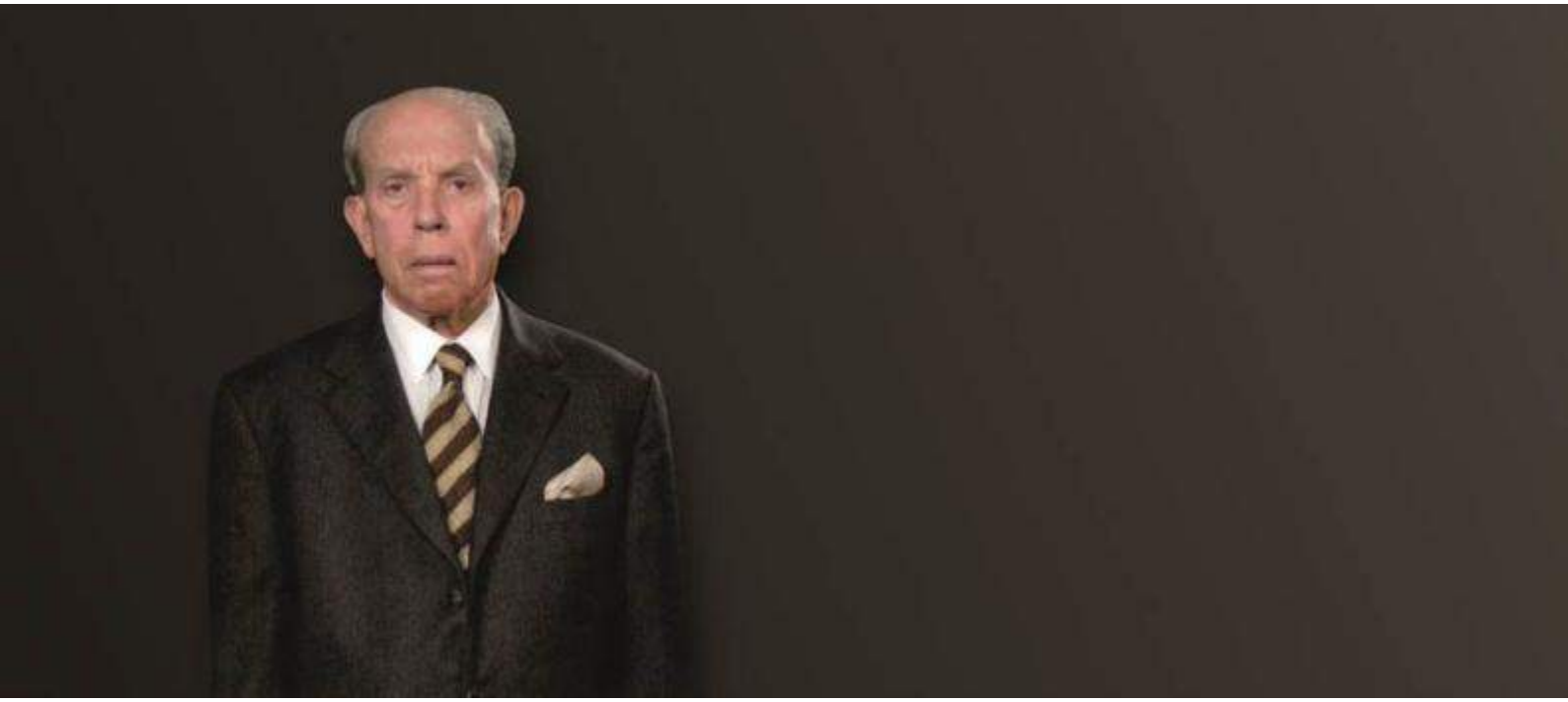
Annual Report 2013

MINSUR

MINSUR



Don Mario Brescia Cafferata. He was Chairman of the Board, and passed away on May 16, 2013.

Don Mario was a man committed to work, always willing to learn. During his long career, he was a driving force pushing the development of the companies of the Group and tried to transform the places where they operated into better places to live. He was also an example of dedication and commitment to all executives and employees of the companies of Grupo Breca.

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LIABILITY STATEMENT

This document contains truthful and sufficient information related to the development of the business of MINSUR S.A. during 2013. Notwithstanding the responsibility that lies with the issuer, the undersigned are responsible for its content pursuant to the applicable legal provisions.

Lima, March 31, 2014

MINSUR S.A.

JUAN LUIS KRUGER SAYÁN
GERENTE GENERAL

MINSUR S.A.

FORTUNATO BRESCIA MOREYRA
PRESIDENTE DEL DIRECTORIO

LETTER FROM THE BOARD

Dear shareholders:

I am pleased to present the annual report for MINSUR S.A., which includes financial statements of 2013.

As several analysts have noted, 2013 was a bad year for the Peruvian mining sector. Mining exports fell despite the growth in the volume produced due to a sharp decline in the international price of metals.

Considering this, here in MINSUR we focused our strategy on shoring up our production, and continued the search for improvements in the metallurgical processes and the reduction of operating costs. Also, safety was, once again, a priority in our work, and as a result, our Pisco smelting plant won the "John T. Ryan" award for safety in mining in the Smelting and Refinery category for the third consecutive year.

However, the most important milestone of MINSUR in 2013 was the start-up of operations of the Pucamarca mining unit located in the region of Tacna, near landmark 52 of the Peruvian-Chilean border. Mining operations began on January 11 and the first smelting took place on February 13, achieving a rapid and successful transition between the end of the construction period and the start of the operation.

Pucamarca is one of the open pit gold mines of lowest cost in the world, characterized by promoting and practicing environmental care and maintain a responsible use of resources. Pucamarca uses a minimal amount of water not safe for human consumption, which is 100 % recirculated. The start of operations meant MINSUR entering the market of gold producers, thus diversifying our portfolio.

We also had some news in the Pitinga mine this year, which is part of Mineração Taboca S.A. of Brazil and that MINSUR owns through Minera Latinoamericana S.A.C. In 2013 we managed to stabilize the concentrator plant of the mine thus reaching an important production rate. In the environmental aspect, the work for the recovery and disposal of environmental liabilities continued. These work will keep progressing in the following years to meet the commitments we made.

Also, as part of our growth strategy, we assigned more resources to the exploration area in order to intensify the exploratory activities, mainly of the brownfield-type projects in the areas surrounding our main operations. The portfolio of mining properties for exploration increased by 40 % through new petitions and the acquisition of properties in the areas of interest of the company.

In 2013, we focused our social responsibility work in maintaining a harmonious relationship with the surroundings of our operations, promoting sustainable development, and focusing mainly on the following areas: education, health and environment, as well as the economic development of the areas of influence.

Finally, this year we have published our vision of being a Peruvian mining company with world class assets and operations, leader in the tin industry, committed to the development of communities and to the highest environmental standards.

We can add two important features that allow us to look at the future of MINSUR with optimism: the geographical diversification of our operations and the quality of our portfolio of projects.

Moreover, we have a clear strategy for growth and diversification in the future, while maintaining a clear and determined commitment to continue believing and investing in the development of the mining industry in Peru.

We need to thank our shareholders for the confidence shown in our company, and our managers and administrative personnel, and especially our employees, for their commitment, effort and dedication.

I would like to end with a fair recognition to our former Vice Chairman of the Board of MINSUR S.A., and a recognized Peruvian business leader who stood out not only in the mining sector, but also in the industrial, fishing, real estate, agricultural, hospitality and financial ones, Don Mario Brescia Cafferata, who passed away on May 16, 2013.

Fortunato Brescia Moreyra
President of the Board

1.

EXPERIENCE, RESPONSIBILITY AND SAFETY

Who we are

I. EXPERIENCE, RESPONSIBILITY AND SAFETY

Who We Are

MINSUR has over 36 years of experience in mining and has distinguished itself, since its inception, for its commitment to corporate responsibility and the development of the country. All of its operations and processes comply with the most demanding standards of quality and safety, use cutting edge technology and are governed by the environmental regulations in force. Also, and always striving for excellence, it has designed special programs to ensure a better care of the environment and encourage the progress of local communities. This philosophy has led MINSUR to become a solid, successful and internationally renowned company. MINSUR is part of the Grupo Breca, one of the most diverse and important economic corporations of the country.

1.1 BRIEF OVERVIEW

MINSUR was founded in 1977, after the transformation of the Peruvian branch of MINSUR Partnership Limited of Bahamas, called MINSUR Limited Company, which operated in Peru since 1966.

Mainly dedicated to the exploration, exploitation and beneficiation of minerals, MINSUR is leader in the International tin market. It has recently ventured into the gold market through its mine Pucamarca, which began operations in January 2013. The other two production units of the company are the San Rafael mine and the smelting and refining plant in Pisco.

MINSUR is also majority shareholder of Minera Latinoamericana S.A.C., which in turn, is the main shareholder of Mineração Taboca S.A., a company that operates Pitinga mine in the State of Amazonas (Brazil) from where tin, niobium and tantalum are extracted. Taboca is also the owner of Pirapora smelting plant in Sao Paulo. Through subsidiaries, Minera Latinoamericana S.A.C. is also owner of Melón, leading company in the production and marketing of cements, mortars, concretes and aggregates in the Chilean market.

Finally, MINSUR is majority shareholder of Cumbres Andinas S.A., which owns 70 % of the shares of Marcobre S.A.C., which develops a project of copper ore called Mina Justa located in the District of San Juan de Marcona, ICA. Cumbres Andinas S.A. is the main shareholder of Compañía Minera Barbastro S.A.C., which has a polymetallic project in the region of Huancavelica.

1.2 VISION, MISSION AND VALUES

Mission

To generate value transforming mineral resources in a sustained manner.

Vision

To develop and operate world-class mining assets, and be a reference in terms of safety, operational efficiency, socio-environmental responsibility and people development in all the countries where we have operations.

Values

Excellence, commitment, integrity, responsibility, safety and trust.

1.3 DIRECTORS AND MANAGERS

BOARD

President	Fortunato Brescia Moreyra
Vice-president	Alex Fort Brescia
Directors	Rosa Brescia de Fort
	Mario Brescia Moreyra
	Pedro Brescia Moreyra
	Miguel Aramburú Álvarez-Calderón

Mr. Pedro Brescia Cafferata served as Chairman of the Board of the Company until March 2013 and Mr. Mario Brescia Cafferata served as Vice Chairman of the Board until May 16, 2013, date of his passing.

MANAGEMENT

Executive Director
Fortunato Juan José Brescia Moreyra

General Manager
Juan Luis Kruger Sayán

Director of Administration and Finance
Álvaro Javier Ossio Guiulfo

Director of Operations
Luis Augusto Argüelles Macedo

Director of New Business Development
Gonzalo Freyre Arméstar

Director of Human Resources
Guillermo Miguel Defilippi Rodríguez

Director of Corporate Affairs
Gonzalo Quijandría Fernández

Legal Corporate Manager
Emilio E. Alfageme Rodríguez Larraín

Mineral Resources Corporate Manager
Julian Edward Misiewicz

Smelting Corporate Manager
José Antonio Oré Rivera

Internal Auditor
Rafael Ernesto Salazar Tafur

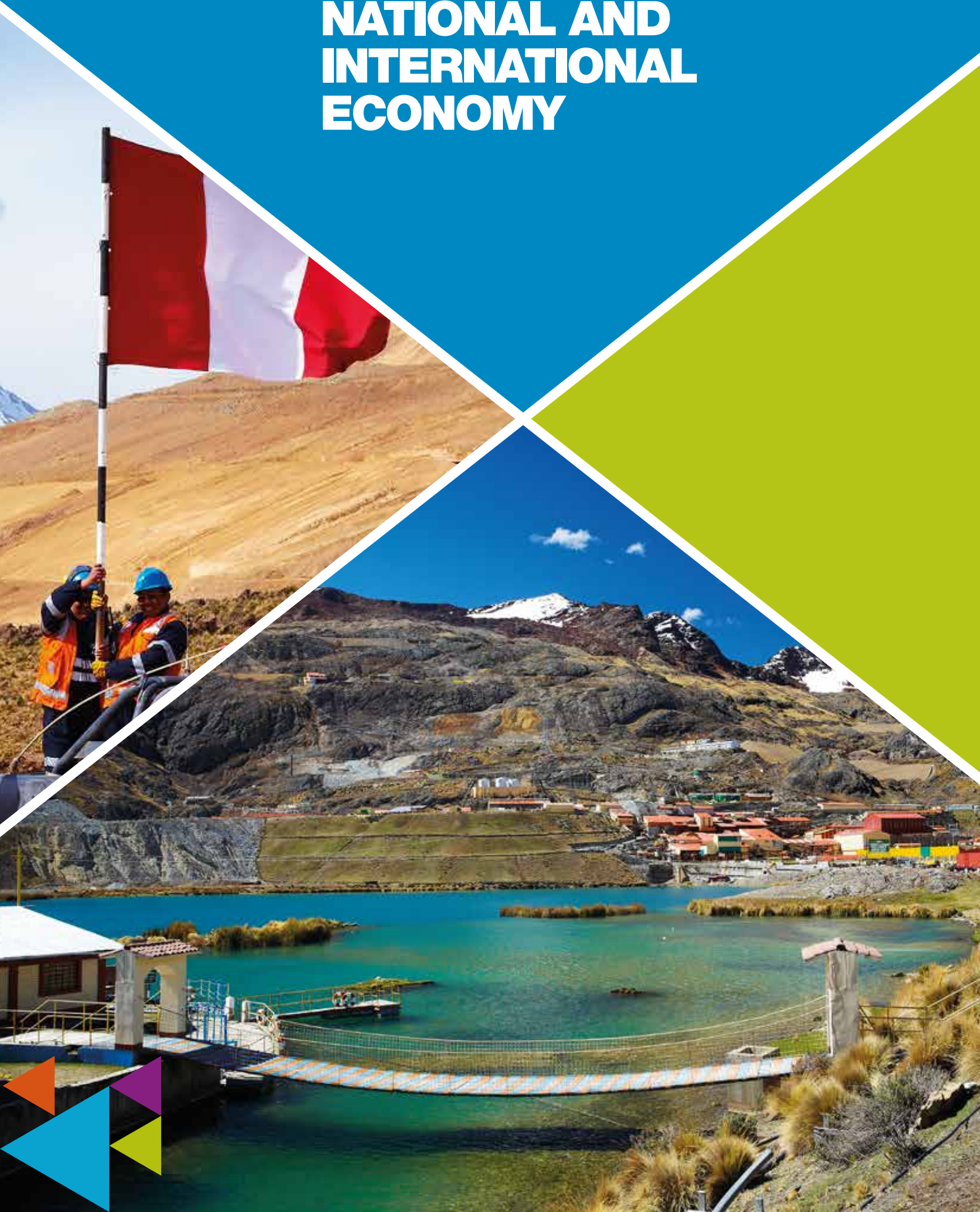
San Rafael Unit Manager
Carlos Alberto Barrena Chávez

Pucamarca Unit Manager
Edmundo Manuel Roca Pinto

Smelting Operations Manager Pisco
Ivo Iliya Serkovic Gómez

2.

NATIONAL AND INTERNATIONAL ECONOMY



II. NATIONAL AND INTERNATIONAL ECONOMY

2.1 EXECUTIVE SUMMARY

The year 2013 will be remembered as a year of important changes that affected business in Peru. But even so, the Peruvian economy grew at a good rate of 5 % and kept strong macroeconomic balances.

At the beginning of the year, advanced economies, such as the United States and the eurozone, kept applying expansionary monetary policies to consolidate the reactivation of their economies. This favored the emerging economies, such as the Peruvian, and generated excellent financing conditions and high metals prices.

However, at the end of the second quarter of 2013, everything changed. The recovery in some key sectors in the United States increased the expectation that the Federal Reserve would begin to reduce monetary stimulus. As a result, the business environment has deteriorated for emerging countries: there was a strong outflow of capital, the costs for external financing increased, metals prices fell heavily and local currencies lost value against the dollar.

The deterioration in the local environment added to this change in the global environment. In this sense, one of the most decisive factors was greater control of the State in the labor environment, in the private health care market and in other markets, thus increasing the costs of many local companies.

Before the deterioration of their margins, companies chose to postpone their investment decisions and implemented aggressive cost reduction strategies. An example of this is the rapid slowdown in private investment which, according to our estimates, did not grow or decreased slightly in the fourth quarter of 2013. In addition, the change in the international environment reduced the growth of the economies of the region and made our non-traditional exports fall. Consequently, formal employment growth slowed, especially in the provinces, and significantly affected the micro and small enterprises, as well as the less skilled workers.

To cope with the slowdown, authorities implemented a set of measures designed to boost private spending (consumption and investment). They created a task force that pushed the implementation of major private investment projects. With this initiative, the Executive power complemented the strong increase of public expenditure on remuneration applied throughout the year. On its part, during the second half of 2013, the Central Reserve Bank (BCR; in spanish) reduced the reserve requirements and

lowered the benchmark interest rate to boost credit in Soles. These decisions helped restore the confidence observed at year's end and maintain a good consumption growth rate.

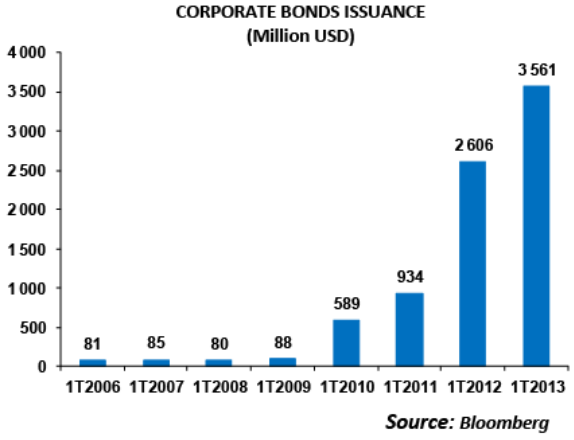
In sum, the Peruvian economy navigated quite well: it recorded a 5 % growth rate, higher than most countries in the region, and kept strong macroeconomic balances.

2.2 SEVEN KEY MOMENTS OF 2013

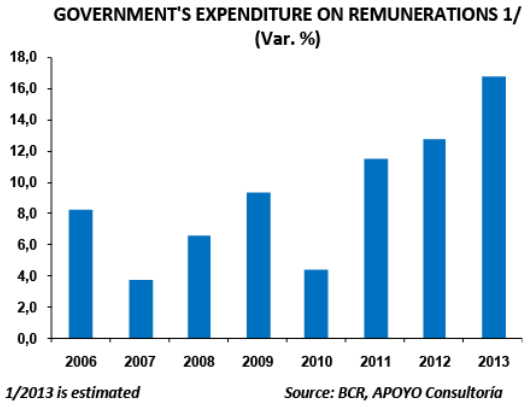
I. A first quarter with good conditions for growth in investment and consumption in families.

At the beginning of the year, advanced economies such as the United States and the eurozone kept applying expansionary monetary policies to revive their economies. Both economies maintained its reference rate at historic lows and the Federal Reserve of United States continued applying aggressive liquidity injections into its economy (85 billion dollars per month).

This context benefited local firms in three factors: (i) the cost of external financing were at historic lows, (ii) the Nuevo Sol (local currency) continued to appreciate and (iii) metal prices reached historically high levels (see left chart). Companies took advantage of this favorable context to issue bonds overseas at a record level (see right chart), mainly to finance expansions.

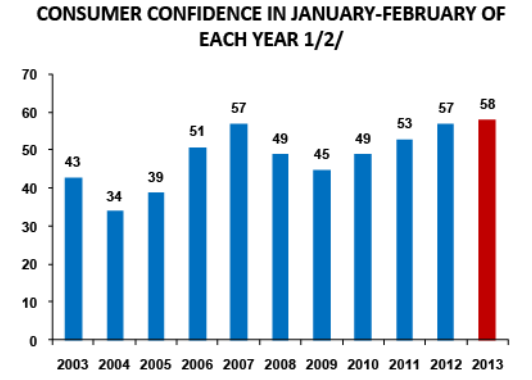


Likewise, consumption conditions of the household were also favored due to: (i) a solid growth of formal employment, (ii) good credit conditions and (iii) wage increases decreed by the Government (see left chart). This favorable environment for consumption was reflected in the confidence of families, which was at historically high levels at the beginning of the year (see right chart).



1/2013 is estimated

Source: BCR, APOYO Consultoría



1/ In Lima Metropolitan Area
2/ Average of both months

Source: survey by Ipsos APOYO Consultoría

II. In order to control the risks generated by the rapid growth in credit, mostly in dollars, the Superintendency of Banking and Insurance (SBS; in spanish) and the BCR implemented aggressive and unprecedented measures.

Two factors upset the authorities: strong growth in consumption credit, mostly in dollars, and the high dollarization of the mortgage and vehicle credit. Thus, for example, at the beginning of 2013, vehicle credit in dollars (80 % of the total vehicular credit) recorded a growth of nearly 40 %, while in 2012 it had been 30 %. In a nutshell: more and more families with income in Soles borrowed in dollars, which could cause problems facing a possible depreciation of the Nuevo Sol.

As a result, the authorities implemented a set of measures to reduce credit growth. The SBS requested higher capital requirements to banks for the vehicle and mortgage credit in dollars. The BCR increased its reserve rates to record highs and implemented additional reserves, conditioned to the growth in the mortgage and vehicle credit in dollars. In fact, these measures had the desired effect and, along with the depreciation of the exchange rate, reduced the growth of consumption credit in dollars, from 21 % January to 7 % in November.

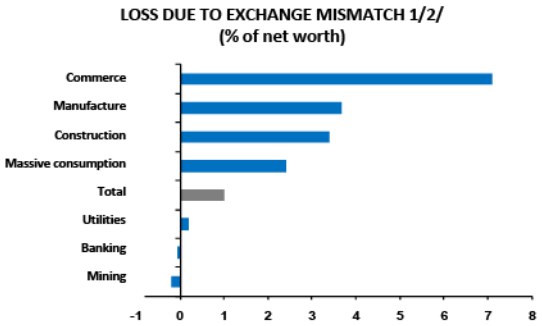
III. Everything changed in the second quarter of 2013: the expectations of withdrawal of the monetary stimulus in the United States generated a "less friendly" international environment for emerging countries.

Signs of a clear recovery in some key sectors of the United States (such as real estate and the labor market) generated the expectation that the Federal Reserve (FED) could reduce the rate of liquidity injection into its economy. This new landscape affected the business environment of emerging economies: (i) the sharp drop in the prices of metals, (ii) the subsequent - and strong - depreciation of local currencies and (iii) the increase in international interest rates. This is why, during the second half of the year, both the growth pace and the macroeconomic balances of some emerging economies deteriorate, as happened particularly in Indonesia, Turkey, India, South Africa and Brazil.

In the Peruvian economy, this new situation mainly resulted in the deterioration of the margins of some mining companies due to falling prices of metals (see left chart) and in other sectors generated by the sharp depreciation of the exchange rate. Thus, many of the local companies that had borrowed in dollars without taking coverage recorded significant losses. In the commercial sector, these losses were equivalent to nearly 8 % of their net worth (see right chart).

1/ Operating margin of 15 mining companies listed on the BVL (Lima Stock Market).
2/ Acummulated to 3T2013.

Source : Bloomberg



1/ Estimate with a 10 % depreciation of the Nuevo Sol
2/ Foreign exchange mismatch: liabilities in dollars minus assets in dollars compared to the total of assets

Source : SMV, APOYO Consultoría

IV. To the breaking in the international environment, we have to add a deterioration of the local environment, *inter alia*, due to a greater control and regulation of the public sector over different markets.

Among the most important measures are greater control and regulation in the labor environment and private health. In the labor environment, two relevant modifications were applied: (i) a superintendence (Sunafil) was created to ensure compliance with labor standards and (ii) the regulation on worker's safety in the workplace was increased. Likewise, a superintendence for health (Sunasa) was created in the private health sector to oversee the healthcare providers and insurance companies.

Because of the way in which they were implemented, these provisions generated uncertainty, cumbersome processes and additional costs to formal enterprises.

In addition, the regulation of some sectors was altered by a series of changes at the legislative level. Such were the cases of the act on healthy eating and the reallocation of anchovy capture areas, measures that were badly designed and adversely affected specific sectors like mass consumption and fishing.

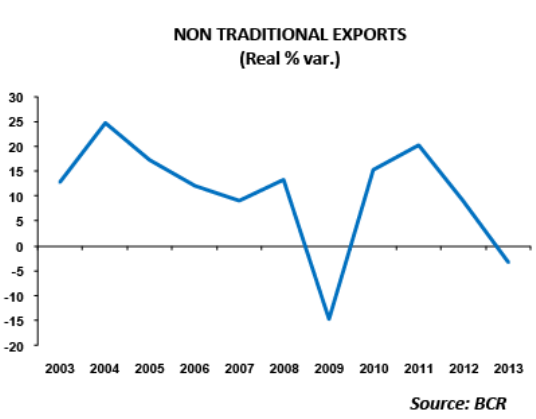
An additional factor that generated nervousness among companies was the intention of the State to enhance its participation in the hydrocarbon sector. Indeed, during the second quarter of the year, the Government considered purchasing La Pampilla refinery assets from Repsol, with the consequent impact on business confidence.

V. The change in the international and local environment significantly affected the growth rate of non-traditional exports, of private investment and, consequently, of employment.

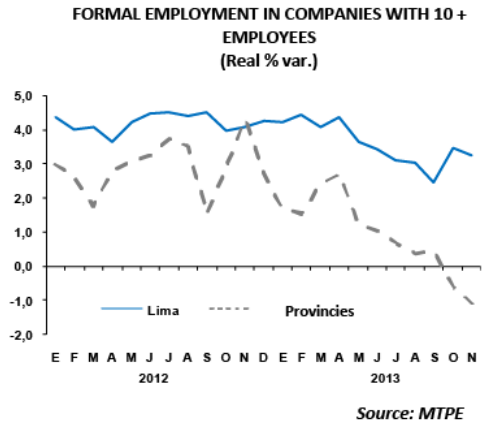
The new international landscape and the deterioration in the conditions for doing business in the local market had an impact on the margins of many Peruvian companies. Given the new situation, companies opted to postpone investment and hiring decisions, and implemented cost reduction strategies. Private investment went from a 12 % growth by the end of 2012 to 0 % in the fourth quarter of 2013. Investment in small and medium-sized projects, more sensitive to changes in the environment, grew only 2 % in 2013, the lowest rate since the last international crisis. On the other hand, megaprojects investment grew 6 %.

Likewise, the external demand for our non-traditional products was worsened by the downturn in the growth rate of the economies of the region. Thus, after expanding an average of 9 % in the latter years, non-traditional exports fell about 4 % last year (see left chart). This reduction was particularly important in textile products (12 % in 2013), mainly affected by the lower demand from Venezuela.

As a result, formal employment slowed down and only grew 2 % in November, the lowest rate since the 2009 international crisis. However, this result conceals some differences between regions: while formal employment in Lima slowed down and then stabilized at close to 3 %; in provinces, this continued to slow down and fell 1 % in November (see right chart). This particular deterioration in provinces is due to a slower investment growth rate and lower growth in the manufacturing sector (textile).



Source: BCR

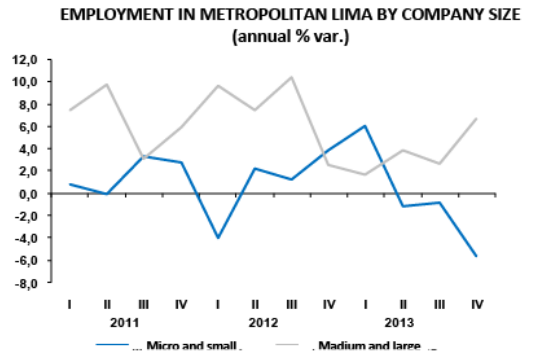


Source: MTPE

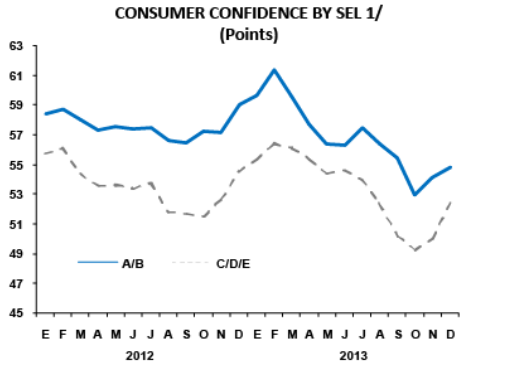
VI. Lower-income families were the most affected by the downturn.

The slowdown in employment did not only show the differences between geographic regions, but also between companies and levels of qualification. In metropolitan Lima, the type of employment that suffered the most was that of micro and small enterprises (see left chart). This type of employment, concentrating low-skilled workmen and workers, is strongly linked to lower-income families (C, D and E Socio-Economic Levels – NSE; in spanish).

In response to the slowdown of employment and to the increase in the delinquency rate, banks tightened the requirements to make loans to low-income families. These factors affected the main sources of income of the CDE NSE families, who saw their spending capacity reduced. Thus, increasingly more families of these NSE perceived less favorable conditions for consumption, which was reflected in their low level of confidence (see right chart). As a result, sales in sectors such as mass consumption or social interest housing, more linked to this type of families, slowed its growth pace.



Source: EPE - INEI



1/ Three-month moving

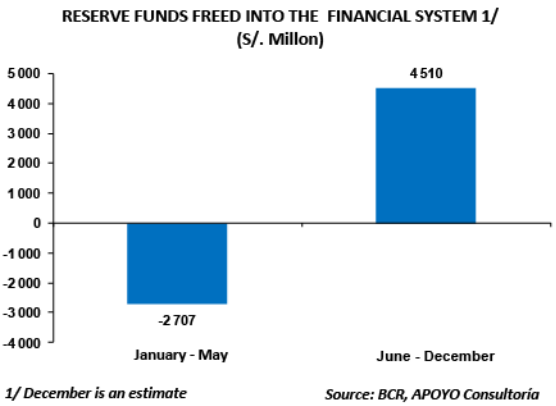
Source: APOYO Consultoría

VII. To face the slowdown, the government sought to boost internal demand.

On the one hand, the government implemented a set of measures to accelerate the implementation of major private investment projects. One of these measures was the creation of an investment projects monitoring team. This team, which reports directly to the Ministry of Economy and Finance (MEF), has two objectives: (i) provide continuous follow up of projects to prevent them from find obstacles in their implementation and (ii) propose cross-cutting measures that reduce barriers and legal loopholes in the approval of these projects.

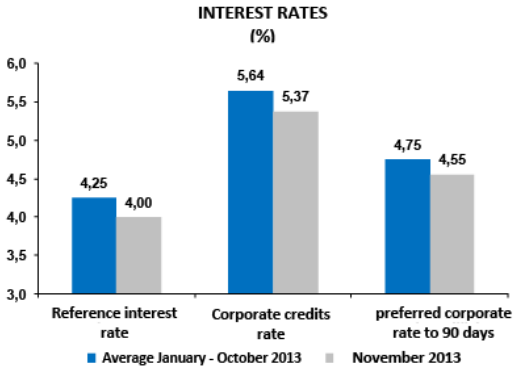
Additionally, Proinversión - responsible for convening and awarding investment projects - had a more active role at the end of the year. Between November and December, that entity awarded four investment projects amounting to over two thousand million dollars, almost half of the amount awarded during this government. Of these projects, the two most important are the energetic South node (for 700 million dollars) and the longitudinal of the Sierra Section 2 (for 550 million dollars). The impact of these concessions on economic activity will be noticed mainly as of 2016.

Moreover, the BCR also promoted credit in Soles to boost the economic activity. With that goal, it reduced the reserves rate for banks, freeing liquidity to lending (see left chart). It also lowered the interest rate of reference from 4.25 % to 4.0 % in order to boost growth and reduce the cost of financing, mostly for large companies (see right chart). These measures stopped the slowdown of consumer credit in nuevos soles. Thus, while credit consumption in soles increased by 12 % at the end of year, credit in US dollars only grew 4.6 %.



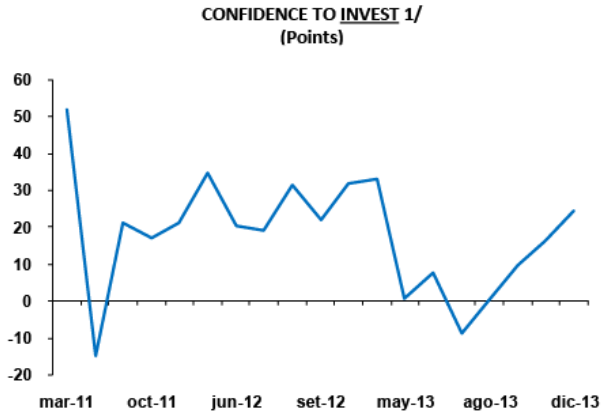
1/ December is an estimate

Source: BCR, APOYO Consultoría



Source: BCR, SBS

In short, these measures contributed to recover confidence for investment observed at the end of year (see chart) and to maintain a good consumption growth rate.



1/ Result of subtracting the percentage that will reduce the rate of investments execution from the percentage that will accelerate it in the next six months

Source: survey of SAE clients of APOYO Consultoría

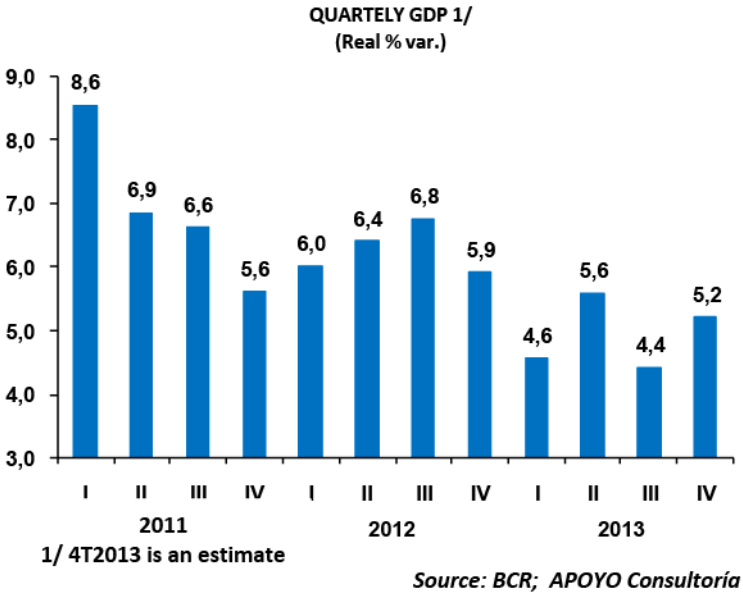
2.3 BALANCE OF 2013

Despite the business environment downturn, the Peruvian economy kept a strong macroeconomic performance and a good growth rate.

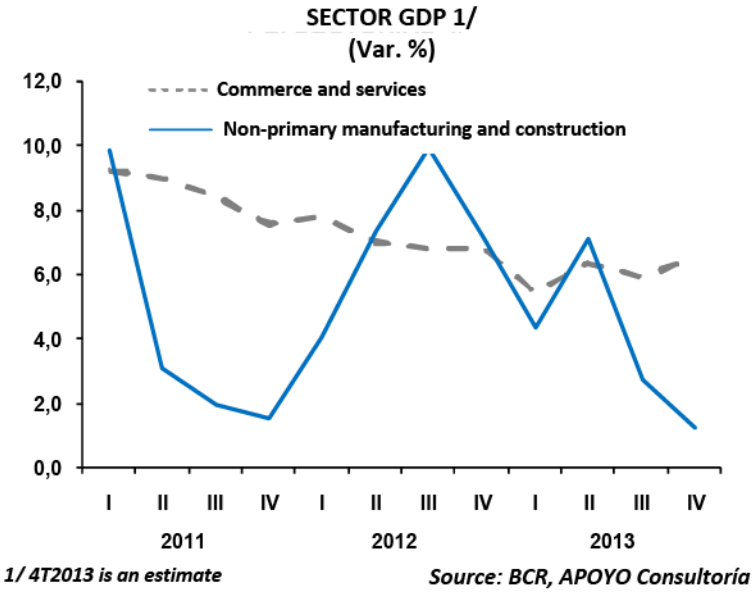
On the one hand, the "less friendly " international environment had a limited impact on the domestic market. Certainly , the current account was negative and reached its lowest level in 15 years (-5.4 % GDP), with the consequent dollar outflows from our economy. However, the outflow was fully offset by the inflow of long-term capital linked to medium and large investment projects. This factor prevented further upward pressure on the exchange rate, which closed at 2.80 soles per dollar in late 2013.

Regarding taxation, despite metal price downfall and slowdown in economic activity negatively affected the growth of government revenues, the 2013 balance was positive (around 0.6 % GDP). Tax revenue drop generated by the mining sector was offset by the growth in tax revenues generated by other sectors such as commerce and services, which showed good growth rates throughout the year. The effort made by the Sunat to broaden the tax base also prevented revenue from decreasing during the year. Therefore, by the end of 2013, the public sector accumulated additional tax savings, which are now equivalent to 16 % of the GDP.

To sum up, thanks to its strong foundations, the Peruvian economy performed well during this year of change and grew at a rate of 5 %, one of the best rates in the region for 2013.



Source: BCR; APOYO Consultoría



Source: BCR, APOYO Consultoría

2.4 MACROECONOMIC PROJECTIONS

MAIN MACROECONOMIC INDICATORS 1/

		2012	2013	2014
I.	Real sector (Var. %)			
	GDP	6,3	5,0	5,0
	NDP (US$ billion)	200	207	213
	GDP per capita (US$)	6 621	6 794	6 918
	Urban formal employment 2/	3,9	2,9	2,2
II.	Macroeconomic Balances			
	Fiscal Result (% of the GDP)	2,1	0,8	0,0
	Current account (% of the GDP)	-3,3	-4,9	-5,1
	Trade balance (US$ Million)	5 115	-365	-1 302
III.	Monetary sector			
	Annual inflation, CPI (%)	2,6	2,9	2,3
	Exchange rate eop (S/. per dollar) 3/	2,55	2,80	2,90 - 2,95
	Exchange rate aop (S/. per dollar) 4/	2,64	2,70	2,85

1/ 2014 are projections made in January of 2014

2/ employment in companies of 10 + employees

3/ eop: end of the period

Fuente: BCR, APOYO Consultoría

GDP PROJECTIONS PER TYPE OD EXPENDITURE 1/
(Real % var.)

	2012	2013	2014
GDP	6,3	5,0	5,0
Domestic demand	7,2	5,7	4,8
Private consumption	5,8	5,2	5,0
Public consumption	9,4	6,3	5,4
Private investment	13,5	3,9	3,0
Public investment	20,8	14,9	10,1
Exports	5,9	1,0	5,7
Imports	10,4	5,1	4,6

1/2014 are projections made in January of 2014

Source: BCR, APOYO Consultoría

GDP PER ECONOMIC SECTOR 1/
(Real % var.)

	2012	2013	2014
Agricultural	5,7	2,2	5,0
Fishing	-13,2	12,6	5,0
Metal mining	2,2	2,2	4,2
Non-primary industry	2,8	1,2	3,5
Construction	15,1	8,5	4,0
Commerce	6,7	5,8	5,1
Services	7,1	5,8	5,8
GDP	6,3	5,0	5,0

1/2014 are projections made in January of 2014

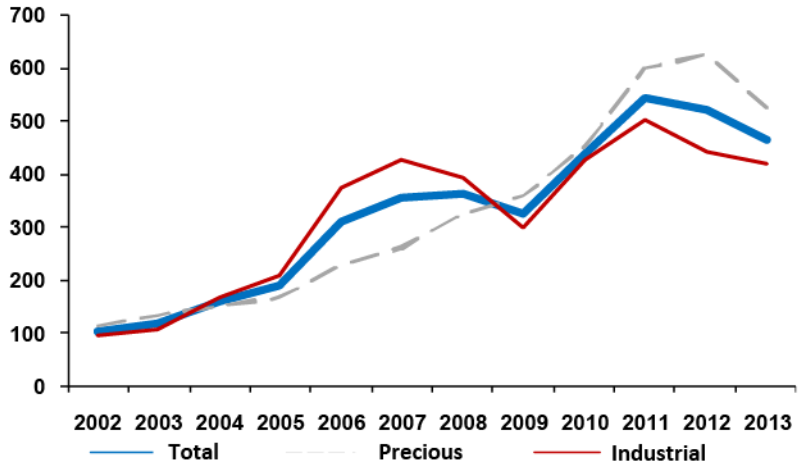
Source: BCR, APOYO Consultoría

3.
MINING SECTOR

III. MINING SECTOR

Despite the production volume growth (2 %), mining exports decreased by 10% due to a sharp drop in international metal prices (- 11%). And this plus higher production costs, decreased operating margins of mining companies, which were below the 2009 average. Meanwhile, mining investment had a record year thanks to the work in progress of four mining megaprojects. However, in a context of lower prices and higher costs, exploration investment fell and Quellaveco construction works (Anglo American) were postponed.

METALS PRICE INDEX 1/
(Base 2001 = 100)



1/ Considers average prices of the main metals exported from Peru: copper, gold, zinc, silver, lead, iron and tin.

Source: BCR, AOPYO Consultoría

Drop metal prices

In 2013, the average price of metals fell by 11 %. In the case of industrial metals, the fall was mainly explained by slower growth in China, the main buyer of such metals. In the case of gold and silver, the main determinant for price fall was speculation about the beginning of the monetary stimulus withdrawal in the United States

INTERNATIONAL PRICES OF METALS

Metal	2012	2013	Var. %	Closing 2013
Gold (US$ per ounce)	1 670	1 411	-15,5	1 202
Silver (US$ per ounce)	31	24	-23,5	19
Copper (cUS$ per ounce)	361	332	-7,8	335
Zinc (cUS$ per ounce)	88	87	-2,0	93
Lead (cUS$ per ounce)	94	98	4,5	101
Tin (cUS$ per ounce)	958	970	1,3	1 014

Source: BCR, Bloomberg

Greater mining production

Mining production increased by 2 % compared to 2012, driven primarily by increased extraction of copper (5.8 %) following the start of Antapaccay operations (Glencore Xstrata). Zinc production increased by 4.6 % thanks to a greater production at Antamina due to higher ore grades. The growth was partially offset by the decline in gold production (-3.9 %) mainly in Yanacocha (Buenaventura), Lagunas Norte (Barrick) and Orcopampa (Buenaventura) due to lower grades.

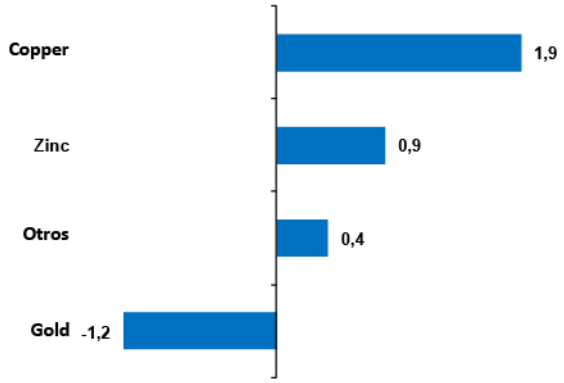
MINING PRODUCTION, 2013 1/
(Var. %)

Metal	Var. %
Copper	7,3
Zinc	4,7
Gold	-7,4
Silver	3,9
Iron	2,1
Lead	4,5
Tin	-9,4
Molybdenum	4,2
Total	2,0

1/ Estimated.

Source: Minem, APOYO consultoría

METALLIC MINING CONTRIBUTION TO THE GDP GROWTH, 2013 1/
(percentage points)



1/2013 is an estimate

Source: Minem, APOYO Consultoría

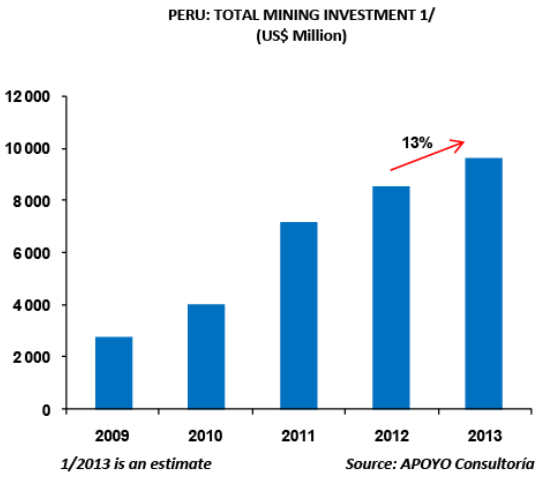
Exports drop and lower operating margins

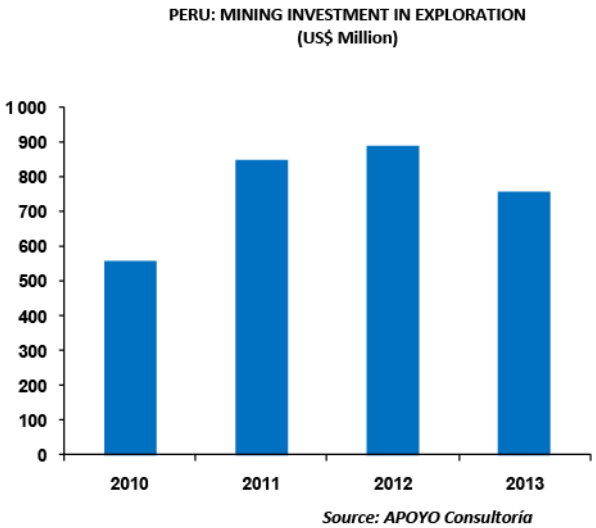
Despite the increased mining output, exports decreased by almost 10 % due to the sharp fall in international metal prices. Moreover, higher production costs pushed down operating margins of mining companies, which in the first half of the year were 31 %, even below the average reached in 2009 (42 %). Therefore, since the first quarter of 2013, companies began to implement measures to reduce costs and keep their margins at stable levels until the third quarter of 2013.

Large mining projects construction continued, but exploration investment fell

Mining investment reached a record 9,650 million dollars, 13 % more than in 2012, due to the continuation of the construction of large projects: Las Bambas (Glencore Xstrata), Toromocho (Chinalco) and Constancia (HudBay Minerals) and to the expansion works in Cerro Verde (Freeport and Buenaventura) The total investment for these projects represented 50 % of the 2013 mining investment.

On the other hand, in an environment of lower metal prices, exploration investment fell by 15 %. This is explained by two reasons: (i) to reduce costs, mining companies decided to prioritize exploration near its current operations (brownfield) at the expense of new deposits (greenfield) and (ii) the junior mining companies had trouble to get financing to continue their explorations. Additionally, the start of Quellaveco construction (Anglo American) was postponed.





4.

SUCCESS BASED ON RESPONSIBILITY

Our Management

IV. SUCCESS BASED ON RESPONSIBILITY
Our management

MINSUR comprises two mining units, San Rafael and Pucamarca, whose operations began in January 2013. It also has the smelting and refinery plant in Pisco, where concentrate from San Rafael mine is processed to become the highest quality tin. In addition, MINSUR S.A. is majority shareholder of Minera Latinoamericana S.A.C., a company which in turn is the majority shareholder of Mineração Taboca S.A. On its part, Taboca owns the Pitinga mine located in the State of Amazonas, Brazil, from which cassiterite and columbite are extracted, to then process them in the smelting plant of Pirapora, located in the State of São Paulo. Every year we improve our results thanks to the synergy achieved among our companies.

4.1 SAN RAFAEL MINING UNIT

World leader in the production of tin and main producer nationwide, San Rafael is the most important mining unit of MINSUR. Located in the District of Antauta, province of Melgar, Puno region, the mine has become the engine for development for this region because not only is its main source of income - with 1,364 million soles in canon and royalties in the past five years- but it generates more than a thousand direct and indirect jobs for the local population.

San Rafael is an underground mining operation in the eastern Andes mountain range, between 5,200 and 4,500 masl. Since it started its operations it has mainly dedicated to the exploration, exploitation and commercialization of tin. It currently produces 12 % of tin in the world and is the third largest producer internationally.

San Rafael is also a responsible mine, which operates with the highest standards of safety for its workers and the environment. Its social responsibility policy is supported by programs that support self-generated and long-term benefits for the communities of the area of influence.

Operations

During 2013, 1'136, 944 dry metric tons of ore were extracted from the mine with a tin grade of 2.71 %. In 2012, 945,319 dry metric tons were obtained with tin grade of 3.03 %.

On the other hand, the concentrator plant treated 973,492 dry metric tons of ore with a tin grade of 2.72 % (903,447 dry metric tons of mineral with tin grade of 3.26 % in 2012). We also obtained an average tin concentrate grade of 55.88 % (59.79 % in 2012). Total recovery of tin concentrate reached 89.26 % (88.68 % in 2012).

Exploration, development and preparations

During the year, the exploration and development program was implemented through mining and diamond drilling. The results were as follows:

- 29,046 meters of drive in horizontal and vertical mining (versus 28,280 meters in 2012) 3,648 meters of which were in exploration (versus 2,943.30 meters in 2012), 18,893.3 meters in preparation (versus 19,723 meters in 2012) and 6,505 meters in development (versus 4,133.3 meters in 2012).

- 48,801 meters of diamond drilling of different diameters for exploration, (versus 17,151.95 meters in 2012). Other 1,045.65 meters of diamond drilling were performed to support other objectives of operations.

With scheduled linear drives and exploration drilling, 1'185, 982 tons of tin were estimated in 2013 with an average grade of 4.04 %. The table below shows the detail of the veins where an increase in resources was found:

ESTRUCTURA	TM	%Sn	Pot
VR_2	18,371.97	4.93	4.71
RAMAL PISO	11,915.00	1.93	2.31
VI_VVT_P	55,076.63	2.55	1.65
SAN RAFAEL BLOCK 2	20,960.00	2.43	2.16
SR_VSR_16	401,849.60	5.85	3.75
SR_VSR_23	24,073.00	2.83	1.79
VETA SPLIT 2 SR	62,978.00	5.75	1.75
V_RAMAL_VICENTE	151,385.00	2.40	16.50
V_VICENTE	17,845.00	2.78	1.51
V_VICENTE_T_RO	4,141.30	1.40	0.58
V_JORGE	150,387.39	2.77	2.28
V_RAMAL_1_VTJ	79,186.00	1.80	1.99
V_MARIANO	29,027.00	3.88	1.25
V_SPLIT_MARIANO	35,156.12	4.78	0.64
V_KIMBERLY	28,740.00	2.42	1.06
V_CARMEN	32,893.37	3.39	1.63
V_VICTORIA	10,966.00	7.14	1.22
V_SISY	16,544.00	1.38	2.31
RECUPERACIONES	34,486.95	5.11	0.15
TOTAL	**1,185,982**	**4.04**	**4.33**

Mineral reserves

Throughout the year, we assessed tin ore resources and reserves in order to know how much there is and record it officially.

The balance of tin ore resources by December 31, 2013 is as follows:

Mineral resources category	Tonnage (TMS)	Tin grade (% Sn)	Tin (FMT)
Measured	1.799 million	4.39	79,023
Indicated	2.619 million	3.70	96,937
Measured + Indicated	**4.420 million**	**3.98**	**175,960**
Inferred	1.298 million	3.09	40,112

The general classification by category of tin mineral reserves by December 31, 2013, is detailed in the following table:

SAN RAFAEL RESERVES 2013

Mineral Reserves Category	Tonnage (Million)	Tin grade (% Sn)	Tin (FMT)
Proven	1.705 million	2.74	46,676
Probable	2.797 million	1.94	54,214
Proven + Probable	**4.502 million**	**2.24**	**100,889**

Concentrator Plant

The metallurgical balance of tin production shown in the following table summarizes the most important aspects of the operation of the concentrator plant for 2012 and 2013.

The table shows that because of a low head grade (16.56 % below 2012), a smaller amount of concentrate was obtained (2.99 % less than 2012). Consequently, the fine tin tonnage contained in concentrate was reduced by 9.33 % compared to 2012. Also, tin grade in concentrate has decreased in the operation by 6.54 %, increasing recovery by 0.62 %, despite having lower head grades than in 2012.

Description	Tonnage (DMT)		Fine tin (DMT)		Tin grade (% of tin)	
	2013	2012	2013	2012	2013	2012
Treated mineral	973,492	903,447	26,517	29,427	2.72	3.26
Concentrate produced	42,353	43,661	23,668	26,105	55.88	59.79
Tailings produced	931,138	859,786	2,849	3,322	0.31	0.39

During 2013, we continued searching for improvements in the metallurgical process and the reduction in operating costs.

Average daily treatment of tin ore in the plant reached 2,682 MT/day. Than is 107 daily MT more than in 2012, the year in which the effects of the Bofedales III tailings dam shutdown - between July 15 and December 31 of 2012 - were felt for the construction and operation of the third dam heightening.

Services

General maintenance

At the mine, the availability of hauling equipment reached 94.91 %, and the rigs to 94.29 %. A total of 236.27 of full shutdown hours for maintenance of equipment were registered in the concentrator plant, i.e. 6.04 % more than in 2012 (222.81 hours).

Also, 30,317 general maintenance work orders were executed, a figure lower by 62.3 % compared to 2012 (48,595), where 91.84 % corresponds to preventive activities and 8.16 % corrective activities.

Consumption and generation of electric power

Power supply to the mining-metallurgical complex of San Rafael was implemented through the San Rafael Gabán-San-Azángaro 138 kV shunt and the primary line at 22.9 kV owned by Electro Puno.

Total power absorbed by our unit was 131'899, 617 kW-hour (123'851, 510 kW-hour in 2012), of which 130'225, 671 kW-hours (98.73 %) were provided by EGE San Gabán, we self-generated 1'295, 282 kW-hour (0.98 %) and Electro Puno 378,664 kW-hour (0.29 %).

Occupational health and safety management

Fourteen disabling accidents and 26 minor accidents were recorded in 2013, accumulating a total of 892 lost days of a total of 6'002,403 man hours worked (MH).

The year ended with 1'205, 980 MH without disabling accidents in the period from October to December, with a frequency rate of 2.33, a severity index of 149 and an accident rate of 0.35.

Likewise, all management tools were complied with, noticing a special breakthrough in contractors. The full 60 annual training hours (TH) were met, which are required by annex 14B D.S. 055-2010, both from MINSUR and specialized companies.

The general safety induction process for new employees of MINSUR and specialized companies, according to annex 14 of DS 055-2010EM, which was carried out weekly, for eight hours a day for three days, with an average participation of sixty people and a satisfaction degree of 81 %.

Also, within the framework of our commitment to continuous improvement in safety and environment, the audit to the health and safety at work management system (D.S. N° 016-2009-MEM) was carried out by the external company Alpha Business in March. In addition, the audit to occupational health and safety management system took place in December, obtaining the recertification of OHSAS 18001 - 2007 and ISO 14001-2004 standards.

Inspections of high-risk activities - rock breaking, handling of explosives, rock support and critical maintenance activities - received a special emphasis from our part. The results are reported at the morning meetings of the mine. All of this, of course, without neglecting operations on the surface.

Also the implementation of the safety corporate system is underway and we will continue transforming the culture of enterprise safety to move from a dependent scheme to an interdependent one. This process, which is designed following the behavior-based safety approach is carried out thanks to the implementation of new safety tools, such as the unsafe actions index (IAS; in spanish), effective behavior audits (AEC; in spanish), the verification of the working cycle (VCT; in spanish) and the supervisor performance index (IDS; in spanish), among others. All these elements have allowed a positive balance in safety management.

Projects

Dam heightening of Bofedal 3 tailings dam and Bofedal 2.5 jetty

In January 2012, the Ministry of Energy and Mines (MEM) granted authorization for the Bofedal 3 dam heightening up to elevation 4,475 in three stages (each a five-meter-stage). Also, the second stage of the dam heightening of the Bofedal 3 and Bofedal 2.5 jetty started in may of 2013 and was successfully completed.

Both dams were heightened five meters, up to elevation 4,470, which was built with 250,000 m3 of material from the stripping of the mine (in accordance with the authorization issued by the MEM). The works were executed by AESA Construcciones S.A., while the supervision and quality and construction control were carried out by the consulting firm Knight Piesold. The budget for this project amounted to 7.9 million dollars.

Bofedal II tailings recovery

In addition to continue the prefeasibility study in charge of Hatch consulting, options for the tailings dam and the new concentrator plant areas were assessed in 2013, and several trade offs were made for the location of the tailings deposit and claim of tailings to be processed. In addition, a drilling campaign was carried out to determine the resources of an area of 5.1 MTON and basic studies, as a prelude to climatic, hydrological and hydrogeological analyses, were implemented.

Larancota 2 waste dump

It is known that the continuity of our future operations depends, largely, on the availability of waste dumps authorized by the MEM.

A study performed in 2012 by the consulting firm Golder allowed us to provide the best location for the new dump. In 2013, the consulting firm AMEC finished the modification to the environmental impact assessment (MEIA) and detail engineering, which consists of five phases, for the Larancota 2 waste dump.

This MEIA was presented to the MEM in August of 2013, and is expected to be approved by April 2014 to file the detail engineering, which has five phases. With the authorization of the latter we will able to start construction of Larancota 2 waste dump - phase I, with a total storage capacity of 15 million cubic meters of mine waste and 193 thousand cubic meters of organic material.

4.2 SMELTING AND REFINING PLANT IN PISCO

Opened in 1996, the smelting and refining plant in Pisco is located in kilometer 238.5 of the Panamericana Sur, in Pisco, Ica province. Over the years, the technology employed in this plant has allowed us to commercialize tin of the highest purity. Our products are mainly for export, advantageously competing in international markets that demand first-rate metals.

The smelting and refining plant in Pisco was the first in the world to use the technology of a submerged lance for processing tin concentrates. The concentrates from San Rafael mine, owned by MINSUR S.A., are processed in Pisco with Sirosmelt technology, which consists of the fusion of the mixture of tin concentrate, limestone, iron ore and anthracite coal at high temperatures in a cylindrical and upright submerged lance oven, until obtaining raw metal of an approximate purity of 98 % tin.

We guarantee our customers a minimum content of 99.94 % tin and a maximum of 0.02 % lead, thus complying with international standards BS 610:1996 EN and ASTM-B339-1995, grade A.

Relevant Data

- "John T. Ryan' award for Mining Safety, in smelting and refining category, for the third consecutive year.
- Tin with a minimum purity of 99.94 %.
- 44,426 MT of tin concentrate.
- 24,132 fine MT of refined tin.
- 236 MT/day of treated tonnage yield (concentrate plus marginal slag).
- 95.4 % of recovery in operations.
- 22,288 MH of cumulated training, with an average of 97.71 MH of training per worker, which means 2.4 % more compared to 2012.
- Disabling accidents rate: 1.39, and mobile severity: 168.06.

Operations

During 2013, the smelting and refining plant in Pisco processed 44,426 dry metric tons of tin concentrate, 7 % more compared to 2012 and produced 24,132 fine metric tons of refined tin for sale, a metal production 3 % lower than 2012. This difference is mainly due to the decrease by 7 % in 2012, in the average tin grade in the concentrate from the San Rafael mine.

With regard to slag treatment, marginal slag and furnace slag consumption decreased by 7 % and 13 %, respectively. The recovery in our operations was 95.4 %, i.e. a decrease of 3 % compared to 2012. The main reason for this variation was the decrease in the average tin grade.

On 2013 we consolidated the production of SnSb alloy for sale, maintaining a constant monthly production with a composition of 93.5 % Sn and 6.5 % Sb, i.e. an increase of 0.5 % compared to 2012.

The smelting and refining plant in Pisco operated for 359 days of effective operation, with a treated tonnage yield of 236 DMT/day (4 % less than in 2012) and 67 MT/day of refined produced (6 % below 2012).

The following table shows the summary of the operation of the tin smelting and refining plant:

Summary of the area	2013	2012
Smelting		
Processed concentrate (DMT)	44,426	41,389
Average tin grade (%)	56.19	60.40
Produced raw metal (FMT)	24,437	26,095
Refinery		
Raw metal fed (FMT)	24,437	26,095
Refined metal produced (MT)	24,132	24,822
Days of operation	359	346

Maintenance

In 2013, the maintenance area executed 4,429 work orders, 20 % of which corresponded to corrective activities, 78.4 % to preventive activities and 1.2 % to predictive activities. The percentages of preventive and corrective activities are similar to those of the previous period.

Currently, a total of 743 maintenance plans are scheduled in SAP, 667 of which are for preventive maintenance.

The first plant shutdown was carried out between July 1 and July 6 to finish the AB campaign of furnace 1 with Cr-Mg (Radex) brick. The AC campaign kicked off in the furnace 2 with Cr-Al2O3 brick (Chinese). Despite its brevity, this shutdown was used to perform maintenance on some critical plant equipment and advance other equipment preventive maintenance.

Consumption and generation of electric power

In 2013, electric power for the smelting plant was mainly supplied by the natural gas power station, and occasionally by the Kallpa Generación S.A. company through the Independencia-Paracas 60 kV line.

Plant total electric power consumption was 27'009,534 kW-h, 4.46 % higher than the consumption recorded in 2012, due to lesser number of shutdown days for maintenance.

Consumption from the commercial network was 889,565 kW-h, 5.3 % more than in 2012. During shutdown for maintenance, from July 1 to July 6, essential services were fed in non-peak hours by the commercial network, and peak hours by the diesel generators.

The decrease of unplanned shutdowns in the thermal power plant and the interconnected system allowed a self-generation of 272,483 kW-h with diesel generators, 35.79 % lower than in 2012.

Self-generation with the natural gas thermal power station rechaed 26'469,486 kW-h that is 4.87 % above the consumption recorded in 2012 - despite having shutdown operations for general maintenance and, then, for three days in October, due to restriction in natural gas.

In December, a power supply contract was signed with the generating company Kallpa.

Quality management

During 2013, we complied with our objectives and targets and performance indicators established. The results obtained show that our integrated management system (SIG; in spanish) has achieved a high degree of maturity. Likewise, the commitment of the organization with operational excellence, the practice of continuous improvement and constant optimization of processes are confirmed.

In November, our SIG was subjected to a rigorous audit conducted by Bureau Veritas in order to maintain the ISO Quality Management 9001:2008, the OHSAS 18001:2007 Occupational Safety and Health, and the ISO 14001:2004 Environmental Management systems certifications.

The satisfactory results of this assessment, derived from the dedication of our personnel and contractors, confirm the effectiveness of the Management Integrated System of the Smelting Plant in Pisco.

For the second consecutive year, the meeting "Quality Circles" was held with the participation of the plant personnel, organized into 13 groups. The papers were presented between late October and early November, and the winner was team "Los Dinámicos" (D shift-Operations) with their 'Centrífuga para Dross de Fe'.

Also, in December we prepared for the BASC audit, in coordination with the commercialization team, to re-certify our BASC system in the early days of 2014.

Occupational health and safety management

During 2013, the unit recorded a total of 719,988 man/hours of work without disabling accidents (between MINSUR and contractors), achieving an annual mobile frequency rate of 1.39. The annual mobile severity index was 168.06 because of a disabling accident that occurred on September 1 in the smelting area.

By August 31, 2013, the plant had reached the record of 2´060, 979 man/hours of work without disabling accidents (since the latter occurred in 2011).

Incident management accounted for 202 events whose analysis and treatment became the priority of the Central Safety Committee meetings and the management meetings.

Between March 12 and 14 the safety audit was carried out by the audit company ICCA I.E.R.L. Their comments, recorded in the book of safety, were 100 % remedied, with zero non-compliance of safety standards.

From August to December, Dupont advice and accompaniment took place, with regard to the implementation of the elements of the Corporate Management System for the Mining Division.

In June and December, we proceeded to take samples for the biannual control of arsenic.

In November, the entire staff of the company passed the occupational medical examination performed by clinic Famisalud S.A., of the city of Pisco.

In October and December of 2013, Rimac S.A. and Astrum Vita conducted occupational assessments of physical and chemical agents in the different activities and areas of the company. Their recommendations are part of the activities planned for 2014.

On September 10, the Smelting Plant in Pisco was distinguished with the "John T. Ryan" safety award in the Smelting and Refining category for the sixth time.

Between October 25 and November 1, Rimac Seguros carried out the ergonomic assessment on the Plant.

The integrated external audit, which verified the conformity of the safety and health management system of OHSAS 18001:2007 standard, was carried out in November and we obtained the re-certification. The audit, carried out by Bureau Veritas of Peru, yielded zero non-compliance.

Both the occupational health and safety Committee meetings and the annual inspection program were fulfilled at 100 %.

Environmental management

This year we carried out campaigns that allowed us to comply with the environmental management plan, according to current legislation and commitments. Contingencies or environmental incidents were not recorded.

Among the main activities are the purchase and installation of an automatic PM-10/PM-2.5 sampler for particulate matter with volumetric flow control, and a new meter of gases for SO2 and H2S. Monitoring began in March.

In May, ECO 21 performed a gaseous and particulate emissions modeling study.

We complied with the environmental management plan of the Plant, according to the legislation in force and the commitments made in the environmental management instruments approved for the Unit (EIA): monitoring of atmospheric emissions, impact on the quality of air and water and soil monitoring.

4.3 PUCAMARCA MINING UNIT

Pucamarca mining unit is located in the Tacna region in its high-Andean province of Tacna, next to landmark 52 of the Peruvian-Chilean border. Mining operations began on January 11, 2013 and the first smelting took place on February 13, which represents a rapid and successful transition between the end of the construction period and the start of operations.

The gold mining is done in an open pit at mount Checocollo, with 100-ton mining trucks. Ore is crushed below 5.5" and stacking in an area properly prepared for leaching with cyanidic solutions. Gold-rich solutions are treated in an adsorption plant with activated carbon, desorption by zadra process, electroplating and casting of cement in an induction furnace. The final product consists of doré bars, with 65 % gold and 25 % silver grades. The rest is made up of impurities such as copper, molybdenum, etc.

Relevant data

- Mining unit located on the Peruvian-Chilean border.
- Exploitation of a disseminated gold deposit through an open-pit.
- Careful and rational use of water, recirculating 100 % of the water of the process.
- Careful environmental and mining safety management for all staff. No lost-time accidents were recorded in 2013.
- Good neighbor and cordial relations example with local communities.
- In 2013, the mine produced 116,665 ounces of gold.

Operations

During 2013, 4´969, 269 metric tons of dry ore with an average grade of 0.822 g/t of gold and 921,904 metric tons of dry waste were extracted from the Checocollo pit in Pucamarca, which represents a ratio of 0.19 waste/ore.

Moreover, the ADR Processing Plant processed 14,000 metric tons of dry ore per day, obtaining 4,919 kg of dore[1] with a grading of 73.77% of gold, which represents 116,665 ounces of gold produced.

Pucamarca has been named as Peru's safest mining operation in the open pit mining category in 2013, being the winner of the XVIIth National Safety Contest.

ADR Processing Plant

11 January 2013 started treatment of ore after obtaining official authorisation granting the Concession at Beneficio and on 14 February they performed the first casting of precipitated electrolyte obtaining 8,788 ounces of gold. The following table shows the production of gold and silver obtained during 2013.

Gold and Silver Production - Pucamarca 2013				
DORE * Kg	**GOLD %**	**SILVER %**	**FINE GOLD Ounces**	**FINE SILVER Ounces**
4,919	**73.77**	**18.60**	**116,665**	**29,421**
* DORE = impure and unrefined mixture of metallic gold and silver				

During the September fortnight 2013 the construction of the second adsorption line commenced to maintain the flow rate handled in the adsorptioncircuit.

[1] Impure and unrefined mixture of metallic gold and silver

Maintenance

The maintenance area has SAP management systems that allow an adequate control of the preventive, predictive and, where applicable, corrective maintenance. During 2013, different equipments that showed opportunities for improvement were adjusted. In the area of heavy equipment maintenance, we had the supported of companies such as Ferreyros S.A., Atlas Copco, Neuma S.A. and others. In the Plant we had the support of the personnel of the company, allowing up to 98 % availability during the period.

Consumption and generation of electric power

Power is transported from Los Héroes-Tacna substation through a 66 kV transmission line of 63.76 Km. In 2013, we renegotiated a reduction of the contracted power initially programmed with provider Generadora San Gaban S.A., resulting in better costs than budgeted. Also, a secondary transmission line was executed and put into service toward four water wells of the unit, allowing commercial power supply and stopping the generators in use up to that time.

Projects

In 2013 we invested in a series of improvements to optimize the performance of the unit. We acquired a new train of adsorption columns to improve and optimize the flow of solution to be treated in the plant. Also, the construction of phase 2A of the pad was finished (which will hold 7.3 million tons of ore) and the waste dump construction and other minor facilities were continued. Working together with the regional Government of Tacna and the Tacna Special Project, the Uchusuma canal piping was designed, a work requested by the company to mitigate negative perceptions towards the project.

Regarding explorations in the surrounding areas the mining pit, we began a campaign with two drilling machines, the results of which should be known on the first quarter of 2014. In addition, an exploratory effort in nearby areas within the mining concession was started to learn more about the geological model of the site and the district in general.

Occupational health and safety management

Unbeatable rates of mine safety were obtained at the end of 2013. No major incident was reported. The mine accumulated 2.2 million hours worked without accidents. These indicators were made possible thanks to the successful mine safety management program and the support of all workers.

Community relations management

Cordial relations with the neighboring communities of Palca and Vilavilani have been established. In the latter, we are developing an improvement and expansion program of the terraces for seeding oregano, agricultural product par excellence in the area. Continuous activities for improvement of access roads, participation in local festivals and communal works were also executed. Mutual support and cordiality characterized relations with the authorities of the locality and the region.

Likewise, there have been four participatory environmental monitoring with the purpose of consolidating the levels of confidence of civil society and State institutions with respect to the activities of the Pucamarca unit. These activities included the participation of representatives from communities, the Jorge Basadre Grohman National University, patriotic societies, regional government entities, EPS-Tacna, users board of the Valley of Tacna, Tacna Special Project (PET; in spanish), etc. These monitorings ratified that the operation complies with the highest standards of environmental management.

4.4 MINERAÇÃO TABOCA S.A.

MINSUR S.A. is majority shareholder of Minera Latinoamericana S.A.C., company that is the main shareholder of Mineração Taboca S.A. Taboca owns the Pitinga mine located in the State of Amazonas, Brazil. At Pitinga, cassiterite and columbite are extracted, which are then processed in the Smelting Plant of Pirapora, located in the State of São Paulo.

On September 19, 2008, Minera Latinoamericana S.A.C., through its subsidiary Serra da Madeira Participações Ltda., with Paranapanema S.A. held a contract of sale to acquire 100 % of Taboca Mineracao S.A. shares at a price of 850 million reais (including debt), equivalent to USD 395 million, approximately.

4.4.1 PITINGA MINING UNIT

Pitinga mining and metallurgical complex is located in the State of Amazonas, in the North of Brazil, approximately 250 Km from the city of Manaus, in the municipality President Figueredo.

Operations

The Pitinga mine began processing alluvial tin deposits along the Pitinga River in 1982. When alluvial deposits were exhausted, it began to process ore from hard rock. Subsequently, it stopped processing this type of ore and the concentrator started processing tailings.

From February 2012, the concentrator processes only hard rock ore. The greater economic value mineralization is related to madeira granite with tin, zircon, niobium and tantalum content.

The operation of the mine is developed in an open pit. The ore is transported to the processing plant (1.19 Km) in 30-ton trucks. The mean grade is 0.18 % Sn and 0.22 % (Nb, Ta) 2or5.

Safety

With Dupont's counseling, we started the implementation of the Safety Management System. An intense work with the direction, supervision, and leadership of the unit was also developed. They started working to comply with the different regulations existing in the country. Critical risks were determined and the respective controls were established. The procedures of the various operations and tasks of the unit are currently under preparation.

Environment

In the environmental aspect we continued the works of recovery and disposal of environmental liabilities, among them former post-dredging areas dikes and ancient dredging plants. These works will continue in the following years to meet the commitments acquired.

All files for the respective licensing were also presented. The few that are pending should be regularized during the first quarter of 2014.

Mineral Resources

GLOBAL RESOURCESS On-site Geological Resources) PITINGA al 31-12-2013

Category of Mineral Resources	Cut-off Grade (% Sn)	TMS (Millones)	Grades			CONTENTS		
			(% Sn)	(% Nb_2O_5)	(% Ta_2O_5)	Tin (TMF)	Niobium (TMF)	Tantalum (TMF)
Measured	0,1	58,1	0,18	0,20	0,02	104.526	117.882	13.356
Indications	0,1	154,6	0,16	0,20	0,02	247.435	301.562	30.929
Measured + Indications	**0,1**	**212,7**	**0,17**	**0,20**	**0,02**	**361.619**	**419.052**	**44.671**
Inferred	0,1	50,8	0,14	0,19	0,03	71.154	98.090	8.640

Notes:

- Global geological resources are the total on-site resources identified by exploratory drilling

RESOURCES (LIMITED TO OPEN-PIT) PITINGA at 31-12-2013

Category of Mineral Resources	Cut-off Grade (% Sn)	TMS (Millones)	Grades			Contents		
			(% Sn)	(% Nb_2O_5)	(% Ta_2O_5)	Tin (TMF)	Niobium (TMF)	Tantalum (TMF)
Measured	0,12	52,7	0,18	0,21	0,02	96.950	108.500	12.700
Indications	0,12	128,8	0,17	0,20	0,02	224.100	255.000	27.050
Measured + Indications	**0,12**	**181,5**	**0,18**	**0,20**	**0,02**	**321.050**	**363.500**	**39.750**
Inferred	0,12	21,8	0,16	0,20	0,02	34.300	43.900	4.150

Notes:

- Resources calculated using US$ 23,000/ton Tin and US$ 45,000/ton Niobium-Tantalum
- The measured and indicated resources include ore reserves
- Total waste in the resource pit = 45 Mt, Ratio Wste/mineral 0.2

TMS = Tonneladas Metricas Secas = Metric Tons of Dry ore
TMF = Tonneladas Metricas Finas = Metric Tons of Fine ore

Concentrator Plant

During 2013 we managed to stabilize the Plant, to the point of achieving a production rate of 720 TPH by year-end, the same amount budgeted for 2014.

After evaluating different circuits we opted for an open circuit in mills 1 and 2, an implementation that allows to increase the tonnage and keep recoveries. The first Polymet liner was installed in the 10´x 15´ mill and the classification mesh was reduced to 0.18 mm for the end product.

Through a reduction of size in the feeding cells (0.18 mm) it was possible to increase the treatment ratio to 36 TPH in tin flotation, which allows to process all material from the concentrator plant and ensure a recovery greater than 72%.

In the froth flotation of niobates, the head cleaning circuit was modified: the whims were replaced by spirals, thus ensuring a feeding grade above 4 % of NbTa.

Data of TABOCA PTG	2012	2013
Mass fed by mills (t)	4,819,818	5,020,490
Sn grade (%)	0.175	0.198
(NbTa)2O5 grade (%)	0.250	0.250

Production	2012	2013
Cassiterite (t)	6,887	9,695
Sn grade (%)	50.8	49.1
Tin content (t)	3,498	4,757
Columbite concentrate (t)	5,788	8,847
(NbTa)2O5 grade (%)	24.38	28.19
FeNbTa mix (t)	1,411	3,018
Nb grade (%)	41.37	45.72
Ta grade (%)	4.63	
Refined tin - PBJ (t)	3,206	

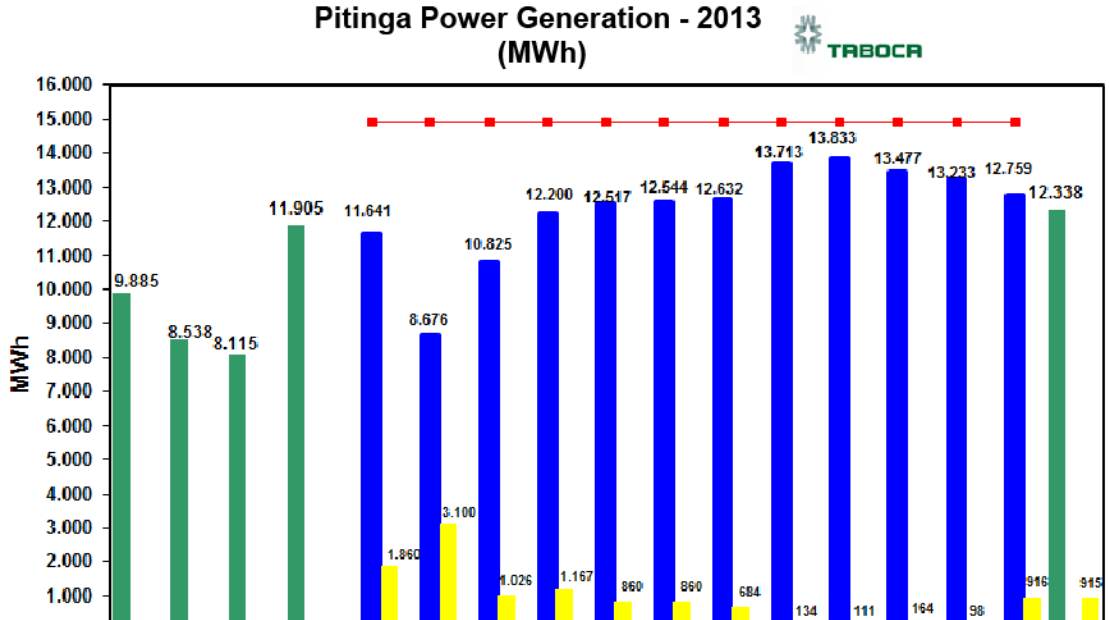
Maintenance

The restoration of all critical equipment - with the resulting investment in stand-by equipment and spare parts - allowed us to progressively improve the availability of the different plants. At the same time we began the implementation of the Maintenance Management System via SAP.

Electric power generation

At the beginning of the year, the low volume of the dam, due to the lack of rain, decreased energy production. The situation was normalized in the following months, closing the period with a positive level.

As part of the maintenance and continuous upgrade of turbines, their generation capacity was increased to three megabytes each.



	2009	2010	2011	2012	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	MEAN
Monthly mean	9.885	8.538	8.115	11.905													12.338
Hydraulic					11.641	8.676	10.825	12.200	12.517	12.544	12.632	13.713	13.833	13.477	13.233	12.759	
Diesel					1.860	3.100	1.026	1.167	860	860	684	134	111	164	98	916	915
Goal					14.930	14.930	14.930	14.930	14.930	14.930	14.930	14.930	14.930	14.930	14.930	14.930	

Human resources

For Taboca, it challenging to attract, keep, motivate and continuously train its staff due to its location - in a remote and isolated area, where there is no mining activity.

In 2013, 29,909 hours of training were recorded - with 3,670 participants - mainly oriented to improve the culture of safety at work.

Likewise, to meet the new production and safety challenges, we did a structural reorganization that included hiring new managers with a profile that was more consistent with goals.

Also, the replacement time for open vacancies was reduced and a result bonus was implemented up to the level of supervisors. We had financial, production and safety goals.

Finally, during 2013, thanks to the technical courses that Pitinga provides, eighty technicians in mechanics and other 54 in safety were graduated. In addition, an agreement was closed with the center of technological education of Amazonas (CETAM; in spanish) to train our operators, and health campaigns were carried out with different specialists.

Community relations management

During 2013, trust relationships with the indigenous community Waimiri Atroari have been retained and strengthened as a result of a constant and coordinated work based on constant dialog, transparency and respect.

Projects

Tailings disposal in the medium and long term

This project consists of improving and expanding the dams to increase storage capacity for tailings:

Grota A: improvement of the structure and a two-meter expansion.

Grota B: improvement of the structure and a four-meter expansion.

Dyke A1: Detail engineering studies to heighten the structure by ten meters. The first phase, consisting of the improvement of the foundation, was built during 2013. The second phase - extension of the structure - will take place in 2014. The budget is USD 3,835K.

Second phase of slag trench - metallurgy

According to studies, the slag generated by our mineral processing line contains certain levels of radiation. At Taboca, we make sure these materials are kept in waterproof ponds isolated from the environment. The project consists of the second trench construction to store slag. The budget is USD 1,600 k.

Filters installation in the concentrator plant

In the concentrate download area filters were installed to the trucks that carry the ore to the ore processing plant (OPP). Previously, the high water content caused spills during transport generating significant losses. By reducing moisture in the concentrate, we managed to improve the process of transport from the concentration plant to the OPP. The budget is USD 850k.

Loss reduction in the OPP feed

The losses that were generated in the flotation process feeding area when transporting materials from the OPP were significantly reduced thanks to the implementation of a loading hopper with a conveyor belt. Losses by overload, silting up and spills have also been reduced. The budget is USD 1225k.

Loss reduction in the tin flotation drying system at the OPP

When the concentrated material enters the OPP, tin-containing material must pass through the drying process for further flotation treatment and magnetic separation. We are improving the drying process through this project, which began in July 2013 with the detail engineering. Its construction will end in March 2014. The budget is USD 1,950k.

4.4.2 PIRAPORA SMELTING PLANT

Pirapora Smelting Plant is just 50 km from São Paulo, 136 km from the port of Santos and 3,962 km from Manaus.

This plant processes cassiterite concentrates from the Pitinga mine, which are converted into high quality refined tin, advantageously competing in the international market by having a purity of 99.97 %, which is higher than what our customers require.

Operations

During 2013, Pirapora Smelting Plant processed 9,383 dry metric tons of tin concentrates, while in 2012 it processed 6,355. Also, 4,212 tons of refined tin were produced for sale. The average grade was 48.46 % and there were a total of 286 days of operations.

The following table shows the summary of operations of Pirapora Smelting Plant:

Comparative production table 2013-2012

Summary of area	2013	2012
Smelting		
Processed concentrate (DMT)	9,385	6.355
Average tin grade (%)	48.4%	50.73%
Raw metal produced (FMT)	4,914	3,796
Refinery		
Raw metal fed (FMT)	4,920	3,767
Refined metal produced (MT)	4,212	3,026
Operation days	286	219

Maintenance

Pirapora has a maintenance management computerized process via the PM module of SAP. Predictive and preventive maintenance plans have been developed, as well as scheduled corrective works, and we have been able to meet and exceed the availability goals, which are:

Equipment Description - Plant	*Goal*	*Result - 2013*
Furnace 11	92,50%	96%
Jigagem	92,50%	93%
Refining	92,50%	100%

The maintenance area is formed by a team of 31 multidisciplinary professionals, who, in addition to the routine work, also perform works of reform and production of metallic structures like silos, crystallizer, hoods, among others.

Quality management

Performance indicators, objectives and targets for 2013, were analyzed on a quarterly basis at Critical Analysis meetings.

In August of 2013, DNV conducted the ISO 9001:2008 audit in the Pirapora and Pitinga units, with the joint objective of "profiting from cassiterite and columbite ore for tin and iron-niobium-tantalum alloy production and commercialization".

At the end of the audit, it was recommended to maintain the ISO certificate 9001:2008. With this result, we demonstrate that our quality management system has reached a high level of maturity and is continuously improving.

In December of 2013, we associated to the EICC. Gence, the plant has been declared as "Conflict Free" for metallurgy process. That means that in the tin production chain, we are ensuring that all our raw material does not come from conflict zones, such as the Democratic Republic of Congo (DRC) and neighboring countries.

Safety

During 2013, the plant recorded a total of 581,596 man-hours of work, obtaining a mobile frequency rate of 12.04, and a severity rate of 7858.

In 2013, there were a total of 19 accidents, 12 without medical rest and 7 with medical rest. All accidents were investigated, generating 97 actions with 100 % compliance. In addition, all health and safety committee meetings were held as scheduled. The following activities were also conducted:

- In June, INPAME (National Institute of Prevention in Machinery and Equipment) performed studies and prepared reports about the regulation NR-12- for.
- In November, the PARE (stop, analyze, resolve and execute) campaign was carried out in the entire plant of Pirapora, which aimed at promoting a preventive attitude.
- Also in November, the high risk awards LTCAT, spanish for technical award for working environment conditions, and the PPRA, spanish for environmental risks prevention program.
- In December, protections for conveyor belts and engines were installed according to NR-12 regulation.

Occupational health

The Medical and Occupational Health Control Program was implemented, complying with regulatory standard (NR7). In addition, the following activities were conducted:

- Vaccination campaign
- Campaign against dengue
- Medical life responder training
- Tests:
  - ✓ Electrocardiogram
  - ✓ Electroencephalogram
  - ✓ Audiometry
  - ✓ Spirometry
  - ✓ Urine
  - ✓ Blood

Environment

The operating license was renewed within the legal deadline. And the register project of the legal reserve of the Pirapora unit was also completed according to the environment agency requirement.

In December 2013, the oil and grease deposit and residue central was reformed, fulfilling the conditions for the operating license.

Environmental studies at Carbotex and Lolli premises were also performed, complying with the demands of the Public Ministry and to solve the environmental liabilities identified in them, which come from years ago under the administration of the previous owners.

Pursuant to requests of the National Commission for Nuclear Energy (CNEN; in spanish), geotechnical studies, drilling of soil and engineering measures were started for the slag deposit project.

We continued with the detailed stage of environmental liabilities phase 2, which aims to map more accurately the contaminated areas and propose a solution.

Human resources

The human resources department is responsible for the administration of talents through its subsystems and the infrastructure management (support services to employees and assets, such as restaurant, entrance, among others).

The subsystems that were effectively developed during 2013 were: jobs and salaries, communication, social services, benefits, payment of personnel, work processes, Trade Union relations, training and development, recruitment and selection, climate management, leaders development and general education programs.

In addition, with the well being of employees as a goal, Pirapora has a well diversified benefits package, which includes medical care, dental care, life insurance, private insurance, feeding, education, laundry, transport, and food bonus.

Pirapora also promotes local employment and growth in the region where it operates, which can be verified through 95 % of our professionals who reside in the region of São Paulo. We have a solid team of professionals specialized in the operation of reduction and refining furnaces, as well as a highly prepared support team so that they can ensure a continuous operation.

Projects

Recovery of silos, hoppers, conveyor belts and crystallizer

- Silos: the main containers of cassiterite concentrate and supplies were replaced to ensure feeding into furnace 11 and to improve safety conditions in the operations.
- Conveyor belts: replacement of five structural segments of the TC-15, main equipment to feed furnace 11.
- Crystallizer: Material for the new cover of crystallizer 3.
- Objective: Ensure the continuous operation of the plant, avoiding unplanned shutdowns and production losses.
- Investment: USD 93,000

Vibrating screen

- To improve the selectivity of the processed material (rich and poor slag), decreasing recirculation of the jig plant material, thus economizing time, labor and electricity.
- Investment: USD 44,000

Adaptation to Regulated Standard 10

- Replacement of the two disconnect switches of 88 kV change from mechanical to motorized, so they are commanded from a distance, which guarantees the safety and physical integrity of electricians during line maneuvers.
- Replacement of electrical panels, ensuring the operation and availability of the equipment and improving the safety and physical integrity conditions for electricians during electrical interventions in these panels.
- Substitution of main electrical switches.
- Electrical signaling plates for equipment and panels to identify energized places and their respective supply voltage.
- Investment: USD 282,000

Furnace 11 operation table

- Comply with regulated standard 10 (safety in facilities and electricity services).
- Replacement seeks to improve the control of the main variables of the operation of furnace 11 oven and the increase in the availability of the plant

Air dryer

- Improves the quality of the air that feeds the plant equipment, especially in the bag house, reducing the damage caused by corrosion, thus prolonging their useful life.
- The main benefit is for the bag house. With dry air the bags will be changed less frequently, hence increasing availability.
- Investment: 37,000

Conveyor belts protection

- Comply with regulated standard 12 (safety at machinery and equipment work) to preserve the physical integrity of workers who operate close to this equipment.
- Investment: USD 131,000

4.5 INVESTMENTS IN SUBSIDIARIES

Minera Latinoamericana S.A.C.

As mentioned above, MINSUR S.A. is a majority shareholder of Minera Latinoamericana S.A.C., a company that is the main shareholder of Mineração Taboca S.A. (Taboca). Taboca owns the Pitinga mine in the Amazon region, and the Pirapora Smelting Plant, located in the State of São Paulo.

On September 19, 2008, Minera Latinoamericana S.A.C., through its subsidiary Serra da Madeira Participações Ltda, with Paranapanema S.A. concluded a contract for the sale of shares for the acquisition of 100% of the shares of Mineracao Taboca S.A., at a price of 850 million reales (including debt), equivalent to us $ 395 million, approximately.

On July 28, 2009, Inversiones Breca S.A. agreed with the French company Lafarge S.A. to acquire, at a price of us $ 555 million, control of its Chilean subsidiary Lafarge Chile S.A. (today Melon S.A.), a Chilean cement company. In August 2009, Inversiones Breca S.A. invited Minera Latinoamericana S.A.C. to participate providing the Chilean holding company Inversiones Cordillera del Sur Limitada, with an amount of USD 300'000,000.00. At 2013 financial year-end, Minera Latinoamericana owned 73.94% of the share capital of Inversiones Cordillera del Sur Limitada.

Cumbres Andinas S.A.

Cumbres Andinas S.A., subsidiary of MINSUR, signed a contract for the sale of shares with CST Mining Group Limited. Thus, in April 2012, it indirectly acquired 70 % of shares representing the share capital of Marcobre S.A.C., at a price of USD 505 million.

Marcobre S.A.C. is developing a copper project called Mina Justa, located in the District of Marcona, province of Nazca, Ica region. The project is located 25 km from the port of San Juan de Marcona, 38 km from the city of Nazca.

4.6 EXPLORATIONS

As part of its growth strategy, the company assigned more resources to the exploration area in order to intensify the exploratory activities, mainly of brownfield-type projects, in the areas surrounding our main operations.

During 2013, the explorations area continued consolidating the technical team through the incorporation of professionals with extensive experience. In addition, we implemented norms and procedures consistent with international standards. Also, the automation of income, control, processing and data recording was implemented.

The portfolio of exploration mining properties increased by 40 % through new petitions, as well as with the purchase of properties in the areas of interest of the company. Currently, the portfolio of exploration properties amounts to 139,489.57 has.

During 2013, the Advanced Projects area was the focus of the exploration activities, especially projects adjacent to our main operations or at a distance no greater than thirty kilometers. An aggressive plan of detailed and complex studies of four projects was implemented, three of which were to define tin mineralization potential in Puno, and the fourth one was to define the additional potential for our Gold operation in Tacna.

The results of advanced explorations of our projects generated enough support to schedule initial diamond drilling campaigns in the projects assessed in 2013. For 2014, more than 50,000 meters of diamond drilling have been scheduled for these projects.

Currently, the company has the appropriate permissions to start drilling in two of the four projects. In the other two, drilling campaigns have been initiated already. We also evaluated in detail an area of 120,000 has adjacent to our advanced project Mina Justa, in Ica.

Our main goal for 2014 is to define the economic potential of the nearby projects to our operations based on the results of diamond drilling campaigns scheduled for this year. The portfolio of mining properties in Peru and Chile will also be reassessed. By the end of 2014, we hope to achieve a greater renewal in the portfolio of properties, particularly in Peru.

5.
OUR MARKET
Commercialization

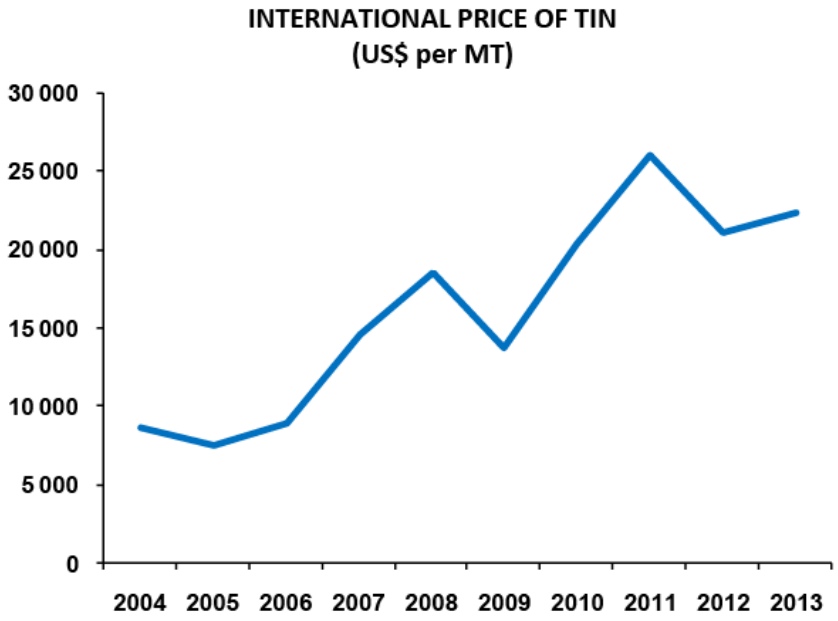
V. OUR MARKET
Commercialization

5.1 MARKET

In 2013, the tin price reached USD 22,282 per ton, 5.6 % more compared to 2012. This growth is mainly due to two reasons: (i) recovery of consumption, and (ii) stocks at low levels. Regarding gold, a drop in price was observed due to a lower demand as safe haven in the face of recovery signs in the U.S. economy.

Tin

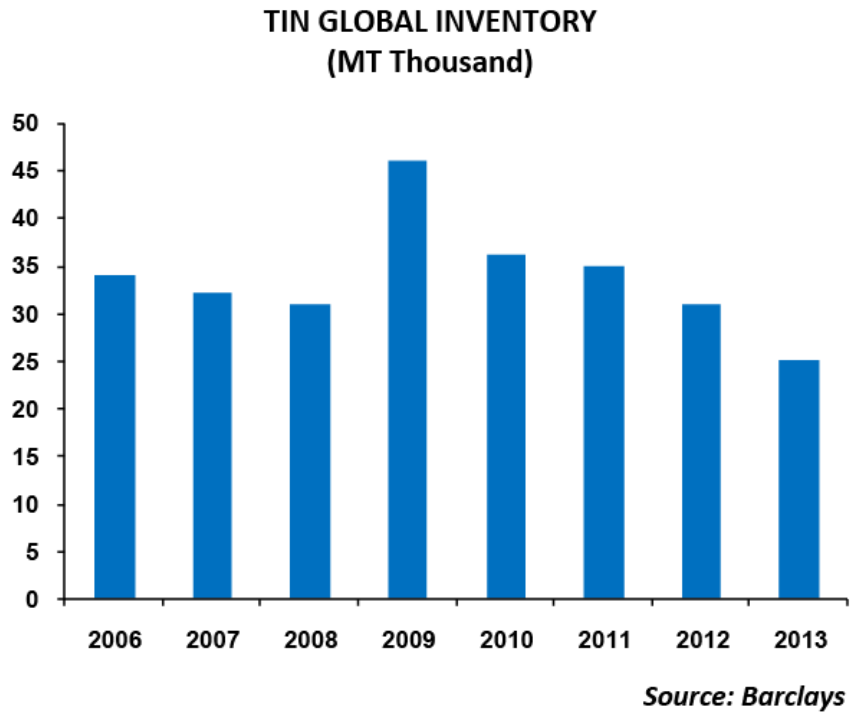
More global tin consumption. Tin consumption worldwide increased by about 2 % in 2013, after falling 6 % in 2012. This recovery is mainly due to the increased consumption of China, accounting for nearly 50 % of the world demand, which grew by 2.5 % and reached 178 thousand tons. In China a record production of household appliances was reached that year: washing machines, refrigerators, stoves, computers, and electronic items, such as, PCs and cellphones (about 50 % of tin consumption is for welding of electronic and household appliances).



Source: BCR, Blommberg

Record year for production. The world's tin production rebounded slightly and grew 2 % (341 thousand tons) due an increase in production in China and Indonesia, major producers worldwide, which represent about 60 % of global supply.

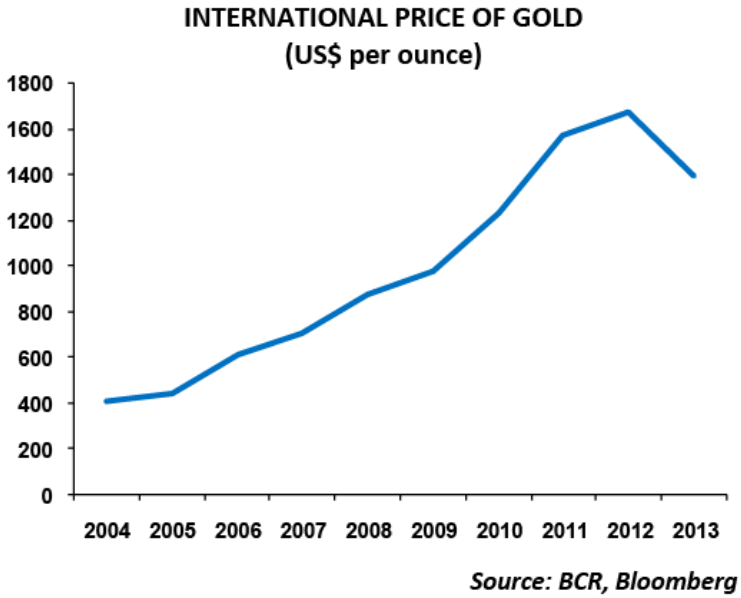
Stocks at low level. Tin stocks reported were in the lowest level in the last eight years. They closed the year at 25 thousand tons; below 31 thousand tons recorded at the end of 2012.



Gold

In 2013, the average price of gold was USD 1,202 per ounce, 15.5 % less than in 2012. The fall is explained by lower metal demand as a safe haven in the face of signs of economic recovery in the United States.

At the end of the second quarter of 2013, the U.S. economy began to show signs of recovery, raising expectations that the Fed would begin to withdraw monetary stimulus. Thus, gold lost value as a safe haven, and there was a lower global liquidity for asset investment. Moreover, the expectation of lower metal prices for future years generated more speculative sales. Gold sales contracts in the market increased 130 %, which further pushed down its price.



5.2 SALES

Tin

In 2013, sales volumes by MINSUR fell 11.3 % compared to 2012, they amounted to 26.183 tons. Sales to the United States and Europe, which account for about 95 % of the total, fell by 22.1 % and 5.8 % respectively.

MINSUR: TIN SALES PER DESTINATION (MT)

	2012	2013	Var. %
USA	15,838	12,354	-22.1
Europe	13,228	12,457	-5.8
Asia		961	-
South America	462	420	-9.0
Total	29,528	26,183	-11.3

Source: Minsur

Gold

In 2013, MINSUR sales volume was 113,211 ounces of gold. 100% total sales were positioned in the United States.

6.

A TALENTED TEAM

Our Workers

VI. A TALENTED TEAM
Our workers

During 2013, MINSUR promoted an organizational culture based on values and meritocracy, as required by our corporate code of ethics and conduct. Our company is a large family whose main values are: commitment to safety, compliance of goals, excellence in work and positive attitude. It also has a harmonious and committed working atmosphere, with an emphasis on best practices, which are the basis for the development of our employees.

MINSUR has a new vision and a new governance model that involves giving greater empowerment to mining units. To meet these challenges, we have restructured the organization by creating new management areas and rethinking others. These changes will consolidate and manage the various units and projects of the company.

Among the most important organizational changes, the Operations area has integrated the Geology of Operations and Engineering and Projects areas, while the Administration and Finance area has integrated the Supply Chain and Property Security. The Environmental and Mining Resources areas were also created as well as a new Corporate Affairs Direction, which includes the Legal and Social Responsibility area.

The HR department has promoted the development and implementation of talent management strategies to ensure that our employees are constantly trained, motivated and committed.

As of December 31, 2013, the staffing of the company was as follows:

Category	2013		2012	
	PERMANENT	TEMPORARY	Permanent	Temporary
EMPLOYEES	460	80	21	0
OFFICERS	32	1	401	96
MANUAL WORKERS	342	245	335	243
Subtotal	**834**	**326**	**757**	**339**
Total	**1160**		**1096**	

Attracting talent

A total of 184 professionals, technicians and operators were recruited through a selection process to fill positions in mining operations, projects and administration.

In addition, during 2013, we aimed at attracting the best talent to fill positions for interns, young professionals, managers and senior executives. As part of this strategy, we launched the “Leaders Quarry 2014” program.

Another initiative implemented to promote employee commitment was the “Talent attracts talent” program through which employees can participate referring professionals who meet the profile of the vacancies listed on our website.

Talent motivation and commitment management

Always aiming at creating the best conditions to retain talent, in 2013, MINSUR defined its “value to the employee” proposal which consists of five key points:

- Culture based in values and recognition.
- Positive and trustworthy work environment.
- Performance management and career development.
- Benefits focused on health, education and balance.
- Competitive salary and meritocracy.

In 2013, a survey on commitment and working environment was conducted according to the methodology developed by Hay Group, with a new approach to get to know the level of commitment of our employees.

Furthermore, the "Performance management and meritocracy" program, based on the management objectives and which allows us to align all employees with the strategic business objectives, was developed in order to recognize the level of individual contribution and encourage meritocracy.

On the other hand, total training hours accumulated in 2013 were 98.578 man/hours, which represented an increase of 7 % compared to 2012. Average man/hour training per employee was 26.8 hours.

The welfare and benefits program called "For You" was also implemented. It includes all initiatives and benefits designed for our employees and reaffirms the commitment to our value proposal: to focus our efforts into health, education and balance.

In addition, under the "For You- Education" program, the initiative "With You-PAC" was launched as well, aiming at providing assistance and professional advice to employees and close relatives in three areas: psychology, nutrition and family law.

Similarly, since compensation is one of the fundamental pillars of our value proposal, a total compensation strategy consisting of three components was implemented:

- Fixed salary
- Variable salary
- Benefits

Welfare and services

San Rafael mining unit

In 2013, the program “Housing maintenance” initiated in 2005 with the aim of better housing conditions for workers in San Rafael was completed. The program closed with a total of 220 refurbished houses in the mining site. A gym for technical staff and workers living in Cumani campsite was also built.

With respect to work relationships, after a harmonious dialogue, the specifications of the collective bargaining were resolved through direct conversations and equal conditions for the company and the union.

Pucamarca mining unit

In Pucamarca, the structure needed to move from the design stage to the operation stage was completed.

Likewise, the HR department has focused mainly on the development of best practices for the recruitment and selection processes, providing employment opportunities to residents of nearby communities.

Smelting and Refining Plant in Pisco

In 2013, we continued implementing the Quality Circles program in order to foster teamwork with safety criteria and continuous improvement, as well as encouraging workers participation, under the leadership of the Operation Management.

Within the field of work relationships, it was possible to agree on a collective bargaining through a direct, satisfactory, equitable and harmonious dialogue. For the first time, a two-year agreement was signed in a minimum time of negotiation, benefiting both the workers and the company.

The first workshop of negotiation and conflict management was also developed, with the participation of union leaders and HR officials. In this way, the Unit reaffirms its commitment to improve working relationships through effective and transparent communication to build trust and support negotiations in process.

7.

RELATIONSHIPS OF TRUST AND SOCIAL VALUEL

Social Responsibility

VII. RELATIONSHIPS OF TRUST AND SOCIAL VALUE
Social Responsibility

By using international best practices on Corporate Social Responsibility (CSR) MINSUR promotes stable, harmonious and lasting relationships with its stakeholders based on trust, mutual respect and constant communication.

MINSUR seeks to act as a facilitator in the management of investment projects that enable communities located in operation areas to develop productive activities in order to improve their quality of life and income. Thus, MINSUR aims at establishing strategic alliances with public and private entities, to promote synergies that contribute to the comprehensive development of the communities close to its operations.

During 2013, MINSUR focused its social responsibility approach in maintaining a harmonious relationship with the environment. Therefore, it has promoted sustainable development with a focus on education, health, environment and economic progress in its areas of influence.

7.1 SAN RAFAEL MINING UNIT

Following the strategic guidelines set by the management during 2013, San Rafael continued implementing development programs that allow addressing the main needs of Ajoyani and Antauta districts and Queracucho peasant community.

Education

Comprehensive project to achieve basic skills and improve educational quality in Antauta, Ajoyani, Potoni and Queracucho
Developed jointly with the Education Consortium Diaz Lerner Trathemberg (DLT), its goal is to improve reading comprehension and mathematical reasoning among children of the prioritized areas with the support of principals, teachers and parents.

Health and environment

Visual and dental free campaigns

More than 1,200 children were treated during the visual and dental health campaigns, which were carried out with the support of Asociación Aporta and Clinica Internacional.

Thermal comfort project

The conditioning of houses in the Macusani district began Hand in hand with the Innovation Center of the PUCP, in order to use sunlight to increase the internal temperature and thus provide better conditions for family health and welfare.

Comprehensive sanitation program

In coordination with Aquaril S.A.C., a structure that allows to obtain drinking water for human consumption and a wastewater treatment system through drag latrines were installed in 131 households in the communities Santa Isabel, Chacconi and Kenamari, in Antauta district.

Economic development

Sustainable development of livestock activity in the Andean region

For third consecutive year, the Unit participated in this project together with Desco, which provides infrastructure, improves husbandry practices, generates added value and includes genetic improvement to make local breeding of alpacas, sheep and cattle more competitive. To date, it has been possible to benefit 1,549 producers directly and 722 producers indirectly.

“Sierra Productiva” program

MINSUR funds this program executed in the district Ajoyani. It has established itself as an innovative, productive, economic and social approach based on the use of the strengths of people in the area. This approach includes the incorporation of various technologies to improve agricultural productivity and household welfare.

In addition to the aforementioned projects, the Community Relationship area implemented several works on production equipment and developed various social campaigns in Antauta, Ajoyani and Queracucho.

Like every year, within the framework of the educational project, school materials were distributed to schoolchildren in the area. Special support was provided to families affected by frost.

Additionally, in coordination with eight district municipalities in the province of Melgar, profiles of infrastructure projects to be funded in 2014 through the mechanism of works for taxes were handled. Most of these projects are related to drinking water systems, sewage and irrigation services that complement already implemented MINSUR programs in the area.

7.2 PUCAMARCA MINING UNIT

With the beginning of the production stage, Pucamarca concentrated its efforts on strengthening relationships of trust with the various stakeholders in their areas of influence, and in Tacna. As a result it has developed its operations without any social unrest.

Similarly, the process of local labor recruitment for this phase was consolidated. Collaboration with different types of companies managed by community members was encouraged. The economic development projects received special attention.

Economic development

Strengthening of production chain and marketing of oregano
In its first phase, this project allowed the recovery of more than twenty hectares of terraces and generated nearly hundred of jobs

Health and environment

“Happy faces” campaign: free operations against cleft lip and cleft palate
It was developed in coordination with Caritas Felices Mission and supported by Hipolito Unanue Hospital. Not only was it supported with funding, but also the campaign was broadly widespread, and provided free operations and postoperative control for more than 25 low-income children of Tacna.

Sewage works in direct influence area peasant communities
In the community of Ataspaca (Palca -Tacna district), the sewage system, which was beginning to show serious deficiencies after more than twenty years without maintenance, was renewed. The work helped prevent the spread of various diseases which may have mainly affected the children in the area.

Participatory environmental monitoring program
Led by Universidad Nacional Jorge Basadre Grohmann; representatives of governmental institutions, of the Regional Agriculture Division of Tacna region, of Tacna Special Project (PET), among other institutions, and of the civil society attended this program.

In total, we conducted four monitoring programs (March, July, October and December). Sampling was conducted at five points along the canal, in Ushusuma and in Palca Gulch. The analysis was conducted by SGS and CORPLAB laboratories. The data collected both during times of drought and flood, represented a comprehensive source of environmental information.

The results confirmed that the Pucamarca activity does not affect the water of Tacna, and there is no presence of cyanide. Results also indicated that due to volcanic water, there are concentrations of metals such as aluminum, arsenic and boron. According to the policy of transparency and access to company information, these results were presented at press conferences with the media, authorities and interested institutions.

7.3 MINSUR SMELTING AND REFINING PLANT

In 2013, strategic alliances with the private and public sector were implemented to strengthen social intervention in the area of influence and to become a leader of joint work.

During the year, the smelting plant worked with local governments in Pisco and Paracas, and with Corporación Aceros Arequipa and other strategic partners, including Ramirez Maquinarias, Canario, Cesodo, ZDM, Transportes Saavedra, Electricotecnia, Beatita de Humay, Famecsa, Pemsur and JV Resguardo, and with NGOs such as Tierra y Ser, Codehica and Ania.

Education

“Reading is to be ahead” program
Executed for the third consecutive year, this program has revealed an improvement in reading comprehension level of 2.325 students from third to fifth grade from 16 educational institutions in the district of Paracas, Pisco, San Andrés and Tupac Amaru. The program, which is carried out in synergy with Grupo Breca and the specialized management of the Instituto de Estudios Peruanos (IEP), has also allowed training 88 teachers.

Adonai Educational project

Aiming at supporting students with very low income and high performance, this program - conducted with our collaborator Felipe Palomino Chacaliaza - develops social promotion workshops, sponsors student participation in certain contests of knowledge and provides scholarships.

Award to excellence

This event, organized for the second year, rewards the students in the fifth year of high school, who for five consecutive years have obtained the first place of merit due to their academic performance and discipline within their institutions.

Health and environment

Recycling plastic caps campaigns

The smelting plant seeks to promote entrepreneurship and environmental commitment among students and teachers in our area of influence, and between MINSUR workers and its contractors. Thanks to the participation of over 500 people, it was possible to recover 149.560 plastic caps. Those caps were sent to the area of collection and disposal from Tierra y Ser for a suitable and environmental friendly recycling. This activity was carried out in coordination with Tierra y Ser NGO, Carlos Noriega educational institution and Aceros Arequipa Corporation.

Training program on good environmental practices

A series of workshops for residents, students and teachers from various localities were organized. In addition, high resistance fiberglass cylindrical cans were delivered, and placed in the Plaza de Armas and health centers in the area.

Children's land (Tierra de niños or TINI)

In 2013, the smelting plant supported an environmental project of the educational institution "Carlos Noriega Jiménez" with the construction of a tanker. This initiative, promoted by the Ania NGO, aims to train, empower and value children and young people as entrepreneurs and citizens committed to the environment. It is noteworthy that, after adopting the TINI methodology, the team was ranked fifth in the national competition "Good teaching practices".

Economic development

Basic modules of jewelry for people with different skills and family members, from the southeastern part of the Paracas district

In strategic partnership with the management of Local Economic Development and Human Development of the District Municipality of Paracas, 35 people were trained in techniques for tool operation, assembly and production of accessories, like earrings, necklaces, bracelets, key chains and customized jewelry - made of marine and colorful materials. In December 2013, participants who passed all three modules were certified. Currently their products are sold in local markets and tourist fairs. Technical training was complemented by socio-psychological workshops.

Fight for the rights of children and adolescents

In collaboration with DEMUNA Paracas, the smelting plant supported training workshops on parenting issues, violence and mental health. More than 650 people, including parents, students and teachers participated in these activities.

Christmas Campaign 2013

It favored 852 children from educational institutions in the district of Paracas, San Andrés and Tupac Amaru.

8.

COMMITTED TO OUR ENVIRONMENT

Environment

VIII. COMMITTED TO OUR ENVIRONMENT

Environment

MINSUR is a responsible mining company that has demonstrated since its foundation, its commitment to preserving the environment. Our various units meet the highest environmental standards and all our activities are regulated by current national and international legislation. MINSUR environmental management is based on seven pillars:

1. Water

Water is life. Our duty is to ensure that the water release into the environment has an appropriate quality to keep on with life. Therefore, we are ruled by maximum allowable limits set by national and international bodies.

We have made significant efforts to reduce consumption of fresh water, trying to reuse 100% of the water from the various processes of the operation, plant, mine, etc.

The mining unit Pucamarca has zero dumping.

2. Permits and planning

The regulations in each country where we work include standards and procedures to protect the environment.

Competent authorities must approve all work and mining projects, and all those projects should be developed under good environmental conditions and good relationship with our neighbors (communities).

3. Environmental Management

To implement best environmental practices according to ISO 14001 in order to improve the corporate governance of the mining units. The environmental management system will be renewed with the development of a multisite platform, as planned.

4. Socio-environmental

To operate considering the presence of neighboring communities and authorities; to share the work we do; and to engage in environmental management of the mining units.

5. Rehabilitation and closure

MINSUR's design and construction take into consideration mine closure. We realize that good planning can provide more efficient use of the resources, when the mine reaches its final stage of operation. Thus, the following steps are taken to ensure a successful environmental closure:

- Build facilities prepared for closure.
- Design and proper handle of waste, tailings and ore.
- Respect for the design considerations in EIA and PCM.
- Strengthen long-term social relationships
- Knowledge of the potential for acid water generation.
- Avoid building facilities in risky areas (wetlands, streams, etc.)
- Run progressive closures
- Maintain an updated document on mine closure
- Provision the closure cost.

6. Economic and human resources

To have a budget and a competent and aligned team.

7. Communication and culture

To foster an environmental culture in all employees.

8.1 MINING UNIT SAN RAFAEL

As an environmental responsible mining company, one of our main concerns is water. This resource is not only a source of life, but essential part to the development of communities that make up our influence areas.

In San Rafael, we take care and preserve rivers nearby to our operations. Tailings produced in the concentrator plant are treated with metal precipitation and solid sedimentation methods, which allow to obtained good water to be returned to the normal river flow and which can be used in livestock and agriculture activities with excellent results. We carry out a daily control, and there are seven monitoring points to verify its quality.

San Rafael has an environmental management plan designed to anticipate and mitigate the negative impacts of mining operations on the environment by adopting a systematic approach to environmental management. We also have an Integrated Management System based on ISO 14001:2004 International Standards for Environment and OHSAS 18001:2007 for Occupational Health and Safety.

The Supervision of the Agency for Assessment and Environmental Control (OEFA), which took place between 16 and 18 April 2013, reported six findings: five were totally resolved, while the sixth has a program that is in its compliance process.

From 18 to 21 November 2013, the company Bureau Veritas Peru held a recertification audit of ISO 14001 and OHSAS 18001 in San Rafael unit. The final conclusion was the automatic recommendation for re-certification of ISO 14001.

MINSUR is careful while verifying legal compliance with governmental licenses, occupational health and safety topics for mining activities and environmental commitments in its approved environmental management documentation. November 26 and 27 2013, Osterling Abogados executed an audit of compliance with such legal obligations in San Rafael commissioned by MINSUR.

In compliance with current standards and environmental commitments, authorities received our quarterly reports on water quality, and air emissions monitoring. Similarly, monthly reports of hazardous waste management were sent to DGAAM.

Furthermore, a “Maintenance of green areas” program consisting of two organic gardens, with vegetables, ornamental flowers and some fruits was successfully implemented. San Pablo farm located downstream of the gorge Chogñacota counts as part of this program.

We continue with the policy of identifying, evaluating and controlling negative environmental impacts, according to current legislation.

8.2 SMELTING AND REFINING PLANT IN PISCO

Thanks to the various campaigns undertaken during the year, we were able to meet the environmental management plan, according to current legislation and commitments. No contingencies or environmental incidents were reported.

The main activities carried out in 2013 include the purchase and installation of an automatic particle sampler PM-10/PM-2.5 with volume flow control, and a new gas meter for SO2 and H2S. Monitoring began in March.

In May, a modeling study on gaseous and particle emissions of ECO 21 unit was carried out.

We complied with the environmental management plan of the unit according to the current legislation and the commitments made in the environmental management documentation (EIA) approved for the unit, consisting of air emissions, air quality, water and soil impact monitoring.

Relevant guarantees were presented and the MEM semi-annual progress report on the closure plan was sent. In June, the update of the closure plan was approved.

In August, a Digesa inspection to verify that emissions and air quality were within the maximum permissible limits (MPL) took place.

In September, we were awarded the renewal authorization for a six-year domestic wastewater treatment system.

September 16 and 17, the unit participated in the strategic meeting on Environment of the mining division.

November 20 to 22, 2013 the external audit took place in our Integrated Management System. It verified the compliance of the Environmental Management System under ISO 14001:2004. The audit was conducted by Bureau Veritas of Peru and had zero non-conformances.

During 2013, the affidavit for the natural gas pipeline system of over 20 bars was presented. The documents were submitted, according to law, in the months of January, April, July and October.

Also during the year, five hazardous waste reports were presented to the OEFA, in addition to the annual report.

During the year 2013, no environmental audits or inspections by the competent authority (OEFA) were performed.

8.3 MINING UNIT PUCAMARCA

Water is also essential priority for this unit. Pucamarca does not use water from Uchusuma canal nor from Caplina basin, which supply the city of Tacna. Instead, the company has been authorized to work with groundwater from the Azufre River Basin

Pucamarca also has monitoring wells and a network of piezometers for groundwater control of the pad and pool area. A draining network on the pad and throughout the Plant allows controlling any possible filtration of solution into the water table.

Extracting and leaching operations in Pucamarca do not generate tailings, as the operation method uses a leaching pad. Similarly, the water used is totally recycled and re-used; this ensures that no effluents are discharged into the environment.

As part of its commitment to a rigorous and strict flora and fauna protection, Pucamarca has conducted various studies in order to eliminate any risk or possibility of pollution. It has been concluded that our presence does not pose a risk to species like suri or vicuña.

Program activities in Pucamarca's environmental management system are based in the environmental impact control or mitigation mechanisms that could generate significant environmental issues identified by the implementation of plans and programs.

Programs executed successfully during the period 2013 were:

- A participatory environmental monitoring program, with five stations for water quality control and with the participation of various stakeholders: state, private institutions, community representatives and company staff.

- A program on environmental monitoring (air quality, noise, non-ionizing radiation, sediment quality, quality of surface and ground water, flora and vegetation, wildlife, hydrobiological and suri monitoring). To comply with current standards, the consolidated quarterly water monitoring report was presented to MEM and OEFA. Furthermore, as part of the requirements for mining control, monthly reports on hazardous waste management were sent to Osinergmin with copies to OEFA.

- A solid waste management program. Hazardous waste management reports were presented monthly to OEFA in compliance with current legislation.

16 (Level 1 and 2) minor incidents were recorded; they were controlled immediately and within the operation area. It should be noted that the incidents did not affect natural streams or natural areas.

During 2013, no environmental incidents were reported to the authority (level 3, 4 or 5).

9.

FACING THE CHALLENGES OF THE FUTURE

Projections

IX. FACING THE CHALLENGES OF THE FUTURE

Projections

Always with an entrepreneurial spirit and a willingness to continue employing the best endeavors to distinguish itself as a leader in the competitive and complex world of mining, MINSUR continues with the implementation of its strategic plan for 2013-2015, which is based on five pillars:

- Safety.
- Operational excellence and cost controls.
- Replenishment of resources and reserves within our current operations.
- Organic growth through the development of existing projects in our portfolio.
- Business sustainability: people, communities and environment.

Our long term goals include consolidating our position of global leadership in the Tin industry and diversifying our production of copper and gold, and developing and operating world-class mining assets. By 2020 it is projected that we shall have between 7 and 9 operations functioning, generating growth through the development of our new projects, the potential expansion of our current operations and our strategy of exploration, in which we intend to invest up to $ 25 billion annually.

10.
GENERAL INFORMATION

X. GENERAL DATA

The name of the company is MINSUR S.A. The administrative offices are located in the city of Lima, in Calle Las Begonias 441, office 338, San Isidro. Phone: (511) 215-8330. Fax: (511) 221-0123.

It has three production units: New Mining Unit Quenamari San Rafael, located in the district of Antauta province of Melgar, Puno department; Smelting and Refining Plant of Pisco, located in the district of Paracas, province of Pisco, department Ica; and Pucamarca Mining Unit, located in the district of Palca, in Tacna province and region, which commenced operations on January 11, 2013.

MINSUR S.A was incorporated and began operations in October 6, 1977 by transforming the branch Peru Minsur Sociedad Limitada de Bahamas, also called MINSUR SL, which had been operating in Peru since 1966, as per Deed certified by the Public Notary of Lima, Dr. Ricardo Fernandini Arana registered in the folio 8, page 183 of Volume 17 of the Contractual Companies and Other Legal Entities book of the Public Mining Registry of Lima.

MINSUR S.A. owns more than 25% of the capital stock of Minera Carabaya S.A (into liquidation), Cumbres Andinas S.A, Servicios Aeronáuticos Unidos S.A.C, USA MINSUR Inc. and Minera Latinoamericana S.A.

MINSUR S.A. is part of the economic group authorized by Conasev[2] and Lima Stock Exchange, and Inversiones Nacionales de Turismo S.A, in accordance with Conasev Resolution No. 090-2005 -EF- 94.10.

This business group has investments in various economic sectors, including agriculture, construction, industry, real estate, mining, fishing, petrochemicals, healthcare, financial services and insurance, tourism, and other activities and specialized services.

Major companies of the economic group and listed companies are: Intursa, Rimac Compañía Internacional de Seguros y Reaseguros, EXSA S.A. and Compañía Minera Raura S.A.

[2] Now called, Superintendency of Securities Market (SSM).

During 2013, the capital remained 1.922.001.500 soles, represented by 19.220.015 common registered shares with a nominal value of 100 soles each, all fully subscribed and fully paid. The said capital was agreed at the Shareholder's Meeting, November 26, 2010 and specified in a deed certified by the Notary Dr. Ricardo Fernandini Barreda, December 2th, 2010, as a signed agreement in file B 00006 of the Electronic Registry No. 01141929 of the Legal Entities Registry of Lima and Callao. All MINSUR S.A. shares confer their holders the right to vote.

The salary of the Directors and Management in 2013, represented 0.67 % of the gross income of MINSUR SA

MINSUR S.A. has no shares in the portfolio that were repurchased by the company, nor has the Board given the power to approve a rise of capital.

At the end of 2013, the Company had two common shareholders: only one has more than 5 % participation, as shown in the following charts:

Shareholders	Participation	Nationality	Economic Group
Inversiones Breca S.A.	99.99995%	Peruvian	(*)
Other shareholders	0.00005%	Peruvian	(*)
	100.00%		

* Economic group named Conasev in accordance with Resolution No. 090-2005 -EF- 94.10 by National Tourism Investment SA , on March 01, 2007 at CONASEV (now called Securities Market) .

Common shares		
Ownership	Number of Shareholders	Percentage of participation
Lower than 1%	1	0.00005%
Between 1% and 5%	0	
Between 5% and 10%	0	
More than 10%	1	99.99995%
Total	**2**	**100.00000%**

Corporate purpose and term

MINSUR S.A. activity is classified under code 1320 in Review 3.1, and code 0729 in Review 4 of the International Standard Industrial Classification (ISIC). Specifically, under tin and gold ore exploitation.

According to its statute, the corporate purpose of MINSUR S.A. allows to carry out all activities involving the mining industry, particularly the exploration and exploitation of mineral ore deposits, processing plants, mineral refining as well as all related transactions for these purposes. In addition, you can perform all actions and enter into all contracts related to the mining business, including purchase of property, real estate and securities, and all those permitted by law. Under its bylaws, the term is indefinite.

Judicial, administrative or arbitration proceedings

The National Superintendency of Tax Administration (SUNAT) conducted a review of the affidavits on Income Tax (2000-2009); and a review of affidavits for Sales tax (2000 to December 2007). The company has been notified to review the affidavit of income tax for 2010.

Since tax authorities may have different interpretations of legal regulations, it is not possible to determine up to date, if reviews will result in liabilities for the company. Any tax or surcharge resulting from tax reviews would affect the income of that specific fiscal year. However, we believe that any eventual additional tax would not be meaningful to the financial statements as of December 31, 2013, 2012 and 2011.

As a result of 2000 to 2009 audits, the company was notified of penalties to Income and General Sales Tax by the SUNAT for a total of 103.906 .808 nuevos soles, including interest (equivalent to $ 40.291.969) In all cases, the company has appealed the resolutions by the Tax Administration. Pending appeal resolutions are at Tax Court level.

On the other hand, since 2008, MINSUR S.A. paid under protest, amounts to the Sunat, but still exercised its right of compliance or appeal to the Tax Court. At December 31,

2013, the balance paid, under protest, amounts to $ 31.306.000 ($27.324.000 at December 31, 2011, and $ 31.920.000 at December 31, 2010).

It should be mentioned that as a result of our claims for 2004 and 2005 on the Annual Income Tax and Payments on Account, Sunat proceeded to return 15.643.358.00 soles, including interest. Also, regarding Annual Income Tax and Payments on Account for the year 2006, Sunat returned 16.324.178.00 soles, interest included.

On the other hand, as of December 31, 2013, OEFA and Osinergmin sanctioning administrative proceedings against MINSUR S.A. could translate in up to 14 to 14.424 UIT. Although the appropriate documentation was submitted to support the observations made, the decision is still pending at the primary levels of both institutions. However, we believe that there are strong arguments, both legal and technical, to obtain favorable results for the company.

At the end of the fiscal year 2013 MINSUR S.A. had no other litigation, claim, liability, contingency, or process which, according to our opinion and the one of our legal advisor, could have impacted on the financial statements of the company.

Equity stocks

Equity stocks are registered in the Securities Public Registry, only securities issued by MINSUR S.A. are listed on the stock market.

At December 31, 2013, the stocks issued by the company amounted to 960.999.163 shares with a nominal value of one nuevo sol each. The distribution is as follows:

Ownership	Number of Shareholders	Percentage of participation
Lower than 1%	4.294	32.10%
Between 1% and 5%	9	20.96%
Between 5% and 10%	3	24.05%
More than 10%	2	22.89%
Total	**4.308**	**100.00%**

Mr. Emilio Alfageme Rodríguez Larraín, Attorney, Registration with CAL No. 18694, who serves as Chief Legal Manager of the company, is responsible for stocks.

During 2013, the stock price was as follows:

MINSUR S.A

Equity

ISIN Code	Mnemonic	Year - Month	2013 PRICES				Average Price S/.
			Open S/.	Closure S/.	Max. S/.	Min. S/.	
PEP622005002	MINSURI1	2013-01	2.37	2.32	2.40	2.21	2.31
PEP622005002	MINSURI1	2013-02	2.35	2.39	2.59	2.31	2.46
PEP622005002	MINSURI1	2013-03	2.39	2.25	2.39	2.00	2.17
PEP622005002	MINSURI1	2013-04	2.25	1.64	2.29	1.63	2.00
PEP622005002	MINSURI1	2013-05	1.70	1.30	1.80	1.28	1.56
PEP622005002	MINSURI1	2013-06	1.30	1.30	1.40	1.25	1.35
PEP622005002	MINSURI1	2013-07	1.30	1.17	1.31	1.14	1.24
PEP622005002	MINSURI1	2013-08	1.18	1.36	1.36	1.14	1.23
PEP622005002	MINSURI1	2013-09	1.36	1.26	1.53	1.23	1.36
PEP622005002	MINSURI1	2013-10	1.25	1.40	1.45	1.24	1.33
PEP622005002	MINSURI1	2013-11	1.40	1.29	1.43	1.29	1.36
PEP622005002	MINSURI1	2013-12	1.29	1.43	1.47	1.24	1.34

Administration

Board of Directors

MINSUR SA board consists of the following persons:

- **Fortunato Juan José Brescia Moreyra.** Mining Engineer, graduated from Colorado School of Mines, Colorado, USA, and the National Engineering University, Lima, Peru. He is a member of the steering committee of Breca, major investor and Peruvian business group, founded and developed by Brescia Cafferata family. He is Executive Director of MINSUR and CEO of Compañía Minera Raura, polymetallic company which extracts and processes zinc, lead and copper in Peru. He is a member of the Board of Exsa, Rimac Seguros y Melón, and other major companies in various sectors with operations in Peru, Brazil and Chile. He is director of MINSUR since 2001.

- **Alex Paul Gastón Fort Brescia.** Masters in Business Administration from Columbia University, USA and Bachelor of Economics, Williams College, USA. He is a member of the steering committee of Breca Investments, Peruvian investment group with operations in the South American region. He is director of BBVA Continental, Second Bank of Peru; Rimac Seguros, the leading insurance company in Peru; Tasa, the leading producer of fishmeal; Intursa, which owns

the hotel chain Libertador in Peru and owns and operates in Peru the Westin and Luxury Collection hotels under the Starwood international franchise chain; CPPQ, EXSA, Limatambo Properties, Backus and Johnston, among other companies with operations in Peru, Chile and Brazil. He is also a board member of private partnerships in Peru and abroad

- **Rosa Augusta Brescia Cafferata Widow of Fort.** She is director of important Peruvian companies. She is also Vice President of the Board of the Peruvian Center for Hearing, Language and Learning - CPAL, an association founded and developed to assist in the prevention, diagnosis and treatment of children, adolescents and adults. Due to her hard work, she has received the "Order of Merit for Distinguished Services" in the rank of "Commander" by the Peruvian Government. She is MINSUR's Director since 2004.

- **Mario Augusto Miguel Brescia Moreyra.** Business Administrator, graduated from the Ricardo Palma University, Lima, Peru. He is a member of Breca's Steering Committee, major Peruvian investor and business group, founded and developed by the Brescia Cafferata family. He has been Executive Director of Tasa, the main producer of fishmeal and fish oil in the world. He is Vice President and Director of the IFFO (International Fishmeal and Fish Oil Organization) and Director of the National Fisheries Society (Peru). He has also been Executive Director of Agrícola Hoja Redonda, dedicated to the production and export of fruits and flowers mainly to North America and Europe. He is a member of the Board of Rimac Seguros y Melón, and other major companies in various sectors with operations in Peru, Brazil and Chile. He is director of MINSUR since 2001.

- **Pedro Manuel Juan Brescia Moreyra.** Economist, graduated from Boston University, USA. He is a member of Breca's Steering Committee, major Peruvian investor and business group, founded and developed by the Brescia Cafferata family. He has been CEO of CPPQ, important Peruvian producer and distributor of paints, varnishes, emulsions, adhesives, household chemicals, adhesives and plastics. He has also been CEO of INTURSA, owner of the chain Libertador Hotels in Peru which owns and operates the Westin and Luxury Collection, in partnership with the international chain of hotels Starwood International. He is a member of the Board of BBVA Banco Continental, Peru's second largest bank, of Melón, important Chilean cement company, as well as major companies in various sectors with operations in Peru, Brazil and Chile.

- **Miguel Aramburú Álvarez-Calderón.** Independent director. Industrial Engineer from the Pontificia Universidad Católica del Perú. MBA from the Graduate School of Business at Stanford University. He was board Member of Castrovirreyna Compañía Minera S.A. Director of Maestro Peru S.A, Andino Investment Holdings S.A.C, Neptunia S.A, Stracon GyM S.A, Instituto de Formación Bancaria, and the Investment Committee of Enfoca SAFI S.A.C. He worked 15 years in Hochschild Mining PLC, until March 2010, as the CEO. He teaches PAD courses at University of Piura. He is Director of MINSUR since 13th September 2012.

Within MINSUR SA board, a committee of Strategy and Performance Management was created.

Directors Fortunato Juan José Brescia Moreyra, Mario Augusto Miguel Brescia Moreyra and Pedro Manuel Juan Brescia Moreyra are blood relatives in second degree of collateral line. They are also blood relatives in third degree with director A. Rosa Brescia Cafferata widow of Fort. Likewise, they are blood relative fourth degree of the collateral line with director Alex Paul Gaston Fort Brescia.

Director Alex Paul Gaston Fort Brescia is blood relative in the first degree of the direct line with Mrs. Rosa A. Brescia Cafferata widow of Fort.

Managers

- **Juan Luis Kruger Sayán: General Manager.** Graduated in Business Administration from the Universidad del Pacífico, Peru. Gained a Master degree in Business Administration from Harvard University, USA. He was Executive Vice President of Gold Fields Ltd. for South America and General Manager of Gold Fields La Cima S.A.A. He joined MINSUR in March 2013, taking up the post of General Manager.

- **Álvaro Javier Ossio Guiulfo: Director of Administration and Finance.** Economist from the Universidad Pacífico. He has studied a Masters in Business Administration from New York University with an additional specialization in Finance and International Business. He has extensive experience in managing the finance area in mining divisions, including Antamina and BHP Billiton in Chile. He began to work for MINSUR in June 2011 and holds the position of Administration and Finance Manager.

- **Luis Augusto Argüelles Macedo: Director of Operations.** Civil Engineer from the Pontificia Universidad Catolica del Peru, with senior management studies at the University of Piura (Lima venue), and several studies at the University of Berkeley, Crestcom and other institutions. He has 25 years' experience in the mining industry occupying senior management positions. He works at MINSUR since December 2012 as Operation Manager.

- **Gonzalo Freyre Arméstar: Director of New Business Development.** Bachelor of Industrial Engineering from the Pontificia Universidad Catolica del Peru, with Masters in Business Administration from ESAN and Management Program at the University of Piura. He works at MINSUR since January 2013. To date, he is the New Business Development Manager.

- **Guillermo Miguel Defilippi Rodríguez: Director of Human Resources.** Lawyer, graduated from Pontificia Universidad Catolica del Peru, with postgraduate studies in Strategic Human Resources in CENTRUM and the University of Barcelona. He works at MINSUR since November 2011, as Human Resource Manager.

- **Gonzalo Quijandría Fernández: Director of Corporate Affairs.** Lawyer, graduated from Pontificia Universidad Catolica del Peru, was a Fellow of the Nieman Foundation at Harvard University. With a specialization in mining management from Pontificia Universidad Católica de Chile. He has taken courses in

Communications at Theodore Academie de Gummerbach Haus, Germany, and Community Relations in Orissa, India. Previously, he served as Director of Corporate Affairs of Barrick Misquichilca and he was manager of corporate affairs at Compañía Minera Antamina. He is Corporate Affairs Manager in MINSUR since September 2013.

- **Emilio Eduardo Alfageme Rodríguez Larraín: Legal Corporate Manager.** Lawyer graduated from the Pontificia Universidad Catolica del Peru, with a specialization in Taxation and PADE Human Resources. He works at MINSUR since December 1991, as corporate legal manager.

- **Julian Edward Misiewicz: Mineral Resources Corporate Manager.** Master Suma Cum Laude. BSc in Geology from Rhodes University in South Africa, specializing in Geological Exploration. He worked for 32 years at Gold Fields International Services UK Limited, as Consultant Geologist for Africa and Europe; Regional Manager in Europe, Russia and Central Asia and Corporate Technical Director. He joined MINSUR in December 2013 as Corporate Manager of Mineral Resources.

- **José Antonio Oré Rivera: Smelting Corporate Manager.** Metallurgical Engineer graduated from the Universidad Nacional de San Augustin of Arequipa. Master of Science in Extractive Metallurgy, from the Imperial College, University of London, England, and an MBA from ESAN. He works for MINSUR since September 2011, as Smelting Plant Manager.

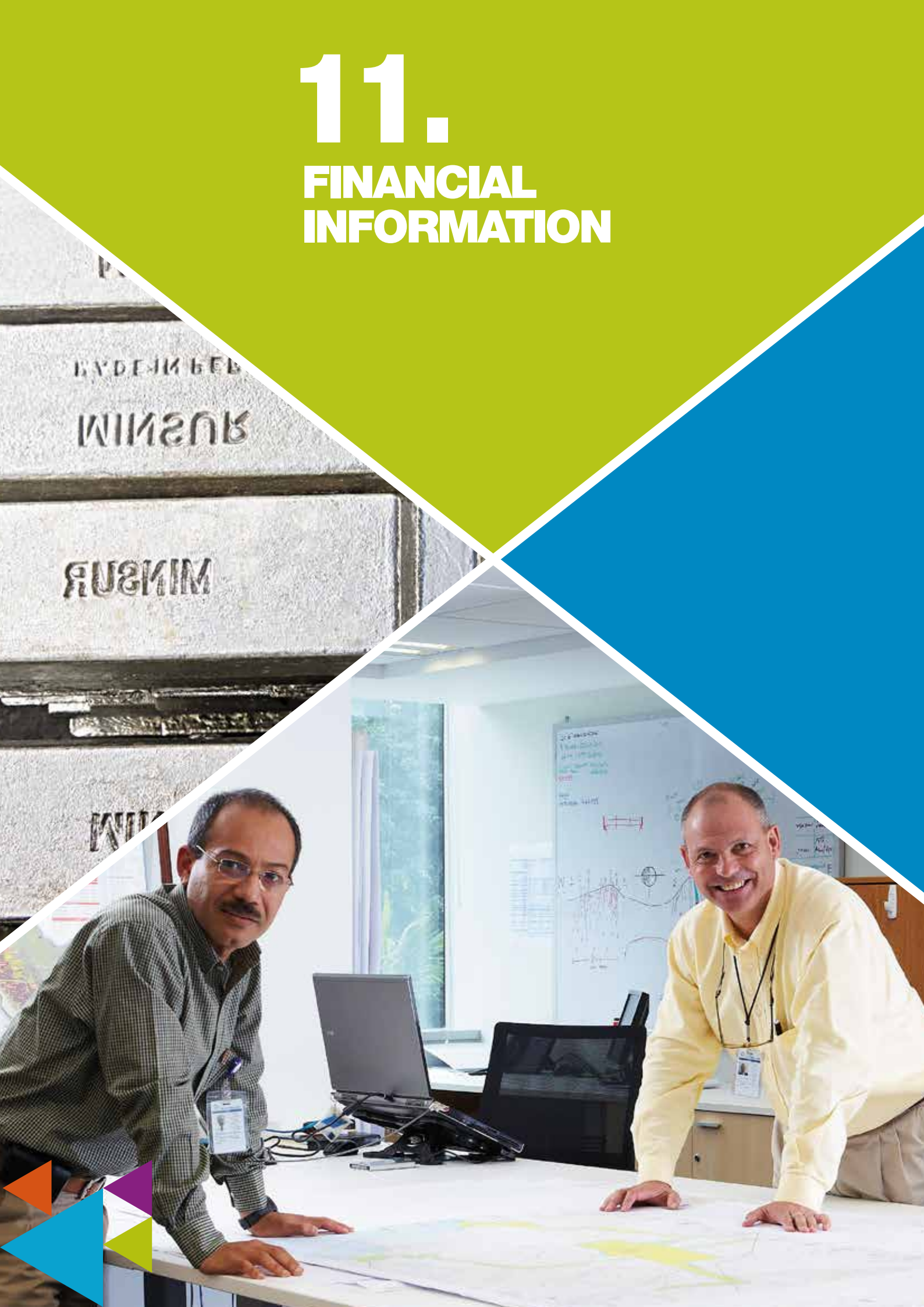
- **Rafael Ernesto Salazar Tafur: Internal Auditor.** Certified Public Accountant graduated from Pontificia Universidad Catolica del Peru. He was a member of the Advisory Board of the Internal Revenue in Sunat and member of the Tax and Economics Committee from Confiep. He was an alternate member of the Accounting Standards Board and Member of the Institute of Internal Auditors of Peru. He joined MINSUR in July 2011 as Internal Auditor.

- **Carlos Alberto Barrena Chávez: San Rafael Unit Manager.** Mining Engineer, graduated from the Universidad Nacional de Ingeniería. With a Masters in Strategic Business Management, an MBA from CENTRUM of the Pontificia Universidad Catolica del Perú. It was the Unit Manager in Cerro Lindo Milpo mine until April 2012. He joined MINSUR in August 2013, as Manager of the San Rafael mining unit.

- **Edmundo Manuel Roca Pinto: Pucamarca Unit Manager.** Geological Engineer graduated from Universidad Nacional Mayor de San Marcos, he has an MBA from ESAN. He joined MINSUR in May 2003 as Manager of Pucamarca unit.

- **Ivo Iliya Serkovic Gómez: Smelting Operations Manager Pisco.** Iron and Steel Metallurgical Engineer graduated from the Universidad de Lima, with studies of Industrial Plant Management in the National Society of Industries and Operations Management and Logistics in ESAN. He was Production Manager at Iberandina Metals S.A. and Operations Manager of Funsur S.A. He also worked as a professor at the Universidad de Lima with courses on Casting and Molding, Preparation and Concentration and Mechanical Metallurgy. He works at MINSUR since September 2011 as Operations Manager of the Smelting and Refining Plant of Pisco.

11.
FINANCIAL INFORMATION



XI. FINANCIAL INFORMATION

Economic Results

Profits and Losses

Financial Results	Unit	2013	2012	Var (%)
Net sales	USD B	755.8	640.5	18%
Sales Cost	USD B	-303.3	-197.0	54%
Gross revenue	USD B	452.5	443.5	2%
Operational expenses	USD B	-62.8	-54.3	16%
Operational revenue	USD B	398.8	398.2	0%
Operational margin	%	52%	61%	-15%
Net revenue	USD B	235.0	261.4	-10%
Net margin	%	31%	41%	-24%
EBITDA [(1)]	USD B	453.0	420.5	8%
EBITDA Margin	%	60%	66%	-9%

A. Sales

The average tin (Sn) price in 2013 amounted to USD 22,306 per FMT, which represented an increase of 6 % over the same period in 2012.

Moreover, the average price of gold (Au) was at USD 1,411 per ounce, 15% below the price of the same period last year.

Metal prices (Bloomberg)

Metals	Unit	2013	2012	Var (%)
Tin	USD/MT	22,306	21,098	6%
Gold	USD/Oz	1,411	1,669	-15%

Sales were USD 755.8 million, an increase of 18 % (+ USD 115.3 million) compared to the previous year. This increase was primarily due to gold sales after Pucamarca unit began operations in February 2013, reaching USD 157.9 million (113.211 ounces of gold) and an increase of 6% in the tin price versus the prior year; partially offset by an 11 % decrease in tin sales volume compared to 2012.

Volume of sales per product line

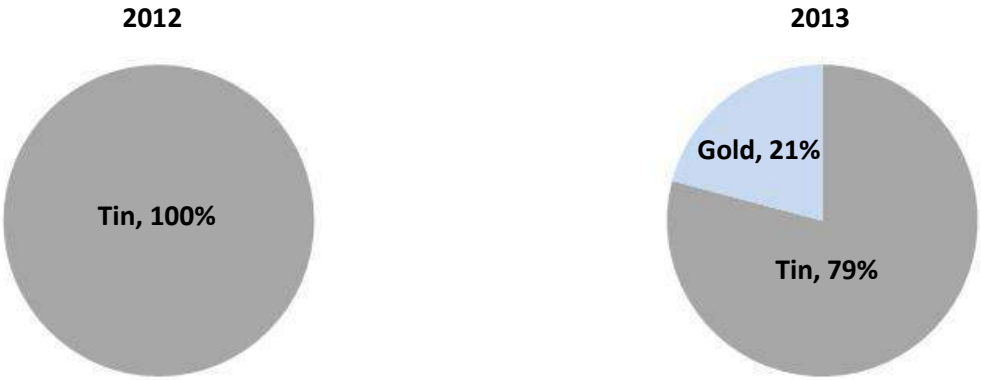
Sales Volume	Unit	2013	2012	Var (%)
Tin	MT	26,183	29,528	-11%
Gold	Oz	113,211	-	na

Sales in USD per product line

Detail of sales	Unit	2013	2012	Var (%)
Tin	USD B	597.9	640.5	-7%
Gold	USD B	157.9	-	na
Total Sales	USD B	755.8	640.5	18%

It should be noted that with the start of operations in Pucamarca, the distribution of sales went from 100 % tin in 2012, to 79 % tin (San Rafael/Pisco) and 21 % Gold (Pucamarca) at the end of 2013.

Sales per product line (% value in USD)



B. Sales cost

Cost of sales was USD 303.3 million, an increase of 54 % (USD 106.3 million) compared to the previous year. This is explained by the following: (i) costs associated with the start of operations of Pucamarca as a new business unit, (ii) an increase in exploration drilling and mine development (10,153 meters in 2013 versus 7,077 meters in the previous year) in San Rafael due to the transition from bodies to veins and (iii) an increase in diamond drilling (48,801 meters in 2013 versus 17,152 meters in 2012) as part of the exploration program of San Rafael.

C. Gross profit

Gross profit was USD 452.5 million, a 2 % increase (+ USD 9.1 million) compared to 2012. The result is explained by an increase in sales, partially offset by higher cost of sales compared to the previous year.

D. Adjusted EBITDA [3]

Adjusted EBITDA was USD 453 million, an increase of 8 % (+ USD 32.5 million) compared to 2012. Mainly due to the start of the new operation in Pucamarca unit and the reduction of administrative costs by 12 % (+ USD 4.3 million) compared to the previous year, partially offset by an increase in exploration expenditure of USD 7.1 million mainly in nearby areas to San Rafael and Pucamarca.

E. Net income

Net income was USD 235 million, a decrease of 10% (-USD 26.4 million), mainly due to: (i) an increase of income tax of 13 % (USD 13.6 million) resulting from an adjustment to the income tax of the previous year (-USD 6 million) and (ii) an increase in the financial expense in 2012 due to the negative effect of the exchange rate difference of USD 5.6 million.

F. Liquidity

Cash Flow	Unit	2013	2012	Var (%)
Initial balance	USD B	91.3	504.7	-82%
Operation activities	USD B	278.1	266.9	4%
Investment activities	USD B	-118.0	-724.2	-84%
Financing activities	USD B	-51.9	43.2	-220%
Final Balance	USD B	199.5	91.3	119%

[3] Adjusted EBITDA = Operational profit + Depreciation and Amortization.

In 2013, the liquidity of the company showed a net positive variation primarily due to improved results from operating activities. Collection rose to 13 % due to more sales registered in the year following the start of Pucamarca operations and an increase on tin price. The company also continued renewing production assets and investing in new equipment; the difference in the flow of investment activities compared to last year is mainly due to investments in the construction phase of Pucamarca mine and the acquisition of Marcobre mining project in 2012. On the other hand, dividends were paid to shareholders (USD 50 million, a decrease of 67 % over the previous year in order to maintain liquidity to fund the investment plan for the following years).

G. Capital and Funding

Net debt	Unit	2013	2012	Var (%)
Financial obligations	USD B	200.4	202.3	-1%
Cash	USD B	199.5	91.3	119%
Net debt	USD B	0.9	111.0	-99%
Debt /EBITDA	USD B	0.4x	0.5x	-8%
Net debt / EBITDA	X	0.0x	0.3x	-99%
Liability / Equity	x	0.2x	0.2x	-9%

The debt at the end of 2013 had no significant variation compared to 2012. MINSUR net debt closed the year with USD 0.9 M. Liquidity levels have enabled the company not only to finance their investments in new projects, replace assets and others, but also to continue the policy of dividend distribution.

The General meeting of shareholders of January 30, 2014, agreed that the company carry out an international issue of bonds ("Senior Notes") through a private placement under rule 144 A and Regulation S of the US Securities Act of 1933. It also agreed to list these bonds on the Luxembourg Stock Exchange. On January 31, 2014, the company issued bonds with a nominal value of US$ 450,000,000 due February 7, 2024 at a coupon rate of 6.25%, resulting in an emission of under parbonds, resulting in a net revenue of US$ 441,823,500. These funds are destined to the prepayment of the loan signed with Bank of Nova Scotia and investments related to the Group's mining operations.

On February 7, 2014, the group prepaidthe loan of USD 200,000,000with the Bank of Nova Scotia.

H. Officer responsible for preparation of financial information

During 2013 and 2012, the accounting officer responsible for the preparation of financial statements was Mr. Marco Castillo López, CPC registration No. 21244.

In both years, our external auditors have been Mrs. Medina, Zaldívar, Paredes & Asociados S.C.R.L., an Ernst & Young member firm, who issued an unqualified opinion on MINSUR S.A.

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