total liabilities modified                         | <u>997,189</u>                                   |
| <br>  |  |
| Total equity attributable to Principal reported Shareholder | 1,678,176  |
| Effect of loss of control in subsidiary                     | <u>-</u>   |
| Proforma total equity net modified                          | <u>1,678,176</u>                                 |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### Consolidated statements of income –

|  | For the specific<br>quarter ended<br>June 30, 2014<br>US\$(000) |
|--|---|
| Net income attributable to Shareholders of the Principal, reported | 91,467  |
| Effect of loss of control in subsidiary                            | -   |
| Net income attributable to Shareholders of the Principal, modified | 91,467  |
| Earnings per share (Common shares) -                               |   |
| Earnings per share reported (in US dollars)                        | 3.173   |
| Effect per loss of control in subsidiary                           | -   |
| Proforma net income per modified action (in US dollars)            | 3.173   |
| Earnings per share (Investment shares) -                           |   |
| Earnings per share reported (in US dollars)                        | 0.032   |
| Effect per loss of control in subsidiary                           | -   |
| Proforma net income per modified action (in US dollars)            | 0.032   |

#### Consolidated statement of cash flows –

|  | For the specific quarter ended June 30, 2014 |   |  |
|--|--|---|--|
|  | Reported<br>2014<br>US\$(000)                | Effects of loss<br>of control in<br>subsidiary<br>US\$(000) | Proforma<br>modified 2014<br>US\$(000) |
| Net cash flow s provided by operating activities | 138,491                                      | 42,249  | 96,242                                 |
| Net cash flow s used in investing activities     | (38,344)                                     | (22,385)  | (15,959)                               |
| Net cash flow s provided by financing activities | 186,966                                      | (21,591)  | 208,557                                |
| Net increase in cash and cash equivalents        | 287,113                                      | (1,727)   | 288,840                                |
| Exchange difference                              | (363)  | (307)   | (56)                                   |
| Cash and cash equivalents at beginning of year   | 238,588                                      | 17,262  | 221,326                                |
| Cash and cash equivalents at end of year         | 525,338                                      | 15,228  | 510,110                                |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 3. Cash and cash equivalents

This caption was made up as follows:

|                               | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|-------------------------------|------------------------|-------------------------------|
|                               | US\$(000)              | US\$(000)                     |
| Cash on hand and petty cash   | 24                     | 98                            |
| Check account                 | 43,632                 | 4,122                         |
| Overnight deposits            | 200,187                | 305,176                       |
| Time deposits                 | 99,583                 | 93,429                        |
| Certificates of bank deposits | 5,637                  | 5,000                         |
| Funds subject to restriction  | 58                     | 57                            |
|                               | <u>349,121</u>         | <u>407,882</u>                |

#### 4. Trade and other receivables, net

This caption was made up as follows:

|                                   | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|-----------------------------------|------------------------|-------------------------------|
|                                   | US\$(000)              | US\$(000)                     |
| Trade receivables                 | <u>63,952</u>          | <u>58,406</u>                 |
| Related parties (note 22)         | <u>448</u>             | <u>466</u>                    |
| Other receivables:                |                        |                               |
| Value added tax credit and others | 51,670                 | 61,890                        |
| Judicial deposits                 | 7,284                  | 14,408                        |
| Other                             | <u>12,086</u>          | <u>5,014</u>                  |
|                                   | <u>71,040</u>          | <u>81,312</u>                 |
|                                   | <u><b>135,440</b></u>  | <u><b>140,184</b></u>         |
| <b>By maturity:</b>               |                        |                               |
| Current portion                   | 91,795                 | 89,177                        |
| Non-current portion               | <u>43,645</u>          | <u>51,007</u>                 |
|                                   | <u><b>135,440</b></u>  | <u><b>140,184</b></u>         |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 5. Inventories, net

This caption is made up as follows:

|                            | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|----------------------------|------------------------|-------------------------------|
|                            | US\$(000)              | US\$(000)                     |
| Finished products          | 18,779                 | 35,680                        |
| Work-in-process            | 46,093                 | 43,957                        |
| Materials and supplies     | 41,553                 | 46,132                        |
| Inventory in transit       | 1,282                  | 2,048                         |
|                            | <u>107,707</u>         | <u>127,817</u>                |
| Allowance for obsolescence | <u>(6,037)</u>         | <u>(7,945)</u>                |
|                            | <u>101,670</u>         | <u>119,872</u>                |

#### 6. Other financial assets

(a) This caption is made up as follows:

|   | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|---|------------------------|-------------------------------|
|   | US\$(000)              | US\$(000)                     |
| <b>Financial assets at fair value</b>           |                        |                               |
| Bilbao Viscaya Argentaria                       | <u>8,379</u>           | <u>8,155</u>                  |
|   | <u>8,379</u>           | <u>8,155</u>                  |
| <b>Available-for-sale financial investments</b> |                        |                               |
| Blackrock IG                                    | 126,089                | 124,546                       |
| Banbogotá                                       | <u>66,073</u>          | <u>65,030</u>                 |
|   | <u>192,162</u>         | <u>189,576</u>                |

(b) Movement in the available-for-sale financial investments is a follow:

|                                   | Financial<br>assets at fair<br>value | Available-for-<br>sale financial<br>investments |
|-----------------------------------|--------------------------------------|---|
|                                   | US\$(000)                            | US\$(000)                                       |
| Opening balance                   | 8,155                                | 189,576   |
| Accrued interest                  | -                                    | 722   |
| Fair value registered adjustments | <u>224</u>                           | <u>1,864</u>                                    |
| Ending balance                    | <u>8,379</u>                         | <u>192,162</u>                                  |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 7. Investments in associates

This caption is made up as follows:

|                                      | Interest in equity  |                         | Investments amount  |                         |
|--------------------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                                      | As of June 30, 2015 | As of December 31, 2014 | As of June 30, 2015 | As of December 31, 2014 |
|                                      | %                   | %                       | US\$(000)           | US\$(000)               |
| <b>Associates</b>                    |                     |                         |                     |                         |
| Inversiones Cordillera del Sur Ltda  | 73.94               | 73.94                   | 256,319             | 266,178                 |
| Rímac Seguros y Reaseguros           | 14.51               | 14.51                   | 57,830              | 62,902                  |
| Servicios Aeronáuticos Unidos S.A.C. | 47.50               | 47.50                   | 4,399               | 4,078                   |
| Explosivos S.A.                      | 7.30                | 7.30                    | 7,843               | 7,340                   |
| Futura Consorcio Inmobiliario S.A.   | 4.96                | 4.96                    | 4,823               | 5,097                   |
|                                      |                     |                         | <b>331,214</b>      | <b>345,595</b>          |

The Group has recognized its investments in Inversiones Cordillera del Sur (as explained in Note 2.3), Rímac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A., as investments in associates, considering that together with Inversiones Breca (Parent company), has the ability to exercise significant influence over the Board of Directors of such companies, which are managed as part of an economic group.

#### 8. Property, plant and equipment, net

This caption is made up as follows:

|   | Opening Balance 01.01.2015 | Additions     | Retires        | Transfers and adjustments | Translation Adjustment | Ending Balance 31.06.2015 |
|---|----------------------------|---------------|----------------|---------------------------|------------------------|---------------------------|
|   | US\$(000)                  | US\$(000)     | US\$(000)      | US\$(000)                 | US\$(000)              | US\$(000)                 |
| <b>Cost</b>                                   |                            |               |                |                           |                        |                           |
| Land  | 13,710                     | 4,330         | -              | 30                        | (238)                  | 17,832                    |
| Buildings and installations                   | 428,850                    | 8             | -              | 12,480                    | (13,522)               | 427,816                   |
| Machinery and equipment                       | 365,745                    | 1,954         | (1,857)        | (3,353)                   | (17,925)               | 344,564                   |
| Furniture and fixtures and computer equipment | 11,478                     | 34            | (48)           | (46)                      | (601)                  | 10,817                    |
| Vehicles                                      | 14,861                     | 299           | (192)          | 439                       | (1,403)                | 14,004                    |
| Units in transit                              | 846                        | -             | -              | (846)                     | -                      | -                         |
| Work in progress                              | 59,374                     | 18,140        | -              | (19,487)                  | (7,214)                | 50,813                    |
| Asset retirement obligation                   | 50,885                     | 19,672        | -              | 9,927                     | (821)                  | 79,663                    |
| Leasing                                       | 4,594                      | -             | -              | -                         | -                      | 4,594                     |
|   | <b>950,343</b>             | <b>44,437</b> | <b>(2,097)</b> | <b>(856)</b>              | <b>(41,724)</b>        | <b>950,103</b>            |
| <b>Accumulated depreciation</b>               |                            |               |                |                           |                        |                           |
| Buildings and installations                   | 161,665                    | 21,082        | -              | -                         | (2,384)                | 180,363                   |
| Machinery and equipment                       | 236,924                    | 12,841        | (1,429)        | (4,879)                   | (10,134)               | 233,323                   |
| Furniture and fixtures and computer equipment | 6,999                      | 557           | (13)           | (30)                      | (398)                  | 7,115                     |
| Vehicles                                      | 8,999                      | 730           | (192)          | -                         | (828)                  | 8,709                     |
| Asset retirement obligation                   | 24,208                     | 2,848         | -              | 4,875                     | (343)                  | 31,588                    |
| Leasing                                       | 1,139                      | 326           | -              | -                         | -                      | 1,465                     |
|   | <b>439,934</b>             | <b>38,384</b> | <b>(1,634)</b> | <b>(34)</b>               | <b>(14,087)</b>        | <b>462,563</b>            |
| <b>Net Cost</b>                               | <b>510,409</b>             |               |                |                           |                        | <b>487,540</b>            |

# Minsur S.A. and Subsidiaries

## Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

### 9. Intangibles assets, net

This caption is made up as follows:

|                                  | Opening<br>Balance<br>01.01.2015 | Additions | Retires   | Adjustments<br>and transfers | Translation<br>Adjustment | Ending<br>Balance<br>31.06.2015 |
|----------------------------------|----------------------------------|-----------|-----------|------------------------------|---------------------------|---------------------------------|
|                                  | US\$(000)                        | US\$(000) | US\$(000) | US\$(000)                    | US\$(000)                 | US\$(000)                       |
| <b>Cost:</b>                     |                                  |           |           |                              |                           |                                 |
| <b>Indefinite useful life</b>    |                                  |           |           |                              |                           |                                 |
| Goodwill                         |                                  |           |           |                              |                           |                                 |
| Mineracao Taboca S.A.            | 53,711                           | -         | -         | -                            | (7,707)                   | 46,004                          |
| Marcobre S.A.C.                  | 126,098                          | -         | -         | -                            | -                         | 126,098                         |
|                                  | 179,809                          | -         | -         | -                            | (7,707)                   | 172,102                         |
| <b>Indefinite useful life</b>    |                                  |           |           |                              |                           |                                 |
| Mining concessions               | 855,731                          | -         | -         | (307)                        | (20,277)                  | 835,147                         |
| Mine development                 | 30,257                           | -         | -         | -                            | -                         | 30,257                          |
| Licenses                         | 390                              | 147       | -         | -                            | (50)                      | 487                             |
| Usufruct of lands                | 8,419                            | 282       | -         | (31)                         | (158)                     | 8,512                           |
| Other                            | 545                              | -         | -         | -                            | -                         | 545                             |
|                                  | 895,342                          | 429       | -         | (338)                        | (20,485)                  | 874,948                         |
| <b>Accumulated amortization:</b> |                                  |           |           |                              |                           |                                 |
| Mining concessions               | 9,044                            | 2,058     | -         | (284)                        | (1,143)                   | 9,675                           |
| Mine development                 | 8,141                            | 1,899     | -         | -                            | -                         | 10,040                          |
| Licenses                         | 380                              | 6         | 3         | (26)                         | (49)                      | 314                             |
| Usufruct of lands                | 1,808                            | 328       | (1)       | -                            | (28)                      | 2,107                           |
| Other                            | 9                                | 27        | -         | -                            | -                         | 36                              |
|                                  | 19,382                           | 4,318     | 2         | (310)                        | (1,220)                   | 22,172                          |
| <b>Net Cost</b>                  | <b>1,055,769</b>                 |           |           |                              |                           | <b>1,024,878</b>                |

### 10. Trade and other payables

This caption is made up as follows:

|                               | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|-------------------------------|------------------------|-------------------------------|
|                               | US\$(000)              | US\$(000)                     |
| Trade payables                | 34,851                 | 67,905                        |
| Related parties (note 22)     | 5,224                  | 11,101                        |
|                               | 40,075                 | 79,006                        |
| Other receivables:            |                        |                               |
| Dividends                     | 730                    | 703                           |
| Tax and contributions payable | 8,127                  | 15,491                        |
| Mining concessions            | 10,000                 | 10,000                        |
| Other                         | 7,500                  | 3,188                         |
| Total other receivables       | 26,357                 | 29,382                        |
|                               | <b>66,432</b>          | <b>108,388</b>                |

## Minsur S.A. and Subsidiaries

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#### By maturity:

|                     |               |                |
|---------------------|---------------|----------------|
| Current portion     | 56,432        | 98,388         |
| Non-current portion | 10,000        | 10,000         |
|                     | <b>66,432</b> | <b>108,388</b> |

#### 11. Financial obligations

This caption is made up as follows:

| Entity                                 | Guarantees         | Interest rate | As of June<br>30, 2015<br>US\$(000) | As of<br>December<br>31, 2014<br>US\$(000) |
|--|--------------------|---------------|-------------------------------------|--|
| Corporate bonds, net of issuance costs | No guarantees      | 6.25%         | 449,774                             | 449,118                                    |
| Banco Itaú                             | Include guarantees | 4.61%         | 29,653                              | 36,131                                     |
| Banco Santander                        | No guarantees      | 2.14%         | 20,151                              | 7,551                                      |
| Banco do Brasil                        | No guarantees      | 0.0214        | 16,500                              | 5,638                                      |
| Banco ABC Brasil                       | No guarantees      | 4.81%         | 10,167                              | 12,782                                     |
| Banco Santos                           | No guarantees      | Rate CDI + 2% | 4,792                               | 5,595                                      |
| Banco Safra                            | No guarantees      | 4.08%         | 3,029                               | -  |
| Banco Safra                            | No guarantees      | 0.06          | 136                                 | 2,005                                      |
| Banco Bic Banco                        | No guarantees      | 6.38%         | -                                   | 2,054                                      |
| FINAME BNDES (Banco Itaú)              | Leasehold          | 0.06          | 485                                 | 1,289                                      |
| BBVA Continental                       | Leasehold          | 2.68%         | 462                                 | 1,029                                      |
| Banco Santander                        | Leasehold          |               | 329                                 | -  |
| Banco de Crédito del Perú              | Leasehold          | 4.54%         | 211                                 | 314  |
|  |                    |               | <b>535,689</b>                      | <b>523,506</b>                             |
| Banco Santos (interests)               |                    |               | 10,958                              | 11,785                                     |
|  |                    |               | <b>546,647</b>                      | <b>535,291</b>                             |
| <b>By maturity:</b>                    |                    |               |                                     |  |
| Current portion                        |                    |               | 91,227                              | 68,440                                     |
| Non-current portion                    |                    |               | 455,420                             | 466,851                                    |
|  |                    |               | <b>546,647</b>                      | <b>535,291</b>                             |

The General Shareholders' Meeting held on January 30, 2014, agreed that the Company makes an international bond issue ("Senior Notes") through a private placement, issue under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also, agreed to list these securities in the Luxembourg Stock Exchange. On January 31, 2014, the Company issued bonds, with a face value of US\$450,000,000, with maturity on February 7, 2024 and with a coupon interest rate of 6.25%, obtaining net proceeds of US\$441,823,500.

The bonds restrict the ability of Minsur and its Subsidiaries to enter into certain transactions, however, these covenants do not require Minsur to comply with financial ratios or maintain specific levels of net worth or liquidity.



## Minsur S.A. and Subsidiaries

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#### 12. Provisions

(a) This caption is made up as follows:

|                             | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|-----------------------------|------------------------|-------------------------------|
|                             | US\$(000)              | US\$(000)                     |
| Asset retirement obligation | 94,390                 | 93,007                        |
| Environmental remediation   | 46,527                 | 35,079                        |
| Other contingencies         | 4,156                  | 5,246                         |
|                             | <u>145,073</u>         | <u>133,332</u>                |
| <b>By maturity:</b>         |                        |                               |
| Current portion             | 11,032                 | 10,786                        |
| Non-current portion         | <u>134,041</u>         | <u>122,546</u>                |
|                             | <u>145,073</u>         | <u>133,332</u>                |

(b) Movement of the period is as follow:

|                       | Asset<br>retirement<br>obligation | Environmental<br>remediation | Other<br>contingencies |
|-----------------------|-----------------------------------|------------------------------|------------------------|
|                       | US\$(000)                         | US\$(000)                    | US\$(000)              |
| Opening balance       | 93,007                            | 35,079                       | 5,246                  |
| Estimated change      | 5,045                             | (2,049)                      | -                      |
| Additions             | 392                               | 16,831                       | 702                    |
| Reversals             | -                                 | -                            | (958)                  |
| Update discount       | 2,671                             | 2,396                        | -                      |
| Payments and advances | (900)                             | (807)                        | (424)                  |
| Traslation adjusment  | <u>(5,825)</u>                    | <u>(4,923)</u>               | <u>(410)</u>           |
| Ending balance        | <u>94,390</u>                     | <u>46,527</u>                | <u>4,156</u>           |

## Minsur S.A. and Subsidiaries

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#### 13. Income tax

The expense for income tax consists on the following:

|   | 2015<br>US\$(000) | 2014<br>US\$(000) |
|---|-------------------|-------------------|
| <b>Income Tax:</b>                            |                   |                   |
| Current                                       | 24,256            | 58,505            |
| Deferred                                      | 1,103             | (12,145)          |
|   | <u>25,359</u>     | <u>46,360</u>     |
| <b>Mining royalty and Special Mining Tax:</b> |                   |                   |
| Current                                       | 6,685             | 19,062            |
| Deferred                                      | 67                | (432)             |
|   | <u>6,752</u>      | <u>18,630</u>     |
| <b>Total</b>                                  | <u>32,111</u>     | <u>64,990</u>     |

#### 14. Equity

(a) Capital stock -

As of June 30, 2015 and December 31, 2014, the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, is represented by 19,220,015 common shares with a nominal value of S/.100.00 each one.

(b) Investment shares -

As of June 30, 2015 and December 31, 2014, this caption is made up of 960,999,163 investment shares, with a nominal value of S/.1 each one.

According to the current legislation, the investment shares grant the holders the right to participate in the dividend distribution, make contributions to maintain its share in the case of capital increases as a result of additional contributions, increase the investment shares account due to the capitalization of equity accounts, redemption of shares and participation in the distribution of the equity in case of dissolution. The investment shares do not grant access to the Board of Directors or to the Shareholders' meetings. The investment shares of the Company are listed on the Lima Stock Exchange (BVL).

The quotation of these shares as of June 30, 2015 was S/.1.30 per share and its frequency of negotiation was 90.48 percent (S/.1.80 per share as of December 31, 2014 with a frequency of negotiation of 95.24 percent).

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

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(c) Cumulative translation reserve -

As of June 30, 2015 and December 31, 2014, this caption mainly comprises exchange differences resulting from the translation of the financial statements of the foreign subsidiaries, prepared in their functional currency, into the functional currency of the Company. It also includes unrealized investment in related companies.

(d) Contribution of non-controlling interests -

As of June 30, 2015, the Group received contributions of non-controlling interests of the subsidiary Marcobre S.A.C. for an amount of US\$ 3,120,000 (US\$ 7,740,000 as of June 30, 2014).

(e) Declared and paid dividends -

The following information on declared and paid dividends paid to shareholders for the periods ended June 30, 2015 and 2014, respectively:

|                            | Date           | Dividends<br>declared<br><br>US\$(000) | Dividends per<br>common<br>share<br><br>US\$ | Dividends per<br>investment<br>share<br><br>US\$ |
|----------------------------|----------------|--|--|--|
| <b>As of June 30, 2015</b> |                |  |  |  |
| Shareholders' meeting      | March 26, 2015 | <u>50,000</u>                          | 1.73   | 0.017  |
| <b>As of June 30, 2014</b> |                |  |  |  |
| Shareholders' meeting      | March 19, 2014 | <u>50,000</u>                          | 1.73   | 0.017  |

## 15. Net Sales

Sales for the quarter ended June 30 include:

|                                      | 2015<br>US\$(000) | 2014<br>US\$(000) |
|--------------------------------------|-------------------|-------------------|
| Tin and other minerals               | 230,249           | 403,401           |
| Gold                                 | 72,116            | 63,326            |
| Niobium, tantalum and others         | <u>24,356</u>     | <u>19,169</u>     |
|                                      | 326,721           | 485,896           |
| Embedded derivative for sales of tin | <u>(121)</u>      | <u>(784)</u>      |
|                                      | <u>326,600</u>    | <u>485,112</u>    |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 16. Cost of sales

The cost of sales for the period ended June 30 includes:

|                                       | 2015           | 2014           |
|---------------------------------------|----------------|----------------|
|                                       | US\$(000)      | US\$(000)      |
| Opening finished product inventory    | 35,581         | 58,342         |
| Opening product in process inventory  | 47,634         | 76,645         |
| Opening inventory                     | 83,215         | 134,987        |
| Services rendered by third parties    | 53,192         | 59,148         |
| Depreciation and amortization         | 41,383         | 40,215         |
| Consumption of miscellaneous supplies | 35,301         | 46,570         |
| Wages and salaries                    | 42,589         | 56,552         |
| Electricity                           | 6,214          | 7,638          |
| Other manufacturing expenses          | 14,584         | 7,642          |
| Allowance (recovery) for obsolescence | 3,765          | (7,828)        |
| Production cost                       | 197,028        | 209,937        |
| Final finished product inventory      | (47,117)       | (39,008)       |
| Final work in process inventory       | (19,063)       | (51,464)       |
| Final inventory                       | (66,180)       | (90,472)       |
|                                       | <b>214,063</b> | <b>254,452</b> |

#### 17. Selling expenses

The selling expenses for the period ended June 30 include:

|   | 2015         | 2014         |
|---|--------------|--------------|
|   | US\$(000)    | US\$(000)    |
| Personnel expenses                      | 620          | 418          |
| Services rendered by third parties      | 2,616        | 4,536        |
| Other management charges and provisions | 1,084        | 516          |
| Depreciation and amortization           | 4            | 4            |
|   | <b>4,324</b> | <b>5,474</b> |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 18. Administrative expenses

The administrative expenses for the period ended June 30 include:

|   | 2015          | 2014          |
|---|---------------|---------------|
|   | US\$(000)     | US\$(000)     |
| Personnel expenses                      | 17,569        | 15,731        |
| Services rendered by third parties      | 5,636         | 6,819         |
| Other management charges and provisions | 1,399         | 2,015         |
| Depreciation                            | 371           | 300           |
|   | <u>24,975</u> | <u>24,865</u> |

#### 19. Exploration expenses and other operating expenses

The exploration expenses for the period ended June 30 include:

|   | 2015          | 2014          |
|---|---------------|---------------|
|   | \$(000)       | \$(000)       |
| Exploration expenses                    |               |               |
| Personnel expenses                      | 5,417         | 6,836         |
| Services rendered by third parties (*)  | 18,219        | 22,540        |
| Other management charges and provisions | 2,238         | 2,519         |
| Depreciation                            | 979           | 713           |
| Total exploration expenses              | <u>26,853</u> | <u>32,608</u> |
| Other expenses                          | <u>9,006</u>  | <u>17,418</u> |
|   | <u>35,859</u> | <u>50,026</u> |

(\*) Its mainly corresponds to work of diamond drilling and related services performed by Marcobre and Barbastro subsidiaries and other projects.

#### 20. Commitments and contingencies

##### (a) Environmental Commitments -

The exploration and exploitation activities of the Group are subject to the rules of environmental disclosures in the consolidated financial statements at December 31, 2014. There were no significant changes during the period ended June 30, 2015. Commitments and contingencies are recorded as note 12

##### (b) Contingencies -

The Group has no additional significant contingencies other than those described in consolidated financial statements at December 31, 2014. The contingencies are recorded in note 12.

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

#### 21. Earnings (loss) per share

The basic and diluted earnings per share are calculating dividing the net income for the year by the weighted average number of outstanding shares during the year.

The calculation of the earnings per share for the period ended June 30, is presented below:

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
|   | <b>\$(000)</b> | <b>\$(000)</b> |
| Profit attributable to common and investment shareholders | <u>1,092</u>   | <u>91,467</u>  |
| <b>Denominator</b>  |                |                |
| Common shares   | 19,220,015     | 19,220,015     |
| Investment shares   | 960,999,163    | 960,999,163    |
| <b>(Loss) Earning per share (in US dollars)</b>           |                |                |
| Profit attributable to common shareholders                | 0.038          | 3.173          |
| Profit attributable to ivestement shareholders            | 0.000          | 0.032          |

#### 22. Related parties transactions

The balances of receivables and payables with related entities as of June 30, 2015 and December 31, 2014 follow:

|                                 | <b>As of June<br/>30, 2015</b> | <b>As of<br/>December<br/>31, 2014</b> |
|---------------------------------|--------------------------------|--|
|                                 | <b>US\$(000)</b>               | <b>US\$(000)</b>                       |
| <b>Receivable -</b>             |                                |  |
| Administración de Empresas S.A. | 292                            | 294                                    |
| Compañía Minera Raura S.A.      | 156                            | 171                                    |
| Otros                           | -                              | 1                                      |
|                                 | <u>448</u>                     | <u>466</u>                             |

## Minsur S.A. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

For the period ended June 30, 2015

|   | As of June<br>30, 2015 | As of<br>December<br>31, 2014 |
|---|------------------------|-------------------------------|
|   | US\$(000)              | US\$(000)                     |
| <b>Payables -</b>                         |                        |                               |
| Administración de Empresas S.A.           | 3,334                  | 7,454                         |
| Exsa S.A.                                 | 1,319                  | 2,329                         |
| Clínica Internacional S.A.                | 282                    | 519                           |
| Protección Personal S.A.C.                | 73                     | 90                            |
| Estratégica S.A.C.                        | 59                     | 80                            |
| Urbanizadora Jardín S.A.                  | 58                     | 184                           |
| Corporación Peruana de Productos Químicos | 36                     | 15                            |
| Inversiones Nacionales de Turismo S.A.    | 28                     | 31                            |
| Rímac S.A. Entidad Prestadora de Salud    | 16                     | 20                            |
| Rímac Seguros y Reaseguros                | 7                      | 298                           |
| Compañía Minera Raura S.A.                | 7                      | 10                            |
| Centria Servicios Administrativos S.A.    | 5                      | 66                            |
| Otros                                     | -                      | 5                             |
|   | <u>5,224</u>           | <u>11,101</u>                 |

#### 23. Segment Information

Management has determined the operating segments of the Group on the basis of the reports used for decision making. Management considers business units based on their products, activities and geographical location:

- Production and marketing of tin extracted from Peru.
- Production and marketing of tin extracted from Brazil.
- Production and marketing of gold extracted from Peru
- Other mining exploration activities in Peru and Chile.

**Minsur S.A. and Subsidiaries**
**Notes to the interim consolidated financial statements (unaudited)**

For the period ended June 30, 2015

(a) The following present's information on revenue and operating profit of the operating segments of the Group for the period ended June 30, 2015 and December 31, 2014:

| For the Three-month ended June 30, 2015                                       | Tin<br>(Perú)<br>US\$(000)          | Gold<br>(Perú)<br>US\$(000)          | Non allocable<br>(Perú)<br>US\$(000)          | Total<br>(Perú)<br>US\$(000)          | Tin<br>(Brazil)<br>US\$(000)          | Mining<br>exploration<br>(Perú)<br>US\$(000)           | Sub Total<br>Consolidated<br>US\$(000)          | Adjustments and<br>eliminations<br>US\$(000)          | Total<br>Consolidated<br>US\$(000)          |
|---|-------------------------------------|--------------------------------------|---|---------------------------------------|---------------------------------------|--|---|---|---|
| <b>Net Sales</b>  | 183,647                             | 72,116                               | -   | 255,763                               | 70,958                                | -  | 326,721   | -   | 326,721                                     |
| Embedded derivative for sales of tin  | (121)                               | -                                    | -   | (121)                                 | -                                     | -  | (121)   | -   | (121)                                       |
| <b>Total Net sales</b>  | 183,526                             | 72,116                               | -   | 255,642                               | 70,958                                | -  | 326,600   | -   | 326,600                                     |
| <b>Cost of sales</b>  | (106,844)                           | (35,599)                             | -   | (142,443)                             | (74,364)                              | -  | (216,807)                                       | 2,744   | (214,063)                                   |
| <b>Gross profit</b>   | 76,682                              | 36,517                               | -   | 113,199                               | (3,406)                               | -  | 109,793   | 2,744   | 112,537                                     |
| <b>Operating expenses</b>   |                                     |                                      |   |                                       |                                       |  |   |   |   |
| Administrative expenses   | (12,944)                            | (4,254)                              | -   | (17,198)                              | (6,284)                               | (1,796)  | (25,278)  | 303   | (24,975)                                    |
| Selling expenses  | (3,364)                             | (5)                                  | -   | (3,369)                               | (955)                                 | -  | (4,324)   | -   | (4,324)                                     |
| Exploration and project expenses  | -                                   | -                                    | (12,154)                                      | (12,154)                              | -                                     | (14,698)   | (26,852)  | -   | (26,852)                                    |
| Other, net  | -                                   | -                                    | (1,882)                                       | (1,882)                               | (1,439)                               | (75)   | (3,396)   | (303)   | (3,699)                                     |
| <b>Total operating expenses</b>   | (16,308)                            | (4,259)                              | (14,036)                                      | (34,603)                              | (8,678)                               | (16,569)   | (59,850)  | -   | (59,850)                                    |
| <b>Operating income</b>   | 60,374                              | 32,258                               | (14,036)                                      | 78,596                                | (12,084)                              | (16,569)   | 49,943  | 2,744   | 52,687                                      |
| <b>Depreciation and amortization (included in cost of sales and expenses)</b> | (13,457)                            | (19,205)                             | -   | (32,662)                              | (10,866)                              | (677)  | (44,205)  | -   | (44,205)                                    |
| <b>For the Three-month ended June 30, 2014</b>                                | <b>Tin<br/>(Perú)<br/>US\$(000)</b> | <b>Gold<br/>(Perú)<br/>US\$(000)</b> | <b>Non allocable<br/>(Perú)<br/>US\$(000)</b> | <b>Total<br/>(Perú)<br/>US\$(000)</b> | <b>Tin<br/>(Brazil)<br/>US\$(000)</b> | <b>Mining<br/>exploration<br/>(Perú)<br/>US\$(000)</b> | <b>Sub Total<br/>Consolidated<br/>US\$(000)</b> | <b>Adjustments and<br/>eliminations<br/>US\$(000)</b> | <b>Total<br/>Consolidated<br/>US\$(000)</b> |
| <b>Net Sales</b>  |                                     |                                      |   |                                       |                                       |  |   |   |   |
| Income from external customers  | 346,269                             | 63,326                               | -   | 409,595                               | 81,212                                | -  | 490,807   | (4,911)   | 485,896                                     |
| Between segmennts   | (784)                               | -                                    | -   | (784)                                 | -                                     | -  | (784)   | -   | -   |
| <b>Total Net sales</b>  | 345,485                             | 63,326                               | -   | 408,811                               | 81,212                                | -  | 490,023   | (4,911)   | 485,896                                     |
| <b>Cost of sales</b>  | (141,792)                           | (35,116)                             | -   | (176,908)                             | (80,384)                              | -  | (257,292)                                       | 2,840   | (254,452)                                   |
| <b>Gross profit</b>   | 203,693                             | 28,210                               | -   | 231,903                               | 828                                   | -  | 232,731   | (2,071)   | 231,444                                     |
| <b>Operating expenses</b>   |                                     |                                      |   |                                       |                                       |  |   |   |   |
| Administrative expenses   | (12,653)                            | (3,134)                              | -   | (15,787)                              | (6,856)                               | (2,351)  | (24,994)  | 129   | (24,865)                                    |
| Selling expenses  | (4,757)                             | (2)                                  | -   | (4,759)                               | (715)                                 | -  | (5,474)   | -   | (5,474)                                     |
| Exploration and project expenses  | -                                   | -                                    | (9,971)                                       | (9,971)                               | -                                     | (22,637)   | (32,608)  | -   | (32,608)                                    |
| Other, net  | -                                   | -                                    | (3,535)                                       | (3,535)                               | (3,895)                               | (32)   | (7,462)   | (654)   | (8,116)                                     |
| <b>Total operating expenses</b>   | (17,410)                            | (3,136)                              | (13,506)                                      | (34,052)                              | (11,466)                              | (25,020)   | (70,538)  | (525)   | (71,063)                                    |
| <b>Operating income</b>   | 186,283                             | 25,074                               | (13,506)                                      | 197,851                               | (10,638)                              | (25,020)   | 162,193   | (2,596)   | 159,597                                     |
| <b>Depreciation and amortization (included in cost of sales and expenses)</b> | (19,525)                            | (13,571)                             | -   | (33,096)                              | (12,968)                              | (805)  | (46,869)  | -   | (46,869)                                    |