MANAGEMENT DISCUSSION AND ANALYSIS: INDIVIDUAL OPERATIVE AND FINANCIAL RESULTS

MINSUR S.A.
SECOND QUARTER 2017

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I. HIGHLIGHTS AND EXECUTIVE SUMMARY

Table N° 1: Operating & Financial Highlights

Highlights	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Production							
Tin (Sn)	t	4,727	5,014	-6%	8,307	9,368	-11%
Gold (Au)	oz	23,295	27,634	-16%	52,304	61,152	-14%
Financial Results							
Net Revenue	US$ M	121.9	120.7	1%	243.3	228.1	7%
EBITDA	US$ M	59.3	56.1	6%	114.6	108.9	5%
EBITDA Margin	%	49%	46%	5%	47%	48%	-1%
Net Income	US$ M	9.8	21.0	-	23.4	40.4	-
Adjusted Net Income[1]	US$ M	26.9	28.8	-7%	53.1	53.7	-1%

<u>Second Quarter Highlights:</u>

- Finalization of ramp-up and stabilization of Ore-Sorting plant.
- Record levels of tin metallurgical recovery at San Rafael's concentration plant.
- Record levels of gold metallurgical recovery in Pucamarca.
- 6,940 tons of tin contained in ore identified as resources at San Rafael during the quarter.
- Safety: 8 million man hours without lost time incidents at Pucamarca and no lost time incidents at San Rafael and Pisco during the quarter.

<u>Executive Summary:</u>

The second quarter of 2017 was marked by lower operating results than the same period of 2016 but in line with our annual production plans. Nonetheless, the company continued to perform solidly in financial terms, mainly due to a higher price of tin and to continued cost and operating expense control. Because of these initiatives, the EBITDA for the second quarter of 2017 reached US$ 59.3 M, 6% higher than the one accomplished during 2Q16. It is relevant to note that these results consider lower volume sold and higher exploration and project expenses. Finally, in net terms, the company's results were impacted by the negative performance of subsidiaries: net losses in Rimac (as an effect of claims regarding flooding in northern Peru), Taboca (non-cash effect due to the Brazilian Real exchange rate devaluation). Also, the company's net results were impacted by temporary effects related to the Peruvian Sol exchange rate that affected income tax expense.

a. Operative Results

During the quarter, the company's operations results exceeded the proposed plans, nonetheless, production levels were lower than those obtained in the same quarter of last year. It is relevant to note that in both operating units' head grades remain in line with the defined production plans for the period.

b. Financial Results

The company obtained positive financial results during the quarter, reaching net revenue, gross profit and EBITDA levels that toped those obtained in 2Q16 by 1%, 11% and 6% respectively. This favorable results were mainly a product of the higher prices registered in the period, with tin trading 18% higher than 2Q16 and gold showing no variation. The effect produced by higher prices was partially offset by the previously mentioned lower production levels on both tin and gold (-6% and -16% respectively). Net income for the period reached US$ 12.2 M, 42% lower than 2Q16, this results were impacted by the negative net income of our subsidiaries, mainly Rimac (-US$ 8.0 M) and Taboca (-US$ 6.7 M). This last effect is mainly non-cash and due to negative exchange rate difference results. Excluding results from subsidiaries and associates, adjusted net income reached US$ 26.9 M vs US$ 28.8 M from 2Q16.

II. MAIN CONSIDERATIONS:

a. Average metal prices

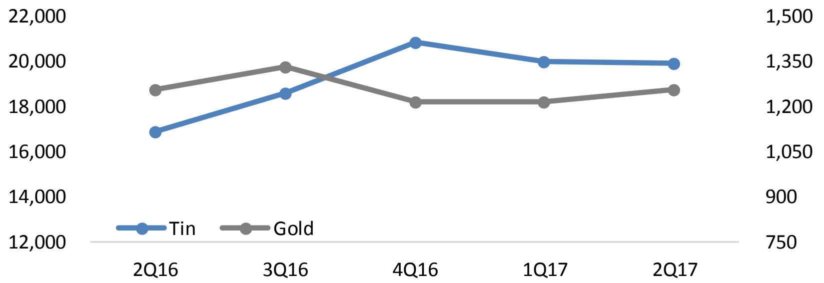
- **Tin:** Average Tin (Sn) Price in 2Q17 was US$ 19,969 per ton, an increase of 18% compared to the same period of the previous year.
- **Gold:** Average Gold (Au) Price in 2Q17 was US$ 1,258 per ounce, in line with the same period of the previous year.

Table N° 2: Average metal prices

Average Metal Prices	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Tin	US$/t	19,969	16,933	18%	20,006	16,244	23%
Gold	US$/oz	1,258	1,258	0%	1,239	1,220	2%

Source: Bloomberg

Figure N° 1: Average metal price quarterly evolution



Source: Bloomberg

b. Exchange Rate:

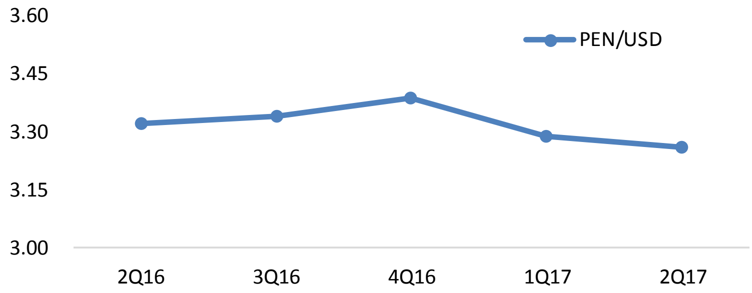
The Peruvian Sol average exchange rate for the 2Q17 was S/. 3.26 per US$ 1, compared to S/. 3.32 per US$ 1 in 2Q16, which represents an appreciation of 2% for the Peruvian Sol. At the end of 2016, exchange rate was S/. 3.36 per US$ 1, while at the end of this period it registered S/. 3.25 pero US$ 1.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
PEN/USD	S/.	3.26	3.32	-2%	3.28	3.38	-3%

Source: Banco Central de Reserva del Perú

Figure N° 2: Exchange rate quarterly evolution



III. OPERATING MINING RESULTS:

a. San Rafael – Pisco (Perú):

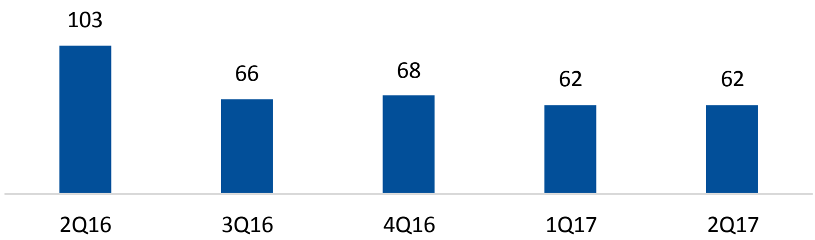
Table N° 4: San Rafael - Pisco Operating Results

San Rafael - Pisco	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Ore Treated	t	491,126	270,471	82%	541,213	473,061	14%
Head Grade	%	1.87	2.03	-8%	1.76	2.06	-14%
Tin production (Sn) - San Rafael	t	4,794	4,573	5%	8,811	8,847	0%
Tin production (Sn) - Pisco	t	4,727	5,014	-6%	8,307	9,368	-11%
Cash Cost per Treated Ton[1] - San Rafael	US$/t	62	103	-40%	62	109	-43%
Cash Cost per Ton of Tin[2]	US$/t Sn	8,409	7,907	6%	9,249	8,063	15%

In 2Q17, tin production reached 4,727 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 (-8%), partially offset by the contribution of the Ore Sorting plant in San Rafael and a higher stock of concentrate processed in Pisco.

Cash cost per treated ton[1] at San Rafael in 2Q17 was US$ 62 vs. US$ 103 in 2Q16, a reduction of 40%. It is relevant to note that this period's cash cost per ton includes, unlike the second quarter of 2016, the low grade ore fed to the pre-concentration Ore Sorting plant (341,454 tons), in addition to 149,672 tons treated at the main concentration plant fed directly from the mine. This effect is temporary because the low grade ore stockpiled at "Cancha 35" that is processed at the Ore Sorting plant will be consumed by 2017. Cash cost per treated ton remains in line with guidance of $70 to $80 per ton treated. In absence of this effect, cash cost per treated ton in 2Q17 would have been US$ 103.1 vs US$ 103.4 in 2Q16

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



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

Cash cost per ton of tin[2] in 2Q17 was US$ 8,409 vs. US$ 7,907 in 2Q16, a 6% increase and mainly due to lower tin production levels (-6%), partially offset by cost reductions in the mine.

Finally, it is important to note that a drilling campaign to replenish resources at San Rafael is being currently held. During the quarter, 401.5 kt of ore containing 6.94 kt of tin were identified, amounting to 705.3 kt of ore and 13.11 kt of tin contained for the first six months of 2016.

b. Pucamarca (Perú):

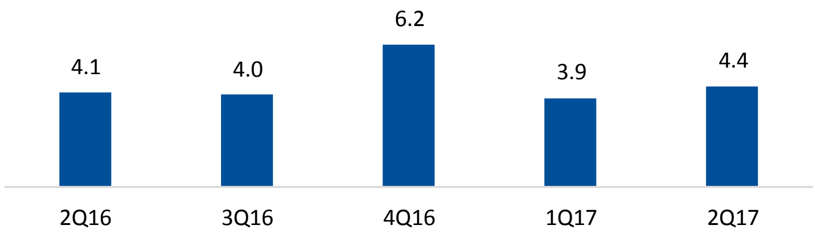
Table N°5. Pucamarca Operating Results

Pucamarca	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Ore Treated	t	1,948,762	2,002,630	-3%	3,824,973	4,162,168	-8%
Head Grade	g/t	0.44	0.50	-12%	0.48	0.48	-1%
Gold production (Au)	oz	23,295	27,634	-16%	52,304	61,152	-14%
Cash Cost per Treated Ton	US$/t	4.4	4.1	8%	4.2	3.8	11%
Cash Cost per Ounce of Gold[4]	US$/oz Au	370	296	25%	305	256	19%

In 2Q17, gold production reached 23,295 ounces, a 16% decrease compared to the same period of the previous year and in line with guidance provided for the year (90,000 – 100,000 oz). This decrease in production is mainly due to the extraction of lower head grade zones in the pit (0.44g/t head grade, which represensents a 12% decrease vs 2Q16). Also, and in accordance with the mine plan, the amount of ore treated saw a decrease of -3% when compared to 2Q16.

Cash cost per treated ton at Pucamarca was US$ 4.4 in 2Q17 vs. US$ 4.1 in 2Q16, an 8% increase, mainly because of a lower volume of treated ore (-3%) and higher production costs during the quarter (+5%). Pucamarca continues to remain 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 2Q17 was US$ 370, an increase of 25% compared to 2Q16. This increase is explained by the lower gold production (-16%) and the higher cash cost per treated ton (+8%).

[2] 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)

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

IV. CAPEX:

Table N°6. Executed CAPEX

CAPEX	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
San Rafael	US$ M	5.2	8.4	-38%	12.4	14.4	-13%
Pisco	US$ M	0.4	0.1	264%	1.2	0.1	994%
Pucamarca	US$ M	6.4	1.3	392%	8.5	2.9	197%
Other	US$ M	0.0	0.7	-	0.0	1.7	-98%
Total Capex	**US$ M**	**12.0**	**10.5**	**14%**	**22.2**	**19.1**	**17%**

In 2Q17, capex was US$ 12.0 M, an increase of US$ 1.4 M compared to the same period of the previous year. The major investments in the quarter were the expansion of the B3 tailings deposit at San Rafael and the expansion of Pucamarca's leeching Pad, both of these investments are considered as sustaining capex.

V. FINANCIAL RESULTS:

Table N°7. Financial Statements

Financial Statements	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Net Revenue	US$ M	121.9	120.7	1%	243.3	228.1	7%
Cost of Sales	US$ M	-57.0	-62.3	-9%	-117.9	-116.0	2%
Gross Profit	**US$ M**	**64.9**	**58.4**	**11%**	**125.4**	**112.1**	**12%**
Selling Expenses	US$ M	-0.9	-1.1	-16%	-1.8	-2.3	-20%
Administrative Expenses	US$ M	-6.6	-8.3	-20%	-14.4	-14.1	2%
Exploration & Project Expenses	US$ M	-7.8	-3.4	131%	-13.3	-7.1	88%
Other Operating Expenses, net	US$ M	-1.5	-0.9	70%	-3.8	-1.8	116%
Operating Income	**US$ M**	**48.0**	**44.7**	**7%**	**92.1**	**86.9**	**6%**
Finance Income (Expenses) and Others, net	US$ M	-6.0	-8.1	-26%	-11.2	-15.5	-28%
Results from Subsidiaries and Associates	US$ M	-17.1	-7.7	123%	-28.6	-13.6	110%
Exchange Difference, net	US$ M	0.1	-0.1	-	-1.1	0.3	-
Profit before Income Tax	**US$ M**	**24.9**	**28.8**	**-13%**	**51.2**	**58.1**	**-12%**
Income Tax Expense	US$ M	-15.1	-7.8	94%	-27.8	-17.7	57%
Net Income	**US$ M**	**9.8**	**21.0**	**-53%**	**23.4**	**40.4**	**-42%**
Net Income Margin	%	8%	17%	-54%	10%	18%	-46%
EBITDA	**US$ M**	**59.3**	**56.1**	**6%**	**114.6**	**108.9**	**5%**
EBITDA Margin	%	49%	46%	5%	47%	48%	-1%
Adjusted Net Income	**US$ M**	**26.9**	**28.8**	**-7%**	**53.1**	**53.7**	**-1%**

a. Net Revenue:

In 2Q17, net revenue reached US$ 121.9 M, an increase of 1% (+US$ 1.1 M) compared to 2Q16. This slight increase is mainly explained by higher tin price (+18%), partially offset by lower sold volumes of tin (-5%) and gold (-22%).

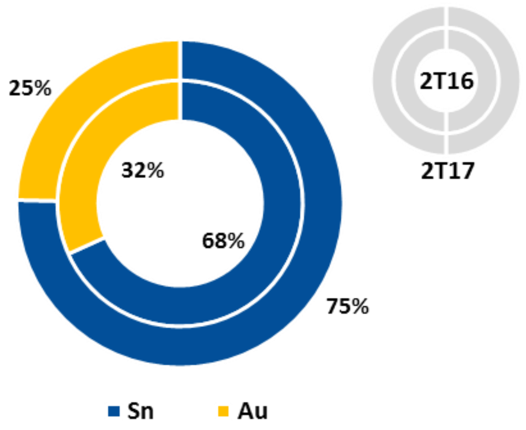
Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Tin	t	4,477	4,714	-5%	8,972	9,345	-4%
Gold	oz	23,570	30,218	-22%	47,877	57,167	-16%

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

Net Revenue by Metal	Unit	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Tin	US$ M	91.8	82.4	11%	183.0	158.1	16%
Gold	US$ M	30.1	38.3	-22%	60.2	69.9	-14%
TOTAL	**US$ M**	**121.9**	**120.7**	**1%**	**243.3**	**228.1**	**7%**

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	2Q17	2Q16	Var (%)	6M17	6M16	Var (%)
Production Cost	US$ M	46.46	42.60	9%	91.8	83.0	11%
Depreciation	US$ M	11.03	11.10	-1%	22.0	21.2	3%
Workers profit share	US$ M	3.08	1.77	74%	5.3	4.9	8%
Stocks Variation and Others	US$ M	-3.59	6.85	-152%	-1.1	6.8	-116%
TOTAL	**US$ M**	**56.97**	**62.32**	**-9%**	**117.9**	**116.0**	**2%**

Cost of sales in 2Q17 reached US$ 57.0 M, an increase of 9% compared to the same period of last year. This effect is mainly due to the increase of finished products stock levels at Pisco at the end of 2Q17.

c. Gross Profit:

Gross profit during 2Q17 reached US$ 64.9 M, a 11% increase compared to the same period of the previous year. Even though the net revenue saw only a 1% increase when compared to 2Q16, gross margin rose from 48% in 2Q16 go 53% in 2Q17, mainly due to the effect explained under cost of sales.

d. Administrative expenses:

Administrative expenses in 2Q17 were US$ 6.6 M, a 20% decrease compared to the same period of last year. This reduction is mainly due to an adjustment made on workers profit sharing accruals during 2Q16. Excluding this last effect, administrative expenses would have been US$ 5.8 M in 2Q17 vs 6.3 M in 2Q16.

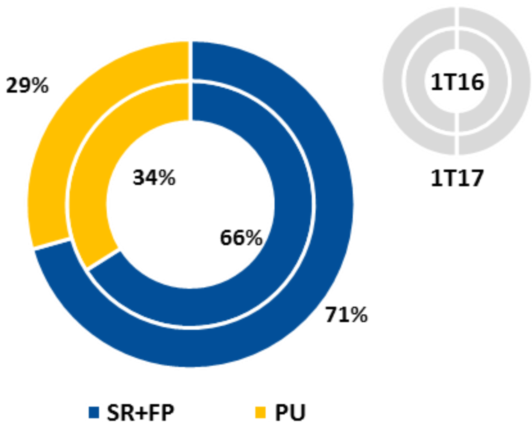
e. Exploration and Project Expenses:

In 2Q17, exploration & project expenses totaled US$ 7.8 M, an increase of 131% compared to 2Q16, mainly due to higher investments in exploration programs at San Rafael (+US$ 4.1 M) and Pucamarca (+US$ 0.3 M) surrounding areas.

f. EBITDA:

EBITDA in 2Q17 amounted to US$ 59.3 M, an increase of 6% (US$ 3.2 M) compared to 2Q16. This was mainly due to the higher price registered during the period, partially offset by lower volume of gold sold and higher project and exploration expenses. EBITDA margin in the period reached 49%, which represents a 3 percental point increase compared the same period of last year.

Figure N°6: BITDA share in US$ by Operative Unit



g. Income tax expense:

During 2Q17 the company accrued US$ 15.1 M in income tax expenses, US$ 7.3 M higher than 2Q16. For the first six months of 2017, US$ 27.8 M were accrued, US$ 10.1 M higher than the first six months of 2016. It is relevant to note that even though the company generated a lower operating income, income tax was higher due to temporary effects: i) positive adjustment in 2Q16 of US$ 5.5 M as a result of a change in the recognition of profit and losses generated in deposits abroad, and ii) the appreciation of the exchange rate (Peruvian Sol), which generated a translation effect in differed income tax of US$ 4.8 M.

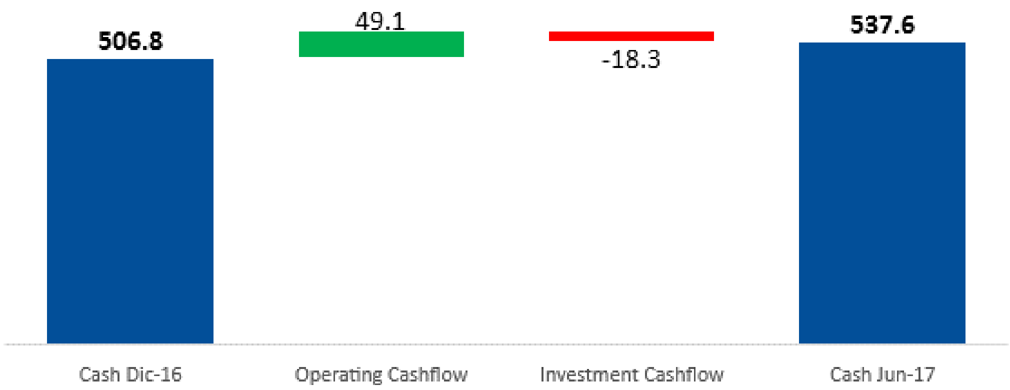
h. Utilidad Neta y Utilidad Neta Ajustada:

Net income in 2Q17 reached US$ 9.8 M, a decrease of US$ 11.2 M compared to 2Q16, mainly due to a higher impact from the results of subsidiaries and associates (-US$ 17.1 M in 2Q17 vs -US$ 7.7 M in 2Q16). This higher loss is explained by the negative net income obtained at Taboca during the period (-US$ 6.7 M). The adjusted net income, excluding exchange difference and results from subsidiaries and associates, reached US$ 26.9 M, a 7% decrease vs 2Q16.

VI. LIQUIDITY:

As of June 30, 2017, cash and cash equivalents totaled US$ 537.6 M, a 6% increase compared to the US$ 506.8 M at the end of 2016. This cash increase is explained by the positive results obtained by the company during the quarter, represented in an operating cashflow of US$ 49.1 M, partially offset by capital investments made during the period that amount to US$ 18.3 M.

Figure N°7: Cashflow Waterfall chart



Regarding debt levels, financial obligations at the end of the quarter reached US$ 440.5 M, in line with the debt level obtained at the end of December 2016 (US$ 440.1 M), this debt consists only of the company's senior unsecured bond, payable in 2024. Net leverage ratio reached -0.5x at the end of 2Q17 vs. -0.3x at the end of 2Q16.

Table N°12. Debt Summary

Financial Ratios	Unit	jun-17	dec-16	Var (%)
Total Debt	US$ M	440.5	440.1	0%
Long Term - Minsur 2024 Bond	US$ M	440.5	440.1	0%
Cash	US$ M	537.6	506.8	6%
Cash and Equivalents	US$ M	369.6	341.1	8%
Fixed term deposits	US$ M	37.2	36.9	1%
Mutual Funds and Deposit certificates	US$ M	130.8	128.8	2%
Net Debt	US$ M	-97.1	-66.7	-46%
Total Debt / EBITDA	x	2.1x	2.1x	-3%
Net Debt / EBITDA	x	-0.5x	-0.3x	-42%