



MANAGEMENT DISCUSSION AND ANALYSIS: INDIVIDUAL RESULTS

MINSUR S.A.
THIRD QUARTER 2020

For further information please contact:

Joaquín Larrea
CFO

Email: joaquin.larrea@minsur.com

Tel: (511) 215-8300 Ext. 8444

Javier La Torre
Corporate Finance Manager

Email: javier.latorre@minsur.com

Tel: (511) 215-8300 Ext. 8090

Investor Relations

Email: contacto_IR@minsur.com

I. HIGHLIGHTS AND EXECUTIVE SUMMARY

Table N° 1: Operating & Financial Highlights

Highlights	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Production							
Tin (Sn)	t	5,699	5,720	0%	13,455	14,307	-6%
Gold (Au)	oz	16,323	25,449	-36%	54,782	76,806	-29%
Financial Results							
Net Revenue	US\$ M	135.5	119.8	13%	342.1	390.8	-12%
EBITDA	US\$ M	68.2	51.2	33%	158.5	180.7	-12%
EBITDA Margin	%	50%	43%	-	46%	46%	-
Net Income	US\$ M	2.5	-7.5	-	-42.0	52.5	-
Adjusted Net Income ¹	US\$ M	16.2	13.1	23%	35.6	75.4	-53%

Executive Summary:

a. Prioritization of Health and Safety – Response to COVID -19 Pandemic

All operations are strictly complying with the protocols required in the context of the COVID-19 pandemic to work safely. These protocols have been representing additional costs for our operations; however, it is essential and a priority to maintain the health and safety of all our collaborators. On the other hand, the activities of the administrative staff continue to be carried out remotely.

b. Operating Results

In 3Q20, refined tin production was in line with the same period of the previous year, while gold production was 36% lower than 3Q19. This lower gold production is mainly due to lower ore grades that are in line with our production plan. It is important to mention, that from this year onwards, the annual production of Pucamarca will be lower than the historical production, which is in line with the life of mine of the operation. Finally, all our units have reached the expected production levels according to our new operating plan.

c. Financial Results

The financial results obtained during 3Q20 were higher than 3Q19; sales and EBITDA were 13% and 33% higher, respectively. The higher sales during 3Q20 are mainly due to the higher sold volumes of tin (+21%) and higher tin price (+3%). However, the sold volume of gold was lower (-34%) and was partially offset by a higher price (+30%). Finally, net income was US\$ 2.5 MM and was favored by better results of subsidiaries and associates.

¹ Adjusted net income = Net income excluding Loss from Subsidiaries and Associates, exchange rate difference and extraordinary effects

II. MAIN CONSIDERATIONS:

a. Average metal prices

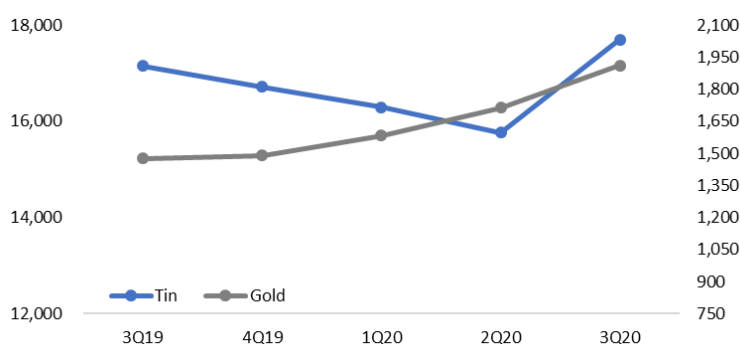
- **Tin:** Average tin price in 3Q20 was US\$ 17,689 per ton, an increase of 3% compared to the same period of the previous year. During the first nine months, average tin price was US\$ 16,584 per ton, 14% below last year's average.
- **Gold:** Average gold price in 3Q20 was US\$ 1,911 per ounce, 30% higher than the same period of the previous year. During the first nine months, average gold price was US\$ 1,737 per ounce, an increase of 27% compared to last year's average.

Table N° 2: Average metal prices

Average Metal Prices	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Tin	US\$/t	17,689	17,146	3%	16,584	19,305	-14%
Gold	US\$/oz	1,911	1,474	30%	1,737	1,363	27%

Source: Bloomberg

Figure N° 1: Average metal price quarterly evolution



Source: Bloomberg

b. Exchange Rate:

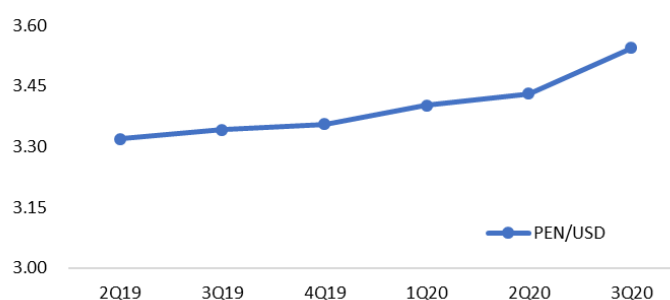
The Peruvian Sol average exchange rate for 3Q20 was S/ 3.54 per US\$ 1, 6% higher than that of 3Q19 (S/ 3.34 per US\$ 1). At the end of 9M19, exchange rate was S/ 3.33 per US\$ 1, while at the end of 9M20 it increased to S/ 3.46 per US\$ 1.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
PEN/USD	S/.	3.54	3.34	6%	3.46	3.33	4%

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	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Ore Treated	t	251,674	552,661	-54%	667,404	1,535,865	-57%
Head Grade	%	1.93	1.85	4%	1.87	1.86	1%
Tin production (Sn) - San Rafael	t	5,093	5,107	0%	12,026	15,225	-21%
Tin production (Sn) - B2	t	1,181	-	-	1,905	-	-
Tin production (Sn) - Pisco	t	5,699	5,720	0%	13,455	14,307	-6%
Cash Cost per Treated Ton ¹ - San Rafael	US\$/t	125	60	110%	107	62	73%
Cash Cost per Ton of Tin ³	US\$/t Sn	8,535	7,307	17%	8,054	8,590	-6%

In 3Q20, tin production at San Rafael reached 5,093 tons, similar the volume of 3Q19. B2 production reached 1,181 tons of contained tin. On the other hand, refined tin production in Pisco was 5,699 tons, similar to the same period of the previous year, due to the smelter's concentrate stocks that were additionally processed in 3Q19.

Cash cost per treated ton at San Rafael in 3Q20 was \$125, 110% higher than 3Q19, mainly explained by lower volume of treated ore (-54%) and higher costs associated with the implementation of protocols to deal with the pandemic. The higher volume of mineral treated in 3Q19 corresponds to low-grade material that was stored in stock piles and which stock was consumed until the end of last year.

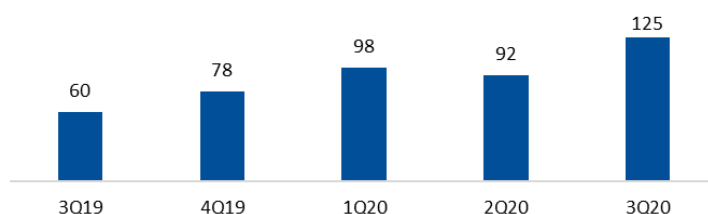
During the 9M20, production of San Rafael was 21% lower than the same period of the previous year, mainly due to the shorter operating time due to the pandemic. In B2, the accumulated production was 1,905 tons of contained tin. In Pisco, the refined tin production was only 6% lower than 9M19, because B2 production partially offset the decrease in San Rafael production. Cash cost

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)

per treated ton during the 9M20 was \$107, 73% above 9M19 average, due to the lower volume of ore treated and the additional costs for the implementation of protocols in our operations.

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



Cash cost per ton of tin³ in 3Q20 was US\$ 8,535, 17% higher than 3Q19, mainly explained by the new costs of health and safety protocols. However, the accumulated cash cost per ton of tin reached US\$ 8,054, 6% lower compared to the same semester of the previous year.

b. Pucamarca (Perú):

Table N°5. Pucamarca Operating Results

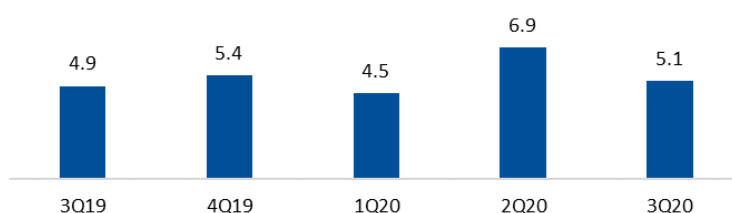
Pucamarca	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Ore Treated	t	2,281,527	2,222,547	3%	5,325,594	6,061,617	-12%
Head Grade	g/t	0.45	0.61	-26%	0.46	0.60	-24%
Gold production (Au)	oz	16,323	25,449	-36%	54,782	76,806	-29%
Cash Cost per Treated Ton	US\$/t	5.1	4.9	5%	5.3	5.5	-3%
Cash Cost per Ounce of Gold ⁴	US\$/oz Au	737	435	69%	533	444	20%

In 3Q20, gold production reached 16,323 ounces, a 36% decrease compared to the same period of last year. This decrease in gold production is mainly explained by lower grades (-26%). Cash cost per treated ton at Pucamarca was US\$ 5.1 in 3Q20 vs. US\$ 4.9 in 3Q19, an increase of 5%, mainly due to the new costs associated with the new health and safety protocols implemented.

During the first nine months, production was 54,782 ounces of gold, 29% below than the same period of the previous year. Cash cost per treated ton for the first half was US\$ 5.3, 3% lower than 9M19, mainly due to the advancement of dismount works in 2019, in order to optimize our geotechnical parameters. This effect was partially offset by lower volume of ore treated in 2020.

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

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



Cash cost per ounce of gold⁴ in 3Q20 was US\$ 737, an increase of 69% compared to 3Q19, mainly explained by lower production as explained above. The cash cost per ounce of gold for the first nine months was US\$ 533, 20% higher than 9M19.

IV. CAPEX:

Table N°6. Executed CAPEX

Capex	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
San Rafael + B2	US\$ M	10.7	9.2	16%	16.1	13.7	17%
Pisco	US\$ M	0.2	0.3	-10%	2.4	0.8	217%
Pucamarca	US\$ M	4.8	0.9	448%	6.2	4.4	40%
Others	US\$ M	0.1	0.1	10%	0.3	0.6	-55%
Sustaining Capex	US\$ M	15.9	10.5	51%	25.0	19.6	28%
B2	US\$ M	0.0	36.4	-100%	0.0	84.6	-100%
Expansion Projects Capex	US\$ M	0.0	36.4	-100%	0.0	84.6	-100%
Total Capex	US\$ M	15.9	46.9	-66%	25.0	104.2	-76%

In 3Q20, Capex was US\$ 15.9 M, which represents a decrease of 66% compared to what was invested in 3Q19, when the B2 Project was still under construction. As for the operating units, the main investment was related to the construction of tailings dam and PAD mine.

V. FINANCIAL RESULTS:

Table N°7. Financial Statements

Financial Statements	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Net Revenue	US\$ M	135.5	119.8	13%	342.1	390.8	-12%
Cost of Sales	US\$ M	-78.4	-67.7	16%	-211.7	-208.8	1%
Gross Profit	US\$ M	57.0	52.1	9%	130.4	182.1	-28%
Selling Expenses	US\$ M	-0.9	-1.4	-37%	-3.0	-4.3	-29%
Administrative Expenses	US\$ M	-6.4	-10.1	-37%	-22.5	-28.9	-22%
Exploration & Project Expenses	US\$ M	-1.3	-8.2	-84%	-4.4	-19.7	-78%
Other Operating Expenses, net	US\$ M	-2.7	0.1	-	1.8	1.0	79%
Operating Income	US\$ M	45.8	32.5	41%	102.3	130.2	-21%
Financial Income (Expenses) and Others, net	US\$ M	-7.9	-3.5	125%	-21.3	-3.7	482%
Results from Subsidiaries and Associates	US\$ M	-12.5	-20.6	39%	-76.5	-24.6	-211%
Exchange Difference, net	US\$ M	-1.2	-0.1	-	-1.2	1.7	-
Profit before Income Tax	US\$ M	24.1	8.4	-	3.3	103.6	-97%
Income Tax Expense	US\$ M	-21.6	-15.9	36%	-45.4	-51.1	-11%
Net Income	US\$ M	2.5	-7.5	-	-42.0	52.5	-
Net Income Margin	%	2%	-6%	-	-12%	13%	-
EBITDA	US\$ M	68.2	51.2	33%	158.5	180.7	-12%
EBITDA Margin	%	50%	43%	-	46%	46%	-
Depreciation	US\$ M	22.4	18.7	20%	56.2	50.5	11%
Adjusted Net Income¹	US\$ M	16.2	13.1	23%	35.6	75.4	-53%

a. Net Revenue:

In 3Q20, net sales reached US\$ 135.5 M, an increase of 13% compared to 3Q19. This increase is mainly explained by the higher sold volumes of tin (+21%) and better price. Gold sales were lower than 3Q19 due to the lower sold volume of gold (-34%), which was partially offset by a higher price (+30%).

Table N°8. Net revenue Volume by product

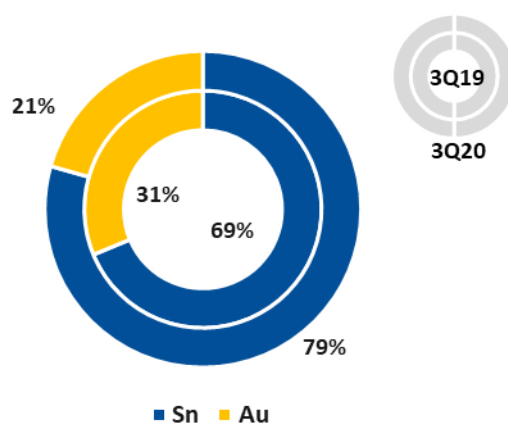
Net Revenue Volume	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Tin	t	5,942	4,918	21%	14,552	14,685	-1%
Gold	oz	16,413	24,840	-34%	56,775	76,688	-26%

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

Net Revenue by Metal	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Tin	US\$ M	107.6	82.4	31%	247.8	284.7	-13%
Gold	US\$ M	27.9	37.4	-25%	94.3	106.1	-11%
TOTAL	US\$ M	135.5	119.8	13%	342.1	390.8	-12%

¹ Adjusted net income = Net income excluding Loss from Subsidiaries and Associates, exchange rate difference and extraordinary effects

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



b. Cost of Sales:

Table N°10. Cost of sales detail

Cost of Sales	Unit	3Q20	3Q19	Var (%)	9M20	9M19	Var (%)
Production Cost	US\$ M	57.2	50.5	13%	129.3	149.9	-14%
Depreciation	US\$ M	23.7	18.4	29%	52.8	49.8	6%
Workers profit share	US\$ M	4.0	2.0	98%	5.8	9.8	-41%
Stocks Variation and Others	US\$ M	-6.5	-3.2	106%	23.7	-0.7	-3273%
TOTAL	US\$ M	78.4	67.7	16%	211.7	208.8	1%

Cost of sales in 3Q20 reached US\$ 78.4 M, an increase of 16% compared to the same period of 2019. This effect is mainly explained by: i) higher sold volume of tin, ii) higher depreciation and iii) higher workers profit share. It is important to mention that production costs have been affected by the new health and safety protocols implemented in the context of the pandemic.

c. Gross Profit:

Gross profit during 3Q20 reached US\$ 57.0 M, a US\$4.9 M increase compared to the same period of last year, mainly explained by higher sold volumes of tin and better prices. Gross margin of the quarter was 42% vs 43% during 3Q19.

d. Selling expenses:

Selling expenses in 3Q20 were US\$ 0.9 M, 37% below to the same period of last year, mainly explained by lower sold volumes of gold and some consulting services postponed due to the context of the pandemic.

e. Administrative expenses:

Administrative expenses in 3Q20 were US\$ 6.4 M, a decrease of 37% compared to the same period of last year, explained by a reduction in consulting and other services to mitigate the impact of lower sales.

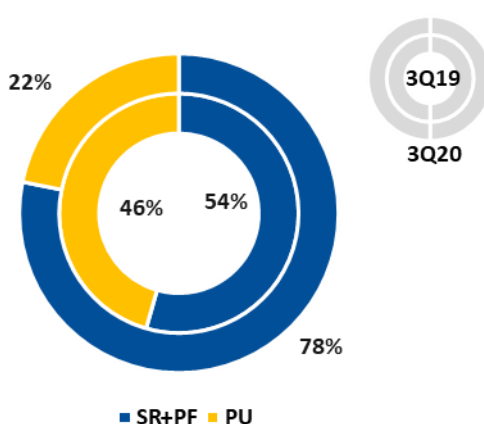
f. Exploration and Project Expenses:

In 3Q20, exploration and project expenses totaled US\$ 1.3 M, US\$ 6.09 M lower than 3Q19, mainly explained to the temporary postponement of exploration activities due to the impact of the Covid-19 pandemic.

g. EBITDA:

EBITDA in 3Q20 amounted to US\$ 68.2 M, an increase of US\$ 17.0 M compared to 3Q19, due to higher gross profit explained above, in addition to lower administrative and exploration expenses. EBITDA margin in the period reached 50%, 7pp above that of the same period of last year.

Figure N°6: EBITDA share in US\$ by Operating Unit ⁵



h. Net financial expenses

The net financial expenses in 3Q20 were - US\$ 7.9 M vs - US\$ 3.5 M registered in 3Q19. This difference is explained by the capitalization of the financial expenses associated with our B2 project in 2019.

i. Results from Subsidiaries and Associates

The results from subsidiaries and associates in 3Q20 were - US\$ 12.5 M vs - US\$ 20.6 M registered in the same period of last year. This difference is explained by exchange losses in the subsidiaries

⁵ 3Q20 includes SR + FR + B2

due to the depreciation of their local currencies in 3Q19.

j. Income tax expense:

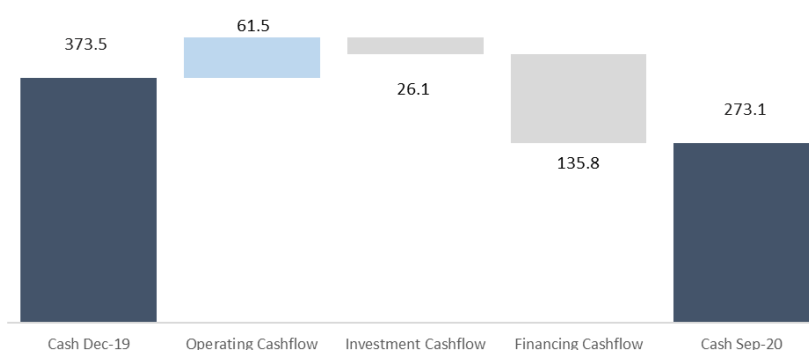
In 3Q20, Minsur accrued US\$ 21.6 M on income tax expense, 36% higher than 3Q19, mainly due to better operating results.

k. Net income and Adjusted net income:

In 3Q20, the company registered a net income of US\$ 2.5M vs US\$ -7.5 M in the same period of the previous year, mainly due to higher EBITDA. Excluding extraordinary effects, the results of subsidiaries and associates, and the exchange difference, the adjusted net income in 3Q20 would amount to US\$ 16.2 M, US\$ 3.1 M higher than the same period of the previous year, mainly due to the higher EBITDA explained before.

VI. LIQUIDITY:

As of September 30th, 2020, the company's cash balance reached US\$ 273.1 M, 27% lower than the closing balance of 2019 (US\$ 373.5 M). The decrease is explained by an operating cash flow of US\$ 61.5 M, an investment cash flow of US\$ 26.1 M and financing cash flow of US\$ 135.8 M that correspond to capital contributions to our subsidiary Cumbres Andinas.



As of September 30th, 2020, the company's financial liabilities reached US\$ 446.2 M. The financial debt is explained by the corporate bond, with expiration date of 2024. The net leverage ratio reached 0.8x as of September 30th, 2020 vs. 0.3x by the end of 2019.

Table N°12. Debt Summary

Financial Ratios	Unit	Set-20	Dec-19	Var (%)
Total Debt	US\$ M	446.2	443.4	1%
Long Term - Minsur 2024 Bond	US\$ M	446.2	443.4	1%
Cash	US\$ M	273.1	373.5	-27%
Cash and Equivalents	US\$ M	157.5	79.4	98%
Fixed term deposits	US\$ M	115.6	212.7	-46%
Comercial papers	US\$ M	0.0	81.5	-100%
Net Debt	US\$ M	173.1	69.9	148%
Total Debt / EBITDA	x	2.1x	1.9x	11%
Net Debt / EBITDA	x	0.8x	0.3x	173%

VII. Risk Management

The company has a financial reporting and consolidation area, which permanently validates that the financial information to be disclosed to the market is in accordance with IFRS and free from material errors.

The internal controls associated with the risks of the aforementioned function are evaluated and verified by an independent external auditor, who annually issues an opinion on the reasonableness of the Financial Statements and the evaluation of the internal control system to mitigate risks related to integrity and reliability of financial information.

Likewise, periodically, the Internal Auditor reports to the Audit Committee on work progress and deadlines compliance regarding the implementation of Internal and External Audit observations in accordance with the audit plan.

Finally, the company has a Risk area, in charge of managing the identified risk matrix, as well as evaluating and monitoring mitigation plan proposals.