



MANAGEMENT DISCUSSION AND ANALYSIS: INDIVIDUAL RESULTS

MINSUR S.A.
THIRD QUARTER 2019

For further information please contact:

In Lima:

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

In New York:

Rafael Borja
i-advize Corporate Communications, Inc.

Email: rborja@i-advize.com

Tel: (212) 406-3693

I. HIGHLIGHTS AND EXECUTIVE SUMMARY

Table N° 1: Operating & Financial Highlights

Highlights	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Production							
Tin (Sn)	t	5,720	4,801	19%	14,307	13,454	6%
Gold (Au)	oz	25,449	24,405	4%	76,806	74,048	4%
Financial Results							
Net Revenue	US\$ M	119.8	108.4	10%	390.8	362.6	8%
EBITDA	US\$ M	51.2	58.9	-13%	180.7	187.0	-3%
EBITDA Margin	%	43%	54%	-	46%	52%	-
Net Income	US\$ M	-7.5	83.1	-	52.5	137.3	-62%
Adjusted Net Income ¹	US\$ M	13.1	10.9	21%	75.4	47.2	60%

Executive Summary:

a. Operating Results

During 3Q19, the company registered better operating results compared to the same period of the previous year; tin and gold production were higher vs 3Q18 (+19% and +4%, respectively). In both cases, the result was in line with the established mining plan. The higher refined tin production is explained by higher volume of ore treated in the concentration plant with a better ore grade and a higher recovery rate at Pisco. On the other hand, the higher gold production was mainly due to a higher volume fed to the Leaching Pad, partially offset by a lower gold head grade.

b. Financial Results

The sales were higher by 10%, mainly due to the higher sold volumes of tin and gold (+13% and +6%, respectively), as well as the higher gold price (+22%). These effects were offset by the lower tin price (-11%). However, EBITDA and Net Income were lower than the same period of the previous year due to extraordinary effects.

The EBITDA of 2018 was benefited by the update of the Pisco mine closure plan, mainly explained by improvements on the slag disposal. It is important to mention that excluding this effect, the EBITDA would be in line with the previous year.

On the other hand, the Net Income was benefited by the return of overpaid taxes of the 2002 period. Excluding extraordinary effects, the exchange difference, and gains/loss from subsidiaries and associates, the Adjusted Net Income reached US\$ 13.1 M, 21% higher than the same period of the previous year.

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

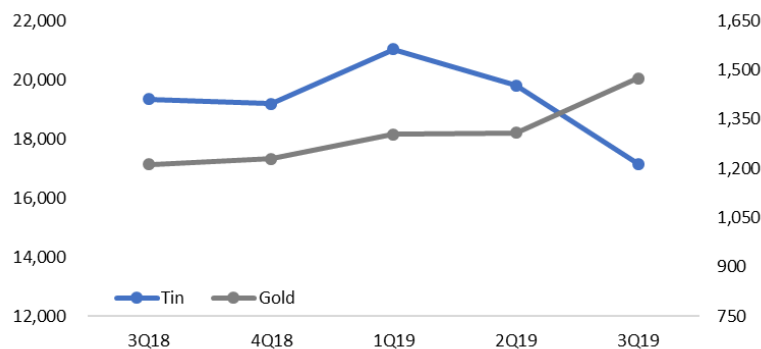
- **Tin:** Average Tin (Sn) Price in 3Q19 was US\$ 17,146 per ton, a decrease of 11% compared to the same period of the previous year. During the first nine months, average tin price was US\$ 19,305 per ton, 6% below last year's average.
- **Gold:** Average Gold (Au) Price in 3Q19 was US\$ 1,474 per ounce, 22% higher than the same period of the previous year. During the first nine months, average gold price was US\$ 1,363 per ounce, an increase of 6% compared to last year's average.

Table N° 2: Average metal prices

Average Metal Prices	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Tin	US\$/t	17,146	19,335	-11%	19,305	20,489	-6%
Gold	US\$/oz	1,474	1,212	22%	1,363	1,283	6%

Source: Bloomberg

Figure N° 1: Average metal price quarterly evolution



b. Exchange Rate:

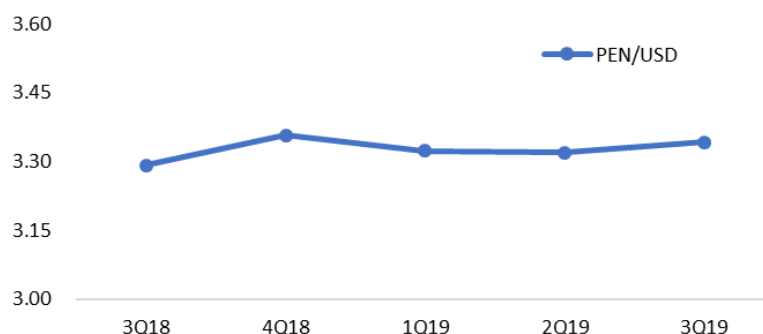
The Peruvian Sol average exchange rate for 3Q19 was S/ 3.34 per US\$ 1, 2% higher compared to S/ 3.29 per US\$ 1 in 3Q18. At the end of 2018, exchange rate was S/ 3.38 per US\$ 1; at the end of 3Q19 it increased to S/ 3.39 per US\$ 1.

Table N°3: Exchange Rate

Average Exchange Rate	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
PEN/USD	S/.	3.34	3.29	2%	3.33	3.26	2%

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

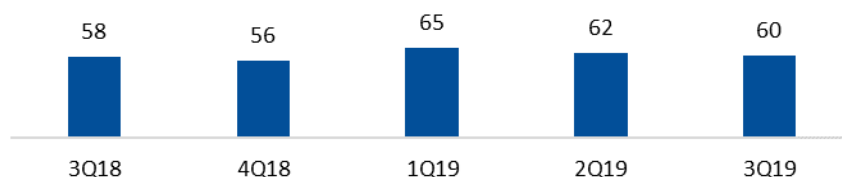
San Rafael - Pisco	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Ore Treated	t	552,661	542,944	2%	1,535,865	1,331,989	15%
Head Grade	%	1.85	1.77	4%	1.86	1.74	7%
Tin production (Sn) - San Rafael	t	5,107	4,877	5%	15,225	13,758	11%
Tin production (Sn) - Pisco	t	5,720	4,801	19%	14,307	13,454	6%
Cash Cost per Treated Ton ¹ - San Rafael	US\$/t	60	58	2%	62	67	-8%
Cash Cost per Ton of Tin ³	US\$/t Sn	8,338	8,608	-3%	8,518	8,786	-3%

In 3Q19, tin production in San Rafael reached 5,107 tons, a 5% increase compared to the same period of the previous year, mainly explained by higher volume of ore treated in the concentration plant (+2%) and a higher head grade (+4%). On the other hand, refined tin production at Pisco reached 5,720 tons, 19% higher than in 3Q18, mainly due to higher volume of ore fed to the smelting plant (+22%) and higher recovery rates (+1%). Cash cost per treated ton at San Rafael was higher than that of the same period of the previous year (+2%), reaching \$ 60, mainly explained by greater linear advances in the mine.

During the first nine months, production was 11% higher than in 3Q18, mainly because the pre-concentration ore sorting plant did not operate during 1Q18 due to maintenance. In Pisco, the refined tin production was 6% higher than the 9M18, mainly due to higher volume of ore fed. Cash cost during the first nine months was \$ 62, 8% below to 9M18's average, mainly explained by lower volume of ore treated during the first quarter of 2018 due to the maintenance works in the pre-concentration ore sorting plant.

² Cash Cost per treated ton = San Rafael production costs / (Tons of Ore treated at Concentration + Tons of Ore treated at Pre-Concentration)

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



Cash cost per ton of tin³ in 3Q19 was US\$ 8,338, 3% below 3Q18, mainly explained by higher volume of refined tin production in Pisco (+19%). Likewise, the accumulated cash cost per ton of tin reached US\$ 8,518, 3% lower compared to the first nine months of the previous year.

b. Pucamarca (Perú):

Table N°5. Pucamarca Operating Results

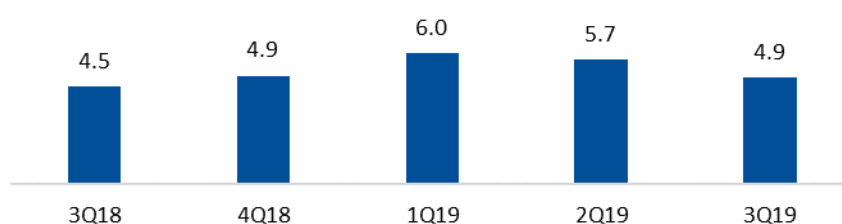
Pucamarca	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Ore Treated	t	2,222,547	1,946,773	14%	6,061,617	5,953,756	2%
Head Grade	g/t	0.61	0.69	-11%	0.60	0.55	9%
Gold production (Au)	oz	25,449	24,405	4%	76,806	74,048	4%
Cash Cost per Treated Ton	US\$/t	4.9	4.5	9%	5.5	4.3	28%
Cash Cost per Ounce of Gold ⁴	US\$/oz Au	424	357	19%	432	343	26%

In 3Q19, gold production reached 25,449 ounces, 4% higher than the same period of the previous year, mainly explained by higher volume fed to the Leaching Pad (+14%), partially offset by lower gold head grade placed on the Pad (-11%). Cash cost per treated ton at Pucamarca was US\$ 4.9 in 3Q19, 9% higher than 3Q18, mainly due to the advancement of dismount works, in order to optimize our geotechnical parameters. It is important to mention that production and costs remain in line with the established mining plan.

During the first nine months, production was 76,806 ounces of gold, 4% above the same period of the previous year. Cash cost per treated ton for the 9M19 was US\$ 5.5, 28% higher compared to the first nine months of the previous year. The higher production is mainly explained by greater volume fed and higher gold head placed on the Leaching Pad (+2% and +9%, respectively), and (ii) higher costs for the advancement of dismount works.

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)

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



Cash cost per ounce of gold⁴ in 3Q19 was US\$ 424, an increase of 19% compared to 3Q18, mainly explained by higher production cost. The cash cost per ounce of gold for the first nine months was US\$ 432, 26% higher than that of 9M18.

IV. CAPEX:

Table N°6. Executed CAPEX

Capex	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
San Rafael	US\$ M	9.2	2.2	320%	13.7	8.8	56%
Pisco	US\$ M	0.3	0.4	-30%	0.8	0.5	52%
Pucamarca	US\$ M	0.9	9.7	-91%	4.4	17.7	-75%
Others	US\$ M	0.1	7.3	-98%	0.6	8.4	-93%
Sustaining Capex	US\$ M	10.5	19.6	-46%	19.6	35.4	-45%
B2	US\$ M	36.4	11.2	225%	84.6	31.7	167%
Expansion Projects Capex	US\$ M	36.4	11.2	225%	84.6	31.7	167%
Total Capex	US\$ M	46.9	30.8	52%	104.2	67.1	55%

In 3Q19, Capex was US\$ 46.9 M, an increase of 52% 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\$ 36.4 M during the quarter). The major investment in our operating units was related to sustaining Capex.

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	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Net Revenue	US\$ M	119.8	108.4	10%	390.8	362.6	8%
Cost of Sales	US\$ M	-67.7	-57.4	18%	-208.8	-176.0	19%
Gross Profit	US\$ M	52.1	51.1	2%	182.1	186.6	-2%
Selling Expenses	US\$ M	-1.4	-1.2	14%	-4.3	-3.5	24%
Administrative Expenses	US\$ M	-10.1	-8.6	18%	-28.9	-24.3	19%
Exploration & Project Expenses	US\$ M	-8.2	-6.9	18%	-19.7	-20.6	-4%
Other Operating Expenses, net	US\$ M	0.1	3.5	-	1.0	-0.4	-
Operating Income	US\$ M	32.5	37.8	-14%	130.2	137.8	-6%
Financial Income (Expenses) and Others, net	US\$ M	-3.5	39.5	-109%	-3.7	27.7	-
Results from Subsidiaries and Associates	US\$ M	-20.6	-5.7	262%	-24.6	-27.0	-9%
Exchange Difference, net	US\$ M	-0.1	0.4	-	1.7	-0.3	-
Profit before Income Tax	US\$ M	8.4	72.0	-88%	103.6	138.2	-25%
Income Tax Expense	US\$ M	-15.9	11.1	-	-51.1	-0.8	5916%
Net Income	US\$ M	-7.5	83.1	-109%	52.5	137.3	-62%
Net Income Margin	%	-6%	77%	-	13%	38%	-
EBITDA	US\$ M	51.2	58.9	-13%	180.7	187.0	-3%
EBITDA Margin	%	43%	54%	-	46%	52%	-
Adjusted Net Income⁵	US\$ M	13.1	10.9	21%	75.4	47.2	60%

a. Net Revenue:

In 3Q19, net sales reached US\$ 119.8 M, an increase of 10% (+US\$ 11.4 M) compared to 3Q18. This increase is mainly explained by the higher sold volumes of tin (+23%) and gold (+4%), partially offset by lower tin price (-11%).

Table N°8. Net revenue Volume by product

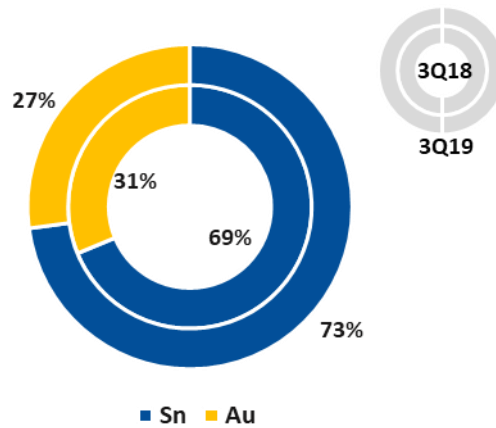
Net Revenue Volume	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Tin	t	4,918	4,000	23%	14,685	12,703	16%
Gold	oz	24,840	23,778	4%	76,688	73,987	4%

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

Net Revenue by Metal	Unit	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Tin	US\$ M	82.4	79.0	4%	284.7	265.8	7%
Gold	US\$ M	37.4	29.4	27%	106.1	96.8	10%
TOTAL	US\$ M	119.8	108.4	10%	390.8	362.6	8%

⁵ 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	3Q19	3Q18	Var (%)	9M19	9M18	Var (%)
Production Cost	US\$ M	51.7	48.2	7%	153.6	138.7	11%
Depreciation	US\$ M	17.1	16.1	6%	46.1	43.1	7%
Workers profit share	US\$ M	2.0	1.2	62%	9.8	2.3	326%
Stocks Variation and Others	US\$ M	-3.2	-8.2	-61%	-0.7	-8.0	-91%
TOTAL	US\$ M	67.7	57.4	18%	208.8	176.0	19%

Cost of sales in 3Q19 reached US\$ 67.7 M, an increase of 18% compared to the same period of last year. This effect is due to higher sold volumes of tin and gold.

c. Gross Profit:

Gross profit during 3Q19 reached US\$ 52.1 M, a US\$1.1 M increase compared to the same period of the previous year. Gross margin of the quarter was 43% vs 47% during 3Q18, due to the lower tin price (-11%).

d. Selling expenses:

Selling expenses in 3Q19 were US\$ 1.4 M, US\$ 0.2 M higher than the previous year, mainly due to higher sold volumes of tin and gold.

e. Administrative expenses:

Administrative expenses in 3Q19 were US\$ 10.1 M, 18% higher than the same period of last year, explained by more consulting services.

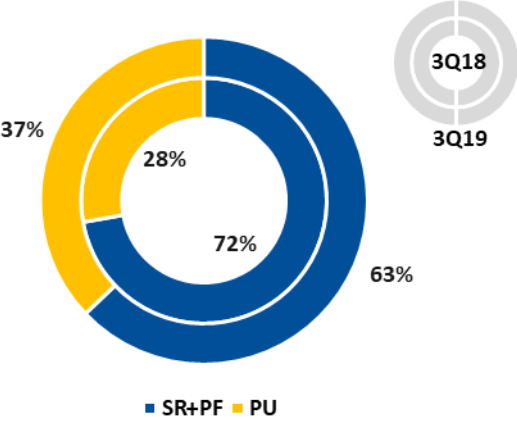
f. Exploration and Project Expenses:

In 3Q19, exploration and project expenses totaled US\$ 8.2 M, US\$ 1.3 M higher than 3Q18, mainly explained by the intensification of our exploration programs around San Rafael and Pucamarca, which will allow us to continue our operations.

g. EBITDA:

EBITDA in 3Q19 amounted to US\$ 51.2 M, a decrease of US\$ 7.7 M compared to 3Q18, mainly because the results of 2018 contain the benefits of the Pisco mine closure plan update, due to improvements on the slag disposal. Excluding this effect in 2018, the EBITDA would be in line with the previous year.

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



h. Income tax expense:

In 3Q19, Minsur accrued -US\$ 15.9 M on income tax expense vs +US\$ 11.1 M in 3Q18, mainly due to the return of overpaid taxes of the 2002 period received in 3Q18.

i. Net income and Adjusted net income:

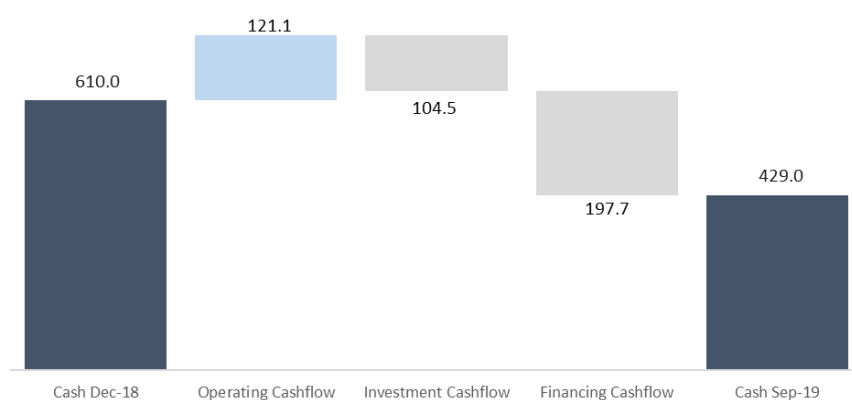
In 3Q19, the company registered a net income of -US\$ 7.5 M vs +US\$ 83.1 M in 3Q18, mainly because the results of the previous year contain the benefits of the return of overpaid taxes of the 2002 period and a lower result of subsidiaries and associates.

Excluding (i) extraordinary effects, (ii) net loss from subsidiaries and associates and (iii) exchange difference, adjusted net income reached US\$ 13.1 M in 3Q19, US\$ 2.2 M above that of 3Q18. However, the accumulated adjusted net income reached US\$ 75.4 M, US\$ 28.2 above the same period of the previous year, mainly explained by higher sold volumes of tin and gold.

VI. LIQUIDITY:

As of September 30th, 2019, the company's cash balance reached US\$ 429.0 M, 30% lower than the closing balance of 2018 (US\$ 610.0 M). This decrease is explained by an operating cash flow of US\$ 121.1 M, offset by an investment cash flow of US\$ 104.7 M and financing cash flow of US\$ 197.7 M.

The financing cash flow considers the dividend payment for US\$ 66.0 M and capital contributions to our subsidiaries for US\$ 131.7 M: US\$ 10.9 to Barbastro and Sillustani, and US\$ 120.8 M to Marcobre.



As of September 30th, 2019, the company's financial liabilities reached US\$ 443.1 M, slightly above the level shown in 2018 (US\$ 442.1 M). The financial debt is explained by the corporate bond, with expiration date of 2024. The net leverage ratio reached 0.1x as of September 30th, 2019.

Table N°12. Debt Summary

Financial Ratios	Unit	Set-19	Dec-18	Var (%)
Total Debt	US\$ M	443.1	442.1	0%
Long Term - Minsur 2024 Bond	US\$ M	443.1	442.1	0%
Cash	US\$ M	429.0	610.0	-30%
Cash and Equivalents	US\$ M	36.2	200.1	-82%
Fixed term deposits	US\$ M	311.7	309.7	1%
Certificates without public quotation	US\$ M	0.0	40.6	-100%
Comercial papers	US\$ M	81.0	59.6	36%
Net Debt	US\$ M	14.1	-168.0	108%
Total Debt / EBITDA	x	1.8x	1.8x	3%
Net Debt / EBITDA	x	0.1x	-0.7x	109%