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

Lima, July 27, 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 second quarter of 2016 ("2Q16"). 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 2Q16 reached **4,960 tons,** a **1%** decrease compared to 2Q15, nevertheless in line with life of mine plan and annual production guidance.
  b. **Gold:** in 2Q16 reached **27,634 ounces, a decrease of 12%** compared to 2Q15 and also in line with life of mine plan and annual production guidance.
- **Cash Cost**
  a. San Rafael/Pisco: In 2Q16 cash cost per treated ton at San Rafael was **US$ 103**, 18% below the 2Q15 cash cost. Similarly, cash cost per refined ton of tin in 2Q16 was **US$7,893**, 11% below that of 2Q15.
  b. Pucamarca: In 2Q16, cash cost per treated ton was **US$ 4.1**, a 5% decrease compared to 2Q15. Similarly, cash cost per ounce of gold reached **US$ 296**/oz, a 6% increase compared to 2Q15.
- **Metal Price:**
  a. **Tin:** average metal price in 2Q16 was **US$ 16,934** per ton, **8%** increase compared to 2Q15.
  b. **Gold:** average metal price in 2Q16 was **US$ 1,259** per ounce, **5%** increase compared to 2Q15.
- **Net revenue: US$ 120.7 M** in 2Q16, **1%** below that in 2Q15 as a result of lower sales volume (-5% tin and -16% gold) mainly due to lower production, that could not be compensated by higher prices reached in the quarter.
- **Exploration and project expenses:** reached **US$ 3.4 M** in 2Q16, **a decrease of 55%** compared to 2Q15, mainly due to the optimization and prioritization of exploration efforts in the surroundings of San Rafael.
- **EBITDA: US$ 56.1 M** in 2Q16, **19%** increase compared to 2Q15. EBITDA margin in 2Q16 was 46% vs 38% in 2Q15, due to higher prices and lower costs at San Rafael and Pucamarca.
- **Net income:** reached **US$ 21.0 M** in 2Q16, a 51% increase compared to 2Q15.
- **Adjusted net income**[1]: Excluding results from subsidiaries and associates and exchange difference, adjusted net income reached **US$ 28.8 M**, a **110%** increase vs 2Q15.
- **Hedging Operations:** Derivatives (zero cost collars) were executed for 24,000 oz of gold from July to December (4,000 oz per month) setting a floor price of US$1,250/oz and a cap of US$1,420/oz).

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

Table N° 1: Operating & Financial Highlights

Highlights	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Production							
Tin (Sn)	t	4,960	5,019	-1%	9,281	9,794	-5%
Gold (Au)	oz	27,634	31,539	-12%	61,152	60,318	1%
Financial Results							
Net Revenue	US$ M	120.7	122.1	-1%	228.1	255.6	-11%
EBITDA	US$ M	56.1	47.0	19%	108.9	109.5	-1%
EBITDA Margin	%	46%	38%	21%	48%	43%	11%
Net Income	US$ M	21.0	13.9	51%	40.4	1.1	-
Adjusted Net Income[1]	US$ M	28.8	13.7	110%	53.7	32.1	67%

II. MAIN CONSIDERATIONS:

a. Average metal prices:

Average Tin (Sn) Price in 2Q16 was US$ 16,934 per ton, which represents an increase of 8% compared to the same period of the year 2015.

Average Gold (Au) Price in 2Q16 was US$1,259 per ounce, a 5% increase compared to the same period of the previous year.

Table N° 2: Average metal prices

Average Metal Prices	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Tin	US$/t	16,934	15,630	8%	16,244	17,009	-4%
Gold	US$/oz	1,259	1,194	5%	1,220	1,206	1%

Source: Bloomberg

b. Exchange rate:

The Peruvian Sol average exchange rate for the 2Q16 was S/. 3.32 per US$1, compared to S/. 3.14 per US$1 in 2Q15, which represents a depreciation of 6% for the Peruvian Sol.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
PEN/USD	S/.	3.32	3.14	6%	3.38	3.10	9%

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	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Ore Treated	t	270,471	261,885	3%	497,230	497,344	0%
Head Grade	%	2.03	2.09	-3%	2.06	2.12	-3%
Tin production (Sn) - San Rafael	t	4,573	4,954	-8%	8,847	9,530	-7%
Tin production (Sn) - Pisco	t	4,960	5,019	-1%	9,281	9,794	-5%
Cash Cost per Treated Ton[2] - San Rafael	US$/t	103	126	-18%	109	136	-20%
Cash Cost per Ton of Tin[3]	US$/t Sn	7,893	8,880	-11%	8,048	8,895	-10%

In 2Q16, tin production reached 4,960 tons, which represents a decrease of 1% compared to the same period of the previous year. This was mainly explained by a decrease in ore head grade, from 2.09% in 2Q15 to 2.03% in 2Q16, partially offset by (i) higher volume of ore treated (+3%) due to the beginning of operations of the Ore Sorting plant, which treats lower grade ore, and (ii) to reductions in concentrates stocks at Pisco.

Cash cost per treated ton[2] at San Rafael in 2Q16 was US$ 103 vs. US$ 126 in 2Q15, resulting in 18% 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 underground tunneling. It is worth mentioning that starting 2Q16, cash cost per treated ton includes tons treated in the pre-concentration ore sorting plant. Cash cost per treated ton is in line with plan to reach annual guidance.

Cash cost per ton of tin[3] in 2Q16 was US$ 7,893 vs. US$ 8,880 in 2Q15, a decrease of 11% compared to 2Q15, mainly due to cost per ton treated reductions in the mine, partially offset by a slightly lower production of refined tin in the quarter.

Pucamarca (Perú):

Table N°5. Pucamarca Operating Results

Pucamarca	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Ore Treated	t	2,002,630	2,057,830	-3%	4,162,168	3,836,643	8%
Head Grade	g/t	0.50	0.60	-17%	0.48	0.62	-22%
Gold production (Au)	oz	27,634	31,539	-12%	61,152	60,318	1%
Cash Cost per Treated Ton	US$/t	4.1	4.3	-5%	3.8	4.4	-14%
Cash Cost per Ounce of Gold[4]	US$/oz Au	296	280	6%	256	277	-8%

[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 2Q16, gold production reached 27,634 ounces, which represents a 12% decrease compared to the same period of the previous year and is in line with annual production guidance. In accordance with Pucamarca's geological and mine plan model, head grade was 0.50 g/t in 2Q16, 17% below 2Q15. Ore treated in 2Q16 was 3% below that in 2Q15, in line with our annual plan.

Cash cost per treated ore at Pucamarca was US$ 4.1 in 2Q16 vs. US$ 4.3 in 2Q15, a 5% decrease, mainly as a result lower costs in the period, partially offset by a lower volume of treated ore.

Cash cost per ounce of gold[4] in 2Q16 was US$ 296, an increase of 6% compared to 2Q15. This decrease is explained by the lower gold production in 2Q16, partially compensated by lower cash cost per treated ton.

IV. CAPEX:

Table N°6. CAPEX

CAPEX	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
San Rafael	US$ M	8.4	2.6	226%	14.4	4.1	253%
Pisco	US$ M	0.1	0.2	-31%	0.1	0.2	-44%
Pucamarca	US$ M	1.3	0.4	244%	2.9	0.3	960%
Other	US$ M	0.7	0.0	1607%	1.7	0.1	2050%
Total Capex	**US$ M**	**10.5**	**3.1**	**234%**	**19.1**	**4.6**	**313%**

In 2Q16, capex was US$ 10.5 M, an increase of US$ 7.4 M compared to the same period of the previous year. In 2Q16 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: General trucks overhaul campaign and other investments to improve Pucamarca's productivity.

[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	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Net Revenue	US$ M	120.7	122.1	-1%	228.1	255.6	-11%
Cost of Sales	US$ M	-62.3	-69.1	-10%	-116.0	-142.4	-19%
Gross Profit	**US$ M**	**58.4**	**53.0**	**10%**	**112.1**	**113.2**	**-1%**
Selling Expenses	US$ M	-1.1	-1.7	-35%	-2.3	-3.4	-33%
Administrative Expenses	US$ M	-8.3	-9.5	-13%	-14.1	-17.2	-18%
Exploration & Project Expenses	US$ M	-3.4	-7.6	-55%	-7.1	-12.2	-42%
Other Operating Expenses, net	US$ M	-0.9	-0.2	459%	-1.8	-1.9	-6%
Operating Income	**US$ M**	**44.7**	**34.1**	**31%**	**86.9**	**78.6**	**11%**
Finance Income (Expenses) and Others, net	US$ M	-8.1	-6.7	22%	-15.5	-12.5	24%
Results from Subsidiaries and Associates	US$ M	-7.7	0.5	-	-13.6	-31.0	-56%
Exchange Difference, net	US$ M	-0.1	-0.4	-65%	0.3	0.0	579%
Profit before Income Tax	**US$ M**	**28.8**	**27.5**	**4%**	**58.1**	**35.1**	**65%**
Income Tax Expense	US$ M	-7.8	-13.7	-43%	-17.7	-34.0	-48%
Net Income	**US$ M**	**21.0**	**13.9**	**51%**	**40.4**	**1.1**	**-**
Net Income Margin	%	17%	11%	53%	18%	0%	-
EBITDA	**US$ M**	**56.1**	**47.0**	**19%**	**108.9**	**109.5**	**-1%**
EBITDA Margin	%	46%	38%	21%	48%	43%	11%
Adjusted Net Income	**US$ M**	**28.8**	**13.7**	**110%**	**53.7**	**32.1**	**67%**

a. Net revenue:

In 2Q16, net revenue reached US$ 120.7 M, a decrease of 1% (-US$ 1.4 M), compared to 2Q15. This decrease was mainly explained by lower volume of tin (-5%) and gold (-16%) sales, partially offset by higher tin and gold prices (+8% and +5%, respectively).

Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Tin	t	4,714	4,948	-5%	9,345	10,581	-12%
Gold	oz	30,218	36,140	-16%	57,167	59,415	-4%

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

Net Revenue in US$	Unit	2Q16	2Q15	Var (%)	6M16	6M15	Var (%)
Tin	US$ MM	82.4	78.4	5%	158.1	183.5	-14%
Gold	US$ MM	38.3	43.7	-12%	69.9	72.1	-3%
TOTAL	**US$ MM**	**120.7**	**122.1**	**-1%**	**228.1**	**255.6**	**-11%**

b. Gross Profit:

[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.

Gross profit during 2Q16 reached US$ 58.4 M, a 10% increase (US$ 5.4 M) compared to the same period of the previous year, mainly due to production cost savings and improved productivity at San Rafael and Pucamarca.

c. Administrative Expenses:

Administrative expenses in 2Q16 were US$ 8.7 M, 8% lower than 2Q15, mainly due to cost savings measures implemented during 2015.

d. Exploration & Project Expenses:

In 2Q16, exploration & project expenses totaled US$ 3.4 M, a decrease of 55% (US$ 4.2 M) compared to 2Q15. This decrease is mainly due to optimization and prioritization of exploration efforts at San Rafael surrounding areas.

e. EBITDA:

EBITDA in 2Q16 amounted to US$ 56.1 M, an increase of 19% (US$ 9.1 M) compared to 2Q15. This was mainly due to higher gross profit and consolidation of savings in Administration and Exploration & Projects expenses.

f. Results from Subsidiaries and Associates:

Results from subsidiaries and associates impacted Minsur's individual results in -US$ 7.7 M in 2Q16, due to the losses recorded in our associate companies during the quarter.

g. Net Income and Adjusted Net Income:

Net income in 2Q16 reached US$ 21.0 M, an increase of 51% (US$ 7.1 M) vs 2Q15, mainly due to better results in our operations. Similarly, Adjusted net income reached US$ 28.8 M, an 11% increase vs 2Q15.

VI. LIQUIDITY:

As of June 30, 2016, cash and cash equivalents totaled US$ 519.6 M, a 10% decrease 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), it is important to mention that these funds are part of Minsur Consolidated Financial Statements; and a capital contribution directly to other subsidiaries for investments in the period. As to the financial debt level, total debt reached US$ 439.7 M, in line with the total debt recorded by the end of 2015. The net leverage reached -0.4x at the end of June, 2016 vs. -0.7x at the end of 2015.

Table N°10. Total Debt

Financial Ratios	Unit	jun-16	dic-15	Var (%)
Total Debt	US$ M	439.7	439.4	0%
Cash	US$ M	519.6	575.5	-10%
Net Debt	US$ M	-79.9	-136.1	-41%
Total Debt / EBITDA	x	2.1x	2.1x	1%
Net Debt / EBITDA	x	-0.4x	-0.7x	-41%