

Minsur S.A.

Notes to the interim condensed separated financial statements

For the period ended June 30, 2015 (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. The Company also operates the mining unit Pucamarca (located in the region of Tacna), which contains reserves of gold.

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

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

(c) Approval of separate financial statements -

The condensed separate financial statements as of June 30, 2015 were authorized by Management. The separate condensed financial statements as of December 31, 2014 and for the year then ended, were authorized by Management on March 26, 2015.

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, 2014.

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 2014.

The Management of the Company has decided to implement the change early the Amendment to IAS 27: Return of Equity Method in Separate Financial Statements. The accounting effects of this early adoption are shown below:

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Separate statement of financial position

	As of June, 30 2014	
	US\$(000)	
Total assets previously reported	2,836,642	
Decrease of investments in subsidiaries and associates	<u>(480,578)</u>	
Total assets restated	<u>2,356,064</u>	
Total net equity previously reported	2,246,682	
Decrease of equity	<u>(480,578)</u>	
Total net equity restated	<u>1,766,104</u>	

Separate statements of income

	2nd Quarter 2014	
	US\$(000)	
Net income previously reported	114,333	
Equity in income of subsidiaries and associates	(21,520)	
Dividends Income	<u>(1,346)</u>	
Profit restated	91,467	
Other comprehensive income of subsidiaries	<u>9,221</u>	
Total comprehensive income	<u>100,688</u>	

Earnings (loss) per share	Common shares	Investment shares
Previously reported	3.966	0.040
Early adoption of amendment of IAS 27	<u>(0.793)</u>	<u>(0.008)</u>
Net income per share restated	<u>3.173</u>	<u>0.032</u>

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3. Cash and cash equivalents

This caption was made up as follows:

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Cash on hand and petty cash	14	91
Cash at bank	41,365	2,052
Time deposits	96,383	81,343
Overnight deposits	200,187	305,176
Funds subject to restriction	47	50
	<u>337,996</u>	<u>388,712</u>

4. Trade and other receivables, net

This caption was made up as follows:

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Trade receivables, net	42,987	42,279
Related parties (note 22)	489	82,514
Other receivables, net:		
Value added tax credit	5,480	7,515
Others	8,669	4,552
Subtotal	14,149	12,067
Total	<u>57,625</u>	<u>136,860</u>
Classification by maturity		
Current	57,625	54,922
Non Current	-	81,938
	<u>57,625</u>	<u>136,860</u>

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5. Inventories, net

This caption was made up as follows:

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Finished products	13,005	20,444
Products in progress	25,296	29,057
Material and supplies	23,851	20,961
Inventory in transit	25	246
	<u>62,177</u>	<u>70,708</u>
Allowance for obsolescence	(2,166)	(2,166)
	<u>60,011</u>	<u>68,542</u>

6. Other financial assets

The Company has decided to invest part of its surplus cash in shares and equity instruments of foreign companies, which have been designated as financial assets at fair value through profit or loss and financial assets available for sale.

(a) The composition of this caption as follows:

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

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

	Financial assets at fair value through	Available-for sale financial investments
	US\$(000)	US\$(000)
Opening balance	8,155	189,576
Interest	-	360
Fair value adjustments	224	1,262
Ending balance	<u>8,379</u>	<u>191,198</u>

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The company invests in entities of recognized prestige in the international market; therefore have a very low level of risk. In the opinion of management the value of the shares is recoverable and highly liquid.

7. Investments in subsidiaries and associates

This caption is made up as follows:

	Interest in equity		Investments amount	
	As of June 30, 2015	As of December 31, 2014	As of June 30, 2015	As of December 31, 2014
	%	%	US\$(000)	US\$(000)
Subsidiaries				
Minera Latinoamericana S.A.C.	99.99	99.99	518,559	505,243
Cumbres Andinas S.A.	99.97	99.97	538,993	547,522
Minsur U.S.A. Inc.	99.99	99.99	292	200
			<u>1,057,844</u>	<u>1,052,965</u>
Associates				
Rímac Seguros y Reaseguros.	14.51	14.51	57,830	62,902
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	4,399	4,078
Explosivos S.A.	7.30	7.30	7,843	7,340
Futura Consorcio Inmobiliario S.A.	4.96	4.96	4,823	5,097
			<u>74,895</u>	<u>79,417</u>
			<u>1,132,739</u>	<u>1,132,382</u>

As explained in Note 2.2, investments in subsidiaries and associates are recognized at equity method value.

The Company has recognized its investments in Rimac Seguros y Reaseguros, Explosivos S.A. as investments in associates, considering that in conjunction 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.

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8. Property, plant and equipment, net

This caption is made up as follows:

	Opening Balance 01.01.2015	Additions	Deductions	Retirements and Transfers	Ending Balance 30.06.2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -					
Land	12,050	106	-	30	12,186
Buildings and installations	333,857	8	-	4,421	338,286
Machinery and equipment	231,442	-	(1,854)	3,154	232,742
Furniture and fixtures and computer equipment	5,295	-	(11)	(528)	4,756
Communication and safety equipment	1,438	-	-	30	1,468
Vehicles	4,935	-	(192)	38	4,781
Units in transit	808	-	-	(808)	-
Work in progress	10,730	4,503	-	(7,192)	8,041
Leasing	4,594	-	-	-	4,594
Asset Retirement Obligation	56,237	3,390	-	-	59,627
	661,386	8,007	(2,057)	(855)	666,481
Accumulated depreciation -					
Buildings and installations	144,774	19,129	-	-	163,903
Machinery and equipment	162,805	5,908	(1,429)	-	167,284
Furniture and fixtures and computer equipment	3,687	169	(11)	(372)	3,473
Communication and safety equipment	214	88	-	372	674
Vehicles	3,122	236	(192)	-	3,166
Leasing	1,139	326	-	-	1,465
Asset Retirement Obligation	25,621	2,646	-	-	28,267
	341,362	28,502	(1,632)	-	368,232
Net Cost	320,024				298,249

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9. Financial liabilities

This caption is made up as follows:

Entity	Warranty	Interest rate	As of June 30, 2015 US\$(000)	As of December 31, 2014 US\$(000)
Corporate bonds - Notes Due 2024	Unsecured	Coupon rate 6.25%	449,774	449,100
Banco de Crédito del Perú	Leasehold		211	318
Banco Continental	Leasehold		462	1,043
Total			450,447	450,461
Clasificación by maturity				
Current			11,118	12,249
Non Current			439,329	438,212
			450,447	450,461

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.

10. Trade and other payables

This caption is made up as follows:

	As of June 30, 2015 \$(000)	As of December 31, 2014 \$(000)
Trade payables		
Third parties	20,880	37,670
Related parties (note 22)	4,993	11,397
	25,873	49,067
Dividends	730	703
Tax and contributions payable	6,289	11,063
Other	2,420	1,806
	9,439	13,572
Total	35,312	62,639

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11. Provisions

This caption is made up as follows:

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Provision for enviromental remediation	56,010	52,513
Provision for enviromental contingencies and other	1,548	1,911
	<u>57,558</u>	<u>54,424</u>
Clasification by maturity		
Current	1,548	3,620
Non Current	56,010	50,804
	<u>57,558</u>	<u>54,424</u>

12. Income tax

(a) The expense for income tax consists on the following:

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Income Tax:		
Deferred income tax assets		
Provision for enviromental remediation	13,092	13,573
Investments at fair value though profit and loss	1,642	1,964
Mining royalty and special mining tax	899	1,259
Vacations payables	537	538
Available for sale financial investments	-	119
Embedded derivatives for sale of tin	190	156
Differences beteen financial and tax basis of fixed assets	866	-
Other provisions	639	1,033
	<u>17,865</u>	<u>18,642</u>

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Deferred income tax liabilities

Asset retirement costs	(8,546)	(8,334)
Development costs	(3,158)	(5,169)
Exchange difference for non-monetary items	(8,966)	(3,652)
Differences between financial and tax basis of inventory	(1,042)	(888)
Available for sale financial investments	(323)	-
Differences between financial and tax basis of fixed assets	-	(1,716)
	<u>(22,035)</u>	<u>(19,759)</u>
Deferred income tax liability, net	<u>(4,170)</u>	<u>(1,117)</u>

Mining royalty (MR) and Special Mining Tax (SMT):

Deferred assets

Exploration expenses	808	623
Differences in book and tax basis of fixed assets	209	-
	<u>1,017</u>	<u>623</u>

Deferred liabilities

Exchange difference for non-monetary items	(2,005)	(1,082)
Differences between financial and tax basis of inventory	(233)	(151)
Differences between financial and tax basis of fixed assets	-	(544)
	<u>(2,238)</u>	<u>(1,777)</u>
Deferred tax liability of MR and SMT, net	<u>(1,221)</u>	<u>(1,154)</u>
Total deferred income tax liabilities, net	<u>(5,391)</u>	<u>(2,271)</u>

(b) The expense for income tax shown in the separate statement of income consists on the following:

	As of June 30, 2015 US\$(000)	As of June 30, 2014 US\$(000)
Income Tax:		
Current	24,223	58,505
Deferred	3,053	(3,555)
	<u>27,276</u>	<u>54,950</u>
Mining royalty and Special Mining Tax:		
Current	6,685	19,062
Deferred	67	(432)
	<u>6,752</u>	<u>18,630</u>
Total	<u>34,028</u>	<u>73,580</u>

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13. Equity

(a) Capital stock -

As of June 30, 2015 and December 31, 2014 and 2013 the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, comprises 19,220,015 common shares with a nominal value of S/.100.00 each one.

(b) Investment shares -

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

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

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

(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 must be replenished.

As of June 30, 2015, the Company did not increase its legal reserve due to the legal reserve reached the limit mentioned above.

14. Declared dividends

Below is the information on declared dividends for the period ended June 30, 2015 and 2014:

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

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15. Net Sales

Sales for the period ended June 30 include:

	2015	2014
	US\$(000)	US\$(000)
Tin	183,647	346,269
Gold	72,116	63,326
	<u>255,763</u>	<u>409,595</u>
Embedded derivative for sale of tin	(121)	(784)
	<u>255,642</u>	<u>408,811</u>

16. Cost of Sales

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

	2015	2014
	\$(000)	\$(000)
Opening finished product inventory	20,444	46,834
Opening product in process inventory	29,057	50,104
Opening inventory	<u>49,501</u>	<u>96,938</u>
Consumption of miscellaneous supplies	21,428	28,481
Wages and salaries	21,587	33,290
Services rendered by third parties	49,475	48,300
Electricity	6,214	6,058
Depreciation y amortization	30,477	26,384
Other manufacturing expenses	2,062	2,421
Production cost	<u>131,243</u>	<u>144,934</u>
Final finished product inventory	(13,005)	(29,432)
Final product in process inventory	(25,296)	(35,532)
Final inventory	<u>(38,301)</u>	<u>(64,964)</u>
Cost of sales	<u>142,443</u>	<u>176,908</u>

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17. Administrative expenses

The administrative expenses for the period ended June 30 include:

	2015	2014
	\$(000)	\$(000)
Personnel expenses	13,450	12,017
Services rendered by third parties	2,959	2,981
Other management charges and provisions	626	647
Depreciation	163	142
	<u>17,198</u>	<u>15,787</u>

18. Selling expenses

The selling expenses for the period ended June 30 include:

	2015	2014
	\$(000)	\$(000)
Personnel expenses	320	333
Services rendered by third parties	2,577	3,958
Other management charges and provisions	468	464
Depreciation	4	4
	<u>3,369</u>	<u>4,759</u>

19. Exploration expenses

The exploration expenses for the period ended June 30 includes:

	2015	2014
	\$(000)	\$(000)
Exploration expenses		
Personnel expenses	2,306	2,821
Services rendered by third parties	8,646	5,980
Other management charges and provisions	1,045	1,114
Depreciation	157	56
Total exploration expenses	<u>12,154</u>	<u>9,971</u>
Other expenses	5,605	10,501
	<u>17,759</u>	<u>20,472</u>

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20. 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, 2014 financial statements. There were no significant changes during the period ended June 30, 2015.

(b) Contingencies -

As of June 30, 2015 has no additional significant contingencies other than those described in separated at December 31, 2014 financial statements.

21. Earnings (loss) 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, since there is no reducing effect on profits.

The calculation of the earnings per share is presented below:

	As of June 30, 2015	As of June 30, 2014
	\$(000)	\$(000)
Profit attributable to common and investment shareholders	<u>1,092</u>	<u>91,467</u>
Denominator		
Common shares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Earning (loss) per share		
Profit attributable to common shareholders	0.038	3.173
Profit attributable to investement shareholders	0.000	0.032

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22. Related parties

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

	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Receivable -		
Mineração Taboca S.A.	-	81,938
Administración de Empresas S.A.	292	294
Compañía Minera Raura S.A.	156	171
Cumbres Andinas S.A.	-	18
Minera Latinoamericana S.A.C.	-	14
Cía. Minera Barbastro S.A.C.	-	14
Minera Sillustani S.A.	-	14
Marcobre S.A.C.	41	51
	<u>489</u>	<u>82,514</u>
Clasificación by maturity		
Current	489	576
Non Current	-	81,938
	<u>489</u>	<u>82,514</u>
	As of June 30, 2015	As of December 31, 2014
	US\$(000)	US\$(000)
Payables -		
Administración de Empresas S.A.	3,132	7,129
Exsa S.A.	1,320	2,279
Rímac Seguros y Reaseguros	6	276
Clínica Internacional S.A.	264	470
Centria Servicios Administrativos S.A.	5	66
Estratégica S.A.C.	59	80
Urbanizadora Jardín S.A.	58	184
Marcobre S.A.	6	7
Protección Personal S.A.C.	73	90
Mineração Taboca S.A.	-	765
Compañía Minera Raura S.A.	7	10
Inversiones Nacionales de Turismo S.A.	28	19
Corporación Peruana de Productos Químicos	35	15
Otros	-	7
	<u>4,993</u>	<u>11,397</u>

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23. 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 by operating segments of the Company as of June 30th:

	Tin	Gold	Other non allocable	Total
	US\$(000)	US\$(000)		US\$(000)
2015				
Net sales	183,647	72,116	-	255,763
Embedded derivative	(121)	-	-	(121)
Cost of sales	(106,844)	(35,599)	-	(142,443)
Gross profit	76,682	36,517	-	113,199
Administrative expenses	(12,944)	(4,254)	-	(17,198)
Selling expenses	(3,364)	(5)	-	(3,369)
Exploration and project expenses	-	-	(12,154)	(12,154)
Other expenses, net	-	-	(1,882)	(1,882)
Operating income	60,374	32,258	(14,036)	78,596
Depreciation and amortization (included in costs and expenses)	(13,381)	(17,537)	-	(30,918)
	Tin	Gold	Other non allocable	Total
	US\$(000)	US\$(000)		US\$(000)
2014				
Net sales	346,269	63,326	-	409,595
Embedded derivative	(784)	-	-	(784)
Cost of sales	(141,792)	(35,116)	-	(176,908)
Gross profit	203,693	28,210	-	231,903
Administrative expenses	(12,653)	(3,134)	-	(15,787)
Selling expenses	(4,757)	(2)	-	(4,759)
Exploration and project expenses	-	-	(9,971)	(9,971)
Other expenses, net	-	-	(3,535)	(3,535)
Operating income	186,283	25,074	(13,506)	197,851
Depreciation and amortization (included in costs and expenses)	(13,564)	(13,176)	-	(26,740)