



MANAGEMENT DISCUSSION AND ANALYSIS: INDIVIDUAL RESULTS

MINSUR S.A.
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I. HIGHLIGHTS AND EXECUTIVE SUMMARY

Table N° 1: Operating & Financial Highlights

Highlights	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Production							
Tin (Sn)	t	4,801	4,991	-4%	13,454	13,298	1%
Gold (Au)	oz	24,405	23,123	6%	74,048	75,427	-2%
Financial Results							
Net Revenue	US\$ M	108.4	129.9	-17%	362.6	372.7	-3%
EBITDA	US\$ M	58.9	91.4	-36%	187.0	207.8	-10%
EBITDA Margin	%	54%	70%	-23%	52%	56%	-7%
Net Income	US\$ M	83.1	60.7	37%	137.3	84.3	63%
Adjusted Net Income ¹	US\$ M	17.5	28.8	-39%	53.9	82.1	-34%

Executive Summary:

a. Operating Results

In 3Q18 the company registered a higher gold production (+6%) and a lower tin production (-4%) vs. 3Q17. In both cases, the result was within the production guidance and in line with the mining plan established for each operating unit. During the first nine months of 2018 our tin production reached 13,454 tons, (+1%) above the same period last year, while our gold production was 74,048 ounces, (-2%) below the first nine months of 2017.

During the first nine months of 2018, higher tin production is explained by an optimization of the volume of ore produced in San Rafael, obtaining higher recovery rates while producing a lower grade concentrate, without affecting our smelting plant recoveries at Pisco. On the other hand, lower gold production was explained by positively impacted 2017's first half with a 7,083 ounces batch from the last days of 2016 which was considered as final product in January 2017. These results remain in line with the annual production guidance.

b. Financial Results

The 3Q18 was positively affected by the return of overpaid taxes in 2002 (+\$70.9 M) and the net income reached US\$ 83.1 M. Nevertheless, sales and EBITDA decreased by 17% and 36%, respectively. Sales decreased due to the lower tin price (-6%) and gold price (-5%) as well as the lower sold volumes of tin (-15%) and the higher volumes of gold (+2%). The lower EBITDA (-\$32.4M) of the quarter is mainly explained by lower sales (-\$21.5M) and the extraordinary income for the sale of Rimac's share (+\$21.3M) in 2017.

In the first nine months of 2018, the net income reached US\$ 137.3 M, 63% above the 9M17. The sales were \$362.6M, \$10.1M below the same period last year, mainly explained by a lower sold volume of tin (-7%). EBITDA was \$187.0M, -\$20.8M below last year, also mainly due to lower sales (\$10.1M) and the extraordinary income for the sale of Rimac's share (+\$21.3M) in 2017.

¹ Adjusted net income = Net income excluding Loss from Subsidiaries and Associates, exchange rate difference and extraordinary effects: (i) the return of overpaid taxes, (ii) the sale of Rimac shares in 2017, and (iii) tax benefit by the sale of 40% of Marcobre

II. MAIN CONSIDERATIONS:

a. Average metal prices

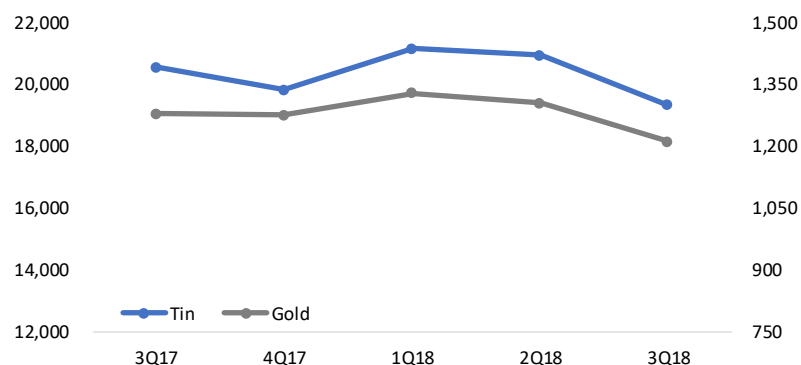
- **Tin:** Average Tin (Sn) Price in 3Q18 was US\$ 19,335 per ton, a decrease of 6% compared to the same period of the previous year. During the first nine months average tin price was US\$ 20,489 per ton, 1% above last year.
- **Gold:** Average Gold (Au) Price in 3Q18 was US\$ 1,212 per ounce, 5% below the same period of the previous year. During the first nine months average gold price was US\$ 1,283 per ounce, 2% above last year.

Table N° 2: Average metal prices

Average Metal Prices	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Tin	US\$/t	19,335	20,568	-6%	20,489	20,193	1%
Gold	US\$/oz	1,212	1,279	-5%	1,283	1,252	2%

Source: Bloomberg

Figure N° 1: Average metal price quarterly evolution



Source: Bloomberg

b. Exchange Rate:

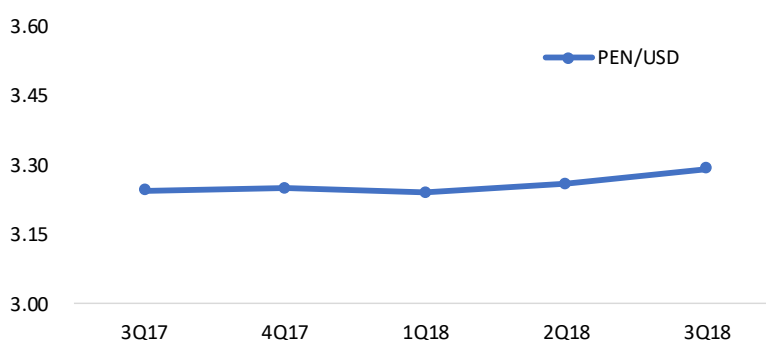
The Peruvian Sol average exchange rate for 3Q18 was S/ 3.29 per US\$ 1, slightly higher compared to S/ 3.25 per US\$ 1 in 3Q17. At the end of 2017, exchange rate was S/ 3.24 per US\$ 1, while at the end of this period it registered S/ 3.26 per US\$ 1.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
PEN/USD	S/.	3.29	3.25	1%	3.26	3.27	0%

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	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Ore Treated	t	542,944	436,072	25%	846,181	819,873	3%
Head Grade	%	1.77	1.86	-4%	1.74	1.79	-3%
Tin production (Sn) - San Rafael	t	4,877	4,844	1%	13,758	13,655	1%
Tin production (Sn) - Pisco	t	4,801	4,991	-4%	13,454	13,298	1%
Cash Cost per Treated Ton ² - San Rafael	US\$/t	58	70	-17%	67	65	4%
Cash Cost per Ton of Tin ³	US\$/t Sn	8,609	8,190	5%	8,787	8,865	-1%

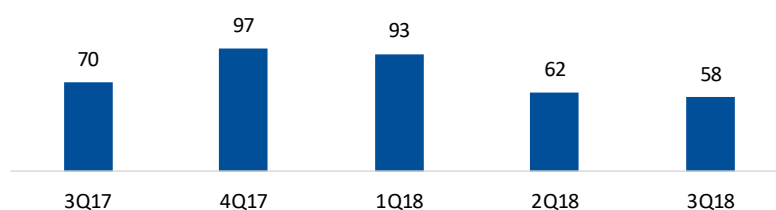
In 3Q18, tin production reached 4,801 tons, a 4% decrease compared to the same period of the previous year. Although mine production was only 1% above last year, lower refined tin production is explained by lower volume fed to the smelting plant (-10%). Cash cost per treated ton at San Rafael in 3Q18 was US\$ 58, -17% below with 3Q17 (historical low); ore treated was 25% above last year but was partially offset by an increase in production cost of 4%.

During the first nine months, production was 1% higher than the same period of the previous year, mainly due to an optimization of the volume of ore produced in San Rafael. Grade of concentrate produced was decreased from 48% to 38% while increasing our mine average recovery rates from 90% to 93%, without affecting our smelting plant recovery rates. Cash cost during the first nine months was \$67, 4% above 2017, mainly because the pre-concentration ore sorting plant did not operate during 1Q18 due to maintenance works. These results remain in line with our annual guidance of 16,500 – 17,500 tons of refined tin production and \$65 - \$75 of cash cost per treated ton.

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)

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



Cash cost per ton of tin in 3Q18 was US\$ 8,609 vs. US\$ 8,190 in 3Q17, a 5% increase, mainly explained by higher production costs in the smelting plant (+17%) compared to the same period last year, due to higher supplies requirements to process lower concentrate grades from 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, 0.4 Mt of ore containing 7.0 kt of tin were identified, amounting 1.1 Mt of ore and 20.6 kt of tin contained for the first nine months of 2018.

Pucamarca (Perú):

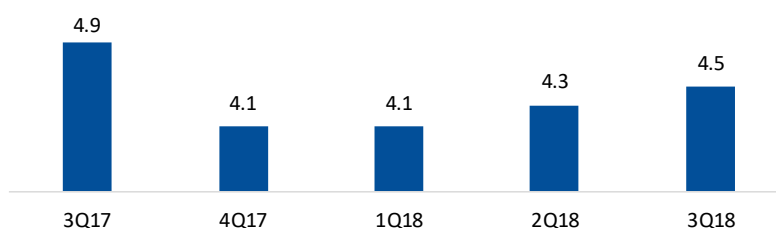
Table N°5. Pucamarca Operating Results

Pucamarca	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Ore Treated	t	1,946,773	1,950,764	0%	5,953,756	5,775,737	3%
Head Grade	g/t	0.69	0.51	34%	0.55	0.49	13%
Gold production (Au)	oz	24,405	23,123	6%	74,048	75,427	-2%
Cash Cost per Treated Ton	US\$/t	4.5	4.9	-9%	4.3	4.4	-3%
Cash Cost per Ounce of Gold ^d	US\$/oz Au	357	413	-14%	343	338	1%

In 3Q18, gold production reached 24,405 ounces, a 6% increase compared to the same period of the previous year. This increase in gold production is mainly due to higher gold head grade (+34%). Cash cost per treated ton at Pucamarca was US\$ 4.5 in 3Q18 vs. US\$ 4.9 in 3Q17, a 9% decrease, mainly explained by lower production costs during the quarter (-9%) related to consulting services done in the previous year.

During the first nine months, production was 74,048 ounces of gold, 2% below last year, which had been positively impacted by ounces produced in December 2016 but declared in January 2017. Cash cost per treated ton for the first half was US\$ 4.3, 3% below to the same period last year. These results remain in line with the annual production guidance of 90,000 – 100,000 ounces of gold and cash cost of US\$ 4.5 -5.0 per treated ton.

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



Cash cost per ounce of gold⁴ in 3Q18 was US\$ 357, a decrease of 14% compared to 3Q17, mainly explained by higher gold production (+6%).

IV. CAPEX:

Table N°6. Executed CAPEX

CAPEX	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
San Rafael	US\$ M	2.2	11.5	-81%	8.8	24.0	-63%
B2	US\$ M	11.2	0.0	0%	31.7	0.0	0%
Pisco	US\$ M	0.4	0.2	116%	0.5	1.4	-66%
Pucamarca	US\$ M	9.7	13.1	-26%	17.7	21.6	-18%
Others	US\$ M	7.3	0.0	0%	8.4	0.0	-
Total Capex	US\$ M	30.8	24.8	24%	67.1	47.0	43%

In 3Q18, capex was US\$ 30.8 M, an increase of 24% compared to the same period of the previous year. The major investment in the quarter was the B2 project (which required an investment of US\$ 11.2 M during the quarter). Furthermore, in this period, we registered US\$ 7.2 M in fixed assets associated to the implementation NIIF 16. The major investment in our operating units was the expansion of Pucamarca's leaching Pad.

V. FINANCIAL RESULTS:

Table N°7. Financial Statements

Financial Statements	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Net Revenue	US\$ M	108.4	129.9	-17%	362.6	372.7	-3%
Cost of Sales	US\$ M	-57.4	-58.6	-2%	-176.0	-176.5	0%
Gross Profit	US\$ M	51.1	71.3	-28%	186.6	196.3	-5%
Selling Expenses	US\$ M	-1.2	-0.6	107%	-3.5	-1.9	81%
Administrative Expenses	US\$ M	-8.6	-8.5	1%	-24.3	-22.9	6%
Exploration & Project Expenses	US\$ M	-6.9	-7.2	-4%	-20.6	-20.5	0%
Other Operating Expenses, net	US\$ M	3.5	19.4	-82%	-0.4	15.6	-
Operating Income	US\$ M	37.8	74.4	-49%	137.8	166.6	-17%
Financial Income (Expenses) and Others, net	US\$ M	39.5	-5.5	-	27.7	-16.4	-
Results from Subsidiaries and Associates	US\$ M	-5.7	11.3	-	-27.0	-17.3	56%
Exchange Difference, net	US\$ M	0.4	-0.7	-	-0.3	-1.8	-82%
Profit before Income Tax	US\$ M	72.0	79.5	-9%	138.2	131.0	5%
Income Tax Expense	US\$ M	11.1	-18.8	-	-0.8	-46.8	-98%
Net Income	US\$ M	83.1	60.7	37%	137.3	84.3	63%
Net Income Margin	%	77%	47%	64%	38%	23%	67%
EBITDA	US\$ M	58.9	91.4	-36%	187.0	207.8	-10%
EBITDA Margin	%	54%	70%	-23%	52%	56%	-7%
Depreciation	US\$ M	21.1	17.0	24%	49.2	41.2	19%
Adjusted Net Income	US\$ M	17.5	28.8	-39%	53.9	82.1	-34%

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

a. Net Revenue:

In 3Q18, net sales reached US\$ 108.4 M, a decrease of 17% (-US\$ 21.5 M) compared to 3Q17. This decrease is mainly explained by lower tin and gold prices (-6% and -5%, respectively), and the lower sold volumes of tin (-15%), due to a commercial strategy to increase the security stock of final product.

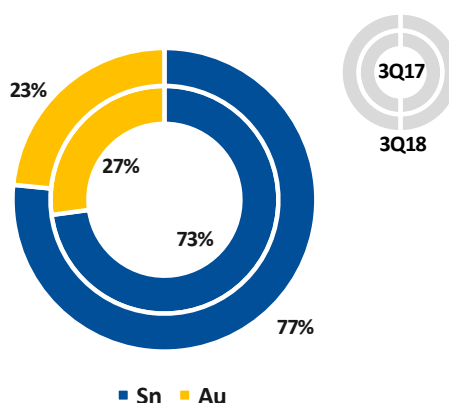
Table N°8. Net revenue Volume by product

Net Revenue Volume	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Tin	t	4,000	4,716	-15%	12,703	13,688	-7%
Gold	oz	23,778	23,426	2%	73,987	71,304	4%

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

Net Revenue by Metal	Unit	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Tin	US\$ M	79.0	99.5	-21%	265.8	282.1	-6%
Gold	US\$ M	29.4	30.4	-3%	96.8	90.7	7%
TOTAL	US\$ M	108.4	129.9	-17%	362.6	372.7	-3%

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	3Q18	3Q17	Var (%)	9M18	9M17	Var (%)
Production Cost	US\$ M	48.2	47.1	2%	138.7	138.9	0%
Depreciation	US\$ M	16.1	12.6	28%	43.1	34.6	24%
Workers profit share	US\$ M	1.2	3.4	-63%	2.3	8.6	-73%
Stocks Variation and Others	US\$ M	-8.2	-4.3	89%	-8.0	-5.5	47%
TOTAL	US\$ M	57.4	58.8	-2%	176.0	176.6	0%

Cost of sales in 3Q18 reached US\$ 57.4 M, a decrease of 2% compared to the same period of last year. This effect is due to: (i) lower volume sold, mainly explained by a higher variation of inventories, partially offset by higher production costs in San Rafael (+4%) and Pisco (+12%), (ii) depreciation of the expansion of Pucamarca's leaching Pad.

During the first nine months, cost of sales was US\$ 176.0 M, in line with the 9M17, mainly explained by higher depreciation, which was US\$ 43.1 M this period vs US\$ 34.6 M last year, partially offset by lower workers profit share and a higher stocks variation.

c. Gross Profit:

Gross profit during 3Q18 reached US\$ 51.1 M, a US\$20.3 M decrease compared to the same period of the previous year mainly because of the lower sales (US\$ 21.5 M) partially offset by lower cost of sales (US\$ 1.2 M). Gross margin of the quarter was 47% vs 55% during 3Q17.

d. Selling expenses:

Selling expenses in 3Q18 were US\$ 1.2 M, US\$ 0.6M above the previous year, mainly explained by payment of Pucamarca's negotiated royalties (+US\$ 0.2 M), which are paid since October 2017.

e. Administrative expenses:

Administrative expenses in 3Q18 were US\$ 8.6 M, a 1% increase (US\$ 0.1 M) compared to the same period of last year. This increase is mainly due to higher payroll cost (+ US\$ 0.5 M), partially offset by lower expenses in consulting services (-US\$ 0.4 M)

During the first nine months, administrative expenses rose to US\$ 24.3 M, US\$ 1.5 M above the previous year, mainly explained by higher payroll cost (US\$ 2.0 M) and consulting services (US\$ 0.9 M), partially offset by lower workers profit share (US\$ 1.1 M).

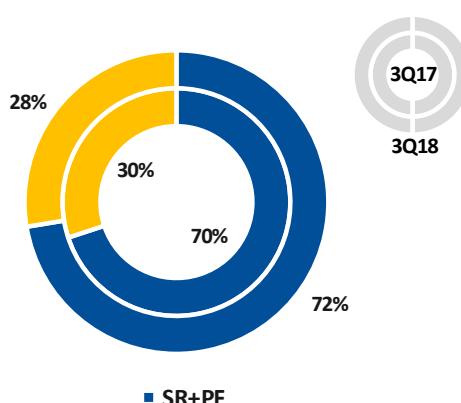
f. Exploration and Project Expenses:

In 3Q18, exploration & project expenses totaled US\$ 6.9 M, US\$ 0.3 M lower than 3Q17. Year to date we have invested US\$ 20.6M, in the line with the same period last year, mainly in exploration programs at San Rafael and Pucamarca surrounding areas, that aim to extend the life of our mines.

g. EBITDA:

EBITDA in 3Q18 amounted to US\$ 58.9 M, a decrease of 36% (US\$ 32.4 M) compared to 3Q17. This was mainly due to a US\$ 20.4 M lower gross profit. EBITDA margin in the period reached 54%, below that of the same period of last year, mainly due to the extraordinary income for the sale of Rimac's share in 2017. During the first nine months of 2018, EBITDA reached US\$ 187.0 M, US\$ 20.8 M lower than 2017, mainly explained also by the extraordinary income for the sale of Rimac's share.

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



h. Net financial expenses

The net financial expenses in 3Q18 were US\$ 39.5 M vs - US\$ 5.5 M registered in the previous year. This difference is explained by the return of overpaid taxes during 2002.

i. Income tax expense:

In the 3Q18, Minsur registered a positive provision of US\$ 11.1 M in tax expenses vs US\$ 18.9 M of income tax expense in the previous year. During the first nine months of 2018 we registered US\$ 0.8 M of tax expense compared to US\$ 46.8 M in 2017. The difference is explained by the return of overpaid taxes during 2002.

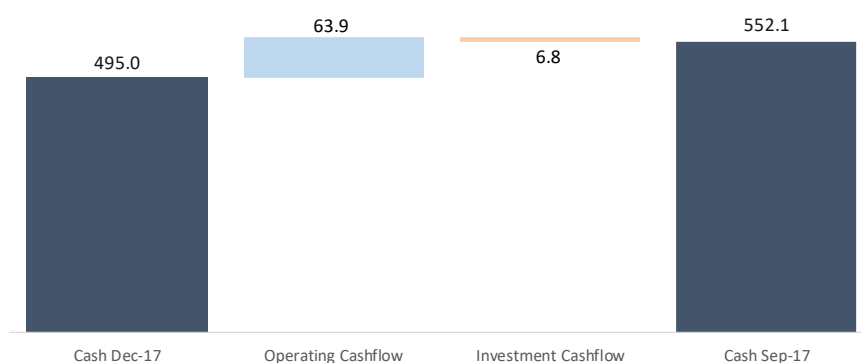
j. Net income and Adjusted net income:

In 3Q18, the company registered a net income of US\$ 83.1 M, an increase of US\$ 22.5 M vs. 3Q17. This increase is explained by the effects of the return of overpaid taxes from a sale of shares of Backus (+US\$ 70.9 M), partially offset by an extraordinary income for the sale of Rimac's share (+\$21.3M) registered in 2017. During the first nine months net income reached US\$ 137.3 M, US\$ 53.3 M above the first nine months of 2017.

Excluding (i) the results of subsidiaries and associates, (ii) the FX effect, (iii) the return of overpaid taxes, and (iv) the sale of Rimac shares in 2017, adjusted net income reached US\$ 17.5 M in the 3Q18 (US\$ 11.3 M lower than 3Q17). In the first nine months of 2018, adjusted net income would be US\$ 53.9 M, US\$ 28.3 M lower than the same period of the previous year, also explained by the lower volume of tin sold.

VI. LIQUIDITY:

As of September 30, 2018, the company's cash balance reached US\$ 552.1 M, 12% higher than the closing balance of 2017 (US\$ 495.0 M). The increase is explained by an operating cash flow of US\$ 63.9 M and a financing cash flow of US\$ 6.8 M. The financing cash flow considers the income for the sale of 40% of Cumbres Andinas stocks for US\$ 182.4 M, expenses of capital investments for US\$ 67.6 M and capital contributions to our subsidiaries for US\$ 121.7 M, divided in US\$ 97.5 M to Marcobre and US\$ 23.9 M to Barbastro.



As of September 30, 2018, the company's financial liabilities reached US\$ 450.1 M, 2% above the level shown in 2017 (US\$ 440.8 M). The financial debt is explained by the corporate bond, with expiration date of 2024, and US\$ 8.3 M associated to the implementation NIIF 16. The net leverage ratio reached -0.4x as of September 30, 2018 vs. -0.2x in December 2017.

Table N°12. Debt Summary

Financial Ratios	Unit	Sep-18	Dic-17	Var (%)
Total Debt	US\$ M	450.1	440.8	2%
Long Term - Minsur 2024 Bond	US\$ M	450.1	440.8	2%
Cash	US\$ M	552.1	495.0	12%
Cash and Equivalents	US\$ M	62.9	202.9	-69%
Fixed term deposits	US\$ M	307.1	160.4	91%
Financial assets at fair value with changes in results	US\$ M	82.5	131.7	-37%
Certificates without public quotation	US\$ M	40.4	0.0	-
Comercial papers	US\$ M	59.2	0.0	-
Net Debt	US\$ M	-102.0	-54.2	-88%
Total Debt / EBITDA	x	2.0x	1.8x	11%
Net Debt / EBITDA	x	-0.4x	-0.2x	-105%