Minsur S.A. and Subsidiaries

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

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

Content

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

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, 2013 and 2012, and the related consolidated statements of income, consolidated statements of other comprehensive income, 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 39)

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 generally accepted auditing standards in Peru. 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, 2013 and 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in accordance with International Financial Reporting Standards.

Lima, Peru,
March 12, 2014

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

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

Minsur S.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	238,588	146,395
Bank deposits under guarantee	7	21,015	19,436
Trade and other receivables, net	8	162,092	197,911
Inventories, net	9	222,806	201,380
Financial assets at fair value through profit or loss	10	10,129	7,411
Income tax prepayments		11,565	8,035
Prepaid expenses		1,257	3,887
Available-for-sale financial assets		3,817	3,952
		671,269	588,407
Non - current assets			
Trade and other receivables, net	8	78,363	66,409
Investments in associates	11	88,648	99,405
Investments properties	12	115,754	113,087
Property, plant and equipment, net	13	887,108	994,428
Intangible assets, net	14	1,219,055	1,263,214
Deferred income tax asset, net	20	52,334	43,052
Income tax prepayments		2,764	-
Other assets		1,384	-
		2,445,410	2,579,595
Total assets		3,116,679	3,168,002
Liabilities and equity			
Current liabilities			
Bank overdrafts	16	9,316	2,521
Trade and other payables	17	221,127	223,210
Interest-bearing loans and borrowings	18	143,973	334,272
Provisions	19	21,264	19,344
Embedded derivatives for sale of tin	37	890	-
		396,570	579,347
Non – current liabilities			
Trade and other payables	17	10,662	11,545
Interest-bearing loans and borrowings	18	363,810	234,811
Provisions	19	145,773	147,112
Deferred income tax liability, net	20	202,085	203,672
		722,330	597,140
Total liabilities		1,118,900	1,176,487
Equity	21		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Optional reserve		424	424
Other reserves		(642)	135
Reinvested earnings		39,985	39,985
Cumulative translation reserve		(30,283)	56,826
Unrealized gains		3,375	35,119
Retained earnings		682,171	557,633
Equity attributable to equity holders of the parent		1,717,194	1,712,286
Non-controlling interests	38	280,585	279,229
Total equity		1,997,779	1,991,515
Total liabilities and equity		3,116,679	3,168,002

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

Minsur S.A. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Net sales	23	1,309,769	1,211,630
Cost of sales	24	(830,012)	(730,108)
Gross profit		479,757	481,522
Operating expenses			
Administrative expenses	25	(79,914)	(107,720)
Selling expenses	26	(22,018)	(20,734)
Exploration expenses	27	(66,058)	(20,656)
Other, net	28	20,180	(32,103)
Total operating expenses		(147,810)	(181,213)
Operating income		331,947	300,309
Other income (expenses):			
Finance income	29	7,512	11,651
Finance costs	29	(34,041)	(36,495)
Gain from investment in associates, net	11(b)	31,466	1,443
Gain from financial assets at fair value through profit or loss	10(b)	2,718	562
Dividends	10(c)	165	197
Exchange difference, net		(20,595)	(4,148)
Gain from derivative financial instruments, net	37	-	1,119
Total other income (expenses)		(12,775)	(25,671)
Profit before income tax		319,172	274,638
Income tax expense	20	(147,793)	(126,545)
Profit for the year		171,379	148,093
Attributable to:			
Equity holders of the parent		175,488	151,908
Non-controlling interests	38	(4,109)	(3,815)
Profit for the year		171,379	148,093
Earnings per share stated in U.S. dollar (basic and diluted) attributable to:	30		
Common shares		6.09	5.27
Investment shares		0.06	0.05

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

Minsur S.A. and Subsidiaries

Consolidated statements of other comprehensive income

For the years ended December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Profit for the year		171,379	148,093
Other comprehensive income			
Exchange differences on translation	21 (f)	(97,710)	(15,085)
Unrealized gain (loss)	21 (g)	(31,744)	18,652
Other		(2,144)	-
Other comprehensive income		(131,598)	3,567
Total other comprehensive income		39,781	151,660
Attributable to:			
Equity holders of the parent		54,605	146,767
Non-controlling interests		(14,824)	4,893
		39,781	151,660

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

Minsur S.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2013 and 2012

	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 2.3 (d) US$(000)	Unrealized gain (loss) US$(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, 2012	601,269	300,634	120,261	424	(925)	39,985	80,953	16,467	556,139	1,715,207	100,939	1,816,146
Profit for the year	-	-	-	-	-	-	-	-	151,908	151,908	(3,815)	148,093
Other comprehensive income	-	-	-	-	1,060	-	(24,127)	18,652	(726)	(5,141)	8,708	3,567
Total other comprehensive income	-	-	-	-	1,060	-	(24,127)	18,652	151,182	146,767	4,893	151,660
Dividends declared, note 21(e)	-	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Incorporation of non-controlling interests	-	-	-	-	-	-	-	-	-	-	161,694	161,694
Contribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-	13,914	13,914
Other adjustments	-	-	-	-	-	-	-	-	312	312	(2,211)	(1,899)
Balance as of December 31, 2012	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 21(e)	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Contribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-	14,887	14,887
Other 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

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

Minsur S.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2013 and 2012

	2013 US$(000)	2012 US$(000)
Operating activities		
Collections from customers	1,328,026	1,187,988
Collection from settlement of arbitrage	18,890	10,294
Interest received	7,512	9,865
Payments to suppliers	(712,344)	(647,030)
Payroll and social benefit payments	(193,059)	(185,506)
Tax payments and other taxes	(151,220)	(205,269)
Interest paid	(18,931)	(26,860)
Opening of deposits under guarantee	(2,162)	-
Other receipts (payments) related to the activity, net	7,229	(6,185)
Recovery of value added tax	-	11,609
Net cash flows provided by operating activities	283,941	148,906
Investing activities		
Proceeds from sale of property, plant and equipment	10,938	197
Dividends from investment in associate	5,066	5,735
Purchase of property, plant and equipment	(108,290)	(181,142)
Purchase of intangibles	(4,980)	(519,075)
Capital contribution to associate	-	(11,000)
Proceeds from sale of investment in associate	-	6,642
Net cash flows used in investing activities	(97,266)	(698,643)
Financing activities		
Contribution of non-controlling interests	14,887	13,914
(Payments) proceeds from bank overdrafts and interest-bearing loans and borrowings	(60,604)	291,186
Dividends paid	(50,000)	(150,000)
Net cash flows (used in) provided by financing activities	(95,717)	155,100
Net increase (decrease) in cash and cash equivalents	90,958	(394,637)
Exchange difference	1,235	748
Cash and cash equivalents at beginning of year	146,395	540,284
Cash and cash equivalents at end of year	238,588	146,395
Transactions with no effects in cash flows:		
(Decrease) increase in provision for closure mine	(7,827)	33,172
Purchase of property, plant and equipment through finance lease	-	7,404

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

Notes to the consolidated financial statements

As of December 31, 2013 and 2012

1. Corporate information

(a) Identification -

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

(b) Business activity -

The main activity of the Company is the production and selling of metallic tin that is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno, 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., Compañia Minera Barbastro S.A.C. and Marcobre S.A.C. (the last subsidiary was acquired in 2012 to operate a copper project), companies of the mining sector which are at the exploration and evaluation phase.

(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, 2013		December 31, 2012	
	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.	-	98.26	-	98.26
Inversiones Santa Pamela S.A.	-	100.00	-	100.00
Subsidiaries in Brazil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamore 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	-	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.	-	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.

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 an indirect 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 entities 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. It can 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.

- Inversiones 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 Carabaya S.A. – In dissolution -
  This subsidiary is under dissolution. The General Shareholders' meeting held on December 24, 1998 approved its dissolution and liquidation. As of to date, this entity appointed liquidators according to article 414 of the Peruvian General Corporate Law.

- Minera Latinoamericana S.A.C. -
  Through this subsidiary, the Company has investments in Mineração Taboca S.A. and subsidiaries, 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 (Minera Sillustani S.A., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C.), and to the holding of mining concessions.

- Compañía 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. -
  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 Rocío 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', 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, 2013 and for the year then ended were authorized for issue by Management on March 12, 2014. In Management's opinion, these consolidated financial statements will be approved without changes by the Board of Directors' and Shareholders' meetings to be held during the first quarter of 2014. The consolidated financial statements as of December 31, 2012 and for the year then ended were authorized for issue by Management on January 9, 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), in force as of December 31, 2013.

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 subsidiary as of December 31, 2013 and 2012.

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 (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. Changes in accounting policies and disclosures

The Group applied, for the first time, certain standards and amendments in force since January 1, 2013, that require restatement of previous financial statements; however, these standards and amendments had no impact on the consolidated financial statements of the Group , except for IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement, which required additional disclosures. A summary of those rules that had an impact on the presentation of these consolidated financial statements is presented below:

- IFRS 12 Disclosure of Interests in Other Entities

  IFRS 12 sets out the requirements for disclosures relating to an entity´s interests in subsidiaries and associates. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. IFRS 12 disclosures are provided in Note 38.

- IFRS 13 Fair Value Measurement
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price.

  The application of IFRS 13 had no significant impact on the fair value measurement of the Group. Additional disclosures were provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 36.

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.

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 (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, 2013 and 2012.

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 that are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in market conditions. The Group did not have these financial assets as of December 31, 2013 and 2012.

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:

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

- 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.

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.

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. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

(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 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.

Financial obligation -
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.

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.

(c) Derivative financial instruments -
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, 2013. The embedded derivative does not qualify as a hedging instrument; therefore, changes in fair value are recorded as an adjustment to net sales.

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 37. 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.

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.

(d) 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 subsidiary), and are then translated to U.S. dollars. For this 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 for consolidation are recognized in other comprehensive income.

(e) Inventories -
Finished products and work in process are valued at the lower of cost or net realizable value.

Cost is determined on the basis of a weighted average. The cost of the finished products and works in progress includes the cost of direct materials, labor and contractors and a proportion of manufacturing overheads, based on the normal operating capacity, but excluding borrowing costs.

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

The provision (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 provision (reversal) is settled.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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(p).

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 and 10	Between 10 and 30
Buildings and other constructions related to smelting plant	Until 29	-
Facilities	Between 2 and 29	Between 8 and 15
Machinery and equipment	Between 3 and 16	Between 4 and 30
Furniture and fixtures	Between 4 and 10	Between 8 and 15
Vehicles	Between 3 and 5	Between 8 and 15
Computer equipment	4	Between 3 and 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.

(k) 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.

(l) 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(o).

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

(m) 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 production 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; consequently, the application of IFRIC 20 had not any impact in the consolidated financial statements of the Group as of December 31, 2013 and 2012.

(n) 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 (o) 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 6 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).

(o) 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.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or 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.

(p) 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 closure of mining units when a legal obligation exists, regardless of the depletion of mineral reserve. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of property, plant and equipment.

Over time, the liability is increased to reflects the interest cost considering in the initial estimation of the fair value and, in addition, the capitalized cost is depreciated and/or amortized based on the useful lifes of the related asset. To settle the liability, the Group recognizes any effect in profit or loss. Changes in the present value of the obligation or the useful life of the related assets arising from the review of the initial estimates are recognized as an increase or decrease in the carrying amount of the obligation and the related asset.

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

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

(q) 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 5.43%.

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.

(r) 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 (generally in warehouses located abroad), 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 effective interest rate (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.

(s) 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.

(t) 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 any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statement of income or directly in equity.

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

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.

(u) 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, 2013 and 2012, the Company does not have dilutive financial instruments, thus the basic and diluted earnings per share are the same for the presented periods.

(v) Fair value -
The Group measures financial instruments, such as, derivatives, financial assets at fair value through profit or loss and investment properties, at fair value at each consolidated statement of financial position.

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.

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

The 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 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 recurring and non-recurring fair value measurements. At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

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.

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.

Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that seems to be reasonable under the circumstances. Uncertainty about these assumptions and estimates may cause a material adjustment to the carrying amount of assets or liabilities within the next financial year.

The Group has identified the areas where it requires judgements, estimates and significant assumptions. See more information on each of these areas and their impact on the accounting policies below, as well as in the notes to the consolidated financial statements.

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 32) -
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 20) -
Judgement is required in determining whether deferred tax assets should be recognized in the consolidated statement of financial position. Deferred tax assets, including those generated from unused tax losses, requires management to assess the likelihood that the Group will generate sufficient taxable income in future periods to utilize the deferred tax assets recognized. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on projected operating cash flows and judgements about the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, could be affected the Group's ability to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax laws could limit the Group's ability to obtain tax deductions in future periods.

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(j)) -
Estimated economically recoverable reserves and resources are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The useful life of each item, is assessed at least annually, considering both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources.

All changes in the estimates are recorded prospectively.

(c) Mine rehabilitation provision (Note 2.4(p) and Note 19) -
The Group assesses its mine rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(d) Impairment of non-financial assets (Note 2.4(o) and Note 15) -
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, and others. These assumptions and estimates are under risks and uncertain.

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

The Group has determined each mining unit as cash-generating units, considering the operations of each cash-generating unit as individual base.

(e) Defined benefits plan (Note 2.4(q) y nota 19) -
The Group measures the cost of the defined benefit pension plan using actuarial valuations of the accrued cost of the benefit. This method considers various assumptions as estimates of future permanence, mortality rates, future salary increases and discount rates.

4. Standards issued but not yet effective

As of the date of this report, there is only one standard that has been issue but is not yet effective:

IFRS 9 Financial Instruments -

This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group´s financial assets but it will not have an impact on classification and measurement of the Group´s financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

5. Transactions in foreign currency

As of December 31, 2013 and 2012, the Group had assets and liabilities in Peruvian Nuevos Soles, Brazilian Reales, Chilean Pesos, Euros and Sterling Pounds. Below is a breakdown of these assets and liabilities presented by their equivalent in U.S. dollars:

	2013 US$(000)	2012 US$(000)
Asset		
Cash and cash equivalents	16,136	33,930
Banking deposit in guarantee	18,854	19,436
Trade and other receivables, net (include non-current portion)	185,650	209,471
Income tax prepayments	14,329	8,035
Prepayments	835	1,102
	235,804	271,974
Liabilities		
Bank overdrafts	(9,316)	(2,521)
Trade and other payables (include non-current portion)	(171,558)	(193,076)
Financial obligation (include non-current portion)	(247,158)	(317,498)
	(428,032)	(513,095)
Liabilities position, net	(192,228)	(241,121)

As of December 31, 2013 and 2012, 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:

	2013 US$(000)	2012 US$(000)
Cash on hand and petty cash	4,910	1,531
Cash demand deposits (b)	49,572	18,512
Term deposits (c)	183,047	121,074
Certificates of bank deposits (d)	1,059	5,278
	238,588	146,395

(b) As of December 31, 2013 and 2012, the Group maintains its demand deposits at best rated domestic and foreign banks and are free disposal.

(c) Term deposits have original maturities of less than 90 days and can be renewed at maturity. As of December 31, 2013 and 2012, these deposits earned interest at market interest rates, and were settled in January 2014 and 2013, respectively.

(d) These certificates, kept by Mineração Taboca S.A., amount to R$2,503,000 (equivalent to US$1,059,000) and R$10,804,000 (equivalent to US$5,278,000) as of December 31, 2013 and 2012, respectively. 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

Mineração Taboca S.A. has bank certificates of deposit by R$44,527,000 (equivalent to US$18,853,000) and R$39,774,000 (equivalent to US$19,436,000) as of December 31, 2013 and 2012, respectively, to secure tax obligations from prior years. Also, Marcobre S.A.C. maintains a bank deposit for US$2,162,000 in guarantee for the execution of the closure mine plan of "Mina Justa" project.

8. Trade and other receivables, net

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

	2013 US$(000)	2012 US$(000)
Trade:		
Invoices receivable from sale of concrete and cement (b)	92,415	117,102
Invoices receivable from sale of tin (b)	52,677	37,985
Invoices receivable from sale of gold (b)	4,674	-
	149,766	155,087
Allowance for doubtful accounts (c)	(13,905)	(16,000)
	135,861	139,087
Other receivables:		
Value added tax credit and other tax credits	64,912	75,205
Judicial deposits (d)	17,383	19,829
Financial leases to third parties	11,673	10,481
Related parties, note 33	3,471	3,171
Other	7,155	16,547
	104,594	125,233
Total	240,455	264,320
By maturity:		
Current portion	162,092	197,911
Non-current portion	78,363	66,409
Total	240,455	264,320

(b) As of December 31, 2013 and 2012, 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, 2013 and 2012, the aging analysis of trade receivables is as follows:

	2013 US$(000)	2012 US$(000)
Total		
Neither past due nor impaired	131,051	132,115
Past due but not impaired		
From 30 to 60 days	3,322	6,957
From 61 to 90 days	1,078	15
From 91 to 180 days	410	-
	135,861	139,087

(c) The movement of the allowance for doubtful accounts for the years 2013 and 2012 is set forth below:

	2013 US$(000)	2012 US$(000)
Opening balance	16,000	29,664
Write-off	(1,300)	-
Charge for the year, note 26	605	564
Exchange difference	(1,400)	800
Write-off of receivable from Paranapanema	-	(15,028)
Ending balance	13,905	16,000

During 2012, the Group recorded a write-off of a receivable from Paranapanema Group by US$15,028,000, resulting from the resolution of the arbitration with that entity for the price adjustment paid in previous years for the acquisition of Mineração Taboca S.A. See note 28 (a).

(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:

	2013 US$(000)	2012 US$(000)
Finished products	62,240	58,506
Work in progress	79,315	68,127
Raw materials	18,750	19,015
Materials and supplies	64,287	58,687
Mineral extracted	2,231	-
Inventory in transit	6,997	1,814
	233,820	206,149
Impairment loss of inventories (b)	(7,645)	(2,833)
Estimation for obsolescence (c)	(3,369)	(1,936)
	222,806	201,380

(b) The impairment loss of inventories had the following movement during the years 2013 and 2012:

	2013 US$(000)	2012 US$(000)
Opening balance	2,833	11,353
Charge for the year, note 24	5,706	-
Exchange difference	(894)	(1,010)
Recoveries, note 24	-	(7,510)
Ending balance	7,645	2,833

The provision for the year corresponds to a net realizable value adjustment for finished products of the Subsidiary Mineração Taboca S.A.

(c) The estimation for obsolescence of materials and supplies had the following movement during the years 2013 and 2012:

	2013 US$(000)	2012 US$(000)
Opening balance	1,936	1,840
Charge for the year, note 24	1,612	104
Exchange difference	(179)	137
Write-down	-	(145)
Ending balance	3,369	1,936

10. Financial assets at fair value through profit or loss

(a) As of December 31, 2013 and 2012, the Group held an investment in equity shares of BBVA of Spain amounting to US$10,129,000 and US$7,411,000, respectively. BBVA of Spain is a world class entity and it presents a very low level of risk.

(b) As of December 31, 2013 and 2012, 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:

	2013 US$(000)	2012 US$(000)
Opening balance	7,411	6,849
Changes in the fair value	2,718	562
Final balance	10,129	7,411

(c) In 2013, the Group received cash dividends by US$165,000 (US$197,000 in 2012). Cash dividends are credited to the results of the corresponding years.

11. Investments in associates

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

	Interest in equity		Equity value	
	2013 %	2012 %	2013 US$(000)	2012 US$(000)
Rimac Seguros y Reaseguros	14.51	14.51	54,656	63,549
Servicios Aeronauticos Unidos S.A.C.	47.50	47.50	15,600	17,118
Explosivos S.A.	7.30	7.30	7,729	7,977
Prefabricados de Hormigon Grau S.A.	49.00	49.00	6,030	6,037
Futura Consorcio Inmobiliario S.A.	4.96	4.96	4,633	4,724
			88,648	99,405

The Group has recognized its investments in Rimac Seguros y Reaseguros, Explosivos S.A. and a 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:

	2013 US$(000)	2012 US$(000)
Rímac Seguros y Reaseguros	30,259	(137)
Servicios Aeronáuticos Unidos S.A.C.	(1,171)	(703)
Explosivos S.A.	1,330	934
Prefabricados de Hormigón Grau S.A.	573	524
Otros	475	825
	31,466	1,443

(c) The main information of associates is as follows:

Rímac Seguros y Reaseguros

The main economic activity of this associate includes the recruitment and administration of insurance and reinsurance of general and life risks, as well as the performance of financial and real estate investments, and related activities.

Servicios Aeronauticos Unidos S.A.

The purpose of this associate is to provide air transportation services of passengers, cargo, mail, prospection, maintenance of airplanes, as well as to trade supplies for the civil aviation. The Shareholders' meeting of this associate held on December 26, 2012 approved an increase of the capital stock; therefore Minsur S.A. decided to contribute US$11,000,000 to increase its interests in equity from 44.36 percent to 47.50 percent as of December 31, 2012.

Explosivos S.A.
The economic activity of this associate includes the manufacture, sale and export of local cartridge explosives, accessories and blasting agents; it is also engaged in providing blasting services and all kinds of services to support mining companies.

(d) As of December 31, 2013 and 2012, the significant financial information of the most relevant associates is presented below:

	2013 US$(000)	2012 US$(000)
Rímac Seguros y Reaseguros		
Statement of financial position as of December 31,		
Current assets	940,221	931,144
Non-current assets	1,885,952	1,725,894
Current liabilities	(750,041)	(666,881)
Non-current liabilities	(1,674,805)	(1,507,057)
Non-controlling interests	(1,399)	(804)
Net equity under SBS regulation	399,928	482,296
Adjustments to IFRS	(23,250)	(44,329)
Net equity under IFRS	376,678	437,967
Statement of income for the years ended December 31,		
Net earned insurance premium	797,960	669,268
Net claimed incurred	(439,800)	(365,901)
Commissions on insurance and reinsurance premiums	(91,862)	(82,520)
Other technical income	25,398	24,809
Other technical expenses	(120,535)	(99,202)
Income from medical services and pharmacy	62,849	51,124
Cost of medical and pharmacy	(96,615)	(78,091)
Income from investments and financial incomes	134,820	142,883
Expenditure of investments and financial costs	(7,942)	(11,148)
Administrative expenses	(206,195)	(186,998)
Income from services	4,141	3,819
Exchange difference, net	(8,141)	549
Profit before income tax	54,078	68,592
Income tax	(5,747)	(4,859)
Net profit under SBS regulation	48,331	63,733
Adjustments to IFRS	160,208	(64,677)
Net profit (loss) under IFRS	208,539	(944)

	2013 US$(000)	2012 US$(000)
Servicios Aeronauticos Unidos S.A.C.		
Statement of financial position as of December 31,		
Current assets	28,651	9,537
Non-current assets	5,383	34,401
Current liabilities	(1,192)	(73)
Non-current liabilities	-	(8,558)
Net equity	32,842	35,307
Statement of income for the years ended December 31,		
Net sales	1,362	1,393
Cost of sales	(2,680)	(2,066)
Other operating expenses, net	(3,383)	(266)
Financial costs	(230)	(664)
Financial income	-	16
Exchange difference	(8)	61
Loss before income tax	(4,939)	(1,526)
Income tax	2,474	19
Net loss	(2,465)	(1,507)

(e) On October 2012, Minsur S.A. decided to sale to Inversiones Breca S.A. all of its shares in its associate Soldex S.A. for US$6,642,000., resulting in a net profit of US$3,743,000, which has been recognized in "Other, net" in the consolidated statement of income, see note 28.

12. Investments properties

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

	2013 US$(000)	2012 US$(000)
San Bernardo y Pudahuel land (b)	110,222	107,141
Forestales y Planta Valdivia land (b)	5,532	5,946
	115,754	113,087

(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, 2013 and 2012. 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 36.

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

	2013 US$(000)	2012 US$(000)
Opening balance	113,087	101,317
Changes in the fair value, note 28	13,681	2,846
Translation adjustment	(11,014)	8,905
Additions	-	19
Final balance	115,754	113,087

13. Property, plant and equipment, net

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

	Balance at 1.1.2013 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	266,375	92,546	(16,031)	-	9,462	(201,508)	(9,978)	(9,024)	131,842
Mine closure costs	74,675	-	-	(7,827)	-	-	-	(555)	66,293
	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	53,741	(669)	-	(977)	-	-	(37,556)	515,249
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
	791,980	107,539	(1,022)	-	(66,688)	-	-	(53,606)	778,203
Net Cost	994,428								887,108

	Balance at 1.1.2012 US$(000)	Additions US$(000)	Retires US$(000)	Transfers US$(000)	Translation adjustment US$(000)	Balance at 12.31.2012 US$(000)
Cost						
Land	61,525	422	(1,738)	120	4,211	64,540
Buildings and installations	285,639	2,063	(1,959)	37,315	(2,210)	320,848
Machinery and equipment	800,639	12,525	(31,066)	46,000	32,703	860,801
Furniture and fixtures and computer equipment	103,088	3,920	(2,758)	614	8,187	113,051
Vehicles	68,911	6,478	(15,372)	15,537	3,999	79,553
Units in transit	7,852	336	-	-	-	8,188
Work in progress	207,822	162,862	(356)	(99,586)	(4,367)	266,375
Mine closure costs	40,332	33,172	-	-	(452)	73,052
	1,575,808	221,778	(53,249)	-	42,071	1,786,408
Accumulated depreciation						
Buildings and installations	121,601	20,307	(1,652)	-	3,142	143,398
Machinery and equipment	456,226	50,290	(25,726)	-	19,920	500,710
Furniture and fixtures and computer equipment	89,801	2,098	(2,184)	-	7,440	97,155
Vehicles	45,994	4,787	(14,730)	-	2,810	38,861
Mine closure costs	10,086	1,973	-	-	(203)	11,856
	723,708	79,455	(44,292)	-	33,109	791,980
Net Cost	852,100					994,428

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

	2013 US$(000)	2012 US$(000)
Cost of sales, note 24	104,753	76,229
Administrative expenses, note 25	935	1,479
Selling expenses, note 26	94	61
Exploration expenses, note 27	1,173	911
Other operating expenses, note 28	584	775
	107,539	79,455

(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, 2013.

14. Intangible assets, net

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

	Balance at 1.1.2013 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

	Balance at 1.1.2012 US$(000)	Additions US$(000)	Translation adjustment US$(000)	Balance at 12.31.2012 US$(000)
Cost:				
Indefinite useful life				
Goodwill				
Inversiones Cordillera del Sur Ltda.	96,071	-	8,393	104,464
Mineração Taboca S.A.	75,112	-	(5,394)	69,718
Marcobre S.A.C.	-	129,114	-	129,114
Trademarks	20,129	-	1,758	21,887
	191,312	129,114	4,757	325,183
Definite useful life				
Mining concessions	223,486	703,580	(23,839)	903,227
Mine development costs	9,419	15,066	-	24,485
Licenses	12,731	174	1,044	13,949
Usufruct of lands	7,084	490	(88)	7,486
Customers' portfolio	3,909	-	342	4,251
Others	888	62	77	1,027
	257,517	719,372	(22,464)	954,425
	448,829	848,486	(17,707)	1,279,608
Accumulated amortization:				
Mining concessions	229	25	(32)	222
Licenses	11,361	514	964	12,839
Usufruct of lands	476	207	(17)	666
Customers' portfolio	1,303	607	114	2,024
Others	414	193	36	643
	13,783	1,546	1,065	16,394
Net cost	435,046			1,263,214

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

The impairment assessment performed by management of the Group as of December 31, 2013 is presented below:

(i) Marcobre S.A.C. -

As of December 31, 2013, the net carrying amount of the copper project "Mina Justa" is US$831,574,000. 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.

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

Key assumptions used in value in use calculations

Calculation of value in use 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 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 a pre-tax rate of 12.8% 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 economic life of the cash-generating unit.

(ii) Mineração Taboca S.A. (Tin in Brazil) -

As of December 31, 2013, the net carrying amount of the mining unit of Taboca and the smelting plant of Pirapora was US$376,728,000. 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.

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

Key assumptions used in value in use calculations

Calculation of value in use 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, 2013, 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 19 years as of December 31, 2013.

(b) Discount rate -

The future cash flows were adjusted considering the risk specific to the assets and were discounted at a pre-tax rate of 16.93% annual.

(c) Prices -

This entity has used the estimated average tin price for 2014, which has been adjusted by an average inflation rate of 4% for future years.

(d) Operating expenses -

The subsidiary has projected operating costs based on its current production costs.

(e) Useful life -

Management estimates the useful life considered in its projection is consistent with the economic life of the cash-generating unit (19 years from 2014 to 2032).

(iii) Inversiones Cordillera del Sur Ltda. (Cement, Concrete and Others in Chile) -

As of December 31, 2013, the net carrying amount of the production units of the subsidiary Inversiones Cordillera Ltda is US$454,131,000. 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, 2013, taking into consideration the production plan of Management for the following years. The cement plant has a production horizon of 20 years at December 31, 2013. 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 at a pre-tax rate of 15.14% as of December 31, 2013.

(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, it was used a 20-years projection. In the case of goodwill and trademarks, it was considered a period of 6-years period, and then adjusted to perpetuity.

Sensitivity analysis of the assumptions used in the calculations of value in use:
As of December 31, 2013, Management estimates that no reasonably possible change in the assumptions outlined above could generate an impairment loss on the cash generating units of Marcobre S.A.c, Mineração Taboca S.A. and Inversiones Cordillera del Sur Ltda.

16. Bank overdrafts

This caption is made up of bank overdrafts with Banco Credito e Inversiones and with Bank of Chile for US$1,978,000 and US$7,338,000, respectively (US$2,520,000 and US$1,000, respectively, as of December 31, 2012).

17. Trade and other payables

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

	2013 US$(000)	2012 US$(000)
Trade payables:		
Third parties	116,603	129,748
Related parties, note 33	19,716	11,727
	136,319	141,475
Other payables:		
Workers' profit sharing (b)	33,646	34,691
Advances from customers	12,422	16,633
Payable due to acquisition of mining concessions (c)	10,000	10,000
Salaries and Board's fees payable	7,653	6,817
Other taxes and contributions payable	26,091	19,917
Related parties, note 33	1,739	1,318
Others	3,919	3,904
	95,470	93,280
Total	231,789	234,755
By maturity:		
Current portion	221,127	223,210
Non-current portion	10,662	11,545
Total	231,789	234,755

(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.

18. Interest-bearing loans and borrowings

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

Entity	Guarantees	Interest rate	2013 US$(000)	2012 US$(000)
The Bank of Nova Scotia (b)	No guarantees	Libor 3m + 1.58%	200,000	-
Banco de Chile (c)	Pledge over 37.66% shares of Melon	TAB UF 180 + 0.8%	121,122	149,396
Banco de Credito e Inversiones	No guarantees	4.60%	45,588	53,335
Banco Itau	Include guarantees	5.39%	40,481	35,520
Banco Corpbanca (d)	No guarantees	TAB UF 365 + 0.35%	31,190	38,552
Banco ABC Brasil	No guarantees	5.70%	12,575	12,339
Banco del Estado de Chile	No guarantees	7.31%	7,669	8,441
Banco Santos	No guarantees	Tasa CDI + 2%	6,285	7,262
Banco Bic Banco	No guarantees	5.80%	5,077	-
Banco Scotiabank	No guarantees	6.42%	3,814	3,158
Banco Scotiabank	No guarantees	6.55%	3,256	7,408
Banco Scotiabank	No guarantees	5.00%	2,867	-
FINAME BNDES (Banco Itaú)	Leased assets	9.68%	2,480	4,283
Banco do Brasil	No guarantees	3.99%	1,430	1,398
Banco de Crédito del Perú	Leased assets	3.55%	1,154	2,327
Banco Security S.A.	Leased assets	5.67%	534	854
Caterpillar Leasing Chile S.A.	Leased assets		60	-
The Bank of Nova Scotia	No guarantees	Libor 3 m + 1.25%	-	100,000
Citibank N.A.	No guarantees	Libor 3 m + 1.25%	-	100,000
Banco de Chile	No guarantees	7.44%	-	10,557
Banco de Chile	No guarantees	6.55%	-	6,311
HSBC Bank Chile	No guarantees	6.38%	-	5,306
Banco de Credito e inversiones	No guarantees	7.06%	-	4,186
			485,582	550,633
Financing commission			(725)	-
Banco Santos (interests)			11,400	11,639
Derivatives financial instruments, Note 37:				
BCI	No guarantees	4.60%	9,991	5,664
Corpbanca	No guarantees	TAB360 + 0.35%	1,535	1,147
			507,783	569,083
By maturity:				
Current portion			143,973	334,272
Non-current portion			363,810	234,811
			507,783	569,083

(b) In June 2013, the Group entered into a loan agreement for US$200,000,000 with The Bank of Nova Scotia, for working capital, for develop investment projects and to repaid the short-term loan with Citibank N.A. This loan includes the following financial covenants: (i) debt service coverage (EBITDA / financial costs), calculated since the first day of each quarter, would not be less than 2 and (ii) leverage ratio (finance debt / EBITDA) for any period must be greater than 2.5.

The Company has complied with these financial covenants as of December 31, 2013.

(c) As of December 31, 2013, the subsidiary Inversiones Cordillera del Sur Ltda. II has a loan with Banco de Chile for a balance of US$121,122,000 (US$149,396,000 as of December 31, 2012); 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, 2013.

(d) As of December 31, 2013, Melon S.A. has a loan with bank Corpbanca for a balance of US$31,190,000 (US$38,552,000 as of December 31, 2012); 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, 2013.

(e) As of December 31, 2013, 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 December 31, 2014.

19. 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, 2012	84,814	21,360	15,932	7,646	3,420	133,172
Change in estimates	33,172	-	-	-	-	33,172
Additions	-	-	-	(1,060)	5,429	4,369
Reversals	(947)	-	(2,831)	-	-	(3,778)
Accretion	10,545	2,337	(328)	292	-	12,846
Payments and advances	(3,479)	-	(1,010)	(1,722)	(4,359)	(10,570)
Translation adjustment	(4,073)	-	355	669	294	(2,755)
As of December 31, 2012	120,032	23,697	12,118	5,825	4,784	166,456
Reclassification	(8,244)	8,244	-	-	-	-
Change in estimates	(7,827)	-	-	-	-	(7,827)
Additions	-	4,763	9,328	777	11,128	25,996
Reversals	-	-	(2,001)	-	-	(2,001)
Accretion	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
As of December 31, 2012						
Current portion	4,989	-	7,122	2,449	4,784	19,344
Non-current portion	115,043	23,697	4,996	3,376	-	147,112
	120,032	23,697	12,118	5,825	4,784	166,456
As of December 31, 2013						
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
	100,306	35,107	13,578	6,082	11,964	167,037

(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, 2012	42,079	39,116	3,619	84,814
Change in estimates	-	31,009	2,163	33,172
Reversals	-	-	(947)	(947)
Accretion	9,964	581	-	10,545
Payments and advances	-	(3,479)	-	(3,479)
Translation adjustment	(4,244)	-	171	(4,073)
As of December 31, 2012	47,799	67,227	5,006	120,032
Reclassifications	(8,244)	-	-	(8,244)
Change in estimate	-	(8,620)	793	(7,827)
Accretion	4,737	(349)	2,406	6,794
Payments and advances	-	(4,286)	(10)	(4,296)
Translation adjustment	(5,702)	-	(451)	(6,153)
As of December 31, 2013	38,590	53,972	7,744	100,306
As of December 31, 2012				
Current portion	-	2,968	2,021	4,989
Non-current portion	47,799	64,259	2,985	115,043
	47,799	67,227	5,006	120,032
As of December 31, 2013				
Current portion	-	1,062	1,308	2,370
Non-current portion	38,590	52,910	6,436	97,936
	38,590	53,972	7,744	100,306

The provision for closure of mining units and exploration projects reflects the present value of the closing costs expected to be incurred between the 2014 and 2047, in compliance with government regulations, see note 31 (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, 2013, 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 do Estado do Amazonas,* which is pending of approval. Based on this study, the estimated remediation costs amount to approximately R$46,384,000, equivalent to US$19,638,000 as of December, 31 2013 (US$22,660,000 as of December 31, 2012).

(ii) Other activities for environmental restoration in areas affected by operations of Pitinga mine and Pirapora smelter in Brasil, conducted by the subsidiary Taboca, for approximately R$23,331,000 (equivalent a US$9,878,000).

(iii) Activities for environmental restoration in Puno region for mining operations performed by the subsidiary Sillustani in previous years. This provision amounts to US$3,480,000 and includes activities to improve drainage systems, water treatment, wetland rehabilitation, among other works that shall be executed during the years 2014 and 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$1,118,000 and must be paid between 2018 and 2019, according to environmental regulations.

(d) Provision for contingencies -

This caption is made up of the following:

Chilean subsidiary -

Tax contingencies by US12, 000 (US$2,760,000 as of December 31, 2012), and other minor contingencies by US$4,362,000 (US$1,997,000 as of December 31, 2012).

Brazilian subsidiary –

Claims for payments of severance indemnities of ex-workers by US$ 8,393,000 (US$3,475,000 as of December 31, 2012); sanctions imposed by the environmental agency of Amazonas Brazil, for the Pitinga mine by US$1,422,000 (US$1,010,000 as of December 31, 2012), and; other minor contingencies by US$55,000 (US$511,000 as of December 31, 2012).

Peruvian subsidiary –

Environmental contingencies arising from processes filed by the Agency for Assessment and Environmental Control (OEFA) for US$1,889,000.

(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:

	2013 US$(000)	2012 US$(000)
Provision for defined benefits as at January 1	5,825	7,646
Interest cost	138	468
Current service cost	451	222
Paid benefits	(899)	(1,722)
Actuarial losses (gains)	777	(461)
Freeze of indemnity for service periods	-	(997)
Translation adjustment	(210)	669
Provision for defined benefits as at December 31	6,082	5,825

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

	2013 %	2012 %
Discount rate	5.43%	5.60
Future salary increase	5.72%	5.30

20. Deferred income tax liabilities, net

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

	2013 US$(000)	2012 US$(000)
Income Tax:		
Deferred income tax assets		
Tax benefits from acquisition of Taboca S.A.	83,610	94,958
Tax benefits from acquisition of Melon S.A.	26,625	31,620
Provision for mine closure	24,412	29,857
Derivatives financial instruments	20,446	21,631
Differences in book and tax basis of mining concessions	16,842	2,378
Tax losses	9,863	13,545
Exchange difference for non-monetary items	1,605	11,286
Others	5,533	2,131
	188,936	207,406
Deferred income tax liabilities		
Differences in book and tax basis of mining concessions	(225,260)	(233,420)
Differences in book and tax basis of property, plant and equipment	(61,587)	(74,795)
Derivatives financial instruments	(20,090)	(21,728)
Asset retirement costs	(11,526)	(17,300)
Development costs	(5,162)	(7,346)
Differences in book and tax basis of inventories	(3,484)	(4,155)
Post-employment benefits	(877)	(1,685)
Others	(9,238)	(5,849)
	(337,224)	(366,278)
Deferred income tax liability, net	(148,288)	(158,872)
Mining royalty (MR) and Special Mining Tax (SMT):		
Deferred assets		
Exchange difference of non-monetary items	284	2,778
Exploration expenses	784	509
	1,068	3,287
Deferred liabilities		
Differences in book and tax basis of property, plant and equipment	(2,166)	(4,562)
Differences in book and tax basis of inventories	(365)	(473)
	(2,531)	(5,035)
Deferred tax liability of MR and SMT, net	(1,463)	(1,748)
Total deferred income tax liabilities, net	(149,751)	(160,620)

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:

	2013 US$(000)	2012 US$(000)
Deferred income tax assets	52,334	43,052
Deferred income tax liabilities	(202,085)	(203,672)
Total	(149,751)	(160,620)

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

	2013 US$(000)	2012 US$(000)
Profit before income tax	319,172	274,638
At statutory income tax rate	90,111	82,892
Effect of translation	12,869	1,870
Effect of mining royalty	(11,015)	(11,050)
Effect of permanent differences, net	1,889	(15,163)
Provision of tax losses	11,544	35,214
Prior year adjustment	5,965	-
Income tax expense	111,363	93,763
Mining royalties and special mining tax	36,430	32,782
Total	147,793	126,545

(c) The expense for income tax shown in the consolidated statements of income consists on the following:

	2013 US$(000)	2012 US$(000)
Income tax		
Current	121,463	115,760
Deferred	(10,100)	(21,997)
	111,363	93,763
Mining royalty (MR) and special mining tax (SMT)		
Current	36,715	36,832
Deferred	(285)	(4,050)
	36,430	32,782
	147,793	126,545

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 (an event that would cause the capital gain be taxable based on the Peruvian current tax law).

21. Equity

(a) Capital stock -
As of December 31, 2013 and 2012 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, 2013 and 2012, 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, 2013 was S/.1.43 per share and its frequency of negotiation was 100 percent (S/.2.35 per share as of December 31, 2012 with a frequency of negotiation of 99.2 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 2013, 2012 and 2011, the Company has not increased its legal reserve because the legal reserve reached the limit mentioned above.

(d) Reinvested earning -
As of December 31, 2013 and 2012, 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 2013 and 2012:

Board / session	Date	Dividends declared and paid US$(000)	Dividends per common share US$(000)	Dividends per investment share US$(000)
Dividends 2013				
Shareholders' meeting	March 21	50,000	1.73	0.017
Dividends 2012				
Shareholders' meeting	March 21	150,000	5.20	0.052

(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 2013, the resulting exchange difference was a loss of US$97,710,000 (which includes an exchange currency loss of US$54,157,000 from Brazilean subsidiary and an exchange currency loss of US$40,678,0000 from Chilean subsidiary). During 2012, the resulting exchange difference was a loss of US$15,085,000 (which includes an exchange currency loss of US$49,712,000 from the Brazilean subsidiary and an exchange currency profit of US$34,627,000 from the Chilean subsidiary). These exchange differences are included in the consolidated statement of comprehensibe income.

(g) Unrealized gains (losses) -

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 loss of US$31,744,000 in 2013 (a gain of US$18,652,000 in 2012) which is included in the consolidated statement of other comprehensive income.

(h) Contribution of non-controlling interests -

During the year 2013, the Group received contributions of non-controlling interests of the subsidiary Marcobre S.A.C. for an amount of US$14,887,000 (US$13,914,000 during the year 2012).

22. Tax situation

(a) Peruvian tax -

The Company is subject to the Peruvian tax regime. As of December 31, 2013 and 2012, the income tax rate was 30 percent of taxable income.

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 2010 to 2013 and value added tax (IGV) for the years 2009 to 2013 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2009, and the value added tax and value added tax for the years 2000 to December 2008, see note 32(a).

(b) Chilean subsidiaries -

Inversiones Cordillera del Sur Ltda. is an entity subject to the Chilean tax regime. As of December 31, 2013 and 2012, the income tax rate is 20% of taxable income. 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 2008 to 2013.

The tax loss carryforward determined by Inversiones Cordillera del Sur Ltda. as of December 31, 2013 is US$57,456,000 (US$62,667,000 as of December 31, 2012). The tax loss does not expire under the Chilean tax regime.

(c) Brazilian subsidiaries –

Mineração Taboca S.A. is subject to the Brazilian tax regime. As of December 31, 2013 and 2012, 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 2008 to 2013.

The tax loss carryforward determined by Mineração Taboca S.A. as of December 31, 2013 amounts to US$426,872,000 (US$508,210,000 as of December 31, 2012).

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 2009 to 2013 and the value added tax returns from 2009 to 2013 of the Peruvian subsidiaries are pending review by the tax authorities.

As of December 31, 2013 and 2012, the tax losses of the Peruvian subsidiaries are as follow:

	2013 US$(000)	2012 US$(000)
Cumbres Andinas S.A.	6,021	4,235
Compañía Minera Barbastro S.A.C.	6,754	12,909
Marcobre S.A.C.	2,639	692
Minera Sillustani S.A.	1,253	2,157
Minera Latinoamericana S.A.C.	55	578
Minera Carabaya S.A. – En liquidación	18	25

As of December 31, 2013, these subsidiaries have not recognized deferred income tax asset originated by the tax loss carryforward by US$4,798,000 (US$8,229,600 as of December 31, 2012), 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.

23. Net sales

The composition of this caption is presented below:

	2013 US$(000)	2012 US$(000)
Tin and other minerals	690,843	707,470
Cement, concrete, aggregates and other	407,351	445,478
Gold	157,888	-
Niobium and tantalum	45,570	31,721
Provision of services	9,007	26,961
	1,310,659	1,211,630
Embedded derivative for sales of tin	(890)	-
	1,309,769	1,211,630

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

	2013 US$(000)	2012 US$(000)
Tin and other minerals		
America	329,432	383,555
Europa	316,110	318,181
Brazil	47,447	16,955
Asia	37,672	15,483
Peru	5,752	5,017
Cement, concrete, aggregates and other		
	416,358	472,439
Gold		
United States	157,888	-
	1,310,659	1,211,630
Embedded derivative for sales of tin	(890)	-
	1,309,769	1,211,630

Sales concentration of tin –

In 2013, there was no significant sales concentration. The three most important clients only represented 39% of total sales (24% in 2012).

Sales concentration of gold –

The Company only sells gold to one customer.

Sales concentration of cement, concrete, arid and others –
In 2013, the three most important clients represented 2.98%, 2.78% and 2.76% of total sales (3.22%, 2.33% and 2.21% in 2012). As of December 31, 2013, 6.54% of total accounts receivable are related to these clients (6.85% as of December 31, 2012).

Sales concentration of alloy of Niobium/Tantalum –
In 2013, there was no significant sales concentration of these products. The three most important clients only represented 57% of total sales (26% in 2012).

24. Cost of sales

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Opening finished product inventory	58,506	78,918
Opening product in process inventory	68,127	49,304
Consumption of miscellaneous supplies	235,465	240,988
Services rendered by third parties	261,952	213,640
Wages and salaries	140,121	120,594
Depreciation, note 13 (b)	104,753	76,229
Other manufacturing expenses	49,914	31,492
Electricity	32,907	44,558
Amortization	10,677	2,035
Estimation (recovery) for impairment of inventories, note 9(b)	5,706	(7,510)
Iddle capacity expenses	4,058	6,389
Recovery of provision for obsolescence of inventories, note 9(c)	1,612	104
Final work in process inventory	(81,546)	(68,127)
Final finished product inventory	(62,240)	(58,506)
	830,012	730,108

25. Administrative expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Personnel expenses	44,363	41,462
Services provided by third parties	22,978	37,357
Sundry expenses	10,743	16,487
Depreciation, note 13 (b)	935	1,479
Advice and consulting	801	10,831
Amortization	51	-
Supplies	43	104
	79,914	107,720

26. Selling expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Services provided by third parties	8,651	8,807
Personnel expenses	7,247	3,834
Sundry expenses	3,382	5,219
Sales commissions	2,039	2,249
Depreciation, note 13 (b)	94	61
Doubtful accounts, note 8 (c)	605	564
	22,018	20,734

27. Exploration expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Services provided by third parties	49,380	12,781
Personnel expenses	12,247	5,124
Sundry expenses	2,351	1,585
Depreciation, note 13 (b)	1,173	911
Supplies	772	172
Amortization	135	83
	66,058	20,656

28. Other, net

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Other operating income:		
Income from arbitrage with Lafarge, note 32(h)	18,890	-
Change in the fair value of investment properties, note 12(c)	13,681	2,846
Revenue on sale of supplies	13,346	4,641
Revenue on sale of property, plant and equipment	10,938	197
Recovery on contingency provision	2,001	-
Lease of property	372	-
Revenue on sale of shares of Soldex S.A., note 11(e)	-	6,642
Other	10,812	2,660
	70,040	16,986
Other operating expenses:		
Contingencies and environmental remediation expenditures	14,091	-
Net cost of sale of supplies	11,368	4,261
Net cost of property, plant and equipment retired	9,616	8,957
Administrative and tax penalties	3,080	-
Mining fund retirement	1,931	-
Correction of taxes from previous periods	1,284	
Depreciation, note 13(b)	584	775
Updating of post-employment benefits	-	690
Net loss from arbitrage with Paranapamena (a)	-	22,360
Net cost of sale of shares in Soldex S.A.	-	2,899
Paralyzation expenses of the Pucamarca Project	-	2,030
Other	7,906	7,117
	49,860	49,089
Total other, net	20,180	(32,103)

(a) Corresponds to the portion of accounts receivable from Paranapanema Group that was not recovered as a result of the culmination of the arbitration process initiated in 2010 in connection with the adjustment of the price paid by the Group in the acquisition Mineração Taboca S.A. As a result of this arbitration, the Group recognized a loss of US$22,360,000 (equivalent to R$43,445,000). The portion of receivables that the Group was able to recover amounted to R$20,000,000 (equivalent to US$10,294,0000).

29. Finance revenues and costs

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Finance revenues:		
Interest on time deposits	6,732	7,857
Interest on account receivables from related parties	-	672
Other	780	2,794
Finance income	7,512	11,323
Accretion, see note 19 (a)	-	328
Total finance revenues	7,512	11,651
Finance costs		
Interest on borrowings (i)	(22,769)	(22,778)
Other	(877)	(543)
Finance interest	(23,646)	(23,321)
Accretion, see note 19 (a)	(10,395)	(13,174)
Total finance costs	(34,041)	(36,495)

(i) During 2013, it includes a net loss of US$4,715,000 (net profit of US$3,247,000 during the year 2012) generated by interest rate swaps instruments from the subsidiary Cordillera.

30. 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:

	2013 US$	2012 US$
Numerator -		
Net income	175,488,000	151,908,000
	Number of shares	**Number of shares**
Denominator -		
Common shares, note 21(a)	19,220,015	19,220,015
Investment shares, note 21(b)	960,999,163	960,999,163
	980,219,178	980,219,178
Earnings per share -		
Basic and diluted – US$ per common share	6.09	5.27
Basic and diluted – US$ per investment share	0.06	0.05

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

31. Commitments

(a) Minsur -

(i) Environmental 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 on 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 August 19, 2010, the Company filed its Pucamarca Closure Plan, which was approved by means of Directorial Resolution No. 207-2011-MEM/AAM on June 30, 2011.

As of December 31,2013, the provision for mine closure for San Rafael, Pucamarca and Pisco units amounts to US$53,972,000 (US$67,227,000 as of December 31, 2012). See movement of this provision in note 19(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 and Pirapora units by US$38,590,000 as of December 31, 2013 (US$47,799,000 as of December 31, 2012).

(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.

32. Contingencies

Peruvian entities –

(a) As a result of the tax reviews made to the years from 2000 to 2009, the Group has received tax assessments by omissions to the Income Tax and Value Added Tax by S/.105,516,630 (equivalent to US$37,738,000). 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, 2013, the accumulated payments under protest amounted to US$28,779,000 (US$31,306,000 as of December 31, 2012). 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$37,475,000). 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 amounted to 18,621 tax units (equivalent to US$25,308,000) as of December 31, 2013. The Group has appealed these sanctions; currently, it is pending of resolution by OSINERGMIN and OEFA.

Management and its legal counsels believe that exist legal grounds to obtain a favorable outcome, as consequence, this process will not have a significant impact on the consolidated financial statements of the Group.

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 maintains certain disputes with the Brazilian Mines Department (DNPM) related to alleged omissions of paying the Compensation of the Exploitation of Mineral Resources (CFEM). In past years, the DNPM issued infraction notices against Taboca alleging that it failed to pay approximately R$34,930,000 (equivalent to approximately US$15,752,000) related to the CFEM for the years 1991 through 2007, and initiated some administrative proceedings in connection therewith. Taboca requested the annulment of these administrative proceedings before the judiciary but such petition was rejected by the competent court. Taboca appealed this decision before the Director General of DNPM. In 2009, the DNPM initiated two new administrative proceedings claiming that Taboca failed to pay R$40,951,000 (equivalent to approximately US$17,339,000) related to the CFEM for the years 1991 through 2000. Although, the period assessed by DNPM overlap with the one covered by the proceedings initiated in previous years, there is no clear indication whether the amounts which allegedly Taboca omitted to pay are in substitution of the ones addressed in the past or in addition thereof. Taboca submitted its defense, which was rejected by the DNPM. As of December 31, 2013, no decision on the merits of these proceedings has been rendered.

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, 2013 and 2012 for these contingencies.

(e) Administrative proceedings –
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$2,117,000). 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, 2013.

(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, motivated by a fatality at the Pitinga mine. The total amount of the claims, including the prosecution, is R$11,195,000 (equivalent to US$4,740,000). 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, 2013.

(g) Civil proceedings -

Mamoré, Taboca's subsidiary, is involved as defendant in three 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 2000 to 2005. Taboca has recorded US$17,685,000 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 approximately US$60,000,000, which includes principal, interests accrued and penalties. Paranapanema has posted certain guarantees in the context of these proceedings for a total of approximately US$17,657,000. As of December 31, 2013, no decision on the merits of these proceedings has been rendered.

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, 2013 and 2012 for this contingency.

Chilean subsidiaries -

(h) International arbitration -

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.

(i) Claims from third parties -

Certain third parties have initiated legal actions against Chilean subsidiaries in connection with its operations by approximately US$2,966,000. Out of this amount, US$1,367,000 corresponds to differences in the determination of the income tax of years 2010 and 2011; US$320,000 corresponds to claims for the use of rights, US$380,000 corresponds to labor demands initiated by ex-workers and US$899,000 applicable to claims from third parties for various lawsuits result of 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, 2013 and 2012 for these contingencies.

33. Related parties transactions

(a) Receivables and Payables -

The balances of receivables and payables with related entities as of December 31, 2013 and 2012 follow:

	2013 US$(000)	2012 US$(000)
Receivables -		
Prefabricados Hormigon Grau S.A.	1,848	1,750
Administración de Empresas S.A.	666	485
Hidrotermia S.A.	586	833
Estrategica S.A.C.	212	-
Centria Servicios Administrativos S.A.	66	10
Constructora AESA S.A.	52	22
Compañía Minera Raura S.A.	38	70
Other	3	1
	3,471	3,171
Classification by maturity -		
Current	2,627	2,054
Non-current	844	1,117
	3,471	3,171
Payables -		
Administración de Empresas S.A.	12,866	4,346
Constructora AESA S.A.	5,032	4,987
Exsa S.A.	1,817	2,394
Rímac Seguros y Reaseguros	715	101
Clínica Internacional. S.A.	428	810
Centria Servicios Administrativos S.A.	190	34
Rimac S.A. Entidad prestadora de salud	157	148
Estrategica S.A.C.	98	26
Urbanizadora Jardin S.A.	83	79
Proteccion Personal S.A.	34	89
Compañía Minera Raura S.A.	21	-
Inversiones Nacionales de Turismo S.A.	12	23
Other	2	8
	21,455	13,045
Clasification by nature -		
Trade	19,716	11,727
Other	1,739	1,318
	21,455	13,045

The amounts with related parties have current maturities, are interest free and have no guarantees.

(b) Main transactions -

The main transactions occurred during the years 2013 and 2012 were the following:

	2013 US$(000)	2012 US$(000)
Administración de Empresas S.A. (AESA) – Mine services	51,518	35,043
Constructora AESA S.A. – Construction services	10,350	10,077
Exsa S.A. – Purchase of explosives	10,882	5,510
Rimac Seguros y Reaseguros – Insurance services	3,041	4,343

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, 2013 and 2012 are as follows:

	2013 US$(000)	2012 US$(000)
Peru		
Remunerations	7,449	4,559
Board of Directors' fees	407	443
	7,856	5,002
Chile		
Fixed remuneration	5,382	5,919
Variable remuneration	1,179	1,444
	6,561	7,363
Brazil		
Fixed remuneration	1,264	1,244
Variable remuneration	237	323
	1,501	1,567
Total	13,470	13,932

34. 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 begins in January 2013).
- 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 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	-	-	-	-	-	-	30,893	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	-	-	5,066	5,066	-	-	(4,901)	165	-	165
Exchange difference, net	-	-	(5,584)	(5,584)	(10,691)	(1,827)	-	(18,102)	(2,493)	(20,595)
Profit before income tax	-	-	391,166	391,166	(66,676)	(62,216)	25,992	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	-	-	234,955	234,955	(61,335)	(53,870)	25,992	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	1,997,084	2,551,813	568,011	918,507	(1,686,870)	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	-	-	239,725	239,725	17,177	(39,371)	(17,931)	199,600	84,341	283,941
Investing activities	-	-	(79,553)	(79,553)	(31,943)	(85,614)	113,280	(83,830)	(13,436)	(97,266)

	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 2012										
Results:										
Income from external customers	640,507	-	-	640,507	98,684	-	-	739,191	472,439	1,211,630
Cost of sales	(197,026)	-	-	(197,026)	(115,569)	-	-	(312,595)	(417,513)	(730,108)
Administrative expenses	(35,700)	-	-	(35,700)	(21,492)	(9,216)	-	(66,408)	(41,312)	(107,720)
Selling expenses	(9,883)	-	-	(9,883)	(1,227)	-	-	(11,110)	(9,624)	(20,734)
Exploration costs	(6,636)	-	-	(6,636)	(1,375)	(9,840)	-	(17,851)	(2,805)	(20,656)
Other, net	(2,080)	-	-	(2,080)	(25,748)	(246)	-	(28,074)	(4,029)	(32,103)
Operating income	389,182	-	-	389,182	(66,727)	(19,302)	-	303,153	(2,844)	300,309
Finance income	6,087	-	-	6,087	3,662	757	-	10,506	1,145	11,651
Finance costs	(2,578)	-	-	(2,578)	(17,418)	(50)	-	(20,046)	(16,449)	(36,495)
Gain from investment in associates, net	-	-	-	-	-	-	1,056	1,056	387	1,443
Gain from derivative financial instruments, net	1,119	-	-	1,119	-	-	-	1,119	-	1,119
Gain from financial assets at fair value through profit or loss	562	-	-	562	-	-	-	562	-	562
Dividends	5,735	-	-	5,735	-	-	(5,538)	197	-	197
Exchange difference, net	200	-	-	200	(3,826)	287	-	(3,339)	(809)	(4,148)
Profit before income tax	400,307	-	-	400,307	(84,309)	(18,308)	(4,482)	293,208	(18,570)	274,638
Income tax expense	(138,929)	-	-	(138,929)	5,683	-		(133,246)	6,701	(126,545)
Net profit	261,378	-	-	261,378	(78,626)	(18,308)	(4,482)	159,962	(11,869)	148,093
Assets:										
Cash and cash equivalents	91,303	-	-	91,303	5,697	37,092		134,092	12,303	146,395
Inventory, net	109,029	-	-	109,029	48,209	201	-	157,439	43,941	201,380
Current assets	250,927	-	-	250,927	93,193	45,243	-	389,363	199,044	588,407
Property, plant and equipment and intangibles	167,923	245,184	-	413,107	475,216	847,420	-	1,735,743	521,899	2,257,642
Total assets	2,122,409	245,184	-	2,367,593	697,726	850,329	(1,610,074)	2,305,574	862,428	3,168,002
Liabilities:										
Bank overdraft and interests bearing loan sand borrowings	202,327	-	-	202,327	72,441	-	-	274,768	296,836	571,604
Current liabilities	293,715	-	-	293,715	78,810	7,463	(3,266)	376,722	202,625	579,347
Total liabilities	370,197	-	-	370,197	188,585	187,030	(3,266)	742,546	433,941	1,176,487
Other disclosures:										
Additions of fixed assets, intangibles and investment properties	22,490	121,856	-	144,346	17,966	503,213	-	665,525	34,692	700,217
Depreciation and amortization (included in costs and expenses)	(31,366)	-	-	(31,366)	(22,754)	(1,595)	-	(55,715)	(25,286)	(81,001)
Operating activities	266,852	-	-	266,852	(48,207)	(41,297)	(35,589)	141,759	7,147	148,906
Investing activities	(724,216)	-	-	(724,216)	(34,443)	(561,122)	650,831	(668,950)	(29,693)	(698,643)

35. Financial risk management, objectives and policies

35.1. 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 Group's financial risk management program focuses on mitigating potential adverse effects on its financial performance.

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

(i) Market 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, 2013 and 2012.

These sensitivity analyzes have been prepared on the basis that the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants to December 31, 2013 and 2012.

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, euros and sterling pounds. 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 2013 and 2012 if the Nuevo Sol had revalued/devalued 10% with respect to US dollar.

Year	**Potential increase / decrease**	**Effect on profit before income tax** US$(000)
2013	+10%	(7,114)
	-10%	7,114
2012	+10%	(3,270)
	-10%	3,270

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, 2013, the Group had loans and borrowings at variable interest rates by US$152,312,000 (US$218,901,000 as of December 31, 2012).

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)
2013	+250	(5,010)
	-250	5,010
2012	+250	(5,472)
	-250	5,472

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. 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 2013 and 2012 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)
2013	+5%	506
	-5%	(506)
2012	+5%	356
	-5%	(356)

Changes risk in mineral prices –
The international tin price has a significant impact on the results of operations of the Group. These prices are affected by changes in the global economy. The Group has no financial instruments to hedge this commodity price risk.

As described in Note 2.4 (r) , 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 delivery) , 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$/MT23,463, while for the negative scenario was considered an average price of US$/MT21,228.

Year	**Increase/decrease in the price of quoted of tin**	**Effect on profit before income tax** US$(000)
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, 2013 and 2012 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 are conducted primarily to foreign customers located mainly in United States, 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, 2013 and 2012:

	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, 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
As of December 31, 2012					
Bank overdrafts	-	2,521	-	-	2,521
Trade and other payables	-	128,680	33,105	11,545	173,330
Interest-bearing loans and borrowings	-	47,979	286,293	234,811	569,083
Total	-	179,180	319,398	246,356	744,934

35.2. 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.

36. 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, 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)	-

	Total US$(000)	Fair value measurement using Quoted prices in active markets (Level 1) US$(000)	Quoted prices in active markets (Level 1) US$(000)	Quoted prices in active markets (Level 1) US$(000)
As of December, 31 2012				
Assets measured at fair value:				
Investment properties	113,087	-	-	113,087
Financial assets at fair value through profit or loss	7,411	7,411	-	-
Liabilities measured at fair value:				
Derivatives financial liabilities:				
- Hedges	(6,811)	-	(6,811)	-

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.

37. 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:

Forward contract for foreign currency fluctuation -
During 2012, the Group entered into various forward contracts for foreign currency and obtained a gain of US$1,119,000. This amount is separately presented in the consolidated statement of income.

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, 2013 and 2012, the fair value of these contracts was US$11,526,000 and US$6,811,000, respectively, see Note 18.

During 2013, these swaps agreements has generated a net loss for US$4,715,000 (net gain for US$3,247,000 during 2012), 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, 2013:

			Valuations		
Metal	**Quantity**	**Quotations period 2014**	**Provisional** US$	**Futures** US$	**Fair value** US$(000)
Sale of mineral					
Tin	770 MT	January 2014	18,096	17,206	(890)
Total net liability					(890)

38. 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	2013 %	2012 %
Share of non-controlling interests in equity:			
Marcobre S.A.C.	Peru	30.00	30.00
Inversiones Cordillera del Sur Ltda.	Chile	26.01	26.01

	2013 US$(000)	2012 US$(000)
Cumulative balances of significant non-controlling interest:		
Marcobre S.A.C.	169,410	163,979
Inversiones Cordillera del Sur Ltda.	111,175	115,250
	280,585	279,229
Profit (loss) assigned to significant non-controlling interests:		
Marcobre S.A.C.	(11,012)	(743)
Inversiones Cordillera del Sur Ltda.	6,903	(3,072)
	(4,109)	(3,815)

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

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 financial position as of December 31, 2012:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Current assets	4,867	199,044
Non-current assets	149,254	663,384
Current liabilities	(3,219)	(202,625)
Non-current liabilities	-	(231,316)
Total net equity (before adjustments)	150,902	428,487
Consolidation adjustments	394,957	-
Total net equity (after adjustments)	545,859	428,487
Attributable to:		
Equity holders of the parent	381,880	313,237
Non - controlling interests	163,979	115,250
	545,859	428,487

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 loss (profit) (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 income for the year ended December 31, 2012:

	Marcobre S.A.C. US$(000)	**Inversiones Cordillera del Sur Ltda.** US$(000)
Net sales	-	472,439
Cost of sales	-	(417,513)
Administrative expenses	(2,632)	(41,312)
Selling expenses	-	(9,624)
Exploration expenses		(2,805)
Other operating income (expenses)	16	(4,029)
Finance income	39	1,145
Finance costs	(16)	(16,449)
Gain from investment in associates, net	-	387
Exchange difference, net	970	(809)
Loss before income tax	(1,623)	(18,570)
Income tax	2,725	6,701
Net profit (loss) (before consolidation adjustments)	1,102	(11,869)
Consolidation adjustments	(3,583)	-
Net loss (after consolidation adjustments)	(2,481)	(11,869)
Attributable to:		
Equity holders of the parent	(1,738)	(8,797)
Non-controlling interests	(743)	(3,072)
	(2,481)	(11,869)

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)	84,341
Investment activities	(35,971)	(13,436)
Financing activities	49,625	(63,955)
Net increase of cash and cash equivalents	7,119	6,950

Statement of cash flows for the year ended December 31, 2012:

	Marcobre S.A.C. US$(000)	Inversiones Cordillera del Sur Ltda. US$(000)
Operating activities	(3,671)	7,149
Investment activities	(5,933)	(29,696)
Financing activities	13,125	19,663
Net increase of cash and cash equivalents	3,521	(2,884)

39. Subsequent events

The General Shareholders' Meeting held on January 30, 2014, approved that the Company issue Senior Notes through a private offering under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also it was agreed to list these securities in the Luxembourg Stock Exchange. On January 31, 2014, the Company issued Senior 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 a loan with Bank of Nova Scotia and to support related mining operations.

On February 7, 2014, the Group prepaid the loan maintained with Bank of Nova Scotia for US$200,000,000.

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