MANAGEMENT DISCUSSION AND ANALYSIS: INDIVIDUAL RESULTS

MINSUR S.A.
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EXECUTIVE SUMMARY 2017

2017 was a challenging year for Minsur; however, the company managed to achieve several key milestones such as:

- Security: Zero fatal accidents and the lowest historic number of LTI's.
- Operations: Tin production within guidance while gold surpassed guidance.
- Projects: Approval of Mina Justa DPS. Approval of DPS and execution of B2 project.
- Explorations: Increase of mineral resources in San Rafael
- Costs: Costs reductions in San Rafael due to mining plan optimization. Pucamarca remained as one of the gold mine operations with the lowest cost in the world.

In 2017 Minsur´s management had a strong focus on productivity and costs reductions in each of its operating units. As a result, Minsur obtained excellent financial and operating results. Furthermore, the prices registered in 2017 improved our bottom line even further and helped us achieve a solid financial position.

Additionally, in 2017, the company executed non recurrent transactions such as the sale of Rimac S.A. stock and the adjustments related to impairment tests done at the end of fiscal year. In the subsidiary Marcobre, this test concluded with a partial restitution of the value registered in 2015, considering the improvements in market conditions as well as the approval of the feasibility study of the Mina Justa project. On the other hand, Taboca´s asset value declined relative to its book value, resulting in a loss. These impairment effects offset the profit generated from the sale of Rimac stocks and are registered in the subsidiary's results account.

In terms of revenues, net sales reached US$ 489.1 M in 2017, slightly below those reported in 2016 (US$ 489.7 M). This result was due to the increase in average tin (+12%) and gold (+1%) prices which were offset by the decline in sales volume of 6% and 12%, respectively. As per the EBITDA, the company closed the year with an accumulated result of US$ 250.1 M, or a 1% increase vs 2016. Finally, net income reached US$ 81.1 M, a decline of 8% vs. last year.

I. HIGHLIGHTS AND EXECUTIVE SUMMARY

Table N° 1: Operating & Financial Highlights

Highlights	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Production							
Tin (Sn)	t	4,735	5,023	-6%	18,033	19,573	-8%
Gold (Au)	oz	24,583	19,551	26%	100,010	105,659	-5%
Financial Results							
Net Revenue	US$ M	115.5	135.0	-14%	489.1	489.7	0%
EBITDA	US$ M	48.2	66.2	-27%	250.1	246.8	1%
EBITDA Margin	%	42%	49%	-15%	51%	50%	1%
Net Income	US$ M	-8.3	38.5	-	81.1	87.8	-8%
Adjusted Net Income[1]	US$ M	14.1	30.8	-54%	122.6	117.4	4%

Executive Summary:

During the 4Q17, the company obtained mix operating results due to the lower tin production (-6% vs. 4Q16); however, gold production increased significantly by +26% vs. 4Q16. In both products, production was within guidance. EBITDA reached U$$ 48.2 M in 4Q17 (vs US$ 66.2 M in 4Q16). The difference is explained by the lower sales volumes and the increase in operating expenses during the quarter.

On the other hand, net income declined to -US$ 8.3 M, or US$ 46.8 M below the result obtained in 4Q16. The lower net income is mainly explained by lower subsidiary's results than 4Q16, which includes a net impact of -US$ 28.0 M due to Taboca's impairment and Marcobre's revaluation.

a. Operating Results

During 4Q17 the company registered a higher gold production (+26%) and a lower tin production (-6%) vs. 4Q16. In both cases, the result was within the production guidance and in line with the mining plan established for each operating unit.

b. Financial Results

During the 4Q17, the company´s financial results were below 4Q16. Sales and EBITDA decreased by 14% and 27%, respectively. Sales declined due to the lower sales volume of tin (-17%) and gold (-5%) as well as the lower average price of tin (-5%) and despite the increase in gold prices (+5%). The lower EBITDA was a result of the lower sales volume and the increase in operating expenses vs. 4T16. The bottom line declined mainly due to the net effect of the impairment charges and the lower contribution from subsidiaries vs. 4Q16.

II. MAIN CONSIDERATIONS:

a. Average metal prices

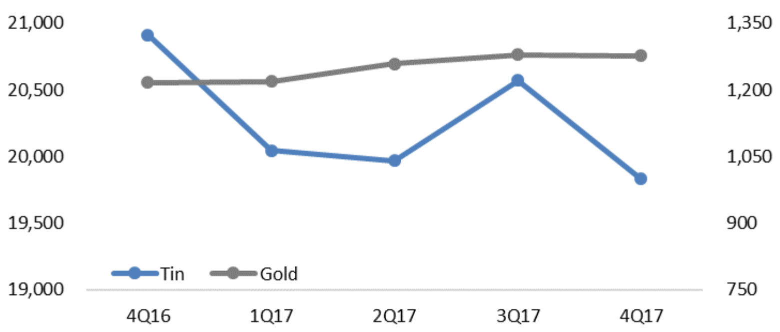
- **Tin:** Average Tin (Sn) Price in 4Q17 was US$ 19,833 per ton, a decrease of 5% compared to the same period of the previous year.
- **Gold:** Average Gold (Au) Price in 4Q17 was US$ 1,277 per ounce, 5% above the same period of the previous year.

Table N° 2: Average metal prices

Average Metal Prices	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Tin	US$/t	19,833	20,911	-5%	20,103	18,009	12%
Gold	US$/oz	1,277	1,216	5%	1,258	1,248	1%

Source: Bloomberg

Figure N° 1: Average metal price quarterly evolution



Source: Bloomberg

b. Exchange Rate:

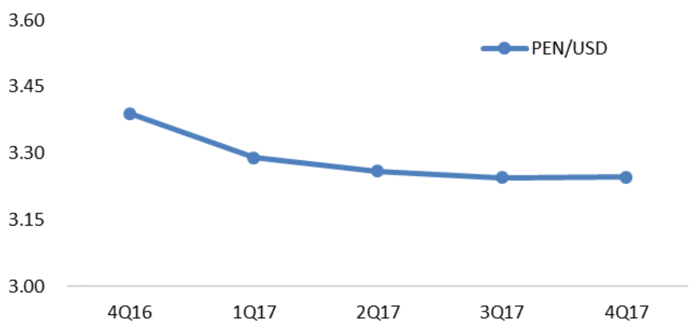
The Peruvian Sol average exchange rate for the 4Q17 was S/. 3.25 per US$ 1, compared to S/. 3.39 per US$ 1 in 3Q16, which represents a depreciation of 4% for the Peruvian Sol. At the end of 2016, exchange rate was S/. 3.36 per US$ 1, while at the end of this period it registered S/. 3.24 per US$ 1.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
PEN/USD	S/.	3.25	3.39	-4%	3.26	3.37	-3%

Source: Banco Central de Reserva del Perú

Figure N° 2: Exchange rate quarterly evolution



III. OPERATING MINING RESULTS:

a. San Rafael – Pisco (Perú):

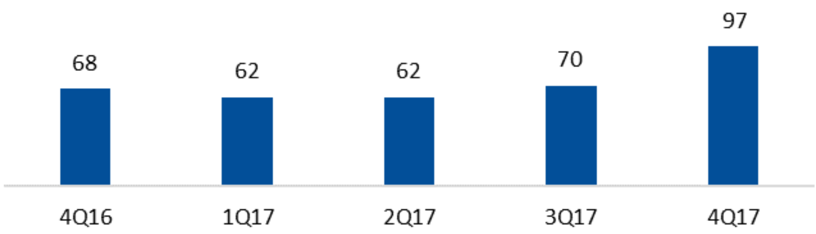
Table N° 4: San Rafael - Pisco Operating Results

San Rafael - Pisco	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Ore Treated	t	281,980	488,889	-42%	1,101,853	1,047,506	5%
Head Grade	%	1.63	1.80	-10%	1.75	1.97	-11%
Tin production (Sn) - San Rafael	t	4,136	4,828	-14%	17,791	18,789	-5%
Tin production (Sn) - Pisco	t	4,735	5,023	-6%	18,033	19,573	-8%
Cash Cost per Treated Ton[1] - San Rafael	US$/t	97	68	44%	70	82	-14%
Cash Cost per Ton of Tin[3]	US$/t Sn	8,712	8,918	-2%	8,827	8,152	8%

In 4Q17, tin production reached 4,735 tons, a 6% decrease compared to the same period of the previous year. This is mainly due to lower grades fed to the concentration plant (-10%), because the pre-concentration Ore Sorting plant, which used to provide higher grades to the concentration plant, is under maintenance. Despite these facts, Tin production remained in line with guidance.

Cash cost per treated ton[1] at San Rafael in 4Q17 was US$ 97 vs. US$ 68 in 4Q16, an increase of 44%. It is important to highlight that excluding the effect of treated tons from the pre-concetration Ore Sorting plant, cash cost would be $97 vs $104 during 4Q16, mainly due to an optimization of the mining plan. Cash cost per treated ton ended in line with guidance of $70 to $80 per ton treated.

Figure N°3: Cash Cost per treated ton evolution - San Rafael



Cash cost per ton of tin[2] in 4Q17 was US$ 8,712 vs. US$ 8,918 in 4Q16, a 2% decrease, mainly due to lower production costs in San Rafael during the period (-17%).

Finally, it is important to note that a drilling campaign to replenish resources at San Rafael is being currently held. During the quarter, 439 kt of ore containing 8.2 kt of tin were identified, amounting to 1,539 kt of ore and 28.1 kt of tin contained during the current year.

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[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):

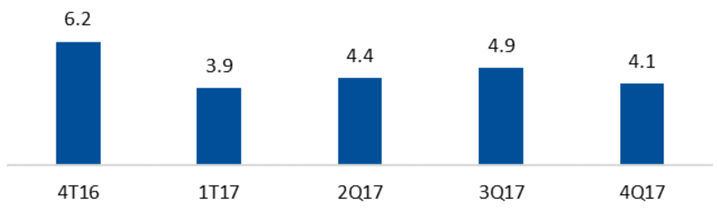
Table N°5. Pucamarca Operating Results

Pucamarca	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Ore Treated	t	2,026,040	1,483,608	37%	7,801,777	7,692,322	1%
Head Grade	g/t	0.51	0.54	-5%	0.50	0.50	-2%
Gold production (Au)	oz	24,583	19,551	26%	100,010	105,659	-5%
Cash Cost per Treated Ton	US$/t	4.1	6.2	-34%	4.3	4.3	1%
Cash Cost per Ounce of Gold[4]	US$/oz Au	337	470	-28%	338	313	8%

In 4Q17, gold production reached 24,583 ounces, a 26% increase compared to the same period of the previous year, ending the year slightly above guidance provided for the year (90,000 – 100,000 oz). This increase in production is mainly due to higher volume of ore treated (+37%).

Cash cost per treated ton at Pucamarca was US$ 4.1 in 4Q17 vs. US$ 6.2 in 4Q16, a 34% decrease, mainly because of a higher volume of ore treated (+37%) partially offset by higher production costs during the quarter (+15%). A significant part of the incremental costs (57%) come from studies and optimizations. Pucamarca remained in line with cost guidance of $4.5 - $5.0 per ton treated in 2017.

Figure N°4: Cash Cost per treated ton evolution - Pucamarca



Cash cost per ounce of gold[3] in 4Q17 was US$ 337, a decrease of 28% compared to 4Q16. This increase is explained by the higher gold production (+26%) and the lower cash cost per treated ton (-34%).

IV. CAPEX:

Table N°6. Executed CAPEX

CAPEX	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
San Rafael	US$ M	15.0	5.9	154%	32.8	26.0	26%
B2	US$ M	15.3	0.0	0%	21.4	0.0	0%
Pisco	US$ M	0.8	-0.9	-189%	2.2	1.0	118%
Pucamarca	US$ M	4.2	1.6	164%	25.8	7.4	247%
Other	US$ M	0.0	0.2	-75%	0.1	2.0	-96%
Total Capex	**US$ M**	**35.4**	**6.8**	**419%**	**82.4**	**36.4**	**126%**

In 4Q17, capex was US$ 35.3 M, an increase of US$ 28.5 M compared to the same period of the previous year. The major investments in the quarter were: B2 project, the expansion of the B3 tailings deposit at San Rafael and the expansion of Pucamarca's leeching Pad.

[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	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Net Revenue	US$ M	115.5	135.0	-14%	489.1	489.7	0%
Cost of Sales	US$ M	-59.1	-62.3	-5%	-235.8	-234.0	1%
Gross Profit	**US$ M**	**56.4**	**72.7**	**-22%**	**253.2**	**255.6**	**-1%**
Selling Expenses	US$ M	-1.4	-0.8	74%	-4.1	-2.7	52%
Administrative Expenses	US$ M	-8.9	-6.2	44%	-31.8	-27.8	15%
Exploration & Project Expenses	US$ M	-7.5	-6.4	17%	-28.0	-15.7	79%
Other Operating Expenses, net	US$ M	-4.0	-1.8	-	11.6	-6.0	-
Operating Income	**US$ M**	**34.6**	**57.6**	**-40%**	**201.0**	**203.5**	**-1%**
Finance Income (Expenses) and Others, net	US$ M	-3.7	-6.0	-39%	-12.6	-27.4	-54%
Results from Subsidiaries and Associates	US$ M	-23.4	7.1	-429%	-40.7	-29.7	37%
Exchange Difference, net	US$ M	1.0	0.6	69%	-0.8	0.2	-
Profit before Income Tax	**US$ M**	**8.6**	**59.3**	**-86%**	**146.9**	**146.6**	**0%**
Income Tax Expense	US$ M	-16.9	-20.8	-19%	-65.8	-58.8	12%
Net Income	**US$ M**	**-8.3**	**38.5**	**-122%**	**81.1**	**87.8**	**-8%**
Net Income Margin	%	-7%	29%	-125%	17%	18%	-8%
EBITDA	**US$ M**	**48.2**	**66.2**	**-27%**	**250.1**	**246.8**	**1%**
EBITDA Margin	%	42%	49%	-15%	51%	50%	1%
Adjusted Net Income	**US$ M**	**14.1**	**30.8**	**-54%**	**122.6**	**117.4**	**4%**

a. Net Revenue:

In 4Q17, net sales reached US$ 115.5 M, a decrease of 14% (-US$ 19.5 M) compared to 4Q16. This decrease is mainly explained by lower sold volumes of tin (-17%) and gold (-5%). It is important to mention that not all gold production was sold in the period, a 6,435 oz stock of gold was generated and will be sold in the first quarter of 2018.

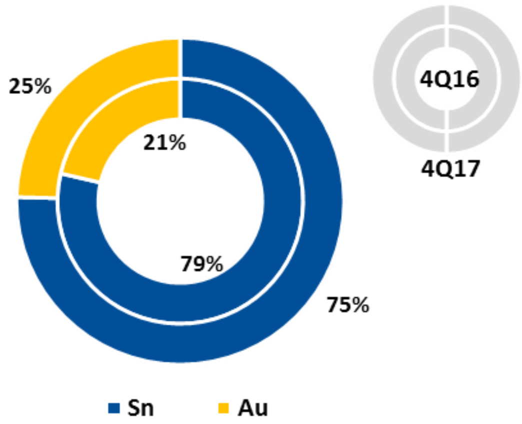
Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Tin	t	4,257	5,126	-17%	17,946	19,192	-6%
Gold	oz	21,815	22,927	-5%	93,118	105,694	-12%

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

Net Revenue by Metal	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Tin	US$ M	87.1	106.2	-18%	370.0	356.3	4%
Gold	US$ M	28.4	28.8	-1%	119.1	133.3	-11%
TOTAL	**US$ M**	**115.5**	**135.0**	**-14%**	**489.1**	**489.7**	**0%**

Figure N°5: Net revenue share in US$ by metal



b. Cost of Sales:

Table N°10. Cost of sales detail

Cost of Sales	Unit	4Q17	4Q16	Var (%)	2017	2016	Var (%)
Production Cost	US$ M	43.2	50.2	-14%	182.1	177.9	2%
Depreciation	US$ M	12.4	8.4	48%	47.0	42.3	11%
Workers profit share	US$ M	3.0	5.3	-43%	11.7	13.5	-14%
Stocks Variation and Others	US$ M	0.5	-1.5	-133%	-4.9	0.2	-2192%
TOTAL	**US$ M**	**59.1**	**62.3**	**-5%**	**235.8**	**234.0**	**1%**

Cost of sales in 4Q17 reached US$ 59.1 M, a decrease of 5% compared to the same period of last year. This effect is essentially due to lower productions costs at San Rafael (-17%), Pisco (-9%) and Pucamarca (-10%); reaching savings for US$ 7 M, 14% below 4Q16. Besides, depreciation in 4Q17 was US$ 4.0 M higher due to the amortization of "Gran Cavidad" project in San Rafael.

c. Gross Profit:

Gross profit during 4Q17 reached US$ 56.4M, a US$ 16.3 M decrease compared to the same period of the previous year. The US$ 19.5 M decrease of the net revenues was partially offset by lower production costs US$ 7.0 M.

d. Administrative expenses:

Administrative expenses in 4Q17 were US$ 8.9 M, a 44 % increment (US$ 2.7 M) compared to the same period of last year. This increase is mainly due to higher expenses related to provisions of workers profit sharing for US$ 1.6 M due to better results than expected, consulting fees US$ 0.5 M and other expenses for US$ 0.5 M.

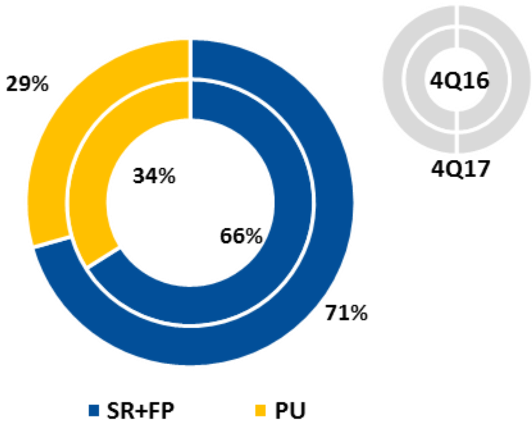
e. **Exploration and Project Expenses:**

In 4Q17, exploration & project expenses totaled US$ 7.5 M, US$ 1.1 M higher than 4Q16, mainly due to higher investments in exploration programs at San Rafael and Pucamarca surrounding areas, that will extend the life of our mines.

f. **EBITDA:**

EBITDA in 4Q17 amounted to US$ 48.2 M, a decrease of 27% (US$ 18.0 M) compared to 4Q16. This was mainly due to a US$ 16.3 M lower gross profit and higher project and exploration expenses. EBITDA margin in the period reached 42%, which represents a 7 percental point decrease compared to the same period of last year, mainly due to the lower tin price (-5%) and higher operating expenses.

Figure N°6: EBITDA share in US$ by Operating Unit



g. **Income tax expense:**

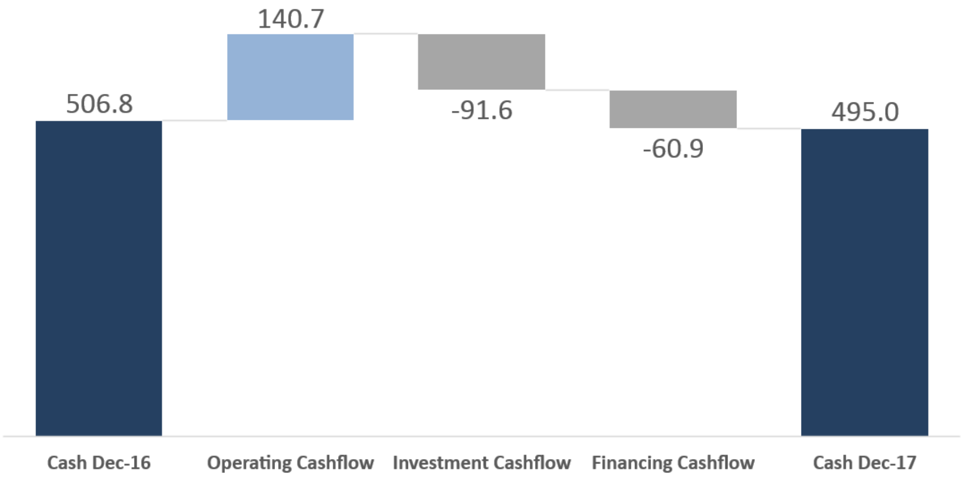
In the 4Q17, the company accrued US$ 16.9 M in tax expenses, US$ 3.9 M below 4Q16 mainly as a result of the lower gross revenue. This lower income tax is composed by a decline of: US$ 1.1 M in royalties, US$ 1.0 M in special mining tax and US$ 1.8 M in income tax.

h. **Net income and Adjusted net income:**

In the 4Q17, the company registered a net loss of -US$ 8.3 M, a decline of US$ 46.8 M vs. 4Q16. The difference is explained by the lower operating income (US$ 23.0 M) and the net effect of the negative and positive valuation adjustments made in Taboca and Marcobre (-US$ 28.0 M); these effects were offset by accounting adjustments in subsidiary's (+US$ 4.5 M). Excluding the results of subsidiaries and the FX rate, the adjusted net income reached US$ 14.1 M in the 4Q17 (US$ 16.7 M lower than 4Q16) mainly due to the lower gross profit (US$ 16.0 M).

VI. LIQUIDITY:

As of December 31, 2017, the company´s cash balance reached US$ 495.0 M, 2% lower than the closing balance of 2016 (US$ 506.8 M). The difference is explained by an operating cash flow of US$ 140.7M, offset by capital investments of US$ 91.6 M and a distribution of dividends of US$ 60.9M.



As of December 31st, of 2017, the company´s financial liabilities increased US$ 440.8 M, similar to the level shown in 2016 (US$ 440.1 M). The financial debt is explained by the corporate bond issued by the company in the past with expiration date of 2024. The net leverage ratio reached -0.2x as of December 31st, 2017 vs. -0.3x in December 2016.

Table N°12. Debt Summary

Financial Ratios	Unit	dic-17	dic-16	Var (%)
Total Debt	US$ M	440.8	440.1	0%
Long Term - Minsur 2024 Bond	US$ M	440.8	440.1	0%
Cash	US$ M	495.0	506.8	-2%
Cash and Equivalents	US$ M	363.3	341.1	7%
Available for sale financial investments	US$ M	131.7	165.7	-21%
Net Debt	US$ M	-54.2	-66.7	-19%
Total Debt / EBITDA	x	1.8x	1.8x	-1%
Net Debt / EBITDA	x	-0.2x	-0.3x	20%