

Minsur S.A. and Subsidiaries

Notes to the interim consolidated financial statements

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

1. Corporate information

(a) Identification -

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

(b) Business activity -

The main activity of the Company is the production and selling of metallic tin and gold. Metallic tin is obtained from the mineral exploited in the San Rafael Mine, located in the region of Puno. After the tin concentrate is obtained, it is subject to smelting and refinery processes in the Company's plant located in Pisco. In January 2013, the Company started its production activities at the Pucamarca mining unit (located in the region of Tacna), which contains reserves of gold and silver.

Through its subsidiary Minera Latinoamericana S.A.C., the Company maintains investments in Mineração Taboca S.A. and its subsidiary (which operate the tin mine and a smelting plant located in Brazil), in Inversiones Cordillera del Sur Ltda. and its subsidiaries (group mainly dedicated to the production and selling of cement in Chile) and in Minera Andes del Sur S.P.A. (located in Chile and engaged in mining exploration activities). Also, through Cumbres Andinas S.A., the Company has investments in Minera Sillustani S.A.C., Compañía Minera Barbastro S.A.C. and Marcobre S.A.C., subsidiaries which are at the exploration stage.

2. Basis of preparation, presentation and changes in the accounting policies

2.1 Basis of preparation -

The interim consolidated financial statements of the Company and its subsidiaries (together, the Group) have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements as of December 31, 2013.

2.2. Standards and accounting policies -

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for income taxes in interim periods which are recognized using the tax rate that would be applicable to expected annual earnings.

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3. Cash and cash equivalents

(a) This caption was made up as follows:

	As of March 31, 2014	As of December 31, 2013
	US\$(000)	US\$(000)
Cash on hand and petty cash	782	4,910
Cash at bank (b)	131,953	49,572
Term deposits (c)	349,014	183,047
Certificate of bank deposits	4,834	1,059
	<u>486,583</u>	<u>238,588</u>

4. Trade and other receivables, net

This caption is made up as follows:

	As of March 31, 2014	As of December 31, 2013
	US\$(000)	US\$(000)
Trade receivables, net	<u>140,442</u>	<u>135,861</u>
Other receivables, net:		
Value added tax and income tax credit	69,749	64,912
Judicial deposits	18,427	17,383
Others	32,245	22,299
	<u>120,421</u>	<u>104,594</u>
Total	<u>260,863</u>	<u>240,455</u>
Classification by maturity:		
Current portion	177,088	162,092
Non-current portion	83,775	78,363
Trade receivables, net	<u>260,863</u>	<u>240,455</u>

5. Inventories, net

(a) This caption is made up as follows:

	As of March 31, 2014	As of December 31,
	US\$(000)	US\$(000)
Finished products	46,954	62,240
Work in progress	77,141	81,546
Raw material	20,779	18,750
Material and supplies	62,508	64,287
Inventory in transit	5,896	6,997
	<u>213,278</u>	<u>233,820</u>
Impairment losses	-3,636	-11,014
	<u>209,642</u>	<u>222,806</u>

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6. Investments in subsidiaries and associates

This caption is made up as follows:

Associates	Interest in equity		Investment amount	
	As of March 31, 2014	As of December 31, 2013	As of March 31, 2014	As of December 31, 2013
	%	%	US\$(000)	US\$(000)
Rímac Seguros y Reaseguros	14.51	14.51	54,403	54,656
Servicios Aeronáuticos Unidos S.A.C.	47.50	47.50	3,773	15,600
Explosivos S.A.	7.30	7.30	7,456	7,729
Prefabricados de Hormigón Grau S.A.	49.00	49.00	6,108	6,030
Futura Consorcio Inmobiliario S.A.	4.96	4.96	4,620	4,633
			<u>76,360</u>	<u>88,648</u>

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

7. Property, plant and equipment, net

This caption is made up as follows:

	Opening balance 01.01.2014	Additions	Bajas	Deductions and adjustments	Transfers	Ending balance 31.03.2014
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost						
Land	59,473	-	-695	-359	-1,879	56,540
Building and installations	441,838	8	-	11,685	1,423	454,954
Machinery and equipment	847,829	2,057	-50	1,072	-14,309	836,599
Furniture and fixture and computer equipment	39,681	132	-1	714	-1,000	39,526
Vehicles	73,302	7	-400	-4,631	-1,629	66,649
Units in transit	3,427	-549	-	-	-	2,878
Works in progress	131,844	11,244	-	-13,079	108	130,117
Mine closure cost	67,916	1,251	6	-1,623	-56	67,494
	<u>1,665,310</u>	<u>14,150</u>	<u>-1,140</u>	<u>-6,221</u>	<u>-17,342</u>	<u>1,654,757</u>
Depreciación acumulada						
Building and installations	172,553	7,538	-	-723	-1,365	178,003
Machinery and equipment	515,250	11,664	-15	-377	-9,316	517,206
Furniture and fixture and computer equipment	27,806	556	-1	-26	-764	27,571
Units in transit	39,775	1,136	-261	-4596	-841	35,213
Mine closure cost	22,818	1,753	453	-	61	25,086
	<u>778,202</u>	<u>22,647</u>	<u>176</u>	<u>-5,722</u>	<u>-12,225</u>	<u>783,079</u>
Net cost	<u>887,108</u>					<u>871,678</u>

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8. Impairments

The Company's impairment test for goodwill and intangible assets with indefinite lives is based on value – in-use calculations. The key assumptions used to determine the recoverable amount for the difference cash generating units were disclosed in the annual consolidated financial statements for the year ended December 31, 2013. At March 31, 2014 there is no evidence that the assets must be adjusted by impairment.

9. Financial obligations

This caption is made up as follows:

Entity	Warranty	Interest rate	As of March 31,	As of
			2014	December 31,
			US\$(000)	2013
				US\$(000)
Bonos "Minsur - Notes Due 2024"	Unsecured	Tasa cupón 6.25%	450,000	-
The Bank of Nova Scotia (a)	Unsecured	Libor 3 m + 1.58%	-	200,000
Banco de Chile	37.66% of the shares of	TAB UF 180 + 0.8%	119,116	121,122
Banco de Crédito e Inversiones	Unsecured	4.60%	37,953	45,588
Banco Itaú	Unsecured	5.39%	41,437	40,481
Banco Corpbanca	Unsecured	TAB UF 365 + 0.35%	30,744	31,190
Banco ABC Brasil	Unsecured	5.70%	12,473	12,575
Banco de Chile	Unsecured	5.28%	7,377	-
Banco del Estado de Chile	Unsecured	5.22%	5,493	7,669
Banco Santos	Unsecured	Tasa CDI + 2%	6,545	6,285
Banco Bic Banco	Unsecured	5.80%	4,981	5,077
Banco Scotiabank	Unsecured	4.67%	3,660	3,814
Banco Scotiabank	Unsecured	4.60%	3,111	3,256
Banco Scotiabank	Unsecured	4.57%	2,741	2,867
FINAME BNDES (Banco Itau)	Leasehold	9.68%	2,261	2,480
Banco do Brasil	Unsecured	3.99%	1,395	1,430
Banco de Credito del Perú	Leasehold	3.55%	1,154	1,154
Banco Safra	Unsecured	5.10%	1,036	-
Banco Security S.A.	Leasehold	5.67%	456	534
Caterpillar Leasing Chile S.A.	Leasehold		49	60
			731,982	485,582
Prepaid interest			-8,091	-
Banco Santos (intereses)			12,272	11,400
Derivative financial instruments			9,378	11,526
Finance commission			-	-725
Overdraft			5,516	9,316
			751,057	517,099
By maturity:				
Current portion			128,210	153,289
Non-current portion			622,847	363,810
			751,057	517,099

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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.

10. Provisions

This caption is made up as follows:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Provisions for mine closure	100,402	100,306
Provisions for environment contingencies and other contingencies	58,361	60,649
Provisions for bonuses to employees	5,027	6,082
	<u>163,790</u>	<u>167,037</u>

Classification by maturity:

Current portion	11,264	21,264
Non-current portion	152,526	145,773
	<u>163,790</u>	<u>167,037</u>

11. Income tax

The expense for income tax consists on the following:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Income tax		
Current	32,279	33,966
Deferred	-6,616	-2,340
	<u>25,663</u>	<u>31,626</u>
Mining royalties and special mining tax		
Current	9,761	9,294
Deferred	-126	-1167
	<u>9,635</u>	<u>8,127</u>
Total Income tax	<u>35,298</u>	<u>39,753</u>

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12. Net Sales

The compositions of this caption is presented below:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Tin	211,699	192,649
Gold	32,828	37,575
Cement, concrete, aggregates and other	89,893	113,519
	<u>334,420</u>	<u>343,743</u>

13. Cost of sales

The compositions of this caption is made as follows:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Opening finished product inventory	62,240	58,506
Opening product in process inventory	81,546	68,127
Stripping cost	-	8,916
Services rendered by third parties	54,157	66,840
Depreciation and amortization	24,914	27,652
Consumption of miscellaneous supplies	52,296	65,730
Mano de obra directa	33,874	33,952
Electricity	8,755	8,122
Other manufacturing expenses	5,515	15,303
Final finished product inventory	-48,955	-63,168
Final work in process inventory	-73,945	-72,116
	<u>200,397</u>	<u>217,864</u>

14. Sales expenses

The compositions of this caption is made as follows:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Wages and salaries	1,413	2,075
Services rendered by third parties	1,925	2,350
Other management charges and provisions	383	1,188
Depreciation	20	25
Administrative expenses	<u>3,741</u>	<u>5,638</u>

15. Administrative expenses

The compositions of this caption is made as follows:

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	As of March 31, 2014 US\$(000)	As of March 31, 2013 US\$(000)
Wages and salaries	9,341	10,284
Services rendered by third parties	5,756	5,892
Other management charges and provisions	2,285	3,325
Depreciation and amortization	238	385
	<u>17,620</u>	<u>19,886</u>

16. Explorations expenses

The compositions of this caption is made as follows:

	As of March 31, 2014 US\$(000)	As of March 31, 2013 US\$(000)
Wages and salaries	1,530	1,480
Services rendered by third parties (*)	16,068	4,254
Other management charges and provisions	230	167
Depreciation and amortization	70	259
Provisión for contingencies	205	-
	<u>18,103</u>	<u>6,160</u>

(*) Mainly to work diamond drilling and related services performed by Marcobre, Barbastro and subsidiaries

17. Equity

(a) Capital stock -

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

(b) Investment shares -

As of March 31, 2014 and December 31, 2013, this caption is made up of 960,999,163 investment shares, with a nominal value of S/.1 each one.

(c) Others reserves -

As of March 31, 2014 and December 31, 2013 this caption mainly comprises exchange differences resulting from the translation of the financial statements of the foreign subsidiaries, prepared in their functional currency, into the functional currency of the Group. It also includes unrealized investment in related companies.

(d) Contribution of non-controlling interests -

During the year 2014, the Group received contributions of non-controlling interests of the subsidiary Marcobre S.A.C. for an amount of US\$5,940,000 (US\$14,887,000 during the year 2013).

(e) Declared and paid dividends -

Below is the information on declared and paid dividends during the years 2014 and 2013:

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Board / session	Date	Dividends declared and paid	Dividends per common share	Dividends per investment share
		US\$(000)	US\$	US\$
Dividends 2014				
Shareholders' meeting	March 19 2014	50,000	1.73	0.017
Dividends 2013				
Shareholders' meeting	March 21 2013	50,000	1.73	0.017

18. Commitments and contingencies

a) Environments Commitments -

The exploration and exploitation activities of the Company are subject to the rules of environmental disclosures in the separated at December 31, 2013 financial statements. There were no significant changes during the period ended March 31, 2014.

b) Contingencies -

The company has no additional significant contingencies other than those described in separated at December 31, 2013 financial statements.

19. Earnings per share

The basic earnings per share are calculating dividing the net income for the year by the weighted average number of outstanding shares during the year.

The basic and diluted earnings per share are the same as of March 31, 2014 and 2013, since there is no reducing effects on profits.

The calculation of the earnings per share is presented below:

	As of March 31, 2014	As of March 31, 2013
	US\$(000)	US\$(000)
Numerador		
Net earnings – US\$(000)	51,918	53,828
Denominator		
Common shares	19,220,015	19,220,015
Investment shares	960,999,163	960,999,163
Earnings per share:		
Basic and diluted per common share – US\$(000)	1.800	1.867
Basic and diluted per investment share – US\$(000)	0.018	0.018

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20. Related parties balances

(a) Main transactions –

	For the three-month periods ended March, 31	
	2014	2013
	US\$(000)	US\$(000)
Administración de Empresas S.A. (AES A) – Mine services	7,850	10,427
Constructora AES A S.A. – Construction services	2,055	3,141
Exsa S.A. – Purchase of explosives	1,216	1,300
Rimac Seguros y Reaseguros – Insurance services	2,096	280

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

	As of March 31, 2014		As of March 31, 2013	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Prefabricados Hormigón Grau S.A.	1,611	-	1,848	-
Hidrotermia S.A.	570	-	586	-
Administración de Empresas S.A. Estratégica S.A.	266	3,496	666	12,866
Compañía Minera Raura S.A.	204	-	212	98
Centria Servicios Administrativos S.A.	58	7	38	21
Constructora AES A S.A.	29	43	66	190
Exsa S.A.	-	1,966	52	5,032
Rimac Seguros y Reaseguros	-	1,289	-	1,817
Clinica Internacional S.A.	-	1,683	-	715
Rimac S.A. Entidad prestadora de Salud	-	109	-	428
Otros	-	18	-	157
	27	11	3	131
	<u>2,765</u>	<u>8,622</u>	<u>3,471</u>	<u>21,455</u>
Clasificación by maturity:				
Current	1,947	8,622	2,627	21,364
Non Current	818	-	844	-
	<u>2,765</u>	<u>8,622</u>	<u>3,471</u>	<u>21,364</u>

21. Segment information

For management purposes the Company is organized into business units based on their products and operations, and as it has two reportable segments are as follows:

- Production and marketing of tin extracted from Peru.
- Production and marketing of tin extracted from Brazil.
- Production and marketing of gold extracted from Peru (production begins in January 2013).
- Production and marketing of cement and concrete in Chile.
- Other mining exploration activities in Peru and Chile.

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(a) Below is information on revenue and operating profit of the operating segments of the Group for the period ended March 31, 2014 and 2013 is presented below

For the three-month period ended March 31, 2014	Tin	Gold	Tin	Mining exploration	Sub Total	Adjustments and eliminations	Total mining segment	Cement, concrete and other related (Chile)	Total Consolidated
	(Perú)	(Perú)	(Brasil)	(Perú)	mining segment	US\$(000)	US\$(000)	US\$(000)	US\$(000)
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
NET SALES									
External customers between segments	185,196	32,828	28,605	-	246,629	-2,102	244,527	89,893	334,420
Total Net sales	185,196	32,828	28,605	0	246,629	-2,102	244,527	89,893	334,420
Cost of sales	-74,965	-17,461	-27,450	-	-119,876	1,195	-118,681	-81,716	-200,397
Gross Margin	110,231	15,367	1,155	0	126,753	-907	125,846	8,177	134,023
Operating expenses									
Administrative expenses	-6,184	-1,441	-3,975	-1,141	-12,741	150	-12,591	-5,029	-17,620
Selling expenses	-1,929	-1	-214	-	-2,144	-	-2,144	-1,597	-3,741
Exploration costs	-1,999	-465	-178	-15,461	-18,103	-	-18,103	-	-18,103
Other, net	-1,293	-302	-1,304	-22	-2,921	-675	-3,596	1,406	-2,190
Total Operating expenses	-11,405	-2,209	-5,671	-16,624	-35,909	-525	-36,434	-5,220	-41,654
Operating income	98,826	13,158	-4,516	-16,624	90,844	-1,432	89,412	2,957	92,369
Depreciation and amortization (included in cost of sales and	-5,858	-6,354	-6,730	-279	-19,221	-	-19,221	-6,336	-25,557

For the three-month period ended March 31, 2013	Tin	Gold	Tin	Mining exploration	Sub Total	Adjustments and eliminations	Total mining segment	Cement, concrete and other related (Chile)	Total Consolidated
	(Peru)	(Peru)	(Brasil)	(Peru)	mining segment	US\$(000)	US\$(000)	US\$(000)	US\$(000)
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
NET SALES									
External customers between segments	153,843	37,575	38,806	-	230,224	-	230,224	113,519	343,743
Total Net sales	153,843	37,575	38,806	0	230,224	0	230,224	113,519	343,743
Cost of sales	-51,503	-12,277	-43,087	-	-106,867	352	-106,515	-111,349	-217,864
Gross Margin	102,340	25,298	-4,281	0	123,357	352	123,709	2,170	125,879
Operating expenses									
Administrative expenses	-6,374	-1,519	-3,670	-689	-12,252	-	-12,252	-7,634	-19,886
Selling expenses	-2,048	-	-336	-	-2,384	-	-2,384	-3,254	-5,638
Exploration costs	-1,291	-308	-345	-4,216	-6,160	-	-6,160	-	-6,160
Other, net	-927	-221	-2,159	4	-3,303	-738	-4,041	7,408	3,367
Total Operating expenses	-10,640	-2,048	-6,510	-4,901	-24,099	-738	-24,837	-3,480	-28,317
Operating income	91,700	23,250	-10,791	-4,901	99,258	-386	98,872	-1,310	97,562
Depreciation and amortization (included in cost of sales and expenses)	-8,658	-5,487	-6,272	-206	-20,623	-675	-21,298	-6,361	-27,659

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(b) The assets and liabilities is presented for operating segments of the Group at March 31, 2014 and December 31, 2013:

	Tin (Peru)	Gold (Peru)	Tin (Brasil)	Mining exploration (Peru)	Sub Total mining segment	Adjustments and eliminations	Total mining segment	Cement, concrete and other related (Chile)	Total Consolidated
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Segment Assets									
As of March 31, 2014	582,007	330,833	618,461	919,961	2,451,262	175,659	2,626,921	725,416	3,352,337
As of December 31, 2013	295,685	259,044	568,011	918,507	2,041,247	310,214	2,351,461	765,218	3,116,679
Segment Liabilities									
As of March 31, 2014	359,630	83,073	274,846	200,506	918,055	107,569	1,025,624	326,841	1,352,465
As of December 31, 2013	67,054	22,668	235,585	205,918	531,225	237,621	768,846	350,054	1,118,900

- (c) Segments assets do not include: investments in associates and financial assets at fair value through profit or loss, as these assets are managed on a group basis. Segment liabilities do not include: some deferred tax liabilities, as these are managed on a group basis.
- (d) As of March 31, 2014, segment assets include cash and cash equivalents by US\$486,583,000 (US\$238,588,000 as of December 31, 2013). Out of this amount, US\$15,795,000 corresponds to cash and cash equivalents of the mining segment (US\$17,262,000 as of December, 31 2013).
- (e) As of March 31, 2014, segment liabilities include financial obligations and bank overdrafts by US\$750,717,000 (US\$517,099,000 as of December 31, 2013). Out of this amount, US\$227,991,000 corresponds to financial obligations and bank overdrafts of the mining segment (US\$227,722,000 as of December 31, 2013).
- (f) During the three-month period ended March 31, 2014, the profit for the period was US\$48,767,000 (US\$51,036,000 as of March 31, 2013). Out of this amount US\$51,359,000, corresponds to profit for the period of the mining segment (US\$55,071,000 during the three-month period ended as of March 31, 2013).