MINSUR S.A.: MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THIRD QUARTER OF THE YEAR 2015

Lima, October 30, 2015 – MINSUR S.A. (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 third quarter of 2015 ("3Q15"). 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: 4,130 tons** in 3Q15, a 24**%** decrease compared to 3Q14 as a result of a scheduled maintenance halt of the Pisco smelter in September and lower head grades at San Rafael (in line with production guidance for 2015).
  - **Gold: 33,464 ounces** in 3Q15**,** 34**%** increase compared to 3Q14, in line with updated production guidance provided in the first quarter.
- Pucamarca operated at 21,000 tpd in 3Q15 compared to 17,500 tpd during same quarter last year; while San Rafael operated at 2,900 tpd during 3Q15.
- **Cash Cost per treated ton**:
  - San Rafael: US$ 119 in 3Q15 vs. US$ 144 in 3Q14 (-18%) due to the implementation of cost saving measures such as renegotiations with contractors.
  - Pucamarca: US$ 3.7 in 3Q15 vs. US$ 5.3 in 3Q14 (-31%) as a result of operating efficiency improvements, and an increase in tonnage treated.
- **Average Metal Prices:**
  - **Tin: US$ 15,207** per ton in 3Q15, a **31%** decrease compared to 3Q14.
  - **Gold: US$ 1,125** per ounce in 3Q15, a **12%** decrease compared to 3Q14.
- **EBITDA: US$ 46.5 M**, a **50%** decrease compared to 3Q14 mainly due to lower revenues attributable to lower tin and gold prices, partially offset by costs savings, which allowed Minsur to reach an EBITDA margin of 43%. EBITDA for 9M15 reached US$ 157.8 M.
- **Net loss:** -**US$ 25.2 M** in 3Q15 compared to a net profit of US$10.9M in 3Q14, mainly due to a lower EBITDA and a loss from subsidiaries mainly attributable to a US$20M exchange loss in Taboca and to US$5.6M investments in the Marcobre project (Taboca and Marcobre results are registered as "results from subsidiaries" in Minsur's financial statements). Net income/loss includes growth related expenses (explorations and projects) of US$ 5.8 M. Net loss for 9M15 reached -US$ 24.1M.
- **Adjusted net income**[1]: excluding results from subsidiaries and associates and exchange difference charges, adjusted net income was **US$ 11.6 M** in 3Q15. As of 9M15, adjusted net income reached US$ 43.7 M.

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

Table N° 1: Summary of operating and financial results

Highlights	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Production							
Tin (Sn)	t	4,130	5,446	-24%	13,924	18,034	-23%
Gold (Au)	oz	33,464	24,988	34%	93,782	77,843	20%
Financial Results							
Net Revenue	US$ MM	109.0	183.1	-40%	364.7	591.9	-38%
EBITDA	US$ MM	48.3	91.1	-47%	157.8	315.7	-50%
EBITDA Margin	%	44%	50%	-11%	43%	53%	-19%
Net Income	US$ MM	-25.2	10.9	-330%	-24.1	102.4	-124%
Adjusted Net Income[1]	US$ MM	11.6	37.9	-69%	43.7	151.6	-71%

I. MAIN CONSIDERATIONS:

a. Average metal prices:

Average Tin (Sn) Price in 3Q15 was US$ 15,207 per ton, which represents a decrease of 31% compared to the same period in 2014. As of the first 9M15, Tin prices reached US$16,339 per ton (27% decrease vs. 9M14)

Average Gold (Au) Price in the 2Q15 reached US$1,125 per ounce, a 12% decrease compared to the same period of the previous year. As of the 9M15, Gold price was US$1,179 per ounce (8% decrease vs. 9M14)

Table N° 2: Average metal prices

Average Metal Prices	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Tin	US$/t	15,207	21,930	-31%	16,399	22,567	-27%
Gold	US$/oz	1,125	1,282	-12%	1,179	1,288	-8%

Source: Bloomberg

b. Exchange rate:

The Peruvian Sol average exchange rate in 3Q15 was S/. 3.21 per US$1, compared to S/. 2.82 per US$1 in 3Q14, which represented a 14% depreciation of the Peruvian Sol. As of the 9M15, the average exchange rate was S/.3.14 per US$1, which represents a 12% depreciation of the Peruvian Sol.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
PEN/USD	S/.	3.21	2.82	14%	3.14	2.81	12%

Source: Bloomberg

III. OPERATING MINING RESULTS:

a. San Rafael – Pisco (Perú):

Table N° 4: San Rafael - Pisco Operating Results

San Rafael - Pisco	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Ore Treated	t	264,004	264,661	0%	761,348	754,552	1%
Head Grade	%	2.02	2.39	-15%	2.09	2.48	-16%
Tin production (Sn) - San Rafael	t	4,852	5,739	-15%	14,382	16,887	-15%
Tin production (Sn) - Pisco	t	4,130	5,446	-24%	13,924	18,034	-23%
Cash Cost per Treated Ton[2] - San Rafael	US$/t	119	144	-18%	130	139	-6%
Cash Cost per Ton of Tin[3]	US$/t Sn	8,562	8,618	-1%	8,850	8,119	9%

<u>Tin production</u>

In 3Q15, refined Tin production reached 4,130 tons, a decrease of 24% compared to 3Q14. This decrease was driven by a scheduled plant maintenance shutdown of the Pisco smelter and refinery in September, and by lower tin concentrate production at San Rafael due to lower ore head grades, which dropped from 2.39% in 3Q14 to 2.02% in 3Q15 (in line with the geological model and mine plan).

Similarly, Tin production in 9M15 was 23% lower than that of 9M14 due to lower head grades (2.09% vs 2.48%) and the stock optimization plan performed in the first half of 2014 at Pisco. Tin annual production guidance remains at 20,000 – 22,000 tons.

<u>Cash cost per treated ton</u>

San Rafael's cash cost per treated ton[2] in 3Q15 was US$ 119 vs. US$ 144 in 3Q14, a decrease of 18%. This significant decrease was primarily a result of a cost reduction plan that allowed the company to reduce materials, fuel and explosives prices. All this allowed us to increase operations productivity.

San Rafael's cash cost per treated ton in 9M15 reached US$ 130 vs US$139 in 9M14, a decrease of 6%. We expect an annual cash cost per treated ton slightly below the guidance range of US$ 130 – US$ 140.

<u>Cash cost per ton of refined tin</u>

Cash cost per ton of refined tin[3] in 3Q15 was US$ 8,562 vs. US$ 8,618 in 3Q14, a 1% decrease, mainly due to lower cash cost per treated ton at San Rafael, which allowed us to compensate the lower tin production.

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

[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)

b. Pucamarca (Perú):

Table N°5. Pucamarca Operating Results

Pucamarca	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Ore Treated	t	2,190,881	1,752,836	25%	6,027,524	4,595,713	31%
Head Grade	g/t	0.60	0.65	-7%	0.61	0.67	-9%
Gold production (Au)	oz	33,464	24,988	34%	93,782	77,843	20%
Cash Cost per Treated Ton	US$/t	3.7	5.3	-31%	4.1	6.2	-34%
Cash Cost per Ounce of Gold[4]	US$/oz Au	240	371	-35%	264	369	-28%

Gold production

In 3Q15, gold production reached 33,464 ounces, a 34% increase compared to 3Q14 mainly due to the increase in plant capacity from 17,500 tpd to 21,000 tpd since 2Q15 and higher recovery rates (72% in 3Q15 vs. 64% in 3Q14). In line with Pucamarca's geological model and mine plan, head grade was 0.60 g/t in 3Q15, a decreased of 7% compared to 3Q14.

In 9M15, gold production reached 93,782 ounces, a 20% increase compared to 9M14. Similarly, higher production was explained by the plant daily capacity increase and recovery rates, partially offset by lower head grade (-9%). We maintain 1Q annual production guidance of 104,500 – 115,500 ounces of gold.

Cash cost per treated ton

Cash cost per treated ton at Pucamarca was US$ 3.7 in 3Q15 vs. US$ 5.3 in 3Q14, a decrease of 31%, mainly due to efficiencies from the increase in daily plant capacity, to the lower costs due to a cost reduction plan and to the productivity increase initiatives.

Cash cost per treated ton at Pucamarca was US$ 4.1 in 9M15, a decrease of 34% compared to 9M14. We expect an annual cash cost per treated ton in the range of US$ 4.0 – US$ 4.5, below the initial guidance.

Cash cost per ounce of gold

Cash cost per ounce of gold[4] in 3Q15 was US$ 240, which represented a decrease of 35% compared to 3Q14. This decrease was explained by lower cash cost per treated ton, offsetting the lower head grade.

Cash cost per ounce of gold in 9M15 was US$ 264, which represented a decrease of 28% compared to 9M14.

[4] 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. CAPEX

CAPEX	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
San Rafael	US$ MM	4.0	4.5	-12%	8.2	8.1	1%
Pisco	US$ MM	0.4	0.4	13%	0.6	1.4	-57%
Pucamarca	US$ MM	2.2	2.0	11%	2.5	11.8	-79%
Other	US$ MM	0.0	0.2	-99%	0.1	0.5	-83%
Total Capex	**US$ MM**	**6.6**	**7.1**	**-7%**	**11.4**	**21.8**	**-48%**

In 3Q15, Capex was US$ 6.6 M, a decrease of 7% compared to 3Q14. Likewise, in 9M15 capex was US$ 11.4 M, a decrease of 48% compared to 9M14. In 9M15 main investments were:

- San Rafael: waste dump capacity expansion, in line with the mine short and mid-term sustaining plan.
- Pucamarca: Truck overhauls and investments in ore processing for sustaining production at a plant capacity of 21,000 tpd.

The company continues to implement a CAPEX reduction plan to reduce capital expenditures in all units in line with the new context of metal prices. We expect an annual sustaining CAPEX at the lower end of guidance at both units of US$ 15 M – US$ 20 M at San Rafael – Pisco and US$ 8 M – US$ 12 M at Pucamarca.

V. FINANCIAL RESULTS:

Table 7: Profit and Loss Statement

Financial Statements	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Net Revenue	US$ MM	109.0	183.1	-40%	364.7	591.9	-38%
Cost of Sales	US$ MM	-64.8	-87.8	-26%	-207.2	-264.7	-22%
Gross Profit	**US$ MM**	**44.2**	**95.3**	**-54%**	**157.4**	**327.2**	**-52%**
Selling Expenses	US$ MM	-1.4	-1.9	-27%	-4.8	-6.7	-29%
Administrative Expenses	US$ MM	-5.1	-9.1	-45%	-22.3	-24.9	-11%
Exploration & Project Expenses	US$ MM	-5.8	-7.4	-22%	-17.9	-17.3	3%
Other Operating Expenses, net	US$ MM	-1.2	-1.5	-20%	-3.1	-5.1	-39%
Operating Income	**US$ MM**	**30.8**	**75.3**	**-59%**	**109.4**	**273.2**	**-60%**
Finance Income (Expenses) and Others, net	US$ MM	-7.2	-6.9	5%	-19.7	-17.4	13%
Results from Subsidiaries and Associates	US$ MM	-36.5	-25.3	-44%	-67.5	-46.8	-44%
Exchange Difference, net	US$ MM	-0.3	-1.7	-81%	-0.3	-2.4	-89%
Profit before Income Tax	**US$ MM**	**-13.3**	**41.5**	**-132%**	**21.8**	**206.6**	**-89%**
Income Tax Expense	US$ MM	-11.9	-30.6	-61%	-46.0	-104.2	-56%
Net Income	**US$ MM**	**-25.2**	**10.9**	**-330%**	**-24.1**	**102.4**	**-124%**
Net Income Margin	%	-23%	6%	-487%	-7%	17%	-138%
EBITDA	**US$ MM**	**46.5**	**92.2**	**-50%**	**157.8**	**323.1**	**-51%**
EBITDA Margin	%	43%	50%	-15%	43%	55%	-21%
Depreciation	US$ MM	15.8	16.8	-6%	48.4	49.9	-3%
Adjusted Net Income	**US$ MM**	**11.6**	**37.9**	**-69%**	**43.7**	**151.6**	**-71%**

<u>Second quarter financial results</u>

a. Net Revenue:

In 3Q15, net revenue reached US$ 109.0 M, a decrease of 40% (-US$ 74.1 M) compared to 3Q14. This decrease was mainly explained by lower tin and gold average metal prices (-31% and -12%, respectively) and lower tin volume sold (-26%) due to the lower production vs the same period of 2014, reflecting stock optimization plan implemented in 2014, partially offset by higher gold volume sold (+18%).

Table 8: Revenue volume by product

Net Revenue Volume	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Tin	t	4,771	6,458	-26%	15,352	21,109	-27%
Gold	oz	28,661	24,307	18%	88,076	78,691	12%

Table 9: Net Revenue in US$ by product

Net Revenue in US$	Unit	3Q15	3Q14	Var (%)	9M15	9M14	Var (%)
Tin	US$ MM	76.3	144.8	-47%	259.8	490.3	-47%
Gold	US$ MM	32.8	38.3	-14%	104.9	101.6	3%
TOTAL	**US$ MM**	**109.0**	**183.1**	**-40%**	**364.7**	**591.9**	**-38%**

b. Gross Profit:

In spite of a 26% lower cost of sales in 3Q15, gross profit reached US$ 44.2 M, a 54% decrease (-US$ 51.1 M) compared to the same period of the previous year, mainly due to the lower income, partially offset by costs savings.

c. Administrative Expenses:

Administrative expenses in 3Q15 were US$ 5.1 M, a 45% decrease (US$ 4.1 M) compared to the same period of the previous year mainly due to an aggressive cost reduction plan.

d. Exploration and Project Expenses:

In 3Q15, exploration & project expenses totaled US$ 5.8 M, a decrease of 22% (US$ 1.6 M) compared to 3Q14. This decrease was mainly due to the suspension of certain exploration activities in areas surrounding San Rafael and Pucamarca, and to lower expenses in the development of the pre-feasibility study of the tailing project at San Rafael (B2).

e. EBITDA:

EBITDA in 3Q15 reached US$ 46.5 M, a decrease of 50% (-US$ 45.6 M) compared to 3Q14. This was mainly explained by lower tin volume sold and lower tin and gold average metal prices, partially offset by higher gold volume sold, lower cash cost per treated ton in both units and lower administration and exploration expenses.

f. Finance Income / (Expenses) and Others, net:

In 3Q15 net finance expenses totaled US$ 7.2 M, an increase of 5% compared to 3Q14 (US$ 0.4 M). This increase was mainly due to a loss in financial assets of -US$ 1.0 M in 3Q15 compared to a loss of -US$ 0.4 M in 3Q14.

g. Net Loss and Adjusted Net Income:

Net loss in 3Q15 was -US$ 25.2 M vs a net profit of US$10.9 M in 3Q14, mainly due the lower EBITDA and to net the loss in our subsidiaries, mainly due to the US$ 20 M loss in exchange difference from our Brazilian subsidiary and to the US$ 5.6 M investment in our growth project Marcobre (Taboca and Marcobre results are registered as “results from subsidiaries” in Minsur’s financial statements). Excluding results from subsidiaries and associates and exchange difference, adjusted net income would have been US$ 11.6 M in 3Q15, a 69% decrease compared to 3Q14.

VI. LIQUIDITY

As of September 30th, 2015, cash and cash equivalents totaled US$ 554.7 M, a decrease of 4% compared to US$ 578.3 M in 2014. With regards to financial debt, total debt reached US$ 443.3 M, 2% lower than that recorded at the end of 2014 (US$450.5 M). Net leverage ratio was -0.5x at the end of September 2015 vs. -0.3x at the end of 2014.

Table 10: Net Debt

Financial Ratios	Unit	sep-15	dic-14	Var (%)
Total Debt	US$ MM	443.3	450.5	-2%
Cash	US$ MM	554.7	578.3	-4%
Net Debt	US$ MM	-111.4	-127.8	-13%
Total Debt / EBITDA	x	2.0x	1.2x	73%
Net Debt / EBITDA	x	-0.5x	-0.3x	53%