

Minsur S.A.

Interim statements of financial position

As of March 31, 2014 (unaudited) and December 31, 2013 (audited)

	Note	2014	2013
		US\$(000)	US\$(000)
Assets			
Current assets			
Cash and cash equivalents	3	445,034	199,536
Financial assets at fair value through profit or loss		9,999	10,129
Trade and other receivables, net	4	64,206	60,798
Inventory, net	5	93,308	119,701
Income tax prepayments		11,733	8,035
Prepaid expenses		3,730	89
		<u>628,010</u>	<u>398,388</u>
Non-current assets			
Trade and other receivables, net	4	79,187	39,469
Investments in associates		1,743,916	1,730,056
Property, plant and equipment, net	6	340,817	348,480
Intangible assets, net		31,313	34,336
Deferred income tax asset, net		4,674	1,184
		<u>2,199,907</u>	<u>2,153,525</u>
Total asset		<u>2,827,917</u>	<u>2,551,813</u>
Liabilities			
Current liabilities			
Trade and other payables		108,479	101,290
Financial obligations	8	-	26,154
Provisions	9	17,461	6,903
		<u>125,940</u>	<u>134,347</u>
Non-current liabilities			
Financial obligations	8	443,063	174,275
Provisions	9	53,166	52,910
Deferred income tax liability, net		7,014	7,930
		<u>503,243</u>	<u>235,115</u>
Total liabilities		<u>629,183</u>	<u>369,462</u>
Equity			
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Other reserves		424	424
Retained earnings		1,176,146	1,159,763
Total equity		<u>2,198,734</u>	<u>2,182,351</u>
Total liabilities and equity		<u>2,827,917</u>	<u>2,551,813</u>

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Interim income statements

For the three-month periods ended March 31, 2014 and 2013
(unaudited)

	Note	For the three-month periods ended March 31,	
		2014 US\$(000)	2013 US\$(000)
Net sales	15	218,024	191,418
Cost of sales		<u>(92,426)</u>	<u>(63,780)</u>
Gross margin		<u>125,598</u>	<u>127,638</u>
Operating expenses			
Administrative expenses		(7,625)	(7,893)
Selling expenses		(1,930)	(2,048)
Exploration expenses		(2,464)	(1,599)
Other income		4,884	1,644
Other expenses		<u>(6,479)</u>	<u>(2,791)</u>
Total operating expenses		<u>(13,614)</u>	<u>(12,687)</u>
Operating income		<u>111,984</u>	<u>114,951</u>
Other income (expenses)			
Finance income		1,067	898
Finance costs		(5,534)	(762)
Gain (loss) from derivative financial instruments, net		(129)	(476)
Gain (loss) from financial assets at fair value through profit or loss		-	(245)
Dividends			104
Exchange difference, net		122	<u>(3,299)</u>
Total other income (expenses)		<u>(4,474)</u>	<u>(3,780)</u>
Profit before income tax		<u>107,510</u>	<u>111,171</u>
Income tax expense	10	<u>(41,125)</u>	<u>(40,560)</u>
Profit for the period		<u>66,385</u>	<u>70,611</u>
Earnings per share stated in U.S. dollar (basic and diluted) attributable to:			
Common shares	13	2.30	2.45
Investment shares	13	0.02	0.02

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Interim statements of changes in equity

For the three-month periods ended March 31, 2014 and 2013 (unaudited)

	Capital stock	Investment shares	Legal reserve	Other reserves	<u>Retained earnings</u>	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2013	601,269	300,634	120,261	424	974,808	1,997,396
Profit for the period	-	-	-	-	70,611	70,611
Dividends, note 11 (a)	-	-	-	-	(50,000)	(50,000)
Balances as of March 31, 2013	601,269	300,634	120,261	424	995,419	2,018,007
Balances as of January 1, 2014	601,269	300,634	120,261	424	1,159,761	2,182,349
Profit for the period	-	-	-	-	66,385	66,385
Dividends, note 11 (a)	-	-	-	-	(50,000)	(50,000)
Balances as of March 31, 2014	601,269	300,634	120,261	424	1,176,146	2,198,734

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Interim statements of cash flows

For the three-month periods ended March 31, 2014 and 2013 (unaudited)

	For the three-month periods ended March 31,	
	2014	2013
	US\$(000)	US\$(000)
Operating activities		
Collection from customers	213,907	173,322
Recovery of value added tax	-	-
Interest received	251	898
Payments to suppliers	(61,353)	(48,758)
Payroll and social benefit payments	(47,882)	(44,549)
Tax payments	(42,745)	(31,895)
Other receipts (payments) related to the activity, net	(13,984)	(1,513)
Net cash flows provided by operating activities	48,194	47,505
Investing activities		
Loan to subsidiary	(39,000)	(23,000)
Purchase of property, plant and equipment	(2,363)	(11,276)
Capital contribution to associate	(13,860)	-
Proceeds from sale of property, plant and equipment	2,525	-
Proceeds from intangibles	109	-
Others	(5)	-
Net cash flows used in investing activities	(52,594)	(34,276)
Financing activities		
Proceeds from borrowings	450,000	-
Repayment of borrowings	(200,000)	-
Interest paid		(892)
Dividends paid		(1)
Others	6	-
Net cash flows provided by (used in) financing activities	250,006	(893)
Net (decrease) increase in cash and cash equivalents	245,606	12,336
Net exchange difference	(108)	998
Cash and cash equivalents as of January 1	199,536	91,303
Cash and cash equivalents as of March 31	445,034	104,637

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Interim statements of changes in equity

For the three-month periods ended March 31, 2014 and 2013 (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 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 financial statements as of December 31, 2013.

2.2. Standards and accounting policies -

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the 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 March 31, 2014	As of December 31, 2013
	US\$(000)	US\$(000)
Cash on hand and petty cash	70	98
Cash at bank (b)	117,932	23,453
Term deposits (c)	327,032	175,985
	<u>445,034</u>	<u>199,536</u>

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Interim statements of changes in equity

For the three-month periods ended March 31, 2014 and 2013 (unaudited)

4. Trade and other receivables, net

This caption is made up as follows:

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Trade receivables, net	54,332	50,212
Other receivables, net:		
Value added tax credit	5,639	6,023
Related parties (note 20)	79,579	40,367
Others	4,113	3,665
	<u>89,183</u>	<u>50,055</u>
Total	<u>143,393</u>	<u>100,267</u>
Classification by maturity:		
Current portion	64,206	60,798
Non-current portion	79,187	39,469
Total	<u>143,393</u>	<u>100,267</u>

5. Inventories, net

(a) This caption is made up as follows:

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Finished products	36,471	46,834
Work in progress	35,518	50,104
Material and supplies	22,514	23,890
Inventory in transit	94	162
	<u>94,597</u>	<u>120,989</u>
Impairment losses	(1,289)	(1,289)
	<u>93,308</u>	<u>119,701</u>

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6. Investments in subsidiaries and associates

This caption is made up as follows:

	Interest in equity		Investment amount	
	As of March 31, 2014 %	As of December 31, 2013 %	As of March 31, 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	638,757	624,897
Minsur U.S.A. Inc.	99.99	99.99	200	200
			<u>1,665,734</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	17,890	17,890
Explosivos S.A.	10.95	7.30	4,761	4,761
Futura Consorcio Inmobiliario S.A.	4.96	4.96	607	607
			<u>78,182</u>	<u>78,182</u>
			<u>1,743,916</u>	<u>1,730,055</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

This caption is made up as follows:

	Opening balance 01.01.2014 US\$(000)	Additions US\$(000)	Deductions and adjustments US\$(000)	Transfers US\$(000)	Ending balance 31.03.2014 US\$(000)
Cost					
Land	8,886	-	-	-	8,886
Building and installations	280,519	-	-	10,368	290,887
Machinery and equipment	228,660	3	(50)	479	229,092
Furniture and fixture and computer equipment	4,369	-	(1)	64	4,432
Communication and safety equipment	1,270	-	-	3	1,273
Vehicles	5,758	-	(333)	-	5,425
Units in transit	3,427	-	-	(549)	2,878
Works in progress	49,034	2,914	-	(10,914)	41,034
Mine closure cost	57,793	1,251	-	-	59,044
	<u>639,716</u>	<u>4,168</u>	<u>(384)</u>	<u>(549)</u>	<u>642,951</u>

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	Opening balance 01.01.2014 US\$(000)	Additions US\$(000)	Deductions and adjustments US\$(000)	Transfers US\$(000)	Ending balance 31.03.2014 US\$(000)
Depreciación acumulada					
Building and installations	109,551	6,117	-	-	115,668
Machinery and equipment	155,366	3,188	(31)	-	158,523
Furniture and fixture and computer equipment	2,996	82	(1)	-	3,077
Comunication and safety equipment	428	35	-	-	463
Vehicles	3,522	142	(261)	-	3,403
Units in transit	19,373	1,627	-	-	21,000
	<u>291,236</u>	<u>11,191</u>	<u>(293)</u>	<u>-</u>	<u>302,134</u>
Net cost	<u>348,480</u>				<u>340,817</u>

8. Financial obligations

This caption is made up as follows:

Entity	Warranty	Interest rate	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Bonds " Minsur - Notes Due 2024"	No guarantees		450,000	-
The Bank of Nova Scotia	No guarantees	Libor3m +1.58%	-	200,000
Banco de Crédito del Perú	Leased assets		1,154	1,154
			<u>451,154</u>	<u>201,154</u>
Prepaid interest			(8,091)	(725)
			<u>443,063</u>	<u>200,429</u>
By maturity:				
Current portion			-	26,154
Non-current portion			<u>443,063</u>	<u>174,275</u>
			<u>443,063</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.

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9. Trade and other payables

The compositions of this caption is presented below:

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Trade :		
Third parties	22,721	26,507
Related parties (note 20)	8,420	20,870
	<u>31,141</u>	<u>47,377</u>
Dividends payables	50,598	592
Tax and contributions payable	19,983	15,007
Other accounts payables	6,757	2,010
	<u>77,338</u>	<u>17,609</u>
	<u>108,479</u>	<u>64,986</u>

10. Provisions

This caption is made up as follows:

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Provisions for mine closure	55,083	53,972
Provisions for bonuses to employees	1,047	3,736
Provisions for environment contingencies and other contingencies	1,458	1,215
	<u>57,588</u>	<u>58,923</u>

Clasificación por vencimiento:

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Current portion	4,422	6,013
Non-current portion	53,166	52,910
	<u>57,588</u>	<u>58,923</u>

11. Income tax

The expense for income tax consists on the following:

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	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
Income tax		
Current	32,279	33,966
Deferred	(789)	(1,533)
	<u>31,490</u>	<u>32,433</u>
Mining royalties and special mining tax		
Current	9,761	9,294
Deferred	(126)	(1,167)
	<u>9,635</u>	<u>8,127</u>
	<u>41,125</u>	<u>40,560</u>

12. Declared and paid dividends

Below is the information on declared and paid during the three- months period ended at March 31, 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 compositions of this caption is presented below:

	<u>2014</u> US\$000	<u>2013</u> US\$000
Tin	185,574	153,843
Gold	<u>32,828</u>	<u>37,575</u>
	218,402	191,418
Embedded derivative for sale of tin	<u>(378)</u>	-
	<u><u>218,024</u></u>	<u><u>191,418</u></u>

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For the three-month periods ended March 31, 2014 and 2013 (unaudited)

14 Cost of sales

The compositions of this caption is made as follows:

	<u>2014</u>	<u>2013</u>
	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	15,268	14,990
Services rendered by third parties	22,423	26,933
Consumption of miscellaneous supplies	13,608	11,574
Electricity	2,790	2,520
Depreciation and amortization	12,041	14,721
Other manufacturing expenses	1,347	921
Final finished product inventory	(36,471)	(52,548)
Final work in process inventory	(35,518)	(52,672)
	<u>92,426</u>	<u>63,780</u>

The variation in cost of sales was mainly due to higher sales of tin the first quarter of 2014 compared to the same period last year and to a lesser extent gold sales that started from February 2013

15 Administrative expenses

The compositions of this caption is made as follows:

	<u>2014</u>	<u>2013</u>
	US\$000	US\$000
Wages and salaries	5,618	4,994
Services rendered by third parties	1,599	1,895
Other management charges and provisions	349	929
Depreciation	59	75
	<u>7,625</u>	<u>7,893</u>

16 Sales expenses

The compositions of this caption is made as follows:

	<u>2014</u>	<u>2013</u>
	US\$000	US\$000
Services rendered by third parties	1,594	1,553
Other management charges and provisions	166	329
Employee benefits	168	164
Depreciation	2	2
	<u>1,930</u>	<u>2,048</u>

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17 Explorations expenses

The compositions of this caption is made as follows:

	<u>2014</u>	<u>2013</u>
	<u>US\$000</u>	<u>US\$000</u>
Depreciation	33	32
Employee benefits	1,197	1,015
Services rendered by third parties	1,058	430
Other management charges and provisions	176	122
	<u>2,464</u>	<u>1,599</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 financial statements at December 31, 2013. There were no significant changes during the period ended March 31, 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 March 31, 2014 and 2013, since there is no reducing effects on profits.

The calculation of the earnings per share is presented below:

	<u>2014</u>	<u>2013</u>
Net earnings – US\$(000)	66,385	70,611
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)	2.30	2.45
Basic and diluted per investment share – US\$(000)	0.02	0.02

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Interim statements of changes in equity

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20. Related parties balances

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

	2014 US\$(000)	2013 US\$(000)
Receivables		
Mineração Taboca S.A.*	79,187	39,469
Minera Carabaya S.A. (en Liquidación)	2,836	2,851
Administración de Empresas S.A.	259	659
Centria Servicios Administrativos S.A.	29	66
Constructora AESA S.A.	-	52
Compañía Minera Raura S.A.	58	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.	4	2
Marcobre S.A.C.	19	-
	<u>82,392</u>	<u>43,193</u>
Allowance for doubtful accounts	<u>(2,813)</u>	<u>(2,826)</u>
	<u>79,579</u>	<u>40,367</u>
	2014 US\$(000)	2013 US\$(000)
Clasificación by maturity:		
Current	392	898
Non Current	79,187	39,469
	<u>79,579</u>	<u>40,367</u>
Total	<u>79,579</u>	<u>40,367</u>

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	2014 US\$(000)	2013 US\$(000)
Payables		
Administración de Empresas S.A.	3,382	12,437
Constructora AESA S.A.	1,966	5,032
Exsa S.A.	1,289	1,817
Rímac Seguros y Reaseguros	1,683	705
Clínica Internacional S.A.	81	308
Centría Servicios Administrativos S.A.	1	143
Rímac S.A. Entidad Prestadora de Salud	-	138
Estratégica S.A.C.	-	98
Urbanizadora Jardín S.A.	4	83
Marcobre S.A.	-	30
Protección Personal S.A.C.	-	31
Mineração Taboca S.A.	-	22
Compañía Minera Raura S.A.	7	21
Inversiones Nacionales de Turismo S.A.	-	2
Bodegas Viña de Oro S.A.	-	2
Corporación Peruana de Productos Químicos	7	1
	<u>8,420</u>	<u>20,870</u>

* The receivables from subsidiary Mineração Taboca S.A. corresponds to three loans for working capital granted during 2013, maturing between 24 and 36 months from the date of subscription without specific guarantees.

The payables have current maturities, have no interest and have no specific guarantees. The receivables from Minera Carabaya S.A., will be write off when liquidation process will be completed.

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 (production begins in January 2013).

Below is information on revenue and operating profit of the operating segments of the Company at March 31, 2014:

	Tin US\$(000)	Gold US\$(000)	Total S\$(000)
Net Sales	185,574	32,828	218,402
Embedded derivated for sale of tin	(378)	-	(378)
Cost of sales	<u>(74,965)</u>	<u>(17,461)</u>	<u>(92,426)</u>
Gross margin	110,231	15,367	125,598
Operating expenses:			
Administrative expenses	(6,184)	(1,441)	(7,625)
Sales expenses	(1,929)	(1)	(1,930)

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Exploration expenses	(1,999)	(465)	(2,464)
Other expenses, net	(1,293)	(302)	(1,595)
Operating income	98,826	13,158	111,984
Depreciation and amortization (included in cost of sales and expenses)	(5,858)	(6,354)	(12,212)

Below is information on revenue and operating profit of the operating segments of the Company at March 31, 2013:

	Estaño S\$(000)	Oro US\$(000)	Total US\$(000)
Net Sales	153,843	37,575	191,418
Cost of sales	(51,503)	(12,277)	(63,780)
Gross margin	102,340	25,298	127,638
Operating expenses:			
Administrative expenses	(6,374)	(1,519)	(7,893)
Sales expenses	(2,048)	-	(2,048)
Exploration expenses	(1,291)	(308)	(1,599)
Other expenses, net	(927)	(221)	(1,148)
Operating income	91,700	23,250	114,950
Depreciation and amortization (included in cost of sales and expenses)			
Net Sales	(8,658)	(5,487)	(14,145)