

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

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 and gold. Metallic tin is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno. After the tin concentrate is obtained, it is subject to smelting and refinery processes in the Company's plant located in Pisco. In January 2013, the Company started its production activities at the Pucamarca mining unit (located in the region of Tacna), which contains reserves of gold and silver.

The Investment share of the Company are listed on the Lima Stock Exchange (BVL).

This condensed interim separate information has not been audited or limited review

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

2.1 Basis of preparation -

The interim separate financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited separate financial statements as of December 31, 2013.

2.2. Standards and accounting policies -

The accounting policies adopted in the preparation of the interim separate financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013.

3. Cash and cash equivalents

(a) This caption was made up as follows:

	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Cash on hand and petty cash	59	98
Cash at bank	188,411	23,453
Term deposits	309,716	175,985
	<u>498,186</u>	<u>199,536</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

4. Trade and other receivables, net

This caption is made up as follows:

	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Trade receivables, net	38,404	50,212
Other receivables, net:		
Value added tax credit	4,355	6,023
Related parties (note 20)	80,507	40,367
Others	4,215	3,665
	89,077	50,055
Total	127,481	100,267
Classification by maturity:		
Current portion	47,384	60,798
Non-current portion	80,097	39,469
Total	127,481	100,267

5. Inventories, net

(a) This caption is made up as follows:

	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Finished products	29,432	46,834
Work in progress	35,532	50,104
Material and supplies	22,771	23,890
Inventory in transit	59	162
	87,794	120,990
Impairment losses	(1,289)	(1,289)
	86,505	119,701

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

6. Investments in subsidiaries and associates

This caption is made up as follows:

	Interest in equity		Investment amount	
	As of June 30, 2014 %	As of December 31, 2013 %	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Subsidiaries				
Minera Latinoamericana S.A.C.	99.99	99.99	1,026,777	1,026,777
Cumbres Andinas S.A.	99.97	99.97	644,257	624,897
Minsur U.S.A. Inc.	99.99	99.99	200	200
			<u>1,671,234</u>	<u>1,651,874</u>
Associates				
Rímac Seguros y Reaseguros.	14.51	14.51	54,924	54,924
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	6,019	17,890
Explosivos S.A.	7.30	7.30	4,761	4,761
Futura Consorcio Inmobiliario S.A.	4.96	4.96	607	607
			<u>66,311</u>	<u>78,182</u>
			<u>1,737,545</u>	<u>1,730,056</u>

The Company has recognized its investments in Rimac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A., as investments in associates, considering that together with Inversiones Breca (parent Company), has the ability to exercise significant influence over the Board of Directors of such companies, which are managed as part of an economic group.

7. Property, plant and equipment, net

(a) This caption is made up as follows:

	Opening balance 31.12.2013 US\$(000)	Additions US\$(000)	Deductions and adjustments US\$(000)	Transfers US\$(000)	Ending balance 30.06.2014 US\$(000)
Cost					
Land	8,886	-	-	-	8,886
Building and installations	280,519	-	-	26,195	306,714
Machinery and equipment	228,660	4	(254)	4,274	232,684
Furniture and fixture and computer equipment	4,369	-	(1)	236	4,604
Communication and safety equipment	1,270	-	-	109	1,379
Vehicles	5,758	-	(717)	138	5,179
Units in transit	3,427	-	-	(820)	2,607
Works in progress	49,034	14,648	-	(31,980)	31,702
Mine closure cost	57,793	-	-	(419)	57,374
	<u>639,716</u>	<u>14,652</u>	<u>(972)</u>	<u>(2,267)</u>	<u>651,129</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

	Opening balance 31.12.2013 US\$(000)	Additions US\$(000)	Deductions and adjustments US\$(000)	Transfers US\$(000)	Ending balance 30.06.2014 US\$(000)
Depreciación acumulada					
Building and installations	109,551	14,396	-	-	123,947
Machinery and equipment	155,366	6,534	(129)	-	161,771
Furniture and fixture and computer equipment	2,996	169	(1)	-	3,164
Communication and safety equipment	428	74	-	-	502
Vehicles	3,522	276	(547)	-	3,251
Units in transit	19,373	3,252	-	-	22,625
	<u>291,236</u>	<u>24,701</u>	<u>(677)</u>	<u>-</u>	<u>315,260</u>
Net cost	<u>348,480</u>				<u>335,869</u>

8. Financial obligations

This caption is made up as follows:

Entity	Warranty	Interest rate	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Bonds " Minsur - Notes Due 2024"	Unsecured	Coupon rate 6.25%	450,000	-
The Bank of Nova Scotia	Unsecured	Libor3m +1.58%	-	200,000
Banco de Crédito del Perú	Leasehold		<u>1,154</u>	<u>1,154</u>
			451,154	201,154
Finance commission			<u>(7,942)</u>	<u>(725)</u>
			<u>443,212</u>	<u>200,429</u>
By maturity:				
Current portion			-	26,154
Non-current portion			<u>443,212</u>	<u>174,275</u>
			<u>443,212</u>	<u>200,429</u>

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 Company prepaid the loan maintained with Bank of Nova Scotia for US\$200,000,000.

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

9. Trade and other payables

The composition of this caption is presented below:

	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Trade :		
Third parties	25,175	26,507
Related parties (note 20)	9,300	20,870
	<u>34,475</u>	<u>47,377</u>
Dividends payables	596	592
Tax and contributions payable	12,282	15,007
Interest on borrowings	11,110	254
Other accounts payables	2,352	1,756
	<u>26,340</u>	<u>17,609</u>
	<u>60,815</u>	<u>64,986</u>

10. Provisions

This caption is made up as follows:

	As of June 30, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Provisions for mine closure	53,789	53,972
Provisions for bonuses to employees	2,297	3,736
Provisions for environment contingencies and other contingencies	1,302	1,215
	<u>57,388</u>	<u>58,923</u>
By maturity:		
Current portion	5,331	6,013
Non-current portion	52,057	52,910
	<u>57,388</u>	<u>58,923</u>

11. Income tax

The expense for income tax consists on the following:

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

	As of June 30, 2014 US\$(000)	As of June 30, 2013 US\$(000)
Income tax		
Current	58,505	61,211
Deferred	(3,555)	(561)
	<u>54,950</u>	<u>60,650</u>
Mining royalties and special mining tax		
Current	19,062	18,877
Deferred	(432)	1,167
	<u>18,630</u>	<u>20,544</u>
	<u>73,580</u>	<u>81,194</u>

12. Declared and paid dividends

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

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

13 Net Sales

The composition of this caption is presented below:

	As of June 30, 2014 US\$000	As of June 30, 2013 US\$000
Tin	346,269	281,558
Gold	<u>63,326</u>	<u>78,709</u>
	409,595	360,267
Embedded derivative for sale of tin	<u>(784)</u>	<u>(851)</u>
	<u>408,811</u>	<u>359,416</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

14 Cost of sales

The composition of this caption is made as follows:

	As of June 30, 2014	As of June 30, 2013
	US\$000	US\$000
Opening finished product inventory	46,834	50,153
Opening product in process inventory	50,104	38,272
Stripping cost	0	8,916
Wages and salaries	28,481	25,201
Services rendered by third parties	33,290	30,697
Consumption of miscellaneous supplies	48,300	50,230
Electricity	6,058	5,172
Depreciation and amortization	26,384	28,948
Other manufacturing expenses	2,421	2,738
Final finished product inventory	(29,432)	(57,793)
Final work in process inventory	(35,532)	(49,534)
	<u>176,908</u>	<u>133,000</u>

The variation in cost of sales was mainly due to higher sales of tin the first semester of 2014 compared to the same period last year.

15 Administrative expenses

The composition of this caption is made as follows:

	As of June 30, 2014	As of June 30, 2013
	US\$000	US\$000
Personnel expenses	12,017	10,661
Services provided by third parties	2,981	3,974
Other management charges and provisions	647	1,088
Depreciation	142	119
	<u>15,787</u>	<u>15,842</u>

16 Sales expenses

The composition of this caption is made as follows:

	As of June 30, 2014	As of June 30, 2013
	US\$000	US\$000
Personnel expenses	333	320
Services provided by third parties	3,958	3,464
Other management charges and provisions	464	824
Depreciation	4	3
	<u>4,759</u>	<u>4,611</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

17 Explorations expenses

The composition of this caption is made as follows:

	As of June 30, 2014	As of June 30, 2013
	US\$000	US\$000
Personnel expenses	2,821	2,350
Services provided by third parties	5,980	1,703
Other management charges and provisions	1,114	519
Depreciation	56	45
	<u>9,971</u>	<u>4,617</u>

18. Commitments and contingencies

a) Environments Commitments -

The exploration and exploitation activities of the Company are subject to the rules of environmental disclosures in the separated at December 31, 2013 financial statements. There were no significant changes during the period ended June 30, 2014.

b) Contingencies -

The company has no additional significant contingencies other than those described in separated at December 31, 2013 financial statements.

19. Earnings per share

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

The basic and diluted earnings per share are the same as of June 30, 2014 and 2013, since there is no reducing effects on profits.

The calculation of the earnings per share is presented below:

	2014	2013
Net earnings – US\$(000)	<u>114,333</u>	<u>117,434</u>
Denominator		
Common shares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Earnings per share:		
Basic and diluted per common share–		
US\$(000)	3.966	4.073
Basic and diluted per investment share		
– US\$(000)	0.040	0.041

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

20. Related parties balances

The balances of receivables and payables with related entities as of June 30, 2014 and December 31, 2013 follow:

	As of June 30, 2014 US\$(000)	As of June 30, 2013 US\$(000)
Receivables		
Mineração Taboca S.A.	80,097	39,469
Minera Carabaya S.A. (en Liquidación)	2,850	2,851
Administración de Empresas S.A.	233	659
Centria Servicios Administrativos S.A.	38	66
Constructora AESA S.A.	-	52
Compañía Minera Raura S.A.	74	38
Cumbres Andinas S.A.	-	14
Minera Latinoamericana S.A.C.	-	14
Cía. Minera Barbastro S.A.C.	-	14
Minera Sillustani S.A.	-	14
Tecnológica de Alimentos S.A.	-	2
Marcobre S.A.C.	42	-
	<u>83,334</u>	<u>43,193</u>
Allowance for doubtful accounts	<u>(2,827)</u>	<u>(2,826)</u>
	<u>80,507</u>	<u>40,367</u>
	2014 US\$(000)	2013 US\$(000)
Clasificación by maturity:		
Current	410	898
Non Current	<u>80,097</u>	<u>39,469</u>
Total	<u>80,507</u>	<u>40,367</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

	As of June 30, 2014 US\$(000)	As of June 30, 2013 US\$(000)
Payables		
Administración de Empresas S.A.	4,500	12,437
Constructora AESA S.A.	-	5,032
Exsa S.A.	1,820	1,817
Rímac Seguros y Reaseguros	85	705
Clínica Internacional S.A.	314	308
Centria Servicios Administrativos S.A.	17	143
Rímac S.A. Entidad Prestadora de Salud	-	138
Estratégica S.A.C.	-	98
Urbanizadora Jardín S.A.	10	83
Marcobre S.A.	-	30
Protección Personal S.A.C.	57	31
Mineração Taboca S.A.	2,473	22
Compañía Minera Raura S.A.	14	21
Inversiones Nacionales de Turismo S.A.	-	2
Bodegas Viña de Oro S.A.	-	2
Corporación Peruana de Productos Químicos	10	1
	<u>9,300</u>	<u>20,870</u>

21 Segment information

For management purposes the Company is organized into business units based on their products and operations, and as it has two reportable segments are as follows:

- Production and marketing of tin
- Production and marketing of gold

Below is information on revenue and operating profit of the operating segments of the Company at June 30, 2014:

	Tin US\$(000)	Gold US\$(000)	Total S\$(000)
Net Sales	346,269	63,326	409,595
Embedded derivated for sale of tin	(784)	-	(784)
Cost of sales	<u>(141,792)</u>	<u>(35,116)</u>	<u>(176,908)</u>
Gross margin	<u>203,693</u>	<u>28,210</u>	<u>231,903</u>
Operating expenses:			
Administrative expenses	(12,653)	(3,134)	(15,787)
Sales expenses	(4,757)	(2)	(4,759)
Exploration expenses	(7,992)	(1,979)	(9,971)
Other expenses, net	<u>(2,833)</u>	<u>(702)</u>	<u>(3,535)</u>
Operating income	<u>175,458</u>	<u>22,393</u>	<u>197,851</u>
Depreciation and amortization (included in cost of sales and expenses)	<u>(13,564)</u>	<u>(13,176)</u>	<u>(26,740)</u>

Minsur S.A.

Notes to the interim separated financial statements

For the six-month periods ended June 30, 2014 (unaudited)

Below is information on revenue and operating profit of the operating segments of the Company at June 30, 2013:

	Tin S\$(000)	Gold US\$(000)	Total US\$(000)
Net Sales	281,557	78,710	360,267
Embedded derivated for sale of tin	(851)	-	(851)
Cost of sales	<u>(102,990)</u>	<u>(30,010)</u>	<u>(133,000)</u>
Gross margin	<u>177,716</u>	<u>48,700</u>	<u>226,416</u>
Operating expenses:			
Administrative expenses	(12,267)	(3,575)	(15,842)
Sales expenses	(4,608)	(3)	(4,611)
Exploration expenses	(3,575)	(1,042)	(4,617)
Other expenses, net	<u>(1,698)</u>	<u>(494)</u>	<u>(2,192)</u>
Operating income	<u>155,568</u>	<u>43,586</u>	<u>199,154</u>
Depreciation and amortization (included in cost of sales and expenses)	<u>(15,588)</u>	<u>(13,799)</u>	<u>(29,387)</u>