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

Lima, February 14, 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 third quarter of 2016 ("4Q16"). These results are reported in accordance with International Financial Reporting Standards (IFRS) and are expressed in U.S. dollars (US$), unless otherwise mentioned.

2016 was a year of important milestones; Minsur accomplished positive operating results and achieved many proposed goals for the period, such as:

- Safety: No fatal accidents and the least number of LTI's in our history
- Operations: Tin and gold production above guidance
- Projects: Implementation of our Ore-sorting project
- Explorations: Increasing of Resources at San Rafael
- Costs: Pucamarca's consolidation as one of the most profitable gold mines in the world.
- M&A: Acquisition of 30% of Marcobre. Minsur now owns 100% of the project.

2016 was marked by positive operating results despite the lower tin and gold head grades registered at San Rafael and Pucamarca, respectively. In addition, tin and gold metal prices were higher, allowing us to obtain better financial results and to preserve a strong cash position.

Due to the unfavorable price scenario in 2015, the management focused on improving productivity and reducing costs and expenses in all operations in order to preserve financial margins in a low price scenario and capitalize on higher price scenarios should they occur.

In terms of income, net revenue reached US$ 105.9 M in 4Q16 and US$ 356.3 M in 2016, which represents an increase of 21% and 3% compared to the same period of the previous year, respectively, reflecting the impact of a higher tin price, partially offset by the lower tin production because of the lower head grades.

Due to the higher prices and as a result of our efforts in cost reduction plans, a constant search of improvement in productivity and reduction of expenses, Minsur reached an EBITDA margin of 49% in 4Q16 and 50% in 2016 and a EBITDA of US$ 65.9 M and US$ 246.8 M, respectively. These results reflect the strong financial position in the assets that Minsur operates in Peru. Similarly, net revenue reached US$ 40.1 M in 4Q16 and US$ 89.5 M in 2016.

I. OPERATING RESULTS AND FINANCIAL HIGHLIGHTS:

- **Production:**
  a. **Tin: 5,023 tons** in 4Q16**, a 20% decrease** compared to 4Q15. Cumulative production reached **19,573 tons**, above guidance (19,000 – 19,500 tons)

b. **Gold: 19,551 ounces** in 4Q16**, a decrease of 28%** compared to 4Q15, in line with the years' production plan. Cumulative production reached **105,659 ounces**, also above guidance (95,000 – 105,000 ounces).

- **Cash Cost per treated ton**
  - **a. San Rafael/Pisco: US$ 68** in 4Q16, **43% below** the 4Q15 cash cost. Similarly, cash cost per treated ton in 2016 was **US$ 82**, **36% below** 2015.
  - **b. Pucamarca:** In 4Q16, cash cost per treated ton was **US$ 6.2**, a **32% increase** compared to 4Q15 due to less tons put on PAD in December. Similarly, cash cost per treated ton in 2016 reached **US$ 4.3/oz.**, **vs US$ 4.2** in 2015.
- **Metal Price:**
  - a. **Tin:** average metal price in 4Q16 was **US$ 20,911** per ton, representing a **39% increase** compared to 4Q15. In 2016, the average metal price was **US$ 18,009** per ton, a **12% increase** compared to 2015.
  - b. **Gold:** average metal price in 4Q16 was **US$ 1,216** per ounce, representing a **10% increase** compared to 4Q15. In 2016, the average metal price was **US$ 1,248** per ounce, an **8% increase** compared to 2015.
- **EBITDA: US$ 65.9 M** in 4Q16, **34% increase** compared to 4Q15. EBITDA margin in 4Q16 was 49% vs 40% in 4Q15, mainly due to higher prices and operative cost reductions at San Rafael. In 2016, EBITDA was **US$ 246.8 M**, a **19% increase** compared to 2015, with EBITDA margin of 50% vs 42% in 2015.
- **Net income:** reached **US$ 40.1 M** in 4Q16 vs a loss of US$ 397.7 MM in 4Q15, mainly due to Marcobre's impairment adjust made in December 2015. Similarly, in 2016 net revenue reached **US$ 89.5 M** vs a loss of **US$ 421.8 M** in 2015.
- **Adjusted net income**[1]: Excluding results from subsidiaries and associates and exchange difference, adjusted net income reached **US$ 30.8 M**, a **47% increase** compared to 4Q15. In 2016, adjusted net income was US$ 117.7 M vs US$ 64.9 M in 2015.
- **Hedging Operations:** During 2016, the Company held derivatives (zero cost collars) for 24,000 oz. of gold from July to December (4,000 oz. per month) with a floor price of US$ 1,250/oz. and a cap of US$ 1,420/oz. and for 3,200 tons of tin (800 tons per month) from September to December with a floor price of US$ 17,000/t and caps up to US$ 19,500/t. The net loss of these derivatives was US$ 3.5 M in 4Q16 and US$ 3.8 M in 2016.

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

Table N° 1: Operating & Financial Highlights

Highlights	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Production							
Tin (Sn)	t	5,023	6,300	-20%	19,573	20,224	-3%
Gold (Au)	oz	19,551	27,141	-28%	105,659	120,924	-13%
Financial Results							
Net Revenue	US$ M	134.7	122.7	10%	489.6	487.3	0%
EBITDA	US$ M	65.9	49.2	34%	246.8	207.0	19%
EBITDA Margin	%	49%	40%	22%	50%	42%	19%
Net Income	US$ M	40.1	-397.7	-	89.5	-421.8	-
Adjusted Net Income[1]	US$ M	30.8	21.2	45%	117.7	64.9	81%

II. MAIN CONSIDERATIONS:

a. Average metal prices:

Average Tin (Sn) Price in 4Q16 was US$ 20,911 per ton, an increase of 39% compared to the same period of the previous year. In 2016, the average tin price was US$ 18,009 per ton, a 12% increase compared to 2015.

Average Gold (Au) Price in 4Q16 was US$ 1,216 per ounce, an increase of 10% compared to the same period of the previous year. In 2016, the average gold price was US$ 1,248 per ounce, an 8% increase compared to 2015.

Table N° 2: Average metal prices

Average Metal Prices	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Tin	US$/t	20,911	15,096	39%	18,009	16,069	12%
Gold	US$/oz	1,216	1,104	10%	1,248	1,160	8%

Source: Bloomberg

b. Exchange rate:

The Peruvian Sol average exchange rate for the 4Q16 was S/. 3.39 per US$ 1, compared to S/. 3.32 per US$ 1 in 4Q15, which represents a depreciation of 2% for the Peruvian Sol. In 2016, the average exchange rate was S/. 3.37 per US$ 1, an increase of 6% compared to 2015.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
PEN/USD	S/.	3.39	3.32	2%	3.37	3.19	6%

Source: Banco Central de Reserva del Perú

III. OPERATING MINING RESULTS:

a. San Rafael – Pisco (Perú):

Table N° 4: San Rafael - Pisco Operating Results

San Rafael - Pisco	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Ore Treated	t	488,889	285,797	71%	1,434,808	1,047,145	37%
Head Grade	%	1.80	1.96	-8%	1.97	2.05	-4%
Tin production (Sn) - San Rafael	t	4,828	5,129	-6%	18,789	19,511	-4%
Tin production (Sn) - Pisco	t	5,023	6,300	-20%	19,573	20,224	-3%
Cash Cost per Treated Ton[2] - San Rafael	US$/t	68	119	-43%	82	127	-36%
Cash Cost per Ton of Tin[3]	US$/t Sn	8,906	7,720	15%	8,139	8,461	-4%

In 4Q16, tin production reached 5,023 tons, a 20% decrease compared to the same period of the previous year. In 2016, tin production reached 19,573 tons, a 3% decrease compared to 2015. This is mainly explained by the start-up of the Ore Sorting plant that treats low grade ore and the lower head grade coming from the mine according to San Rafael's depletion.

Cash cost per treated ton[2] at San Rafael in 4Q16 was US$ 68 vs. US$ 119 in 4Q15, a reduction of 43%. It is relevant to note that this period cash cost per ton includes, unlike 2015, the low grade ore being fed to the pre-concentration Ore Sorting plant (293,565 tons), plus 195,324 tons treated at the main concentration plant coming from the mine itself. This effect is temporary because the low grade ore located at "Cancha 35" that is being used at the Ore Sorter will be consumed by 2017. Also, in 2016 the cash cost per treated ton reached US$ 82, a decrease of 36% compared to 2015.

Cash cost per ton of tin[3] in 4Q16 was US$ 8,906 vs. US$ 7,720 in 4Q15, a 15% increase compared to 4Q15, mainly due to lower tin production levels and partially offset by cost reductions in the plant. Also, in 2016, cash cost per ton of tin was US$ 8,139 vs. US$ 8,461 in 2015.

[2] Cash Cost per treated ton = San Rafael production costs / (Tons of Ore treated at Concentration + Tons of Ore treated at Pre-Concentration)

[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)

b. **Pucamarca (Perú)**

Table N°5. Pucamarca Operating Results

Pucamarca	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Ore Treated	t	1,483,608	1,943,151	-24%	7,692,322	7,970,675	-3%
Head Grade	g/t	0.54	0.57	-5%	0.50	0.60	-17%
Gold production (Au)	oz	19,551	27,141	-28%	105,659	120,924	-13%
Cash Cost per Treated Ton	US$/t	6.2	4.7	32%	4.3	4.2	1%
Cash Cost per Ounce of Gold[4]	US$/oz Au	470	335	40%	313	280	12%

In 4Q16, gold production reached 19,551 ounces, a 28% decrease compared to the same period of the previous year, mainly due to the lower production in December. In accordance with Pucamarca's geological and mine plan model, head grade was 0.54 g/t in 4Q16, 5% below 4Q15; in the same way, head grade was 0.50 g/t in 2016, 17% below 2015. Also, in 2016, gold production reached 105,659 ounces, a decrease of 13% compared to 2015. Nevertheless, this production level is higher than the declared annual production guidance.

Cash cost per treated ton at Pucamarca was US$ 6.2 in 4Q16 vs. US$ 4.7 in 4Q15, a 10 % increase, mainly as a result of a lower volume of treated ore, in accordance with the mining plan parameters; while in 2016, cash cost per treated ton was US$ 4.3, just a slightly variation with the previous year (US$ 4.2).

Cash cost per ounce of gold[4] in 4Q16 was US$ 470, an increase of 40% compared to 4Q15. In 2016, cash cost per ounce of gold was US$ 313, an increase of 12% compared to 2015. These increases were explained by the lower gold production and the higher cash cost per treated ton. This rise in the cash cost responds to the lower head grade expected in the mining plan.

IV. CAPEX:

Table N°6. CAPEX

CAPEX	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
San Rafael	US$ M	5.9	12.0	-51%	26.0	20.1	29%
Pisco	US$ M	-0.9	0.4	-	1.0	1.0	-4%
Pucamarca	US$ M	1.6	4.6	-65%	7.4	7.1	4%
Other	US$ M	0.2	0.5	-65%	2.0	0.6	247%
Total Capex	**US$ M**	**6.8**	**17.5**	**-61%**	**36.4**	**28.9**	**26%**

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

In 4Q16, capex was US$ 6.8 M, an increase of US$ 10.7 M compared to the same period of the previous year. While in 2016, capex reached US$ 36.4 M, an increase of 26% compared to 2015. In 2016 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.

V. FINANCIAL RESULTS:

Table N°7. Financial Statements

Financial Statements	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Net Revenue	US$ M	134.7	122.7	10%	489.6	487.3	0%
Cost of Sales	US$ M	-62.3	-71.4	-13%	-234.0	-278.7	-16%
Gross Profit	**US$ M**	**72.4**	**51.2**	**41%**	**255.6**	**208.7**	**23%**
Selling Expenses	US$ M	-0.8	-1.5	-48%	-4.1	-6.3	-36%
Administrative Expenses	US$ M	-6.2	-6.6	-7%	-27.8	-28.9	-4%
Exploration & Project Expenses	US$ M	-6.9	-8.6	-20%	-15.7	-26.6	-41%
Other Operating Expenses, net	US$ M	-1.2	-1.5	-16%	-4.6	-4.6	1%
Operating Income	**US$ M**	**57.3**	**33.0**	**74%**	**203.5**	**142.3**	**43%**
Finance Income (Expenses) and Others, net	US$ M	-5.7	-8.1	-29%	-27.0	-27.8	-3%
Results from Subsidiaries and Associates	US$ M	8.8	-416.8	-	-28.4	-484.3	-94%
Exchange Difference, net	US$ M	0.6	-2.1	-	0.2	-2.4	-
Profit before Income Tax	**US$ M**	**60.9**	**-394.0**	**-**	**148.3**	**-372.2**	**-140%**
Income Tax Expense	US$ M	-20.8	-3.7	460%	-58.8	-49.7	18%
Net Income	**US$ M**	**40.1**	**-397.7**	**-**	**89.5**	**-421.8**	**-**
Net Income Margin	%	30%	-324%	-	18%	-87%	-
EBITDA	**US$ M**	**65.9**	**49.2**	**34%**	**246.8**	**207.0**	**19%**
EBITDA Margin	%	49%	40%	22%	50%	42%	19%
Adjusted Net Income	**US$ M**	**30.8**	**21.2**	**45%**	**117.7**	**64.9**	**81%**

a. Net revenue:

In 4Q16, net revenue reached US$ 134.7 M, an increase of 10% (+US$ 12.1 M) compared to 4Q15. This increase is mainly explained by higher tin and gold prices (+39% and +10%, respectively), partially offset by lower sold volumes of tin (-10%) and gold (-27%). In 2016, net revenue was US$ 489.6 M, US$ 2.3 M more than the previous year, also explained by higher tin and gold prices (+12% and 8%, respectively), and partially offset by lower sold of both tin and gold, -9% and -12% respectively.

Adjusted Net Income = Net income excluding Results from Subsidiaries and Associates and Exchange Difference, net

Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Tin	t	5,126	5,704	-10%	19,192	21,056	-9%
Gold	oz	22,927	31,573	-27%	105,694	119,649	-12%

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

Net Revenue in US$	Unit	4Q16	4Q15	Var (%)	2016	2015	Var (%)
Tin	US$ M	105.9	87.2	21%	356.3	347.0	3%
Gold	US$ M	28.8	35.1	-18%	133.3	140.0	-5%
TOTAL	**US$ M**	**134.7**	**122.4**	**10%**	**489.7**	**487.0**	**1%**

b. Gross Profit:

Gross profit during 4Q16 reached US$ 72.4 M, a 41% increase (US$ 21.2 M) compared to the same period of the previous year. While in 2016, gross profit was US$ 255.6 M, US$ 21.2 more than the previous year, mainly due to production cost savings, improved productivity at San Rafael and Pucamarca and higher tin and gold prices during the year.

c. Administrative Expenses:

Administrative expenses in 4Q16 were US$ 6.2 M, 7% lower than 4Q15 according to the expected. In 2016, these expenses were US$ 27.8 M, a decrease of 4% compared to 2015.

d. Exploration & Project Expenses:

In 4Q16, exploration & project expenses totaled US$ 6.9 M, a decrease of 20% (US$ 1.7 M) compared to 4Q15. Also, in 2016, these expenses reached US$ 15.7 M, US$ 10.9 M less than 2015. This decrease is mainly due to optimization and prioritization of exploration efforts at San Rafael surrounding areas.

e. EBITDA:

EBITDA in 4Q16 amounted to US$ 65.9 M, an increase of 34% (US$ 16.7 M) compared to 4Q15. This was mainly due to higher gross profit as well as optimization in Explorations & Projects expenses. The EBITDA margin in 4Q16 reached 49% vs 40% in 4Q15. The cumulative EBITDA reached US$ 246.8 M vs US$ 207.0 M obtained in the same period of the previous year.

f. Results from Subsidiaries and Associates:

Results from subsidiaries and associates have impacted Minsur’s individual results in US$ 8.8 M in 4Q16, due to the losses recorded in our associate companies during the quarter. While in 2016, these impacts were negative by US$ 28.4 M vs US$ 455.9M recorded in 2015. These losses don’t have an impact on the company's cash flow.

g. Net Income and Adjusted Net Income:

Net income in 4Q16 reached US$ 40.1 M, an increase of US$ 437.9 M compared to 4Q15, mainly due to Marcobre's impairment adjust made in December 2015. Similarly, the adjusted net income reached US$ 30.8 M, a 45% increase vs 4Q15. In 2016 the cumulative Net Income reached US$ 89.5 M, an increase of US$ 511.3 M compared to 2015 explained by the same reason of the quarterly variation, while the adjusted net income reached US$ 117.7 M vs US$ 64.9 M in 2015, reflecting our improve operations productivity and a cash cost optimization executed during 2016.

VI. LIQUIDITY:

As of December 31, 2016, cash and cash equivalents totaled US$ 512.2 M, an 11% decrease compared to the 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 the acquisition of the remaining 30% equity in the Marcobre project. Likewise, a capital contribution was made directly to other subsidiaries for investments in the quarter (US$ 25 M). Regarding the debt level, total financial debt reached US$ 439.6 M, in line with the total debt recorded by the end of 2015. The net leverage ratio reached -0.3x as of December 2016 vs. -0.7x at the end of 2015.

Table N°10. Total Debt

Financial Ratios	Unit	dic-16	dic-15	Var (%)
Total Debt	US$ M	439.6	439.4	0%
Cash	US$ M	512.2	575.5	-11%
Net Debt	US$ M	-72.6	-136.1	-47%
Total Debt / EBITDA	x	1.8x	2.1x	-16%
Net Debt / EBITDA	x	-0.3x	-0.7x	55%