MINSUR S.A. : MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER OF THE YEAR 2016

Lima, April 29, 2016 – MINSUR S.A. (BVL: MINSURI1) ("the Company" or "Minsur") a Peruvian mining Company, dedicated to the exploration, processing and commercialization of tin and other minerals, announced its individual results for the first quarter of 2016 ("1Q16"). These results are reported in accordance with International Financial Reporting Standards (IFRS) and are expressed in U.S. dollars (US$), unless otherwise mentioned.

I. OPERATING RESULTS AND FINANCIAL HIGHLIGHTS:

- **Production:**
  a. **Tin:** in 1Q16 reached **4,321 tons,** a **10%** decrease compared to 1Q15, nevertheless, is in line with expected production to reach annual guidance.
  b. **Gold:** in 1Q16 reached **33,517 ounces, an increase of 16%** compared to 1Q15 and is in line with expected production to reach annual guidance.
- **Cash Cost**
  a. **San Rafael/Pisco:** In 1Q16 cash cost per treated ton at San Rafael was **US$ 116**, 20% below the 1Q15 cash cost. Similarly, cash cost per refined ton of tin in 1Q16 was **US$8,224**, 8% decrease compared to 1Q15.
  b. **Pucamarca:** In 1Q16, cash cost per treated ton was **US$ 3.5**, a 22% decrease compared to 1Q15. Similarly, cash cost per ounce of gold reached **US$ 223**/oz, an 18% decrease compared to 1Q15.
- **Metal Price:**
  a. **Tin:** average metal price in 1Q16 was **US$ 15,555** per ton, **16%** below 1Q15.
  b. **Gold:** average metal price in 1Q16 was **US$ 1,182** per ounce, **3%** below 1Q15.
- **Net revenue:** reached **US$ 107.3 M** in 1Q16, **20%** below that in 1Q15, mainly due to lower tin and gold prices.
- **Exploration and project expenses:** reached **US$ 3.7 M** in 1Q16, **a decrease of 19%** compared to 1Q15.
- **EBITDA:** reached **US$ 52.8 M** in the 1Q16, **16%** below the EBITDA in 1Q15. EBITDA margin in 1Q16 was 49% vs 47% in 1Q15, despite lower tin and gold prices.
- **Net income:** reached **US$ 19.4 M** in 1Q16, vs a loss of US$ 12.8 M reported in 1Q15.
- **Adjusted net income**[1]: Excluding results from subsidiaries and associates and exchange difference, adjusted net income reached **US$ 24.8 M**, a **35%** increase vs 1Q15.

[1] Adjusted net profit = Net Profit excluding Loss from Subsidiaries and Associates and exchange difference, net

Table N° 1: Operating & Financial Highlights

Highlights	Unit	1Q16	1Q15	Var (%)
Production				
Tin (Sn)	t	4,321	4,776	-10%
Gold (Au)	oz	33,517	28,778	16%
Financial Results				
Net Revenue	US$ M	107.3	133.5	-20%
EBITDA	US$ M	52.8	62.5	-16%
EBITDA Margin	%	49%	47%	5%
Net Income	US$ M	19.4	-12.8	
Adjusted Net Income[1]	US$ M	24.8	18.3	35%

II. MAIN CONSIDERATIONS:

a. Average metal prices:

Average Tin (Sn) Price in 1Q16 was US$ 15,555 per ton, which represents a decrease of 16% compared to the same period of the year 2015.

Average Gold (Au) Price in 1Q16 was US$1,182 per ounce, a 3% decrease compared to the same period of the previous year.

Table N° 2: Average metal prices

Average Metal Prices	Unit	1Q16	1Q15	Var (%)
Tin	US$/t	15,555	18,409	-16%
Gold	US$/oz	1,182	1,219	-3%

Source: Bloomberg

b. Exchange rate:

The Peruvian Sol average exchange rate for the 1Q16 was S/. 3.45 per US$1, compared to S/. 3.06 per US$1 in 1Q15, which represents a depreciation of 13% for the Peruvian Sol.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	1Q16	1Q15	Var (%)
PEN/USD	S/.	3.45	3.06	13%

Source: Banco Central de Reserva del Perú

[1] Adjusted net profit = Net Profit excluding Loss from Subsidiaries and Associates and exchange difference, net.

III. OPERATING MINING RESULTS:

a. San Rafael – Pisco (Perú):

Table N° 4: San Rafael - Pisco Operating Results

San Rafael - Pisco	Unit	1Q16	1Q15	Var (%)
Ore Treated	t	226,759	235,459	-4%
Head Grade	%	2.09	2.16	-3%
Tin production (Sn) - San Rafael	t	4,274	4,576	-7%
Tin production (Sn) - Pisco	t	4,321	4,776	-10%
Cash Cost per Treated Ton[2] - San Rafael	US$/t	116	146	-20%
Cash Cost per Ton of Tin[3]	US$/t Sn	8,224	8,910	-8%

In 1Q16, tin production reached 4,321 tons, which represents a decrease of 10% compared to the same period of the previous year. This was mainly explained by a decrease in ore head grade, from 2.16% in 1Q15 to 2.09% 1Q16 and to a lower volume of ore treated in the plant (-4%). Nevertheless, tin production is in line with plan to reach annual guidance.

Cash cost per treated ton[2] of San Rafael in 1Q16 was US$ 116 vs. US$ 146 in 1Q15, resulting in a 20% reduction, mainly due to cost savings and operating efficiency initiatives implemented during 2015. One of those with the highest impact is the implementation of 4 production hubs inside the mine, which have allowed us to reduce the meters of advancement needed. Cash cost per treated ton is in line with plan to reach annual guidance.

Cash cost per ton of tin[3] in 1Q16 was US$ 8,224 vs. US$ 8,910 in 1Q15, an 8% decrease compared to 1Q15, mainly due to cost per ton treated reductions in the mine, parcially offset by a lower production of refined tin in the quarter.

Pucamarca (Perú):

Table N°5. Pucamarca Operating Results

Pucamarca	Unit	1Q16	1Q15	Var (%)
Ore Treated	t	2,159,538	1,778,813	21%
Head Grade	g/t	0.46	0.64	-28%
Gold production (Au)	oz	33,517	28,778	16%
Cash Cost per Treated Ton	US$/t	3.5	4.4	-22%
Cash Cost per Ounce of Gold[4]	US$/oz Au	223	274	-18%

[2] Cash Cost per treated ore = San Rafael production costs / Treated Ore
[3] Cash Cost per ton of tin = (San Rafael and Pisco production costs + selling expenses + change in tin concentrates inventory, excluding employee profit sharing, depreciation and amortization) / (Tin Production, in tons, excluding the tons recovered when treating Pitinga's concentrate at Pisco)

In 1Q16, gold production reached 33,517 ounces, which represents a 16% increase compared to the same period of the previous year and is in line with expected production to reach annual guidance. In accordance with Pucamarca's geological and mine plan model, head grade was 0.46 g/t in 1Q16, 28% below 1Q15. The lower grade was offset by a higher volume of ore treated, due to the increase in the plant capacity.

Cash cost per treated ore at Pucamarca was US$ 3.5 in 1Q16 vs. US$ 4.4 in 1Q15, a 22% decrease, mainly as a result of higher volume of treated ore and lower costs in the period.

Cash cost per ounce of gold[4] in 1Q16 was US$ 223, a decrease of 18% compared to 1Q15. This decrease is explained by lower incurred costs in the period due to a higher productivity.

IV. CAPEX:

Table N°6. CAPEX

CAPEX	Unit	1Q16	1Q15	Var (%)
San Rafael	US$ M	6.0	1.6	267%
Pisco	US$ M	0.0	0.0	-87%
Pucamarca	US$ M	1.6	-0.1	-1581%
Other	US$ M	1.0	0.0	2511%
Total Capex	**US$ M**	**8.6**	**1.6**	**434%**

In 1Q16, capex was US$ 8.6 M, an increase of US$ 7 M compared to the same period of the previous year. In 1Q16 the major investments were:

- San Rafael: Construction of the Pre-Concentration Plant ("Ore Sorting" project) for the low grade ore stockpiled at the "Cancha 35".
- Pucamarca: Begin of the general trucks overhaul campaign and other investments to improve Pucamarca's productivity. During 1Q15 Pucamarca benefited from a money recovery corresponding to claims made to contractors.

[4] Cash Cost per ounce of gold = (Pucamarca production cost + selling expenses, excluding employee profit sharing, depreciation and amortization) / (Gold production in ounces)

V. FINANCIAL RESULTS:

Table N°7. Financial Statements

Financial Statements	Unit	1Q16	1Q15	Var (%)
Net Revenue	US$ M	107.3	133.5	-20%
Cost of Sales	US$ M	-53.7	-73.3	-27%
Gross Profit	**US$ M**	**53.7**	**60.2**	**-11%**
Selling Expenses	US$ M	-1.2	-1.7	-31%
Administrative Expenses	US$ M	-5.8	-7.7	-25%
Exploration & Project Expenses	US$ M	-3.7	-4.6	-19%
Other Operating Expenses, net	US$ M	-0.9	-1.7	-50%
Operating Income	**US$ M**	**42.1**	**44.5**	**-5%**
Finance Income (Expenses) and Others, net	US$ M	-7.4	-5.8	26%
Results from Subsidiaries and Associates	US$ M	-5.9	-31.5	-
Exchange Difference, net	US$ M	0.5	0.4	10%
Profit before Income Tax	**US$ M**	**29.3**	**7.6**	**-**
Income Tax Expense	US$ M	-9.9	-20.4	-51%
Net Income	**US$ M**	**19.4**	**-12.8**	**-**
Net Income Margin	%	18%	-10%	-
EBITDA	**US$ M**	**52.8**	**62.5**	**-16%**
EBITDA Margin	%	49%	47%	5%
Adjusted Net Income	**US$ M**	**24.8**	**18.3**	**35%**

a. Net revenue:

In 1Q16, net revenue reached US$ 107.3 M, a decrease of 20% (-US$ 26.2 M), compared to 1Q15. This decrease was mainly explained by lower tons of tin sold (-18%) and lower tin and gold average metal prices (-16% and -3%, respectively), partially offset by a higher volume of gold sold (16%).

Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	1Q16	1Q15	Var (%)
Tin	t	4,631	5,632	-18%
Gold	oz	26,949	23,275	16%

[5] In accordance with the IAS 8, the accounting adjustment associated to the implementation of the return of equity method to register the investment in subsidiaries and associated is treated as a change in an accounting policy, and therefore, the balances must be adjusted retroactively in the previous report.

Table N°9. Net revenue in US$ by product

Net Revenue in US$	Unit	1Q16	1Q15	Var (%)
Tin	US$ M	75.7	105.2	-28%
Gold	US$ M	31.6	28.4	11%
TOTAL	**US$ M**	**107.3**	**133.5**	**-20%**

b. Gross Profit:

Gross profit during 1Q16 was US$ 53.7 M, a 11% decrease (-US$ 6.5 M) compared to the same period of the previous year, mainly due to the lower average tin and gold prices in 1Q16 compared to 1Q15 and the lower tin volume sold (-18%).

c. Administrative Expenses:

Administrative expenses in 1Q16 were US$ 5.8 M, 25% lower than 1Q15, mainly due to cost savings measures implemented during 2015.

d. Exploration & Project Expenses:

In 1Q16, exploration & project expenses totaled US$ 3.7 M, a decrease of 19% compared to 1Q15 (US$ 0.9 M). This decrease is mainly due to optimization and prioritization of exploration projects at San Rafael surrounding areas.

e. EBITDA:

EBITDA in 1Q16 amounted to US$ 52.8 M, a decrease of 16% (-US$ 9.7 M) compared to 1Q15. This was mainly due to the lower tin volume sold and the lower average tin and gold prices in 1Q16 compared to 1Q15, partially offset by savings in administration and exploration expenses. Despite the lower average metal prices, the EBITDA margin reached 49%, greater than 1Q15's 47% margin.

f. Results from Subsidiaries and Associates:

Results from subsidiaries and associates impacted Minsur's individual results in US$ 5.9 M in 1Q16. However, this was an increase if US$25.6 M compared to 1Q15, period in which the Brazilian real devaluation had a major impact through exchange difference at Taboca.

g. Net Income and Adjusted Net Income:

Net income in 1Q16 reached US$ 19.4 M, an increase of US$ 32.1 M vs 1Q15, mainly due to better results from subsidiaries and associates, and the strong production costs reduction. Similarly, Adjusted net income reached US$ 24.8 M, a 32% increase vs 1Q15.

VI. LIQUIDITY:

As of March 31st, 2016, cash and cash equivalents totaled US$ 475 M, a decrease of 17% compared to US$ 575.5 M at the end of 2015. The cash reduction is explained by a transfer of funds to one of Minsur's subsidiaries for future investments (US$ 60 M) and a capital contribution directly to other subsidiaries for investments in the period. As to the financial debt level, total debt reached US$ 443.5 M, a 1% increase compared to the total debt recorded by the end of 2015. The net leverage reached -0.2x at the end of March, 2016 vs. -0.2x at the end of 2015.

Table N°10. Total Debt

Financial Ratios	Unit	dec-15	dec-14	Var (%)
Total Debt	US$ M	443.5	439.4	1%
Cash	US$ M	474.8	575.5	-17%
Net Debt	US$ M	-31.3	-136.1	-77%
Total Debt / EBITDA	x	2.2x	2.1x	6%
Net Debt / EBITDA	x	-0.2x	-0.7x	-76%