Minsur S.A.

Separate financial statements as of December 31, 2013 and 2012, together with the Report of Independent Auditors

Building a better working world

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Content

Report of the Independent Auditors

To the Shareholders of Minsur S.A.

We have audited the accompanying separate financial statements of Minsur S.A. (a Peruvian entity, subsidiary of Inversiones Breca S.A.), which comprise the separate statements of financial position as of December 31, 2013 and 2012 and the related separate statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information (see attached notes 1 to 33).

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards and for the internal control that Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the separate financial statements.

Report of the Independent Auditors (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements, prepared for the purposes set forth in the foregoing paragraph, present fairly, in all material respects, the financial position of Minsur S.A. as of December 31, 2013 and 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in accordance with International Financial Reporting Standards.

Emphasis paragraph over the separate financial information

The separate financial statements of Minsur S.A. were prepared to comply with the financial reporting requirements in effect in Peru. These financial statements reflect the investment in its subsidiaries and associates at cost, and not on a consolidated basis. These separate financial statements must be read together with the separate financial statements of Minsur S.A. and Subsidiaries that are presented separately and which on we expressed an unqualified opinion on March 12, 2014.

Lima, Peru,
March 12, 2014

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

Víctor Burga
C.P.C.C. Register No.14859

Minsur S.A.

Separate statements of financial position

As of December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Assets			
Current assets			
Cash and cash equivalents	6	199,536	91,303
Trade and other receivables, net	7	60,798	32,119
Inventory, net	8	119,701	109,029
Financial assets at fair value through profit or loss	9	10,129	7,411
Prepayments		641	3,030
Income tax prepayments		7,483	8,035
		398,288	250,927
Non-current assets			
Trade and other receivables, net	7	39,469	-
Investments in subsidiaries and associates	10	1,730,056	1,703,496
Property, plant and equipment, net	11	348,480	382,896
Intangible assets, net	12	34,336	30,211
Other assets		1,184	63
		2,153,525	2,116,666
Total assets		2,551,813	2,367,593
Liabilities and equity			
Current liabilities			
Interest-bearing loans and borrowings	13	26,154	200,000
Trade and other payables	14	101,290	90,747
Provisions	15	6,013	2,968
Embedded derivatives for sale of tin	32	890	-
		134,347	293,715
Non-current liabilities			
Interest-bearing loans and borrowings	13	174,275	2,327
Provisions	15	52,910	64,259
Deferred income tax liabilities, net	16	7,930	9,896
		235,115	76,482
Total liabilities		369,462	370,197
Equity	17		
Capital stock		601,269	601,269
Investment shares		300,634	300,634
Legal reserve		120,261	120,261
Other reserves		424	424
Reinvested earnings		39,985	39,985
Retained earnings		1,119,778	934,823
Total equity		2,182,351	1,997,396
Total liabilities and equity		2,551,813	2,367,593

The accompanying notes are an integral part of these financial statements.

Minsur S.A.

Separate statements of income

For the years ended December 31, 2013 and 2012

	Note	2013 US$(000)	2012 US$(000)
Net sales	19	755,827	640,507
Cost of sales	20	(303,285)	(197,026)
Gross profit		452,542	443,481
Operating expenses			
Administrative expenses	21	(31,406)	(35,700)
Selling expenses	22	(10,079)	(9,883)
Exploration expenses	23	(13,713)	(6,636)
Other expenses, net	24	(7,568)	(2,080)
Total operating expenses		(62,766)	(54,299)
Operating income		389,776	389,182
Other income (expenses)			
Finance income	25	2,935	6,087
Finance costs	25	(3,745)	(2,578)
Gain from derivative financial instruments, net		-	1,119
Gain from financial assets at fair value through profit or loss	9(b)	2,718	562
Dividends income in cash	9(c) y 10(d)	5,066	5,735
Exchange difference, net		(5,584)	200
Total other income		1,390	11,125
Profit before income tax		391,166	400,307
Income tax expense	16(c)	(156,211)	(138,929)
Profit for the year		234,955	261,378

The accompanying notes are an integral part of these statements.

Minsur S.A.

Separate statements of changes in equity

For the years ended December 31, 2013 and 2012

	Capital stock US$(000)	Investment shares US$(000)	Legal reserve US$(000)	Other reserves US$(000)	Reinvested earnings US$(000)	Retained earnings US$(000)	Total US$(000)
Balance as of January 1, 2012	601,269	300,634	120,261	424	39,985	823,445	1,886,018
Profit for the year	-	-	-	-	-	261,378	261,378
Dividends declared, note 17(e)	-	-	-	-	-	(150,000)	(150,000)
Balance as of December 31, 2012	601,269	300,634	120,261	424	39,985	934,823	1,997,396
Profit for the year	-	-	-	-	-	234,955	234,955
Dividends declared, note 17(e)	-	-	-	-	-	(50,000)	(50,000)
Balance as of December 31, 2013	601,269	300,634	120,261	424	39,985	1,119,778	2,182,351

The accompanying notes are an integral part of this statement.

Minsur S.A.

Separate statements of cash flows

For the years ended December 31, 2013 and 2012

	2013 US$(000)	2012 US$(000)
Operating activities		
Collections from customers	730,402	646,814
Recovery of value added tax	-	11,609
Interest received	2,539	6,087
Payments to suppliers	(189,224)	(125,044)
Payroll and social benefit payments	(87,208)	(86,039)
Tax payments and after taxes	(158,024)	(175,606)
Interest paid	(3,633)	(1,997)
Other payments relating to operations, net	(16,727)	(8,972)
Net cash flows provided by operating activities	278,125	266,852
Investing activities		
Purchase of property, plant and equipment	(54,557)	(128,790)
Loan to subsidiary	(38,400)	-
Capital contribution to subsidiaries and associates	(26,560)	(592,121)
Payments for increase in mining development costs	(3,504)	(15,556)
Dividends received	5,066	5,735
Proceeds from sale of property, plant and equipment	2	197
Purchase of other assets	-	(323)
Proceeds from sale of investment in associate	-	6,642
Net cash flows used in investing activities	(117,953)	(724,216)
Financing activities		
Proceeds from borrowings	200,000	200,000
Repayment of borrowings	(201,898)	(6,774)
Dividends paid	(50,000)	(150,000)
Net cash flows (used in) / provided by financing activities	(51,898)	43,226
Net increase (net decrease) in cash and cash equivalents	108,274	(414,138)
Net exchange difference	(41)	748
Cash and cash equivalent at the beginning of year	91,303	504,693
Cash and cash equivalent at the end of year	199,536	91,303
Transactions with no effects in cash flows:		
(Decrease) increase for the provision of closure mine	(8,620)	31,009
Purchase of property, plant and equipment through finance lease	-	2,327

The accompanying notes are an integral part of these statements.

1. Background and economic activity of the Company

(a) Identification -

Minsur S.A. (hereinafter "the Company") was incorporated in Peru in October 1977. The activities of the Company are regulated by the Peruvian General Mining Law. The Company is a subsidiary of Inversiones Breca S.A. domiciled in Peru, which holds 99.99% of the Company's common shares. The Company's registered address is Las Begonias Street N°441, Office No.338, San Isidro, Lima, Peru.

(b) Business activity -

The main activity of the Company is the production and selling of metallic tin that it is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno, and the production and selling of gold that is obtained of Pucamarca Mine, located in the region of Tacna), which started operations in January 2013.

Through its subsidiary Minera Latinoamericana S.A.C., the Company maintains investments in Mineração Taboca S.A. and subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and subsidiaries (holding of shares of a group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur S.P.A. (a company engaged in mining exploration activities, located in Chile). Also, through its subsidiary Cumbres Andinas S.A., the Company has investments in Minera Sillustani S.A., Compañia Minera Barbastro S.A.C. and Marcobre S.A.C. (the last subsidiary was acquired in 2012 to operate a copper project), companies of the mining sector which are at the exploration and evaluation phase.

(c) Approval of separate financial statements -

The separate financial statements as of December 31, 2013 and for the year then ended, were authorized by Management on March 12, 2014 and, in Management's opinion, the accompanying separate financial statements will be approved without changes by the Board of Directors and Shareholders' meetings to be held during the first quarter of 2014.

The separate financial statements as of December 31, 2012 and for the year then ended, were approved for issue by the Shareholders on March 21, 2013.

2. **Basis of preparation and accounting policies**

2.1. **Basis of preparation -**

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), in force as of December 31, 2013.

In accordance with International Financial Reporting Standards (IFRS) in force as of December 31, 2013, there is no requirement to prepare separate financial statements; but in Peru the companies are required to prepare it in accordance with current legal requirements. Because of this, the Company has prepared separate financial statements using IAS 27 Separate Financial Statements. These financial statements are published within the period established by the Superintendencia de Mercado de Valores (SMV).

The separate financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, derivative financial instruments and investment properties that have been measured at fair value. The separate financial statements are presented in United States Dollars (U.S. Dollars) and all values have been rounded to the nearest thousand (US$000), except when otherwise indicated.

The preparation of the separate financial statements requires management to make judgements, estimates and assumptions, as detailed in Note 3.

These separate financial statements provide comparative information to the previous period.

2.2. **Changes in accounting policies and disclosure -**

The Company applied, for the first time, certain standards and amendments in force since January 1, 2013, that require restatement of previous financial statements; however, these standards and amendments had no impact on the separated financial statements of the Company, except for IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement, which required additional disclosures. A summary of those rules that had an impact on the presentation of these separate financial statements is presented below:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price.

The application of IFRS 13 had no significant impact on the fair value measurement of the Company. Additional disclosures were provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 31.

2.3. Summary of significant accounting policies–

The following significant accounting policies are used by the Company to prepare its separate financial statements:

(a) Cash and cash equivalents -

Cash and cash equivalents in the separate statement of financial position comprise cash at banks and on hand and term deposits, including term deposits with original maturities of less than three months.

For purposes of presentation the separated statement of cash flows, cash and cash equivalents include cash, time deposits and high liquid investments, with original maturity of three months or less.

(b) Financial instruments: initial recognition and subsequent measurement –

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

(i) Financial assets –

Initial recognition and measurement

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

Subsequent measurement -

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

- Financial assets at fair value through profit or loss.
- Loans and receivable.
- Held-to-maturity investments.
- Available-for-sale financial investments.

Financial assets at fair value through profit or loss –

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instrument as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the separate statement of financial position at fair value with net changes in fair value presented as finance costs (negative net change in fair value) or finance income (positive net changes in fair value) in the separate statement of income. The Company has classified certain investments as financial assets at fair value through profit or loss (see Note 9).

Embedded derivatives in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Loans and receivable –
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognized in the separated statement of income.

This category generally applies to trade and other receivables

Held-to-maturity investments -
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. The Company did not have these financial assets as of December 31, 2013 and 2012.

Available-for-sale (AFS) financial investments -
AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in market conditions. The Company did not have these financial assets as of December 31, 2013 and 2012.

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

- The rights to receive cash flows, from the asset have expired.

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of the asset of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the assets, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Impairment of financial assets–

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (a 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The amount of any impairment loss identified is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the separate statement of income. Interest income (recorded as finance income in the separate statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the separate statement of income.

(iii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, derivative financial instruments and embedded derivative.

Subsequent measurement -

The subsequent measurement of financial liabilities depends on their classification as described follows:

Financial liabilities at fair value through profit or loss-

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified in this category.

Gains or losses on liabilities held for trading are recognized in the separate statement of income.

Except for the embedded derivative for sale of tin, the Company has not designated, at initial recognition, any financial liability as at fair value through profit or loss.

Financial obligation -

After their initial recognition, financial obligations and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the separate statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the separate statement of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the separate statement of income.

(iv) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(c) Derivative financial instruments –

Embedded derivatives –

The sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral. The adjustment to sales is considered an embedded derivative that should be separated from the host contract. Commercial agreements are linked to market prices (London Metal Exchange) on the dates that is expected to liquidate opening positions as of December 31, 2013. The embedded derivative does not qualify as a hedging instrument; therefore, changes in fair value are recorded as an adjustment to net sales.

(d) Foreign currency transactions -

The Company's separate financial statements are presented in U.S. Dollars, which is also the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies (different currency than U.S. Dollar) are initially recorded by the Company at their respective functional currency spot rates listed by the Superintendent of Banks, insurance and Pension Funds Administration at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the separate statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(e) Inventories -

Finished products and work in process are valued at the lower of cost or net realizable value.

Cost is determined on the basis of a weighted average. The cost of the finished products and works in progress includes the cost of direct materials, labor and contractors and a proportion of manufacturing overheads, based on the normal operating capacity, but excluding borrowing costs.

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

The provision (reversal) for impairment of inventories is determined annually by Management by reference to specific items of materials and supplies and is charged or credited to profit or loss in the period when the need of the provision (reversal) is settled.

(f) Investments in subsidiaries -

The subsidiaries are entities over which the Company has control. Control is achieved when the Company is exposed, or has rights to variable returns from its involvement in the organization receiving investment and has the ability to affect those returns through its power in the entity receiving the investment. Specifically, the investor controls a subsidiary if and only if it has: (i) power over the entity receiving the investment (there are rights that give to the Company the current ability to direct the relevant activities of the subsidiary) (ii) exposure or rights to variable returns from its involvement in the entity receiving the investment, and (iii) the ability to use its power over the entity receiving the investment to affect its profits. Investments in subsidiaries are recognized at cost less any allowance for impairment.

The Company determines whether it is necessary to recognize an impairment loss on investments in subsidiaries at each reporting date. If applicable, the Company calculates the amount of impairment as the difference between the fair value of the investment and the acquisition cost and recognizes the loss in the separate statement of income.

Cash dividends are credited to the separate statement of income at the time such distribution is approved. Stock dividends are not recognized in the separate financial statements.

(g) Investment in associate –

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investments in associates are accounted for using the cost method. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized, nor individually tested for impairment.

The Company determines whether it is necessary to recognize an impairment loss on investments in associates at each reporting date. If applicable, the Company calculates the amount of impairment as the difference between the fair value of the investment and the acquisition cost and recognizes the loss in the separate statement of income.

Cash dividends are credited to the separate statement of income at the time that their distribution is approved. Stock dividends are not recognized in the separate financial statements.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The present value of the expected cost for the decommissioning of an asset is presented in this caption. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. For further information about the recorded provision for mine closure, refer to note 2.3(n).

Depreciation –

Units-of-production (UOP) method:

Depreciation of assets whose useful life is greater than the life of mine is calculated using the units-of-production (UOP) method, based on reserves economically recoverable of each mine.

Straight-line method:

Depreciation of assets whose useful life is shorter than the life of the mine is calculated using the straight-line method, based on the useful life of the assets. The estimated useful life of such assets is presented as follows:

	Year
Building and other constructions of the San Rafael mining unit	Between 2 and 3
Building and other constructions of the Pucamarca mining unit	Between 5 and 10
Buildings and other constructions related to smelting plant	Between 5 and 29
Machinery and equipment	Between 3 and 16
Vehicles	Between 3 and 5
Furniture and fixtures	Between 4 and 10
Computer equipment	Between 3 and 10

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition of assets-
An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the separate statement of income when the asset is derecognized.

(i) Leases -
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases -
Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the separate statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases -
Operating lease payments are recognized as an operating expense in the separate statement of income on a straight-line basis over the lease term.

(j) Mining concessions -
The mining concessions represent the right of exploration and exploitation that the Company has over the mining properties that contain the acquired mineral reserves and resources. The mining concessions are stated at cost and are amortized on the basis of production method, using resources and the proven and probable reserves. In case the Company abandons the concessions, the associated costs are charged directly to the separate statements of income.

At the end of year, the Company assesses at each unit mine whether there is an indication that the value of its mining concessions may be impaired. If any indication exists, the Company estimates the asset's recoverable amount.

Mining concessions are presented within the caption "Intangibles assets, net" in the separate statement of financial position.

(k) Exploration and evaluation costs, mine development costs and stripping costs -

Exploration and evaluation costs -

Exploration and evaluation costs are charged to profit or loss as incurred. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Exploration and evaluation activities include:

- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

Development costs –

When it is determined that a mineral property can be economically viable, that is, when determining the existence of proven and probable reserves, the costs incurred to develop such property, including additional costs to delineate the ore body and remove any impurities are capitalized as development costs in the caption "Intangible assets, net". These costs are amortized using the units of production method, using the proven and probable reserves.

Development costs activities include:

- Engineering and metallurgical studies.
- Drilling and other costs to delineate the ore body.
- Removal of impurities related to the ore body.

Development costs necessary to maintain production are expensed as incurred.

Stripping (waste removal) costs –

As part of its mining operations, the Company incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalization of development stripping costs ceases when the production starts date.

Stripping costs could be related to the production of inventory or improved access to the ore to be mined in the future. In the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the three following criteria are met:

- Future economic benefits are probable;
- The component of the ore body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

In identifying components of the ore body, the Company works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons.

Substantially stripping costs incurred by the Company are related to the production of inventory and not to improved access to the ore to be mined in the future; consequently, the application of IFRIC 20 had not any impact in the separate financial statements of the Company as of December 31, 2013 and 2012.

(l) Usufruct of lands -

It corresponds to payments for the right to use certain lands near to the mining units of the Company, needed for its operation and registered at historical cost. These costs are amortized using the straight- line method over the life of the respective agreements (between 10 and 15 years).

(m) Impairment of non-financial assets -

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the separate statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of income.

(n) Provisions -

General -

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation 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 current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Provision for closure of mining units -

The Company records the present value of estimated costs of closure of mining units when a legal obligation exists, regardless of the depletion of mineral reserve. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of property, plant and equipment. Over time, the liability is increased to reflects the interest cost considering in the initial estimation of the fair value and, in addition, the capitalized cost is depreciated and/or amortized based on the useful lifes of the related asset. To settle the liability, the Company recognizes any effect in profit or loss. Changes in the present value of the obligation or the useful life of the related assets arising from the review of the initial estimates are recognized as an increase or decrease in the carrying amount of the obligation and the related asset.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately in the separate statement of income.

If any change in estimation results in increasing the provision and therefore increasing the related book value assets, the Company must review if this could be an indicator of impairment of the asset according with the IAS 36 – "Impairment of assets"

In the case of mines already closed, changes in estimated costs are recognized immediately in the separate statements of income.

(o) Revenue recognition –

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

Metal sales –
Sales of metallic tin and gold are recognized when the Company has delivered the products at the place agreed with the customer (generally in warehouses located abroad), customer has accepted the products and the collection of the receivable is reasonably assured.

In relation to sales of tin, the Company assigned a provisional sales price based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral at the end of the agreement. The exposure to changes in the prices of metals generates an embedded derivative that should be separated from the host contract. Adjustments to the sale price occur based on movements in quoted market prices up to the date of financial settlement. Any gain or loss arising from changes in fair value of embedded derivatives during the period is recorded in the separate statement of income (in the net sales caption).

In relation to the measurement of gold sales, these are not subject to a final price adjustment, therefore do not generate embedded derivatives.

Rental income -
Rental income arising from operating leases on investment properties is recognized when accrued and meet related conditions thereto.

Interest income –
For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the separate statement of income.

Dividends –
Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(p) Borrowing costs -
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowings costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(q) Taxes –
Current income tax -
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates

and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the separate statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses and to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in the separate statement of income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Mining Royalties and Special Tax on Mining in Peru -
Mining royalties and special mining tax are accounted for under IAS 12 "Income taxes" since they have the characteristics of income tax. This is considered to be the case when

they are imposed under government authority and the amount payable is based on taxable net income- rather than physical quantities produced or as a percentage of revenue – after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in force on the date of the separate statement of financial position.

Consequently, payments made to the Government by way of special mining and mining royalty tax are under the scope of IAS 12 and, therefore, is treated as income taxes. Both the mining royalty as the special mining tax generate deferred tax assets or deferred tax liabilities which must be measured using the average rates that are expected to apply to operating profit in the period in which the Company expects will reverse the temporary differences.

Sales tax -
Revenues, expenses and assets are recognized net of the amount of sales tax, except:

(i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

(ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the separate statement of financial position.

(r) Fair value
The Company measures financial instruments, such as, financial assets at fair value through profit or loss, at fair value at each separate statement of financial position.

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

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

The principal or the most advantageous market must be accessible to by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

The Company's management determines the policies and procedures for recurring and non-recurring fair value measurements. At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. **Significant accounting judgements, estimates and assumptions –**

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that seems to be reasonable under the circumstances. Uncertainty about these assumptions and estimates may cause a material adjustment to the carrying amount of assets or liabilities within the next financial year.

The Company has identified the areas where it requires judgements, estimates and significant assumptions. See more information on each of these areas and their impact on the accounting policies below, as well as in the notes to the separate financial statements.

3.1. Judgments -

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the separate financial statements:

(a) Contingencies (note 28) -

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Assessing the existence and potential amount of contingencies inherently involves the exercise of significant judgements and the use of estimates about the outcome of future events.

(b) Recovery of deferred tax assets - (note 16) -

Judgement is required in determining whether deferred tax assets should be recognized in the separate statement of financial position. Deferred tax assets, including those generated from unused tax losses, requires management to assess the likelihood that the Company will generate sufficient taxable income in future periods to utilize the deferred tax assets recognized. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on projected operating cash flows and judgements about the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, could be affected the Company's ability to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax laws could limit the Company's ability to obtain tax deductions in future periods.

3.2. Estimates and assumptions -

The key assumptions concerning the future and other key sources of uncertainty estimates at the date of the separate financial statements are described below:

(a) Determination of mineral reserves and resources -

The Company computes its reserves using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

The process of estimating the amount of reserves is complex and requires making subjective decisions at the time of evaluating all the geologic, geophysical, engineering and economic information that is available. Revisions could occur in estimated reserves due to, among other things, revisions of the geologic data or assumptions, changes in assumed prices, production costs and the results of exploration activities.

Changes in estimated reserves could affect mainly the depreciation of fixed assets related directly to mining activity, provision for mine closure, assessment of the deferred asset's recoverability and the amortization period for development costs.

(b) Units of production depreciation (Note 2.3(h)) -
Estimated economically recoverable reserves are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The useful life of each item is assessed at least annually, considering both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. All changes in the estimates are recorded prospectively.

(c) Mine rehabilitation provision (Note 2.3(n) and Note 15(b)) -
The Company assesses its mine rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

(d) Impairment of non-financial assets (Note 2.3(m)) -
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes a formal estimate of the asset's recoverable amount. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, and others. These assumptions and estimates are under risks and uncertain.

The fair value of the mining assets is determined, usually, by the present value of the future cash flows provided from the continuing use of the asset, which include estimates such as future capital expenditure, using certain assumptions that a third party can use. The future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company has determined each mining unit as cash-generating units, considering the operations of each cash-generating unit as individual base.

4. Standards issued but not yet effective

As of the date of this report, there is only one standard that has been issue but is not yet effective:

IFRS 9 Financial Instruments -

This standard is effective for annual periods beginning on or after January 1, 2018. IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Company's financial assets but it will not have an impact on classification and measurement of the Company's financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

5. Transactions in foreign currency

Transactions in foreign currency (mainly in Nuevos Soles) take place at the open-market exchange rates published by the Superintendent of Banks, Insurance and Pension Funds Administration. As of December 31, 2013, the weighted average open-market exchange rates for transactions in Nuevos soles were US$0.3579 for purchase and US$0.3577 for sale (US$0.3923 for purchase and US$0.3920 for sale as of December 31, 2012).

As of December 31, 2013 and 2012, the Company had the following assets and liabilities in Nuevos soles:

	2013		2012	
	S/.(000)	Equivalent in US$(000)	S/.(000)	Equivalent in US$(000)
Assets				
Cash and cash equivalents	1,207	432	35,284	13,842
Trade and other accounts receivable, net	27,474	9,833	17,692	6,941
Prepayments	632	226	653	256
Income tax prepayments	20,906	7,483	20,481	8,035
	50,219	17,974	74,110	29,074
Liabilities				
Trade and other accounts payable	(167,057)	(59,749)	(146,159)	(57,295)
	(167,057)	(59,749)	(146,159)	(57,295)
Net liabilities position	(116,838)	(41,775)	(72,049)	(28,221)

As of December 31, 2013 and 2012, the Company had no financial instruments to hedge its foreign currency risk.

6. Cash and cash equivalents

(a) This caption was made up as follows:

	2013 US$(000)	2012 US$(000)
Cash on hand	98	95
Cash demand deposits (b)	23,453	5,600
Term deposits (c)	175,985	85,608
	199,536	91,303

(b) As of December 31, 2013 and 2012, the Company maintains its cash demand deposits in local and foreign banks of first level and are freely available.

(c) Term deposits have original maturities of less than 90 days and may be renewed at maturity. As of December 31, 2013 and 2012, these deposits earned interest at market interest rates, and were collected in January 2014 and 2013, respectively.

7. Trade and other receivables, net

(a) The composition of this caption is presented below:

	2013 US$(000)	2012 US$(000)
Trade:		
Invoices receivable (b)	51,386	25,071
Allowance for doubtful accounts	(1,174)	(1,174)
	50,212	23,897
Others receivable:		
Related parties, note 26	40,367	720
Value added tax credit	6,023	5,323
Other	3,665	2,179
	50,055	8,222
Total	100,267	32,119
Current portion	60,798	32,119
Non-current portion	39,469	-
Total	100,267	32,119

(b) As of December 31, 2013 and 2012, the trade receivable are interest free and do not have specific guarantees. In the process of estimating the allowance for doubtful accounts, the Company's management constantly evaluates market conditions, and uses the aging analysis. As of December 31, 2013 and 2012 all of the accounts receivable of the Company had not expired and had not impaired.

8. Inventories, net

(a) This caption was made up as follows:

	2013 US$(000)	2012 US$(000)
Finished product	46,834	50,153
Work in progress	47,873	38,272
Materials and supplies	23,889	20,286
Mineral extracted	2,231	-
Inventory in transit	162	651
	120,989	109,362
Estimation for materials and supplies obsolescence (b)	(1,288)	(333)
	119,701	109,029

(b) The estimation for obsolescence of materials and supplies had the following movement during the years 2013 and 2012:

	2013 US$(000)	2012 US$(000)
Opening balance	333	284
Allowance for the year	955	194
Write-offs	-	(145)
Ending balance	1,288	333

9. Financial assets at fair value through profit or loss

(a) As of December 31, 2013 and 2012, the Company holds an investment in equity shares of BBVA of Spain amounted to US$10,129,000 and US$7,411,000, respectively. BBVA of Spain is a world class entity and it presents a very low level of risk.

(b) As of December 31, 2013 and 2012, the fair value of this investment classified as financial asset at fair value through profit or loss has been determined based on its quotation in the Stock Exchange of Spain. Following, we present the movement of this caption:

	2013 US$(000)	2012 US$(000)
Opening balance	7,411	6,849
Changes in the fair value	2,718	562
Final balance	10,129	7,411

(c) In 2013 the Company received cash dividends amounting to US$164,000 (US$197,000 in 2012). Cash dividends are credited to the results of the year.

10. Investments in subsidiaries and associates

(a) This caption is made up as follows:

	Interest in equity		Investments amount	
	2013	2012	2013	2012
	%	%	US$(000)	US$(000)
Subsidiaries				
Minera Latinoamericana S.A.C. (b)	99.99	99.99	1,026,777	1,026,777
Cumbres Andinas S.A. (b)	99.97	99.97	624,897	598,337
Minsur U.S.A. Inc.	99.99	99.99	200	200
			1,651,874	1,625,314
Associates				
Rimac Seguros y Reaseguros (c)	14.51	14.51	54,924	54,924
Servicios Aeronauticos Unidos S.A.C. (c)	47.50	47.50	17,890	17,890
Explosivos S.A. (c)	7.30	7.30	4,761	4,761
Futura Consorcio Inmobiliaria S.A.	4.96	4.96	607	607
			78,182	78,182
			1,730,056	1,703,496

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

(b) Following is summary information about the subsidiaries:

Minera Latinoamericana S.A.C. - *Minlat*

The business purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity in Peru and abroad. Through Minlat, the Company has interests in Mineração Taboca S.A (a tin mine and a smelter in Brazil), in Inversiones Cordillera del Sur S.A. (holding of a Company mainly engaged in the production and selling of cement in Chile) and Minera Andes del Sur S.P.A. (entity engaged in the exploration of mining concessions, located in Chile).

Following is the summary of the economic activity of the subsidiaries:

(i) Mineração Taboca S.A.

Taboca is a mining company mainly engaged in the exploitation of the Pitinga mine, located in the Amazonas state, in the Republic of Brazil. From this mine, Taboca mainly obtains tin concentrated. Taboca also operates the Pirapora smelter, located in Sao Paulo.

(ii) Inversiones Cordillera del Sur S.A.

Is a holding Company owner of a business group that is engaged in the production and selling of cement, concrete, pre-dosed mortar and aggregates in Chile.

(iii) Minera Andes del Sur S.P.A.
Is a holding focused on executing mineral exploration projects in Chile.

The table below shows the movement of the investment in Minlat:

	2013 US$(000)	2012 US$(000)
Opening balance	1,026,777	991,506
Contributions	-	35,271
Final balance	1,026,777	1,026,777

Cumbres Andinas S.A.
The purpose of this subsidiary is the exploration and exploitation of mining rights and any mining activity. Currently, the activities of this subsidiary are limited to the holding of shares in mining entities in the exploration phase (Minera Sillustani S.A., Compañia Minera Barbastro S.A.C. and Marcobre S.A.C., the last one was acquired in June 2012), as well as the ownership of mining rights.

On April 23, 2012, Cumbres Andinas S.A., subsidiary of Minsur S.A., signed an agreement with CST Mining Company Limited (CST) to acquire the 70 percent of Marcobre S.A.C.'s common shares for a purchase price of US$506,400,000. CST was the controlling interest of the copper mining project named "Mina Justa", which is located in Nazca (Peru). The control of this subsidiary became effective on June 13, 2012.

The table below shows the movement in the investment in Cumbres Andinas S.A.:

	2013 US$(000)	2012 US$(000)
Opening balance	598,337	52,487
Contributions	26,560	545,850
Final balance	624,897	598,337

(c) The main information of associates is as follows:

Rimac Seguros y Reaseguros

The main economic activity of this associate (located in Peru) includes the recruitment and administration of insurance and reinsurance general operations and life insurances, as well as financial investments, real estate and related activities.

Servicios Aeronauticos Unidos S.A.

The purpose of this associate (located in Peru) is to provide air transportation services of passengers, cargo and mail, prospection, maintenance of airplanes and selling of supplies for the civil aviation. The Shareholders' meeting of Servicios Aeronauticos Unidos S.A. held on December 26, 2012 approved the increase of the capital stock; therefore Minsur S.A. decided to contribute US$11,000,000 to increase its interests in equity from 44.36 percent to 47.50 percent as of December 31, 2012.

Explosivos S.A.

The economic activity of this associate (located in Peru), includes the manufacture, domestic sale and export of local cartridge explosives, accessories and blasting agents, also this associated is engaged in the providing of blasting services, and all kinds of goods and services to support mining companies.

(d) In 2013 the Company received cash dividends from its associates for US$4,902,000 (US$5,538,000 in 2012), which were recorded in the separate statement of income.

(d) On October 2012, the Company decided to sale to Inversiones Breca S.A. all of its shares in its associated Soldex S.A. for US$6,642,000, resulting in a net profit of US$3,743,000, which has been recognized in "Other, net" in the separate statement of income, see note 24.

11. Property, plant and equipment, net

(a) The composition and movement of this caption is presented below:

	Opening balance 1.1.2013 US$(000)	Additions US$(000)	Deductions and adjustments US$(000)	Transfers US$(000)	Other transfers US$(000)	Ending balance 31.12.2013 US$(000)
Cost						
Land	8,771	115	-	-	-	8,886
Buildings and installations	137,297	3,216	(71)	140,077	-	280,519
Machinery and equipment	187,437	228	(1,021)	42,016	-	228,660
Furniture and fixtures and computer equipment	3,464	-	(13)	918	-	4,369
Communication and safety equipment	642	5	(8)	631	-	1,270
Vehicles	4,944	-	(313)	1,127	-	5,758
Units in transit	8,017	3,427	-	(8,017)	-	3,427
Work in progress	199,487	47,566	(16,011)	(176,752)	(5,256)	49,034
Mine closure costs	66,413	-	(8,620)	-	-	57,793
	616,472	54,557	(26,057)	-	(5,256)	639,716
Accumulated depreciation						
Buildings and installations	80,184	29,391	(24)	-	-	109,551
Machinery and equipment	138,512	17,510	(656)	-	-	155,366
Furniture and fixtures and computer equipment	2,637	368	(9)	-	-	2,996
Communication and safety equipment	336	100	(8)	-	-	428
Vehicles	3,163	635	(276)	-	-	3,522
Mine closure costs	8,744	10,629	-	-	-	19,373
	233,576	58,633	(973)	-	-	291,236
Net cost	382,896					348,480

	Opening balance 1.1.2012 US$(000)	Additions US$(000)	Deductions and adjustments US$(000)	Transfers US$(000)	Ending balance 31.12.2012 US$(000)
Cost					
Land	8,518	422	(169)	-	8,771
Buildings and installations	132,957	452	-	3,888	137,297
Machinery and equipment	186,009	167	(4,016)	5,277	187,437
Furniture and fixtures and computer equipment	3,265	1	(133)	331	3,464
Communication and safety equipment	576	3	(1)	64	642
Vehicles	5,363	-	(610)	191	4,944
Units in transit	7,852	165	-	-	8,017
Work in progress	79,331	129,907	-	(9,751)	199,487
Mine closure costs	35,404	31,009	-	-	66,413
	459,275	162,126	(4,929)	-	616,472
Accumulated depreciation					
Buildings and installations	65,573	14,407	204	-	80,184
Machinery and equipment	126,197	14,485	(2,170)	-	138,512
Furniture and fixtures and computer equipment	2,504	266	(133)	-	2,637
Communication and safety equipment	295	41	-	-	336
Vehicles	3,229	500	(566)	-	3,163
Mine closure costs	7,219	1,525	-	-	8,744
	205,017	31,224	(2,665)	-	233,576
Net cost	254,258				382,896

(b) The depreciation expense has been distributed in the separate statement of income as follows:

	2013 US$(000)	2012 US$(000)
Cost of sales, note 20	57,666	30,042
Administrative expenses, note 21	249	353
Selling expenses, note 22	7	5
Exploration expenses, note 23	127	88
Other expenses, note 24	584	736
	58,633	31,224

(c) Management has assessed the recoverable amount of its long-term assets and did not find an impairment of these assets as of December 31, 2013.

12. Intangible Assets, net

(a) The following is the composition and movement of this captions:

	Opening balance 1.1.2013 US$(000)	Additions US$(000)	Reclassifications US$(000)	Ending balance 31.12.2013 US$(000)
Cost				
Mine development costs	24,485	516	5,256	30,257
Mining concessions	326	2,000	-	2,326
Easement	1,527	952	-	2,479
Usufruct of lands	4,644	-	-	4,644
Licenses	-	36	-	36
	30,982	3,504	5,256	39,742
Accumulated amortization				
Mine development costs	-	3,792	-	3,792
Mining concessions	326	439	-	765
Easement	-	310	-	310
Usufruct of lands	445	88	-	533
Licenses	-	6	-	6
	771	4,635	-	5,406
Net cost	30,211			34,336

	Opening balance 1.1.2012 US$(000)	Additions US$(000)	Reclassifications US$(000)	Ending balance 31.12.2012 US$(000)
Cost				
Mine development costs	9,419	15,066	-	24,485
Mining concessions	326	-	-	326
Easement	1,037	490	-	1,527
Usufruct of lands	4,644	-	-	4,644
	15,426	15,556	-	30,982
Accumulated amortization				
Mine development costs	-	-	-	-
Mining concessions	326	-	-	326
Easement	-	-	-	-
Usufruct of lands	303	142	-	445
	629	142	-	771
Net cost	14,797			30,211

(b) The amortization expense is shown under cost of sales, see note 20.

13. Interest-bearing loans and borrowings

(a) The composition of this caption is presented below:

Entity	Warranty	Interest rate	2013 US$(000)	2012 US$(000)
The Bank of Nova Scotia (b)	Unsecured	Libor 3m + 1.58%	200,000	-
The Bank of Nova Scotia	Unsecured	Libor 3 m + 1.25%	-	100,000
Citibank N.A-	Unsecured	Libor 3 m + 1.25%	-	100,000
Banco de crédito del Perú	Leasehold		1,154	2,327
			201,154	202,327
Finance commission			(725)	-
			200,429	202,327
By maturity:				
Current portion			26,154	200,000
Non-current portion			174,275	2,327
			200,429	202,327

(b) Corresponds to a long-term loan to be used for working capital, for develop investment projects and repaid the short term loan with Citibank N.A.. This loan includes the following financial covenants: (i) debt service coverage (EBITDA / financial costs), calculated since the first day of each quarter, would not be less than 2 and (ii) leverage ratio (finance debt / EBITDA) for any period must be greater than 2.5.

The Company was in compliance with these financial covenants as of December 31, 2013.

14. Trade and other payables

(a) The composition of this caption is presented below:

	2013 US$(000)	2012 US$(000)
Trade payable:		
Third parties	26,507	29,400
Related parties, note 26	19,287	11,510
	45,794	40,910
Other accounts payable:		
Workers' profit sharing (b)	33,646	34,691
Tax and contributions payable	15,007	9,695
Remuneration payable	2,658	1,458
Related parties, note 26	1,583	1,307
Other	2,602	2,686
	55,496	49,837
	101,290	90,747

(b) Workers' profit sharing -

In accordance with Peruvian legislation, the Company determines the employee profit sharing at the rate of 8% of annual taxable income. The distribution is determined by 50% on the number of days each employee worked during the preceding year and 50% on proportion of their annual remuneration.

15. Provisions

(a) The composition of this caption is presented below:

	Provision for mine closure (b) US$(000)	Provision for bonuses to employees US$(000)	Provision for contingencies (c) US$(000)	Total US$(000)
As of January 1, 2012	39,116	-	-	39,116
Change in estimates	31,009	-	-	31,009
Accretion	581	-	-	581
Payments and advances	(3,479)	-	-	(3,479)
As of December 31, 2012	67,227	-	-	67,227
Change in estimates	(8,620)	-	-	(8,620)
Additions	-	3,736	1,215	4,951
Accretion	(349)	-	-	(349)
Payments and advances	(4,286)	-	-	(4,286)
As of December 31, 2013	53,972	3,736	1,215	58,923
Current portion	2,968	-	-	2,968
Non-current portion	64,259	-	-	64,259
As of December 31, 2012	67,227	-	-	67,227
Current portion	1,062	3,736	1,215	6,013
Non-current portion	52,910	-	-	52,910
As of December 31, 2013	53,972	3,736	1,215	58,923

(b) Provision for mine closure

The provision for closure of mining units and exploration projects reflects the present value of the closing costs expected to be incurred between the 2013 and 2047, in compliance with government regulations, see note 27 (b). The estimated closing costs of mining units are based on studies prepared by independent consultants, which comply with environmental regulations. The provision for closure of mining units relates mainly to activities to be performed for the restoration of the mining units and areas affected by operating activities. The main work to be performed is for earthworks, revegetation work and dismantling of the plants. The closing budgets are regularly reviewed to take into account any significant change in the studies. However, the closing costs of mining units will depend on market prices of closure works required to reflect future economic conditions. Also, the time of the disbursements carried out depends on the life of the mine, which depends of future prices of metals.

As of December 31, 2013, the future value of the provision for closure of mining units is US$67,341,515, which has been discounted using risk free annual hazard rates for the provision of each mining unit according to the useful of the mines, which are between 0.79% and 2.95%, resulting in an updated liability of US$53,972,000 (US$67,227,000 as of December 31, 2012). The Company believes that this liability is sufficient to comply with the laws of environmental protection approved by the Ministry of Energy and Mines.

(c) Provision for contingencies -
This provision includes provision for environmental contingencies of US$1,067,000 and for other contingencies of US$148,000.

16. Deferred income tax liabilities, net

(a) The composition and movements of this caption is presented below:

	2013 US$(000)	2012 US$(000)
Income Tax:		
Deferred income tax assets		
Provision for mine closure	16,192	20,168
Exchange difference for non-monetary items	1,033	9,239
Investments at fair value	1,509	2,320
Mining royalty and special mining tax	2,861	1,793
Other provisions	-	911
	21,595	34,431
Deferred income tax liabilities		
Differences in book and tax basis of fixed assets	(7,890)	(13,779)
Development costs	(5,162)	(7,346)
Asset retirement costs	(11,526)	(17,300)
Differences in book and tax bases of inventories	(3,484)	(4,154)
	(28,062)	(42,579)
Deferred income tax liability, net	(6,467)	(8,148)
Mining royalty (MR) and Special Mining Tax (SMT):		
Deferred assets		
Exchange difference for non-monetary items	284	2,778
Exploration expenses	784	509
	1,068	3,287
Deferred liabilities		
Differences in book and tax basis of fixed assets	(2,166)	(4,562)
Differences in book and tax basis of inventories	(365)	(473)
	(2,531)	(5,035)
Deferred tax liability of MR and SMT, net	(1,463)	(1,748)
Total deferred income tax liabilities, net	(7,930)	(9,896)

(b) The reconciliation of the effective rate of the income tax is presented below:

	2013 US$(000)	2012 US$(000)
Profit before income tax	391,166	400,307
At statutory income tax rate (30%)	117,350	120,092
Effect of mining royalty	(11,015)	(11,050)
Effect of permanent differences, net	(1,035)	(1,255)
Effect of translation	8,516	(1,641)
Prior year adjustment	5,965	-
Income tax expense	119,781	106,146
Mining royalties and special mining tax	36,430	32,783
Total	156,211	138,929

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

	2013 US$(000)	2012 US$(000)
Income tax		
Current	121,462	115,760
Deferred	(1,681)	(9,613)
	119,781	106,147
Mining royalty and special mining tax		
Current	36,715	36,832
Deferred	(285)	(4,050)
	36,430	32,782
	156,211	138,929

17. Equity

(a) Capital stock -

As of December 31, 2013 and 2012 the authorized, subscribed and paid capital stock in accordance with the Company's by-laws and amendments, comprises 19,220,015 common shares with a nominal value of S/.100.00 each one.

(b) Investment shares -

As of December 31, 2013 and 2012, this caption is made up of 960,999,163 investment shares, respectively, with a nominal value of S/.1 each one.

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

The quotation of these shares as of December 31, 2013 was S/.1.43 per share and its frequency of negotiation was 100 percent (S/.2.35 per share as of December 31, 2012 with a frequency of negotiation of 99.2 percent).

(c) Legal reserve -

Provisions of the General Corporation Law require that a minimum of 10 percent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until such is equal to 20 percent of the capital. This legal reserve can offset losses or can be capitalized, in both cases there remaining the obligation to replenish it.

For the years 2013 and 2012, the Company has not increased its legal reserve because the legal reserve reached the limit mentioned above.

(d) Reinvested earning -

As of December 31, 2013 and 2012, this balance is made up of reinvested profits approved in prior years by US$39,985,000.

(e) Declared and paid dividends -

Below is the information on declared and paid dividends during the years 2013 and 2012:

	Date	**Dividends declared and paid** US$(000)	**Dividends per common share** US$(000)	**Dividends per investment share** US$(000)
Dividends 2013				
Shareholders' meeting	March 21	50,000	1.73	0.017
Dividends 2012				
Shareholders' meeting	March 21	150,000	5.20	0.052

18. Tax situation

(a) The Company is subject to the Peruvian tax regime. As of December 31, 2013 and 2012, the income tax rate was 30 percent of taxable earnings.

(b) The tax authorities have the power to review and adjust the income tax calculated by the Company in the four years following the year the tax returns presentation. The tax returns of the Income tax for the years 2010 to 2013 and value added tax (IGV) for the years 2009 to 2013 are open to review by tax authorities. To date, the Tax Administration performed the review of the income tax for the year 2000 to 2009, and the value added tax and value added tax for the years 2000 to December 2008, see note 28(a).

Due to the interpretations that the tax authorities may give to legislation in effect, it is not possible to determine whether or not of the tax audits that will perform will result in increased liabilities for the Company. Therefore, any greater tax or surcharge that could result from eventual tax reviews would be applied to the results of the fiscal year in which it is determined. However, in opinion of the Company's management and its legal counsels, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2013 and 2012.

(c) For purposes of determining the Income Tax and Value Added Tax (IGV), the transfer prices for transactions with related entities and entities domiciled in territories with little or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for their determination. Based on an analysis of the Company's operations, management and its legal advisers believe that the application of this rule would not result in material contingencies for the Company as of December 31, 2013 and 2012.

19. Net sales

The composition of this caption is presented below:

	2013 US$(000)	2012 US$(000)
Tin	598,829	640,507
Gold	157,888	-
	756,717	640,507
Embedded derivative for sale of tin	(890)	-
	755,827	640,507

The following table presents net sales of tin and gold by geographic region:

	2013 US$(000)	2012 US$(000)
Tin:		
America	280,018	336,738
Europa	290,521	298,752
Asia	22,538	-
Peru	5,752	5,017
Gold:		
United States	157,888	-
	756,717	640,507
Embedded derivative for sale of tin	(890)	-
	755,827	640,507

Sales concentration of tin -

In 2013, there was no significant sales concentration. The three most important clients only represent 39% of total sales (24% in 2012).

Sales concentration of gold -

The company only sells gold to one customer.

20. Cost of sales

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Opening finished product inventory	50,153	65,385
Opening product in process inventory	38,272	23,475
Services rendered by third parties	70,226	36,938
Depreciation, note 11(b)	57,666	30,042
Purchase of mining services from AESA S.A., note 26(b)	46,985	35,043
Consumption of miscellaneous supplies	43,494	28,455
Other personnel expense	35,068	29,368
Wages and salaries	18,235	13,393
Electricity	10,295	8,883
Employee benefits	10,268	6,472
Purchase of explosives from Exsa S.A.	8,468	5,510
Other manufacturing expenses	5,503	2,152
Amortization, note 12(b)	4,635	142
Impairment of supplies and parts	955	193
Final finished product inventory	(46,834)	(50,153)
Final work in process inventory	(50,104)	(38,272)
	303,285	197,026

21. Administrative expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Others personnel expense	9,802	7,883
Employee benefits	5,308	3,202
Wages	6,971	5,875
Other third-party services	4,593	7,671
Advice and consulting	2,874	3,852
Other management charges and provisions	1,609	6,864
Depreciation, note 11(b)	249	353
	31,406	35,700

22. Selling expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Other third-party services	4,373	3,271
Sales commissions	2,039	2,249
Other management charges and provisions	1,445	1,730
Warehouse expenses	1,416	2,040
Other personnel expense	286	286
Employee benefits	265	98
Wages	248	204
Depreciation, note 11(b)	7	5
	10,079	9,883

23. Exploration expenses

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Purchase contract mining service AESA S.A., note 26(b)	4,533	-
Services provided by third	3,220	1,989
Other personnel expenses	1,988	1,174
Wages	1,819	1,207
Other management charges and provisions	1,077	715
Employee benefits	841	940
Depreciation, note 11(b)	127	88
Validity right	108	523
	13,713	6,636

24. Other expenses, net

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Other operating income		
Revenue on sale of supplies	7,309	4,641
Income for advisory services	1,210	846
Lease of property	372	224
Revenue on sale of property, plant and equipment	2	197
Revenue on sale of shares of Soldex S.A., nota 10 (e)	-	6,642
Other	557	653
	9,450	13,203
Other operating expenses		
Net cost of sale of supplies	6,417	4,261
Administrative and tax penalties	3,080	48
Mining fund retirement	1,931	-
Provision for contingency, nota 15	1,215	-
Taxes from prior years	1,284	-
Depreciation, nota 11(b)	584	736
Net cost of property, plant and equipment retired	422	238
Adjustments for physical inventory of supplies	116	598
Net cost of sale of shares in Soldex S.A., nota 10 (e)	-	2,899
Paralyzation expenses of the Pucamarca Project	-	2,030
Others	1,969	4,473
	17,018	15,283
Total other, net	(7,568)	(2,080)

25. Finance income and costs

The composition of this caption is made up as follows:

	2013 US$(000)	2012 US$(000)
Finance income:		
Interest on time deposits	1,446	5,383
Interest on accounts receivable	1,093	672
Other	47	32
Interest income	2,586	6,087
Accretion	349	-
	2,935	6,087
Finance costs:		
Interest on borrowings	(3,633)	(1,959)
Other	(112)	(38)
Interest expenses	(3,745)	(1,997)
Accretion	-	(581)
	(3,745)	(2,578)

26. Related parties transactions

(a) Receivables and Payables -

The balances of the receivable and payable with related parties as of December 31, 2013 and 2012 follow:

	2013 US$(000)	2012 US$(000)
Receivable		
Mineração Taboca S.A.	39,469	-
Minera Carabaya S.A. (en Liquidación)	2,851	2,950
Administración de Empresas S.A.	659	456
Centria Servicios Administrativos S.A.	66	10
Constructora AESA S.A.	52	22
Compañía Minera Raura S.A.	38	70
Cumbres Andinas S.A.	14	13
Minera Latinoamericana S.A.C.	14	-
Cía. Minera Barbastro S.A.C.	14	-
Minera Sillustani S.A.	14	-
Tecnológica de Alimentos S.A.	2	1
Marcobre S.A.C.	-	126
	43,193	3,648
Allowance for doubtful accounts	(2,826)	(2,928)
	40,367	720

	2013 US$(000)	2012 US$(000)
Classification by maturity		
Current	898	720
Non-current	39,469	-
Total	40,367	720

	2013	2012
Payables		
Administración de Empresas S.A.	12,437	4,129
Constructora AESA S.A.	5,032	4,987
Exsa S.A.	1,817	2,394
Rímac Seguros y Reaseguros	705	99
Clínica Internacional S.A.	308	807
Centria Servicios Administrativos S.A.	143	34
Rímac S.A. Entidad Prestadora de Salud	138	148
Estratégica S.A.C.	98	26
Urbanizadora Jardín S.A.	83	79
Marcobre S.A.	30	-
Protección Personal S.A.C.	31	89
Mineração Taboca S.A.	22	-
Compañía Minera Raura S.A.	21	-
Inversiones Nacionales de Turismo S.A.	2	17
Bodegas Viña de Oro S.A.	2	-
Corporación Peruana de Productos Químicos	1	1
Inmuebles Limatambo S.A.	-	5
Servicios Aeronáuticos Unidos S.A.C.	-	2
	20,870	12,817

The receivables from subsidiary Mineração Taboca S.A. corresponds to three loans for working capital granted during 2013, with effective interest rates of 5% and 3-month Libor plus 4%, maturing between 24 and 36 months from the date of subscription without specific guarantees.

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

(b) Main transactions -

The main transactions occurred during the years 2013 and 2012 were the following:

	2013 US$(000)	2012 US$(000)
Administracion de Empresas S.A. (AESA) – Mining services, note 20 and note 23	51,518	35,043
Constructora AESA S.A. – Construction services	10,350	10,077
Exsa S.A. – Purchase of explosives	10,882	5,510
Rimac Seguros y Reaseguros – Insurance coverage services	3,041	4,343
Mineração Taboca - Loans	38,400	-

Transactions with related parties are made at terms equivalent to those prevail in arm's length transactions.

(c) The compensation received by the key personal of the Company in the years ended December 31, 2013 and 2012 are as follows:

	2013 US$(000)	2012 US$(000)
Salaries	7,449	4,559
Board remuneration	407	443
Total	7,856	5,002

27. Commitments

(a) Environmental Impact Study (EIA) -

According to Supreme Decree 016-93-EM, effective since 1993, all mining companies must file an EIA before the Ministry of Energy and Mines (MEM). EIAs are prepared by environmental consultants registered before MEM. EIAs consider all the environmental controls that all mining entities will implement during the life of the mining units. All mining units of the company have an approved EIA for their activities.

(b) Law on Mine Closure -

On October 14, 2004, the Peruvian government enacted the Law No.28090 "Law of Mine Closure", which purpose is to regulate the obligations and procedures that mining companies should comply for the elaboration, filling and implementation of the Mine Closure Plan, as well as to require the establishment of environmental guarantees to secure fulfillment of related mine closure plan. The corresponding ruling was approved on August 15, 2005 by means of Supreme Decree No.033-2005-EM.

To comply with this obligation in 2006, the Company filed its San Rafael Unite Mine Closure Plan and its Pisco closure Plan, which were approved by the Ministry of Energy and Mines in 2009. After three years of getting approval of closure mine plan, the Company must update the plan and obtain the approval from the Ministry of Energy for such actualization, therefore to comply with this obligation, the Company filed on December 17, 2012 before Ministry of Energy and

Mines its San Rafael Unit Mine Closure Plan, which was approved by means of Directorial Resolution No.098-2013-MEM/AAM of April 8, 2013. On June 22, 2012, the Company filed its Pisco Closure Plan, which was approved by means of Directorial Resolution No.215-2013-MEM/AAM of June 21, 2013. Finally, on August 19, 2010, the Company filed its Pucamarca Closure Plan, which was approved by means of Directorial Resolution No. 207-2011-MEM/AAM on June 30, 2011 and which update is in process, to be filed in the Ministry of Energy and Mines during the first semester of 2014.

As of December 31, 2013, the provision for mine closure Units San Rafael, Pucamarca and Pisco is US$53,972,000 (US$67,227,000 as of December 31, 2012). See movement of this provision in note 15 (a).

28. Contingencies

(a) As a result of the tax reviews made for the years from 2000 to 2009, the Company has received tax assessments by omissions to the Income Tax and Value Added Tax by S/.105,516,630 (equivalent to US$37,738,000). In all these cases, the Company has appealed since it considers that those tax assessments are not in compliance with the current Peruvian tax regulations. As of today, these appeals are pending of resolution.

On the other hand, in the past the Company decided to make, under protest, several payments assessed by the tax authorities, without prejudice of exercising its right of claim to SUNAT or appeal to the Tax Court, depending of the circumstance. As of December 31, 2013, the accumulated payments under protest amounted to US$28,779,000 (US$31,306,000 as of December 31, 2012). The Company will recognize these contingencies when its collection will be virtually certain.

(b) In the appeal presented by the Company to the tax authorities for the fiscal year 2002, the Company included a claim for income tax payments made in excess in such year for S/104,780,000 (equivalent to US$37,475,000). This amount was originated by an error in the determination of a gain related to the transfer of 9,847,142 shares of Union de Cervecerias Backus y Johnston S.A.A., occurred in July 2002. The Company will recognize the asset related to this claim on the date on which the refund is made by the tax authorities. Management and its legal counsel estimate that this claim will be resolved in favor of the Company.

(c) Sanctioning administrative processes -
During 2013, and prior years, the Company has received some notifications from the Agency for Assessment and Environmental Control (OEFA) and OSINERGMIN, respectively. Such notifications are related to breaches of the procedures for the protection and conservation of the environment and the rules of mining health and safety. The administrative sanctions from OSINERGMIN and OEFA amounted to 16,184 tax units - ITU (equivalent to US$21,995,000). In relation to these notifications, the Company has appealed these sanctions; on judiciary way, being currently pending of resolution.

Management and its legal advisors have analized these processes and they have estimated a probable contingency of US$1,067,000, which is presented under "Provisions" in the separate statement of financial position (note 15 (c)).

29. Segment information

Management has determined the operating segments of the Company on the basis of the reports used for decision making. Management believes business units based on their products, activities and geographical location:

- Production and sale of tin produced in Peru.
- Production and sale of gold produced in Peru (which started production since January 2013).

No operating segment has been aggregated to form the above reportable operating segments.

Management monitors the profit before tax for each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income before income tax and is measured consistently with income before income taxes in the separate statements of income.

	Tin (Peru) US$(000)	Gold (Peru) US$(000)	Other (a) US$(000)	Total US$(000)
Year 2013				
Results:				
Net sales from third parties	597,939	157,888	-	755,827
Cost of sales	(238,881)	(64,404)	-	(303,285)
Administrative expenses	(24,737)	(6,669)	-	(31,406)
Selling expenses	(10,073)	(6)	-	(10,079)
Exploration expenses	(10,801)	(2,912)	-	(13,713)
Other expenses, net	(5,961)	(1,607)	-	(7,568)
Operating income	307,486	82,290	-	389,776
Depreciation and amortization (included in costs and expenses)	(37,182)	(26,086)	-	(63,268)
Profit before income tax	308,581	82,585	-	391,166
Profit for the year	185,542	49,413	-	234,955
Total assets	453,318	300,947	1,797,548	2,551,813
Total liabilities	280,167	77,629	11,666	369,462
Other disclosures:				
Cash and cash equivalents	157,633	41,903	-	199,536
Inventory, net	99,859	19,842	-	119,701
Capital investments	21,009	37,052	-	58,061
Property, plant and equipment e intangibles, net	148,288	234,528	-	382,816
Financial obligation	158,339	42,090	-	200,429

	Tin (Peru) US$(000)	Gold (Peru) US$(000)	Other (a) US$(000)	Total US$(000)
Year 2012				
Results:				
Net sales from third parties	640,507	-	-	640,507
Cost of sales	(197,026)	-	-	(197,026)
Administrative expenses	(35,700)	-	-	(35,700)
Selling expenses	(9,883)	-	-	(9,883)
Exploration expenses	(6,636)	-	-	(6,636)
Other expenses, net	(2,080)	-	-	(2,080)
Operating income	389,182	-	-	389,182
Depreciation y amortization (included in costs and expenses)	(31,366)	-	-	(31,366)
Profit before income tax	400,307	-	-	400,307
Profit for the year	261,378	-	-	261,378
Total assets	2,367,593	-	-	2,367,593
Total liabilities	370,197	-	-	370,197
Other disclosures:				
Cash and cash equivalents	91,303	-	-	91,303
Inventory, net	109,029	-	-	109,029
Capital investments	128,790	15,556	-	144,346
Property, plant and equipment e intangibles, net	167,923	245,184	-	413,107
Financial obligation	202,327	-	-	202,327

Capital expenditures are additions of property, plant and equipment, mine development costs and intangible assets.

As of December 31, 2013 the segment "Other" includes the following:

- A level assets: investments in subsidiaries and associates, financial assets at fair value through profit or loss, credit of income tax payments, loans to related parties and other minor assets for a total of US$1,797,000,000, which are measured by management on a common basis for the gold and tin segments.

- A passive level: Deferred income tax and lower provisions for US$11,666,000, which are measured by management on a common basis for the gold and tin segment.

30. Objectives and policies for managing financial risk

30.1. Financial risk factors -

The Company's activities are exposed to different financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's financial risk management program focuses on mitigating potential adverse effects on its financial performance.

Risk management is carried out by the Chief Financial Officer which follows the policies approved by the Board of Directors.

(i) Market risks:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices involve three types of risk: the risk of exchange rate, the interest rate risk and price risk. Financial instruments affected by market risk include bank deposits and time deposits, receivables and payables in currencies other than US dollar, financial assets at fair value and borrowings.

Sensitivity analyzes included in the following sections relate to the financial position as of December 31, 2013 and 2012.

These sensitivity analyzes have been prepared on the basis that the ratio of fixed-to-floating interest rates and the proportion of financial instruments in foreign currencies are all constants to December 31, 2013 and 2012.

Foreign currency risk –

The Company operates internationally and its exposure to exchange risk results from its operations agreed in other currencies than its functional currency. The transactions of the Company are agreed and settled in U.S. dollar and Nuevos Soles. As a result, the Company is exposed to the risk that the exchange rate of the U.S. dollar against the currencies in which the transactions are carried out may significantly and adversely change. Except in the case of specific transactions, the Management has decided to assume the foreign currency risk; therefore, it does not contract derivative financial instruments to reduce its exposure to this financial risk.

The following table shows the sensitivity in the results of the Company in the years 2013 and 2012 if the Nuevo Sol had revalued/devalued 10% with respect to dollar.

Year	**Revaluation/devaluation in the exchange rate**	**Effect on profit before income tax** US$(000)
2013	+10%	(4,206)
	-10%	4,206
2012	+10%	(2,810)
	-10%	2,810

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to foreign currency risk in the interest rate mainly by bank loans with floating interest rates.

The Company manages its interest rate risk through the obtention of loans and borrowings with fixed and variable interest rates. As of December 31, 2013, the Company has loans and borrowings at variable interest rates by US$200,429,000 (US$200,000,000 as of December 31, 2012).

Below is a table showing the effect on profit before income tax, with a reasonable variation in interest rates, holding constant all other variables:

	Increase/reduction in basic points	**Effect on profit before income tax US$(000)**
2013	+250	(5,010)
	-250	5,010
2012	+250	(5,000)
	-250	5,000

Price risk –

Investments

The Company is exposed to the risk of fluctuation in the prices of its investments maintained and classified in its separate statement of financial position at fair value through profit and loss. The Company diversifies its investment portfolio in order to reduce its exposure to price risk. The diversification of the portfolio is carried out in accordance with the limits established by Management.

The following table shows the sensitivity in the results of the Company in the years 2013 and 2012 if the price of the financial instruments that trades in the market had increased/reduced 5% and the rest of the variables had remained constant.

Year	**Increase/reduction of the price of its investments that trade**	**Effect on profit before income tax** US$(000)
2013	+5%	506
	-5%	(506)
2012	+5%	356
	-5%	(356)

Changes risk in mineral prices –
The international tin price has a significant impact on the results of operations of the Company. These prices are affected by changes in the global economy. The Company has no financial instruments to hedge this commodity price risk.

As described in Note 2.3 (c), the Company has price risks from its sales contracts established at provisional prices, subject to a future price in a given month (usually 3 months from date of delivery) , based mainly on the average monthly price quoted on the LME . To the extent that the final prices are higher or lower than initially provisionally recorded, the increase or decrease in profit or loss is recorded at each financial reporting date until the date of the final quote.

The table below summarizes the impact of changes in prices of tin in profit before income tax. This analysis is based on the assumption that the price of tin has increased or decreased by 5%, while all other variables are held constant. Positive scenario for 2013 was considered an average price of US$/MT23,463, while for the negative scenario was considered an average price of US$/MT21,228.

Year	**Increase/decrease in the price of quoted of tin**	**Effect on profit before income tax** US$(000)
2013	+5%	860
	-5%	(860)

(i) Credit risk -
The Company's financial assets potentially exposed to credit risk concentrations are mainly bank deposits and trade receivables. With regard to bank deposits, the Company reduces the probability of significant credit risk because its deposits are held in first class financial institutions, and limits the amount of exposure to credit risk in any financial institutions.

With regard to trade receivables, there are no significant concentrations since the Company has established policies to ensure that the sale of its production is made to clients with an adequate credit history. The maximum exposure to credit risk of the statement of financial position as of December 31, 2013 and 2012 is given by the balance of the captions cash and cash equivalents, trade and other receivables.

Financial instruments and bank deposits -
The credit risk in banks balance is managed by the Chief Financial Officer in accordance with Company policies. The counterparty credit limits are reviewed by management and the Board. The limits are established to minimize the risk concentration and therefore mitigate financial losses from potential default of the counterparty.

Trade receivables
Customer credit risk is managed by the Management, subject to policies, procedures and controls set properly. The balances of receivables are periodically reviewed to ensure

their recovery. Sales of tin and gold are conducted primarily to foreign customers located mainly in United States and Europe. As of December 31, 2013 has a portfolio of approximately 110 customers. As of December 31, 2013, the 3 most important customers of the Company representing approximately 39 percent of sales (approximately 24 percent of its sales as of December 31, 2012).

Other receivable -
These receivables are not related to the main operating activities of the Company. The Company's management constantly monitors the credit risk of these items and periodically evaluates those debts that show impairment indicators to determine the required provision for doubtful accounts.

(ii) Liquidity risk -
The prudent administration of the liquidity risk implies maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of committed financing sources and the capacity to close market positions. In this sense the Company does not have significant liquidity risks since historically, the cash flows of its operations have allowed it to maintain sufficient cash to mitigate its obligations.

The Company permanently monitors the liquidity reserves based on the permanent analysis of its working capital (liquidity ratio) and projected cash flows which take into account the future prices of the products it sells and cost required for production and sale.

The following table shows the maturities of liabilities in the separate statement of financial position as of December 31, 2013 and 2012:

	Past due US$(000)	**Less than 3 months** US$(000)	**3 to 12 months** US$(000)	**1 to 5 years** US$(000)	**Total** US$(000)
As of December 31, 2013					
Interest-bearing loans and borrowings:					
Principal	-	-	26,154	174,275	200,429
Future interest		660	3,038	4,405	8,103
Trade and other payables	-	49,979	-	-	49,979
	-	50,639	29,192	178,680	258,511
As of December 31, 2012					
Interest-bearing loans and borrowings:					
Principal	-	-	200,000	2,327	202,327
Future interest	-	-	1,273	-	1,273
Trade and other payables	-	44,903	-	-	44,903
	-	44,903	201,273	2,327	248,503

30.2. Capital risk management -

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its shareholders, benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The policy of the Company consists on financing all its projects with a conservative mix of own cash resources and debt. With this objective Management maintain a capital estructure equivalent to the level of permanent assets. In order to achieve this, the Company periodically capitalizes its earnings and if necessary adjusts the amount of the dividends payable to its shareholders.

31. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company assets and liabilities:

		Measurement at fair value using		
	Total US$(000)	**Quoted prices in active markets (Level 1)** US$(000)	**Significant observable inputs (Level 2)** US$(000)	**Significant unobservable inputs (Level 3)** US$(000)
As of December 31, 2013				
Assets measured at fair value:				
Financial assets at fair value through profit or loss	10,129	10,129	-	-
Liabilities measured at fair value:				
Derivative financial liabilities:				
- Embedded derivative for sales of tin	(890)	(890)	-	-
As of December 31, 2012				
Assets measured at fair value:				
Financial assets at fair value through profit or loss	7,411	7,411	-	-

Financial instruments whose fair values are similar to their book value –

For financial assets and liabilities which are liquid or have short-term maturity (less than three months), such as cash and cash equivalents, trade and other receivables, trade and other payables, it is estimated that their book value is similar to the fair value. Similarly, derivatives are recorded at fair value, therefore there are no differences to disclose.

The fair value of embedded derivatives is determined with valuation techniques using directly observable market information (future metal prices).

Financial Instruments at fixed and variable rates –
The fair value of the financial assets and liabilities that are subject to fixed and variable rates is determined by comparing the interest rates at inception with the current market interest rates for similar instruments. The fair value of deposits that yield interest are determined by using the discounted cash flows method by using market interest rates for the currency, and similar maturities and credit risks.

32. Embedded derivatives

Since 2013, the sales of tin produced in Peru are based on commercial agreements, whereby a provisional sales price is assigned based on the current quoted prices of tin, which are then liquidated based on future quotations of mineral (forward).

Embedded derivative as of December 31, 2013:

			Valuations		
Metal	Quantity	Quotations period 2014	Provisional US$	Futures US$	Fair value US$(000)
Sale of mineral					
Tin	770 MT	January 2014	18,096	17,206	(890)
Total net liability					(890)

33. Subsequent Events

The General Shareholders' Meeting held on January 30, 2014, approved that the Company issue Senior Notes through a private offering under Rule 144A and Regulation S of the U.S. Securities Act of 1933. Also it was agreed to list these securities in the Luxembourg Stock Exchange. On January 31, 2014, the Company issued Senior Bonds, with a face value of US$450,000,000, with maturity on February 7, 2024 and with a coupon interest rate of 6.25%, obtaining net proceeds of US$441,823,500. The Company has used part of these proceeds to prepay a loan with Bank of Nova Scotia and to support related mining operations.

On February 7, 2014, the Company prepaid the loan maintained with Bank of Nova Scotia for US$200,000,000.

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