# MINSUR S.A. AND SUBSIDIARIES ANNOUNCE CONSOLIDATED RESULTS FOR THE SECOND QUARTER OF 2016

Lima, August 12, 2016 – 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 consolidated results for the second quarter ("2Q16") and the first six months ("6M16") of 2016. These results are reported in accordance with International Financial Reporting Standards (IFRS) and are expressed in U.S. dollars (US$), unless otherwise indicated.

## I. OPERATING RESULTS AND FINANCIAL HIGHLIGHTS:

▪ **Production:**

- **Tin: 6,529 tons in 2Q16**, similar to that reported in 2Q15, in line with our mine plan and guidance for 2016.
- **Gold: 27,634 ounces in 2Q16**, 12**%** below that in 2Q15, in line with the Company's guidance and mine plan.
- **Niobium and tantalum alloys: 484 tons in 2Q16**, **21%** below that of 2Q15. We maintain our guidance of 2,000 to 2,200 tons of alloys in 2016.

▪ **Cash Cost per treated ton**:

- **San Rafael/Pisco: US$ 103 in 2Q16**, 18% lower than 2Q15. In terms of cash cost per refined ton of tin, the cash cost during 2Q16 was **US$ 7,893**, 11% lower than 2Q15.
- **Pucamarca:** In 2Q16, the cash cost per treated ton was **US$ 4.1**, 5% lower than 2Q15. In terms of cash cost per refined ounce of gold, the cash cost was **US$ 296/oz.,** 6% higher than 2Q15.
- **Pitinga: US$ 19.4 in 2Q16** vs. US$ 18.3 in 2Q15 (+6%), as a result of additional costs associated with power generation through diesel generators.

▪ **EBITDA: US$ 46.7 M** in 2Q16, **12%** higher than 2Q15. EBITDA margin in 2Q16 reached 30% vs 27% in 2Q15.

▪ **Net income: US$ 19.9 M in 2Q16 vs US$ 11.7 M in** 2Q15.

▪ **Adjusted net income[1]:** excluding investments in subsidiaries and associated entities, as well as the exchange rate difference in Peru and Brazil, adjusted net income reached **US$ 14.9 M** in 2Q16 vs an adjusted net loss of US$ -8.7 M in 2Q15.

▪ **Hedging Operations:**

- Gold: The Company entered into derivative contracts (zero cost collars) for 24,000 oz of gold from July to December 2016 (4,000 oz per month) setting a floor price of US$1,250/oz and a cap of US$1,420/oz).
- Tin: The Company entered into derivative contracts (forwards) for 3,150 tons from Taboca from August 2016 to March 2017 (450 tons per month from August – December 2016, and 300 tons per months from January-March 2017) at an average price of US$ 17,473 per ton.

[1] Adjusted net income = Net income excluding results from subsidiaries and associated entities, and net exchange rate differences.

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

| Highlights | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | |
| Tin (Sn) | t | 6,529 | 6,532 | 0% | 11,778 | 12,415 | -5% |
| Gold (Au) | oz | 27,634 | 31,539 | -12% | 61,152 | 60,318 | 1% |
| Alloys (NbTa) | t | 484 | 610 | -21% | 897 | 1,288 | -30% |
| **Financial Results** | | | | | | | |
| Net Revenue | US$ M | 154.8 | 156.4 | -1% | 281.8 | 326.6 | -14% |
| EBITDA | US$ M | 46.7 | 41.8 | 12% | 91.0 | 101.2 | -10% |
| EBITDA Margin | % | 30% | 27% | 13% | 32% | 31% | 4% |
| Net Income | US$ M | 19.9 | 11.7 | 69% | 38.7 | -3.4 | - |
| Adjusted Net Income[1] | US$ M | 14.9 | -8.7 | - | 28.9 | 0.4 | - |

## II. Main Considerations:

### a. Average metal prices:

- **Tin**: Average Tin (Sn) price in 2Q16 was US$ 16,934 per ton, which represents an increase of 8% compared to 2Q15. During 2Q16, the positive tin price trend, which started in January, continued. Higher prices are mainly explained by export restrictions in Indonesia, as a result of a formalization plan in its tin industry, and a decrease in Chinese production as a result of environmental inspections.
- **Gold:** Average Gold (Au) price remained at US$ 1,259 per ounce in 2Q16, a 5% increase compared to the same period of last year. During the 2Q16, gold price experienced a high volatility due to “BREXIT” expectations and worldwide conflicts.

### 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 average exchange rate in 2Q16 was S/. 3.32 per US$ 1, representing a 6% Peruvian Sol depreciation, compared to an average exchange rate of S/. 3.14 per US$ 1 during 2Q15.

The average exchange rate of the Brazilian real in 2Q16 was R$ 3.50 per US$ 1, which represents a depreciation of 14% compared to the average exchange rate during 2Q15 (R$ 3.07 per US$ 1).

### 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% |
| BRL/USD | R$ | 3.50 | 3.07 | 14% | 3.70 | 2.97 | 25% |

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 | 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 | 5,014 | 5,019 | 0% | 9,368 | 9,794 | -4% |
| 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 5,014 tons, in line with 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% 2Q16, partially offset by (i) higher volume of ore treated during 2Q16 (+3%) due to the start of operations of the pre-concentration plant operations to treat low-grade ore, and (ii) to a decrease of concentrated stock in Pisco. Nevertheless, tin production is in line with our production guidance for the quarter, as well as for the year.

Cash cost per treated ton[2] of San Rafael in 2Q16 was US$ 103 vs. US$ 126 in 2Q15, resulting in an 18% reduction, mainly due to cost savings and operating efficiency initiatives implemented during 2Q15. These include the implementation of four production hubs within the mine, which have allowed us to reduce mine developments in meters. It is important to mention that Cash cost per treated ton since this quarter includes the treated ton from the pre concentration plant. The cash cost per treated ton for the period is in line with our annual guidance.

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

[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)

## 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% |

In 2Q16, gold production reached 27,634 ounces, a 12% decrease compared to the same period of the previous year. In 6M16, gold production reached 61,152 ounces, in line with our annual production guidance. In accordance with Pucamarca's geological and mine plan model, head grade was 0.50 g/t in 2Q16, 17% lower than 2Q15.

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

Cash cost per ounce of gold[4] in 2Q16 was US$ 296, a 6% increase compared to 2Q15. This increase is mainly explained by lower gold production in 2Q16, partially offset by a lower cash cost per treated ton. The cash cost per ounce of gold in 6M16 reached US$ 256, an 8% compared to the same period last year.

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

## c. Pitinga - Pirapora (Taboca - Brazil):

**Table N ° 6. Pitinga – Pirapora Operating Results**

| Pitinga - Pirapora | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| Ore Treated | t | 1,587,101 | 1,466,289 | 8% | 3,074,820 | 2,981,216 | 3% |
| Head Grade - Sn | % | 0.21 | 0.20 | 1% | 0.20 | 0.20 | 1% |
| Head Grade - NbTa | % | 0.27 | 0.22 | 23% | 0.27 | 0.23 | 14% |
| Tin production (Sn) - Pitinga | t | 1,680 | 1,672 | 0% | 3,174 | 3,256 | -3% |
| Tin production (Sn) - Pirapora | t | 1,514 | 1,513 | 0% | 2,410 | 2,621 | -8% |
| Niobium and tantalum alloy production | t | 484 | 610 | -21% | 897 | 1,288 | -30% |
| Cash Cost per Treated Ton | US$/t | 19.4 | 18.3 | 6% | 19.1 | 17.7 | 8% |
| By-product credits Cash Cost per Ton of Tin[5] | US$/t Sn | 16,855 | 13,812 | 22% | 17,273 | 14,481 | 19% |

In 2Q16, refined tin production of Pitinga-Pirapora reached 1,514 tons, in line with 2Q15 production. At Pitinga, tin production reached 1,680 tons of contained metal, 8 tons higher than 2Q15.

In 2Q16, production of Niobium and Tantalum (alloys) was 484 tons, representing a reduction of 21% compared to the same period last year, due to lower production capacity utilization in Pitinga, as a result of the event in the hydroelectric power plant that occurred in August 2015.

Cash cost per treated ton at Pitinga in 2Q16 reached US$ 19.4 vs. US$ 18.3 in 2Q15 (+6%), this increase is explained by extraordinary expenses directly associated to temporary electricity generation using diesel generators.

By-product credit cash cost per ton of tin[5] in 2Q16 was US$ 16,855, representing an increase of 22% compared to 2Q15. The higher cost is explained by extraordinary expenses associated with diesel consumption, as well as lower production of niobium tantalum alloys.

In terms of our current projects at Pitinga, the reconstruction of the dike of the power plant dike continues as planned, and we expect to complete it during third 3Q16. Furthermore, the niobates flotation plant expansion project is expected to begin operations in 4Q16. This project will allow us to significantly increase the annual production of alloys at Pitinga by increasing the plant capacity to 4,400 tons per year.

[5] By-product credit cash cost per ton of tin = (Pitinga and Pirapora production cost + selling expenses + change in tin concentrate inventory, excluding depreciation and amortization – commercial value of niobium and tantalum alloy production) / (Tin production in tons)

## IV. CAPEX:

### Table N ° 7. CAPEX

| CAPEX | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| San Rafael - Pisco | US$ M | 8.5 | 2.8 | 207% | 14.5 | 4.3 | 233% |
| Pucamarca | US$ M | 1.3 | 0.4 | 244% | 2.9 | 0.3 | 960% |
| Pitinga - Pirapora | US$ M | 14.2 | 10.2 | 39% | 23.6 | 16.2 | 46% |
| Explorations and others | US$ M | 0.8 | 4.2 | -81% | 2.0 | 4.4 | -55% |
| **Total** | **US$ M** | **24.8** | **17.5** | **41%** | **42.9** | **25.2** | **71%** |

In 2Q16, CAPEX was US$ 24.8 M, representing an increase of 41% compared to 2Q15. The main investments during the period were:

- **San Rafael**: construction of Pre-Concentration Plant (Ore Sorting Project) to process low-grade ore that is currently stockpiled at the "Cancha 35" (US$ 6.1 M).
- **Pucamarca**: General truck maintenance program (US$ 0.2 M) and other productivity improvement investments (US$ 0.9 M).
- **Pitinga**: repairs of the hydroelectric generation plants dam (US$ 7.0 M), niobates flotation plant expansion project (US$ 2.5 M) and sustaining CAPEX (US$ 2.9 M).

## V. FINANCIAL RESULTS:

### Table N ° 8. Profit and loss statement

| Financial Statements | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| Net Revenue | US$ M | 154.8 | 156.4 | -1% | 281.8 | 326.6 | -14% |
| Cost of Sales | US$ M | -99.7 | -109.8 | -9% | -173.6 | -214.1 | -19% |
| **Gross Profit** | **US$ M** | **55.0** | **46.6** | **18%** | **108.2** | **112.5** | **-4%** |
| Gross Margin | % | 36% | 30% | 19% | 38% | 34% | 11% |
| Selling Expenses | US$ M | -1.6 | -2.2 | -27% | -3.1 | -4.3 | -28% |
| Administrative Expenses | US$ M | -11.9 | -14.0 | -15% | -20.8 | -25.0 | -17% |
| Exploration & Project Expenses | US$ M | -9.9 | -14.9 | -33% | -18.6 | -26.9 | -31% |
| Other Operating Expenses, net | US$ M | -1.4 | -0.7 | 87% | -6.3 | -3.7 | 70% |
| **Operating Income** | **US$ M** | **30.3** | **14.8** | **104%** | **59.4** | **52.7** | **13%** |
| Finance Income (Expenses) and Others, net | US$ M | -9.9 | -10.7 | -7% | -17.8 | -20.2 | -12% |
| Results from Subsidiaries and Associates | US$ M | -2.1 | 9.5 | - | -4.4 | 12.0 | - |
| Exchange Difference, net | US$ M | 7.0 | 11.0 | -36% | 14.2 | -15.8 | - |
| **Profit before Income Tax** | **US$ M** | **25.3** | **24.6** | **3%** | **51.3** | **28.7** | **-** |
| Income Tax Expense | US$ M | -5.4 | -12.8 | -58% | -12.6 | -32.1 | -61% |
| **Net Income** | **US$ M** | **19.9** | **11.7** | **69%** | **38.7** | **-3.4** | **-** |
| Net Income Margin | % | 13% | 8% | 71% | 14% | -1% | - |
| **EBITDA** | **US$ M** | **46.7** | **41.8** | **12%** | **91.0** | **101.2** | **-10%** |
| EBITDA Margin | % | 30% | 27% | 13% | 32% | 31% | 4% |
| **Adjusted Net Income** | **US$ M** | **14.9** | **-8.7** | **-** | **28.9** | **0.4** | **-** |

### a. Net revenue:

In 2Q16, net sales reached US$ 154.8 M, a 1% decrease (US$ 1.6 M) compared to the same period of last year. This decrease is explained by lower sales volume of gold, tin and alloys (-16%, -3%, and -26%, respectively) partially offset by an increase in tin and gold prices (8% and 5%, respectively). Lower sales volume of gold was due to lower production, explained in the operating results section; moreover, lower sales volume of alloys was a result of lower production at Pitinga in 2Q16.

**Table N ° 9. Volume sales by product**

| Net Revenue Volume | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| Tin | t | 6,213 | 6,408 | -3% | 11,740 | 13,263 | -11% |
| San Rafael - Pisco | t | 4,714 | 4,948 | -5% | 9,345 | 10,581 | -12% |
| Pitinga - Pirapora | t | 1,499 | 1,460 | 3% | 2,395 | 2,682 | -11% |
| Gold | oz | 30,218 | 36,140 | -16% | 57,167 | 59,415 | -4% |
| Niobium and Tantalum Alloy | t | 580 | 789 | -26% | 940 | 1,729 | -46% |

**Table N ° 10. Net Revenue in US$ by product.**

| Net Revenue in US$ | Unit | 2Q16 | 2Q15 | Var (%) | 6M16 | 6M15 | Var (%) |
|---|---|---|---|---|---|---|---|
| Tin | US$ M | 107.7 | 101.8 | 6% | 197.3 | 230.3 | -14% |
| San Rafael - Pisco | US$ M | 82.4 | 78.4 | 5% | 158.1 | 183.5 | -14% |
| Pitinga - Pirapora | US$ M | 25.3 | 23.5 | 8% | 39.2 | 46.8 | -16% |
| Gold | US$ M | 38.3 | 43.7 | -12% | 69.9 | 72.1 | -3% |
| Niobium and Tantalum Alloy | US$ M | 8.8 | 10.8 | -18% | 14.5 | 24.2 | -40% |
| **TOTAL** | **US$ M** | **154.8** | **156.4** | **-1%** | **281.8** | **326.6** | **-14%** |

### b. Gross Profit:

The cost of sales presented a 9% reduction compared to the same period last year. Gross profit in 2Q16 reached US$ 55.0 M, representing an 18% increase (US$ 8.4 M) compared to the same period last year, primarily due to lower costs during the period. Gross margin during 2Q16 reached 36%, compared to 30% in 2Q15.

### c. Administrative Expenses:

Administrative expenses in 2Q16 were US$ 11.9 M, a decrease of 15% (US$ 2.1 M), compared to the same period of the previous year. This is primarily explained by the cost-saving measures undertaken during 2015 and by the depreciation of local currencies (Brazilian Real and Peruvian Sol) against the US dollar.

### d. Exploration and project expenses:

In 2Q16, exploration and project expenses were US$ 9.9 M, a decrease of 33% (US$ 4.9 M) compared to 2Q15. This reduction is explained by an optimization and prioritization of expenditures in the execution of exploration projects in San Rafael´s surrounding areas and Mina Justa (Marcobre). It is important to highlight that in June, the pre-feasibility studies for both Mina Justa and B2 project were concluded, and advancing to feasibility approved. According to our accounting policies, future investments on these projects will be capitalized (Capex) and will be registered in the balance sheet starting in 3Q16.

**e. EBITDA:**

EBITDA in 2Q16 reached US$ 46.7 M, a 12% (US$ 4.9 M) increase compared to 2Q15. This increase was mainly explained by lower costs and savings in administrative, exploration and project expenses, in addition to an increase in tin and gold prices. As a result, EBITDA margin was 30%.

**f. Net income and adjusted net income:**

Net income in 2Q16 was US$ 19.9 M, an increase of 69% (US$ 8.1 M) compared to 2Q15. Excluding results from subsidiaries and associated companies, and the exchange difference, adjusted net income in 2Q16 was US$ 14.9 M vs a net loss of -US$ 8.7 M in 2Q15.

## VI. LIQUIDITY:

As of June 31, 2016, cash and cash equivalents reached US$ 582.6 M, 1% lower than at the close of 2015 (US$ 590.0 M). Regarding debt levels, financial obligations as of June 31, 2016 totaled US$ 534.2 M, a 2% reduction compared to 2015 (US$ 546.3 M). Net debt/EBITDA ratio reached -0.3 x as of June 31, 2016 vs -0.3 at the close of 2015.

**Table N ° 12. Net debt**

| Financial Ratios | Unit | jun-16 | dic-15 | Var (%) |
|---|---|---|---|---|
| Total Debt | US$ M | 534.2 | 546.3 | -2% |
| Cash | US$ M | 582.6 | 590.0 | -1% |
| Net Debt | US$ M | -48.4 | -43.7 | 11% |
| Total Debt / EBITDA | x | 3.9x | 3.7x | 5% |
| Net Debt / EBITDA | x | -0.3x | -0.3x | 19% |

## Conference call information

Minsur S.A. cordially invites you to participate to its 2Q16 earnings conference call

**Date and time:**
Tuesday, August 16, 2016
11:00 a.m. (New York time)
10:00 a.m. (Lima time)

**To participate, please dial:**
USA 1-800-311-9401
International (outside the USA dial) 1-334-323-7224
**Access code: 98214**

## COMPANY DESCRIPTION:

MINSUR was established in 1977, following the transformation of the Peruvian branch of the mining company, MINSUR Partnership Limited de Bahamas, called MINSUR Sociedad Limitada, which operated in Peru since 1966.

Mainly dedicated to exploration, exploitation and treatment of ore deposits, MINSUR is a leader in the international tin market. It has recently entered the gold market through the Pucamarca mine, which initiated operations in February 2013, the other two production units of the Company are the San Rafael mine and the Foundry and Refining Plant of Pisco.

MINSUR is also a majority shareholder of Minera Latinoamericana S.A.C., which is a main shareholder of Mineração Taboca S.A., a company that operates, in the State of Amazonas in Brazil, the Pitinga mine, where tin, Niobium and Tantalum are extracted. Taboca is also owner of the Pirapora Foundry Plant in Sao Paulo. Through its subsidiaries, Minera Latinoamericana S.A.C., owns the 73.9% of Melón, a leading Company in the production and commercialization of cement, concrete, mortar and aggregates in the Chilean market.

Finally, MINSUR through its subsidiary Cumbres Andinas S.A., owns 70% of the shares of Marcobre S.A.C., which manages a copper ore project called Mina Justa, located in the district of San Juan de Marcona, in Ica. Cumbres Andinas S.A. is also the main shareholder of Compañía Minera Barbastro S.A.C., which has a polymetallic project in the Huancavelica region.

**Note on Forward-Looking Statements**

*This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, Company performance and financial results. Also, certain reclassifications have been made to make figures comparable for the periods. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.*