Minsur S.A. and Subsidiaries

Consolidated financial statements as of December 31, 2014 and 2013, together with the Report of Independent Auditors

Building a better working world

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Content

Report of the Independent Auditors

To the Shareholders of Minsur S.A.

We have audited the accompanying consolidated financial statements of Minsur S.A. (a Peruvian entity, subsidiary of Inversiones Breca S.A.) and Subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of income, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information (see attached notes 1 to 40).

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing approved for application 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Report of the Independent Auditors (continued)

Opinion

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

Lima, Peru,
March 23, 2015

Countersigned by:

PAREDES, ZALDÍVAR, BURGA & ASOCIADOS

Mayerling Zambrano R.

Mayerling Zambrano R.
C.P.C.C. Register No.23765

Minsur S.A. and Subsidiaries

Consolidated statements 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	438,995	238,588
Bank deposits under guarantee	7	-	21,015
Trade and other receivables, net	8	161,135	162,092
Inventories, net	9	159,646	222,806
Financial assets at fair value through profit or loss	10	8,155	10,129
Income tax prepayments		14,320	11,565
Prepaid expenses		2,621	1,257
Available-for-sale financial assets		4,134	3,817
		789,006	671,269
Non - current assets			
Trade and other receivables, net	8	60,717	78,363
Available-for-sale financial investments	11	189,576	-
Investments in associates	12	85,057	88,648
Investments properties	13	106,788	115,754
Property, plant and equipment, net	14	780,477	887,108
Intangible assets, net	15	1,166,404	1,219,055
Deferred income tax assets, net	21	55,290	52,334
Income tax prepayments		11,949	2,764
Other assets		2,536	1,384
		2,458,794	2,445,410
Total assets		3,247,800	3,116,679
Liabilities and equity			
Current liabilities			
Bank overdrafts	17	1,362	9,316
Trade and other payables	18	200,755	220,873
Income tax payable		2,126	-
Interest-bearing loans and borrowings	19	116,648	144,227
Provisions	20	26,175	21,264
Embedded derivatives for sale of tin	38	558	890
		347,624	396,570
Non – current liabilities			
Trade and other payables	18	10,440	10,662
Interest-bearing loans and borrowings	19	604,882	363,810
Provisions	20	131,890	145,773
Deferred income tax liabilities, net	21	203,298	202,085
		950,510	722,330
Total liabilities		1,298,134	1,118,900
Equity	22		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Optional reserve		424	424
Other reserves		2,382	(642)
Reinvested earnings		39,985	39,985
Cumulative translation reserve		(109,489)	(30,283)
Unrealized results		5,503	3,375
Retained earnings		717,207	682,171
Equity attributable to equity holders of the parent		1,678,176	1,717,194
Non-controlling interests	39	271,490	280,585
Total equity		1,949,666	1,997,779
Total liabilities and equity		3,247,800	3,116,679

The accompanying notes are an integral part of this consolidated statement of financial position.

Minsur S.A. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2014 and 2013

	Note	2014 US$(000)	2013 US$(000)
Net sales	24	1,263,489	1,309,769
Cost of sales	25	(846,196)	(830,012)
Gross profit		417,293	479,757
Operating expenses:			
Administrative expenses	26	(77,172)	(79,914)
Selling expenses	27	(21,013)	(22,018)
Exploration and project expenses	28	(67,840)	(66,058)
Other, net	29	18,817	20,180
Total operating expenses		(147,208)	(147,810)
Operating income		270,085	331,947
Other income (expenses):			
Finance income	30	6,200	7,512
Finance costs	30	(64,782)	(34,041)
Gain from investment in associates, net	12(b)	13,213	31,466
Gain (loss) financial assets at fair value through profit or loss	10(b)	(1,974)	2,718
Dividends	10(c)	91	165
Exchange difference, net		(28,284)	(20,595)
Total other income (expenses), net		(75,536)	(12,775)
Profit before income tax		194,549	319,172
Income tax expense	21(c)	(118,589)	(147,793)
Profit for the year		75,960	171,379
Attributable to:			
Equity holders of the parent		84,898	175,488
Non-controlling interests	39	(8,938)	(4,109)
Profit for the year		75,960	171,379
Earnings per share stated in U.S. dollar (basic and diluted) attributable to:	31		
Common shares		2.94	6.09
Investment shares		0.03	0.06

The accompanying notes are an integral part of this consolidated statement of financial position.

Minsur S.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2014 and 2013

	Note	2014 US$(000)	2013 US$(000)
Profit for the year		75,960	171,379
Other comprehensive income:			
Exchange differences on translation	22(f)	(93,598)	(97,710)
Unrealized results of investment	22(g)	2,128	(31,744)
Income tax expense		(2,290)	484
Other		5,314	(2,628)
Other comprehensive income		(88,446)	(131,598)
Total other comprehensive income		(12,486)	39,781
Attributable to:			
Equity holders of the parent		10,844	54,605
Non-controlling interests		(23,330)	(14,824)
		(12,486)	39,781

The accompanying notes are an integral part of this consolidated statement of financial position.

Consolidated statements of changes in equity

For the years ended December 31, 2014 and 2013

	Capital stock US$(000)	Investment shares US$(000)	Legal reserve US$(000)	Optional reserve US$(000)	Other reserves US$(000)	Reinvested earnings US$(000)	Cumulative translation reserve note 2.4(e) US$(000)	Unrealized results US$(000)	Retained earnings US$(000)	Total attributable to equity holders of the parent US$(000)	Non - controlling interests US$(000)	Total equity US$(000)
Balance as of January 1, 2013	601,269	300,634	120,261	424	135	39,985	56,826	35,119	557,633	1,712,286	279,229	1,991,515
Profit for the year	-	-	-	-	-	-	-	-	175,488	175,488	(4,109)	171,379
Other comprehensive income	-	-	-	-	(777)	-	(87,109)	(31,744)	(1,253)	(120,883)	(10,715)	(131,598)
Total other comprehensive income	-	-	-	-	(777)	-	(87,109)	(31,744)	174,235	54,605	(14,824)	39,781
Dividends declared, note 22(e)	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Contribution of non-controlling interest, note 22(h)	-	-	-	-	-	-	-	-	-	-	14,887	14,887
Others adjustments	-	-	-	-	-	-	-	-	303	303	1,293	1,596
Balance as of December 31, 2013	601,269	300,634	120,261	424	(642)	39,985	(30,283)	3,375	682,171	1,717,194	280,585	1,997,779
Profit for the year	-	-	-	-	-	-	-	-	84,898	84,898	(8,938)	75,960
Other comprehensive income	-	-	-	-	3,024	-	(79,206)	2,128	-	(74,054)	(14,392)	(88,446)
Total other comprehensive income	-	-	-	-	3,024	-	(79,206)	2,128	84,898	10,844	(23,330)	(12,486)
Dividends declared, note 22(e)	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Contribution of non-controlling interest, note 22(h)	-	-	-	-	-	-	-	-	-	-	14,490	14,490
Other adjustments	-	-	-	-	-	-	-	-	138	138	(255)	(117)
Balance as of December 31, 2014	601,269	300,634	120,261	424	2,382	39,985	(109,489)	5,503	717,207	1,678,176	271,490	1,949,666

The accompanying notes are an integral part of this consolidated statement of financial position.

Minsur S.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2014 and 2013

	Nota	2014 US$(000)	2013 US$(000)
Operating activities			
Collections from customers		1,292,140	1,328,026
Collections (opening) of deposits under guarantee		21,015	(2,162)
Interest received		6,200	7,512
Payments to suppliers		(658,225)	(713,728)
Payroll and social benefit payments		(197,303)	(193,059)
Tax payments and other taxes		(133,492)	(151,220)
Interest paid		(34,738)	(18,931)
Collection from settlement of arbitrage		-	18,890
Other receipts related to the activity, net		(33,445)	(26,949)
Net cash flows provided by operating activities		250,976	248,379
Investing activities			
Acquisition of available-for-sale financial investments	11	(190,000)	-
Purchase of property, plant and equipment		(83,201)	(108,290)
Purchase of intangibles		(2,705)	(4,980)
Proceeds from sale of property, plant and equipment		22,385	10,938
Capital reduction in associate	12(c)	11,370	-
Collections (opening) time deposits with maturities greater than 90 days		4,510	(4,924)
Dividends from investment in associates		1,437	5,066
Net cash flows used in investing activities		(236,204)	(102,190)
Financing activities			
(Payments) proceeds from bank overdrafts and interest-bearing loans and borrowings		230,882	(25,042)
Contribution of non-controlling interests	22(h)	14,490	14,887
Dividends paid	22	(50,000)	(50,000)
Net cash flows (used in) provided by financing activities		195,372	(60,155)
Net increase in cash and cash equivalents		210,144	86,034
Exchange difference		(5,227)	1,235
Cash and cash equivalents at beginning of year		233,664	146,395
Cash and cash equivalents at end of year	6	438,581	233,664
Transactions with no effects in cash flows:			
Decrease in provision for closure mine		(1,532)	(7,827)
Purchase of property, plant and equipment through finance lease		1,029	-

The accompanying notes are an integral part of this consolidated statement of financial position.

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 of its share capital. 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 that is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno, which is processed in the Pisco smelter and refinery, where produces high quality of tin and the production and selling of gold that is obtained from the Pucamarca Mine, located in the region of Tacna, which started operations in January 2013.

Through its subsidiary Minera Latinoamericana S.A.C., the Company maintains investments in Mineração Taboca S.A. and subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and subsidiaries (holding of shares of a group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur S.P.A. (a company engaged in mining exploration activities, located in Chile). Also, through its subsidiary Cumbres Andinas S.A., the Company has investments in Minera Sillustani S.A.C., Compañia 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).

(c) Consolidated financial statements –
The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the Group):

	Equity interest			
	December 31, 2014		December 31, 2013	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
Inv. Cordillera del Sur Ltda.	-	73.94	-	73.94
Inv. Cordillera del Sur II Ltda.	-	99.88	-	99.88
Inv. Cordillera del Sur III Ltda.	-	100.00	-	100.00
Melon S.A.	-	99.55	-	99.55
Melon Hormigones S.A.	-	100.00	-	100.00
Minera Melon S.A.	-	100.00	-	100.00
Melon Morteros S.A.	-	100.00	-	100.00
Melon Aridos Ltda.	-	100.00	-	100.00
Melon Servicios Compartidos S.A.	-	100.00	-	100.00
Inmobiliaria San Patricio S.A.	-	98.16	-	98.26
Santa Pamela S.A.	-	100.00	-	100.00
Subsidiaries in Brazil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in Cayman Island:				
CA Marcobre I (*)	-	100.00	-	100.00
CA Marcobre II (*)	-	100.00	-	100.00
CA Minerals Marcobre Limited (*)	-	100.00	-	100.00
CA Minerals Peru Limited (*)	-	100.00	-	100.00
CA Resources Limited (*)	-	100.00	-	100.00
Subsidiaries in Peru:				
Minera Carabaya S.A. – En dissolution (**)	-	-	99.99	-
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.	99.97	-	99.97	-
Compañia Minera Barbastro S.A.C.	-	99.98	-	99.98
Minera Sillustani S.A.C.	-	99.47	-	99.47
Marcobre S.A.C.	-	70.00	-	70.00

(*) Through these entities, the Company has an indirect interest in the subsidiary Marcobre S.A.C. These entities are not engaged in other activities.

(**) The liquidation of this subsidiary was held in November 2014.

A brief summary of the business activities of the entities included in the consolidated financial statements is presented below:

- Minera Andes del Sur SPA. -
  This subsidiary is engaged in the exploration and exploitation of mineral resources contained in the mining properties acquired.

- Inversiones Cordillera del Sur Ltda. -
  Through this entity, the Group has an indirect interest in Melon S.A. and subsidiaries.

- Inversiones Cordillera del Sur II Ltda. -
  Through this entity, the Group has an indirect interest in Melon S.A. and subsidiaries.

- Inversiones Cordillera del Sur III Ltda. -
  Through this entity, the Group has a direct interest in Melon S.A. and subsidiaries.

- Melon S.A. -
  This subsidiary is engaged in the production, commercialization and supply of cement, mixed concrete, pre-dosed mortars and arid to distributors of building materials, to construction companies related to the real estate, civil works and mining sectors, and to concrete companies in Chile.

- Melon Hormigones S.A. -
  This subsidiary is engaged in the production, commercialization, import, export and distribution of concrete, arid and related products, by own and through others, and in the maintenance and repairment services.

- Minera Melon S.A. -
  This subsidiary is engaged in the subscription of minutes and agreements related to the exploration, development, exploitation, production, benefit, commercialization and import of metallic and non-metallic minerals.

- Melon Morteros S.A. -
  This subsidiary is engaged in the manufacturing, commercialization and installation of mortars, concrete and other building materials.

- Melon Aridos Ltda. -
  This subsidiary is engaged in the production, commercialization and distribution of arid, its derivatives and similar substances; the transportation of own or third party cargo and the production and sale of building materials.

- Melon Servicios Compartidos S.A. -
  This subsidiary is engaged in providing services related to human resources, collections, logistic, information technology, foreign trade, accounting and treasury, as well as in providing advisory services related to the commercialization of wood and forest area.

- Inmobiliaria San Patricio S.A. -
  This subsidiary is engaged in the real estate sector, acquire, manage, exploit, sale, lease, sublease all kind of investment properties; subdivided, urbanize and develop all sort of properties for housing, commercial, industrial, agricultural or forest purposes.

- Santa Pamela S.A. -
  This subsidiary is engaged in the manufacturing of products for the construction, mainly cement.

- Mineração Taboca S.A. -
  This mining entity is engaged in the exploitation of the Pitinga mine, located in the northeast region in the Amazonas state, in the Federative Republic of Brazil. This mine has mainly resources of tin, as well as other minerals.

- Mamore Mineração e Metalurgia Ltda. -
  This subsidiary is engaged in the operation of the smelting plant of Pirapora, in Sao Paulo, Brazil.

- Minera Latinoamericana S.A.C. -
  Through this subsidiary, the Company has investments in Mineração Taboca S.A. and subsidiary, as well as in Inversiones Cordillera del Sur Ltda. and subsidiaries and in Minera Andes del Sur S.P.A.

- Cumbres Andinas S.A. -
  Currently, the activities of this subsidiary are limited to the holding of shares in mining entities in the exploration stage and/or pre-feasibility studies (Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C.), and to the holding of mining concessions.

- Compañia Minera Barbastro S.A.C. -
  This subsidiary is engaged in the exploration and exploitation of mining rights. Currently, it is engaged in the development of Marta mining unit, located in Tinyacclla, district of Huando, in the Huancavelica region.

- Minera Sillustani S.A.C. -
  This subsidiary is engaged in the exploration of mining concessions and quarries, and in the development of mining projects of tungsten Palca 11 and Hacienda de Beneficio Rocio 2, located in San Antonio de Putina, Puno region.

- Marcobre S.A.C. -
  This subsidiary is engaged in the development of mining activities in Peru, it can enter into agreements related to such activity, by its own or through third parties. Currently, its activities are mainly focused in the development of its copper project ‘Justa Mine’,which is in the pre-feasibility stage and its located approximately at 400 kilometers to the southeast of Lima, Ica Region.

(d) Approval of consolidated financial statements –
These consolidated financial statements as of December 31, 2014 and for the year then ended were authorized for issue by Management on March 23, 2015. In Management's opinion, these consolidated financial statements will be approved without changes by the Board of Directors' to be held during the first semester of 2015.
The consolidated financial statements as of December 31, 2013 and for the year then ended were authorized for issue by Management on March 12, 2014 and were ratified for publication on March 31,2014.

2. Basis of preparation, consolidation and accounting policies

2.1 Basis of preparation -

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

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, derivative financial instruments and investment properties that have been measured at fair value.

The consolidated financial 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 preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions, as detailed in Note 3.

These consolidated financial statements provide comparative information to the previous period.

2.2 Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of December 31, 2014 and 2013.

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, the Group controls an investee if, and only if, the Group 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (here in after OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. New amended standards and interpretations

There were a number of new standards and interpretations, effective from January 1, 2014 that the Company applied for the first time in the current year. Some of these standards were related to: offsetting financial assets and financial liabilities, novation derivatives and continuation of hedge accounting, among others, however, they did not affect the separate financial statements of the Company because it did not occur transactions that could be affected by these changes and modifications.

2.4. Summary of significant accounting policies -

The followings are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

(a) Cash and cash equivalents -

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and term deposits, including term deposits with original maturities of less than three months.

For purposes of presentation the consolidated statement of cash flows, cash and cash equivalents include cash, time deposits and high liquid investments, with original maturity of three months or less.

(b) Financial instruments: Initial recognition and subsequent measurement -
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulations or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Group's financial assets include cash and term deposits, trade and other receivables, available-for-sale financial investments and financial assets at fair value through profit or loss and derivatives financial instruments.

Subsequent measurement -
For the purposes of the subsequent measurement, financial assets are classified in four categories:

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

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

Financial assets at fair value through profit and loss are carried in the consolidated 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 consolidated statement of income. The Group has classified certain investments as financial assets at fair value through profit or loss (see Note 10).

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

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

This category generally applies to trade and other receivables.

Held-to-maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. The Group did not have these financial assets as of December 31, 2014 and 2013.

Available-for-sale (AFS) financial investments -
AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are thought to have for an indefinite period of time and may be sold in response to needs for liquidity or changes in market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the unrealized gain on available-for-sale investments until investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

The Group has classified equity securities and debt instruments as available-for-sale financial investments as of December 31, 2014 and 2013.

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

(i) The rights to receive cash flows, from the asset have expired.
(ii) The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

(ii) Impairment of financial assets -
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group 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 group 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 Group 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 Group 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 credit risk characteristics 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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 consolidated statement of income. Interest income (recorded as finance income in the consolidated 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 Group. 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 consolidated statement of income.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the separate statement of income is removed from OCI and recognized in the separate statement of income. Impairment losses on equity investment are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among others factors the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as financial assets available for sale, impairment testing is performed according to the same criteria used for financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between amortized cost and the current fair value, less any impairment loss on that previously recognized in the consolidated statement of income.

Then, interests income are recognized based on the updated carrying amount of the reduced asset, using the discount rate in future cash flows used in the measuring the impairment loss. Interests income are recorded as part of financial income. If in the future, the fair value of the debt instrument increases and the increase can be objectively related to an event after the loss recognition in the statement of income, the impairment loss is reversed through the consolidated statement of income.

(iii) 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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and embedded derivative.

Subsequent measurement -

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

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading derivatives 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 Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified in this category.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Except for the embedded derivative for sale of tin, the Group has not designated, at initial recognition, any financial liability as at fair value through profit or loss.

Debt and loans -
This is the most significant category for the Company. After their initial recognition, financial obligations and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated 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 consolidated statement of income.

This category includes trade and other payables and interest-bearing loans and borrowings. For more information refer notes 18 and 19.

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 consolidated statement of income.

(iv) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

(v) Fair value measurement -

The Group measures financial instruments as derivative financial instruments and available-for-sale investments at fair value at each consolidated statement of financial position date. Fair values related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in Note 37.

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 Group.

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.

The Group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as AFS financial assets, and for non-recurring measurement.

At each reporting date, the financial management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the financial 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 also compares 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 Group 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) Embedded derivatives -

The sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral. The adjustment to sales is considered an embedded derivative that should be separated from the host contract.

Commercial agreements are linked to market prices (London Metal Exchange) on the dates that is expected to liquidate opening positions as of December 31, 2014. The embedded derivative does not qualify as a hedging instrument; therefore, changes in fair value are recorded as an adjustment to net sales.

(d) Derivatives to hedge interests rate risks -

The Group uses derivative financial instruments, such as interest rates, swaps, to hedge the interest rate risks of two bank loans, see Note 38. 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 consolidated statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and subsequently classified to income when the hedged item affects results.

For the purpose of hedge accounting, the Group classifies its interest rate swaps as fair value hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

The change in the fair value of a hedging derivative for interest rate risk is recognized in the consolidated statement of income as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of income as finance costs.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the consolidated statement of income.

(e) Foreign currency translation -

The Group's consolidated financial statements are presented in U.S dollar, which is also the Company's functional and presentation currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances -

Transactions in foreign currencies (different currency than U.S. Dollar) are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Reexpresion of financial statements of foreign subsidiaries into U.S. dollars –

The financial statements of the foreign subsidiaries are stated in the functional currency (Chilean pesos for Minera Andes del Sur S.P.A. e Inversiones Cordillera del Sur. Ltda. and subsidiaries, and Brazilian Reales for Mineração Taboca S.A. and its subsidiaries), and are then translated to U.S. dollars. For these purposes, all assets and liabilities of foreign operations are translated at the exchange rate for sales prevailing at the reporting date, and all equity accounts are translated using exchange rates prevailing at the dates of the transactions. Income and expense items are translated at the monthly average exchange rate for sales according to the month of the transactions. The exchange differences arising on translation are recognized in other comprehensive income of the consolidate statement of the comprehensive income.

(f) Inventories -

Inventories are valued at the lower of cost and net realizable value. Costs incurred to bring each product to its present location and conditions are recorded as follows:

Raw materials

- Purchase cost using the weighted average method.

Finished goods, work in progress and mineral pitch -

- Cost of direct materials and supplies, services provided by third parties, direct labor and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs and exchange currency differences.

Inventory in transit

- Purchase cost.

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

The estimation (reversal) for impairment of inventories is determined annually by Management by reference to specific items of materials and supplies and is charged or credited to profit or loss in the period when the need of the estimation (reversal) is settled.

(g) Assets held for sale –

These assets are those which their carrying amount will be recovered mainly through a sale transaction rather than through continue use. In this case, the asset must be available for immediate sale and its sale must be highly probable, this is, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer must have been initiated.

Assets classified as held for sale are not depreciated and are recorded at the lower of its carrying amount and fair value less costs to sell.

(h) Investments in associates -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. When there has been a change recorded directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

(i) Business combination and goodwill –

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(j) Investments properties -

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The adjustment to recognize the fair value of that asset recently transferred to investment property component is recorded as a revaluation and is included in the consolidated statement of other comprehensive income.

(k) Property, plant and equipment -

Property, plant and equipment are 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 the recognition criteria are met. The present value of the expected cost for the decommissioning of an asset is presented in this caption.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. For further information about the recorded provision for mine closure, refer to note 2.4(q).

Depreciation –

Units-of-production (UOP) method:

Depreciation of assets whose useful life is greater than the life of mine is calculated using the units-of-production (UOP) method, based on reserves economically recoverable of each mine.

Straight-line method:

Depreciation of assets whose useful life is shorter than the life of the mine is calculated using the straight-line method, based on the useful life of the assets. The estimated useful life of such assets is presented as follows:

	Mining Industry (years)	**Cement industry** (years)
Buildings and other constructions	Between 2 y 25	Between 10 y 30
Buildings and other constructions related to smelting plant	Between 4 y 29	-
Facilities	Between 2 y 29	Between 8 y 15
Machinery and equipment	Between 1 y 6	Between 4 y 30
Furniture and fixtures	Between 2 y 8	Between 8 y 15
Vehicles	Between 3 y 6	Between 8 y 15
Computer equipment	4	Between 3 y 4

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition of assets-
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

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

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

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

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

(m) Mining concessions -
The mining concessions represent the right of exploration and exploitation that the Group has over the mining properties that contain the acquired mineral reserves and resources. The mining concessions are stated at cost and are amortized on the basis of production method, using resources and the proven and probable reserves. In case the Group abandons the concessions, the associated costs are charged directly to the consolidated statements of income.

At the end of year, the Group assesses at each unit mine whether there is an indication that the value of its mining concessions may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. See note 2.4(p).

Mining concessions are presented within the caption "Intangibles assets, net" in the consolidated statement of financial position.

(n) Exploration and evaluation costs, mine development costs and stripping costs -

Exploration and evaluation costs -

Exploration and evaluation costs are 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.

Exploration and evaluation activities include:

- 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.

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 as development costs in the caption "Intangible assets, net". These costs are amortized using the units of production method, using resources and the proven and probable reserves.

Development costs activities include:

- Engineering and metallurgical studies.
- Drilling and other costs to delineate the ore body.
- Removal of impurities related to the ore body.

Development costs necessary to maintain production are expensed as incurred.

Stripping (waste removal) costs –

As part of its mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalization of development stripping costs ceases when the productions start date.

Stripping costs could be related to the production of inventory or improved access to the ore to be mined in the future. In the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the three following criteria are met:

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

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons.

Substantially stripping costs incurred by the Group are related to the production of inventory and not to improved access to the ore to be mined in the future.

(o) Intangible assets -

Goodwill -
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Trademarks -
They correspond to the trademarks identified as a result of the acquisition of the Chilean subsidiaries. These assets have undefined lives and, therefore, are not amortized. Annually, the Group performs impairment tests as stated in the paragraph (p) below.

The Group considers that these assets have indefinite lives based on the following criteria: they will be used for an indefinite period, the typical cycle of life of similar trademarks used to be indefinite, it is not expected to incur in significant expenditures for maintenance, and they do not have legal or other kind or restrictions.

Licenses -
Software is presented at cost and includes all the disbursements directly related to the acquisition or startup of the specific computer program. These costs are amortized using the straight-line method over an estimated useful life of 4 years.

Customer portfolio -
This asset represents all the contractual and non-contractual clients recognized during the acquisition of the Chilean subsidiaries. This intangible is amortized using the straight-line method over an estimated useful life of 7 years.

Usufruct of lands -
It corresponds to payments for the right to use certain lands closed to the mining units of the Group in Peru, needed for the operation. These costs are amortized using the straight-line method over the life of the respective agreements (between 10 and 15 years).

(p) Impairment of non-financial assets -
The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to 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 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. In determining fair value less cost to disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The fair value of mining assets is generally determined by the present value of future cash flows arising from the continued use of the asset, which include estimated as the cost of future expansion plans, using assumptions that a third party might consider. The cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money in time and risks specific to the assets or cash geneting unit.

The Group supports its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group´s CGUs to which the individual assets are allocated.

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

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's 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 consolidated statement of income.

(q) Provisions -

General –

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

Provision for closure of mining units -

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. Rehabilitation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current risk free pre-tax rate. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of profit or loss as a finance cost. The estimated future costs of rehabilitation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

In the case of mines already closed, changes in estimated costs are recognized immediately in the consolidated statements of income.

Environmental expenditures and liabilities -

Environmental expenditures related with current or future revenues are recorded as expense or are capitalized, as appropriate. Expenditures related with an existing condition caused by past operations and do not contribute to current or future revenues are expensed as incurred.

Liabilities for environmental costs are recognized when an obligation to undertake clean-up activities is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, with the decommissioning or closure of inactive sites.

The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the future expenditures estimated.

(r) Pensions and post –employment benefits -

The Chilean subsidiary records its provision for indemnities for the service periods corresponding to the defined benefit pension plans, arising from contracts signed with its employees. This obligation is determined based on the actuarial value of the vested benefit, considering factors such as the mortality rates, salaries increases and discount rates. The estimated value is presented at its present value using the projected credit unit method. The discount rate used was 2.43%.

The positive or negative effect over the indemnities derived from changes in the estimations (rotation rates, mortality, retires, and others) is accounted for directly in the consolidated statement of income. The related obligation is presented as "Provisions" in the consolidated statement of financial position.

Employees benefits -

The Group has short-time for employee benefits including salaries, severance contributions, legal bonuses, performance bonuses and profit sharing. These obligations are monthly recorded on an accrual basis.

(s) Revenue recognition -

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group 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, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

Sale of metals-

Sales of metallic tin and gold are recognized when the Group has delivered the products at the place agreed with the customer, customer has accepted the products and the collection of the receivable is reasonably assured.

In relation to sales of tin, the Group assigned a provisional sales price based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral at the end of the agreement. The exposure to changes in the prices of metals generates an embedded derivative that should be separated from the host contract. Adjustments to the sale price occur based on movements in quoted market prices up to the date of financial settlement. Any gain or loss arising from changes in fair value of embedded derivatives during the period is recorded in the consolidated statement of income (in the net sales caption).

In relation to the measurement of gold sales, these are not subject to a final price adjustment, therefore do not generate embedded derivatives.

Sales of cement and related goods –
Sales of cement, mixed concrete, mortars and arid are recognized when the Chilean subsidiaries deliver the goods in the place agreed with the client, has accepted the goods and the collection of the receivable is reasonably assured.

Rental income -
Rental income arising from operating leases on investment properties is recognized when accrued and meet related conditions thereto.

Interest income -
For all financial assets measured at amortized cost, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of income.

Dividends –
Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(t) Borrowing costs -
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowings costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

(u) 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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically 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 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 in respect of taxable temporary differences associated with investments in 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 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, except in respect of deductible temporary differences associated with investments in subsidiaries, where deferred assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 to items recognized outside profit or loss is recognize outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI 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.

Mining Royalties and Special Mining Tax in Peru -
Mining royalties and special mining tax are accounted for under IAS 12 "Income taxes" since they have the characteristics of income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable net income- rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in force on the date of the consolidated statement of financial position.

Consequently, payments made to the Government by way of special mining and mining royalty tax are under the scope of IAS 12 and, therefore, is treated as income taxes. Both the mining royalty as the special mining tax generate deferred tax assets or deferred tax liabilities which must be measured using the average rates that are expected to apply to operating profit in the period in which the Group expects will reverse the temporary differences.

Sales tax -
Revenues, expenses and assets are recognized net of the amount of sales tax, except:

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

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

(v) Basic and diluted earnings per share -
Basic and diluted earnings per share are calculated dividing the net income by the weighted average of common and investment outstanding shares during the period.

As of December 31, 2014 and 2013, the Company does not have dilutive financial instruments, thus the basic and diluted earnings per share are the same for the presented periods.

(w) Current versus non current classification –
The Group presents assets and liabilities in 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.
- Held primarily for the purpose of trading.
- 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 Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Significant accounting judgements, estimates and assumptions -

The preparation of the Group's consolidated 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Contingencies (Note 33) -

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Assessing the existence and potential amount of contingencies inherently involves the exercise of significant judgement and the use of estimates about the outcome of future events.

(b) Recovery of deferred tax assets - (Note 21) -

(c) Exploration costs - (note 2.4 (n)) -

(d) Functional currency - (note 2.4 (e)) -

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty estimates at the date of the consolidated financial statements are described below:

(a) Determination of mineral reserves and resources -

The Group computes its reserves and resources 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 and resources 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 and resources 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 and resources 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.

(b) Units of production depreciation (note 2.4(k)) -

(c) Mine rehabilitation provision (note 2.4(q) y note 20) -

(d) Determination of the net realizable value of inventories (note 2.4(f) y note 9) –

(e) Impairment of non-financial assets (note 2.4(p) y note 16) -

(f) Provision pensions and post-employment benefits (note 2.4(r) y note 20) –

(g) Fair value of financial instruments

(h) Fair value investments properties (note 2.4(j))

4. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

- *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 January 1, 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 February 1, 2015. The Group will assess the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

- *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 recognized 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 recognizing 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 January 1, 2017 with early adoption permitted. The Group will assess the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

  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 amortize intangible assets.

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

5. **Transacciones en moneda extranjera**

As of December 31, 2014 and 2013, the Group had assets and liabilities in Peruvian nuevos soles, brazilian reales, chilean pesos and euros. Below is a breakdown of these assets and liabilities presented by their equivalent in U.S. dollars:

	2014 US$(000)	2013 US$(000)
Asset		
Cash and cash equivalents	38,291	16,136
Banking deposit under guarantee	-	18,854
Trade and other receivables, net (include non-current portion)	176,955	185,650
Income tax prepayments	26,269	14,329
Prepaid expenses	2,592	835
	244,107	235,804
Liabilities		
Bank overdrafts	(1,362)	(9,316)
Trade and other payables (include non-current portion)	(164,803)	(171,558)
Income tax payable	(2,126)	-
Financial obligation (include non-current portion)	(204,907)	(247,158)
	(373,198)	(428,032)
Liabilities position, net	(129,091)	(192,228)

As of December 31, 2014 and 2013, the Group had no financial instruments to hedge its foreign currency risk.

6. Cash and cash equivalents

(a) The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
Cash on hand and petty cash	352	418
Cash demand deposits (b)	19,445	49,572
Overnight deposits (c)	305,176	-
Term deposits (d)	108,551	182,615
Certificates of bank deposits (e)	5,000	1,059
Funds subject to restriction	57	-
Cash balance considered in the consolidated statement of Cash flow	438,581	233,664
Time deposits with maturities greater than 90 days	414	4,924
	438,995	238,588

(b) As of December 31, 2014 and 2013, the Group maintains its demand deposits at best rated domestic and foreign banks and are free disposal.

(c) Deposits (overnight deposits) are one day deposits in a foreign bank, which earn effective market rates.

(d) Term deposits have original maturities of less than 90 days and can be renewed at maturity. As of December 31, 2014 and 2013, these deposits earned interest at market interest rates, and were settled in January 2015 and 2014, respectively.

(e) As of December 31, 2014 corresponding to Interbank Deposits Certificates – CDB's kept by Mineração Taboca S.A. amount R$13,286,000 (equivalent to US$5,000,000), R$2,503,000 (equivalent to US$1,059,000) as of December 31, 2013. These certificates have high liquidity, have original maturities of less than 90 days and yield returns obtained from changes in the rate corresponding to Interbank Deposits Certificates – CDIs of Brazil.

7. Bank deposits under guarantee

As of December 31, 2013 correspond mainly formed by certificates of bank deposits by R$44,527,000 (equivalent to US$18,853,000) maintained by Mineração Taboca S.A. guarantee of tax obligations from previous years. These deposits under guarantee were released by the tax authorities of Brazil (Receta Federal de Brazil) in the year 2014.

8. Trade and other receivables, net

(a) The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
Trade:		
Invoices receivable from sale of concrete and cement (b)	74,904	92,415
Invoices receivable from sale of tin (b)	57,342	52,677
Invoices receivable from sale of gold (b)	3,863	4,674
	136,109	149,766
Allowance for doubtful accounts (c)	(11,067)	(13,905)
	125,042	135,861
Other receivables:		
Value added tax credit and other tax credits	63,665	64,912
Judicial deposits (d)	14,408	17,383
Financial leases to third parties	12,083	11,673
Related parties, note 34	1,250	3,471
Other	5,404	7,155
	96,810	104,594
Total	221,852	240,455
By maturity:		
Current portion	161,135	162,092
Non-current portion	60,717	78,363
Total	221,852	240,455

(b) As of December 31, 2014 and 2013, the trade receivables are non-interest bearing and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Group's management constantly evaluates market conditions, and uses an aging analysis.

As of December 31, 2014 and 2013, the aging analysis of trade receivables is as follows:

	2014 US$(000)	2013 US$(000)
Neither past due nor impaired	113,262	131,051
Past due but not impaired		
From 30 to 60 days	5,264	3,322
From 61 to 90 days	3,093	1,078
From 91 to 180 days	3,423	410
Total	125,042	135,861

(c) The movement of the allowance for doubtful accounts for the years 2014 and 2013 is set forth below:

	2014 US$(000)	2013 US$(000)
Opening balance	13,905	16,000
Doubtful accounts, note 27	2,184	605
Recovery of doubtful estimad, note 29	(2,213)	-
Write-off	(1,295)	(1,300)
Translation result	(1,514)	(1,400)
Ending balance	11,067	13,905

(d) It relates to deposits that guarantee tax liabilities of the subsidiary Mineração Taboca S.A.

9. Inventories, net

(a) The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
Finished products	38,755	62,240
Work in progress	52,887	79,315
Raw materials	17,234	18,750
Materials and supplies	56,143	64,287
Mineral extracted	933	2,231
Inventory in transit	3,638	6,997
	169,590	233,820
Impairment loss of inventories (b)	(5,778)	(7,645)
Estimation for obsolescence (c)	(4,166)	(3,369)
	159,646	222,806

(b) The impairment loss of inventories had the following movement during the years 2014 and 2013:

	2014 US$(000)	2013 US$(000)
Opening balance	7,645	2,833
Estimation (recovery) for the year, note 25	(1,151)	5,706
Translation result	(716)	(894)
Ending balance	5,778	7,645

The estimation for the year corresponds to impairment of work in progress of subsidiary Mineração Taboca S.A.

(c) The estimation for obsolescence of materials and supplies had the following movement during the years 2014 and 2013:

	2014 US$(000)	2013 US$(000)
Opening balance	3,369	1,936
Estimation for year, note 25	1,061	1,612
Translation result	(264)	(179)
Ending balance	4,166	3,369

10. Financial assets at fair value through profit or loss

(a) As of December 31, 2014 and 2013, the Group held an investment in equity shares of BBVA of Spain amounting to US$8,155,000 and US$10,129,000, respectively. BBVA of Spain is a world class entity and it presents a very low level of risk.

(b) As of December 31, 2014 and 2013, the fair value of this investment classified as financial asset at fair value through profit or loss has been determined based on its quotation in the Stock Exchange of Spain. Following, we present the movement of this caption:

	2014 US$(000)	2013 US$(000)
Opening balance	10,129	7,411
Changes in the fair value	(1,974)	2,718
Final balance	8,155	10,129

(c) In 2014, the Group received cash dividends by US$91,000 (US$165,000 in 2013). Cash dividends are credited to the results of the corresponding years.

11. Available-for-sale financial investments

(a) The composition of this caption is presented below:

	2014			
	Cost US$(000)	Unrealized results US$(000)	Accrued interest US$(000)	Fair Value US$(000)
Public quotation mutual funds	125,000	(454)	-	124,546
Certificates of deposit without public quotation	65,000	(201)	231	65,030
Total	190,000	(655)	231	189,576

The fair value of the mutual funds is determined by reference to published price quotations in an active market. The fair value of certificates of deposit is estimated based on discounted cash flows using market rates available for debt instruments with similar conditions, maturity and credit risk.

(a) Movement in the available-for-sale financial investments is as follows:

	2014 US$(000)
Opening balance	-
Purchase of investments	190,000
Fair value registered in other comprehensive income	(655)
Accrued interest in certificated deposits	231
Ending balance	189,576

12. Investments in associates

(a) This caption is made up as follows:

	Interest in equity		Equity value	
	2014 %	2013 %	2014 US$(000)	2013 US$(000)
Rimac Seguros y Reaseguros	14.51	14.51	62,902	54,656
Explosivos S.A.	7.30	7.30	7,340	7,729
Prefabricados de Hormigón Grau S.A.	49.00	49.00	5,640	6,030
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,097	4,633
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	4,078	15,600
			85,057	88,648

The Group has recognized its investments in Rimac 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.

(b) Net equity in gains (losses) from investments in associates is as follows:

	2014 US$(000)	2013 US$(000)
Rimac Seguros y Reaseguros	11,717	30,259
Explosivos S.A.	665	1,330
Prefabricados de Hormigón Grau S.A.	433	573
Servicios Aeronáuticos Unidos S.A.C.	(152)	(1,171)
Others	550	475
	13,213	31,466

(c) The movement of investments in asociate and relevant information is presented by:

Rimac Seguros y Reaseguros

The main economic activity of this associate (located in Peru) includes the recruitment and administration of insurance and reinsurance general operations and life insurances, as well as financial investments, real estate and related activities.

The table below shows the movement in the investment in Rimac Seguros y Reaseguros :

	2014 US$(000)	2013 US$(000)
Opening balance	54,656	63,549
Plus (minus):		
Share of net profit	11,717	30,259
Unrealized results (*)	1,630	(31,744)
Translation	(4,171)	(3,291)
Dividends	(944)	(4,555)
Others	14	438
Ending balance	62,902	54,656

Unrealized results (*) –

This caption corresponds to the share in the unrealized of the associate Rimac Seguros y Reaseguros (Rimac). These unrealized of Rimac mainly corresponds to changes in the valuation of fair value of available for sale investments in equity and debts instruments. As a result of these change in valuation, the Group recognized a loss of US$31,744,000 in 2013.

Servicios Aeronauticos Unidos S.A.C.

The purpose of this associate located in Peru, is to provide air transportation services of passengers, cargo and mail, prospection, maintenance of airplanes and selling of supplies for the civil aviation. The Shareholders' meeting of Servicios Aeronauticos Unidos S.A. held on February 14, 2014 approved the decrease of each shareholder in proportion to their participation of the capital stock.

The table below shows the movement in the investment in Servicios Aeronauticos Unidos S.A.C.:

	2014 US$(000)	2013 US$(000)
Opening balance	15,600	16,771
Plus (minus):		
Capital reduction	(11,370)	-
Share of net loss	(152)	(1,171)
Final balance	4,078	15,600

Explosivos S.A.

The economic activity of this associate located in Peru, includes the manufacture, domestic sale and export of local cartridge explosives, accessories and blasting agents, also this associated is engaged in the providing of blasting services, and all kinds of goods and services to support mining companies.

The table below shows the movement in the investment in Explosivos S.A.:

	2014 US$(000)	2013 US$(000)
Opening balance	7,729	6,973
Plus (minus)		
Share of net profit	665	1,330
Translation	(653)	(363)
Dividends	(401)	(211)
Ending balance	7,340	7,729

13. Investments properties

(a) The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
San Bernardo y Pudahuel lands (b)	104,823	110,222
Forestales y Planta Valdivia lands (b)	1,965	5,532
	106,788	115,754

(b) The investment properties located in Chile are the property of the subsidiary Melon S.A. The investments are measured at fair value, based on valuations performed by external expert hired by such subsidiary as of December 31, 2014 and 2013. Appraisals are reviewed annually.

The Subsidiary is not restricted to dispose of or sell investments properties, nor has assumed contractual obligations for purchasing, constructing and developing real estate.

The fair value hierarchy of investment properties is disclosed in Note 37.

(c) The movement of the item is presented below:

	2014 US$(000)	2013 US$(000)
Opening balance	115,754	113,087
Changes in the fair value, note 29	11,369	13,681
Transfer from fixed assets	7,476	-
Sale	(12,110)	-
Translation result	(15,701)	(11,014)
Final balance	106,788	115,754

14. Property, plant and equipment, net

(a) The composition and movement of this caption is presented below:

	Balance at 01.01.2014 US$(000)	Additions US$(000)	Retires US$(000)	Changes in mine closure costs US$(000)	Adjustments and reclassifications US$(000)	Transfers US$(000)	Other transfers US$(000)	Translation adjustment US$(000)	Balance at 12.31.2014 US$(000)
Cost									
Land	59,473	3,164	(1,332)	-	4,127	-	(7,476)	(6,358)	51,598
Buildings and installations	443,461	1,185	(6,125)	-	459	59,736	(1,934)	(19,350)	477,432
Machinery and equipment	847,826	10,488	(31,348)	-	8,300	10,509	30,470	(81,008)	795,237
Furniture and fixtures and computer equipment	39,683	360	(2,183)	-	283	1,250	167	(4,273)	35,287
Vehicles	73,306	245	(12,093)	-	(8,043)	334	1,909	(7,399)	48,259
Units in transit	3,427	2,565	-	-	-	-	(2,636)	(152)	3,204
Work in progress	129,429	66,223	(2,762)	-	407	(74,026)	(33,586)	(10,560)	75,125
Mine closure costs	66,293	-	-	(1,532)	(3,241)	-	-	(708)	60,812
Financial leases	2,413	-	-	-	-	2,197	(16)	-	4,594
	1,665,311	84,230	(55,843)	(1,532)	2,292	-	(13,102)	(129,808)	1,551,548
Accumulated depreciation									
Buildings and installations	172,553	41,050	(5,423)	-	(498)	-	-	(8,172)	199,510
Machinery and equipment	514,691	48,807	(28,126)	-	4,558	-	-	(48,101)	491,829
Furniture and fixtures and computer equipment	27,807	2,205	(2,134)	-	125	-	-	(3,143)	24,860
Vehicles	39,775	4,257	(11,299)	-	(4,220)	-	-	(3,863)	24,650
Mine closure costs	22,819	7,490	-	-	(903)	-	-	(323)	29,083
Financial leases	558	581	-	-	-	-	-	-	1,139
	778,203	104,390	(46,982)	-	(938)	-	-	(63,602)	771,071
Net Cost	887,108								780,477

	Balance at 01.01.2013 US$(000)	Additions US$(000)	Retires US$(000)	Changes in mine closure costs US$(000)	Adjustments and reclassifications US$(000)	Transfers US$(000)	Other transfers US$(000)	Translation adjustment US$(000)	Balance at 12.31.2013 US$(000)
Cost									
Land	64,540	115	-	-	-	-	-	(5,182)	59,473
Buildings and installations	319,225	4,018	(5,731)	-	5,774	141,340	-	(21,165)	443,461
Machinery and equipment	860,801	7,656	(1,183)	-	(8,310)	57,072	-	(68,210)	847,826
Furniture and fixtures and computer equipment	113,051	440	(76)	-	(70,379)	3,310	-	(6,663)	39,683
Vehicles	79,553	87	(3,176)	-	(3,707)	7,975	-	(7,426)	73,306
Units in transit	8,188	3,428	-	-	-	(8,189)	-	-	3,427
Work in progress	263,756	92,531	(16,031)	-	9,734	(201,559)	(9,978)	(9,024)	129,429
Mine closure costs	74,675	-	-	(7,827)	-	-	-	(555)	66,293
Financial leases	2,619	15	-	-	(272)	51	-	-	2,413
	1,786,408	108,290	(26,197)	(7,827)	(67,160)	-	(9,978)	(118,225)	1,665,311
Accumulated depreciation									
Buildings and installations	143,398	35,636	(24)	-	142	-	-	(6,599)	172,553
Machinery and equipment	500,710	53,183	(669)	-	(977)	-	-	(37,556)	514,691
Furniture and fixtures and computer equipment	97,155	1,988	(53)	-	(65,819)	-	-	(5,464)	27,807
Vehicles	38,861	5,016	(276)	-	(34)	-	-	(3,792)	39,775
Mine closure costs	11,856	11,158	-	-	-	-	-	(195)	22,819
Financial leases	-	558	-	-	-	-	-	-	558
	791,980	107,539	(1,022)	-	(66,688)	-	-	(53,606)	778,203
Net Cost	994,428								887,108

(b) The depreciation expense has been distributed in the consolidated statements of income as follows:

	2014 US$(000)	2013 US$(000)
Cost of sales, note 25	102,501	104,753
Administrative expenses, note 26	674	935
Selling expenses, note 27	39	94
Exploration expenses, note 28	830	1,173
Other operating expenses, note 29	346	584
	104,390	107,539

(c) Management has assessed the recoverable amount of its long-term assets and did not find an impairment of these assets as of December 31, 2014.

(d) Finance leases are secured by the same assets acquired.

15. Intangible assets, net

(a) The following is the composition and movement of these accounts:

	Balance at 01.01.2014 US$(000)	Additions US$(000)	Retires US$(000)	Adjustments and transfers US$(000)	Translation adjustment US$(000)	Balance at 12.31.2014 US$(000)
Cost:						
Indefinite useful life						
Goodwill						
Inversiones Cordillera del Sur Ltda.	94,922	-	-	-	(12,540)	82,382
Mineração Taboca S.A.	60,422	-	-	-	(6,711)	53,711
Marcobre S.A.C.	126,098	-	-	-	-	126,098
Trademarks	19,888	-	(6)	-	(2,626)	17,256
	301,330	-	(6)	-	(21,877)	279,447
Definite useful life						
Mining concessions	880,799	-	-	1,033	(18,863)	862,969
Mine development costs	30,257	-	-	-	-	30,257
Licenses	17,226	10	-	649	(2,297)	15,588
Usufruct of lands	10,073	2,695	-	(3,622)	(182)	8,964
Customers' portfolio	3,863	-	-	-	(511)	3,352
Others	877	-	(53)	122	(129)	817
	943,095	2,705	(53)	(1,818)	(21,982)	921,947
	1,244,425	2,705	(59)	(1,818)	(43,859)	1,201,394
Accumulated amortization:						
Mining concessions	4,866	5,477	-	325	(1,018)	9,650
Mine development costs	3,792	4,349	-	-	-	8,141
Licenses	12,390	1,387	-	-	(1,710)	12,067
Usufruct of lands	1,171	672	-	2	(28)	1,817
Customers' portfolio	2,391	510	-	-	(347)	2,554
Others	760	108	-	-	(107)	761
	25,370	12,503	-	327	(3,210)	34,990
Net cost	1,219,055					1,166,404

	Balance at 01.01.2013 US$(000)	Additions US$(000)	Adjustments and transfers US$(000)	Translation Adjustment US$(000)	Balance at 12.31.2013 US$(000)
Cost:					
Indefinite useful life					
Goodwill					
Inversiones Cordillera del Sur Ltda.	104,464	-	-	(9,542)	94,922
Mineração Taboca S.A.	69,718	-	-	(9,296)	60,422
Marcobre S.A.C.	129,114	-	(3,016)	-	126,098
Trademarks	21,887	-	-	(1,999)	19,888
	325,183	-	(3,016)	(20,837)	301,330
Definite useful life					
Mining concessions	903,227	1,780	-	(24,208)	880,799
Mine development costs	24,485	516	5,256	-	30,257
Licenses	13,949	141	4,662	(1,526)	17,226
Usufruct of lands	7,486	2,543	60	(16)	10,073
Customers' portfolio	4,251	-	-	(388)	3,863
Others	1,027	-	-	(150)	877
	954,425	4,980	9,978	(26,288)	943,095
	1,279,608	4,980	6,962	(47,125)	1,244,425
Accumulated amortization:					
Mining concessions	222	5,022	-	(378)	4,866
Mine development costs	-	3,792	-	-	3,792
Licenses	12,839	781	-	(1,230)	12,390
Usufruct of lands	666	502	-	3	1,171
Customers' portfolio	2,024	581	-	(214)	2,391
Others	643	185	-	(68)	760
	16,394	10,863	-	(1,887)	25,370
Net cost	1,263,214				1,219,055

(a) The depreciation expense has been distributed in the consolidated statements of income as follows:

	2014 US$(000)	2013 US$(000)
Cost of sales, note 25	11,980	10,677
Administrative expenses, note 26	165	51
Selling expenses, note 27	32	.
Exploration expenses, note 28	326	135
	12,503	10,863

16. Evaluation of impairment of goodwill and other long-lived assets

The impairment assessment performed by management of the Group as of December 31, 2014 is presented below:

(i) Marcobre S.A.C. -

As of December 31, 2014, the net carrying amount of the copper project "Mina Justa" is US$828,705,000. This amount mainly comprises the net carrying amount of the mining concession and goodwill. The recoverable amount of this mining unit has been determined based on a calculation using cash flow projections from preliminary financial budgets prepared by management. "Mina Justa" Project is in pre-feasibility stage by which the recoverable amount is based on analysis carried out at the time of the acquisition and was updated to December 31, 2014. The recoverable amount measurement will be updated at the end of 2015 with the completion of the pre-feasibility study.

As a result of this analysis, management did not identify an impairment loss for this mining unit.

Key assumptions used in fair value calculations

Calculation of fair value for the copper project "Mina Justa" is most sensitive to the following assumptions:

(a) Production volumes -

The copper production volumes are based on resource surveys prepared by independent experts and reviewed by the Group's internal specialists. These estimates take into account the production plan of management estimate for future years.

According to such resources, this copper project has a production horizon of 36 years.

(b) Discount rate -

The future cash flows were adjusted considering the risk specific to the assets and were discounted at an after-tax rate of 9% annual.

(c) Prices -
This entity has used estimates of future metals prices obtained from international investment banks.

(d) Operating expenses -
Management has projected operating costs by reference to the cost structure of other mining companies in the market as well as considering its expertise in the mining industry.

(e) Useful life -
Management estimates the useful life considered in its projection is consistent with the project economic life of the cash-generating unit.

(ii) Mineração Taboca S.A. (Tin in Brazil) -
As of December 31, 2014, the net carrying amount of the mining unit of Taboca and the smelting plant of Pirapora was US$306,892,000. This book value includes: plant, equipment and related facilities and goodwill. The recoverable amount of the mining unit of Taboca and the smelting plant of Pirapora has been determined based on a value in use calculation using projections of cash flows from financial budgets approved by management which includes project Pitinga 800 mainly considers an extension in the flotation plant of Niobium and Tantalum.

As a result of this analysis, Group's management did not identify an impairment loss for this mining unit.

Key assumptions used in fair value calculations
Calculation of fair value for the mining unit of Taboca and the smelting plant of Pirapora is most sensitive to the following assumptions:

(a) Production volumes –
The tin production volumes are based on a study of reserves prepared by an independent specialist as of December 31, 2014, taking into consideration the production plan of Management for the following years and the current capacity plant of Pirapora. According to these resources, the tin unit has a production horizon of 20 years as of December 31, 2014.

(b) Discount rate -
The future cash flows were adjusted considering the risk specific to the assets and were discounted at an after-tax rate of 10.30% annual.

(c) Prices -
The subsidiary has used estimates of future metal obtained from international investment bank contributions.

(d) Operating expenses -
Management has projected operating costs by reference to the cost structure of other mining companies in the market of similar dimensions and their own knowledge of the mining industry.

(e) Useful life –
Management estimates the useful life considered in its projection is consistent with the economic life of the cash-generating unit (20 years from 2014 to 2034).

(iii) Inversiones Cordillera del Sur Ltda. (Cement, Concrete and other in Chile) -
As of December 31, 2014, the net carrying amount of the production units of the subsidiary Inversiones Cordillera Ltda. is US$428,997,000. This value comprises: goodwill, trademarks, mining concessions and plants, equipment and related facilities. The recoverable amount of the cement unit has been determined based on a value in use calculation using projections from financial budgets approved by management.

As a result of this analysis, management did not identify an impairment loss for this cash-generating unit.

Key assumptions used in value in use calculations
Calculation of value in use for cement and concrete unit is most sensitive to the following assumptions:

(a) Production volumes -
Production volumes of cement and concrete are based on the installed capacity of the plant at December 31, 2014, taking into consideration the production plan of Management for the following years. The cement plant has a production horizon of 2024. Management believes that there will not be significant changes in the estimated production volumes that might cause that the carrying amount of these assets exceeds its recoverable value.

(b) Discount rates -
The future cash flows were adjusted considering the risk specific to the assets assigned and were discounted 10% as of December 31, 2014.

(c) Prices -
Because there is no future market prices for cement and concrete, the subsidiary has used estimates of future prices of cement and concrete based on the historical performance of this product, adjusted by a market growth rate.

(d) Operating expenses -
The subsidiary has projected operating costs by reference to its actual cost of production of cement and concrete.

(e) Useful life -
Management estimates the useful life considered in its projection is consistent with the economic life of the cash-generating unit.

For fixed assets, goodwill and brands is considered a period of 5 years and then adjusted to perpetuity.

Sensitivity analysis of the assumptions used in the calculations of value in use:
As of December 31, 2014, Management has submitted estimates of recoverable value to changes in assumptions to which has remained the expectation of recovery. However, these estimates could be materially impacted to changes in assumptions greater than sensitized (i.e further deterioration of prices of metals) and to changes in assumptions arising from the completion of pre-feasibility studies and feasibility Marcobre S.A.C. and Mineração Taboca S.A.

17. Bank overdrafts

This caption is made up of bank overdrafts with Banco de Credito e Inversiones and with Banco de Chile for US$355,000 and US$1,007,000, respectively (US$1,978,000 and US$7,338,000, respectively, as of December 31, 2013).

18. Trade and other payables

(a) The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
Trade payables:		
Third parties	123,142	116,603
Related parties, note 34	9,577	19,716
	132,719	136,319
Other payables:		
Workers' profit sharing (b)	27,872	33,646
Other taxes and contributions payable	18,686	26,091
Advances from customers	13,319	12,422
Payable due to acquisition of mining concessions (c)	10,000	10,000
Salaries and Board's fees payable	3,720	7,653
Related parties, note 34	1,572	1,739
Others	3,307	3,919
	78,476	95,216
Total	211,195	231,535
By maturity:		
Current portion	200,755	220,873
Non-current portion	10,440	10,662
Total	211,195	231,535

(b) Workers' profit sharing -
In accordance with Peruvian legislation, the Company determines the employee profit sharing at the rate of 8% of annual taxable income. The distribution is determined by 50% on the number of days each employee worked during the preceding year and 50% on proportion of their annual remuneration.

(c) Payable due to acquisition of mining concession -
As a result of the acquisition of the subsidiary Marcobre S.A.C., the Group assumed obligations with Shougang Hierro Peru (SHP) and Rio Tinto Mining and Exploration Limited, Sucursal of Peru (Rio Tinto) to acquire mining concessions, mining rights, option rights and technical studies referred to a specific geographic area in the province of Nazca, designated "Target Area 1". According to the contracts signed, there is a fixed consideration (which was fully paid by Marcobre S.A.C. during the years 2007 and 2008), and a conditional consideration of US$10,000,000. Out of this amount, US$3,000,000 shall be paid if the Group decides to initiate production activities and the mineral resources have a metallic content higher than 2.58 million of metric tons of copper. Once the metallic content is higher than 3.44 million of metric tons of copper, the Group shall pay the remaining US$7,000,000.

With the objective to assure the conditional consideration mentioned in the paragraph above, the subsidiary entered into: (i) a mortgage on the mining concession of Target Area 1 for up to US$27,600,000 (which includes the amount of interest, legal fees, costs and expenses in the event necessary to start a legal process to execute the goods subject to the guarantee), which will be effective until the subsidiary had entirely fulfilled each and every one of the guaranteed obligations, and (ii) a pledge on shares issued on behalf of the shareholders of the subsidiary.

19. Interest-bearing loans and borrowings

(a) The composition of this caption is presented below:

Entity	Guarantees	Interest rate	2014 US$(000)	2013 US$(000)
Corporate bonds, net of issuance costs (c)	No guarantees	6.25%	449,118	-
Banco de Chile (d)	Pledge over 37.66% shares of Melon	TAB UF 180 + 0.88%	94,828	121,122
Banco Itau	Include guarantees	4.83%	36,131	40,481
Banco de Credito e Inversiones (e)	No guarantees	4.57%	27,061	45,588
Banco de Credito del Peru	No guarantees	7.13%	24,417	-
Banco Corpbanca (e)	No guarantees	TAB UF 365 + 0.35%	21,190	31,190
Banco ABC Brazil	No guarantees	4.87%	12,782	12,575
Banco Santander	No guarantees	3.33%	7,551	-
Banco do Brazil	No guarantees	2.43% - 0.81%	5,638	1,430
Banco Santos	No guarantees	Tasa CDI + 2%	5,595	6,285
Banco Bic Banco	No guarantees	6.38%	2,054	5,077
Banco Safra	No guarantees	4.11%	2,005	-
FINAME BNDES (Banco Itau)	Leased assets	10.46% - 6%	1,289	2,480
BBVA Continental	Leased assets	2.68%	1,029	-
Banco de Credito del Peru	Leased assets	4.54%	314	1,408
Banco Security S.A.	Leased assets	5.67%	237	534
Caterpillar Leasing Chile S.A.	Leased assets	6.55%	26	60
The Bank of Nova Scotia	No guarantees	Libor 3m + 1.58%	-	200,000
Banco del Estado de Chile	No guarantees	7.31%	-	7,669
Banco Scotiabank	No guarantees	6.42%	-	3,814
Banco Scotiabank	No guarantees	6.55%	-	3,256
Banco Scotiabank	No guarantees	5.00%	-	2,867
			691,265	485,836
Financing commission			-	(725)
Banco Santos (interests)			11,785	11,400
Derivatives financial instruments, note 38:				
Banco de Credito e Inversiones	No guarantees	4.60%	13,765	9,991
Corpbanca	No guarantees	TAB360 + 0.35%	1,338	1,535
Banco de Credito del Peru.	No guarantees	4.50%	3,377	-
			721,530	508,037
By maturity:				
Current portion			116,648	144,227
Non-current portion			604,882	363,810
			721,530	508,037

(b) The following is the movement of financial obligations:

	2014 US$(000)	2013 US$(000)
Opening balance	508,037	569,083
Additions	494,354	223,720
Payments	(253,412)	(255,557)
Derivatives financial instruments	6,954	4,715
Translation	(34,403)	(33,924)
Final balance	721,530	508,037

(c) 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 Company has used part of these proceeds to prepay the loan with Bank of Nova Scotia and the difference will be used in mining operations.

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. Furthermore, these covenants do not impose restrictions on the cement subsidiaries.

(d) As of December 31, 2014, the subsidiary Inversiones Cordillera del Sur Ltda. II has a loan with Banco de Chile for a balance of US$94,828,000 (US$121,122,000 As of December 31, 2013); this loan includes the following financial covenant: the debt ratio (total liabilities divided by net equity) should be less than 0.75 during the term of the loan.

Inversiones Cordillera del Sur Ltda. II has complied with this financial covenant at December 31, 2014 and 2013.

(e) As of December 31, 2014, Melon S.A. has a loan with bank Corpbanca and Banco de Credito e Inversiones byUS$21,190,000 and US$27,061,000, respectively (US$31,190,000 and US$45,588,000 as of December 31, 2013, respectively); this loan includes the following financial covenant: the debt ratio (total liabilities divided by net equity) should be less than 1 during the term of the loan.

Melon S.A. has complied with this financial covenant at December 31, 2014 and 2013.

(f) As of December 31, 2014, Minsur S.A. maintains joint and several guarantees for US$20,000,000 to guarantee the financial obligations of its subsidiary Taboca with the Banco Itaú. This guarantee shall remain in force until May 25, 2017.

20. Provisions

(a) The composition of this caption is presented below:

	Provision for mine closure (b) US$(000)	Provision for environmental remediation (c) US$ (000)	Provision for contingencies (d) US$(000)	Provision for post-employment benefits (e) US$(000)	Provision for bonuses for performance US$(000)	Total US$(000)
As of January 1, 2013	120,032	23,697	12,118	5,825	4,784	166,456
Reclassifications	(8,244)	8,244	-	-	-	-
Change in estimates, note 14(a)	(7,827)	-	-	-	-	(7,827)
Additions	-	4,763	9,328	777	11,128	25,996
Reversals	-	-	(2,001)	-	-	(2,001)
Accretion, note 30	6,794	3,012	-	589	-	10,395
Payments and advances	(4,296)	(49)	(5,966)	(899)	(3,517)	(14,727)
Translation adjustment	(6,153)	(4,560)	99	(210)	(431)	(11,255)
As of December 31, 2013	100,306	35,107	13,578	6,082	11,964	167,037
Change in estimates, nota 14(a)	(1,532)	-	-	-	-	(1,532)
Additions	-	9,383	1,713	-	13,190	24,286
Reversals	-	-	(7,712)	(856)	-	(8,568)
Accretion, note 30	6,298	4,196	-	343	-	10,837
Payments and advances	(1,219)	(9,702)	(2,157)	(731)	(9,811)	(23,620)
Translation adjustment	(5,807)	(3,905)	832	(429)	(1,066)	(10,375)
As of December 31, 2014	98,046	35,079	6,254	4,409	14,277	158,065
By maturity:						
Current portion	2,370	2,254	4,471	2,225	9,944	21,264
Non-current portion	97,936	32,853	9,107	3,857	2,020	145,773
As of December 31, 2013	100,306	35,107	13,578	6,082	11,964	167,037
By maturity:						
Current portion	2,863	4,930	4,187	1,931	12,264	26,175
Non-current portion	95,183	30,149	2,067	2,478	2,013	131,890
As of December 31, 2014	98,046	35,079	6,254	4,409	14,277	158,065

(b) The provision for mine closure is made up as follows:

	Pitinga and Pirapora units US$(000)	San Rafael, Pucamarca and Pisco units US$(000)	Others US$(000)	Total US$(000)
As of January 1, 2013	47,799	67,227	5,006	120,032
Accretion	4,737	(349)	2,406	6,794
Reclassifications	(8,244)	-	-	(8,244)
Change in estimate, note 14(a)	-	(8,620)	793	(7,827)
Payments and advances	-	(4,286)	(10)	(4,296)
Translation result	(5,702)	-	(451)	(6,153)
As of December 31, 2013	38,590	53,972	7,744	100,306
Accretion	5,387	1,059	(148)	6,298
Change in estimate, note 14(a)	-	(1,556)	24	(1,532)
Payments and advances	-	(962)	(257)	(1,219)
Translation result	(4,917)	-	(890)	(5,807)
As of December 31, 2014	39,060	52,513	6,473	98,046
By maturity				
Current portion	-	1,062	1,308	2,370
Non-current portion	38,590	52,910	6,436	97,936
As of December 31, 2013	38,590	53,972	7,744	100,306
By maturity				
Current portion	-	1,709	1,154	2,863
Non-current portion	39,060	50,804	5,319	95,183
As of December 31, 2014	39,060	52,513	6,473	98,046

The provision for closure of mining units and exploration projects reflects the present value of the closing costs expected to be incurred between the 2015 and 2047, in compliance with government regulations, see note 32(a). The estimated closing costs of mining units are based on studies prepared by independent consultants, which comply with environmental regulations. The provision for closure of mining units relates mainly to activities to be performed for the restoration of the mining units and areas affected by operating activities. The main work to be performed is for earthworks, revegetation work and dismantling of the plants. The closing budgets are regularly reviewed to take into account any significant change in the studies. However, the closing costs of mining units will depend on market prices of closure works required to reflect future economic conditions. Also, the time of the disbursements carried out depends on the life of the mine, which depends of future prices of metals.

As of December 31, 2014, the main assumptions used in the calculation of the present value of the mine closure provision are the following:

	Pirapora and Pitinga unit	San Rafael, Pucamarca and Pisco units
Annual risk-free rate	11.93%	Between 0.79% and 2.95%
Years covered by the closure mine	11 and 8	14, 11, 34

(c) Provision for environmental remediation –
This includes provision for environmental remediation obligation that are mainly related to:

(i) Activities for environmental remediation for mining operations performed in previous years by Paranapenema Group, the former owner of Taboca (Brazilian subsidiary), in Pitinga mine in Brazil.

Taboca is subject to several proceedings initiated by the Federal Environmental Agency in Brazil (IBAMA) and the Amazonian Institute of Environmental Protection (IPAAM). In response to these administrative proceedings, Taboca and IPAAM entered into three Environmental Terms of Commitment ("*Termo of Ajustamento de Conduta Ambiental*" or "TACA") and one of them include an environmental remediation plan (PRAD), prepared by *Universidade Federal do Amazonas* o "UFAM", and which is pending before the agency environment with the implicit approval. Based on this study, the estimated remediation costs amount to approximately R$50,925,000, equivalent to US$19,166,000 as of December, 31 2014 (US$19,638,000 as of December 31, 2013).

(ii) Other activities for environmental restoration in areas affected by operations of Pitinga mine and Pirapora smelter in Brazil, conducted by the subsidiary Taboca, for approximately R$27,024,000 (equivalent a US$10,171,000) as of December 31, 2014 (US$9,878,000 as of December 31, 2013).

(iii) Activities for environmental restoration in Puno region for mining operations performed by the subsidiary Sillustani in previous years. This provision amounts to US$3,635,000 as of December 31, 2014 (US$3,480,000 as of December 31, 2013) and includes activities to improve drainage systems, water treatment, wetland rehabilitation, among other works that shall be executed during the year 2015.

(iv) Restoration activities in explorations area of Mina Justa Project which is operated by the Subsidiary Marcobre S.A.C. and includes activities such as earthwork, revegation and the dismantling of all facilities. This obligation amounts to US$1,162,000 as of December 31, 2014 (US$1,118,000 as of December 31, 2013) and must be paid between 2017 and 2018, according to environmental regulations.

(v) Liabilities usufruct of land and additional rights with rural communities Tinyacclla and Rio de la Virgen which correspond to contracts of leases signed with the Rural Community of tinyacclla and Rio de la Virgen, by which I is awarded to the Company right to carry out exploration and mining for a period of 25 and 15 years respectively.

The present value of the obligation at December 31, 2014 for the usufruct contract with the Rural Community Tinyacclla and Rio de la Virgen amounts approximately US$664,000 and US$281,000 (US$760,000 and US$320,000 as of December 31, 2013), respectively.

(d) Provision for contingencies -
This caption is made up of the following:

Chilean subsidiary -
Tax contingencies by US$ 11,000 (US$12,000 as of December 31, 2013), and other minor contingencies by US$997,000 (US$1,807,000 as of December 31, 2013).

Brazilian subsidiary –
Claims for payments of severance indemnities of ex-workers by US$1,728,000 (US$8,393,000 as of December 31, 2013); sanctions imposed by the environmental agency of Amazonas Brazil, for the Pitinga mine by US$1,044,000 (US$1,422,000 as of December 31, 2013), and; other minor contingencies by US$30,000 (US$55,000 as of December 31, 2013).

Peruvian subsidiary –
Environmental contingencies arising from processes filed by the Agency for Assessment and Environmental Control (OEFA) for US$2,444,000 (US$1,889,000 as of December 31, 2013).

(e) Provision for post-employment benefit plans -
The post-employment benefit plans of the Chilean subsidiary correspond to indemnities for service periods, death, retirement and voluntary resignation. This is applicable to the personnel that acquired the benefit in its service contract or collective pact. The changes in the present value of the provision are the following:

	2014 US$(000)	2013 US$(000)
Provision for defined benefits as of January 1	6,082	5,825
Interest cost and current service cost	343	589
Paid benefits	(731)	(899)
Actuarial losses (gains)	(856)	777
Translation result	(428)	(210)
Provision for defined benefits as of December 31	4,409	6,082

The main assumptions used in the determination of the fair value of the post-employment benefits are:

	2014 %	2013 %
Discount rate	2.43%	2.43%
Future salary increase	1.94%	2.72%

21. Deferred income tax assets and liabilities, net

(a) The composition and movement ocurrs tax defered income as ítems that originated:

	As of January 1, 2013 US$(000)	Effect on profit or loss US$(000)	Effect in other comprehensive income US$(000)	As of December 31, 2013 US$(000)	Effect on profit or loss US$(000)	Effect in other comprehensive income US$(000)	As of December 31, 2014 US$(000)
Deferred income tax assets							
Tax benefits from acquisition of Taboca S.A.	94,958	(11,348)	-	83,610	(55,148)	-	28,462
Derivatives financial instruments	21,631	(1,185)	-	20,446	7,660	-	28,106
Differences in book and tax basis of mining concessions	2,378	14,464	-	16,842	9,581	-	26,423
Tax benefits from acquisition of Melon S.A.	31,620	(4,995)	-	26,625	(4,383)	-	22,242
Provision for mine closure	29,857	(5,445)	-	24,412	(4,470)	-	19,942
Tax losses	13,545	(3,682)	-	9,863	2,753	-	12,616
Exchange difference for non-monetary items	11,286	(9,681)	-	1,605	(1,605)	-	-
Others	2,131	3,402	-	5,533	898	-	6,431
	207,406	(18,470)	-	188,936	(44,714)	-	144,222
Deferred income tax liabilities							
Differences in book and tax basis of mining concessions	(233,420)	8,160	-	(225,260)	53,064	-	(172,196)
Differences in book and tax basis of property, plant and equipment	(74,795)	13,208	-	(61,587)	4,480	(1,832)	(58,939)
Derivatives financial instruments	(21,728)	1,638	-	(20,090)	(6,519)	(115)	(26,724)
Asset retirement costs	(17,300)	5,774	-	(11,526)	3,192	-	(8,334)
Exchange difference for non-monetary items	-	-	-	-	(6,413)	-	(6,413)
Development costs	(7,346)	2,184	-	(5,162)	(7)	-	(5,169)
Post-employment benefits	(1,685)	324	484	(877)	(253)	(343)	(1,473)
Differences in book and tax basis of inventories	(4,155)	671	-	(3,484)	2,596	-	(888)
Others	(5,849)	(3,389)	-	(9,238)	(1,702)	-	(10,940)
	(366,278)	28,570	484	(337,224)	48,438	(2,290)	(291,076)
Deferred income tax liability, net	(158,872)	10,100	484	(148,288)	3,724	(2,290)	(146,854)
Mining royalty (MR) and Special Mining Tax (SMT):							
Deferred assets							
Exploration expenses	509	275	-	784	(161)	-	623
Exchange difference of non-monetary items	2,778	(2,494)	-	284	(284)	-	-
	3,287	(2,219)	-	1,068	(445)	-	623
Deferred liabilities							
Exchange difference of non-monetary items	-	-	-	-	(1,082)	-	(1,082)
Differences in book and tax basis of property, plant and equipment	(4,562)	2,396	-	(2,166)	1,622	-	(544)
Differences in book and tax basis of inventories	(473)	108	-	(365)	214	-	(151)
	(5,035)	2,504	-	(2,531)	754	-	(1,777)
Deferred tax liability of MR and SMT, net	(1,748)	285	-	(1,463)	309	-	(1,154)
Total deferred income tax liabilities, net	(160,620)	10,385	484	(149,751)	4,033	(2,290)	(148,008)

These amounts are presented in the consolidated of statement of financial position in accordance with the presentation in the financial statements of each entity of the Group, as follows:

	2014 US$(000)	2013 US$(000)
Deferred income tax assets	55,290	52,334
Deferred income tax liabilities	(203,298)	(202,085)
	(148,008)	(149,751)

(b) The reconciliation of the effective rate of the income tax is presented below:

	2014 US$(000)	**2013** US$(000)
Profit before income tax	194,549	319,172
At statutory income tax rate	54,757	90,110
Effect of permanent differences, net	14,180	11,158
Provision of tax losses	11,934	11,544
Effect of translation	9,985	12,869
Prior year adjustment	2,386	5,965
Effect of the change in income tax-rate	10,336	-
Effect of mining royalty	(8,990)	(11,015)
Equity in income in associates	(3,928)	(9,268)
Others	(1,727)	-
Income tax expense	88,933	111,363
Mining royalties and special mining tax	29,656	36,430
Total	118,589	147,793

(c) The expense for income tax shown in the consolidated statement of income is as follows:

	2014 US$(000)	**2013** US$(000)
Income tax		
Current	92,657	121,463
Deferred	(3,724)	(10,100)
	88,933	111,363
Mining royalty (MR) and special mining tax (SMT)		
Current	29,965	36,715
Deferred	(309)	(285)
	29,656	36,430
	118,589	147,793

Deferred income tax on investments in associates -
The Company does not record the deferred income tax liability related to investments in its associates Rimac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A. due to: (i) Inversiones Breca and subsidiaries have joint control of those companies, which operate as part of the economic group and, (ii) the Company has the intent and the ability to hold these investments in the long-term. Consequently, Management believes that the temporary difference will be reversed through dividends to be received in the future, which according to current tax rules are not subject to income tax. There is no legal or contractual obligation for the Group's management to be forced to sell its investment in associates.

22. Equity

(a) Capital stock -
As of December 31, 2014 and 2013, 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 December 31, 2014 and 2013, 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 December 31, 2014 was S/.1.80 per share and its frequency of negotiation was 95.24 percent (S/.1.43 per share as of December 31, 2013 with a frequency of negotiation of 100 percent).

(c) Legal reserve -
Provisions of the General Corporation Law require that a minimum of 10 percent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until such is equal to 20 percent of the capital. This legal reserve can offset losses or can be capitalized, in both cases there remaining the obligation to replenish it.

For the years 2014 and 2013, the Company has not increased its legal reserve because the legal reserve reached the limit mentioned above.

(d) Reinvested earning -
As of December 31, 2014 and 2013, this balance is made up of reinvested profits approved in prior years by US$39,985,000.

(e) Declared and paid dividends -

Below is the information on declared and paid dividends during the years 2014 and 2013:

Board/session	Date	Dividends declared and paid US$(000)	Dividends per common share US$	Dividends per investment share US$
Dividends 2014				
Shareholders' meeting	March 19	50,000	1.73	0.017
Dividends 2013				
Shareholders' meeting	March 21	50,000	1.73	0.017

(f) Cumulative translation adjustment -

This caption corresponds to the exchange difference resulting from the translation of the financial statements of the foreign subsidiaries, prepared in their functional currency, into the functional currency of the Group. During 2014, the resulting exchange difference was a loss of US$93,598,000 (which includes an translation result loss of US$29,610,000 from Brazilian subsidiary and an translation result loss of US$57,144,0000 from Chilean subsidiary). During 2013, the resulting translation result was a loss of US$97,710,000 (which includes an translation result loss of US$54,157,000 from the Brazilian subsidiary and an exchange currency profit of US$40,678,000 from the Chilean subsidiary). These exchange differences are included in the consolidated statement of comprehensibe income.

(g) Unrealized results -

This caption corresponds to the share in the unrealized gain (loss) of the associate Rimac Seguros y Reaseguros (Rimac). These unrealized gains (losses) of Rimac mainly corresponds to changes in the actualization of fair value of available for sale investments in equity instruments and debts. As a result, the Group recognized a gain of US$1,630,000 in 2014 (a loss of US$31,744,000 in 2013) which is included in the consolidated statement of other comprehensive income.

(h) Contribution of non-controlling interests -

During the year 2014, the Group received contributions of non-controlling interests of the subsidiary Marcobre S.A.C. for an amount of US$14,490,000 (US$14,887,000 during the year 2013).

23. Tax situation

(a) Peruvian tax -

The Company is subject to the Peruvian tax system. As of December 31, 2014 and 2013, the income tax rate is 30 percent on the taxable income and persons not domiciled in Peru and individuals are assigned to pay an additional tax of 4.1 percent on dividends received.

In this regard, by Law No.30296, published in December 31, 2014, there were introduced amendements to the tax law, effective from January 1, 2015, the more relevants are presented as follows:

- A gradual reduction in the rate of corporate income tax from 30% to 28% in 2015 and 2016; to 27% in 2017 and 2018; and to 26% in 2019 and future.
- A gradual increase is expected in the tax rate applicable to dividends from 4.1% to 6.8% in 2015 and 2016; to 8.0% in 2017 and 2018; and 9.3% in 2019 and future. These rates apply to the distribution of profits to be taken or made available in cash or in kind, whichever occurs first, since January 1, 2015.
- It has been established that retained earnings or other items likely to generate taxable dividends obtained until December 31, 2014 and forming part of the dividend or any other distribution or profits, will be charged with 4.1%.

The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2011 to 2014 and value added tax (IGV) for the years 2010 to 2014 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2010, and the value added tax and value added tax for the years 2000 to December 2008, see note 33(a).

(b) Chilean subsidiaries -

Inversiones Cordillera del Sur Ltda. is an entity subject to the Chilean tax regime. As of December 31, 2014, the income tax rate is 21% of taxable income (20% as of December 31, 2013). Cash dividends in favor of non-domiciled shareholders are subject to an income tax rate of 35% on taxable income, being deducible as credit tax the income tax paid by the Company. The years open to review are from 2009 to 2014.

In this regard, by Law No.20780, published in September 29, 2014, there were introduced amendements to the tax law, the more relevants are presented as follows:

- A gradual increase in the rate of corporate income tax from 21% to 22.5% in 2015 is stablished, to 24% in 2016, and 25% in 2017 and future system under the regime of Revenue Attributed Utilities (RUA), the system defaults for individual entrepreneurs, EIRL, communities and partnerships formed exclusively by natural persons domiciled or resident in Chile.
- A gradual increase in the rate of corporate income tax from 21% to 22.5% in 2015 is established; to 24% in 2016; to 25.5% in 2017; and 27% in 2018 and future; under the

system of Partially Integrated System (RIP); the system defaults for other taxpayers (corporations, SpAs or limited liability companies).

The tax loss carryforward determined by Inversiones Cordillera del Sur Ltda. as of December 31, 2014 is US$46,965,000 (US$57,456,000 as of December 31, 2013). The tax loss does not expire under the Chilean tax regime.

(c) Subsidiarias de Brazil –

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of December 31, 2014 and 2013, the income tax rate is 34% of taxable income. Cash dividends in favor of non-domiciled shareholders are not taxed. The years open of review are from 2010 to 2014.

The tax loss carryforward determined by Mineração Taboca S.A. as of December 31, 2014 amounts to US$551,487,000 (US$574,741,000 as of December 31, 2013).

The tax loss does not expire according to Brazilian tax regime, but its offsetting is limited to 30% of the taxable income of each future period.

(d) Peruvian subsidiaries -

The income tax returns from 2010 to 2014 and the value added tax returns from 2010 to 2014 of the Peruvian subsidiaries are pending review by the tax authorities.

As of December 31, 2014 and 2013, the tax losses of the Peruvian subsidiaries are as follow:

	2014 US$(000)	**2013** US$(000)
Cumbres Andinas S.A.	5,646	6,021
Compañía Minera Barbastro S.A.C.	446	6,754
Marcobre S.A.C.	3,521	2,639
Minera Sillustani S.A.	2,307	1,253
Minera Latinoamericana S.A.C.	-	55
Minera Carabaya S.A. – En liquidación	-	18

As of December 31, 2014, these subsidiaries have not recognized deferred income tax asset originated by the tax loss carryforward by US$3,099,000 (US$4,798,000 as of December 31, 2013), because management has no certainty about the future realization of such tax losses.

As of today, it is in force the tax stability agreement entered into on August 31, 2005 by the subsidiary Marcobre S.A.C. and Proinversión, as permitted by Legislative Decree N°662. According to this agreement, the subsidiary has the right to use the income tax regime in force at the date of the signing of such agreement for a ten-year period, that is, until 2015.

24. Net sales

The composition of this caption is presented below:

	2014 US$(000)	2013 US$(000)
Tin and other minerals	734,023	690,843
Cement, concrete, aggregates and other	342,953	407,351
Gold	138,777	157,888
Niobium and tantalum	41,139	45,570
Related Services Concrete office	6,264	9,007
	1,263,156	1,310,659
Embedded derivative for sales of tin	333	(890)
	1,263,489	1,309,769

The following table presents net sales of tin, cement and gold by geographic region:

	2014 US$(000)	2013 US$(000)
Tin and other minerals		
Europa	363,395	316,110
America	300,278	329,432
Asia	85,505	37,672
Brazil	19,310	47,447
Peru	6,674	5,752
Cement, concrete, aggregates and other		
Chile	349,217	416,358
Gold		
United States	138,777	157,888
	1,263,156	1,310,659
Embedded derivative for sales of tin	333	(890)
	1,263,489	1,309,769

Sales concentration of tin –
In 2014 the three most important clients for sale of tin represented 55% (39% in 2013).

Sales concentration of gold –
The Company only sells gold to three customer (one customer in 2013).

Sales concentration of cement, concrete, arid and others –
In 2014, the three most important clients represented less than 5% of total sales (2.98% in 2013).

Sales concentration of alloy of Niobium/Tantalum –
In 2014 the three most important clients only represented 71% of total sales of total sales of the alloy niobium/tantalum (57% in 2013).

25. Cost of sales

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Opening finished product inventory	62,240	58,506
Opening product in process inventory	81,546	68,127
Services rendered by third parties	258,873	261,952
Consumption of miscellaneous supplies	210,462	235,465
Wages and salaries	139,879	140,121
Depreciation, note 14(b)	102,501	104,753
Electricity	45,910	32,907
Other manufacturing expenses	25,470	49,914
Amortization, note 15(b)	11,980	10,677
Iddle capacity expenses	-	4,058
Estimation for obsolescence, note 9(c)	1,061	1,612
Estimation (recovery) for impairment of inventories, note 9(b)	(1,151)	5,706
Final work in process inventory	(53,820)	(81,546)
Final finished product inventory	(38,755)	(62,240)
	846,196	830,012

26. Administrative expenses

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Personnel expenses	42,739	44,363
Services provided by third parties	21,287	22,978
Sundry expenses	8,918	10,743
Advice and consulting	3,363	801
Depreciation, note 14(b)	674	935
Amortization, note 15(b)	165	51
Supplies	26	43
	77,172	79,914

27. Selling expenses

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Services provided by third parties	7,812	8,651
Personnel expenses	5,795	7,247
Sundry expenses	2,817	3,382
Sales commissions	2,334	2,039
Doubtful accounts, note 8(c)	2,184	605
Depreciation, note 14(b)	39	94
Amortization, note 15(b)	32	-
	21,013	22,018

28. Exploration and project expense

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Services provided by third parties	50,950	49,380
Personnel expenses	12,373	12,247
Sundry expenses	2,920	2,351
Depreciation, note 14(b)	830	1,173
Supplies	441	772
Amortization, note 15(b)	326	135
	67,840	66,058

29. Other, net

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Other operating income:		
Revenue on sale of property, plant and equipment and investments properties	22,385	10,938
Revenue on sale of supplies and raw material	16,621	13,346
Change in the fair value of investment properties, note 13(c)	11,369	13,681
Recovery on contingency provision	7,712	2,001
Reversal of provision for tax credits operations in Brazil	6,092	-
Return by judicial deposits	3,443	-
Recovery of doubtful estimation, note 8(c)	2,213	-
Income from arbitrage with Lafarge (a)	-	18,890
Other	15,506	11,184
	85,341	70,040
Other operating expenses:		
Net cost of property, plant and equipment, intangible assets and investment properties	21,030	9,616
Contingencies and environmental remediation expenditures	11,096	14,091
Retire of work in progress	7,582	-
Net cost of sale of supplies and raw material	5,527	11,368
Donations	3,333	-
Contribution to public entities of environmental regulation	2,859	-
Expenditure on temporary shutdowns	2,578	-
Mining fund retirement	1,574	1,931
Depreciation, note 14(b)	346	584
Rectification of taxes from previous years	-	1,284
Administrative and tax penalties	-	3,080
Others minors	10,599	7,906
	66,524	49,860
Total other, net	18,817	20,180

(a) The Chilean subsidiaries, Inversiones Cordilleras del Sur Ltda. and Inversiones Cordilleras del Sur III Ltda. are involved in an international arbitration before the International Arbitrage Court of International Commerce. These entities demanded Lafarge Chile S.A. for indemnity by US$58,320,000 as a result of damages caused by the incompliance of several commitments and guarantees contemplated in the purchase agreement of the Chilean companies signed in 2009. In August 2013, this arbitration was concluded resolving the recovery of compensation by Inversiones Cordillera del Sur Ltda. by approximately US$18,890,000, which was recorded under "other, net" in the consolidated statement of income.

30. Finance income and costs

The composition of this caption is made up as follows:

	2014 US$(000)	2013 US$(000)
Finance revenues:		
Interest on time deposits	4,127	6,732
Other	2,073	780
	6,200	7,512
Finance income:		
Interest on borrowings (i)	(48,987)	(22,769)
Amortization of issuance costs of corporate bond	(1,077)	-
Others	(3,881)	(877)
Finance interest	(53,945)	(23,646)
Accretion, see note 20(a)	(10,837)	(10,395)
	(64,782)	(34,041)

(i) During 2014, it includes a net loss of US$6,954,000 (net loss of US$4,715,000 during the year 2013) generated by interest rate swaps instruments from the subsidiary Cordillera.

31. Basic and diluted earnings 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 is presented below:

	2014 US$	2013 US$
Numerator -		
Net income	84,898,000	175,488,000
	Número de acciones	**Número de acciones**
Denominator -		
Common shares, note 22(a)	19,220,015	19,220,015
Investment shares, note 22(b)	960,999,163	960,999,163
Earning per shares		
Basic diluted – US$ per common share	2.94	6.09
Basic and diluted – US$ per investment share	0.03	0.06

The basic and diluted earnings per share are the same since there are no dilutive financial instruments over the profits.

There have been no other transactions involving common shares and investment shares between the reporting date and the date of the authorization of these consolidated financial statements.

32. Commitments

(a) Minsur -

(i) Environmetal Impact Study (EIA)

According to Supreme Decree 016-93-EM, effective 1993, all mining companies must file an EIA before the Ministry of Energy and Mines (MEM). EIAs are prepared by environmental consultants registered before MEM. EIAs consider all the environmental controls that all mining entities will implement during the life of the mining units. All mining units of the Group have an approved EIA for their activities.

(ii) Law of Mine Closure in Peru -

On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", which purpose is to regulate the obligations and procedures that mining companies should comply for the elaboration, filling and implementation of the Mine Closure Plan, as well as to require the establishment of environmental guarantees to secure fulfillment of related mine closure plan. The corresponding ruling was approved on August 15, 2005 by means of Supreme Decree No.033-2005-EM.

To comply with this obligation, the Company filed on December 17, 2012 before Ministry of Energy and Mines its San Rafael Unit Mine Closure Plan, which was approved by means of Directorial Resolution No.098-2013-MEM/AAM of April 8, 2013. On June 22, 2012, the Company filed its Pisco Closure Plan, which was approved by means of Directorial Resolution No.215-2013-MEM/AAM of June 21, 2013. Finally, on June 26, 2014, the Company filed its Pucamarca Closure Plan, which was approved by means of Directorial Resolution No. 409-2014-MEM/AAM on August 08, 2014.

As of December 31, 2014, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US$52,513,000 (US$53,972,000 as of December 31, 2013). See movement of this provision in note 20(b).

(iii) Commitment of future sales ("Off take agreement") -

As a result of the acquisition of Marcobre S.A.C., the Group entered into a shareholders agreement with the non-controlling interest of such subsidiary (LG Nikko Copper Inc.). By means of this agreement, the non-controlling interest receives some protective rights and the subsidiary commits to sell to LG Nikko Copper Inc. the 90 percent of the annual production of copper concentrates of Target Area 1 and the 70 percent of the annual production of copper cathodes. The term of these commitments is 10 years since the beginning of the production, with a possibility to extend the term.

(b) Mineração Taboca S.A.-

In compliance with the current environmental regulations in Brazil, Taboca has recorded a provision for closure of operations of Pitinga unit by US$39,060,000 as of December 31, 2014 (US$38,590,000 as of December 31, 2013). See movement of this provision in note 20(b).

(c) Subsidiaries of Peru -
The subsidiary Minera Sillustani S.A. maintains community support agreements with the rural communities of Rio de la Virgen and Peña Azul. By these agreements, the subsidiary committed to perform social work and sustainability activities in favor of such communities during the periods the subsidiary perform its mining operations. These commitments are in force until 2024 and 2033 and total amount to US$320,000 and US$966,000, respectively.

Additionally, the subsidiary Compañía Minera Barbastro S.A.C., maintains community support agreement with the rural community of Tinyacclla. By this agreement the subsidiary committed to perform social work and sustainability activities in favor of this community during the period the subsidiary perform its mining operation. This committee is in force until 2033 and total amount to US$760,000.

33. Contingencies

Peruvian entities -

(a) As a result of the tax reviews made to the years from 2000 to 2010, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/.132,046,000 (equivalent to US$44,177,000). In all these cases, the Group has appealed since it considers that they are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution.

On the other hand, in the past the Group decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of December 31, 2014, the accumulated payments under protest amounted to US$27,087,000 (US$28,779,000 as of December 31, 2013). The Group will recognize these contingencies when its collection is virtually certain.

(b) In the appeal presented by the Group to the tax authorities for the fiscal year 2002, the Group included a claim for income tax payments made in excess in such year for S/104,780,000 (equivalent to US$35,031,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,847,142 shares of Union de Cervecerias Backus y Johnston S.A.A., occurred in July 2002. The Group will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Group.

(c) Sanctioning administrative processes -
In 2010, OSINERGMIN notified to the Group for some incompliances to the standards of protection and conservation of the environment and health and safety. In addition, during 2012 the Agency for Assessment and Environmental Control (OEFA) notified the Group for a few non-compliance with the current environment regulations. The administrative sanctions from OSINERGMIN and OEFA would amount to a maximum of 34,605 tax units (equivalent to US$43,995,000) as of December 31, 2014. The Group has appealed these sanctions; currently, it is pending of resolution by OSINERGMIN and OEFA.

Management and its legal counsels have analyzed these processes and have estimated a contingency of US$2,444,000, which was recorded under "Provisions" in the Consolidated statements of financial situation (Note 20 (d)).

Brazilian entities -
Mineração Taboca S.A. and its subsidiary have tax, labor, and other contingencies which are classified as possible. The main possible contingencies are detailed bellow:

(d) Tax proceedings -
Taboca closed all disputes with the Brazilian Mines Department (DNPM) related to alleged omissions of paying the Compensation of the Exploitation of Mineral Resources (CFEM). In 2008, the DNPM of Brazil initiated two administrative proceedings alleging that Taboca omitted the payment of R$2,834,000 (equivalent to approximately US$1,067,000) related to the CFEM for the years 1991 to 2005.

In 2014, the DNPM closed some pending disputes inadequate assessment error on their part and Taboca opted to enter the extension of the tax amnesty (REFIS Program) and closed the remaining disputes over R$835,000 in August 2014. In the same year 2014, DNPM filed a new suit against Taboca totaling R$3,790,000 (equivalent to approximately US$1,427,000). Because of the time involved, the action was taken immediately by the former parent Paranapanema, who are accountable for these actions. With this not be pending tax disputes nature classified as possible.

(e) Procesos administrativos –
In September 2012, IBAMA issued and infraction notice alleging that Taboca abandoned radioactive material and consequently Taboca was fined with R$5,000,000 (equivalent to approximately US$1,882,000). Management and its legal advisors do not expect the resolution of this case to have a material adverse effect; consequently, the Group has recorded no provision as of December 31, 2014.

(f) Labor proceedings -
Taboca is negotiating certain claims from employees and former employees, mainly from Pitinga Mine, which are related to additional payments for shift work hours, overtime payment and risk premiums. In addition to this, there is a public action promoted by the ministry of labor, amounting to R$5,000,000 (equivalent to approximately US$1,882,000), motivated by a fatality at the Pitinga mine, which was resolved in April 2014 by favorable deal it had for Taboca totaling R$161,000 (approximately US$61,000). Management and its legal advisors do not expect the resolution of these claims have a material adverse effect; consequently, the Group has not recorded provision as of December 31, 2014.

(g) Civil proceedings -

Mamoré, Taboca's subsidiary, is involved as defendant in five foreclosure proceedings initiated by Banco Santos, Fundo Basa de Investimento Financeiro and Mellon Aroveredo Fundo de Investimento Multimercado Previdenciario (Mellon Aroveredo) in connection with an alleged payment default under certain credit agreements originally executed with Banco Santos from 2005 to 2007. Taboca has recorded R$46,169,000 (equivalent to approximately US$17,376,000) related to these credit arrangements as part of the current and non-current financial obligations. Notwithstanding, based on the allegations made by Banco Santos, Fundo Basa de Investimento Financiero and Mellon Aroveredo, should they prevail in these proceedings in all instances, Mamore (subsidiary of Taboca) could be required to satisfy a debt amounting to R$88,280,000 (equivalent to approximately US$33,225,000), which includes principal, interests accrued and penalties. The Paranapanema Group has submitted deposits for approximately US$4,516,000 and guarantee insurance for a total of US$10,000,000 in the context of these processes. In December 2014, Mamoré, Taboca subsidiary, entered entered into an agreement with the former parent, which assumes the guarantees and driving processes from January 2015, management estimates that this agreement will facilitate the conclusion of these processes favorably to Mamore. At December 31, 2014, no decision on these proceedings has been issued.

Management and its legal advisors believe that these contingencies will be resolved in favor of the subsidiary; consequently, the Group has recorded no provision as of December 31, 2014 for this contingency.

Chilean subsidiaries -

(h) Tax, labor and civilian processes -

Chilean subsidiaries have various legal proceedings incidental to its operations by approximately US$4,148,000. Of this total, US$1,083,000 correspond to differences in the determination of income tax of previous years, US$772,000 corresponds to labor claims brought by former employees and US$2,293,000 corresponds to claims by third parties for various litigations product of the operations of these subsidiaries .

Management and its legal advisors believe that these are possible contingencies and that all the actions will be resolved in favor of the subsidiaries; consequently, the Group has recorded no provision as of December 31, 2014 for these contingencies.

34. Related parties transactions

(a) Receivable and payables -

The balances of receivables and payables with related entities as of December 31, 2014 and 2013 follow:

	2014 US$(000)	2013 US$(000)
Receivables		
Prefabricados Hormigon Grau S.A.	777	1,848
Administracion de Empresas S.A.	294	666
Compañía Minera Raura S.A.	171	38
Hidrotermia S.A.	-	586
Estrategica S.A.C.	-	212
Centria Servicios Administrativos S.A.	-	66
Constructora AESA S.A.	-	52
Others	8	3
	1,250	3,471
Classification by maturity:		
Current portion	1,043	2,627
Non-current portion	207	844
	1,250	3,471
Payables:		
Administración de Empresas S.A.	7,454	12,866
Exsa S.A.	2,329	1,817
Clínica Internacional. S.A.	519	428
Rimac Seguros y Reaseguros	298	715
Urbanizadora Jardín S.A.	184	83
Estratégica S.A.C.	110	98
Protección Personal S.A.	90	34
Centria Servicios Administrativos S.A.	69	190
Inversiones Nacionales de Turismo S.A.	31	12
Rimac S.A. Entidad prestadora de salud	20	157
Compañía Minera Raura	10	21
Constructora AESA S.A.	-	5,032
Others	35	2
	11,149	21,455
Clasification by nature:		
Trade	9,577	19,716
Others	1,572	1,739
	11,149	21,455

Balance payable to related companies are current maturities, interest free and have no specific guarantees.

(b) Main transactions -

The main transactions occurred during the years 2014 and 2013 were the following:

	2014 US$(000)	2013 US$(000)
Administración de Empresas S.A. (AESA) – Mine services	43,879	51,518
Exsa S.A. – Purchase of explosives	10,202	10,882
Rimac Seguros y Reaseguros – Insurance services	8,844	3,041
Constructora AESA S.A. –Construction services	2,122	10,350

Transactions with related parties are made at terms equivalent to those prevail in arm's length transactions.

(c) Remunerations -

The compensation received by the key personal of the Group for the years ended December 31, 2014 and 2013 are as follows:

	2014 US$(000)	2013 US$(000)
Peru		
Remunerations	9,576	7,449
Board of Directors' fees	420	407
	9,996	7,856
Chile		
Fixed remuneration	4,519	5,382
Variable remuneration	1,037	1,179
	5,556	6,561
Brazil		
Fixed remuneration	1,436	1,264
Variable remuneration	307	237
	1,743	1,501
Total	17,295	15,918

The Company does not compensate Management with post-employment or contract termination benefits or share-based payments.

35. 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.
- Production and marketing of cement and concrete in Chile.
- Other mining exploration activities in Peru and Chile.

No operating segments have been aggregated to form the above reportable operating segments.

The aggregation of the above segments, except of "Production and marketing of cement and concrete in Chile" segment, constitute the "aggregate mining segment".

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated statements of income.

	Aggregated segment of mining									
	Tin and gold (Peru)									
	Tin (Peru) US$(000)	Gold (Peru) US$(000)	Non allocable (Peru) US$(000)	Total (Peru) US$(000)	Tin (Brazil) US$(000)	Mining exploration (Peru and Chile) US$(000)	Adjustments and eliminations US$(000)	Total mining segment US$ (000)	Cement, concrete and other related (Chile) US$(000)	Total Consolidated US$(000)
Year 2014										
Results:										
Income from external customers	621,383	138,777	-	760,160	160,689	-	(6,577)	914,272	349,217	1,263,489
Cost of sales	(274,414)	(79,960)	-	(354,374)	(173,380)	-	3,833	(523,921)	(322,275)	(846,196)
Administrative expenses	(27,100)	(7,897)	-	(34,997)	(16,626)	(4,486)	328	(55,781)	(21,391)	(77,172)
Selling expenses	(8,095)	(2,359)	-	(10,454)	(1,641)	-	-	(12,095)	(8,918)	(21,013)
Exploration and project expenses	(22,117)	(6,444)	-	(28,561)	-	(39,279)	-	(67,840)	-	(67,840)
Other, net	(7,920)	(2,308)	-	(10,228)	(4,055)	(179)	(853)	(15,315)	34,132	18,817
Operating income	281,737	39,809	-	321,546	(35,013)	(43,944)	(3,269)	239,320	30,765	270,085
Finance income	-	-	5,172	5,172	2,878	99	(3,469)	4,680	1,520	6,200
Finance costs	-	-	(30,826)	(30,826)	(18,952)	(176)	2,062	(47,892)	(16,890)	(64,782)
Gain from investment in associates, net	-	-	(84,351)	(84,351)	-	-	97,444	13,093	120	13,213
Gain (loss) from financial assets at fair value through profit or loss	-	-	(1,974)	(1,974)	-	-	-	(1,974)	-	(1,974)
Dividends	-	-	91	91	-	-	-	91	-	91
Exchange difference, net	-	-	(5,986)	(5,986)	(15,990)	(2,011)	371	(23,616)	(4,668)	(28,284)
Profit before income tax	281,737	39,809	(117,874)	203,672	(67,077)	(46,032)	93,139	183,702	10,847	194,549
Income tax expense	-	-	(118,774)	(118,774)	4,555	6,190	-	(108,029)	(10,560)	(118,589)
Net profit (loss)	281,737	39,809	(236,648)	84,898	(62,522)	(39,842)	93,139	75,673	287	75,960
Assets:										
Cash and cash equivalents	-	-	388,712	388,712	6,035	13,136	-	407,883	31,112	438,995
Inventory, net	52,789	15,753	-	68,542	53,793	281	(2,744)	119,872	39,774	159,646
Current assets	91,205	19,616	418,359	529,180	97,678	16,850	(3,865)	639,843	149,163	789,006
Property, plant and equipment and intangibles	143,827	204,271	-	348,098	372,590	849,336	(3,846)	1,566,178	380,703	1,946,881
Total assets	235,032	223,887	1,824,541	2,283,460	518,429	921,445	(1,140,182)	2,583,152	664,648	3,247,800
Liabilities:										
Bank overdraft and interests bearing loan sand borrowings	-	-	439,285	439,285	84,830	-	-	524,115	187,601	711,716
Current liabilities	30,101	9,008	74,906	114,015	106,250	11,295	(1,119)	230,441	117,183	347,624
Total liabilities	68,632	21,281	515,371	605,284	278,133	196,818	(83,046)	997,189	300,945	1,298,134
Other disclosures:										
Additions of fixed assets, intangibles and investment properties	18,597	18,223	-	36,820	32,317	2,927	(1,320)	70,744	16,191	86,935
Depreciation and amortization (included in costs and expenses)	(27,961)	(34,228)	-	(62,189)	(29,082)	(1,004)	-	(92,275)	(24,618)	(116,893)
Operating activities	-	-	289,925	289,925	(4,386)	(22,413)	(68,373)	194,753	56,223	250,976
Investing activities	-	-	(287,529)	(287,529)	(35,074)	(77,398)	171,569	(228,432)	(7,772)	(236,204)

	Aggregated segment of mining									
	Tin and gold (Peru)									
	Tin (Peru) US$(000)	Gold (Peru) US$(000)	Non allocable (Peru) US$(000)	Total (Peru) US$(000)	Tin (Brazil) US$(000)	Mining exploration (Peru and Chile) US$(000)	Adjustments and eliminations US$(000)	Total mining segment US$ (000)	Cement, concrete and other related (Chile) US$(000)	Total Consolidated US$(000)
Year 2013										
Results:										
Income from external customers	597,939	157,888	-	755,827	137,584	-	-	893,411	416,358	1,309,769
Cost of sales	(238,881)	(64,404)	-	(303,285)	(153,462)	-	-	(456,747)	(373,265)	(830,012)
Administrative expenses	(24,737)	(6,669)	-	(31,406)	(18,028)	(3,924)	1,210	(52,148)	(27,766)	(79,914)
Selling expenses	(10,073)	(6)	-	(10,079)	(1,483)	-	-	(11,562)	(10,456)	(22,018)
Exploration costs	(10,801)	(2,912)	-	(13,713)	(1,113)	(51,232)	-	(66,058)	-	(66,058)
Other, net	(5,961)	(1,607)	-	(7,568)	(8,751)	(5,409)	(1,210)	(22,938)	43,118	20,180
Operating income	307,486	82,290	-	389,776	(45,253)	(60,565)	-	283,958	47,989	331,947
Finance income	-	-	2,935	2,935	3,893	381	(1,069)	6,140	1,372	7,512
Finance costs	-	-	(3,745)	(3,745)	(14,625)	(205)	1,069	(17,506)	(16,535)	(34,041)
Gain from investment in associates, net	-	-	(54,564)	(54,564)	-	-	85,457	30,893	573	31,466
Gain from financial assets at fair value through profit or loss	-	-	2,718	2,718	-	-	-	2,718	-	2,718
Dividends	-	-	164	164	-	-	1)	165	-	165
Exchange difference, net	-	-	(5,584)	(5,584)	(10,691)	(1,827)	-	(18,102)	(2,493)	(20,595)
Profit before income tax	307,486	82,290	(58,076)	331,700	(66,676)	(62,216)	85,458	288,266	30,906	319,172
Income tax expense	-	-	(156,211)	(156,211)	5,341	8,346	-	(142,524)	(5,269)	(147,793)
Net profit	307,486	82,290	(214,287)	175,489	(61,335)	(53,870)	85,458	145,742	25,637	171,379
Assets:										
Cash and cash equivalents	-	-	199,536	199,536	1,377	20,413	-	221,326	17,262	238,588
Inventory, net	99,859	19,842	-	119,701	61,314	273	-	181,288	41,518	222,806
Current assets	147,397	24,516	226,375	398,288	94,276	23,546	(2,117)	513,993	157,276	671,269
Property, plant and equipment and intangibles	148,389	234,427	-	382,816	415,318	847,801	-	1,645,935	460,228	2,106,163
Total assets	295,685	259,044	1,531,927	2,086,656	568,011	918,507	(1,221,713)	2,351,461	765,218	3,116,679
Liabilities:										
Bank overdraft and interests bearing loan sand borrowings	-	-	200,429	200,429	79,728	-	-	280,157	236,942	517,099
Current liabilities	36,814	28,180	69,353	134,347	93,605	18,773	(2,972)	243,753	152,817	396,570
Total liabilities	67,054	22,668	279,740	369,462	235,585	205,918	(42,119)	768,846	350,054	1,118,900
Other disclosures:										
Additions of fixed assets, intangibles and investment properties	21,009	37,052	-	58,061	31,986	2,973	-	93,020	20,250	113,270
Depreciation and amortization (included in costs and expenses)	(37,182)	(26,086)	-	(63,268)	(28,105)	(1,154)	-	(92,527)	(25,875)	(118,402)
Operating activities	-	-	278,125	278,125	17,177	(39,371)	(76,015)	179,916	68,463	248,379
Investing activities	-	-	(117,953)	(117,953)	(31,943)	(85,614)	151,680	(83,830)	(18,360)	(102,190)

36. Financial risk management, objectives and policies

36.1. Financial risk factors -

The Group's activities are exposed to different financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program of the Group mainly focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Chief Financial Officer which follows the policies approved by the Board of Directors.

(i) Marcket risks-

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices involve three types of risk: the risk of exchange rate, the interest rate risk and price risk. Financial instruments affected by market risk include bank deposits and time deposits, receivables and payables in currencies other than US dollar, financial assets at fair value and borrowings.

Sensitivity analyzes included in the following sections relate to the financial position as of December 31, 2014 and 2013.

These sensitivity analyzes have been prepared on the basis that the amount of debt, the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants to December 31, 2014 and 2013.

Foreign currency risk –

The Group operates internationally and its exposure to exchange risk results from its operations carried out in currencies other than its functional currency. The transactions of the Group are mainly settled in U.S. dollar, brazilian reales and chilean pesos. Although to a lesser extent, the Group also has operations in other currencies such as nuevos soles and euros. As a result, the Group is exposed to the foreign exchange risk fluctuation. Except in the case of specific transactions, Management has decided to assume the foreign currency risk.

The following table shows the sensitivity in the results of the Group in the years 2014 and 2013 if the Nuevo Sol and Euro had revalued/devalued 10% with respect to US dollar.

Year	**Potential increase / decrease**	**Effect on profit before income tax** US$(000)
2014	+10%	(6,229)
	-10%	6,229
2013	+10%	(7,114)
	-10%	7,114

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to foreign currency risk in the interest rate mainly by bank loans with floating interest rates.

The Group manages its interest rate risk through the obtention of loans and borrowings with fixed and variable interest rates. As of December 31, 2014, the Group had loans and borrowings at variable interest rates by US$121,613,000 (US$352,312,000 as of December 31, 2013).

Below is a table showing the effect on profit before income tax, with a reasonable variation in interest rates, holding constant all other variables:

Year	Increase / decrease In basic points	Effect on profit before income tax US$(000)
2014	+250	(4,327)
	-250	4,327
2013	+250	(18,708)
	-250	18,708

Price risk –

Investments:

The Group is exposed to the risk of fluctuation in the prices of its investments maintained and classified in its consolidated statement of financial position at fair value through profit and loss and available-for-sale financial investments. The Group diversifies its investment portfolio in order to reduce its exposure to price risk. The diversification of the portfolio is carried out in accordance with the limits established by Management.

The following table shows the sensitivity in the results of the Group in the years 2014 and 2013 if the price of the financial instruments that trades in the market had increased/reduced 5% and the rest of the variables had remained constant:

Year	Increase/decrease in the price of quoted shares	Effect on profit before income tax US$(000)
2014	+5%	8,412
	-5%	(8,412)
2013	+5%	506
	-5%	(506)

Changes risk in mineral prices –

The international tin price has a significant impact on the results of operations of the Group. Quotes of tin have historically fluctuated and are affected by numerous factors beyond the control of the Group. The Group has no financial instruments to hedge this commodity price risk.

As described in Note 2.4(s) , the Group has price risks from its sales contracts established at provisional prices, subject to a future price in a given month (usually 3 months from date of arrive), based mainly on the average monthly price quoted on the LME . To the extent that the final prices are higher or lower than initially provisionally recorded, the increase or decrease in profit or loss is recorded at each financial reporting date until the date of the final quote.

The table below summarizes the impact of changes in prices of tin in profit before income tax. This analysis is based on the assumption that the price of tin has increased or decreased by 5%, while all other variables are held constant. Positive scenario for 2013 was considered an average price of US$/MT 20,386; while for the negative scenario was considered an average price of US$/MT 18,445.

Year	**Increase/decrease in the price of quoted of tin**	**Effect on profit before income tax** US$(000)
2014	+5%	781
	-5%	(781)
2013	+5%	860
	-5%	(860)

(ii) Credit risk -

The Group's financial assets potentially exposed to credit risk concentrations are mainly bank deposits and trade receivables. With regard to bank deposits, the Group reduces the probability of significant credit risk because its deposits are held in first class financial institutions, and limits the amount of exposure to credit risk in any financial institutions.

With regard to trade receivables, there are no significant concentrations since the Group has established policies to ensure that the sale of its production is made to clients with an adequate credit history. The maximum exposure to credit risk of the statement of financial position as of December 31, 2014 and 2013 is given by the balance of the captions cash and cash equivalents, trade and other receivables.

Financial instruments and bank deposits -

The credit risk in banks balance is managed by the Chief Financial Officer in accordance with Company policies. The counterparty credit limits are reviewed by management and the Board. The limits are established to minimize the risk concentration and therefore mitigate financial losses from potential default of the counterparty.

Trade receivables -
Customer credit risk is managed by the Management, subject to policies, procedures and controls set properly. The balances of accounts receivable are periodically reviewed to ensure their recovery. Sales of tin and gold are conducted primarily to foreign customers located mainly in Europe and United States, respectively, and, in the case of sales of cement and concrete are made to distributors located in Chile; the corresponding sales of concrete (representing approximately 50%) are guaranteed by stand-by letters.
Other receivables-
These receivables are not related to the main operating activities of the Group. The Group's management constantly monitors the credit risk of these items and periodically evaluates those debts that show impairment indicators to determine the required allowance for doubtful accounts.

(iii) Liquidity Risk –
The prudent administration of the liquidity risk implies maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of committed financing sources and the capacity to close market positions. In this sense, the Group does not have significant liquidity risks since historically, the cash flows of its operations have allowed it to maintain sufficient cash to mitigate its obligations.

The Group permanently monitors the liquidity reserves based on the permanent analysis of its working capital (liquidity ratio) and on projections of its cash flows that consider the future prices of the products that it sells and the costs necessary for their production and sale.

The following table shows the maturities of liabilities in the consolidated statement of financial position as of December 31, 2014 and 2013:

	Past due US$(000)	Less than 3 months US$(000)	From 3 to 12 months US$(000)	From 1 to 5 years US$(000)	Total US$(000)
As of December 31, 2014					
Bank overdrafts	-	1,362	-	-	1,362
Trade and other payables	-	39,068	110,617	11,232	160,917
Interest-bearing loans and borrowings	-	17,138	99,510	556,857	673,505
Total	-	57,568	210,127	568,089	835,784
As of December 31, 2013					
Bank overdrafts	-	9,316	-	-	9,316
Trade and other payables	-	49,979	103,936	10,484	164,399
Interest-bearing loans and borrowings	-	28,403	115,570	363,810	507,783
Total	-	87,698	219,506	374,294	681,498

36.2. Capital risk management -

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its shareholders, benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The policy of the Group consists on financing all its projects with a conservative mix of own cash resources and debt. With this objective Management use to make capital contributions and/or loans to its subsidiaries in Brazil and Chile, the additional needs are covered by bank loans. In order to achieve this, the Group periodically capitalizes its earnings and if necessary adjusts the amount of the dividends payable to its shareholders.

37. Fair value measurement

The following table provides the fair value measurement hierarchy of the Groups assets and liabilities :

		Fair value measurement using		
	Total US$(000)	**Quoted prices in active markets (Level 1)** US$(000)	**Significant observable inputs (Level 2)** US$(000)	**Significant unobservable inputs (Level 3)** US$(000)
As of December 31, 2014				
Assets measured at fair value:				
Investment properties	106,788	-	-	106,788
Financial assets at fair value through profit or loss	8,155	8,155	-	-
Available-for-sale financial investments:				
Public quotation mutual funds	124,546	124,546	-	-
Certificates of deposit without public quotation	65,030	-	-	65,030
Liabilities measured at fair value:				
Derivative financial liabilities:				
- Embedded derivative for sales of tin	(558)	(558)	-	-
- Hedges	(18,480)	(18,480)	-	-

		Fair value measurement using		
	Total US$(000)	Quoted prices in active markets (Level 1) US$(000)	Significant observable inputs (Level 2) US$(000)	Significant unobservable inputs (Level 3) US$(000)
As of December 31, 2013				
Assets measured at fair value:				
Investment properties	115,754	-	-	115,754
Financial assets at fair value through profit or loss	10,129	10,129	-	-
Liabilities measured at fair value:				
Derivatives financial liabilities:				
- Embedded derivative for sales of tin	(890)	(890)	-	-
- Hedges	(11,526)	-	(11,526)	-

Financial instruments whose fair values are similar to their book value –
For financial assets and liabilities which are liquid or have short-term maturity (less than three months), such as cash and cash equivalents, trade and other receivables, trade and other payables, it is estimated that their book value is similar to the fair value. Similarly, derivatives are recorded at fair value at no differences to disclose.

The fair value of embedded derivatives is determined using valuation techniques using directly observable market information (future metal prices).

Financial Instruments at fixed and variable rates –
The fair value of the financial assets and liabilities that are subject to fixed and variable rates is determined by comparing the interest rates at inception with the current market interest rates for similar instruments. The fair value of deposits that yield interest are determined by using the discounted cash flows method by using market interest rates for the currency, and similar maturities and credit risks.

38. Hedge activities

The Group has entered into swap, futures and forward contracts to manage certain risk exposures of its transactions. Following, we describe the characteristic and effects of such contracts:

Swap contract for interest rate fluctuation -

In June 2011, a Chilean subsidiary signed two swap contracts for covering interest rate risk fluctuations of two bank loans.

As of December 31, 2014 and 2013, the fair value of these contracts was US$18,480,000 and US$11,526,000, respectively, see Note 37.

During 2014, these swaps agreements has generated a net loss for US$6,954,000 (net loss for US$4,715,000 during 2013), both recognized, as "financial costs" in the consolidated statements of income.

Embedded derivative for the change in prices in the interim trade settlements -

Since 2013, the sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral (forward).

Embedded derivative as of December 31, 2014 and 2013:

			Valuations		
Metal	**Quantity**	**Quotations period 2014**	**Provisional** US$(000)	**Futures** US$(000)	**Fair value** US$(000)
Sale of mineral in 2014					
Tin	804 TM	January 2015	16,168	15,610	(558)
Total net liability					(558)
Sale of mineral in 2013					
Tin	770 TM	January 2014	18,096	17,206	(890)
Total net liability					(890)

39. Subsidiaries with significant non-controlling interests

(a) The following table shows financial information of subsidiaries with significant non-controlling interests is summarized:

	Country of incorporation and operation	2014 %	2013 %
Share of non-controlling interests in equity:			
Marcobre S.A.C.	Perú	30.00	30.00
Inversiones Cordillera del Sur Ltda.	Chile	26.06	26.06

	2014 US$(000)	2013 US$(000)
Cumulative balances of significant non-controlling interest:		
Marcobre S.A.C.	173,964	169,410
Inversiones Cordillera del Sur Ltda.	97,526	111,175
	271,490	280,585
Profit (loss) assigned to significant non-controlling interests:		
Marcobre S.A.C.	(9,104)	(11,012)
Inversiones Cordillera del Sur Ltda.	166	6,903
	(8,938)	(4,109)

(b) The summarized financial information of these subsidiaries, before inter-company eliminations, is presented below:

Statement of financial position as of December 31, 2014:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Current assets	12,064	149,163
Non-current assets	226,651	515,485
Current liabilities	(4,732)	(117,183)
Non-current liabilities	(1,918)	(183,762)
Total net equity (before adjustments)	232,065	363,703
Consolidation adjustments	345,851	-
Total net equity (after adjustments)	577,916	363,703
Attributable to:		
Equity holders of the parent	403,952	266,177
Non-controlling interests	173,964	97,526
	577,916	363,703

Statement of financial position as of December 31, 2013:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Current assets	14,395	157,276
Non-current assets	190,628	607,942
Current liabilities	(11,225)	(152,817)
Non-current liabilities	(1,625)	(197,237)
Total net equity (before adjustments)	192,173	415,164
Consolidation adjustments	368,796	-
Total net equity (after adjustments)	560,969	415,164
Attributable to:		
Equity holders of the parent	391,559	303,989
Non-controlling interests	169,410	111,175
	560,969	415,164

Statement of income for the year ended December 31, 2014:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Net sales	-	349,217
Cost of sales	-	(322,275)
Administrative expenses	(3,178)	(21,391)
Selling expenses	-	(8,918)
Other operating income (expenses)	38	34,132
Finance income	33	1,520
Finance costs	(20)	(16,890)
Gain from investment in associates, net	-	120
Exchange difference, net	(1,717)	(4,668)
Profit (loss) before income tax	(4,844)	10,847
Income tax	(3,564)	(10,560)
Net profit (loss) (before consolidation adjustments)	(8,408)	287
Consolidation adjustments	(22,933)	-
Net profit (loss) (after consolidation adjustments)	(31,341)	287
Attributable to:		
Equity holders of the parent	(22,237)	121
Non-controlling interests	(9,104)	166
	(31,341)	287

Statement of income for the year ended December 31, 2013:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Net sales	-	416,358
Cost of sales	-	(373,265)
Administrative expenses	(2,748)	(27,766)
Selling expenses	-	(10,456)
Other operating income (expenses)	(183)	43,118
Finance income	84	1,372
Finance costs	-	(16,535)
Gain from investment in associates, net	-	573
Exchange difference, net	(1,734)	(2,493)
Profit (loss) before income tax	(4,581)	30,906
Income tax	(3,773)	(5,269)
Net profit (loss) (before consolidation adjustments)	(8,354)	25,637
Consolidation adjustments	(28,302)	-
Net profit (loss) (after consolidation adjustments)	(36,656)	25,637
Attributable to:		
Equity holders of the parent	(25,644)	18,734
Non-controlling interests	(11,012)	6,903
	(36,656)	25,637

Statement of cash flows for the year ended December 31, 2014:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Operating activities	(17,888)	56,223
Investment activities	(32,541)	(3,886)
Financing activities	48,300	(33,138)
Net(decrease) increase of cash and cash equivalents	(2,129)	19,199

Statement of cash flows for the year ended December 31, 2013:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Operating activities	(6,535)	79,417
Investment activities	(35,971)	(13,436)
Financing activities	49,625	(63,955)
Net increase of cash and cash equivalents	7,119	2,026

40. Subsequent events

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 following table shows consolidated financial statements as of December 31, 2014, if the loss of control had occurred on January 1, 2014:

Consolidated statements of financial position -

	Balance at 12.31.2014 US$(000)
Total de assets reported	3,247,800
Effect of loss of control in subsidiary	(398,470)
Proforma total asset modified	2,849,330
Total liabilities reported	1,298,134
Effect of loss of control in subsidiary	(300,945)
Proforma total liabilities modified	997,189
Total equity attributable to Principal reported Shareholder	1,678,176
Effect of loss of control in subsidiary	-
Proforma total equity net modified	1,678,176

Consolidated statements of income –

	2014 US$(000)
Net income attributable to Shareholders of the Principal, reported	84,898
Effect of loss of control in subsidiary	-
Proforma net income attributable to Shareholders of the Principal, modified	84,898
Earnings per share (Common shares) -	
Earnings per share reported	2.94
Effect per loss of control in subsidiary	-
Proforma net income per modified action	2.94
Earnings per share (Investment shares) -	
Earnings per share reported	0.03
Effect per loss of control in subsidiary	-
Proforma net income per modified action	0.03

Consolidated statements of other comprehensive income

	2014 US$(000)
Comprehensive income reported	(12,486)
Effect of loss of control in subsidiary	13,030
Proforma of other comprehensive income for the year changed	544
Total comprehensive income for the year reported	(12,486)
Proforma total comprehensive income for the year changed	544

Consolidated statement of cash flows –

	Reported 2014 US$(000)	Effects of loss of control in subsidiary US$(000)	Proforma modified 2014 US$(000)
Net cash flows provided by operating activities	250,976	(56,223)	194,753
Net cash flows used in investing activities	(236,204)	3,886	(232,318)
Net cash flows provided by financing activities	195,372	33,138	228,510
Net increase in cash and cash equivalents	210,144	(19,199)	190,945
Exchange difference	(5,227)	(791)	(6,018)
Cash and cash equivalents at beginning of year	233,664	(10,708)	222,956
Cash and cash equivalents at end of year	438,581	(30,698)	407,883

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