

## MINSUR S.A. : MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER OF THE YEAR 2014

Lima, April 30<sup>th</sup>, 2014 – MINSUR S.A. and subsidiaries (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 the year 2014. 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:

- **Tin production increased 21% (+1,200 TM)** in the 1Q 2014 compared to the 1Q 2013.
- Sales increased **14% (+US\$ 27 Million)**.
- Decrease of **3%** in **administrative expenses**.
- Increase of **54%** in **exploration expenses**, mainly in surrounding areas next to the existing operations.

**Table N° 1: Summary of operating and financial results**

Operating Results				
Summary Results	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Tin (Sn)	TM	6,968	5,768	21%
Gold (Au)	Oz	28,398	29,923	-5%
Financial Results				
Summary Results	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Net Sales	US\$ MM	218.0	191.4	14%
Gross Profit	US\$ MM	125.6	127.6	-2%
Administrative Expenses	US\$ MM	-7.6	-7.9	-3%
Exploration Expenses	US\$ MM	-2.5	-1.6	54%
Adjusted EBITDA <sup>(1)</sup>	US\$ MM	124.2	129.1	-4%
Adjusted EBITDA Margin	%	57%	67%	-16%
Net Profit	US\$ MM	66.4	70.6	-6%

<sup>1</sup> Adjusted EBITDA = Operating Income + Depreciation and Amortization

## II. MAIN CONSIDERATIONS:

### a. Average metal prices:

Average Tin (Sn) Price in 1Q 2014 was US\$ 22,641 per TM, which represents a decrease of 6% compared to the same period in 2013.

Average Gold (Au) Price in the 1Q 2014 was US\$1,292 per ounce, a 21% decrease compared to the same period of the previous year.

**Table N° 2: Average metal prices**

Average Metal Prices	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Tin	US\$/TM	22,641	24,125	-6%
Gold	US\$/Oz	1,292	1,632	-21%

Source: Bloomberg

### b. Exchange rate:

The Peruvian Nuevo Sol average exchange rate for the 1Q 2014 closed at S/. 2.810, compared to S/. 2.574 in the 1Q 2013, which represents a depreciation of 9% for the Peruvian Nuevo Sol. (Source: Banco Central de Reserva del Perú)

## III. OPERATING MINING RESULTS:

### a. San Rafael – Pisco (Perú):

**Table N°3. San Rafael - Pisco Operating Results**

San Rafael - Pisco	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
<b>Operating results</b>				
Ore Treated	TM	245,950	220,835	11%
Tin production (Sn)	TM	6,968	5,768	21%
<b>Financial results</b>				
Net Sales	US\$ MM	185.2	153.8	20%
Ajusted EBITDA	US\$ MM	104.7	100.4	4%
Ajusted EBITDA Margin	%	57%	65%	-13%

In the 1Q 2014, Tin production reached 6,968 TM, which represents an increase of 21% compared to the same period of the previous year. This was mainly explained by i) an increase in treated ore in the 1Q 2014, which reached 245,950 TM (+11% when compared with the same period of the previous year); and, ii) an increase in the Pisco S&R production as a result of an inventory optimization plan. This was partially offset by a lower ore head grade (2.61% in 1Q 2014 vs. 2.83% in 1Q 2013).

Sales reached US\$ 185.2 million in the 1Q 2014, which represents an increase of 20% (+ US\$ 31.4 million) compared to the same period of the previous year. This was largely due to a 26% increase of the amount of Tin sold (7,927 versus 6,288 tons), which reflected a higher liquidation of Tin inventory in the 1Q 2014 compared to the 1Q 2013, partially offset by a 6% decrease of the average Tin price.

San Rafael – Pisco adjusted EBITDA reached US\$ 104.7 million in the 1Q 2014, an increase of 4% (+US\$ 4.3 million) compared to same period of the previous year. This was mainly due to a 20% increase of sales, partially offset by a 46% increase of the cost of sales, due to the higher liquidation of Tin inventory when compared to the same period of the previous year.

**b. Pucamarca (Perú):**

**Table N°4. Pucamarca Operating Results**

Pucamarca	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
<b>Operating results</b>				
Ore Treated	TM	1,326,591	1,747,119	-24%
Gold production (Au)	Oz	28,398	29,923	-5%
<b>Financial results</b>				
Net Sales	US\$ MM	32.8	37.6	-13%
Ajusted EBITDA	US\$ MM	19.5	28.7	-32%
Ajusted EBITDA Margin	%	59%	76%	-22%

In the 1Q 2014, Gold production reached 28,398 ounces, which represents a 5% decrease when compared to the same period of the previous year. This was mainly explained by: i) a decrease of 24% in ore treated, when compared to the 1Q 2013, and ii) a lower head grade (0.951 g/t in 1Q 2014 versus 1.138 g/t in 1Q 2013).

Pucamarca's sales reached US\$ 32.8 million in the 1Q 2014, which represents a 14% decrease compared to the sales of the same period in the previous year. This was due to the 21% decrease of the average gold price when compared to the 1Q 2013, partially offset by a 6% increase of the gold ounces sold in the 1Q 2014 (24,942 ounces versus 23,450 ounces).

Pucamarca's adjusted EBITDA reached US\$ 19.5 million in the 1Q 2014, a decrease of 32% (-US\$ 9.2 million) compared to same period of the previous year. This was mainly due to a 13% decrease of sales and a 42% increase of the cost of sales, mainly due to the increase of the production costs since the 1Q 2014 contemplates production for the three months, whereas the 1Q 2013 production costs just considered production for two months (Pucamarca started operations in February, 2013).

## IV. CAPEX:

Table N°5. CAPEX

CAPEX	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
San Rafael	US\$ MM	0.95	2.71	-65%
Pisco	US\$ MM	0.07	0.22	-67%
Pucamarca	US\$ MM	1.24	8.25	-85%
Other	US\$ MM	0.11	0.10	-14%
<b>Total Capex</b>	<b>US\$ MM</b>	<b>2.37</b>	<b>11.28</b>	<b>79%</b>

In 1Q 2014, capex was US\$ 2.37 million, a decrease of 79% compared with the same period of the previous year. This was mainly due to the investments made during the construction phase of the Pucamarca mine in 2013.

## V. FINANCIAL RESULTS:

Table N°6. Financial Statements

Financial Statements	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Net Sales	US\$ MM	218.0	191.4	14%
Cost of Sales	US\$ MM	-92.4	-63.8	45%
<b>Gross Profit</b>	<b>US\$ MM</b>	<b>125.6</b>	<b>127.6</b>	<b>-2%</b>
Selling Expenses	US\$ MM	-1.9	-2.0	-6%
Administrative Expenses	US\$ MM	-7.6	-7.9	-3%
Exploration Expenses	US\$ MM	-2.5	-1.6	54%
Other, net	US\$ MM	-1.6	-1.1	39%
<b>Operating Income</b>	<b>US\$ MM</b>	<b>112.0</b>	<b>115.0</b>	<b>-3%</b>
Other Income (Expenses)	US\$ MM	-4.5	-3.8	18%
<b>Profit before Income Tax</b>	<b>US\$ MM</b>	<b>107.5</b>	<b>111.2</b>	<b>-3%</b>
Income Tax Expense	US\$ MM	-41.1	-40.6	1%
<b>Net Profit</b>	<b>US\$ MM</b>	<b>66.4</b>	<b>70.6</b>	<b>-6%</b>
Net Profit Margin	%	30%	37%	-17%
<b>Adjusted EBITDA</b>	<b>US\$ MM</b>	<b>124.2</b>	<b>129.1</b>	<b>-4%</b>
Adjusted EBITDA Margin	%	57%	67%	-16%

### a. Sales:

In 1Q 2014, net sales reached US\$ 218 million, an increase of 14% (+US\$ 26.6 million), compared to 1Q 2013. This increase was mainly explained by: i) a 26% increase of Tin tones sold (7,927 versus 6,288 tones), which reflected a higher liquidation of tin inventory in the 1Q 2014 compared

to the 1Q 2013; and, ii) a 6% increase of gold ounces sold in the 1Q 2014 compared to the 1Q 2013 (24,942 versus 23,450 ounces).

This was partially offset by: i) a decrease of 6% in average tin price in the 1Q 2014 compared to the 1Q 2013; and, ii) a 21% decrease in average gold ounce price in the 1Q 2014 compared to the 1Q 2013.

**Table N°7. Sales Volume by product**

Sales Volume	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Tin	TM	7,927	6,288	26%
Gold	Oz	24,942	23,450	6%

**Table N°8. Sales in US\$ by product**

Sales in US\$	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Tin	US\$ MM	185.2	153.8	20%
Gold	US\$ MM	32.8	37.6	-13%
<b>TOTAL</b>	<b>US\$ MM</b>	<b>218.0</b>	<b>191.4</b>	<b>14%</b>

**b. Gross Profit:**

Gross profit during the 1Q 2014 reached US\$ 125.6 million, a 2% decrease when compared with the same period of the previous year; this was mainly due to a 45% increase of the cost of sales (-US\$ 28.6 million) as a result of i) higher cost of sales in San Rafael – Pisco because of higher sales volume; and, ii) higher cost of sales in Pucamarca associated to the 3 months production costs versus the two months production costs in the same period for the previous year (Pucamarca operation started in February, 2013). This was partially offset by a 14% increase of sales.

**c. Administrative Expenses:**

Administrative expenses in the 1Q 2014 were US\$ 7.6 million, a decrease of US\$ 0.27 million compared to the 1Q 2013. This was mainly a result of a reduction of third-party services.

**d. Exploration Expenses:**

In the 1Q 2014, exploration expenses totaled US\$ 2.5 million, an increase of US\$ 0.86 million compared with the 1Q 2013. This was mainly due to investments associated to the exploration in the areas surrounding San Rafael and Pucamarca.

**e. Adjusted EBITDA:**

Adjusted EBITDA in the 1Q 2014 reached US\$ 124.2 million, a decrease of 4% (-US\$ 4.9 million) compared with the 1Q 2013. This was mainly explained by: i) a lower EBITDA in Pucamarca as a result of a 13% decrease of sales and a 42% increase of cost of sales; and, ii) higher exploration expenses. These were partially offset by a higher EBITDA in San Rafael – Pisco as a result of a 20% increase of sales.

**VI. LIQUIDITY:**

As of March 31st, 2014, cash and cash equivalents totaled US\$ 445 million, an increase of 325% compared to US\$ 104.6 million at the end of the 1Q 2013. On January 31<sup>st</sup>, 2014, the company carry out an international bond issuance (“Senior Notes”) through a private placement under rule 144 A and Regulation S of the US Securities Act of 1993, with a nominal value of US\$450,000,000 due February 7<sup>th</sup>, 2024 at a coupon rate of 6.25%, resulting in an emission of under par bonds, resulting in a net revenue of US\$441,823,500. These funds were partially used in the prepayment of the US\$200,000,000 loan signed with Bank of Nova Scotia. The remaining funds will allow the company to finance future investments.

Total debt reached US\$ 443.1 million at the end of the 1Q 2014, a 119% increase when compared to the debt by the end of the 1Q 2013 (US\$ 202.4 million).

**Table N°9. Total Debt**

Net Debt	Unit	Jan - Mar 2014	Jan - Mar 2013	Var (%)
Total Debt	US\$ MM	443.1	202.4	119%
Cash	US\$ MM	445.0	104.6	325%
Net Debt	US\$ MM	-2.0	97.8	-102%
Total Debt / EBITDA	x	1.0x	0.5x	-98%
Net Debt / EBITDA	x	0.0x	0.2x	102%