Minsur S.A. and Subsidiaries

Notes to the consolidated interim condensed financial statements (unaudited)

As of December 31, 2015

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 of its capital stock. The registered address of the company it is Calle Las Begonias 441, Of. 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, which is then processed in the smelting and refining plant in Pisco, obtaining high quality tin and the production and trading of gold obtained from Pucamarca mine, located in the Tacna region, which started production in January 2013.

Through its subsidiary, Latin American Mining S.A., the Company has 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 engaged primarily in producing and trading cement in Chile) and in Minera Andes del Sur S.P.A (a company engaged in mining exploration, domiciled in Chile). 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., (this subsidiary was acquired in 2012 to develop a copper project); all mining sector companies at the stage of ore resource exploration and assessment and pre-feasibility studies (Marcobre).

(c) Consolidated financial statements -

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

	Participation in the issued capital			
	December 31, 2015		December 31, 2014	
	Direct %	Indirect %	Direct %	Indirect %
Subsidiaries in Chile:				
Minera Andes del Sur SPA	-	100.00	-	100.00
Subsidiaries in Brazil:				
Mineração Taboca S.A.	-	100.00	-	100.00
Mamoré Mineração e Metalurgia Ltda.	-	100.00	-	100.00
Subsidiaries in the Cayman Islands:				
CA Marcobre I (*)	-	100.00	-	100.00
CA Marcobre II (*)	-	100.00	-	100.00
CA Minerals Marcobre Limited (*)	-	100.00	-	100.00
CA Minerals Peru Limited (*)	-	100.00	-	100.00
CA Resources Limited (*)	-	100.00	-	100.00
Subsidiaries in Peru:				
Minera 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.	-	99.70	-	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. The main resources of this mine are tin, as well as other minerals.

- Mamoré Mineração e Metalurgia Ltda. -
  The corporate purpose of this subsidiary is to operate a smelting plant in the town of Pirapora in Sao Paulo, Brazil.

- 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 the development of Marta mine, located at Paraje de Tinyacclla 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.

- 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, the "IFRS"), issued by the International Accounting Standards Board (hereinafter, "IASB").

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 derivative financial instruments and investment properties, which are presented at their fair value.

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

Preparation of the Consolidated Financial Statements requires that management use 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.

2.2. Bases of Preparation -

The Consolidated Interim Financial Statements comprise the Company's and its subsidiaries' Financial Statements as of December 31, 2015 and December 31, 2014.

Control is held when the group is exposed, or has rights 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.

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 if 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 rights to vote or a combination of rights.

The Group confirms whether it has control over an entity when the facts and circumstances indicate that changes have occurred 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 statement of income and comprehensive incomes from the date on which the Group gets the control until the date on which the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive incomes are attributed to the Head of the Group and to the non-controlling interests, even if this ends up being negative non-controlling interest 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.

On January 29, 2015, subsidiary Minera Latinoamericana S.A.C. entered into a shareholders' agreement with related company Inversiones Breca S.A. (hereinafter, "Breca") by means of which it was agreed that Breca (minority shareholder of the subsidiary Inversiones Cordillera del Sur I Ltda.) hereinafter, "Cordillera", -a group engaged in the production and sale of cement in Chile-, would conduct all relevant activities of Cordillera starting 2015. According to IFRS10 "Consolidated Financial Statements", when loss of control of a subsidiary takes place, the controller ceases controlling and consolidating the financial information of the subsidiary. However, the IFRS does not contemplate the accounting treatment in transactions between entities under common control. In this regard, Management decided to, for comparison purposes, restructure the consolidated financial statements as at 31 December 2014 and treat the investment in Cordillera as an investment in associate.

2.3. Changes in accounting policies and disclosure

There were a series of new rules and interpretations, which the Group applied for the first time. Some of these rules related to: offsetting of financial assets and liabilities, renewal of derivatives and continuation of hedge accounting, among others, which did not affect the Group's Consolidated Financial statements for no transactions took place which could be affected by these changes and modifications.

2.4. 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 and term deposits including term deposits which maturities are shorter than or equal to three months.

For purposes of presentation, the consolidated statement of cash flows, cash and cash equivalents include cash, term deposits and high liquidity investments, whose original maturity is three months or less.

(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, the 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 Company's financial assets include cash and cash equivalents, commercial and diverse accounts receivable and financial investments available-for-sale and financial assets at fair value through profit and loss and derivative financial instruments.

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.

Financial assets at fair value through profit and loss are recorded in the consolidated statement of financial position at fair value and the net changes in that fair value are presented as financial costs (negative changes) or financial income (positive changes) in the consolidated profit and loss statement. The Group has classified certain investments in shares as financial assets at fair value through profit and loss (see note 8).

Embedded derivatives in commercial contracts are treated as separate derivatives and recorded at their fair value if their economic characteristics and associated risks are 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 their 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 method, less any estimate by deterioration. Impairment loss is recognized in the consolidated profit and loss statement.

This category includes commercial and various accounts receivable.

Investments held until maturity -
The 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 December 31, 2015 and December 31, 2014, 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 as either held to negotiate, nor as at the 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 December 31, 2015 and December 31, 2014, 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

(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 transfer agreement (pass-through arrangement), and (a) all the risks and benefits inherent in the ownership of the assets 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 the control thereof has not been transferred or retained, the Group continues recognizing for accounting purposes 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 the value might include, among others, such indications as 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) 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 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 has been 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 the 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 derivatives designated as hedging instruments in an effective hedging, as appropriate.

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

The financial liabilities of the Group include bank overdrafts, commercial and diverse accounts payable, financial obligations, derivative financial instruments and embedded derivatives.

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 13 and 15 for more information.

Derecognition of accounts -
A financial liability is derecognized when the payment obligation ends, is cancelled 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 the 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.

(v). Measurement of Fair Value -
The Group measures its financial instruments 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 available to the Company 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 for which the lowest level input is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input 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 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 sales, 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.

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 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 ore quotations. Sales adjustment is considered as an embedded derivative that needs to be separated from the main contract.

The market price is taken from the London Metal Exchange on the reporting date of the financial statements, which is applied to open positions according to the trading agreements at the closing of the period. The embedded derivative does not qualify as hedging instrument, therefore; any changes in fair value are recorded as an adjustment to net sales.

(d) Derivatives to hedge interest rate fluctuations risk -

The Group uses derivative financial instruments such as hedge instruments of future cash flows (cross currency swaps "CCS" by its acronym in English) to cover the interest rates risks on two bank loans. Derivative financial instruments are initially recognized at their fair values as at the date on which the derivative agreement is entered into, and then, the fair value is reassessed. Derivatives are recorded as financial assets when their fair value is positive, and as financial liabilities when their fair value is negative.

The accounting treatment of any gains or losses resulting from changes in the fair value of a derivative are charged directly to the consolidated statement of incomes, except for the effective portion of the cash flow hedges, which is recognized in the statement of other comprehensive incomes and is subsequently reclassified to results when the hedged item affects results.

For recording hedging, the Group classifies hedging as fair value.

At the beginning of a hedging relationship, the Group designates and formally documents the hedging relationship to which it wants to apply the hedge records, as well as the objective of risk management and the strategy to carry out hedging. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk that is covered and how the entity will evaluate the effectiveness of the changes in the fair value of the hedging instrument to compensate for the exposure to changes in the fair value of the hedged item. Hedges are expected to be highly effective at offsetting exposure to changes in fair value, and they are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the reported periods and for which they were designated.
Hedging meeting the requirements demanded for recording fair value hedging is recorded as follows:

Changes in the fair value of a derivative that is a hedging interest rate instrument is recognized in the consolidated statement of income as financial cost. Changes in the fair value of the hedged item attributable to the hedged risk is recorded as part of the carrying amount of the hedged item and is also recognized in the consolidated statement of income as financial cost.

If the hedged item is derecognized, the unamortized fair value is immediately recorded in the consolidated statement of income.

(e) Transactions in foreign currency -
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 converted to the functional currency using the prevailing exchange rate on reporting date. Gains or losses on exchange difference resulting from settlement or translation of monetary assets and liabilities are recorded in the consolidated statement of comprehensive income. Non-monetary assets and liabilities, recorded in terms of historical costs, are transferred using the prevailing exchange rates at the original date of the 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.

(f) Inventories -

Finished products and products in-process are 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.

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 the 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).

(g) 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.

(h) 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 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.

The profit and loss statement reflects the participation in the results of the operations of affiliates. In dealing with a change directly recognized in the affiliate's equity, the Group recognizes the participation in this change and records it, where applicable, in the consolidated statement of changes in the net equity. Unrealized income on common transactions is eliminated in proportion to the participation held in affiliate.

The Group's participation in profits or losses of the affiliate is presented separately in the consolidated statement of income and represents the profit or loss of the affiliate after tax.

The Group's and its affiliates' reporting dates are the same. If necessary, adjustments are made to align the accounting policies of affiliates and the Group's.

After applying the equity participation method, the Group determines whether it is necessary to recognize a loss for impairment of investments in affiliates. 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.

In the case of loss of significant influence over the affiliate, the Group measures and recognizes any cumulative investment at fair value. Any difference between the book value of the affiliate at the time of the loss of significant influence, the fair value of the investment held and revenue from the sale are recognized in the income.

(i) Combination of businesses and goodwill–

Business combinations are recorded using the acquisition method. The cost of an acquisition is the sum of the transferred consideration, measured at fair value on the date of acquisition, and the amount of any non-controlling interest in the acquired entity. For each business combination, the Group chooses whether to appraise the interest in the acquired entity at fair value or at the proportional value of the identifiable net assets of the acquired entity. Acquisition costs incurred are charged to results and are presented in the administrative expenses item.

When the Group acquires a business, it assesses the identifiable assets acquired and the liabilities assumed for due classification and designation, in accordance with contractual conditions, the economic circumstances and other relevant conditions as of the date of acquisition.

Any contingent consideration to be transferred by purchaser will be recognized at fair value as of the date of acquisition. Subsequent changes to the fair value of contingent consideration considered as an asset or liability will be recognized in accordance with IAS 39, either as gain or loss or as a variation in the other comprehensive income. If the contingent consideration is classified as equity, it should not be measured again until it is finally settled as part of equity.

Goodwill is initially measured at cost, and represents the amounts in excess of the consideration transferred and the amount recognized by the non-controlling participation, related to the identifiable assets acquired and liabilities assumed. If this consideration were less than the fair value of net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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.

(j) Investment Properties -
Investment properties are initially measured at cost, including transaction costs. After the initial recognition, the investment properties are measured at fair value, which reflects the market conditions at closing date of the reporting period. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they are incurred. Fair values are assessed annually by a recognized independent external appraiser.

Investment properties are derecognized, either when sold or when the investment property is permanently removed from use and no economic benefits are expected from the sale. The difference between the net income from the sale and the carrying amount of the asset is recognized in the consolidated statement of income in the period where it is derecognized.

Investment property transfers are only carried out when there is a change in the use of the asset. In the case of a transfer from an investment property to a component of Property, plant and equipment, the attributed cost considered for recording is the fair value of the asset as of the date of the change of use. If a component of Property, plant or equipment is transferred to an investment property, the Group records the asset until the date of the change of use in accordance with the accounting policy established for Property, plant and equipment. The adjustment to recognize the fair value of the recently transferred component to investment properties, will be recorded as a revaluation and is included in the consolidated statement of comprehensive income.

(k) 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.

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 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 dismantling, see 2.4 (q).

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:

	Industry Mine (years)	**Industry Cement** (years)
Buildings and constructions	Between 2 and 25	Between 10 and 30
Buildings and constructions of the smelting plant	Between 4 and 29	-
Facilities	Between 2 and 29	Between 8 and 15
Machinery and equipment	Between 1 and 6	Between 4 and 30
Furniture and furnishings	Between 2 and 8	Between 8 and 15
Transport Units	Between 3 and 6	Between 8 and 15
IT Equipment	4	Between 3 and 4

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.

(l) Leasing -
Determination of whether an agreement is, or contains, a lease is based on the substance of the contract on the commencement date thereof. It is necessary to assess whether the performance of the contract depends on the use of a specific asset or assets or, if the contract transfers the right to use the asset, or assets, even if said right is not explicitly specified in the contract.

Financial Lease:
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.

(m) 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 since the beginning of the production phase 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. See note 2.4(p).

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

(n) Costs of exploration, mine development and stripping -
Exploration Costs -
Exploration costs are charged to expenditures as incurred. These costs mainly include fuels and materials used, costs of topographic surveying, drilling costs and payments made to contractors.

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.

Development Costs -
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.

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.

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

(o) Intangible Assets -

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.

Brands -

Correspond to the identified and valued brands as a result of the acquisition of subsidiaries in Chile. Brands are considered to be of indefinite useful life and, therefore, are not depreciated. Annually, impairment tests are carried out following the policy described in paragraph (p) below.

The Group has determined that these brands are of indefinite useful life based on the following criteria: use of the asset is expected for an indefinite period of time, the typical life cycle of the brands and similar assets tends to be indefinite, no disbursements are expected for significant maintenance, and the period during which the asset is expected to be controlled has no legal-type limits, or otherwise.

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.

Portfolio of clients -

This intangible asset represents both contractual and non-contractual clients recognized in the acquisition of subsidiaries in Chile. This intangible asset is amortized using the straight-line method based on an estimated useful life of 7 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 10 to 15 years).

(p) 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 person 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 losses 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.

(q) 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 the 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.

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 recognized immediately 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.

(r) Pensions and other post-employment benefits -
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.

(s) 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:

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 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.

(t) Financing Costs -
Financing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized and added to the cost of the project until the assets are considered substantially ready to be used as planned, that is, when they are capable of generating commercial production. All other borrowing costs are recognized in the consolidated profit and loss statement in the period in which they are incurred. Financing costs include interests and other costs incurred by the Group for securing financing.

When the funds used to finance a project are part of general financing, the capitalized amount is calculated using the weighted average of the applicable rates to the relevant general financings of the Group during the period. All other financing costs are recognized in the consolidated profit and loss statement in the period in which they are incurred.

(u) 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.

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.

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.

(v) Basic and diluted earnings per 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 December 31, 2015 and December 31, 2014, 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.

(w) 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 (note 24) -
By nature, these processes 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 - (note 16) -
(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. Reviews 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) Units of production depreciation method (note 2.4 (k)) -
(c) Provision for closure of mines (note 2.4(q) and note 15) -
(d) Determination of the net realizable value of inventories (note 2.4 (f) and note 7) -
(e) Impairment of non-financial assets (note 2.4 (p))
(f) Provision for post-employment benefits - (note 2.4 (r)) -
(g) Fair value of financial instruments -
(h) Fair value of investment properties - (note 2.4 (j)) -

4. Issued but not effective standards

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

- IAS 9, Financial Instruments
  In July 2014, the IASB issued the final version of the IFRS 9 "Financial Instruments" which covers all phases of the project on financial instruments and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The Standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The IFRS 9 is effective for annual periods beginning on or after January 1, 2018, allowing early adoption before that date. Retroactive application is allowed, but comparison data is not mandatory. Early application of previous versions of the early application of IFRS 9 (2009, 2010 and 2013) is allowed if the date of the initial application is before February 1, 2015. The Group will analyse the impact of these Standards and plans to adopt them on the date they enter into force.

- IFRS 15 Revenue from contracts with clients
  The IFRS 15 was published in May 2014 and provides a single, principles based five-step model to be applied to all contracts with customers. Under the IFRS 15 revenue is recognized in an amount that reflects the consideration that an entity expects to receive in exchange for transferring goods and services to a client. The IFRS 15 involves a principles approach when revenue is recorded.

  This new Standard is applicable to all entities and supersedes all previous standards of revenue recognition. Both a total or partial retrospective application is allowed, and it is effective for annual periods beginning on January 1, 2017, earlier application permitted. The Group will analyse the impact of the IFRS 15 and plans to adopt it on the date it enters into force.

- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation.
  The amendments clarify the principle of IAS 16 and IAS 38 that revenues reflect a pattern of the economic benefits that are generated from operating a business (of which the asset is part) in

place of the economic benefits that are consumed through the use of the asset. As a result, a method based on revenues cannot be used to depreciate Property, plant and equipment and can only be used in very limited circumstances to amortize intangible assets.

These amendments apply to the periods that start on January 1, 2016, inclusive, although allowing early adoption before that date. This amended is not expected to be relevant to the Group, since none of the entities of the Group uses an income-based method to depreciate its non-current assets.

5. Cash and cash equivalents

(a) This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Fixed and fixed fund	12	98
Current bank accounts	43,742	4,122
Demand Deposits	179,796	305,176
Term Deposits	162,072	93,429
Bank Certificates of Deposit	5,234	5,000
Funds subject to restriction	6,637	57
Total	**397,493**	**407,882**

(b) As of December 31, 2015 and December 31, 2014, 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 180 days which may be renewed at maturity. As of December 31, 2015 and December 31, 2014, these deposits accrued interests calculated at current market rates.

(e) As of December 31, 2015, correspond to CBD's bank certificates of deposit - held by Mineração Taboca S.A. for R$ 20,723,000 (equivalent to US$ 5,234,000), R$ 13,286,000 (equivalent to US $5,000,000) as of December 31, 2014. These are highly liquid certificates and yield is obtained from the rate variation of Interbank Deposit Certificates - IDC from Brazil.

6. Commercial and diverse accounts receivable, net

(a) This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Commercial	**61,402**	**58,406**
Related, note 26	**444**	**466**
Diverse:		
Tax Credit Sales Tax	47,398	61,890
Staff Accounts Receivable	6,882	14,408
Others	8,392	5,014
	62,672	81,312
Total	**124,518**	**140,184**

Classification by Maturity		
Current	78,742	89,177
Non Current	45,776	51,007
Total	**124,518**	**140,184**

(b) As of December 31, 2015 and December 31, 2014, accounts receivable do not accrue commercial interests and have no specific guarantees. In the process of estimating doubtful accounts, the Group' Management continuously analyses market conditions, for which it uses aging analysis for commercial operations.

7. Inventories, net

The item is composed of the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Finished Products	19,754	35,680
Products in-Process	34,225	46,701
Materials and Supplies	38,643	42,654
Stockpiles	785	933
Inventory Receivable	2,525	1,871
	95,932	127,839
Estimation for devaluation	(6,293)	(7,967)
Total	**89,639**	**119,872**

8. Financial asset at fair value through profit and loss

(a) As of December 31, 2015 and December 31, 2014, the Group keeps an investment in shares of BBVA of Spain for US$ 6,412,000 and US$ 8,155,000, 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 December 31, 2015 and December 31, 2014, 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 on the Spanish Stock Exchange. Following is the activity of the item:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Balance	8,155	10,129
Changes in fair value	(1,743)	(1,974)
Total	**6,412**	**8,155**

(c) As of December 31, 2015 the Company received cash dividends from the BBVA of Spain for US$ 78.000 (US$ 91.000 in 2014), which were charged to the income of the year.

9. Financial investments available-for-sale

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

	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 publicly listed	65,000	(183)	1,683	66,500
Total	**190,000**	**815**	**1,683**	**192,498**

	As of 12.31.2014			
	Cost	Results Unrealized	Interests Past Due	Value Fair
	US$(000)	US$(000)	US$(000)	US$(000)
Publicly Listed Mutual Funds	125,000	(454)	-	124,546
Certificates of Deposit not publicly listed publicly listed	65,000	(201)	231	65,030
Total	**190,000**	**(655)**	**231**	**189,576**

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.

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

	As of 12.31.2015	As of 12.31.2014
	US$(000)	US$(000)
Initial Balance	189,576	-
Purchase of investments	-	190,000
Fair value recorded in other comprehensive income	1,470	(655)
Interests earned on certificates of deposit	1,452	231
Final Balance	**192,498**	**189,576**

10. Investment in affiliates -

(a) This item comprises the following:

	Participation in Equity		Equity Value	
	As of 12.31.2015	**As of 12.31.2014**	**As of 12.31.2015**	**As of 12.31.2014**
	%	%	US$(000)	US$(000)
Affiliates				
Inversiones Cordillera del Sur Ltda	73.94	73.94	227,337	266,178
Rimac Seguros y Reaseguros	14.51	14.51	48,214	62,902
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	3,375	4,078
Explosivos S.A.	7.30	7.30	7,886	7,340
Futura Consorcio Inmobiliario S.A.	4.96	4.96	5,318	5,097
Final Balance			**292,130**	**345,595**

The Group has recognized its investments in Inversiones Cordillera del Sur (as explained in note 2.2), Rimac Seguros y Reaseguros, Explosivos S.A. and Futura Consorcio Inmobiliario S.A.C, as related investments considering, that together with Inversiones Breca (Company's parent company) it has the capacity to exercise significant influence on the Board of Directors of these companies, which are operated as part of an economic group.

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

	As of 12.31.2015	**As of 12.31.2014**
	US$(000)	US$(000)
Rimac Seguros y Reaseguros	12,948	11,717
Servicios Aeronáuticos Unidos S.A.C.	(703)	(152)
Explosivos S.A.	(507)	665
Futura Consorcio Inmobiliario S.A.	916	863
Inversiones Cordillera del Sur	(707)	120
Final Balance	**11,947**	**13,213**

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

Inversiones Cordillera del Sur
A Chilean investment company whose purpose is to invest in movable, tangible or intangible assets, company's shares, rights in other companies, bonds, trade-related items and other securities; manage, transfer and exploit them and benefit from them.

Following is the investment activity in Inversiones Cordillera del Sur:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Balance	266,178	303,746
More (less)		
Participation in net profit	(707)	120
Unrealized profit	142	3,082
Conversion	(38,098)	(40,320)
Others	(178)	(450)
Final Balance	**227,337**	**266,178**

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:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Balance	62,902	54,656
More (less)		
Participation in net profit	12,948	11,717
Unrealized profit	(17,940)	1,630
Conversion	(6,896)	(4,171)
Dividends	(2,543)	(944)
Others	(257)	14
Final Balance	**48,214**	**62,902**

Servicios Aeronáuticos 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 Aeronáuticos Unidos S.A.C.:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Balance	4,078	15,600
More (less)		
Participation in net profit	(703)	(152)
Capital Reduction	-	(11,370)
Final Balance	**3,375**	**4,078**

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 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Balance	7,340	7,729
More (less)		
Participation in net profit	(507)	665
Conversion	1,053	(653)
Dividends	-	(401)
Final Balance	**7,886**	**7,340**

11. Property, plant and equipment, net

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

	Balance as of 01.01.2015	Additions	Derecognition	Transfer and Adjustments	Adjust for conversion	Balance as of 12.31.2015
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost						
Land	13,710	7,789	30	-	(546)	20,983
Buildings and facilities	428,850	19	(781)	18,468	(31,948)	414,608
Machinery and equipment	365,745	2,886	(5,250)	3,264	(41,642)	325,003
Furniture, furnishings and IT equipment	11,478	36	(770)	869	(1,395)	10,218
Transport Units	14,861	296	(366)	946	(3,245)	12,492
Units to receive	846	-	(847)	1	-	-
Works underway	59,374	52,148	38	(32,542)	(17,906)	61,112
Mine Closure	50,885	9,451	-	9,927	(1,810)	68,453
Financial leasing	4,594	-	-	(933)	-	3,661
	950,343	72,625	(7,946)	-	(98,492)	916,530

Accumulated Depreciation						
Buildings and facilities	161,665	43,152	(102)	-	(5,883)	198,832
Machinery and equipment	236,924	25,889	(3,097)	214	(24,628)	235,302
Furniture, furnishings and IT equipment	6,999	1,087	(117)	-	(958)	7,011
Transport Units	8,999	1,435	(357)	179	(1,992)	8,264
Mine Closure	24,208	6,829	-	-	(778)	30,259
Financial leasing	1,139	617	-	(393)	-	1,363
	439,934	79,009	(3,673)	-	(34,239)	481,031
Net cost	**510,409**					**435,499**

(b) As of December 31, 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.

12. Intangible Assets, net

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

	Balance as of 01.01.2015	Additions	Loss of Value	Withdrawal and Adjustments	Adjust for conversion	Balance as of 12.31.2015
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Cost:						
Indefinite useful life						
Goodwill						
Mineracao Taboca S.A.	53,711	-	-	-	(17,667)	36,044
Marcobre S.A.C.	126,098	-	(126,098)		-	-
	179,809	-	(126,098)	-	(17,667)	36,044
Indefinite useful life						
Mining Concessions	855,731	250	(514,430)	(307)	(46,422)	294,822
Development Cost	30,257	-	-	-	-	30,257
Licenses	390	196	-	-	(116)	470
Land Usufruct	8,419	915	-	(31)	(328)	8,975
Others	545	-	-	-	-	545
	895,342	1,361	(514,430)	(338)	(46,866)	335,069
Accumulated Amortization						
Mining Concessions	9,044	3,448	-	(284)	(2,932)	9,276
Development Cost	8,141	3,848	-	-	-	11,989
Licenses	380	71	-	(26)	(123)	302
Land Usufruct	1,808	760	-	(1)	(64)	2,503
Others	9	55	-	-	-	64
	19,382	8,182	-	(311)	(3,119)	24,134
Net cost	**1,055,769**					**346,979**

(b) The book value of Minsur's investments in Marcobre at year-end 2015 was US$ 840 million; this amount represents 100% of the value of Marcobre's concessions. Considering the current context of deterioration in the price of copper and according to the principles of good corporate governance of the company and under the regulatory framework according to IFRS (International Financial Reporting Standards) Management and the Board have decided to incorporate an adjustment by deterioration of the value of the intangibles referred to by US$ 641 million. Amount which is reflected in this Note

13. Commercial and diverse Accounts Payable

(a) This item comprises the following:

	As of 12.31.2015 $(000)	As of 12.31.2014 $(000)
Commercial	**43,320**	**67,905**
Related, note 26	**15,110**	**11,101**
Diverse:		
Dividends Payable	679	703
Tax and contributions payable	8,795	15,491
Other Accounts Payable	7,415	3,188
	16,889	19,382
Total	**75,319**	**98,388**

(b) Accounts payable by 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 as 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 remains 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.

14. Financial Obligations

(a) This item comprises the following:

Entity	Warranty	Interest Rate	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Corporate Bonds net without investment guarantees	Without guarantees	6.25%	453,889	449,118
Banco Itau	With guarantees	4.61%	33,798	36,131
ABC Bank Brazil	Without guarantees	4.81%	5,993	12,782
Banco Santander	Without guarantees	2.14%	10,129	7,551
Banco do Brasil	Without guarantees	2.14%	35,483	5,638
Banco Santos	Without guarantees	CDI Rate +2%	13,182	5,595
Banco Safra	Without guarantees	4.08%	7,995	-
Banco Safra	Without guarantees	6.00%	-	2,005
Banco Bic Banco	Without guarantees	6.38%	-	2,054
Santander - FINAME BNDES	Financed property	6.00%	206	-
Safra - FINAME BNDES	Financed property	6.00%	97	-
FINAME BNDES (Banco Itau)	Leased Property	6.00%	14	1,289
BBVA Continental	Leased Property	2.68%	173	1,029
Banco de Credito del Peru	Leased Property	4.54%	62	-
Banco Santander	Leased Property		-	314
			561,022	523,506
Pre-paid Interests			(3,585)	11,785
Final Balance			**557,437**	**535,291**
Classification by Maturity				
Current Portion			104,719	68,440
Non-Current Portion			452,718	466,851
			557,437	**535,291**

(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.

(c) As of December 31, 2015, Minsur S.A. holds joint guarantees amounting to US$ 20,000,000, guaranteeing the financing of its subsidiary Taboca with Banco Itau. The securities will remain in effect until May 25, 2017.

15. Provisions

(a) The item is composed of the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Mine Closure	104,580	93,007
Environmental Remediation	26,732	35,079
Other contingencies	2,470	5,246
	133,782	133,332
Classification by Maturity		
Current provisions	23,617	10,786
Non-Current provisions	110,165	122,546
	133,782	133,332

(b) The activity of the period is provided below:

	Provisions for closure mines US$(000)	Provision for Remediation Environmental US$(000)	Provisions for Contingencies US$(000)	Total US$(000)
As of January 1, 2015	93,007	35,079	5,246	133,332
Change of estimate	3,319	(27)	(19)	3,273
Additions	4,232	15,023	90	19,345
Reversals	1,722	(3,874)	(496)	(2,648)
Discount updating	12,800	(20,082)	(167)	(7,449)
Payments and pre-payments	(854)	(71)	(310)	(1,235)
Adjustment for conversion	(115)	(517)	(96)	(728)
Others	(9,531)	1,201	(1,778)	(10,108)
As of December 31, 2015	**104,580**	**26,732**	**2,470**	**133,782**

The provision for closure of mines represents the current value of closure costs expected to be incurred between years 2016 and 2047, 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 work, 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.

16. Income Tax

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

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Income Tax		
Current	46,053	94,468
Deffered	(164,720)	(16,095)
	(118,667)	78,373
Mining Royalties and Special Mining Tax		
Current	11,404	29,965
Deffered	(1,086)	(309)
	10,318	29,656
Total	**(108,349)**	**108,029**

b) Following is the Reconciliation of Income Tax Expense with profits before income tax multiplied by the statutory rate:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Profit before income tax	**(646,331)**	**183,822**
Theoretical income tax	(185,767)	44,197
Effect of permanent differences, net	12,272	14,180
Provision of tax losses	58,597	11,934
Effect of conversion	12,171	9,985
Previous years' adjustment:	(157,670)	2,386
Effect of change of rate	811	10,336
Effect of royalties	(3,193)	(8,990)
Participation in results of affiliates	144,112	(3,928)
Other minors	-	(1,727)
Income Tax Expense	(118,667)	78,373
Mining Royalties and Special Mining Tax	10,318	29,656
Total	**(108,349)**	**108,029**

17. Net Equity

(a) Capital Stock -

As of December 31, 2015, and December 31, 2014, the authorized subscribed and paid in capital, in accordance with Company's Bylaws, as amended, is represented by 19,220,015 common shares, respectively, with a par value of S/.100.00 each.

(b) Investments Shares-

As of December 31, 2015 and December 31, 2014, this item 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 December 31, 2015, the average stock market value of these shares is S/. 0.52 per share and S/. 1.80 per share as of December 31, 2014.

(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 losses or be capitalized, in both cases there is the obligation to replenish it.

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

Reinvested earnings -

As of December 31, 2015 and December 31, 2014, 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 December 31, 2015:

Board / meeting	Date	Declared and paid dividends	Dividends per common share	Dividends per investment share
		US$(000)	US$	US$
As of December 30, 2015				
Mandatory Annual Shareholders' Meeting	March 26, 2015	50,000	1.73	0.017
As of December 2014				
Mandatory Annual Shareholders' Meeting	March 19, 2014	50,000	1.73	0.017

(e) Other equity reserves -
As of December 31, 2015 and December 31, 2014, 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.

Cumulative conversion results -
Mainly corresponds to the exchange difference resulting from converting the foreign subsidiaries' financial statements to the reporting currency of the Group. During 2015, the resulting exchange difference produced a net loss of US$ 129,091,000 (including an exchange loss of US$ 89,987,000 by the Brazilian subsidiary and an exchange loss of US$ 34,327,000 by the Chilean affiliate).
Durante el año 2014, la diferencia en cambio resultante generó una pérdida neta de US$93,598,000 (que incluye una pérdida de cambio de US$29,610,000 por la subsidiaria de Brasil y una pérdida de cambio de US$57,144,000 por la asociada de Chile). These conversion results are included in the consolidated statement of other comprehensive income.

Unrealized Gains
Basically correspond to the participation in unrealized income of affiliate Rímac Seguros y Reaseguros (Rimac). These 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 upgrading the value of equity in this affiliate, the Group recognized a US$ 20,398,000 loss as of December 31, 2015 (gain of US$ 1,630,000 in 2014), which is included in the consolidated statement of other comprehensive income.

(f) Contributions in non-controlling interest -
As of December 31, 2015, the Group received contributions from non-controlling interests from subsidiary Marcobre S.A.C. in the amount of US$ 7,290,000 (US$ 14,490,000 in 2014).

(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 12.31.2015 $(000)	As of 12.31.2014 $(000)
Numerator -		
Profit attributable to common and investing shareholders	(421,830)	84,897
	Number of shares	**Number of shares**
Denominator -		
Common Shares, note 17(a)	19,220,015	19,220,015
Investments shares, note 17(b)	960,999,163	960,999,163
Profit per share (in US dollars)		
Profit attributable to common shareholders	(14.632)	2.945
Profit attributable to investing shareholders	(0.146)	0.029

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

18. Tax Situation

(a) Peruvian Tax Framework -

The Company is subject to the Peruvian tax regime. As of December 31, 2015, the income tax rate is 28 percent and as of December 31, 2014, the Income Tax rate is 30 percent on taxable profits and non-domiciled persons in Peru and natural persons are subject to an additional 4.1 percent tax on the dividends received.

By means of Law N° 30296 issued on December 31 2014, certain changes were made to the Income Tax Law, in force from January 1, 2015. The most relevant are listed below:

- A gradual 30% to 28% reduction of the corporate income tax rate was established for years 2015 and 2016; of 27% for 2017 and 2018; and 26% for 2019, and so forth.
- A gradual 4.1% to 6.8% increase of the effective dividend tax rate has been established for years 2015 and 2016; of 8.0% for years 2017 and 2018; and 9.3% for the year 2019, and so forth. These rates will apply to profit sharing adopted or made available in cash or in kind, whichever comes first, on January 1, 2015.
- It was determined to apply a 4.1% rate to the cumulative results or other concepts likely to generate taxable dividends, obtained until December 31, 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 for four years following submission of the income tax return of said taxes. Income tax returns for years 2011 to 2014 and Sales Tax for years 2010 to 2014, are still to be checked by the tax authorities. To date, the Tax Administration 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.

(b) Subsidiaries in Chile.-

Minera Andes South SpA is subject to the Chilean tax regime. As of December 31, 2015, the income tax rate is 22.5% on taxable profits (21% 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:

- \- 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 December 31, 2015 and December 31, 2014, 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.

(d) Subsidiaries in Peru -

Income tax returns for the years 2011 to 2015 and Sales Tax for the years 2011 to 2015, of subsidiaries in Peru, are still to be reviewed by the tax authorities.

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 its determination. Based on the analysis of the Company's operations, Management, and its legal advisors believe that, as a consequence of the application of this rule, no significant contingencies will emerge for the Company as of December 31, 2015.

19. Net Sales

(a) This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Tin and other minerals	441,058	734,023
Gold	140,040	138,777
Niobium, tantalum and others	37,259	41,139
	618,357	913,939
Embedded Derivative for tin sales	253	333
	618,610	914,272

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

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Tin and other minerals		
Europe	210,359	363,395
America	221,655	319,588
Asia	42,513	85,505
Peru	3,790	6,674
Gold		
United States	140,040	138,777
	618,357	913,939
Embedded Derivative for tin sales	253	333
	618,610	914,272

20. Cost of Sales

This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Initial Inventory of finished products, note 7	35,680	58,342
Initial Inventory of products in-process, note 7	46,701	74,414
Stockpiles, note 7	933	2,231
	83,314	134,987
Services provided by Third Parties	113,706	154,873
Consumption of raw material and inputs/supplies	88,859	92,680
Direct labor	82,060	108,932
Depreciation, note 14(b)	76,820	79,712
Electric power	12,661	22,739
Amortisation	7,928	10,494
Other manufacturing costs	8,247	3,091
Estimation for contingency, note 11(c)	113	878
Provision (Recovery) by devaluation of inventories, note 9(b)	-	(1,151)
Production Cost	390,394	472,248
Final Inventory of finished products, note 7	(19,754)	(35,680)
Final Inventory of products in-process, note 7	(34,225)	(46,701)
Stockpiles, note 7	(785)	(933)
	(54,764)	(83,314)
Cost of Sales	**418,944**	**523,921**

21. Administrative expenses

This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Staff charges	28,908	34,839
Services provided by Third Parties	9,593	13,565
Diverse management and provisioning charges	1,746	3,366
Advisory & Consultancy	2,516	3,363
Depreciation	637	618
Supplies	-	26
Amortisation	7	4
	43,407	**55,781**

22. Sales Expenses

This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Services provided by Third Parties	3,653	6,206
Staff charges	1,171	1,037
Diverse management charges	752	326
Sales commissions	1,719	2,334
Estimation for Doubtful Accounts	-	2,184
Storage Costs	604	-
Depreciation	7	8
Total	**7,906**	**12,095**

23. Other Operating Incomes

This item comprises the following:

	As of 12.31.2015 $(000)	As of 12.31.2014 $(000)
Income from sale of supplies	4,278	6,062
ICMS Tax incentive	1,790	1,413
Income for consulting services	1,264	602
Reconciliation FOPAG	1,190	-
Recovery of provision of contingencies and other	1,012	28
Recovery of provision of Mining Royalties and EIM	663	643
Reversal of provision of tax credits of operations in Brazil	660	6,092
Property Rental	186	189
Active Biological Growth	125	61
Income for sale of Property, plant and equipment	51	241
Rental of Equipment	16	-
Reversal of provisions	-	8,423
Judicial deposits	-	3,443
Insurance Compensation	-	932
Reversal of impairment		2,938
Others	539	1,285
Total	**11,774**	**32,352**

24. Other Operating Expenses

This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Exploration and survey expenditures		
Services provided by Third Parties	27,316	50,950
Staff charges	8,687	12,373
Diverse management charges	2,241	2,920
Mining Concession Fee	757	-
Supplies	437	441
Depreciation	1,012	830
Amortisation	546	326
	40,996	**67,840**
Other Operating Expenses		
Environmental and Labor provisions	14,996	1,029
Net cost of withdrawal of intangible assets	11,626	
Adjustment of physical inventory of supplies	6,245	
Acordo TACA (Environment) / Plano de intervenção (Environment PBJ)	-	5,639
Net cost of removing Property, plant and equipment	4,435	1,600
Provisions p/ losses*	3,676	766
Net cost of supplies sold	3,655	5,527
Demobilization Surveys Vila Pitinga	2,736	183
Contributions to public environmental regulation entities	1,619	2,859
Donations	1,587	3,333
Adjustment of physical inventory of supplies	-	1,057
Mining Retirement Fund	822	1,574
Severance pay	597	5,873
Depreciation	353	283
Administrative sanctions and prosecutors	-	303
Depreciation of Machinery and equipment	266	246
Other taxes and fees	135	736
Cessation of judicial deposits, Fees		10,633
Others	5,102	6,026
	57,850	**47,667**
Total others, net	**98,846**	**115,507**

25. Financial Income and Costs

This item comprises the following:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Financial Income		
Interest on term deposits	2,162	4,209
Interest on certificates of deposit	1,452	231
Others	997	331
Interests Income	**4,611**	**4,771**
Financial costs:		
Interests on corporate bond	28,763	27,461
Costs and interest on bank loans	15,000	12,714
Amortization of corporate bond issuance costs	565	1,077
Others	90	164
Interest Expenses	**44,418**	**41,416**
Update of provision for mine closure	2,202	6,476
	46,620	**47,892**

26. 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 December 31, 2015.

No significant changes took place during the period ended on December 31, 2015. The commitments and contingencies have been registered in accordance with note 15.

(b) Contingencies -

The Group has no other significant contingencies than the ones described in the consolidated financial statements as of December 31, 2015. The record of contingencies is presented in note 15.

27. Transactions with related companies

Accounts receivable and payable –

Balances of accounts receivable and payable with related companies for the years ended on December 31, 2015 and December 31, 2014 are as follows:

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Accounts Receivable -		
Administración de Empresas S.A.	146	294
Compañía Minera Raura S.A.	289	171
Others	9	1
	444	**466**
Classification by Maturity		
Current	444	466
Non current	-	-
	444	**466**

	As of 12.31.2015 US$(000)	As of 12.31.2014 US$(000)
Accounts Payable -		
Administración de Empresas S.A.	12,276	7,454
Exsa S.A.	1,753	2,329
Rimac Seguros y Reaseguros	127	298
Clínica Internacional S.A.	266	519
Centria Servicios Administrativos S.A.	228	66
Rímac S.A. Entidad Prestadora de Salud	238	20
Estratégica S.A.C.	17	80
Urbanizadora Jardín S.A.	48	184
Protección Personal S.A.C.	5	90
Compañía Minera Raura S.A.	46	10
Inversiones Nacionales de Turismo S.A.	31	31
Corporación Peruana de Productos Químicos	75	15
Others	-	5
	15,110	**11,101**
Classification as per nature:		
Commercial	15,110	9,577
Diverse	-	1,524
	15,110	**11,101**

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

28. 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.

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 December 31, 2015

	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)
Period ended 31 December 2015								
Results:								
Sales	346,995	140,040	487,035	131,281	-	618,316	-	618,316
Embedded Derivative	295	-	295	-	-	295	-	295
Cost of Sales	(207,779)	(70,881)	(278,660)	(140,265)		(418,925)	-	(418,925)
Other Operating Income	(19)	-	(19)	-	-	(19)	-	(19)
Gross Margin	139,492	69,159	208,651	(8,984)	-	199,667	-	199,667
Operating Costs								
Administrative expenses	(19,300)	(9,569)	(28,869)	(11,970)	(2,951)	(43,790)	383	(43,407)
Sales Expenses	(6,293)	(6)	(6,299)	(1,608)	-	(7,907)	-	(7,907)
Exploration expenditures and projects	(19,740)	(6,533)	(26,273)	-	(14,723)	(40,996)	-	(40,996)
Other expenses, net	(3,259)	(1,616)	(4,875)	(13,252)	(27,566)	(45,693)	(383)	(46,076)
Impairment loss	-	-	-	-	(640,528)	(640,528)	-	(640,528)
Total operating expenses	(48,592)	(17,724)	(66,316)	(26,830)	(685,768)	(778,914)	-	(778,914)
Operating Profit (loss)	90,900	51,435	142,335	(35,814)	(685,768)	(579,247)	-	(579,247)
Depreciation and Amortization (included in costs and expenses)	(29,187)	(37,541)	(66,728)	(23,428)	(1,526)	(91,682)	-	(91,682)
Impairment and Amortization (Including in inventory changes)	258	1,830	2,088	2,114	-	4,202	-	4,202

Minsur S.A. and Subsidiaries

Notes to the consolidated interim condensed financial statements (unaudited)

As of December 31, 2015

	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)
Period ended 31 December 2014								
Results:								
Sales	621,051	138,777	759,828	160,689	-	920,517	(6,577)	913,940
Embedded Derivative	332	-	332	-	-	332	-	332
Cost of Sales	(274,303)	(80,071)	(354,374)	(173,380)		(527,754)	3,833	(523,921)
Gross Margin	347,080	58,706	405,786	(12,691)	-	393,095	(2,744)	390,351
Operating Costs								
Administrative expenses	(27,117)	(7,916)	(35,033)	(16,626)	(4,486)	(56,145)	328	(55,817)
Sales Expenses	(10,412)	(6)	(10,418)	(1,641)	-	(12,059)	-	(12,059)
Exploration expenditures	(22,108)	(6,453)	(28,561)	-	(39,279)	(67,840)	-	(67,840)
Other expenses, net	(7,917)	(2,311)	(10,228)	(4,055)	(179)	(14,462)	(853)	(15,315)
Total operating expenses	(67,554)	(16,686)	(84,240)	(22,322)	(43,944)	(150,506)	(525)	(151,031)
Operating Profit (loss)	279,526	42,020	321,546	(35,013)	(43,944)	242,589	(3,269)	239,320
Depreciation and Amortization (included in costs and expenses)	(35,745)	(33,747)	(69,492)	(35,639)	(1,004)	(106,135)	-	(106,135)
Impairment and Amortization (Including in inventory changes)	7,784	(481)	7,303	6,557	-	13,860	-	13,860