

Pacific Ores and Trading (Curaçao) N.V.

Pacific Ores and Trading (Curaçao) N.V.

Report on the  
annual accounts 2011

January 23, 2012

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**Report on the annual accounts 2011**

- Managing Director / Supervisory Director / Local Representative
- Directors' report
- Financial statements
- Other information

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Pacific Ores and Trading (Curaçao) N.V.

MANAGING DIRECTOR:

ARTURO G. WENZEL ALVAREZ  
Pedro Pablo Muñoz 675  
La Serena  
Casilla 559  
Chile

SUPERVISORY DIRECTOR and FINANCIAL VICE-PRESIDENT:

STUARDO DEL TRANSITO ERAZO ROBLES  
Pedro Pablo Muñoz 675  
La Serena  
Chile

SUPERVISORY DIRECTORS:

ERICK E. WEBER PAULUS  
Pedro Cortes  
La Serena M2550  
Chile

SERGIO M. VERDUGO AGUIRRE  
Pedro Pablo Muñoz 675  
La Serena  
Chile

LOCAL REPRESENTATIVE:

CURAÇAO CORPORATION COMPANY N.V.  
Schottegatweg Oost 44  
Curaçao

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## Directors' report

We are pleased to present you herewith the report on the annual accounts including the consolidated and statutory financial statements for the year ended December 31, 2011.

### Overview of activities and future developments

The principal activity of the Company in the course of its financial year was to act as an agent for its shareholder, Compania Minera del Pacifico, for the sale of natural and processed iron ore and all secondary raw materials or minerals derived therefrom. Compania de Acero del Pacifico S.A., the ultimate parent company, decided to discontinue the operations of the Company in 2008. The Company will remain as a dormant company without any activities in the near future.

During the period under review, the Company recorded a net loss of USD 29,188 details of which are set out in the attached Consolidated statement of income.

Management has no intention of changing either activities or policies of the Company as disclosed in the financial statements.

### Post balance sheet events

No matters or circumstances of importance have arisen since the end of the financial year, that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Curaçao, January 23, 2012

Arturo German Wenzel Alvarez  
Managing Director

Stuardo del Transito Erazo Robles  
Supervisory Director - Financial Vice-  
President

Sergio M. Verdugo Aguirre  
Supervisory Director

Erick Eduardo Weber Paulus  
Supervisory Director

Prepared by:  
Curaçao Corporation Company N.V.  
Local Representative

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Pacific Ores and Trading (Curaçao) N.V.

### **Financial statements**

- Consolidated financial statements
- Company financial statements

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### **Consolidated financial statements**

- Consolidated balance sheet
- Consolidated statement of income
- Consolidated statement of cash flows
- Notes to the consolidated financial statements

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Pacific Ores and Trading (Curaçao) N.V.

**Consolidated balance sheet as of December 31, 2011**

(Before appropriation of result)	Notes	12.31.2011	12.31.2010
		USD	USD
<b>Assets</b>			
<b>Current assets</b>			
Receivable from shareholder		--	94,952
Other receivables		--	2,035
Cash and cash equivalents	I	<u>75,388</u>	<u>27,687</u>
		75,388	124,674
		<u>75,388</u>	<u>124,674</u>

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**Consolidated balance sheet as of December 31, 2011 (continued)**

	12.31.2011	12.31.2010
	USD	USD
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Common stock, authorized and issued		
110 A shares (\$55.50 par value)	6,105	6,105
90 B shares (\$55.50 par value)	4,995	4,995
Paid-in capital	73	73
Retained earnings	55,374	84,562
	66,547	95,735
<b>Current liabilities</b>		
Accounts payable and accrued expenses	8,841	28,939
	8,841	28,939
	75,388	124,674

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**Consolidated statement of income 2011**

	<i>Notes</i>	2011 USD	2010 USD
General and administrative expenses	<u>57,654</u>	<u>109,494</u>	<u>109,494</u>
Total expenses		<u>57,654</u>	<u>109,494</u>
<b>Operating result</b>		(57,654)	(109,494)
Interest income		53	68
Currency exchange difference		(5,024)	(1,879)
Reversal receivable		--	(104,580)
withholding tax		<u>--</u>	<u>(104,580)</u>
<b>Result on ordinary activities before taxation</b>		(62,625)	(215,885)
Income tax	2	<u>33,437</u>	<u>--</u>
Result after taxation		<u>(29,188)</u>	<u>(215,885)</u>

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**Consolidated statement of cash flows 2011**

(According to the indirect method)

	2011 USD	2010 USD
Operating result	(57,654)	(109,494)
Adjustments for:		
- Reversal receivable withholding tax:	--	(104,580)
- Changes in working capital:		
. movements in receivable from shareholder	94,952	67,000
. movements in other receivables	2,035	104,581
. movements in accounts payable and accrued expenses	<u>(20,098)</u>	<u>9,142</u>
	<u>76,889</u>	<u>76,143</u>
Cash flow from / (used in) business activities	19,235	(33,351)
Interest received	53	68
Income tax received	33,437	--
Currency exchange result	<u>(5,024)</u>	<u>(1,879)</u>
	<u>28,466</u>	<u>(1,811)</u>
<b>Cash flow from / (used in) operating activities</b>	<b>47,701</b>	<b>(35,162)</b>
<b>Movements in cash</b>	<b><u>47,701</u></b>	<b><u>(35,162)</u></b>
Cash and cash equivalents at beginning of the year	27,687	62,849
Movements in cash	<u>47,701</u>	<u>(35,162)</u>
Cash and cash equivalents at end of the year	<u>75,388</u>	<u>27,687</u>

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## Notes to the consolidated financial statements

### GENERAL

Pacific Ores and Trading (Curaçao) N.V. (The "Company") was incorporated on March 23, 1972 in Curaçao. The Company is a wholly-owned subsidiary of Compania Minera del Pacifico S.A. (CMP) since August 12, 1988 on which date Compania de Acero del Pacifico S.A. (CAP) transferred all shares to CMP. The Company acts as an agent for CMP for the sale of natural and processed iron ore and all secondary raw materials or minerals derived therefrom.

Under a sub-agency contract, a wholly-owned subsidiary of the Company, Pacific Ores and Trading B.V. (the "Subsidiary"), Amsterdam, in the Netherlands, acts as an agent for the Company for the sale of natural and processed iron ore and secondary raw material derived thereof.

### General accounting principles for the preparation of the financial statements

#### **Basis for Presentation**

The consolidated financial statements for the year ended December 31, 2011 ("fiscal 2011") are prepared in accordance with Book 2 of the Curacao Civil Code and the accounting principles generally accepted in the United States of America, which require management of the Company to make estimates and assumptions regarding matters that affect the consolidated financial statements and related disclosures. Management believes that the estimates utilized in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ materially from these estimates. The Company does not have separate components of comprehensive income; therefore the comprehensive result is equal to the reported result for the year.

#### **Going concern**

In 2008 CAP S.A., the ultimate parent company, decided to discontinue the operations of the Company and its subsidiary. The Company and its subsidiary will remain as a dormant company without any activities in the future. The discontinuation of the companies was effective July 31, 2008. The value of assets and liabilities approaches their net realizable value. The Company has received a letter of support from its parent company (CMP) as per January 13, 2012, in which the parent confirmed to guarantee the liabilities of the company.

#### **Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All material intercompany balances and transactions have been eliminated. The consolidated financial statements of the Company and its Subsidiary are included in the consolidated financial statements of CAP S.A., the ultimate holding company. The Board of directors has approved these financial statements on January 23, 2012.

### Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Book 2 of the Curacao Civil Code and the accounting principles generally accepted in the United States of America and reflect the following significant accounting policies:

- a. Assets and liabilities are stated at nominal value unless mentioned otherwise. The value of assets and liabilities approaches their net realizable value.

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## Pacific Ores and Trading (Curaçao) N.V.

- b. Revenues and costs are recognized as they are earned or incurred, and recorded in the financial statements of the period to which they relate.
- c. The financial statements have been prepared in US dollars, which is the functional currency of the Company and its Subsidiary. Assets and liabilities originally not expressed in US dollars are translated on basis of the following principles:
  - o All other assets and liabilities not expressed in US dollars have been translated to US dollars at the current rates as at balance sheet dates.

Transactions in Euros have been translated to US dollars at the rate applicable on the date of payment. Exchange gains & losses are reflected in the statements of income.

### **Fair value of Financial Instruments**

The carrying value of cash and cash equivalents, intercompany receivables, accounts payable and accrued expenses approximate their fair value due to the short maturity of these items.

### **Recent accounting pronouncements**

#### *Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income*

The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. Early adoption is permitted. We currently do not expect that the adoption will have a material impact on our financial statements.

#### *Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*

Effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption does not have a material impact on our financial statements.

### **Notes to the specific items of the consolidated balance sheet and statement of income**

#### **1. Cash and cash equivalents**

Cash and cash equivalents consists of:

	2011	2010
	USD	USD
MeesPierson (Curaçao)	30,131	22,752
ABN-Amro (The Netherlands)	45,257	4,935
	<u>75,388</u>	<u>27,687</u>

#### **2. Income tax**

Income tax for the Dutch Subsidiary is calculated at the applicable nominal tax rates. For the operations in Curaçao, a ruling granted by the Inspector of Taxes applies.

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## Company financial statements

- Company balance sheet
- Company statement of income
- Company statement of cash flows
- Notes to the company financial statements

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## Company balance sheet as of December 31, 2011

(Before appropriation of result)	Notes	12.31.2011	12.31.2010
		USD	USD
<b>Assets</b>			
<b>Fixed assets</b>			
Investment in subsidiary	1	--	--
Loans receivable from subsidiary	2	60,000	--
		60,000	--
<b>Current assets</b>			
Receivable from shareholder		--	94,952
Receivable from subsidiary		1,835	--
Other receivables		--	2,035
Cash and cash equivalents		30,131	22,752
		31,966	119,739
		<u>91,966</u>	<u>119,739</u>

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**Company balance sheet as of December 31, 2011 (continued)**

	<u>12.31.2011</u>		<u>12.31.2010</u>
	USD		USD
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Common stock, authorized and issued			
110 A shares (\$55.50 par value)	6,105		6,105
90 B shares (\$55.50 par value)	4,995		4,995
Paid-in capital	73		73
Retained earnings	<u>75,725</u>		<u>97,338</u>
	86,898		108,511
<b>Current liabilities</b>			
Accounts payable and accrued expenses	<u>5,068</u>		<u>11,228</u>
	5,068		11,228
	<u><u>91,966</u></u>		<u><u>119,739</u></u>

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## Company statement of income 2011

	<i>Notes</i>	2011 USD	2010 USD
General and administrative expenses		<u>20,335</u>	<u>21,152</u>
Total expenses		<u>20,335</u>	<u>21,152</u>
<b>Operating result</b>		(20,335)	(21,152)
Interest income		1,835	--
Result from subsidiary		--	(221,957)
Dividend income		--	144,580
Reversal receivable withholding tax		<u>--</u>	<u>(104,580)</u>
<b>Result on ordinary activities before taxation</b>		(18,500)	(203,109)
Income tax	3	<u>(3,113)</u>	<u>--</u>
<b>Net loss</b>		<u>(21,613)</u>	<u>(203,109)</u>

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## Company statement of cash flows 2011

(According to the indirect method)	2011 USD	2010 USD
Operating result	(20,335)	(21,152)
Adjustments for:		
- Reversal receivable withholding tax:	--	(104,580)
- Changes in working capital:		
movements in receivable from shareholder	94,952	67,000
movements in receivable from subsidiary	(1,835)	--
movements in other receivables	2,035	104,580
movements in subsidiary payable	--	(225,556)
movements in accounts payable and accrued expenses	(6,160)	(3,151)
	<u>88,992</u>	<u>(161,707)</u>
Cash flow from / (used in) business activities	68,657	(182,859)
Interest received	1,835	--
Income tax paid	(3,113)	--
Dividend received	--	144,580
	<u>(1,278)</u>	<u>144,580</u>
Cash flow from / (used in) operating activities	67,379	(38,279)
Movement in subsidiary loan receivable	(60,000)	--
	<u>(60,000)</u>	<u>--</u>
<b>Movements in cash</b>	<u><u>7,379</u></u>	<u><u>(38,279)</u></u>
Cash and cash equivalents at beginning of the year	22,752	61,031
Movements in cash	<u>7,379</u>	<u>(38,279)</u>
Cash and cash equivalents at end of the year	<u><u>30,131</u></u>	<u><u>22,752</u></u>

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## Notes to the company financial statements

### GENERAL

Pacific Ores and Trading (Curaçao) N.V. (the "Company") was incorporated on March 23, 1972 in Curaçao. The Company is a wholly-owned subsidiary of Compania Minera del Pacifico S.A. (CMP) since August 12, 1988 on which date Compania de Acero del Pacifico S.A. (CAP) transferred all shares to CMP. The Company acts as an agent for CMP for the sale of natural and processed iron ore and all secondary raw materials or minerals derived therefrom.

Under a sub-agency contract, a wholly-owned subsidiary of the Company, Pacific Ores and Trading B.V. (the "Subsidiary"), Amsterdam in the Netherlands, acts as an agent for the Company for the sale of natural and processed iron ore and secondary raw material derived therefrom.

### General accounting principles for the preparation of the financial statements

#### **Basis for Presentation**

The financial statements for the year ended December 31, 2011 ("fiscal 2011") are prepared in accordance with Book 2 of the Curacao Civil Code and the accounting principles generally accepted in the United States of America, which require management of the Company to make estimates and assumptions regarding matters that affect the financial statements and related disclosures. Management believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

The financial statements of the Company and its Subsidiary are included in the consolidated financial statements of CAP S.A., the ultimate holding company.

#### **Going concern**

In 2008 CAP S.A., the ultimate parent company, decided to discontinue the operations of the Company and its subsidiary. The Company and its subsidiary will remain as a dormant company without any activities in the future. The discontinuation of the companies was effective July 31, 2008.

The Company has received a letter of support from its parent company (CMP) as per January 13, 2012, in which the parent confirmed to guarantee the liabilities of the company.

Management believes that no further adjustments are required relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities as of the balance sheet date due to the discontinuation of operations in 2008.

### Summary of significant accounting policies

The financial statements have been prepared in accordance with Book 2 of the Curacao Civil Code and the accounting principles generally accepted in the United States of America and reflect the following significant accounting policies:

- a. Assets and liabilities are stated at nominal value unless mentioned otherwise.
- b. Investment in subsidiaries are stated at equity value. Results from subsidiary comprise the company's share in the profits after tax of subsidiary.

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- c. Revenues and costs are recognized as they are earned or incurred, and recorded in the financial statements of the period to which they relate. Commission revenues are recorded in relation to shipments during the period under review.
- d. The financial statements have been prepared in US dollars, which is the functional currency of the Company and its Subsidiary. Assets and liabilities originally not expressed in US dollars are translated on basis of the following principles:
  - All other assets and liabilities not expressed in US dollars have been translated to US dollars at the current rates as at balance sheet dates.

Transactions in euros have been translated to US dollars at the rate applicable on the date of payment. Exchange gains & losses are reflected in the statement of income.

**Fair value of Financial Instruments**

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair value due to the short maturity of these items.

**Recent accounting pronouncements**

*Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income*

The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. Early adoption is permitted. We currently do not expect that the adoption will have a material impact on our financial statements.

*Accounting Standards Update No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*

Effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption does not have a material impact on our financial statements.

**Notes to the specific items of the company balance sheet and statement of income**

**1. Investment in subsidiary**

The company has a 100% interest in Pacific Ores and Trading B.V. (the "Subsidiary"), Amsterdam in the Netherlands. The net asset value of the subsidiary amounts negative. The parent company guarantees the liabilities of Pacific Ores and Trading B.V., therefore the investment is not stated lower than a nil value.

	2011	2010
	USD	USD
Balance as of January 1	--	221,957
Result from subsidiary	--	(221,957)
Balance as at December 31	--	--

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## 2. Loans receivable from subsidiary

The company has the following loan receivable from its subsidiary Pacific Ores and Trading B.V., Amsterdam in the Netherlands.

	<u>2011</u>	<u>2010</u>
	USD	USD
Balance as of January 1	--	--
Credit Facility at 4% p.a.	<u>60,000</u>	<u>--</u>
Balance as at December 31	<u><u>60,000</u></u>	<u><u>--</u></u>

On March 28<sup>th</sup>, 2011 Pacific Ores and Trading (Curacao) N.V. entered into a loan facility agreement with Pacific Ores and Trading B.V., for the amount of 500,000 USD, with an interest of 4% p.a. fully repayable on demand starting from January 1, 2016. As of December 31, 2011 only 60,000 USD has been transferred to Pacific Ores and Trading B.V.

## 3. Income tax

The income tax is based on a ruling granted by the Inspector of Taxes of Curaçao.

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## **Other information**

### **Independent auditor's report**

Reference is made to the independent auditor's report as included hereinafter.

### **Appropriation of the result for the financial year 2010**

The appropriation of the result 2010 is in accordance with the proposal being made to that end. The net loss 2010 is deducted from the retained earnings.

### **Proposed appropriation of result for the financial year 2011**

The management proposes that the net loss for the financial year 2011 should be deducted from the retained earnings.

### **Subsequent events**

There were no material subsequent events that occurred after the balance sheet date.

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## Independent auditor's report

To: The Board of Directors and Shareholders of  
Pacific Ores and Trading (Curaçao) N.V.

We have audited the accompanying consolidated and company balance sheet as of December 31, 2011 of Pacific Ores and Trading (Curaçao) N.V. (the "Company"), and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

For: Deloitte Dutch Caribbean  
Curaçao, January 23, 2012

*Deloitte Dutch Caribbean*

Ref.: R011/2012/BEM/jk