MINSUR S.A. (UNCONSOLIDATED): MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FOURTH QUARTER OF THE YEAR 2015

Lima, February 15, 2016 - MINSUR S.A. (BVL: MINSURI1) ("the company" or "Minsur") Peruvian mining company dedicated to the exploitation, processing and marketing of Tin and other minerals, announces its separated results for the fourth quarter of the year 2015 ("4Q15"). These results are reported on a separated basis according to the International's financial reporting standards (IFRS) and are expressed in American dollars (USD) unless otherwise indicated.

Explanatory note: unconsolidated vs. consolidated financial results

The information presented in this document refers to **Minsur S.A. unconsolidated financial results only,** as it only reflects our Tin and Gold operations in Peru (San Rafael mine, Pisco smelting facility and Pucamarca mine). The results of our subsidiaries, which include our operations in Brazil (Pitinga mine and Pirapora smelting facility) and our projects in Peru (Marcobre), are recorded under the "equity – method" as "results from subsidiaries" in Minsur´s unconsolidated financial statement. As an example, if Marcobre (company in which Minsur has a 70% share) recorded a loss, 70% of that loss would be registered as results from subsidiaries in Minsur´s unconsolidated financial statement, while in Minsur Consolidated financial statement 100% of such loss would be registered.

2015 has been a year of noteworthy operational achievements for Minsur S.A. Throughout the year we have managed to achieve, and in most cases exceed our guidance:

- **Safety:** We reached a record of only one time-loss accident in 2015.
- **Production:** San Rafael/Pisco 20,224 tons of Sn refined vs guidance of 20,000-22,000; Pucamarca 120,924 Au oz. vs. initial guidance of 95,000-105,000 Au oz. and more recent guidance of 120,000 oz.
- **Costs:** San Rafael U$S 127 /ton vs guidance of US$ 130-139/tt; Pucamarca US$ 4.2/tt vs guidance of US$ 4.0-4.5/tt
- **Capex:** San Rafael/Pisco US$ 21 M (includes $8 M from our Ore Sorting project) vs. guidance of US$ 15-20 M (excluding Ore Sorting project); Pucamarca US$ 7 M vs guidance of US$ 8-12 M

Despite these significant operational achievements, 2015's adverse price scenario strongly impacted our revenues, which in combination with the impact of an asset impairment test at Marcobre, affected Minsur's 2015 unconsolidated financial results.

In response to an unfavorable context for the mining industry and especially for Tin, management focused on improving productivity and reducing costs in all units, with the aim of preserving expected annual margins and the company's cash position, enabling it to maintain the financial strength to continue investing in exploration projects and long-term growth.

In terms of income, net sales reached US$ 122.7 M in 4Q15 and US$ 487 M in 2015, representing a decrease of 27% and 36% compared to the same period of the previous year, reflecting the impact of Tin´s low prices, partially offset by an increase in Au production.

Despite the impact of low prices, and as a result of cost reduction efforts, improvements in productivity and reduction in operating expenses, the company managed to achieve an EBITDA margin in Peru's operations of 40% including discretionary investments in growth, resulting in an EBITDA in 4Q15 and full year 2015 of US$ 49 M and US$ 207 M respectively. Cost reduction allowed the company to preserve expected EBITDA margins, despite lower realized mineral prices. This reflects the financial strength of Minsur's operating units in Peru.

Following the generally accepted accounting practice of annually reviewing the fair value of assets vs. its recorded book value (impairment test), it was concluded that, after a thorough evaluation, all operating units passed such test even in today's low price environment. This means that even in this deteriorated price scenario, all of Minsur´s operating units maintain a higher net present cash flow value than that recorded as book value.

However, when performing the impairment test on the Mina Justa project (i.e. our subsidiary Marcobre S.A.C), it was concluded that currently the expected future cash flow value of the project, is less than the carrying book value, therefore requiring us to record an adjustment due to impairment of assets in the 4Q15.

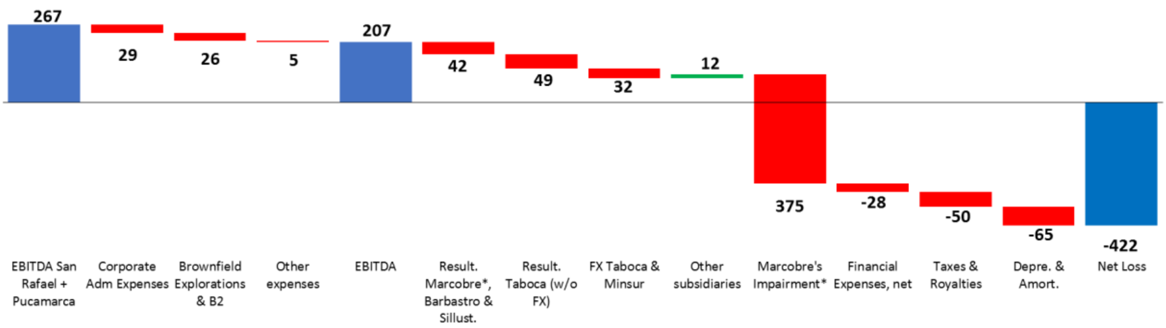
Minsur´s investments in Marcobre at the end of the year 2015 had a book value of $840 M, amount that represents 100% of Marcobres book value. As of December 2015, the project value estimation at this pre-feasibility stage and in process of being optimized, amounts to US$ 200 M, driving us to realize an impairment of US$ 640 M (100% of Marcobre).

Given current copper price conditions and following principles of good corporate governance, Minsur's Board and management has decided to incorporate such an impairment adjustment on Minsur's 4Q15 results.

It is important to mention that this impairment is accounted for in Minsur S.A.'s 2015 Unconsolidated Income Statement, as Results from "Subsidiaries and Associates" according to the equity participation Minsur has over the Marcobre project (70%). Such adjustment, net of US$ 111 M deferred taxes, amounts to US$ 375 M on Minsur's unconsolidated financial statements. In Minsur's consolidated financial statements, this adjustment will be recorded at 100% of the impairment impact.

Consequently, despite the strong operating results and mainly due to the adjustment for the impairment of assets at Marcobre, Minsur reported a loss of US$ 422 M in its 2015 unconsolidated Income Statement. Excluding results from subsidiaries, which includes losses from exchange rate devaluation in Brazil, Minsur´s unconsolidated Income Statement would have recorded a net profit of US$ 64.9 M in 2015.

The following table summarizes the financial results for the period:



* 70% of Marcobre´s result is reflected in Minsur Separated Income Statement

** Sillustani results include environmental provisions and remediation of US$ 14 M

It is also important to recognize that Minsur's unconsolidated Income Statement reflects discretionary investments in growth of approximately US$ 48 M in 2015. These investments were mainly carried out in the form of brownfield explorations, project B2 and Mina Justa. Despite falling commodity prices, given the strength of operating assets in Peru, Minsur was able to sustain its investments in exploration and expansion projects during 2015 thereby ensuring its business continuity in the long term.

I. OPERATING RESULTS AND FINANCIAL HIGHLIGHTS:

▪ **Production:**

- **Tin: 6,300 tons** in 4Q15, **2%** above what was reported in 4Q14; 2015 Tin production amounted to **20,224 tons**, in line with 2015´s production guidelines
- **Gold: 27,141 ounces** in 4Q15, -**3%** below compared to 4Q14 but in line annual production plan; 2015 production of **120,924 ounces** of gold, 14% above that reported in 2014 due to the increase in plant capacity to 21,000 tons per day.

▪ **Cash Cost per treated ton:**

- San Rafael: $119 in 4Q15 vs. $156 in 4Q14 (- 23%) as a result of the implementation of cost saving measures such as re-negotiation of contractor rates, as well as the implementation of improvements in operational efficiency. This allowed us to reach a cost per processed ton of ore of $127 in 2015 (vs. $143 in 2014).
- Pucamarca: $4.7 in the 4Q15 vs. $6.2 in the 4Q14 (- 24%) as a result of improvements in operational efficiencies and an increase in treatment capacity. In 2015, the cost per ton treated in Pucamarca was $4.2 (vs. $6.2 in 2014).

▪ **Average prices:**

- **Tin: $15,096** per ton in the 4Q15, a -**25%** decrease compared to that recorded in 4Q14. In 2015 average Tin price was $16,069 per ton, - 27% below that recorded in 2014.

- **Gold: $ 1,104** per ounce in 4Q15, **9%** decrease compared to that registered in 4Q14. 2015 average price of gold was US $ 1,160, an 8% decrease in comparison to 2014.

- **EBITDA: US$ 49.2 M,** an **-19%** decrease compared to 4Q14, due to the fall in revenues as a result of lower commodity prices, partially compensated by cost savings which allowed the company to achieve an EBITDA margin of 40%. 2015´s EBITDA reached US$207 M.
- **Net loss: -US$ 398 M** compared to a net loss of -US$ 17.5 M in 4Q14, mainly due to an asset impairment at Marcobre, a lower EBITDA, and a loss from subsidiaries mainly attributable to exchange losses at Taboca and investments in the Marcobre project (which are registered as "Results from Subsidiaries" in Minsur's Unconsolidated financial statements). This net loss includes investments in growth (explorations, B2 and Marcobre) for US$ 15.6 M in 4Q15 and US$ 48 M in 2015. As a result 2015´s net loss reached - U$$ 422M.
- **Adjusted net income[1]:** excluding "Results from Subsidiaries", the adjusted net income would have been **US$ 64.9 M** in 2015.

Table N ° 1: Summary of operating and financial results

Resultados Clave	Unidad	4T15	4T14	Var (%)	2015	2014	Var (%)
Producción							
Estaño (Sn)	t	6,300	6,190	2%	20,224	24,223	-17%
Oro (Au)	oz	27,141	28,097	-3%	120,924	105,939	14%
Resultados Financieros							
Ventas	US$ MM	122.7	168.2	-27%	487.3	760.2	-36%
EBITDA	US$ MM	49.2	60.6	-19%	207.0	383.7	-46%
Margen EBITDA	%	40%	36%	11%	42%	50%	-16%
Utilidad Neta	US$ MM	-397.7	-17.5	2171%	-421.8	84.9	-597%
Utilidad Neta Ajustada	US$ MM	21.2	23.6	-10%	64.9	175.2	-63%

I. Main Considerations:

a. Average metal prices:

Average Tin (Sn) price in 4Q15 was US$ 15,096 per ton, which represents a decrease of 25% compared to the same period in 2014. Average Tin (Sn) price in 2015 was $16,069 per ton, which represents a 27% a decrease to that of 2014.

Average Gold (Au) price reached US$ 1,104 per ounce in 4Q15, a 9% decrease compared to that of the same period of the previous year. The yearly average price of gold (Au) in 2015 was $ 1,160 per ounce, an 8% decrease in comparison to that of the previous year.

Table N ° 2: contributions of metals

Average Metal Prices	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
Tin	US$/t	15,096	20,181	-25%	16,069	21,894	-27%
Gold	US$/oz	1,104	1,210	-9%	1,160	1,266	-8%

Source: Bloomberg

[1] Adjusted net profit = Net Profit excluding Results from Subsidiaries and Associates and Exchange Difference and impairment

b. Exchange rate:

The average Peruvian sol exchange rate in 4Q15 was S /. 3.32 per US$ 1, this represents a 14% depreciation compared with an average exchange rate in 4Q14 of S/. 2.92 per US$ 1. Similarly, the 2015 average exchange rate was of S /. 3.20 per US$ 1, this represents a depreciation of the Peruvian Sol equivalent to 13% compared to an average rate of S/. 2.84 per US$ 1 during 2014.

Table N ° 3: Exchange rate

Average Exchange Rate	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
PEN/USD	S/.	3.32	2.92	14%	3.20	2.84	13%

Source: Bloomber

III.OPERATING MINING RESULTS:

a. San Rafael - Pisco (Perú):

Table N ° 4. San Rafael – Pisco Operating Results

San Rafael - Pisco	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
Ore Treated	t	285,797	277,703	3%	1,047,145	1,032,255	1%
Head Grade	%	1.96	2.48	-21%	2.05	2.48	-17%
Tin production (Sn) - San Rafael	t	5,129	6,218	-18%	19,511	23,105	-16%
Tin production (Sn) - Pisco	t	6,300	6,190	2%	20,224	24,223	-17%
Cash Cost per Treated Ton[2] - San Rafael	US$/t	119	156	-23%	127	143	-11%
Cash Cost per Ton of Tin[3]	US$/t Sn	7,720	9,145	-16%	8,461	8,459	0%

Refined Tin Production

In the 4Q15, refined Tin production in Pisco reached 6,300 tons, a 2% increase compared to 4Q14, in mainly due to a scheduled plant maintenance shutdown during the month of September as a result of which accumulated concentrate stocks from San Rafael were processed during the last quarter.

2015 production of refined Tin reached 20,224 tons, - 17% below that reported in 2014, due to lower mineral head grades (2.05% vs. 2.48%) and to the optimization of Tin inventories in the smelting facilities of Pisco which was implemented in the first half of last year. The 2015 guidance of annual production of 20,000 - 22,000 tons was accomplished.

Cash Cost per treated ton

The cash cost per treated ton[2] of ore at San Rafael in 4Q15 reached US$ 119 vs. US$ 156 in 4Q14, representing a 24% decrease in comparison to that of previous year. This was a significant decrease, mostly due to the cost reduction plan, which allowed us to reduce material, fuel and explosive prices, as well as a reduction in contractor rates.

The cash cost per treated ton of ore at San Rafael in 2015 reached US$ 127 vs $143 (- 11%), below our guidance of US$ 130 - $140.

[2] Cash Cost per treated ton = San Rafael production costs / Ore Treated

Cash Cost per ton of refined Tin

The cash cost per ton of Tin[3] in 4Q15 reached US$ 7,720 vs. US$ 9,145 in 4Q14, this represented a reduction of 16%, mainly due to a significant reduction in the cash cost per ton treated in San Rafael, which allowed us to compensate lower tin production.

b. Pucamarca (Peru):

Table N ° 5. Pucamarca Operating Results

Pucamarca	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
Ore Treated	t	1,943,151	1,492,728	30%	7,970,675	6,088,442	31%
Head Grade	g/t	0.57	0.77	-26%	0.60	0.70	-13%
Gold production (Au)	oz	27,141	28,097	-3%	120,924	105,939	14%
Cash Cost per Treated Ton	US$/t	4.7	6.2	-24%	4.2	6.2	-31%
Cash Cost per Ounce of Gold[4]	US$/oz Au	335	328	2%	280	356	-21%

Gold production

In the 4Q15, gold production reached 27,141 ounces, representing a decrease of - 3% compared to the same period of the previous year, mainly due to lower production in December, resulting from a scheduled plant maintenance shut down. In line with the geological model and mine plan, head grades were 0.57 g/t in 4Q15, 26% lower compared to that mined in the 4Q14.

In 2015, gold production reached 120,924 ounces, a 14% increase compared to the same period of the previous year. Higher production was mainly explained by the increase of plant capacity and recovery rates, partially offset by a lower head grade (- 13%). We slightly surpassed the last production guidance provided for 2015 of 120,000 ounces, and by a wider margin that set at the beginning of the year.

Cash cost per treated ton

The cash cost per treated ton at Pucamarca during 4Q15 reached US$ 4.7 vs. US$ 6.2 in 4Q14, representing 24% reduction, mainly due to higher efficiencies resulting from increased plant capacity, cost reduction plans and initiatives to increase productivity.

The cash cost per treated ton at Pucamarca for 2015 reached US$4.2, a reduction in -31% in comparison to 2014 results. We reached the lower end of the range of the latest cost guidance provided of $4.0 - US$ 4.5 per treated ton.

The cash cost per ounce of gold

Cash cost per ounce of gold[4] in 4Q15 was $335, which represented an increase of 2% compared to 4Q14. This increase can be explained by a lower production in the quarter due to a scheduled plant stop in December.

[3] Cash Cost per ton of refined tin = (San Rafael and Pisco production cost + 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)

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

The cash cost per ounce of gold in 2015 reached $280, representing a reduction of 21% compared to that of 2014, consolidating Pucamarca as one of the Gold mines with the lowest cash costs in the world.

IV. CAPEX:

Table N ° 6. CAPEX

CAPEX	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
San Rafael	US$ MM	12.0	8.0	51%	20.1	16.0	26%
Pisco	US$ MM	0.4	0.5	-7%	1.0	1.9	-45%
Pucamarca	US$ MM	4.6	5.9	-21%	7.1	17.7	-60%
Other	US$ MM	0.5	0.2	176%	0.6	0.7	-13%
Total Capex	**US$ MM**	**17.5**	**14.5**	**21%**	**28.9**	**36.3**	**-20%**

In the 4Q15, CAPEX reached US$ 17.5 M, representing an increase of 21 % compared with that of 4Q14. The CAPEX for 2015 was US$ 28.9 M, representing a reduction of 20% compared to that of 2014. The main investments during 2015 were:

- San Rafael: waste dump capacity expansion; in line with the mine sustainability plan for the short and med-term, and investment in the construction of the Ore Sorting plant (which will allow as to put in value low grade ore stocks).
- Pucamarca: Truck overhauls and investments in ore processing for sustaining production at a plant capacity of 21,000 tpd.

The company’s continued plan to reduce capital expenditures in all units resulted in a 20% savings in annual capex in 2015 compared to that of 2014.

V. FINANCIAL RESULTS:

Table N ° 7. Profit and loss statement

Ganancias y Pérdidas	Unidad	4T15	4T14	Var (%)	2015	2014	Var (%)
Ventas Netas	US$ MM	122.7	168.2	-27%	487.3	760.2	-36%
Costo de Ventas	US$ MM	-71.4	-89.7	-20%	-278.7	-354.4	-21%
Utilidad Bruta	**US$ MM**	**51.2**	**78.6**	**-35%**	**208.7**	**405.8**	**-49%**
Gastos de Ventas	US$ MM	-1.5	-3.7	-60%	-6.3	-10.5	-40%
Gastos de Administración	US$ MM	-6.6	-10.1	-34%	-28.9	-35.0	-18%
Gastos de Exploración y Proyectos	US$ MM	-8.6	-11.2	-23%	-26.6	-28.6	-7%
Otros Gastos Operativos, neto	US$ MM	-1.5	-5.1	-72%	-4.6	-10.2	-55%
Utilidad Operativa	**US$ MM**	**33.0**	**48.4**	**-32%**	**142.3**	**321.5**	**-56%**
Ingresos (Gastos) Financieros y Otros, neto	US$ MM	-8.1	-10.1	-20%	-27.8	-27.5	1%
Resultados de las Subsidiarias y Asociadas	US$ MM	-416.8	-37.6	-	-484.3	-84.4	-
Diferencia en cambio, neta	US$ MM	-2.1	-3.6	-40%	-2.4	-6.0	-60%
Utilidad Antes de Impuestos	**US$ MM**	**-394.0**	**-2.9**	**-**	**-372.2**	**203.7**	**-**
Impuesto a las ganancias	US$ MM	-3.7	-14.6	-75%	-49.7	-118.8	-58%
Utilidad Neta	**US$ MM**	**-397.7**	**-17.5**	**-**	**-421.8**	**84.9**	**-**
Margen Neto	%	-324%	-10%	-	-87%	11%	-
EBITDA	**US$ MM**	**49.2**	**60.6**	**-19%**	**207.0**	**383.7**	**-46%**
Margen EBTIDA	%	40%	36%	11%	42%	50%	-16%
Utilidad Neta Ajustada	**US$ MM**	**21.2**	**23.6**	**-10%**	**64.9**	**175.2**	**-63%**

a. Net revenue:

In 4Q15, net revenue reached US $122.7 M, a decrease of 27% (-US$ 45.6 M) compared to the same period of the previous year. This decrease is explained by lower average Tin and Gold prices (- 25% and - 9%, respectively) and by lower volumes of Tin sold (-10%), partially offset by higher volume of Gold sold (+ 2%).

Table N ° 8. Volume sales by product

Net Revenue Volume	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
Tin	t	5,704	6,334	-10%	21,056	27,443	-23%
Gold	oz	31,573	30,916	2%	119,649	109,607	9%

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

Net Revenue in US$	Unit	4Q15	4Q14	Var (%)	2015	2014	Var (%)
Tin	US$ MM	87.2	131.1	-33%	347.0	621.4	-44%
Gold	US$ MM	35.1	37.2	-5%	140.0	138.8	1%
TOTAL	**US$ MM**	**122.4**	**168.2**	**-27%**	**487.0**	**760.2**	**-36%**

b. Gross Profit:

Despite of a 20% reduction in sales costs, the gross profit in 4Q15 reached US$ 51.2 M, a 35% reduction (-US$ 28 M) compared to the same period of 2014, primarily due to lower income partially compensated by cost and expense savings. In 2015, gross profit reached US$ 209 M.

c. Administrative Expenses:

Administrative expenses in 4Q15 were US$ 6.6 M, a 34% ($ 3.4 MM) decrease compared to that of the same period the previous year. Improvement explained primarily by an aggressive cost-reduction plan. Annual administrative expenses reached US$ 28.9 M, 18% lower than the past year.

d. Exploration expenses and projects:
In the 4Q15, exploration costs and project expenditures were US $8.4 MM, a reduction of 26% (US$ 2.9 M) compared to the same period of the previous year. This reduction is mainly explained by the change in scope at some exploration projects in the surrounding areas to San Rafael and Pucamarca, as well as lower expenses incurred in the pre-feasibility study of the tailings treatment project at San Rafael (B2).

e. EBITDA:
In the 4Q15 EBITDA reached US$ 49.2 M, an 18% (-US$ 11.4 M) decrease versus that of the same period of the previous year. Lower volumes of refined Tin sales and lower commodity prices, partially compensated by higher volumes of gold sold, lower cash cost at both operating units and a decrease in administrative and exploration expenses explain such decrease. 2015 EBITDA reached US$ 207 M.

f. Income / (Expenses) and others, net:
In the 4Q15 net financial expenses totaled US$ 8.1 M, a reduction of 20% compared to the same period time past year (-US$ 2.1 M).

g. Net loss and adjusted net income:
4Q15 net loss reached -US$ 397.7 M vs. a net loss of -US$ 17.5 M in 4Q14. This is mainly explained by an asset impairment charge related to Marcobre (US$ 375 M, net of US$111 M deferred taxes), a lower EBITDA and net losses from the impact of exchange rate depreciation at Taboca and investments in Marcobre (Taboca´s and Marcobre results are registered as "Results from Subsidiaries" in Minsur´s unconsolidated financial statements). Net income also includes further growth investments (exploration and project related expenditures). Excluding "Results from Subsidiaries", which include exchange rate related losses at Taboca, adjusted net income would have been US$ 21.2 M, 10% less than that of 4Q14. Net loss reached US$ 421.8 M in 2015; excluding "Results from Subsidiaries", the adjusted net income would have reached US$ 64.9 M.

VI. LIQUIDITY:

As of 2015, cash and cash equivalents amounted to US$ 575.5 M, a 2% decrease compared to that in 2014 ($ 586.4 MM). About financial debt, financial obligations totaled US$ 450 M as of 31 December 2015, 2% higher than that recorded at the end of 2014 (US$ 443.7 M). Net leverage ratio was - 0.6x at the end of 2015 vs. -0.4x at the end of 2014.

Table N ° 10. Net debt

Financial Ratios	Unit	dec-15	dec-14	Var (%)
Total Debt	US$ MM	450.5	443.7	2%
Cash	US$ MM	575.5	586.4	-2%
Net Debt	US$ MM	-125.0	-142.7	-12%
Total Debt / EBITDA	x	2.2x	1.2x	88%
Net Debt / EBITDA	x	-0.6x	-0.4x	62%