

# Minsur S.A. and Subsidiaries

## Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

### 1. Company's Background and Business Activities

(a) Identification -

Minsur S.A. (hereinafter, the "Company") was incorporated in Peru in October 1977. The Company's activities are regulated by the General Mining Law. The Company is a subsidiary of Inversiones Breca S.A., a company domiciled in Peru, owner of 99.99 % of the common shares representing its capital stock and 6.31% of its investment shares. The registered address of the company is Calle Las Begonias 441, Office 338, San Isidro, Lima, Peru.

(b) Business Activity -

The Company's primary business activity is the production and trading of tin metal obtained from extracting ore from San Rafael Mine, located in the Puno region, and the production and trading of gold obtained from Pucamarca Mine, located in the Tacna region.

Through its subsidiary Minera Latinoamericana S.A.C., the company maintains investments in Mineração Taboca S.A. and subsidiary (which operate a tin mine and a smelting plant in Brazil), in Inversiones Cordillera del Sur Ltda. and subsidiaries (holding of shares of a business group primarily engaged in producing and trading cement in Chile) and in Minera Andes del Sur S.P.A (a Chilean company dedicated to mining exploration). As explained in note 4, investment in Inversiones Cordillera del Sur Ltda. is accounted for as an investment in affiliate.

On the other hand, through its subsidiary Cumbres Andinas S.A., the company holds investments in Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C., and Marcobre S.A.C., mining sector companies at the stage of ore resource exploration and assessment and pre-feasibility studies (Marcobre). As explained in Note 15(iii) as a result of the impairment assessment carried out on 31 December 2015, Marcobre S.A.C.'s Justa Mine Project has recorded an impairment loss amounting to US\$ 640,528,000 (US\$ 481,242,000 net of deferred income tax). This impairment loss reflects the impact of fluctuations in copper price quotes and the changes in the operating model of the project based on the progress of the pre-feasibility study underway. The Company will complete the pre-feasibility project in 2016.

(c) Consolidated financial statements -

The Consolidated Financial Statements include the Company's Financial Statements and those of the following subsidiaries (jointly, the Group):

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	Participation in the issued capital			
	31 March 2016		31 December 2015	
	Direct %	Indirect %	Directa %	Indirecta %
<b>Subsidiaries in Chile:</b>				
Minera Andes del Sur SPA	-	100.00	-	100.00
<b>Subsidiaries in Brazil:</b>				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
<b>Subsidiaries in the Cayman Islands:</b>				
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
<b>Subsidiaries in the Cayman Islands:</b>				
CA Marcobre I (*)	-	99.99	-	99.99
<b>Subsidiaries in Peru:</b>				
Minera Latinoamericana S.A.C.	99.99	-	99.99	-
Cumbres Andinas S.A.	99.97	-	99.97	-
Compañía Minera Barbastro S.A.C.	-	99.99	-	99.98
Minera Sillustani S.A.C.	-	99.47	-	99.47
Marcobre S.A.C.	-	70.00	-	70.00

(\*) Indirectly, through these companies, investment is maintained in subsidiary Marcobre S.A.C. These companies do not develop any other activities.

The following is a brief summary of the activities of the Companies included in the Consolidated Financial Statements:

- Minera Andes del Sur SPA. -  
The corporate purpose of this subsidiary is the exploration and exploitation of mining properties as acquired or obtained and that facilitate or permit the exploitation of ore substances therein contained.
- Mineração Taboca S.A. -  
A mining company whose main operation is the Pitinga mine, located in the north-east region of the state of Amazonas, in the Federative Republic of Brazil. This Mine has mainly tin resources, as well as other minerals.
- Mamoré Mineração e Metalurgia Ltda. -  
The corporate purpose of this subsidiary is to operate the Pirapora smelting plant in Sao Paulo, Brazil.

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- Minera Latinoamericana S.A.C. -  
Investments in Mineração Taboca S.A. and subsidiary are maintained through this subsidiary, as well as in Inversiones Cordillera del Sur Ltda. and subsidiaries and in Minera Andes del Sur S.P.A.
- Cumbres Andinas S.A. -  
At present, the activities of this subsidiary are limited to the holding of shares in mining companies at exploration and/or pre-feasibility studies stage (Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C.), and the ownership of mining concessions.
- Compañía Minera Barbastro S.A.C. -  
The Corporate purpose of the subsidiary is the exploration and exploitation of mineral rights. It is currently engaged in exploration activities in the mining concessions of Marta Mine, located at Paraje de Tinyaccla, district of Huando, province and region of Huancavelica.
- Minera Sillustani S.A.C. -  
The corporate purpose of this subsidiary is the exploration of mines and quarries, and the development of tungsten mining projects, Palca 11 and Hacienda de Beneficia Rocío 2, located in San Antonio de Putina, Puno region. At present, it is mainly engaged in the rehabilitation and remediation of the mining projects of the Regina mining unit in Puno.
- Marcobre S.A.C. -  
The corporate purpose of this subsidiary is the development of mining activities in Peru, being able to perform and execute transactions and contracts related to these activities, directly by own account or, indirectly through a third party. At present its activities are basically oriented to studying the Justa Mine copper project, currently at pre-feasibility stage, located approximately 400 kilometres south-east of Lima, in the Ica region.

## 2. Bases of Preparation, Consolidation and Accounting Policies

### 2.1. Bases of Preparation -

The Company's Consolidated Financial Statements of the Group have been prepared and presented in accordance with the International Financial Reporting Standards (hereinafter, "IFRS"), issued by the International Accounting Standards Board (hereinafter, "IASB"), in force as of 31 March 2016.

The Consolidated Financial Statements have been prepared on the basis of the historical cost, save the financial assets at fair value through profit or loss, the available-for-sale investments, the embedded derivatives for sale of ore, which are presented at their fair value.

The Consolidated Financial Statements attached hereto are presented in United States Dollars (US\$), and all figures have been rounded to thousands, except as otherwise noted.

Preparation of the Consolidated Financial Statements requires that the Group Management uses judgement, estimates, and significant accounting assumptions, as detailed in note 3 below.

These Consolidated Financial Statements provide comparative information with respect to the previous period.

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### 2.2. Bases of Preparation -

The Consolidated Financial Statements comprise the Company's and its subsidiaries' Financial Statements as of December 31, 2015 and 2014. Control is held when the group is exposed, or has the right to variable earnings on account of its participation in the entity and has the capacity to affect those earnings through its power over such investment. Specifically, the investor controls an investee if and only if it has:

- Power over the investee (that is, there are rights granting it the actual capacity of leading the relevant activities thereof).
- Exposure or right to variable yields derived from its participation in the investee.
- Capacity to use its power over the investee to significantly affect its yields.

There is a general assumption that the majority of voting rights imply control.

When the Group has less than a majority of votes or similar rights in the entity, the Group considers all relevant facts and circumstances to evaluate whether it has the power over the entity, which includes:

- The existence of a contractual agreement between investor and the other holders of the voting rights in the investee.
- The rights arising from other contractual agreements.
- The voting rights of the investor, its potential right to vote or a combination of rights.

Relevant activities are those that significantly affect the yields of the subsidiary. The possibility of approving the exploitation and capital budget of a subsidiary and the power to appoint key Management staff are decisions that prove that the Group has the existing rights to direct the relevant activities of a subsidiary.

The Group reassesses whether it has control over an entity or not when the facts and circumstances indicate that changes have taken place in one or more of the three elements of control. The consolidation of a subsidiary begins when the Group gets control of the subsidiary and ceases when the Group ceases to have control over the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or sold during the year are included in the Consolidated Financial Statements from the date on which the Group acquires control until the date when the Group ceases to have control over said subsidiary. When the participation of the Group is less than 100 percent, the interest attributable to external shareholders is reflected in non-controlling stake (hereinafter NCI).

Profit and loss and each component of other comprehensive results (hereinafter OIC) are attributed to the owners of the controlling entity and to the NCI's, even if this results in non-controlling interests with negative balance. If necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All assets and liabilities, equity, income, expenses, and cash flows related to transactions between Group entities are fully eliminated in the consolidation.

Changes in the participation of a subsidiary without loss of control, is computed as equity transaction.

If the Group loses control over a subsidiary, it derecognizes in accounts related assets (including surplus value), liabilities, non-controlling stake and other components of the equity, while any resulting gain or loss is recognized in the Consolidated Statement of Results. Any retained investment is recognized at fair value.

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### 2.3. Summary of Significant Accounting Policies -

Following is a description of the significant accounting policies applied by the Group in preparing its Consolidated Financial Statements:

(a) Cash and cash equivalents -

The cash and cash equivalents heading presented in the consolidated statement of financial position includes all cash balances, banks and term deposits with a maturity shorter than or equal to three months.

(b) Financial Instruments: Initial recognition and subsequent measurement -

A financial instrument is any agreement that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity.

(i). Financial Assets -

*Recognition and Initial Measurement*

Financial assets are classified, in the initial recognition, as financial assets at fair value through profit or loss, loans and accounts receivable, investments held until maturity, available-for-sale financial assets, or, as derivatives designated as hedging instruments, as appropriate. All financial assets are initially recognized at fair value plus, -in the case of financial assets that are not registered at fair value through profit and loss-, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a set period of time as per a rule or convention of the market (conventional purchases or regular sales-way trades) are recognized on the date of the purchase, i.e. the date on which the Group undertakes to buy or sell the asset.

The Group's financial assets include cash and cash equivalents, commercial and diverse accounts receivable, financial investments available-for-sale and financial assets at fair value through profit and loss.

*Subsequent Measurement -*

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

- Financial asset at fair value through profit and loss
- Loans and Accounts Receivable
- Investments held until maturity
- Financial investments available-for-sale

*Financial asset at fair value through profit and loss -*

Financial assets at fair value through profit and loss include financial assets held for negotiation and designated financial assets upon initial recognition as at fair value through profit and loss. Financial assets are classified as held for negotiation if they are purchased to be sold or to be repurchased in the short term. Derivatives, including separate embedded derivatives, are also classified as held for negotiation unless designated as effective hedging instruments as defined in IAS 39.

The Group has classified certain investments in shares as financial assets at fair value through profit and loss (see note 10).

Embedded derivatives in commercial contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and associated risks are

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not closely related to the commercial contracts, and these are not held for trading or designated at fair value through profit and loss. These embedded derivatives are measured at fair value through profit and loss recognized in results.

#### *Loans and Accounts Receivable -*

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments which are not traded in an active market. After initial recognition, these financial assets are subsequently measured at amortized cost using the effective interest rate method, less any estimate for impairment. Any loss resulting from impairment of value is recognized in the consolidated state of results.

This category includes commercial and diverse accounts receivable. See note 8 for more information on accounts receivable.

#### *Investments held until maturity -*

Non-derivative financial assets with fixed or determined payments and fixed maturities are classified as held to maturity when the Group has the positive intent and ability to hold them to maturity.

As of 31 March 2016 and 31 December 2015, the Group does not possess these financial assets.

#### *Financial investments available-for-sale -*

Financial investments available-for-sale include investments in equity instruments and debt instruments. Investments in equity instruments classified as available-for-sale are those that are not classified either as held to negotiate, nor as at fair value with changes in results. Debt instruments in this category are those that are intended to be held for indefinite period of time and may be sold in response to liquidity needs or changes in market conditions.

After the initial measurement, financial investments available-for-sale are measured at fair value, and unrealized results are recognized in other comprehensive incomes and are credited to the unrealized net gain for financial investments available-for-sale until the investment is derecognized. Then, the cumulative gain or loss is recognized as an operational profit or loss or, is regarded as impairment of the investment value, where the cumulative loss is reclassified from the reserve by updating the financial investments available-for-sale in the consolidated profit and loss statement as financial costs. Interests earned from financial investments available-for-sale are calculated using the effective interest rate method.

The Group periodically evaluates whether it still has the capacity to sell its financial investments available-for-sale in the near future. When, in exceptional circumstances, the Group cannot negotiate these financial assets due to inactive markets, the Group may choose to reclassify them, if Management has the capacity and intent to negotiate them in the near future until maturity.

As of 31 March 2016 and 31 December 2015, the Group has classified equity and debt instruments as financial investments available for sale.

#### *Derecognition of Financial Assets -*

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

- (i). The contractual rights to receive cash flows produced by the asset have expired;  
or

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- (ii). The Group has transferred the contractual rights over cash flows produced by the asset, or, an obligation has been undertaken to pay a third party said cash flows in full without significant delay, through a pass-through arrangement, and (a) all the risks and benefits inherent in the ownership of the asset have been substantially transferred; or (b) none of the risks and benefits inherent in the ownership of the asset have been substantially transferred or retained but, the control thereon has been transferred.

When contractual rights to receive the cash flows produced by the asset have been transferred by the Group, or, a transfer agreement has been entered into, it is evaluated whether, and to what extent, the risks and benefits inherent in the ownership of the asset have been maintained. When control thereof has not been transferred or retained, for accounting purposes the Group continues recognizing the transferred asset to the extent that the Group remains committed to the asset. In that case, the Group also recognizes the related liability. The transferred asset and related liability are measured so as to reflect the rights and obligations that the Group has maintained.

- (ii). Impairment of the value of financial assets -  
At the end of each reporting period, the Group evaluates whether there is objective evidence that the value of a financial asset or group of financial assets is impaired. Impairment of a value takes place when one or more events occur after the initial recognition of the asset (the "event causing the loss"), which has an impact on the estimated future cash flows of a financial asset or group of financial assets, and that impact may be reliably estimated. Evidence of impairment of value might include, among others, such indications as that debtor or a group of debtors are undergoing significant financial difficulties, breach of, or delayed payment of the debt, capital or interests, the likelihood of filing for bankruptcy, or other form of financial reorganization, or whenever obvious data indicate that there is a measurable decrease in estimated future cash flows, such as adverse changes in the status of delayed payments, or, in the economic conditions that are correlated with breaches

#### *Financial assets measured at amortized cost*

For financial assets measured at amortized cost, the Group first evaluates whether there is value impairment, on an individual basis, for financial assets that are individually significant or, collectively, for financial assets that are not individually significant. If the Group determines that there is no objective evidence of value impairment for a financial asset evaluated individually, regardless of its significance, the Group will include said asset in a group of financial assets with similar characteristics of credit risk, and will evaluate them collectively to find out whether there is value impairment. Assets that are evaluated individually to determine whether there is value impairment and for which an impairment loss is recognized or continues being recognized, are not included in the evaluation of value impairment collectively.

The amount of any value impairment loss identified is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding the expected future credit losses, not incurred yet.) The current value of estimated future cash flows is discounted at the effective interest rate of the original financial assets. If a loan accrues a variable interest rate, the discount rate to measure any value impairment loss is the effective current interest rate.

The carrying amount of an asset is reduced by using a devaluation account estimate and the loss is recognized in the consolidated profit and loss statement. The interest earned (registered as financial income in the consolidated profit and loss statement)

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will continue accruing over the carrying amount reduced by applying the interest rate used to discount future cash flows in order to measure value impairment loss. The loans and corresponding estimate are derecognized when there are no realistic expectations of future recovery and all securities that might exist thereon were made effective or transferred to the Group. If, in subsequent years the estimated amount of impairment losses increases or decreases due to an event occurred after the impairment is recognized, the impairment loss previously recognized is incremented or reduced by adjusting the impairment provision. Any amount that would have been derecognized and that is subsequently recovered is recorded as less financial expenditure in the consolidated profit and loss statement.

#### *Financial investments available-for-sale*

For financial investments available for sale, at the closing of each reporting period, the Group evaluates whether there is objective evidence that the value of an investment or group of investments is impaired.

In the case of equity instruments classified as available-for-sale, the objective evidence must include a significant or extended decrease of the fair value of the investment below its cost. The concept "significant" is evaluated with respect to the original investment cost, and the concept "extended" is evaluated with respect to the period in which the fair value dropped below the original cost. Where there is evidence of value impairment the cumulative loss measured as the difference between acquisition cost and the current fair value, minus any previously recognized impairment loss in the consolidated profit and loss statement, is removed from other comprehensive incomes and is recognized in the consolidated statement of income. Impairment loss on investments in equity instruments classified as available for sale is not reversed through the profit and loss statement. Increases in fair value after having recognized impairment are recognized in other comprehensive incomes.

Determination of what is "significant" or "extended" requires a professional judgement. In this analysis, the Group evaluates, among other factors, the duration of the situations in which the fair value of an investment is below its cost.

In the case of debt instruments classified as financial investments available-for-sale, the evaluation of impairment is performed applying the same criterion used for financial assets carried at amortized cost. However, the amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on said investment previously recognized in the consolidated profit and loss statement.

Then, interest income is recognized by updating the carrying value of the reduced asset, using the discount rate applied to future cash flows taken in measuring the impairment loss. Interest income is recorded as part of the financial income. If, in the future, the fair value of the debt instrument increases and such increase can be objectively related to an event that took place after the impairment loss was recognized in the consolidated profit and loss statement, the impairment loss is reversed through the consolidated profit and loss statement.

#### (iii). Financial Liabilities -

##### *Recognition and Initial Measurement -*

Financial liabilities are classified, in the initial recognition, as financial liabilities at fair value through profit or loss, commercial and diverse accounts payable, financial obligations or as designated derivatives as hedging instruments, as appropriate.



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All financial liabilities are initially recognized at fair value and in the case of accounts payable and financial obligations, net of costs directly attributable the transaction.

The financial liabilities of the Group include trade and diverse accounts payable, financial obligations and embedded derivatives through the sale of ore.

#### *Subsequent Measurement -*

Subsequent measurement of financial liabilities depends on their classification, as described below:

#### *Financial liabilities at fair value through profit and loss -*

Financial liabilities at fair value through profit and loss include financial liabilities held for negotiation, derivatives, and designated financial liabilities upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for negotiation if they are purchased to be sold in the short term. This category also includes derivative financial instruments subscribed by the Group and which have not been designated as hedging instruments as defined by the IAS 39. Separate embedded derivatives are also classified in this category.

The gains or losses on liabilities held as negotiable are recognized in the consolidated statement of incomes.

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

#### *Debts and loans -*

This is the most significant category for the Group. After initial recognition, financial obligations are measured at amortized cost using the effective interest rate method. Profit and loss is recognized in the consolidated profit and loss statement when liabilities are derecognized, and also through the amortization process of the effective interest rate.

Amortized cost is calculated by taking into account any discount or premium upon acquisition, and the fees or costs that are an integral part of the effective interest rate. Amortization according to the effective interest rate method is presented as financial cost in the profit and loss statement.

Commercial and diverse accounts payable and financial obligations are included in this category. See notes 14 and 15 for more information.

#### *Derecognition of accounts -*

A financial liability is derecognized when the payment obligation ends, is paid for, or expires. When an existing financial liability is replaced by another from the same borrower under significantly different conditions, or, if the conditions of the existing liability are substantially modified, such replacement or modification is dealt with as derecognition of the original liability and recognition of a new liability. The difference in the relevant carrying values is recognized in the consolidated statement of income.

#### (iv). Offsetting of Financial instrument -

Financial assets and financial liabilities are offset so that the net amount is reported on the consolidated statement of financial position, if there is a current legally enforceable right to offset the recognized amounts, and if there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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(v). Measurement of Fair Value -

The Group measures its financial instruments such as derivative financial instruments, its financial investments available-for-sale and financial assets at fair value through profit and loss at their fair value at the date of the consolidated statement of financial position.

The fair value is the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between participants in a market on the date of measurement. Measurement at fair value is based on the assumption that the transaction to sell the asset or transfer the liability takes place, either:

- In the main market for the asset or liability, or
- In the absence of a main market, in the most advantageous market for the asset or liability.

The main or more advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use to set a value for the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and whereby it gathers sufficient information available to measure at fair value by maximizing the use of relevant observable data and minimizing the use of non-observable data.

All assets and liabilities for which fair values are determined or revealed in the financial statements are classified within the hierarchy of fair value, described below, based on the lowest level input used that are meaningful for measuring at fair value as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets, for identical assets or liabilities
- Level 2 - Valuation techniques whereby the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques whereby 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 at fair value on a recurring basis, the Group determines whether transfers have occurred between the different levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Group's financial Management determines the policies and procedures for recurring fair value measurements, such as unquoted financial investments available for sale, and non-recurring sales.

At each date of reporting, financial Management analyses the activity of the values of the assets and liabilities that must be valued in accordance with the accounting policies of the Group. For this analysis, Management compares the main variables used in the latest valuations conducted against available updated information of valuations included in contracts and other relevant documents.

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Management also compares each of the changes in fair value of each asset and liability against relevant external sources to determine whether the change is reasonable.

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the assets and liabilities and the level of the fair value hierarchy, as explained above.

(c) Embedded Derivatives -

Sales of tin produced in Peru and Brazil are based on trading agreements, according to which a provisional value is allocated to the sales based on current listed tin price, which are then settled on the basis of future tin quotations. Sales adjustment is considered as an embedded derivative that needs to be separated from the main contract.

Commercial contracts are related to market prices (London Metal Exchange) at the dates on which the open positions as of 31 March 2016 are expected to be settled. The embedded derivative does not qualify as hedging instrument; therefore, any changes in fair value are recorded as an adjustment to net sales.

(d) Transactions in foreign currency -

The Consolidated Financial Statements of the Group are presented in US Dollars, which is the Company's functional and presentation currency. For each entity, the Group determines the functional currency; and, the items included in the financial statements of each entity are measured using the functional currency.

*Transactions and Balances -*

Transactions in foreign currency (any currency other than the functional currency) are initially recorded by the Group entities at the prevailing exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the current exchange rate prevailing at the reporting period closing date. All disputes arising out of settling or converting these monetary items, are recorded in the separate statement of income. Non-monetary items, registered in terms of historical cost, are converted using the exchange rates prevailing at the date of the original transaction.

*Conversion of financial statements of foreign subsidiaries to US Dollars -*

Financial statements of foreign subsidiaries are expressed in their functional currency (Chilean Pesos in the case of Minera Andes del Sur S.P.A. and Brazilian Real in the case of Mineração Taboca S.A. and subsidiaries), therefore, they are subsequently converted to US Dollars. For the latter, all the assets and liabilities are translated at the closing sale rate in force at each year end, and all equity accounts are translated using the exchange rates of the dates of the transactions. Income and expense items are translated into the average sale exchange rate of the month in which the operations were carried out. Conversion differences produced are shown in other comprehensive incomes of the consolidated statement of comprehensive income.

(e) Inventories -

Inventories should be measured at the lower of, cost or net realisable value. The inventory carrying costs incurred to bring it to its present location and condition are computed as follows:

Materials and Supplies -

- Purchase price using the weighted average method.

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Finished products, products in-process and stockpiles -

- The cost of direct materials and supplies, services provided by third parties, direct labor and a percentage of indirect costs, excluding financing costs and exchange rate differences.

Inventories receivable -

- Purchasing Cost.

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

The estimation (reversal) for loss in the net realizable value or obsolescence of supplies is calculated on the basis of a specific analysis conducted on an annual basis by Management and is charged (paid) to results in the year in which the need for the estimation is determined (reversal).

(f) Fixed Assets held-for-sale -

Fixed assets whose carrying amount will be recovered through a sales transaction instead of their continued use. For an asset to qualify as held-for-sale, its sale must be highly probable; that is, Management must be committed to a plan to sell the asset and must have actively initiated a plan to find a buyer.

Available-for-sale assets are not depreciated, and are recorded at the lower of their carrying amount or at their fair value less costs of sale. As of 31 March 2015, the Group possesses through its subsidiary Mineração Taboca certain land in Sao Paulo (Brazil) classified as available for sale and whose book value amounts to US\$ 2,882,000, as well as other minor assets available for sale amounting to US\$ 101,000.

(g) Investment in affiliates -

An affiliate is an entity over which the Group has significant influence.

Significant influence is the power to participate in decision-making on the financial and operating policies of the affiliate, but without exercising control over these policies. The Group's investments in its affiliates are recorded using the equity participation method. The book value of the investment is set to recognize the changes in the participation of the Group in the net assets of the affiliate from the date of purchase. The highest value paid in the acquisition of an affiliate is included in the book value of the investment, and is not amortized or individually subjected to impairment testing of its value.

At each reporting date, the Group determines whether there is objective evidence that the investment in the affiliate has lost value. Where applicable, the Group calculates the amount of impairment as the difference between the recoverable value of the investment in the affiliate and its acquisition cost, and recognizes the loss in the consolidated profit and loss statement.

(h) Property, plant and equipment -

Property, plant and equipment is presented at cost, net of accumulated depreciation and any accumulated impairment losses, if any. This cost includes the cost of replacing a portion of the property, plant or equipment and financing costs for long-term construction projects if the recognition criteria are met. The current value of the expected cost of dismantling the asset and rehabilitating the site where it is located is presented in this heading. The value of a leasing contract is also included under this heading.

When replacement of significant parts of Property, plant and equipment is required, the Group recognizes these parts as individual assets with specific useful lives and

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depreciates the same. Also, when a major inspection is conducted, its cost is recognized in the book value of the plant and equipment as replacement if the recognition criteria are met. All other maintenance and repair costs are recognized in results, as incurred.

The current value of the estimated cost for dismantling an asset after completion of its period of use is included in the estimated cost, to the extent that the requirements to recognize the relevant provision are met. For more information on the provision recorded for mine closure, please refer to accounting judgements, estimates and assumptions (Note 3) and provisions (Note 16).

#### *Depreciation -*

##### Units-of-production method

Depreciation of assets directly related to mine operations is calculated using the units-of-production method, which is based on economically recoverable reserves and resources of each mine.

##### Straight-line Method

Depreciation of assets with shorter economic life than the useful life of the mine or plant, or that is related to administrative work is computed through the Straight-line Method on the basis of an estimated useful life of the asset. The estimated useful lives are the following:

	<b>Industry Mine (years)</b>
Buildings and constructions in the San Rafael Mining Unit	Between 2 and 4
Buildings and constructions in the Pucamarca Mining Unit	Between 3 and 5
Buildings and constructions of the Pisco smelting plant	Between 4 and 29
Buildings and constructions in the Taboca Mining Unit	Between 25 and 36
Machinery and equipment	Between 1 and 6
Furniture and furnishings	Between 2 and 8
Transport Units	Between 3 and 6
Communication and security equipment	Between 2 and 10

The residual value, useful lives and depreciation method of Property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### *Derecognition of Assets -*

A Property, plant and equipment item is removed when it is sold or when no economic benefits are expected from its use or subsequent sale. Any gain or loss which may arise upon removing the fixed asset (calculated as the difference between the revenues from the sale and the book value of the asset) is included in the consolidated statement of income in the year in which the asset is removed.

#### (i) Leasing -

Determination of whether an agreement is, or contains, a finance lease is based on the essence of the agreement as of the date of execution, be it that fulfilment of the agreement depend on the use of a specific asset or that the agreement grants the right of use of the asset, even if said a right is not explicitly expressed in the agreement.

A lease is classified on the start date as a financial lease or an operating lease.

A lease substantially transferring to the Group all the risks and benefits inherent in the ownership, is classified as financial lease.

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#### *Financial leasing -*

Financial leases transferring to the Group substantially all the risks and benefits inherent in the ownership of the leased asset, are capitalized on the start date of the lease at fair value of the leased property or, if the amount were lower, the current value of minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the liability for lease so as to achieve a constant interest rate over the remaining balance of the liability. Finance charges are recognized in the financial costs of the consolidated profit and loss statement.

A leased asset is depreciated over its useful life. However, if there is no reasonable assurance that the Group will gain ownership at the end of the lease period, the asset will be depreciated over the estimated useful life of the asset or the term of the lease, whichever is shorter.

#### *Operating Lease:*

The operating lease payments are recognized as operating expenses in the consolidated profit and loss statement on the basis of linear depreciation over the term of the lease.

#### (j) Mining Concessions -

Mining concessions represent the Group's ownership right of exploration and exploitation of the mining properties that contain the acquired ore reserves and resources. Mining concessions are presented at cost and are amortized applying the units-of-production method using as basis the resources and proven and probable reserves. Should the Group abandon such concessions, the associated costs are punished in the consolidated profit and loss statement.

At the end of each year, the Group assesses each mining unit to find indications that the value of the mining concession has deteriorated. In which case, the Group makes an estimate of the recoverable amount of the asset.

Mining concessions are presented under the heading "Intangible Assets, net" in the consolidated profit and loss statement.

#### (k) Costs of exploration and assessment -

The costs of exploration and assessment activity consist of the search for ore resources, determination of the technical feasibility, and evaluation of the commercial viability of an identified resource. These costs are charged to expenditures as incurred. Exploration and assessment activities include:

- Search and analysis of historical data of explorations.
- Enhancing exploratory data through geological studies.
- Drilling and exploration sampling.
- Determination and evaluation of the volumes and grades of resources.
- Topographic transport and infrastructure requirements.
- Financial and market studies.

#### (l) Development Cost -

If the Group determines that a mining property might be economically viable, -that is, if the existence of proven and probable reserves is determined-, the costs incurred to develop the property, including the additional costs to delineate the ore body and remove the impurities therein contained, are capitalized as development costs in the "Tangible Assets, net" item. These costs are amortized applying the units-of-production method using as base the resources and proven and probable reserves.

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Development activities include:

- Engineering and Metallurgical Surveys.
- Drilling and other costs required to delineate an ore body.
- Removal of the initial stripping related to an ore body.

The development costs needed to maintain production are charged to production cost as incurred.

(m) Cost of removing burrow (stripping costs) -

As part of its mining operations, the Group incurs stripping costs during the development and production stages. Stripping costs incurred at the mine development stage, by the start of the production phase (development stripping), are capitalized as development costs and subsequently depreciated taking into account the useful life of the mine using the units-of-production method. Capitalization of development stripping costs ceases when the mine starts production.

Development stripping costs may be related to inventory production or to better access to the ore to be exploited in the future. Costs related to inventory production are recorded as part of the inventory production cost.

Costs that allow access to the ore to be exploited in the future are recognized as non-current assets (stripping costs) provided the following conditions are in place:

- It is likely that future economic benefits will arise;
- Components may be identified in the deposit which access will be improved; and
- The costs associated with the improved access can be reliably measured.

To identify components in a deposit, the Group works closely with the operations area staff to analyse mine plans. Typically, a deposit has several components, although identification of the components may vary from mine to mine for different reasons.

Basically, the stripping costs incurred by the Group relate to inventory production and not to better access to the ore to be exploited in the future.

(n) Intangible Assets -

Intangible assets acquired separately are measured in the initial recognition at cost.

*Goodwill* -

Goodwill is initially measured at cost, and corresponds to the amount in excess of the transferred consideration and the amount recognized by the non-controlling interest, related to the identifiable assets acquired and liabilities assumed in a business combination.

After initial recognition, goodwill is measured at cost less any cumulative value impairment losses. For the purposes of the value impairment test, goodwill acquired in a business combination is assigned, from the date of acquisition, to each one of the cash-generating units that are expected to benefit with the combination, regardless of whether other assets or liabilities of the acquired component are assigned to these units.

When goodwill is part of a cash-generating unit and, part of the operation of that unit is sold, the associated goodwill with the sold operation is included in the carrying amount of the operation upon determining the gain or loss from selling the operation. Goodwill that is derecognized in this circumstance is measured on the basis of the relative values of the sale and the portion maintained from the cash-generating unit.

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#### *Licenses -*

Software licenses are presented at cost and include disbursements directly related to the acquisition or commissioning of the specific computer program. These costs are amortized based on an estimated useful life of 4 years.

#### *Land Usufruct -*

Relates to payments for right of use of adjoining lands to the Group's mines, needed for its operation and are recorded at cost. These costs are amortized applying the straight-line method based on the term of the agreements (about 2 to 10 years).

#### (o) Impairment of Financial Assets -

At the closing of each reporting period, the Group evaluates whether there is indication that an asset might be impaired in value. In which case or, if an annual impairment test in the value of an asset is required, the Group estimates the recoverable amount of that asset. The recoverable amount of an asset is the higher value between the fair value less sale costs, either of an asset or a cash-generating unit, and its value in use, and it is determined for an individual asset, unless the asset does not produce cash flows that are substantially independent of those of the other assets or groups of assets. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is considered impaired and its value is reduced to its recoverable amount.

In evaluating the value in use of an asset, the estimated cash flows are discounted at their present value applying a discount rate after tax, reflecting the current market assessments on the time value of money and the specific risks to the asset. In determining the fair value less sale costs, recent market transactions are taken into account, if any. If this type of transaction may not be identified, a suitable pricing model is applied.

The fair value for mining assets is generally determined according to the current value of future cash flows arising from the continued use of the asset, which include such estimates as the cost of future expansion plans, using assumptions that a third party might take into account. Cash flows are discounted at their current value applying a discount rate reflecting the current market assessment of the time value of money and the specific risks to the asset or cash-generating unit.

The Group has assessed the operations of each mine as cash-generating units, considering the operation of each mining unit independently.

Value impairment losses corresponding to ongoing operations including inventory impairment, are recognized in the consolidated profit and loss statement in the expenditure categories consistent with the role of the impaired asset.

For assets in general, at the closing of each reporting period, an evaluation is carried out on the existence of an indication that the value impairment loss previously recognized no longer exist or have decreased. In which case, the Group makes an estimate of the recoverable amount of the asset or cash-generating unit. A previously recognized value impairment loss is only reverted if there is a change in the assumptions used to determine the recoverable amount of the asset since the last time a value impairment loss of that asset was recognized. Reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the amount in books that would have been determined, net of accumulated depreciation, if no loss would have been recognized as value impairment loss in previous years. Such reversal is recognized in the consolidated profit and loss statement.



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(p) Provisions -  
*General -*

A provision is recognized when the Group has a current obligation (legal or implied) resulting from a past event, it is likely that disbursement of resources be needed to settle and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, provisions are discounted using a pre-tax rate reflecting, as appropriate, the specific risks of the liability. When discounted, the increase in the provision by the passage of time is recognized as a financial cost in the consolidated profit and loss statement.

*Provision for closure of mines -*

The Group records the current value of the estimated costs of the legal and implicit obligations required to restore the operating facilities in the period in which the obligation is incurred. Mine closure costs are presented at the current value of the expected costs to settle the obligation, using estimated cash flows, and are recognized as integral part of the cost of each particular asset. Cash flows are discounted at risk-free market rate before tax. Earned discount is recorded as expenditure as incurred and is recognized in the profit and loss statement as financial cost. Estimated future costs of mine closure are reviewed annually and adjusted, as appropriate, on an annual basis. Changes in the estimated future costs or discount rate applied are added to the cost of the related asset or deducted therefrom.

In the case of mines already closed, changes in the estimated costs are immediately recognized in the consolidated profit and loss statement.

*Environmental Costs and Liabilities -*

Environmental costs related to current or future income are recorded as expense or capitalized, as appropriate. Expenditures related to an existing condition caused by past operations, and which do not contribute to current or future income are recognized as expense.

Environmental liability costs are recorded when remediation is likely to occur and the associated costs can be reliably estimated. Typically, recognition of these provisions correlates with the commitment of a formal action plan or, if earlier, with the dismantling or closure of inactive units.

The amount recognized is the best estimate of the expenditure required. If the liability is not settled for several years, the recognized amount is the current value of future estimated expenditures.

(q) Employee Benefits -

The Group has short-term obligations owing to employee benefits that include salaries, social contributions, legal bonuses, performance bonuses and profit-sharing. These obligations are recorded on a monthly basis charged to the consolidated statement of income, as they are accrued.

(r) Revenue Recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the collection takes place. Revenue is measured at the fair value of the consideration received or receivable taking into account the payment agreements contractually defined and excluding duties and taxes. The following specific criteria must be met for revenue to be recognized:

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#### *Sale of metals -*

Tin and gold sales are recorded when the Group has delivered the metal at the site agreed to by client, client has accepted the product, and collection of the relevant accounts receivable are reasonably guaranteed.

In regard to the measurement of tin sales, the Group assigns a provisional value to the sale of these metals, since they are subject to a final price adjustment at the end of a contractually agreed period. Exposure to change in metal price metals generates an embedded derivative that needs to be separated from the commercial contract. At the end of each financial year, the sale price initially used should be adjusted in accordance with the future price for the quotation period stipulated in the contract. Any gain or loss that may arise from changes in the fair value of embedded derivatives during the year is recorded in the consolidated statement of income (in the net sales item).

In regard to measurement of gold sales, they are not subject to a final price adjustment, so they do not generate embedded derivatives.

#### *Rental Income -*

Revenues from rental properties are recognized as earned and if the contractual terms and conditions relating thereto are met.

#### *Interests Income -*

As to all financial instruments measured at amortized cost, interest revenue is recorded applying the effective interest rate method. The effective interest rate is the rate that accurately discounts future payments or collections estimated throughout the life of the financial instrument or a shorter period, as appropriate, at book value of the financial asset or liability. The financial revenue is presented separately in the consolidated profit and loss statement.

#### *Dividends –*

Dividend income is recognized when the right of the Group to receive payment has been established, which usually happens when the shareholders approve the dividend.

#### (s) Tax -

##### *Current Income Tax -*

Current income tax assets and liabilities are recognized in the amounts that are expected to be recovered or paid to the tax authority. Tax rates and tax rules used to compute these amounts are the ones in force at the closing of each reporting period, corresponding to the countries where the Group operates and generates profits subject to the tax.

Current income tax related to items that are recognized directly in equity, is also recognized in equity and not in the separate profit and loss statement. Management periodically assesses the positions taken in the tax returns with regard to the situations in which the applicable tax rules are subject to interpretation, and establishes provisions as deemed appropriate.

##### *Deferred Income Tax -*

Deferred income tax is recognized applying the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the closing of each reporting period.

Deferred tax liability is recognized for all temporary tax differences, except for those related to investments in affiliates, if and when the reversal opportunity may be controlled, and it is probable that they are not reversed in the foreseeable future.

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Deferred income tax asset is recognised for all deductible temporary differences, and for the future compensation of unused tax credit and tax loss carryforward, to the extent that it is anticipated that they can be utilised against available future taxable profits to offset such deductible temporary differences, and/or the tax credit or tax loss carryforward may be used. Significant judgement is required by Management in determining the amount of deferred assets which may be recognized based on the probable date of recovery and the level of future taxable income, as well as of future tax planning strategies.

The carrying amount of the deferred income tax asset is checked at the closing of each reporting period and is reduced to the extent that the existence of sufficient future taxable income is no longer probable to allow these deferred income tax assets to be wholly or partially used. Unrecognized deferred income tax asset is rechecked at the closing of each reporting period and is recognized to the extent that the existence of future taxable income becomes probable to allow recovering such previously unrecognized deferred income tax assets.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the asset is realized or the liability paid for, on the basis of the tax rates and tax rules that were adopted at the closing of each reporting period, or whose approval procedure is about to be completed by that date.

Deferred income tax related to items outside of the income is recognized in correlation with the appropriate underlying transactions, either in other comprehensive income or directly in net equity.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to set-off current income tax assets and liabilities, and if deferred income tax is levied by the same tax authority and in the same tax jurisdiction.

#### *Mining Royalties and Special Mining Tax in Peru -*

Mining royalties and the special mining tax are computed in accordance with IAS 12 "Income Tax", as they have the characteristics of an income tax. That is, they are levied by the Government and are based on net expense income after adjusting temporary differences, instead of being calculated on the basis of the quantity produced or at a percentage of the income. The legal rules and rates used to calculate the amounts payable are those in effect on the date of the consolidated statement of financial position.

Consequently, payments made to the Government on account of Mining Royalty and Special Mining Tax are within the scope of IAS 12 and, therefore, are treated as income tax. Both, the Mining Royalty and Special Mining Tax produce deferred assets or liabilities which must be measured using the average rates that are expected to be applied to operating profits in the quarters in which the Group expects them to reverse the temporary differences.

#### *Sales Tax -*

Revenues from ordinary activities, expenditures, and assets are recognized excluding the amount of any sales tax (value added tax), except:

- (i). When the sales tax incurred in an acquisition of an asset or in the provision of services is not recoverable from the Tax Authority, in which case said tax is recognized as part of the acquisition cost of the asset or as part of the expenditure, as appropriate;
- (ii). When accounts receivable and payable are already expressed including the amount of sales taxes.

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The net amount of sales tax recoverable from, or payable to, the taxation authority, is presented as an account receivable or an account payable in the consolidated statement of financial position, as appropriate.

(t) Profit per basic and diluted share -

Basic and diluted earnings per share are calculated by dividing the net profit per common and investment share by the weighted average of outstanding common and investment shares during the period.

As of 31 March 2016 and 31 December 2015, the Group does not have any dilutive financial instruments; therefore, the weighted average of common and investment shares is the same for the years presented.

(u) Classification as Current or Non-current -

The Group presents assets and liabilities in the statement of financial position, classified as current /non-current. An asset is classified as current when the entity:

- Expects to realize the asset or has the intention to sell it or use it within its normal cycle of operation.
- Maintains the asset mainly for trading purposes.
- Expects to realize the asset within twelve months following the reporting period; or
- The asset is cash or cash equivalent, unless it is restricted and cannot be exchanged nor used to cancel a liability, for a minimum period of twelve months following the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the entity:

- Expects to settle liabilities during its normal cycle of operation.
- Maintains the liability mainly for trading purposes.
- The liability should be settled within twelve months following the reporting period; or
- Does not have an unconditional right to delay payment of the liability for at least twelve months following the closing of the reporting period.

All other assets are classified as non-current.

Deferred income tax assets and liabilities are, in all cases, classified as non-current assets and liabilities.

### 3. Judgements, estimates and significant accounting assumptions -

The preparation of the Group's financial statements requires Management to make judgements, estimates and assumptions that affect the amounts of income, expenses, assets and liabilities reported, and the attached disclosures. Uncertainty on these assumptions and estimates could produce results that require a material adjustment of the carrying value of the affected assets and liabilities in future periods.

#### 3.1. Judgements -

In implementing the accounting policies of the Group, Management has made the following judgements, which have a significant effect on the recognized amounts in these consolidated financial statements:

(a) Contingent Processes -

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By nature, contingencies will be settled only when one or more future events occur or fail to occur. Evaluating the existence and the potential number of contingencies inherently implies exercising critical judgment and using estimates about the results of future events.

- (b) Recovery of deferred tax assets -
- (c) Costs of exploration and evaluation - (note 2.4 (n)) -
- (d) Functional Currency - (note 2.4 (e)) -

### 3.2. Estimates and Assumptions -

Listed below are the key assumptions related to the future and other key sources of estimates of uncertainties at the date of the consolidated financial statements:

- (a) Estimation of reserves and ore resources -

The Group calculates its reserves and resources applying the methods typically applied in the mining industry and in accordance with international guidelines. All reserves calculated represent estimated quantities of proven and probable ore which, under the current conditions can be economically and legally processed.

The process of estimating the amounts of reserves is complex and requires subjective decision-making in assessing all the geophysical and geological, engineering and economic data available. Revision of the estimates of reserves might take place due to, among others, review of geological data or assumptions, changes in assumed prices, production costs and results of exploration activities.

Changes in reserve estimates might mainly affect the carrying value of mining concessions, the cost of development, and Property, plant and equipment; charges to depreciation and amortization results; and, the carrying value of the provision for closure of mines.

- (b) Unit-of-production method (UOP) - (note 2.3 (h)) -
- (c) Provision for closure of mines (note 2.4(q) and note 16) -
- (d) Determination of the net realizable value of inventories (note 2.4 (f) and note 8) -
- (e) Impairment of non-financial assets (note 2.4 (p))
- (f) Fair value of financial instruments -

### 4. Modification of Financial Statements from previous years

On January 29, 2015, subsidiary Minera Latinoamericana S.A.C., entered into a shareholders' agreement with its related party Inversiones Breca S.A. (hereinafter, "Breca") by means of which it was agreed that Breca (minority shareholder of subsidiary Inversiones Cordillera del Sur I Ltda., hereinafter, "Cordillera"), would conduct all relevant activities of Cordillera starting 2015. According to IFRS 10 "Consolidated Financial Statements", when loss of control of a subsidiary takes place, the controller stops consolidating the financial information of the subsidiary from the date on which the loss of control takes place and records the investment in such entity as an affiliate. However, the IFRS does not contemplate the accounting treatment in transactions between entities under common control. In this regard, Management decided not to consolidate the investment in Cordillera for comparison purposes as of 1 January 2014, and restructure the consolidated financial statements of the Company at 31 December 2014 and classify the aforementioned investment as an investment in affiliate.

### 5. Issued but not effective standards

The standards and interpretations issued, but not yet effective, to the date of issuance of the consolidated financial statements of the Group are detailed below. The Group intends to adopt these standards, as applicable, as they enter into force:

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- IAS 9, Financial Instruments  
In June 2014, the IASB issued the final version of the IFRS 9 "Financial Instruments", which covers all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" as well as all previous versions of IFRS 9. The Standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The IFRS 9 will apply to those annual periods beginning on or after January 1, 2018; early adoption thereof is allowed. Retroactive application is allowed, but comparison data is not mandatory. Early application of previous versions of the IFRS 9 (2009, 2010 and 2013) is allowed if the date of the initial application is before February 1, 2015. It is expected that the adoption of IFRS 9 does not have a significant effect on the classification and measurement of the Group's financial assets and financial liabilities.
- Annual improvements of the IFRS - Cycle 2010 - 2012  
These improvements of the IFRS are effective from 1 July 2014 and they are not expected to have a significant impact on the consolidated financial statements of the Group. These improvements are related to the IFRS 2 "Share-based Payment" (clarifies a number of issues that are related to performance conditions and accrual of benefits), to IFRS 3 "Business Combinations" (sets forth the classification of those liabilities arising from business combinations and their subsequent measurement at fair value), to IFRS 8 "Operating Segments" (requires greater disclosure of the criteria for aggregating segments), and to the IAS 24 "Disclosures of Related Parties" (requires greater disclosure and clarifies that an entity that provides management services is a related entity).
- Annual improvements of the IFRS - Cycle 2011 - 2013  
These improvements of the IFRS are effective from 1 July 2014 and they are not expected to have a significant impact on the consolidated financial statements of the Group. These improvements are related to IFRS 3 "Business Combinations" (sets forth that joint agreements are beyond the scope of this Standard), and to IAS 40 "Investment Property" (sets forth that complementary services will differentiate between an investment property and a property occupied by its owner).
- IFRS 15 "Revenue from Contracts with Customers"  
IFRS 15 was issued in May 2014 and sets forth a five step model to be applied to revenues arising from contracts with customers.

Under the IFRS 15, revenue is recognized by an amount that reflects the contractual consideration agreed upon with customer. The accounting principles of IFRS 15 provide a more structured approach to measure and recognize revenue. This new IFRS related to revenue will apply to all entities, and replace all the requirements for revenue recognition under IFRS. A complete or modified retroactive application is required to those annual periods beginning on 1 January 2018, and its early adoption is allowed. The Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements and is planning to adopt this new Standard on the date its entry into force is required.

- IFRS 16 "Leases"  
Effective for annual periods beginning on or from 1 January 2019.

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#### 6. Cash and cash equivalents

(a) This item comprises the following:

	As of 03.31.2016	As of 31.12.2015
	US\$(000)	US\$(000)
Fixed and fixed fund	21	13
Current bank accounts (b)	118,862	43,741
Demand Deposits (c)	63,214	179,796
Term Deposits (d)	5,929	162,071
Bank Certificate of Deposits (e)	164,228	5,234
Funds subject to restriction	88	-
<b>Total</b>	<b><u>352,342</u></b>	<b><u>390,855</u></b>

(b) As of 31 March 2016 and 31 December 2015, the Group keeps its deposits in current accounts at first tier domestic and foreign banks and are freely available.

(c) Demand deposits (overnight deposits) are one-day deposits in an offshore bank, bearing interests at current market rates.

(d) Term Deposits with original maturities greater than 90 days and may be renewed at maturity. As of 31 March 2016 and 31 December 2015, these deposits accrued interest calculated at current market rates, and were paid in January 2016 and 2015, respectively.

(e) As of 31 March 2016, correspond to CBD's bank certificates of deposit - held by Mineração Taboca S.A., R\$ 21,273,000 (equivalent to US\$ 5,929,000), and R\$ 20,723,000 (equivalent to US \$ 5,234,000) as of 31 December 2015. These are highly liquid certificates and yield is obtained from the rate variation of Interbank Deposit Certificates - IDC from Brazil.

#### 7. Commercial and diverse accounts receivable, net

(a) This item comprises the following:

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	As of 03.31.2016 US\$(000)	As of 12.31.2015 US\$(000)
<b>Commercial</b>	<b>52,389</b>	<b>61,437</b>
<b>Related, note 28</b>	<b>170</b>	<b>445</b>
<b>Diverse:</b>		
Sales Tax Credit and other tax credits	52,315	48,058
Funds subject to restriction	5,326	6,638
Supplier pre-payment	2,316	3,689
Subscriptions receivable	1,920	-
Others	15,239	9,956
	<u>77,116</u>	<u>68,341</u>
<b>Total</b>	<b><u>129,675</u></b>	<b><u>130,223</u></b>
<b>Classification by Maturity</b>		
Current	76,652	78,754
Non Current	53,023	51,469
<b>Total</b>	<b><u>129,675</u></b>	<b><u>130,223</u></b>

- (b) As of 31 March 2016 and 31 December 2015, commercial accounts receivable do not accrue interests and have no specific guarantees. In the process of estimating doubtful accounts, the Group's Management continuously analyses market conditions, for which it uses aging analysis for commercial operations.

#### 8. Inventories, net

The item is composed of the following:

	As of 03.31.2016 US\$(000)	As of 12.31.2015 US\$(000)
Finished Products	16,479	19,754
Products in-Process	48,692	34,226
Materials and Supplies	38,654	38,643
Stockpiles	785	785
Inventory Receivable	1,524	2,525
	<u>106,134</u>	<u>95,933</u>
Estimation for devaluation	(4,480)	(3,972)
Estimate for obsolescence	(2,322)	(2,322)
<b>Total</b>	<b><u>99,332</u></b>	<b><u>89,639</u></b>



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#### 9. Financial asset at fair value through profit and loss

- (a) As of 31 March 2016 and 31 December 2015, 2014, the Group keeps an investment in shares of BBVA of Spain amounting to US\$ 5,821,000 and US\$ 6,412,000, respectively. BBVA of Spain is an entity of recognized prestige in the international market, therefore, its level of risk is very low.
- (b) As of 31 March 2016 and 31 December 2015, the fair value of this investment classified as financial assets at fair value through profit and loss has been determined on the basis of its listing in the Spanish Stock Exchange. Following is the activity of the item:

	As of 03.31.2016 US\$(000)	As of 12.31.2015 US\$(000)
Initial Balance	6,412	8,155
Changes in fair value	(591)	(1,743)
<b>Total</b>	<b>5,821</b>	<b>6,412</b>

- (c) As of 31 March 2016 and 31 December 2015 the Group received cash dividends from BBVA of Spain amounting to US\$ 77,000 (US\$ 78,000 in 2015), which were credited to the income of the year.

#### 10. Financial investments available-for-sale

- (a) Financial investments available for sale include the following:

	As of 03.31.2016			
	Cost	Results Unrealized	Interests Past Due	Value Fair
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Publicly Listed Mutual Funds	125,000	1,905	-	126,905
Certificates of Deposit not publicly listed	65,000	212	2,045	67,257
<b>Total</b>	<b>190,000</b>	<b>2,117</b>	<b>2,045</b>	<b>194,162</b>

	As of 12.31.2015			
	Cost	Results Unrealized	Interests Past Due	Value Fair
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Publicly Listed Mutual Funds	125,000	998	-	125,998
Certificates of Deposit not publicly listed	65,000	(181)	1,681	66,500
<b>Total</b>	<b>190,000</b>	<b>817</b>	<b>1,681</b>	<b>192,498</b>

The fair value of mutual funds is determined on the basis of public price quotations in an active market. The fair value of the certificates of deposit without public quotation is estimated based on discounted cash flows using available market rates for debt instruments of similar conditions, maturity and credit risk.

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(b) The activity of investments available for sale is presented below:

	As of 03.31.2016	As of 12.31.2014
	US\$(000)	US\$(000)
Initial Balance	192,498	189,576
Fair value recorded in other comprehensive income	1,300	1,472
Interests earned on certificates of deposit	364	1,450
<b>Final Balance</b>	<b>194,162</b>	<b>192,498</b>

#### 11. Investment in affiliates -

(a) This item comprises the following:

	Participation in Equity		Equity Value	
	As of	As of	As of	As of
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
	%	%	US\$(000)	US\$(000)
<b>Affiliates</b>				
Inversiones Cordillera del Sur Ltda	73.94	73.94	242,133	227,337
Rimac Seguros y Reaseguros	14.51	14.51	45,750	48,214
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	3,351	3,375
Explosivos S.A.	7.30	7.30	7,839	7,886
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,446	5,318
<b>Final Balance</b>			<b>304,519</b>	<b>292,130</b>

As explained in note 4, because of the reorganization of Group companies, Inversiones Cordillera del Sur Ltda. and subsidiaries is presented as affiliate on a comparative basis.

The Group has recognized its investments in Rimac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A. as investments in affiliates considering that they are operated by the same economic group.

(b) Affiliates' participation in the net profit (loss) is the following:

	As of 03.31.2016	As of 03.31.2015
	US\$(000)	US\$(000)
Rimac Seguros y Reaseguros	(4,265)	3,142
Servicios Aeronáuticos Unidos S.A.C.	(24)	365
Explosivos S.A.	(48)	(84)
Futura Consorcio Inmobiliario S.A.	16	20
Inversiones Cordillera del Sur	1,997	(938)
<b>Final Balance</b>	<b>(2,324)</b>	<b>2,505</b>

(c) Following are the main investment activities in affiliates and relevant data by the affiliates:

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#### *Inversiones Cordillera del Sur*

The main purpose of this affiliate is to maintain investments in Melon and subsidiaries. The corporate purpose of Melon S.A. is the production, marketing and supply of cement, ready-mix concrete, mortar and pre-dosed aggregates to distributors of construction materials, to construction companies related to the real estate sectors, civil works and mining and to concrete companies in Chile.

Following is the investment activity in Cordillera del Sur Ltda. y subsidiaries:

	<b>As of 03.31.2016</b>	<b>AI 31.12.2015</b>
	US\$(000)	US\$(000)
<b>Initial Balance</b>	227,337	266,178
<b>More (less)</b>		
Participation in net profit	1,997	(707)
Unrealized profit	-	142
Conversion	8,186	(38,098)
Others	4,613	(178)
<b>Final Balance</b>	<b>242,133</b>	<b>227,337</b>

#### *Rimac Seguros y Reaseguros*

The main economic activity of this affiliate domiciled in Peru, comprises contracting and handling general risk and life insurance and reinsurance operations, as well as financial and real estate investments and related activities.

Following is the investment activity in Rimac Seguros y Reaseguros:

	<b>As of 03.31.2016</b>	<b>AI 31.12.2015</b>
	US\$(000)	US\$(000)
<b>Initial Balance</b>	48,214	62,902
<b>More (less)</b>		
Participation in net profit	(4,265)	12,948
Unrealized profit	-	(17,940)
Conversion	1,443	(6,896)
Dividends	-	(2,542)
Others	358	(258)
<b>Final Balance</b>	<b>45,750</b>	<b>48,214</b>

#### *Servicios Aeronauticos Unidos S.A.C.*

The corporate purpose of this affiliate domiciled in Peru, is to provide air transport services for passengers, cargo and mail, prospecting, aircraft maintenance and trading spare parts for civil aviation. In General Meeting of Shareholders of Servicios Aeronauticos Unidos S.A.C. dated February 14, 2014, reduction of each shareholder was agreed in proportion to their participation in the capital stock.

Following is the investment activity in Servicios Aeronauticos Unidos S.A.C.:

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	As of 03.31.2016 US\$(000)	AI 31.12.2015 US\$(000)
<b>Initial Balance</b>	3,375	4,078
<b>More (less)</b>		
Participation in net profit	(24)	(703)
<b>Final Balance</b>	<u>3,351</u>	<u>3,375</u>

#### *Explosivos S.A.*

The economic activity of this affiliate domiciled in Peru, comprises manufacturing, domestic sale, and exporting packaged explosives, accessories and blasting agents; it is also engaged in the provision of blasting services, and all kinds of services and supporting works for mining companies.

Following is the investment activity in Explosivos S.A.:

	As of 03.31.2016 US\$(000)	AI 31.12.2015 US\$(000)
<b>Initial Balance</b>	7,886	7,340
<b>More (less)</b>		
Participation in net profit	(48)	(507)
Conversion	1	1,053
<b>Final Balance</b>	<u>7,839</u>	<u>7,886</u>

## 12. Property, plant and equipment, net

(a) Following is the composition and activity of the item:

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	Balance as of 01.01.2015	Additions	Derecognition	Mine Closure	Transfer and Adjustments	Adjust for conversion	Balance as of 03.31.2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost</b>							
Land	20,983	71	-	-	-	115	21,169
Buildings and facilities	414,606	-	-	-	4,036	7,263	425,905
Machinery and equipment	325,004	576	(111)	-	1,162	9,170	335,801
Furniture, furnishings and IT equipment	10,218	-	(1)	-	79	312	10,608
Transport Units	12,491	-	(116)	-	39	714	13,128
Units to receive	-	-	-	-	-	-	-
Works underway	61,113	16,625	-	-	(5,316)	5,098	77,520
Mine Closure	68,453	-	-	2,565	-	640	71,658
Financial leasing	3,660	-	-	-	-	-	3,660
	<b>916,528</b>	<b>17,272</b>	<b>(228)</b>	<b>2,565</b>	<b>-</b>	<b>23,312</b>	<b>959,449</b>
<b>Accumulated Depreciation</b>							
Buildings and facilities	198,830	6,669	-	-	-	1,491	206,990
Machinery and equipment	230,423	4,807	(108)	-	-	6,022	241,144
Furniture, furnishings and IT equipment	7,013	257	(1)	-	-	231	7,500
Transport Units	8,263	280	(95)	-	-	475	8,923
Mine Closure	35,137	1,028	-	-	-	170	36,335
Financial leasing	1,363	86	-	-	-	-	1,449
	<b>481,029</b>	<b>13,127</b>	<b>(204)</b>	<b>-</b>	<b>-</b>	<b>8,389</b>	<b>502,341</b>
<b>Net cost</b>	<b>435,499</b>						<b>457,108</b>

(b) As of 31 March 2015, Management has assessed the recoverable amount of the Group's Properties, plant and equipment, and has not found value impairment loss relating to these assets.

(c) Financial leases are guaranteed with the same property acquired.

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

#### 13. Intangible Assets, net

(a) Following is the composition and activity of the item:

	Saldo al 01.01.2015	Additions	Withdrawal and Adjustments	Adjust for conversion	Balance as of 03.31.2015
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>Cost:</b>					
<b>Indefinite useful life</b>					
Goodwill					
Mineracao Taboca S.A.	36,044	-	-	3,731	39,775
	<u>36,044</u>	<u>-</u>	<u>-</u>	<u>3,731</u>	<u>39,775</u>
<b>Indefinite useful life</b>					
Mining Concessions	295,421	72	-	9,777	305,270
Development Cost	30,257	748	-	-	31,005
Licenses	470	20	-	35	525
Land Usufruct	5,716	81	-	60	5,857
Rights of connection and easement	3,803	1	-	-	3,804
	<u>335,667</u>	<u>922</u>	<u>-</u>	<u>9,872</u>	<u>346,461</u>
	<u>371,711</u>	<u>922</u>	<u>-</u>	<u>13,603</u>	<u>386,236</u>
<b>Accumulated Amortization</b>					
Mining Concessions	9,840	824	-	821	11,485
Development Cost	11,988	705	-	-	12,693
Licenses	336	51	-	30	417
Land Usufruct	1,358	72	-	15	1,445
Rights of connection and easement	1,210	96	-	-	1,306
	<u>24,732</u>	<u>1,748</u>	<u>-</u>	<u>866</u>	<u>27,346</u>
<b>Net cost</b>	<u><b>346,979</b></u>				<u><b>358,890</b></u>

#### 14. Commercial and diverse Accounts Payable

(a) This item comprises the following:

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	As of 03.31.2016 \$(000)	As of 12.31.2015 \$(000)
<b>Commercial (b)</b>	<b><u>37,529</u></b>	<b><u>43,307</u></b>
<b>Related, note 28</b>	<b><u>6,579</u></b>	<b><u>15,125</u></b>
<b>Diverse:</b>		
Employee profit sharing payable (c)	4,234	14,556
Interest payable	4,027	11,160
Accounts payable for acquisition of mining concessions	10,000	10,000
Other taxes and contributions	9,840	8,586
Remunerations and allowances payable	8,479	5,407
Other Accounts Payable	<u>7,023</u>	<u>5,497</u>
	<u>43,603</u>	<u>55,206</u>
<b>Total</b>	<b><u>87,711</u></b>	<b><u>113,638</u></b>
<b>Classification by Maturity</b>		
Current Portion	77,711	103,638
Non-Current Portion	<u>10,000</u>	<u>10,000</u>
<b>Total</b>	<b><u>87,711</u></b>	<b><u>113,638</u></b>

(b) Commercial accounts payable are mainly originated by the acquisition of materials, supplies, spare parts and services provided by third parties to the Group, and mainly correspond to invoice payable to suppliers. The foregoing do not accrue interests and are typically paid within 30 to 60 days.

Diverse accounts payable do not accrue interest and their average payment period is 3 months.

(c) Employee Profit-Sharing -

According to Peruvian legislation, the Company determines employee profit sharing applying an 8% rate over the same net taxable base used to calculate tax. Distribution is determined in a 50% over the number of days worked by each employee during the previous year and 50% over the proportional levels of annual remuneration.

(d) Accounts payable for acquisition of mining concessions -

As a result of the acquisition of the subsidiary Marcobre S.A.C., the Group undertook an obligation with Shougang Hierro Peru (SHP) and Rio Tinto Mining and Exploration Limited, Sucursal del Peru (Rio Tinto). This obligation is created by certain agreements executed in previous years by the subsidiary with SHP and Rio Tinto for the acquisition of mining concessions, mineral rights, option rights and technical surveys relating to a particular geographic area in the province of Nazca, which they called "Target Area 1". According to these contracts a fixed fee was established (which was paid in full by the subsidiary between 2007 and 2008), and a conditional consideration amounting to US\$ 10,000,000, which conditions the subsidiary to adopt the decision to exploit, and that it is proven that the metallic content of ore resource is greater than 2.58 million metric tons of copper (when US\$ 3,000,000 must be paid) and 3.44 million metric tons of copper (when the remaining US\$ 7,000,000 is to be paid).

In order to guarantee the conditional consideration described above, the subsidiary subscribed: (i) a mortgage on the mining concession of Target Area 1 amounting to US\$ 27,600,000 (which includes the amount of interest, judicial fees, court costs and fees should it be necessary to start a judicial process to enforce the judgement against the encumbered property), which will

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remain in effect until the subsidiary has fully complied with each and every one of the secured obligations, and (ii) a pledge over the shares issued on behalf of the subsidiary's shareholders.

As of 31 March 2016, the Company has not decided on exercising the mining option and has not incurred disbursements owing to said contract.

#### 15. Financial Obligations

(a) This item comprises the following:

Entity	Warranty	Interest Rate	As of 03.31.2016	As of 12.31.2015
			US\$(000)	US\$(000)
Corporate Bonds net without investment guarantees	Without guarantees	6.25%	443,166	439,145
Banco do Brasil	Without guarantees	2.43% - 0.81%	35,824	35,481
Banco Itau	With guarantees	4.83%	27,888	33,798
Banco Santander	Without guarantees	3.33%	10,349	10,129
Banco Santos - Overdraft	Without guarantees	102.00%	14,880	-
Banco Safra	Without guarantees	4.11%	-	7,995
ABC Bank Brazil	Without guarantees	4.87%	6,111	5,993
Banco Santos	Without guarantees	CDI Rate +2%	-	3,755
FINAME BNDES (Banco Itau)	Leased Property	2.43% - 0.81%	-	317
Santander - FINAME BNDES	Financed property	6.00%	194	-
Safra - FINAME BNDES	Financed property	6.00%	91	-
BBVA Continental	Leased Property	2.68%	143	172
Banco de Credito del Peru	Leased Property	4.54%	21	62
			<u>538,667</u>	<u>536,847</u>
Pre-paid Interests			(3,810)	9,430
<b>Final Balance</b>			<b><u>534,857</u></b>	<b><u>546,277</u></b>
<b>Classification by Maturity</b>				
Current Portion			82,336	93,793
Non-Current Portion			452,521	452,484
			<u>534,857</u>	<u>546,277</u>

(b) As of January 30, 2014, the General Shareholders' Meeting agreed that the Company carried out an international bond issue ("Senior Notes") through private placement under Rule 144 A and Regulations of the US Securities Act of 1933. It also agreed to list these bonds on the Luxembourg Stock Exchange. On January 31, 2014, the Company issued bonds with a nominal value of US\$ 450,000,000 with maturity on February 7, 2024 by a 6.25 % coupon rate, resulting in net proceeds under par of US\$ 441,823,500.

The bonds restrict the capacity of Minsur and its subsidiaries to engage in certain transactions, however, these restrictions do not condition Minsur to fulfil financial ratios or maintain specific levels of liquidity.

#### 16. Provisions

(a) The item is composed of the following:



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	Provisions for closure mines	Provision for Remediation environmental and other	Provisions for contingencies	Provisions for Bonds for performance	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
<b>As of 01 January 2015</b>	93,007	35,079	5,246	10,071	143,403
Additions	4,997	20,397	2,893	7,266	35,553
Change of estimate	9,566	-	-	-	9,566
Discount updating	1,247	(22)	-	-	1,225
Payments and pre-payments	(854)	(8,428)	(2,309)	(8,352)	(19,943)
Reversals	-	-	(1,029)	-	(1,029)
Reclassifications	7,391	(7,391)	-	-	-
Adjustment for conversion	(15,864)	(9,032)	(1,060)	(1,164)	(27,120)
<b>As of 31 December 2015</b>	<b>99,490</b>	<b>30,603</b>	<b>3,741</b>	<b>7,821</b>	<b>141,655</b>
Additions	-	8,965	255	1,431	10,651
Change of estimate	2,565	(196)	-	649	3,018
Discount updating	466	92	-	-	558
Payments and pre-payments	(13)	(8,957)	(480)	(5,881)	(15,331)
Reversals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Adjust for conversion	4,167	1,478	225	237	6,107
<b>As of 31 March 2016</b>	<b>106,675</b>	<b>31,985</b>	<b>3,741</b>	<b>4,257</b>	<b>146,658</b>
<b>Classification by Maturity</b>					
Current Portion	6,571	12,225	1,398	7,434	27,628
Non-Current Portion	92,919	18,378	2,343	387	114,027
<b>As of 31 December 2015</b>	<b>99,490</b>	<b>30,603</b>	<b>3,741</b>	<b>7,821</b>	<b>141,655</b>
<b>Classification by Maturity</b>					
Current Portion	6,597	12,858	1,474	3,916	24,845
Non-Current Portion	100,078	19,127	2,267	341	121,813
<b>As of 31 March 2016</b>	<b>106,675</b>	<b>31,985</b>	<b>3,741</b>	<b>4,257</b>	<b>146,658</b>

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(b) The provision for mine closure comprises the following items:

	Unit Pitinga and Pirapora US\$(000)	San Rafael Mine Unit Pucamarca and Pisco US\$(000)	Others US\$(000)	Total US\$(000)
<b>As of 01 January 2015</b>	39,060	52,513	1,434	93,007
Additions	4,997	-	-	4,997
Change of estimate	4,534	3,309	1,723	9,566
Discount updating	-	1,237	10	1,247
Payments and pre-payments	-	(854)	-	(854)
Reclassifications	7,391	-	-	7,391
Adjustment for conversion	(15,749)	-	(115)	(15,864)
<b>As of 31 December 2015</b>	<b>40,233</b>	<b>56,205</b>	<b>3,052</b>	<b>99,490</b>
Additions	-	-	-	-
Change of estimate	-	2,529	36	2,565
Discount updating	-	448	18	466
Payments and pre-payments	-	(13)	-	(13)
Reversals	-	-	-	-
Reclassifications	-	-	-	-
Adjust for conversion	4,165	-	2	4,167
<b>As of 31 March 2016</b>	<b>44,398</b>	<b>59,169</b>	<b>3,108</b>	<b>106,675</b>
<b>Classification by Maturity</b>				
Current Portion	-	5,794	777	6,571
Non-Current Portion	40,233	50,411	2,275	92,919
<b>As of 31 December 2015</b>	<b>40,233</b>	<b>56,205</b>	<b>3,052</b>	<b>99,490</b>
<b>Classification by Maturity</b>				
Current Portion	5,815	-	782	6,597
Non-Current Portion	38,583	59,169	2,326	100,078
<b>As of 31 March 2016</b>	<b>44,398</b>	<b>59,169</b>	<b>3,108</b>	<b>106,675</b>

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The provision for closure of mines represents the current value of closure costs expected to be incurred between years 2016 and 2051, in compliance with government regulations, see note 28 (b). The estimated cost for mine closure is based on surveys prepared by independent consultants, which comply with the existing environmental regulations. The provision for closure of mines mainly corresponds to activities to be carried out to restore the mines and impacted areas by exploitation activities. The main works to perform are: earthworks, revegetation works, and plants removal. Closure budgets are regularly reviewed to take into account any significant changes in the surveys undertaken. However, costs of mine closures will depend on market prices of the closure works required, which will reflect the future economic conditions. Also, the timing of disbursements will depend on the life of the mine, which will in turn depend on future metal quotations.

#### 17. Income Tax

- a) The Income tax expense shown in the consolidated profit and loss statement comprises the following:

	<b>As of 03.31.2016</b>	<b>As of 03.31.2015</b>
	US\$(000)	US\$(000)
<b>Income Tax</b>		
Current	11,894	14,350
Deffered	(6,866)	1,117
	<u>5,028</u>	<u>15,467</u>
<b>Mining Royalties and Special</b>		
<b>Mining Tax</b>		
Current	2,914	3,626
Deffered	(738)	195
	<u>2,176</u>	<u>3,821</u>
<b>Total</b>	<u><b>7,204</b></u>	<u><b>19,288</b></u>

#### 18. Net Equity

- (a) Capital Stock -  
As of 31 March 2016, and 31 December 2015, the authorized subscribed and paid in capital, in accordance with the Company's Bylaws, as amended, is represented by 19,220,015 common shares, respectively, with a par value of S/.100.00 each.

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(b) Investment Shares -

As of 31 March 2016 and 31 December 2015, 2014, this heading includes 960,999,163 investment shares, respectively, with a par value of S/.1.00 each.

Pursuant to the applicable legislation, investment shares vest in their holders the right to participate in dividend distribution, make contributions to maintain their existing proportion in the investment share account in case of capital increase by new contributions, increase the investment share account by capitalization of other equity accounts, redeem their shares in any cases provided by the Law, and participate in equity sharing of the net balance in the case of Company's liquidation. Investment shares do not grant access to the Board of Directors or to the General Shareholders' Meetings. The Company's investment shares are listed in the Lima Stock Exchange (BVL).

As of 31 March 2016, the average stock market price of these shares is S/. 1.03 per share and S/. 0.50 per share as of December 31, 2015.

(c) Other capital reserves -

*Legal Reserve -*

The Companies Law provides that at least 10 percent of the distributable profit of each financial year, after income tax, be transferred to a legal reserve until the legal reserve amounts to 20% of the capital stock. The legal reserve may compensate for loss or be capitalized, in both cases there is the obligation to replenish it.

As of 31 March 2016 and 31 December 2015, the Company has not increased its legal reserve since the legal reserve reached the limit mentioned above.

*Reinvested earnings -*

As of 31 March 2016 and 31 December 2015, this balance comprises reinvested earnings approved in previous years in US\$ 39,985,000.

(d) Declared and paid dividends -

Below is information on declared and paid dividends as of 31 March 2016:

<b>Board / meeting</b>	<b>Date</b>	<b>Declared and paid dividends</b>	<b>Dividends per common share</b>	<b>Dividends per investment share</b>
		US\$(000)	US\$	US\$
<b>As of 31 March 2016</b>				
Mandatory Annual Shareholders' Meeting	- - -	0	0.00	0.000
<b>As of 31 December 2015</b>				
Mandatory Annual Shareholders' Meeting	March 26, 2015	50,000	1.73	0.017

(e) Other equity reserves -

As of 31 March 2016 and 31 December 2015, this item mainly comprises the exchange difference for conversion to the Company's functional currency in the investment in subsidiaries abroad. It also includes unrealized results for investments by related companies.

## Minsur S.A. and Subsidiaries

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#### *Cumulative conversion results -*

Mainly corresponds to the exchange difference resulting from converting the foreign subsidiaries' and affiliate financial statements to the reporting currency of the Group.

As of 31 March 2016, the resulting exchange difference produced a net gain of US\$ 34,284,000 (including an exchange gain of US\$ 20,091,000 by the Brazilian subsidiary and an exchange gain of US\$ 12,556,000 by affiliate Inversiones Cordillera del Sur Ltda.). In 2015, the resulting exchange difference produced a net loss of US\$ 135,938,000 (including an exchange loss of US\$ 90,563,000 by the Brazilian subsidiary, and an exchange loss of US\$ 38,097,000 by affiliate Inversiones Cordillera del Sur Ltda.). These conversion results are included in the separate statement of other comprehensive income.

#### *Unrealized Earnings -*

Basically correspond to the participation in unrealized income of affiliate Rimac Seguros y Reaseguros (Rimac). This unrealized income of Rimac's, are mainly produced in updating the fair value of its investments available for sale in capital and debt financial instruments. As a result of the updating of the equity value of this affiliate, the Group recognized a loss of US\$ 17,940,000 as of 31 December 2015.

#### (f) Contributions in non-controlling interest -

As of 31 March 2015, the Group received non-controlling interest contributions from subsidiary Marcobre S.A.C., in the amount of US\$ 3,000,000 (US\$ 7,290,000 in 2015).

#### (g) Basic and diluted earnings per share

The profit per basic share is calculated by dividing the profit of the period by the weighted average of the number of outstanding shares during the year.

Below is the calculation of earnings per share:

	As of 03.31.2016	As of 03.31.2015
	\$(000)	\$(000)
<b>Numerator -</b>		
Profit attributable to common and investing shareholders	19,361	(12,772)
<b>Denominator -</b>		
	Number of shares	Number of shares
Common Shares, note 17(a)	19,220,015	19,220,015
Investments shares, note 17(b)	960,999,163	960,999,163
<b>Profit per share (in US dollars)</b>		
Profit attributable to common shareholders	0.672	(0.443)
Profit attributable to investing shareholders	0.007	(0.004)

The profit per basic and diluted share is the same, since there are no reducing effects on profits.

# Minsur S.A. and Subsidiaries

## Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

### 19. Tax Situation

(a) Peruvian Tax Framework -

The Company is subject to the Peruvian tax regime. As of 31 December 2015 the income tax rate is 28 percent. Likewise, as of 31 December 2015 non-domiciled persons in Peru and natural persons are subject to pay an additional 6.8 percent tax on dividends received.

As of January 01, 2015, Law 30296 entered into force introducing certain amendments to the Income Tax Law. The most relevant changes were the changes to the income tax rates and to additional tax withholdings for dividends received applicable to non-domiciled legal persons and to natural persons in Peru. The following are the modified tax rates:

	Income Tax	Withholding for dividends received
Years 2015 and 2016	28%	6.8%
Years 2017 and 2018	27%	8.0%
Year 2019 onwards	26%	9.3%

The Law has also provided for the application of a 4.1% rate to the cumulative results or other concepts likely to generate taxable dividends, obtained until 31 December 2014, and which form part of dividend distribution or any other form of profit sharing.

Tax authorities are entitled to check and, if applicable, revise the Income Tax calculated by the company in the four years following filing of the income tax return of said taxes. Income tax returns for years 2011 to 2015 and Sales Tax for years 2012 to 2015, are still to be checked by the tax authorities. To date, the Tax Administration has carried out a review of the income tax returns for financial years 2000 to 2010 and Sales Tax returns for years 2000 to December 2008.

Since the interpretations that the tax authorities may give of the current legal regulations are hard to predict, as of this date, it is not possible to determine whether the reviews to be made will result in liabilities to the Company, therefore, any higher tax or surcharge that might result from any eventual tax review would be applied to profit or loss of the year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any eventual additional settlement of taxes would not be significant for the separate financial statements as of 31 March 2016 and 2015.

For the purpose to determine the Income Tax and Sales Tax, transfer pricing of transactions with related companies and with companies' resident in territories of low or zero taxation, must be supported with documentation and data on the valuation methods used and the criteria considered for the determination. Based on the analysis of the Company's operations, Management, and its legal advisors believe that no significant contingencies will arise for the Company as of 31 March 2016, as a consequence of the application of this Standard.

(b) Subsidiaries in Chile.-

Minera Andes South SpA is subject to the Chilean tax regime. As of 31 March 2015, the income tax rate is 24% on taxable profits (22.5% as of December 31, 2014). Dividends or cash withdrawals in favour of non-domiciled shareholders are levied with 35% rate on the profits withdrawn, being the income tax paid by the Company deductible as credit against this tax. Open periods to tax review by the Tax Administration in Chile comprise years 2010 to 2015.

By means of Law N° 20780 published on September 29, 2014, certain changes were made to the Income Tax Law. The most relevant are listed below:

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

- A gradual increase of corporate tax rate is determined, from 21% to 22.5 % in 2015; to 24% in 2016; and 25% in 2017 and so forth, under the *Regimen de Rentas de Utilidades Atribuidas (RUA)*, by default this system is for individual entrepreneurs, E.I.R.L., communities and partnerships of entities exclusively composed of natural persons domiciled or resident in Chile.
- A gradual increase in corporate tax rate takes place, from 21% to 22.5 % in 2015; to 24% in 2016; to 25.5 % in 2017; and to 27% in 2018 and so forth, under the *Régimen Parcialmente Integrado (RIP)*; by default this system is for the other taxpayers (companies, SpAs or limited liability companies).

(c) Subsidiaries in Brazil -

Mineração Taboca S. A. is subject to the Brazilian tax system. As of 31 March 2015 and 31 December 2015, the income tax rate is 34% on taxable profits. Dividends in cash in favour of non-domiciled shareholders are exempted from tax. Open periods to tax review by the Tax Administration in Brazil comprise years 2011 to 2015.

## 20. Net Sales

(a) This item comprises the following:

	<b>As of 03.31.2016</b>	<b>As of 03.31.2015</b>
	US\$(000)	US\$(000)
Tin and other minerals	89,023	129,370
Gold	31,610	28,384
Niobium, tantalum and others	5,837	13,587
	<u>126,470</u>	<u>171,341</u>
Embedded Derivative for tin sales	557	(1,094)
	<u>127,027</u>	<u>170,247</u>

(b) The following table presents the net sales of tin and gold by geographical region:

	<b>As of 03.31.2016</b>	<b>As of 03.31.2015</b>
	US\$(000)	US\$(000)
<b>Tin and other minerals</b>		
Europe	58,117	88,385
America	29,654	46,542
Asia	5,851	7,043
Peru	1,237	987
<b>Gold</b>		
United States	20,982	28,384
Europe	10,629	-
	<u>126,470</u>	<u>171,341</u>
Embedded Derivative for tin sales	557	(1,094)
	<u>127,027</u>	<u>170,247</u>

# Minsur S.A. and Subsidiaries

## Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

### 21. Cost of Sales

This item comprises the following:

	<b>As of 03.31.2016</b>	<b>As of 03.31.2015</b>
	US\$(000)	US\$(000)
Initial Inventory of finished products, note 8	19,754	35,680
Initial Inventory of products in-process, note 8	34,226	43,957
Stockpiles, note 8	785	933
	<u>54,765</u>	<u>80,570</u>
Services provided by Third Parties	29,650	21,717
Consumption of raw material and inputs/supplies	20,927	19,628
Direct labor	18,528	20,703
Depreciation	12,636	16,266
Electric power	3,301	3,063
Amortisation	1,560	6,130
Other manufacturing costs	1,807	7,328
Provision (Recovery) by devaluation of inventories, note 9(b)	(3,362)	-
Production Cost	<u>85,047</u>	<u>94,835</u>
Final Inventory of finished products, note 8	(16,479)	(18,699)
Final Inventory of products in-process, note 8	(48,692)	(51,465)
Stockpiles, note 8	(785)	(933)
	<u>(65,956)</u>	<u>(71,097)</u>
<b>Cost of Sales</b>	<u><b>73,856</b></u>	<u><b>104,308</b></u>

### 22. Administrative expenses

This item comprises the following:

	<b>As of 03.31.2016</b>	<b>As of 03.31.2015</b>
	US\$(000)	US\$(000)
Staff charges	5,711	7,635
Services provided by Third Parties	2,323	2,557
Diverse management and provisioning charges	802	643
Depreciation and Amortization	153	166
	<u>8,989</u>	<u>11,001</u>

### 23. Sales Expenses

This item comprises the following:



## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

	As of 03.31.2016	As of 03.31.2015
	US\$(000)	US\$(000)
Services provided by Third Parties	929	1,554
Staff charges	260	264
Diverse management charges	342	319
Depreciation	2	2
<b>Total</b>	<b>1,533</b>	<b>2,139</b>

#### 24. Other Operating Incomes

This item comprises the following:

	As of 03.31.2016	As of 03.31.2015
	\$(000)	\$(000)
Income from sale of supplies	703	1,158
Income for consulting service	341	440
Reversion contingency estimate	199	446
Write back of provision for expenditure (Taboca)	119	-
Property Rental	78	33
Income for sale of Property, plant and equipment	8	-
Return of tax incentives (Taboca)	566	461
Others	39	95
<b>Total</b>	<b>2,053</b>	<b>2,633</b>

#### 25. Other Operating Expenses

This item comprises the following:

	As of 03.31.2016	As of 03.31.2015
	US\$(000)	US\$(000)
<b>Exploration and survey expenditures</b>		
Staff charges	1,883	2,470
Services provided by Third Parties	4,506	8,813
Diverse management and provisioning charges	1,771	201
Depreciation and Amortization	462	483
	<b>8,622</b>	<b>11,967</b>

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

#### Other Operating Expenses

Net cost of supplies sold	521	916
Non-deductible expenses	373	574
Grants	316	665
Contributions to public environmental regulation entities	310	453
Mining Retirement Fund	213	239
Net cost of removing Property, plant and equipment	33	413
Depreciation	43	66
Revision for physical inventory of supplies	3	13
Energy losses (Taboca)	555	922
Market value adjustment (Taboca)	3,362	-
Others	1,227	1,332
	<b>6,956</b>	<b>5,593</b>
<b>Total others, net</b>	<b>15,578</b>	<b>17,560</b>

## 26. Financial Income and Costs

This item comprises the following:

	As of 03.31.2016 US\$(000)	As of 03.31.2015 US\$(000)
<b>Financial Income</b>		
Interest on term deposits	511	473
Interest on certificates of deposit	362	360
Others	748	41
<b>Interests Income</b>	<b>1,621</b>	<b>874</b>
<b>Financial costs:</b>		
Interests on corporate bond	6,931	6,944
Costs and interest on loans	1,058	2,912
Amortization of corporate bond issuance costs	209	422
Others	298	195
<b>Interest Expenses</b>	<b>8,496</b>	<b>10,473</b>
Update of provision for mine closure	448	306
	<b>8,944</b>	<b>10,779</b>

## 27. Commitments and contingencies

(a) Environmental commitments -

Exploration and exploitation activities of the Group are subject to the rules for environmental protection disclosed in the consolidated financial statements as of 31 March 2016.

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

No significant changes took place during the period ended on 31 March 2016. The commitments and contingencies have been registered in accordance with note 16.

(b) Contingencies -

The Group has no further significant contingencies than the ones described in the consolidated financial statements as of 31 March 2016. The record of contingencies is presented in note 16.

#### 28. Transactions with related companies

Accounts receivable and payable –

Balances of accounts receivable and payable with related companies for the periods ended on 31 March and 31 December 2015 are as follows:

	As of 03.31.2016 US\$(000)	As of 03.31.2015 US\$(000)
<b>Accounts Receivable -</b>		
Administración de Empresas S.A.	77	146
Compañía Minera Raura S.A.	78	289
Others	15	9
	<u>170</u>	<u>444</u>
<b>Classification by Maturity</b>		
Current	170	444
Non current	-	-
	<u>170</u>	<u>444</u>
	As of 03.31.2016 US\$(000)	As of 12.31.2015 US\$(000)
<b>Accounts Payable -</b>		
Administración de Empresas S.A.	5,205	12,312
Exsa S.A.	696	1,757
Rimac Seguros y Reaseguros	9	127
Clinica Internacional S.A.	227	244
Centria Servicios Administrativos S.A.	221	228
Rímac S.A. Entidad Prestadora de Salud	9	236
Estrategica S.A.C.	16	17
Urbanizadora Jardin S.A.	2	48
Proteccion Personal S.A.C.	22	5
Compañía Minera Raura S.A.	7	45
Inversiones Nacionales de Turismo S.A.	33	28
Corporación Peruana de Productos Químicos	53	76
Others	79	2
	<u>6,579</u>	<u>15,125</u>
<b>Classification as per nature:</b>		
Commercial	<u>6,579</u>	<u>15,125</u>
	<u>6,579</u>	<u>15,125</u>

## **Minsur S.A. and Subsidiaries**

### **Notes to the consolidated interim condensed financial statements (unaudited)**

As of 31 March 2016

Balances payable to related companies have a current maturity, do not accrue interests and lacks specific securities

#### **29. Segmented Data**

Management has determined the operating segments of the Group on the basis of the reports used for decision-making. Management considers the business units on the basis of their products, activities, and geographic location:

- Production and sale of tin produced in Peru.
- Production and sale of tin produced in Brazil.
- Production and sale of golf produced in Peru.
- Production and sale of cement and concrete in Chile.
- Other mining exploration activities in Peru and Chile.

No other operating segment has been added to be part of the operating segments described above.

The addition of the above-mentioned segments, except for the segment: "production and sale of cement and concrete in Chile", constitute the "mining added segment."

Management monitors profits before taxes separately per each business unit to make the decisions on the allocation of resources and the assessment of financial yield. The financial yield of a segment is assessed on the basis of profits before income tax and measured consistently with profits before income tax in the separate profit and loss statement.

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Total (Peru) US\$(000)	Tin (Brazil) US\$(000)	Mining Exploration (Peru) US\$(000)	Sub Total Consolidated US\$(000)	Adjustments and Deletions US\$(000)	Total Consolidated US\$(000)
<b>Period ended 31 March 2016</b>								
<b>Results:</b>								
Sales	75,137	31,610	106,747	19,723	-	126,470	-	126,470
Embedded Derivative	570	-	570	(13)	-	557	-	557
Cost of Sales	(42,667)	(10,984)	(53,651)	(20,205)	-	(73,856)	-	(73,856)
<b>Gross Margin</b>	<b>33,040</b>	<b>20,626</b>	<b>53,666</b>	<b>(495)</b>	<b>-</b>	<b>53,171</b>	<b>-</b>	<b>53,171</b>
<b>Operating Costs</b>								
Administrative expenses	(4,628)	(1,192)	(5,820)	(2,600)	(569)	(8,989)	-	(8,989)
Sales Expenses	(1,135)	(21)	(1,156)	(377)	-	(1,533)	-	(1,533)
Exploration expenditures and projects	(3,678)	(6)	(3,684)	-	(4,938)	(8,622)	-	(8,622)
Other expenses, net	(682)	(175)	(857)	(4,234)	188	(4,903)	-	(4,903)
Impairment loss	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>(10,123)</b>	<b>(1,394)</b>	<b>(11,517)</b>	<b>(7,211)</b>	<b>(5,319)</b>	<b>(24,047)</b>	<b>-</b>	<b>(24,047)</b>
<b>Operating Profit (loss)</b>	<b>22,917</b>	<b>19,232</b>	<b>42,149</b>	<b>(7,706)</b>	<b>(5,319)</b>	<b>29,124</b>	<b>-</b>	<b>29,124</b>
<b>Depreciation and Amortization</b>								
<b>(included in costs and expenses)</b>	<b>(5,348)</b>	<b>(5,318)</b>	<b>(10,666)</b>	<b>(4,141)</b>	<b>(383)</b>	<b>(15,190)</b>	<b>-</b>	<b>(15,190)</b>

## Minsur S.A. and Subsidiaries

### Notes to the consolidated interim condensed financial statements (unaudited)

As of 31 March 2016

	Tin (Peru) US\$(000)	Gold (Peru) US\$(000)	Total (Peru) US\$(000)	Tin (Brazil) US\$(000)	Mining Exploration (Peru) US\$(000)	Sub Total Consolidated US\$(000)	Adjustments and Deletions US\$(000)	Total Consolidated US\$(000)
<b>Period ended 31 March 2015</b>								
<b>Results:</b>								
Sales	105,693	28,384	134,077	36,706	-	170,783	-	170,783
Embedded Derivative	(536)	-	(536)	-	-	(536)	-	(536)
Cost of Sales	(57,606)	(15,727)	(73,333)	(33,719)	-	(107,052)	2,744	(104,308)
<b>Gross Margin</b>	<b>47,551</b>	<b>12,657</b>	<b>60,208</b>	<b>2,987</b>	<b>-</b>	<b>63,195</b>	<b>2,744</b>	<b>65,939</b>
<b>Operating Costs</b>								
Administrative expenses	(6,099)	(1,616)	(7,715)	(2,580)	(894)	(11,189)	188	(11,001)
Sales Expenses	(1,677)	(5)	(1,682)	(457)	-	(2,139)	-	(2,139)
Exploration expenditures	(3,604)	(955)	(4,559)	-	(7,408)	(11,967)	-	(11,967)
Other expenses, net	(1,360)	(360)	(1,720)	(1,077)	25	(2,772)	(188)	(2,960)
<b>Total operating expenses</b>	<b>(12,740)</b>	<b>(2,936)</b>	<b>(15,676)</b>	<b>(4,114)</b>	<b>(8,277)</b>	<b>(28,067)</b>	<b>-</b>	<b>(28,067)</b>
<b>Operating Profit (loss)</b>	<b>34,811</b>	<b>9,721</b>	<b>44,532</b>	<b>(1,127)</b>	<b>(8,277)</b>	<b>35,128</b>	<b>2,744</b>	<b>37,872</b>
<b>Depreciation and Amortization (included in costs and expenses)</b>	<b>(9,290)</b>	<b>(7,240)</b>	<b>(16,530)</b>	<b>(4,635)</b>	<b>(346)</b>	<b>(21,511)</b>	<b>-</b>	<b>(21,511)</b>