

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis Fourth Quarter 2017

Principal Results:

Consolidated Volcan	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Sales Prices									
Zinc (USD/MT)	2,708	2,587	2,892	3,161	2,506	26.2	2,836	2,077	36.5
Lead (USD/MT)	2,276	2,133	2,320	2,499	2,136	17.0	2,311	1,858	24.3
Copper (USD/MT)	5,882	5,651	6,373	6,688	5,298	26.2	6,148	4,901	25.4
Silver (USD/Oz)	17.7	17.1	16.9	16.6	17.3	-4.1	17.1	17.0	0.3
Gold (USD/Oz)	1,221	1,256	1,287	1,274	1,210	5.4	1,262	1,234	2.2
Operating Results									
Mineral treatment ¹ (thousands MT)	1,917	2,088	2,149	2,158	2,029	6.4	8,312	7,716	7.7
Zinc Production (thousands FMT)	59.5	65.4	66.3	63.9	63.4	0.8	255.1	273.4	-6.7
Lead Production (thousands FMT)	11.2	12.5	13.9	13.7	12.2	11.6	51.3	52.2	-1.9
Copper Production (thousands FMT)	1.1	1.3	1.5	1.4	1.2	22.0	5.4	5.2	4.2
Silver Production (millions Oz)	3.8	4.5	4.4	4.6	4.8	-4.4	17.3	22.0	-21.1
Gold Production (thousands Oz)	1.6	1.8	2.1	2.5	1.4	81.2	8.1	5.8	39.0
Unit Cost (USD/MT)	50.4	48.5	46.6	46.3	48.8	-5.0	47.9	49.5	-3.3
Total Investments (MM USD)	32.4	37.9	52.4	70.3	43.4	61.9	193.0	122.5	57.6
Financial Results (MM USD)									
Sales before adjustments	199.1	207.5	226.6	227.0	226.8	0.1	860.2	815.9	5.4
Volcan Production	190.8	201.6	221.3	223.7	204.9	9.2	837.4	749.4	11.7
Commercialization Business	8.4	5.9	5.3	3.3	21.9	-84.9	22.8	66.4	-65.7
Sales Adjustments	6.4	-5.4	5.9	-10.4	-0.4		-3.4	5.7	
Settlement of prior period adjustments	5.0	0.1	2.2	2.0	9.5	-78.7	9.4	12.3	-23.8
Adjustments for open positions ²	-1.5	-5.2	5.1	-5.7	-2.9	96.5	-7.2	19.4	
Hedging results	2.9	-0.3	-1.4	-6.7	-7.0	-4.2	-5.6	-26.0	-78.5
Sales after adjustments	205.5	202.1	232.5	216.6	226.4	-4.3	856.7	821.5	4.3
Net profit before exceptionals³	23.5	15.6	30.1	23.5	23.3	0.8	92.7	84.4	9.8
Exceptional adjustments				-570.2			-570.2		
Net profit after exceptionals	23.5	15.6	30.1	-546.7	23.3		-477.5	84.4	
EBITDA⁴	80.2	73.6	100.8	88.4	80.9	9.3	343.0	302.9	13.2

¹ Includes treated tons at Oxides Plant

² Adjustments for open commercial positions refer to shipments without final settlement, which are therefore exposed to possible adjustments from variations of future metals prices. These financial provisions, **embedded derivatives and sales adjustments**, reflect this exposure according to a forward-price curve.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

1. Executive Summary

- The average sales price of zinc rose from 2,506 USD/MT in 4Q16 to 3,161 USD/MT in 4Q17 **(+26.2%)**, lead from 2,136 USD/MT to 2,499 USD/MT **(+17.0%)**, copper from 5,298 USD/MT to 6,688 USD/MT **(+26.2%)**, and gold from 1,210 USD/Oz to 1,274 USD/Oz **(+5.4%)**. Meanwhile, the average sales price of silver decreased from 17.3 USD/Oz in 4Q16 to 16.6 USD/Oz in 4Q17 **(-4.1%)**.
- During 4Q17, the volume of ore treated at the plants increased by 6.4% as compared to the same quarter of the previous year. This is mainly explained by the recovery of treated ore volumes at Yauli, and marginal ore from stockpiles treated at Cerro. This increase was partially offset by lower treatment volumes

at Chungar, as Islay Mine operations returned to normal in the third week of October, after over two months of suspended operations resulting from the access roads being blocked by the Huaychao community.

- In 4Q17, the production of zinc increased by 0.8%, lead by 11.6% and silver by 22.0%, as compared to the same quarter of the previous year. Silver production decreased by 4.4% as compared to 4Q16, due to lower head grades of this mineral in Alpamarca.
- Consolidated unit cost fell by 5.0%, from 48.8 USD/MT in 4Q16 to 46.3 USD/MT in 4Q17. This is mainly explained by greater volumes of production from stockpiles at Cerro de Pasco, greater production volumes at Yauli, and operating efficiencies reached at Alpamarca.
- Total investments increased by 61.9%, from USD 43.4 MM in 4Q16 to USD 70.3 MM in 4Q17, mainly due to higher investments in tailings dams and mine infrastructure at the operating units. Greenfield exploration investments were increased to incorporate greater resources to our main projects.
- Better average metals prices resulted in an increase in sales from the Company's own concentrate by 9.2%, from USD 204.9 MM in 4Q16 to USD 223.7 MM in 4Q17. In turn, third-party concentrates sales declined by 84.9%, from USD 21.9 MM in 4Q16 to USD 3.3 MM in 4Q17. Total sales before adjustments increased by 0.1%, from USD 226.8 MM in 4Q16 to USD 227.0 MM in 4Q17.
- Sales adjustments increased from USD -0.4 MM in 4Q16 to USD -10.4 MM in 4Q17, including provisions related to open shipments of USD -5.7 MM, hedging results of USD -6.7 MM, and positive final settlements of USD 2.0 MM. Total sales after adjustments decreased by 4.3%, from USD 226.4 MM in 4Q16 to USD 216.6 MM in 4Q17. In annual terms, sales after adjustments increased by 4.3%, from USD 821.5 MM in 2016 to USD 856.7 MM in 2017.
- Gross margin increased from 30% in 4Q16 to 35% in 4Q17. Net profit before exceptional items increased by 0.8%, from USD 23.3 MM in 4Q16 to USD 23.5 MM in 4Q17. EBITDA increased by 9.3%, from USD 80.9 MM in 4Q16 to USD 88.4 MM in 4Q17. In annual terms, net profit before exceptional items rose by 9.8%, from USD 84.4 MM in 2016 to USD 92.7 MM in 2017, while EBITDA grew by 13.2%, from USD 302.9 MM in 2016 to USD 343.0 MM in 2017.
- By the end of 2017, the Company recorded an exceptional charge of USD 570.2 MM, mainly due to the adjustments on the Company's financial statements to meet the corporate policies and accounting standards of Glencore, a company that is obligated to consolidate the financial results of Volcan in its financial statements. Glencore, whose shares are listed in the London, Johannesburg and Hong Kong Stock Exchanges, acquired 55.03% of

Volcan's Class A common shares in the Public Tender Offer concluded on November 7, 2017. These adjustments are accounting related only and have no effect on the Company's cash flow.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral extraction (thousands MT)	1,925	2,093	2,155	2,198	2,030	8.3	8,371	7,667	9.2
Polymetallic ore	1,746	1,861	1,924	1,967	1,802	9.1	7,499	6,767	10.8
Oxides ore ¹	178	231	231	232	228	1.8	872	900	-3.1
Mineral treatment (thousands MT)	1,917	2,088	2,149	2,158	2,029	6.4	8,312	7,716	7.7
Concentrator Plants	1,739	1,857	1,918	1,926	1,802	6.9	7,440	6,816	9.2
Silver Oxides Plant	178	231	231	232	228	1.8	872	900	-3.1
Fine Content									
Zinc (thousands FMT)	59.5	65.4	66.3	63.9	63.4	0.8	255.1	273.4	-6.7
Lead (thousands FMT)	11.2	12.5	13.9	13.7	12.2	11.6	51.3	52.2	-1.9
Copper (thousands FMT)	1.1	1.3	1.5	1.4	1.2	22.0	5.4	5.2	4.2
Silver (millions Oz)	3.8	4.5	4.4	4.6	4.8	-4.4	17.3	22.0	-21.1
Gold (thousands Oz)	1.6	1.8	2.1	2.5	1.4	81.2	8.1	5.8	39.0

Source: Volcan Cia. Minera

In 4Q17, extracted ore volumes increased by 8.3% compared to the same quarter of the previous year. Similarly, treated volumes increased by 6.4%, from 2.0 MM MT in 4Q16 to 2.2 MM MT in 4Q17. This is explained by the increase of production at the Cerro de Pasco, Yauli and Alparmarca units.

Zinc production grew by 0.8%, from 63.4 thousand FMT in 4Q16 to 63.9 thousand FMT in 4Q17; lead production rose by 11.6%, from 12.2 thousand FMT in 4Q16 to 13.7 thousand FMT in 4Q17, and copper production grew by 22.0% from 1.2 thousand FMT in 4Q16 to 1.4 thousand FMT in 4Q17. Silver production decreased by 4.4%, from 4.8 MM Oz in 4Q16 to 4.6 MM Oz in 4Q17, explained by lower head grades at Alparmarca.

In annual terms (Jan-Dec), extracted and treated volumes increased by 9.2% and 7.7%, respectively, as compared to the previous year, mainly due to increased production at Cerro de Pasco and Alparmarca.

Zinc production decreased by 6.7%, from 273.4 thousand FMT in 2016 to 255.1 thousand FMT in 2017, due to lower head grades at Yauli and Chungar. Lead production decreased by 1.9%, from 52.2 thousand FMT in 2016 to 51.3 thousand FMT in 2017 due to lower head grades at Yauli, and silver production decreased by 21.1% from 22.0 MM Oz in 2016 to 17.3 MM Oz in 2017, due to lower grades at Yauli, Chungar and the Oxides Plant. Meanwhile, copper production increased by 4.2%, from 5.2 thousand FMT in 2016 to 5.4 thousand FMT in 2017, and gold by 39.0%, from 5.8 thousand Oz in 2016 to 8.1 thousand Oz in 2017.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	96.8	101.4	100.4	101.0	99.0	2.0	399.5	380.7	4.9
Mine Cost	52.9	53.9	51.6	52.9	54.1	-2.1	211.3	212.6	-0.6
Plant and Other Cost	43.9	47.5	48.8	48.1	45.0	6.9	188.2	168.1	12.0
Unit Cost (USD/MT)	50.4	48.5	46.6	46.3	48.8	-5.0	47.9	49.5	-3.3
Mine Cost	27.5	25.8	23.9	24.1	26.6	-9.6	25.2	27.7	-8.9
Plant and Other Cost	22.9	22.8	22.7	22.3	22.2	0.5	22.6	21.8	3.9

Source: Volcan Cia. Minera

In absolute terms, the cost of production increased by 2.0%, from USD 99 MM in 4Q16 to USD 101 MM in 4Q17. This is mainly explained by the increase in production volumes at Yauli and greater volumes of low-grade polymetallic ore coming from stockpiles processed at the Cerro de Pasco Unit.

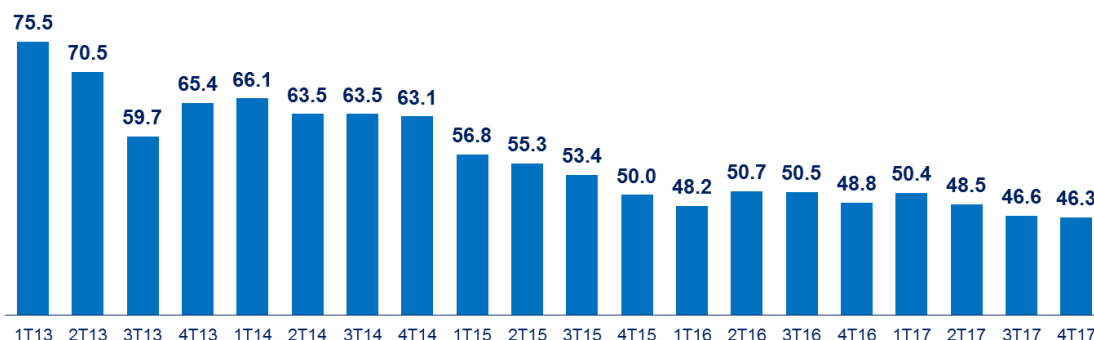
Consolidated unit cost fell by 5.0%, from 48.8 USD/MT in 4Q16 to 46.3 USD/MT in 4Q17. This is mainly explained by greater volumes of production from stockpiles at Cerro de Pasco, which in 4Q17 had a unit cost of 13.8 USD/MT, greater production volumes at Yauli, and operating efficiencies gained at Alpamarca.

For the year, (Jan-Dec), the cost of production in absolute terms increased by 4.9%, from USD 380.7 MM in 2016 to USD 399.5 MM in 2017, while unit cost fell by 3.3%, from 49.5 USD/MT in 2016 to 47.9 USD/MT in 2017.

The Company is permanently focused on controlling and reducing operating costs across all operating units. Specific improvement opportunities have been identified, mainly related to extraction methods, shotcrete use, maintenance, transportation and administrative areas, and will be executed in the following months.

The evolution of the unit cost since 2013 is shown in the chart below.

Chart 1: Reduction of the Unit Cost of Production 2013 – 2017 (USD/MT)



Fuente: Volcan Cia. Minera

2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mining	32.1	37.8	52.0	67.9	43.0	57.9	189.8	116.9	62.4
Mining Units	30.6	35.6	47.4	57.9	41.5	39.6	171.5	113.1	51.7
Local Exploration	2.1	4.8	3.6	2.7	4.0	-32.9	13.2	10.0	32.0
Development	15.8	17.3	18.1	18.3	16.9	8.4	69.6	49.8	39.7
Plants and Tailings Facilities	5.6	7.4	16.3	23.6	8.2	187.2	52.8	17.8	196.0
Mine and Infrastructure	5.3	4.6	7.5	9.2	9.2	0.5	26.6	29.8	-10.8
Energy in Units	1.1	0.6	0.8	1.1	1.4	-23.6	3.5	2.3	54.4
Support and Others	0.7	1.0	1.0	3.1	1.8	69.8	5.8	3.4	73.0
Regional Explorations	1.5	1.8	3.8	7.7	1.5	426.1	14.8	3.2	367.4
Growth and Others	0.0	0.4	0.8	2.3	0.1	3451.2	3.5	0.6	472.9
Energy	0.3	0.1	0.4	2.3	0.4	482.5	3.2	5.6	-43.2
Total	32.4	37.9	52.4	70.3	43.4	61.9	193.0	122.5	57.6

Source: Volcan Cia. Minera

Total mining investments grew by 57.9%, from USD 43.0 MM in 4Q16 to USD 67.9 MM in 4Q17. Operating investments grew by 39.6%, from USD 41.5 MM in 4Q16 to USD 57.9 MM in 4Q17, mainly at plants and tailings dams, support areas and developments. Regional exploration investments (greenfield or early-stage projects) increased by 426.1%, from USD 1.5 MM in 4Q16 to USD 7.7 MM in 4Q17, in line with the strategy to expedite the incorporation of resources to our main projects. Growth investment was USD 2.3 MM in 4Q17, related to the Romina project in Alparmarca.

Energy investments in 4Q17 were USD 2.3 MM versus USD 0.4 MM in 4Q16, mainly at the Huanchor Hydroelectric Plant. Total investments increased by 61.9%, from USD 43.4 MM in 4Q16 to USD 70.3 MM in 4Q17.

In annual terms (Jan-Dec), total mining investments grew by 62.4%, from USD 116.9 MM in 2016 to USD 189.8 MM in 2017. Operating investments grew by 51.7%, from USD 113.1 MM in 2016 to USD 171.5 MM in 2017, mainly at plants, tailings dams, development and exploration; and regional explorations grew by 367.4%, from USD 3.2 MM in 2016 to USD 14.8 MM in 2017. Energy investments decreased by 43.2%, as compared to the previous year, from USD 5.6 MM in 2016 to USD 3.2 MM in 2017, explained by the completion of the Rucuy Hydroelectric Plant construction in 2016. Total investments increased by 57.6%, from USD 122.5 MM in 2016 to USD 193.0 MM in 2017.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Sales before adjust.	199.1	207.5	226.6	227.0	226.8	0.1	860.2	815.9	5.4
<i>Sett. of prior periods adjust.</i>	5.0	0.1	2.2	2.0	9.5	-78.7	9.4	12.3	-23.8
<i>Adj. open positions</i>	-1.5	-5.2	5.1	-5.7	-2.9	96.5	-7.2	19.4	
<i>Hedging</i>	2.9	-0.3	-1.4	-6.7	-7.0	-4.2	-5.6	-26.0	-78.5
Sales after adjust.	205.5	202.1	232.5	216.6	226.4	-4.3	856.7	821.5	4.3
Cost of Goods Sold	-138.3	-145.1	-142.6	-140.0	-157.9	-11.3	-566.1	-581.2	-2.6
Gross Profit	67.2	57.0	89.8	76.6	68.5	11.8	290.6	240.3	20.9
<i>Gross Margin</i>	33%	28%	39%	35%	30%	5 pp	34%	29%	5 pp
Administrative Expenses	-10.5	-11.6	-12.4	-11.1	-13.8	-19.0	-45.7	-44.2	3.5
Sales Expenses	-7.7	-7.3	-7.4	-8.2	-10.3	-20.9	-30.6	-34.1	-10.3
Other Income (Expenses) ¹	-1.6	-1.1	-5.2	-2.6	2.8		-10.5	6.8	
Operating Profit	47.4	37.0	64.9	54.7	47.2	15.8	203.9	168.9	20.7
<i>Operating Margin</i>	23%	18%	28%	25%	21%	4 pp	24%	21%	3 pp
Financial Income (Expense)	-9.4	-7.6	-8.6	-14.6	-11.2	30.2	-40.3	-35.6	13.2
Exchange Difference (net)	0.1	1.2	0.6	-0.7	2.7		1.2	0.1	806.3
Royalties	-3.8	-3.0	-6.3	-4.3	-7.1	-39.6	-17.5	-13.0	34.1
Income Tax	-10.7	-11.9	-20.4	-11.6	-8.2	40.8	-54.6	-36.0	51.5
Net Profit before Exceptionals	23.5	15.6	30.1	23.5	23.3	0.8	92.7	84.4	9.8
<i>Net Margin</i>	11%	8%	13%	11%	10%	1 pp	11%	10%	1 pp
Exceptional adjustments ²				-570.2			-570.2		
Net Profit after Exceptionals	23.5	15.6	30.1	-546.7	23.3		-477.5	84.4	
EBITDA³	80.2	73.6	100.8	88.4	80.9	9.3	343.0	302.9	13.2
<i>EBITDA Margin</i>	39%	36%	43%	41%	36%	5 pp	40%	37%	3 pp

¹ Includes the sales and cost of sales of the energy division. In 2016, other income include extraordinary income of USD 14.0 MM associated with the partial repurchase of the international bonds.

² Exceptionals for 2017 are equivalent to USD -363.5 MM in other income (expenses) y USD -206.7 MM in income tax, which total USD -570.2 MM.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

Table 5: Financial Results per Business (before exceptional items)

Income Statement by Business (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Volcan Production	194.7	193.9	228.9	212.6	203.6	4.4	830.1	757.2	9.6
Cost of Goods Sold	-130.9	-139.9	-138.9	-137.3	-137.6	-0.2	-547.0	-518.2	5.6
Gross Profit	63.8	54.0	90.0	75.3	66.0	14.2	283.1	239.0	18.4
<i>Gross Margin</i>	33%	28%	39%	35%	32%	3 pp	34%	32%	3 pp
Net Profit	21.4	13.6	30.3	22.7	22.4	1.2	88.0	85.6	2.9
EBITDA¹	76.9	70.7	101.1	87.2	79.2	10.0	335.9	303.7	10.6
<i>EBITDA Margin</i>	40%	36%	44%	41%	39%	2 pp	40%	40%	0 pp
Commercialization Business	10.8	8.3	3.6	4.0	22.8	-82.5	26.6	64.3	-58.7
Cost of Goods Sold	-7.4	-5.3	-3.7	-2.7	-20.2	-86.7	-19.1	-63.0	-69.7
Gross Profit	3.4	3.0	-0.2	1.3	2.6	-49.2	7.5	1.3	473.5
<i>Gross Margin</i>	31%	36%	-5%	33%	11%	21 pp	28%	2%	26 pp
Net Profit	2.2	1.9	-0.2	0.9	0.9	-7.9	4.7	-1.2	
EBITDA	3.2	2.9	-0.3	1.3	1.6	-22.4	7.1	-0.8	
<i>EBITDA Margin</i>	30%	35%	-8%	32%	7%	25 pp	27%	-1%	28 pp
Total	205.5	202.1	232.5	216.6	226.4	-4.3	856.7	821.5	4.3
Cost of Goods Sold	-138.3	-145.1	-142.6	-140.0	-157.9	-11.3	-566.1	-581.2	-2.6
Gross Profit	67.2	57.0	89.8	76.6	68.5	11.8	290.6	240.3	20.9
<i>Gross Margin</i>	33%	28%	39%	35%	30%	5 pp	34%	29%	5 pp
Net Profit	23.5	15.6	30.1	23.5	23.3	0.8	92.7	84.4	9.8
EBITDA¹	80.2	73.6	100.8	88.4	80.9	9.3	343.0	302.9	13.2
<i>EBITDA Margin</i>	39%	36%	43%	41%	36%	5 pp	40%	37%	3 pp

¹ The EBITDA calculation does not consider the exceptional adjustments

Source: Volcan Cia. Minera

• Sales Analysis

Table 6: Average Sales Prices

Sales Prices	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Zinc (USD/MT)	2,708	2,587	2,892	3,161	2,506	26.2	2,836	2,077	36.5
Lead (USD/MT)	2,276	2,133	2,320	2,499	2,136	17.0	2,311	1,858	24.3
Copper (USD/MT)	5,882	5,651	6,373	6,688	5,298	26.2	6,148	4,901	25.4
Silver (USD/Oz)	17.7	17.1	16.9	16.6	17.3	-4.1	17.1	17.0	0.3
Gold (USD/Oz)	1,221	1,256	1,287	1,274	1,210	5.4	1,262	1,234	2.2

Source: Volcan Cia. Minera

Table 7: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Volcan Production	Zinc (thousands FMT)	60.5	65.1	66.7	62.6	65.6	-4.6	255.0	273.8	-6.9
	Lead (thousands FMT)	11.4	12.3	14.5	12.8	12.8	0.0	51.0	53.8	-5.3
	Copper (thousands FMT)	0.8	0.7	1.2	0.9	0.9	-4.9	3.6	3.9	-6.4
	Silver (millions Oz) ¹	4.1	4.4	4.6	4.3	5.2	-16.7	17.4	22.7	-23.1
	Gold (thousands Oz) ¹	2.2	2.1	2.6	2.9	2.7	10.4	9.9	11.8	-16.2
Commercialization Business	Zinc (thousands FMT)	1.6	0.6	0.2	0.1	8.1	-98.8	2.6	30.5	-91.6
	Lead (thousands FMT)	0.1	0.1	0.0	0.4	0.2	121.2	0.6	1.4	-58.9
	Copper (thousands FMT)	0.4	0.5	0.5	0.1	0.4	-78.4	1.5	1.4	2.7
	Silver (millions Oz)	0.2	0.2	0.2	0.1	0.3	-65.6	0.7	1.1	-39.9
	Gold (thousands Oz)	0.0	0.1	0.1	0.0	0.1	-88.2	0.2	0.2	5.5
Total	Zinc (thousands FMT)	62.2	65.7	67.0	62.7	73.8	-15.0	257.5	304.3	-15.4
	Lead (thousands FMT)	11.5	12.4	14.5	13.2	13.0	1.5	51.6	55.3	-6.7
	Copper (thousands FMT)	1.2	1.2	1.7	1.0	1.4	-28.5	5.1	5.3	-4.0
	Silver (millions Oz)	4.3	4.6	4.8	4.5	5.5	-19.7	18.1	23.8	-23.9
	Gold (thousands Oz)	2.2	2.2	2.7	2.9	2.8	6.7	10.0	11.9	-16.0

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 8: Sales in USD

Sales (millions USD)		Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Volcan Production	Zinc	109.6	114.5	123.9	131.0	108.0	21.2	478.9	351.4	36.3
	Lead	19.4	21.2	27.5	27.0	19.7	37.3	95.2	69.9	36.2
	Copper	2.3	2.5	4.1	4.2	2.4	73.6	13.1	8.5	53.8
	Silver	58.0	62.1	63.9	59.4	73.0	-18.7	243.3	311.2	-21.8
	Gold	1.5	1.3	1.9	2.1	1.8	20.1	6.8	8.4	-18.4
	Sales before adjust.	190.8	201.6	221.3	223.7	204.9	9.2	837.4	749.4	11.7
	Sett. of prior period adjust.	4.6	-1.6	4.4	2.1	8.6	-75.7	9.5	11.2	-15.5
	Adjust. for open positions	-2.8	-5.8	4.7	-6.5	-4.5	43.7	-10.4	15.7	
	Hedging results	2.1	-0.3	-1.5	-6.6	-5.4	22.9	-6.3	-19.1	-67.0
	Sales after adjust.	194.7	193.9	228.9	212.6	203.6	4.4	830.1	757.2	9.6
Commercialization Business	Zinc	3.6	1.2	0.5	0.2	16.2	-98.5	5.6	48.2	-88.5
	Lead	0.2	0.2	0.1	0.9	0.2	342.3	1.4	1.8	-25.8
	Copper	1.8	1.8	2.3	0.5	1.7	-69.6	6.4	4.2	52.6
	Silver	2.7	2.7	2.3	1.7	3.7	-54.3	9.4	12.1	-22.7
	Gold	0.0	0.0	0.0	0.0	0.1	-100.0	0.1	0.1	-26.8
	Sales before adjust.	8.4	5.9	5.3	3.3	21.9	-84.9	22.8	66.4	-65.7
	Sett. of prior period adjust.	0.4	1.7	-2.2	-0.1	0.9		-0.1	1.1	
	Adjust. for open positions	1.3	0.6	0.4	0.8	1.6	-49.8	3.1	3.7	-14.2
	Hedging results	0.7	0.0	0.1	-0.1	-1.6	-96.8	0.8	-6.8	
	Sales after adjust.	10.8	8.3	3.6	4.0	22.8	-82.5	26.6	64.3	-58.7
Total	Zinc	113.1	115.7	124.4	131.2	124.2	5.6	484.5	399.6	21.2
	Lead	19.6	21.4	27.6	27.8	19.9	40.2	96.5	71.7	34.6
	Copper	4.1	4.3	6.4	4.7	4.1	14.4	19.5	12.7	53.4
	Silver	60.7	64.8	66.2	61.0	76.7	-20.4	252.7	323.3	-21.8
	Gold	1.5	1.3	1.9	2.1	1.9	14.8	6.9	8.5	-18.5
	Sales before adjust.	199.1	207.5	226.6	227.0	226.8	0.1	860.2	815.9	5.4
	Sett. of prior period adjust.	5.0	0.1	2.2	2.0	9.5	-78.7	9.4	12.3	-23.8
	Adjust. for open positions	-1.5	-5.2	5.1	-5.7	-2.9	96.5	-7.2	19.4	
	Hedging results	2.9	-0.3	-1.4	-6.7	-7.0	-4.2	-5.6	-26.0	-78.5
	Sales after adjust.	205.5	202.1	232.5	216.6	226.4	-4.3	856.7	821.5	4.3

Source: Volcan Cia. Minera

In 4Q17, total sales before adjustments were USD 227.0 MM, similar to the USD 226.8 MM recorded in 4Q16. The positive effect of higher zinc, lead, copper and gold prices was offset by a 84.9% decrease in third-party concentrates sales, from USD 21.9 MM in 4Q16 to USD 3.3 MM in 4Q17, lower sales of the Company's own concentrate, and the decrease in the price of silver.

During 4Q17, Volcan recorded adjustments related to open commercial positions of USD -5.7 MM, hedging results of USD -6.7 MM, and positive final settlements of USD 2.0 MM. Total sales adjustments in 4Q17 were USD -10.4 MM, compared to USD -0.4 during the same quarter of the previous year. As a consequence, sales after adjustments during 4Q17 totaled USD 216.6 MM, a 4.3% decrease if compared to the USD 226.4 MM reported in 4Q16.

In annual terms (Jan-Dec), sales before adjustments rose by 5.4%, from USD 815.9 MM in 2016 to USD 860.2 MM in 2017, while sales after adjustments grew by 4.3%, from USD 821.5 MM in 2016 to USD 856.7 MM in 2017.

- **Cost of Goods Sold**

Table 9: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Volcan Production	130.9	138.3	137.9	132.7	135.0	-1.7	539.8	510.9	5.7
Volcan Production Cost	96.8	101.4	100.4	101.0	99.0	2.0	399.5	380.7	4.9
D&A from Production Cost	29.6	33.7	32.7	34.5	29.2	18.2	130.5	116.8	11.7
Ore Purchase	0.0	1.6	1.4	0.0	0.0		3.1	0.0	
Extraordinary Costs	0.6	0.5	0.6	1.0	0.9	1.7	2.7	2.8	-1.6
Variation of Inventories	3.9	1.0	2.8	-3.7	5.9		4.0	10.6	-61.8
Commercialization Business	7.1	5.0	3.8	2.6	20.2	-87.2	18.5	63.0	-70.6
Concentrates Purchase	6.4	4.5	3.3	2.7	20.7	-86.8	16.9	63.1	-73.2
Variation of Inventories	0.7	0.6	0.5	-0.2	-0.5	-71.9	1.6	-0.1	
Workers Participation	0.3	1.8	1.0	4.7	2.6	78.5	7.8	7.3	6.4
Total	138.3	145.1	142.6	140.0	157.9	-11.3	566.1	581.2	-2.6

Source: Volcan Cia. Minera

Total cost of goods sold decreased by 11.3%, from USD 157.9 MM in 4Q16 to USD 140.0 MM in 4Q17. This is mainly explained by a reduction of USD 18.0 MM in purchases of third-party concentrates, and higher inventory levels of USD 9.2 MM. This was partially offset by higher depreciation and amortization of USD 5.3 MM and a higher cost of production of USD 2.0 MM.

In annual terms (Jan-Dec), the total cost of goods sold declined by 2.6%, from USD 581.2 MM in 2016 to USD 566.1 MM in 2017. The lower purchases of third-party concentrates were partially offset by a higher cost of production of USD 18.8 MM and higher depreciation and amortization of USD 13.7 MM.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 30% in 4Q16 to 35% in 4Q17. This was explained by better metals prices, and reduced commercialization of third-party concentrates in total sales. Gross profit grew by 11.8%, from USD 68.5 MM in 4Q16 to USD 76.6 MM in 4Q17.

In annual terms (Jan-Dec), gross margin increased from 29% in 2016 to 34% in 2017. Gross profit increased by 20.9%, from USD 240.3 MM in 2016 to USD 290.6 MM in 2017.

- **Administrative and Sales Expenses**

Administrative expenses decreased by 19.0%, from USD 13.8 MM in 4Q16 to USD 11.1 MM in 4Q17, mainly due to lower personnel expenses provisions. However, in annual terms (Jan-Dec), administrative expenses increased by 3.5%, from USD 44.2 MM in 2016 to USD 45.7 MM in 2017, due to increased workers' participation provisions, compensations and donations.

Sales expenses decreased by 20.9%, from USD 8.2 MM in 4Q17 to USD 10.3 MM in 4Q16, and, in annual terms (Jan-Dec), they decreased from USD 34.1 MM in 2016 to USD 30.6 MM in 2017. These reductions are mainly explained by lower freight and shipment expenses due to improved logistic and commercial processes.

- **Other Income and Expenses (unadjusted)**

In 4Q17, the net amount of other income and expenses was negative, USD -2.6 MM versus a positive amount of USD 2.8 MM in 4Q16. In annual terms (Jan-Dec), other income and expenses shifted from USD 6.8 MM in 2016 to USD -10.5 MM in 2017. This is mainly explained by expenses from previous years and dead freight expenses being recorded in 2017. It is worth noting that 2016 results included an extraordinary gain of 14.0 MM related to the partial buyback of international bonds issued in 2012.

- **Financial Expenses and Exchange-Rate Difference**

During 4Q17, net financial expenses totaled USD 14.6 MM, a 30.2% increase if compared to the USD 11.2 MM reported in 4Q16. In annual terms (Jan-Dec), net financial expenses totaled USD 40.3 MM, a 13.2% increase if compared to the USD 35.6 MM reported in 2016. This is explained by lower financial income from loans to third parties.

Moreover, an exchange-rate variation loss totaling USD -0.7 MM was registered in 4Q17, as compared to the exchange-rate gain reported in 4Q16 (USD 2.7 MM). In annual terms (Jan-Dec), exchange-rate gains totaling USD 1.2 MM were registered, as compared to the exchange-rate gain reported in 2016 (USD 0.1 MM).

- **Income Tax and Royalties (unadjusted)**

Royalties decreased from USD 7.1 MM in 4Q16 to USD 4.3 MM in 4Q17. Meanwhile, income tax increased from USD 8.2 MM in 4Q16 to USD 11.6 MM in 4Q17, mainly due to higher taxes being recorded by Volcan subsidiaries.

In annual terms (Jan-Dec), royalties rose from USD 13.0 MM in 2016 to USD 17.5 MM in 2017, while income tax increased from USD 36.0 MM in 2016 to USD 54.6 MM in 2017.

- **Net Profit and EBITDA**

Net profit before exceptional items grew from USD 23.3 MM in 4Q16 to USD 23.5 MM in 4Q17. EBITDA increased by 9.3%, from USD 80.9 MM in 4Q16 to USD 88.4 MM in 4Q17.

In annual terms (Jan-Dec), net profit before exceptional items rose from USD 84.4 MM in 2016 to USD 92.7 MM in 2017. EBITDA increased from USD 302.9 MM in 2016 to USD 343.0 MM in 2017.

- **Adjustments for exceptional items**

In order to bring Company financial statements into alignment with Glencore corporate policies and accounting standards, a year-end exceptional charge of USD 570.2 MM was recorded in 2017. These adjustments were focused mainly on the following items: i) impairment evaluation of fixed and intangible assets; ii) deferred taxes; iii) accounting provisions.

It is important to note that these exceptional items have no effect on Company cash flow. Furthermore, the impairment of fixed and intangible assets may be reverted in the future if events unfold differently than in the evaluation as of December 31, 2017.

2.5 Liquidity and Creditworthiness

In 4Q17, cash generated from mining operations totaled USD 73.7 MM. Investments in operations, exploration and growth in the mining business totaled USD 67.1 MM. Energy contributed USD 0.1 MM of positive cash generation. Interests paid amounted to USD 1.0 MM and net financing cash flow for the period was negative and totaled USD 23.7 MM. Other investments amounted to USD 30.9 MM. Therefore, during 4Q17, the resulting total cash flow was USD -48.9 MM, and the total cash balance as of December 31, 2017, was USD 101.8 MM.

It is important to note that the cash flow has been adjusted at USD 62.4 MM after the shares of Cementos Polpaico held by the Company were reclassified as financial investments. For a better comparison, the net debt/EBITDA ratio has been recalculated since 4Q15, taking into account this reclassification.

Table 10: Net Debt / EBITDA Ratio

Net Debt/EBITDA Ratio	Consolidated 4Q17
Gross Debt (MM USD)	802.4
Cash Balance (MM USD)	101.8
Net Debt (MM USD)	700.5
EBITDA¹ (MM USD)	343.0
Ratio	2.0

¹ EBITDA for the last 12 months.

Source: Volcan Cia. Minera

Chart 2: Net Debt / EBITDA Ratio Evolution



3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 11: Yauli Production

Yauli Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral extraction (thousands MT)	804	877	943	940	867	8.4	3,563	3,623	-1.6
Mineral treatment (thousands MT)	805	888	955	937	867	8.1	3,585	3,657	-2.0
Fines Content									
Zinc (thousands FMT)	33.1	38.7	37.6	36.9	34.3	7.4	146.3	164.9	-11.3
Lead (thousands FMT)	4.3	4.6	4.9	4.2	5.1	-17.0	18.1	24.4	-26.1
Copper (thousands FMT)	0.6	0.7	0.9	0.9	0.6	31.7	3.0	3.2	-4.9
Silver (million Oz)	1.6	1.9	2.1	2.1	2.1	-0.4	7.7	11.6	-33.5
Gold (thousands Oz)	1.0	1.2	1.3	1.6	0.7	142.3	5.2	2.5	105.7

Source: Volcan Cia. Minera

In 4Q17, the ore extracted at the Yauli Unit increased by 8.4% as compared to the same period of the previous year, mainly due to increased volumes from the San Cristóbal and Carahuacra mines, which were partially offset by lower production at the Andaychagua and Ticlio mines. The ore treated at the Yauli Unit concentrator plants grew by 8.1% in 4Q17 compared to the same period of the previous year.

In annual terms (Jan-Dec), ore extraction in 2017 decreased by 1.6%, as compared to the previous year, due to the reduction of activities at the Carahuacra Norte open pit. Similarly, in 2017, treated ore decreased by 2.0%, as compared to 2016.

With regard to fines, in 4Q17, fine zinc production increased by 7.4%, as compared to 4Q16 due to higher treated volumes, while copper increased by 31.7%, mainly due to higher head grades and increased treated volumes. Silver production in 4Q17 amounted to 2.1 million Oz, similar to 4Q16; while lead production decreased by 17.0% as compared to 4Q16, due to lower head grades at San Cristóbal and Carahuacra.

In annual terms (Jan-Dec), the production of fine zinc, lead, copper and silver decreased by 11.3%, 26.1%, 4.9% and 33.5%, respectively, mainly due to lower head grades.

Table 12: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	56.4	58.4	58.7	59.5	56.0	6.3	232.9	220.0	5.9
Extraction Cost	34.4	35.0	34.6	34.7	34.1	1.7	138.8	134.9	2.8
Treatment Cost	22.0	23.4	24.1	24.8	21.8	13.4	94.2	85.1	10.7
Unit Cost (USD/MT)	70.1	66.3	61.9	63.3	64.5	-1.8	65.2	60.5	7.8
Extraction Cost	42.8	39.9	36.7	36.9	39.3	-6.2	38.9	37.2	4.6
Treatment Cost	27.3	26.3	25.2	26.4	25.2	4.9	26.3	23.3	12.9

Source: Volcan Cia. Minera

In 4Q17, the cost of production in absolute terms increased by 6.3%, from USD 56.0 MM in 4Q16 to USD 59.5 MM in 4Q17. This is mainly explained by greater extracted and treated volumes. Consolidated unit cost fell by 1.8%, from 64.5 USD/MT in 4Q16 to 63.3 USD/MT in 4Q17.

In annual terms (Jan-Dec), the cost of production in absolute terms increased by 5.9%, from USD 220.0 MM in 2016 to USD 232.9 MM in 2017, while the unit cost of production increased by 7.8%, from 60.5 USD/MT in 2016 to 65.2 USD/MT in 2017.

Table 13: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Local Exploration	1.5	2.7	2.2	1.6	2.2	-29.5	8.0	5.5	46.0
Mine Development	11.5	13.2	13.7	13.1	12.5	4.5	51.5	32.3	59.5
Plants and Tailings Dams	1.9	2.9	4.6	6.8	5.0	35.4	16.2	12.1	33.7
Mine and Infrastructure	2.5	2.3	4.2	5.1	3.2	58.5	14.1	11.9	17.8
Energy	0.7	0.5	0.7	0.6	0.9	-39.8	2.5	1.7	47.3
Support and Others	0.3	0.5	0.7	0.5	0.5	-5.1	2.0	1.4	51.0
Total	18.4	22.1	26.2	27.6	24.4	13.0	94.2	64.8	45.4

Source: Volcan Cia. Minera

Operating investments at Yauli grew by 13.0%, from USD 24.4 MM in 4Q16 to USD 27.6 MM in 4Q17, including additional investments in mine and infrastructure, and plants and tailings dams.

In annual terms (Jan-Dec), operating investments rose by 45.4%, from USD 64.8 MM in 2016 to USD 94.2 MM in 2017, including additional investments in development, from USD 32.3 MM in 2016 to USD 51.5 MM in 2017.

3.2 Chungar Unit Operating Results

Table 14: Chungar Production

Chungar Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral extraction (thousands MT)	477	499	433	459	501	-8.3	1,868	1,986	-5.9
Mineral treatment (thousands MT)	473	486	436	444	506	-12.3	1,838	2,016	-8.8
Fines Content									
Zinc (thousands FMT)	21.8	22.0	23.1	20.9	24.6	-15.2	87.8	96.4	-8.9
Lead (thousands FMT)	4.6	5.4	6.3	6.2	4.5	37.8	22.5	19.9	12.8
Copper (thousands FMT)	0.4	0.5	0.5	0.5	0.4	33.8	1.9	1.4	34.5
Silver (million Oz)	0.8	1.0	0.8	1.0	1.0	-0.8	3.6	4.1	-11.6

Source: Volcan Cia. Minera

In 4Q17, ore extracted at Chungar decreased by 8.3% as compared to 4Q16, due to the progressive recovery of production at Islay Mine since October, after over two months of suspended operations resulting from the access roads being blocked by the Huaychao community. Similarly, ore volumes treated in 4Q17 decreased by 12.3%, as compared to the same quarter in the previous year.

With regard to fines, in 4Q17, zinc production fell by 15.2% and silver by 0.8%, as compared to 4Q16. Meanwhile, lead and copper production grew by 37.8% and 33.8%, respectively, due to higher head grades at Animón.

In annual terms (Jan-Dec), ore extraction in 2017 decreased by 5.9%, and treated ore decreased by 8.8%, as compared to the previous year, due to the reduction of activities at Islay. The production of fine zinc decreased by 8.9% and silver by 11.6%, while lead production grew by 12.8% and copper by 34.5%.

It is worth noting that the construction of the integration tunnel between Animón and Islay mines is underway. The tunnel will result in the improved efficiency of current operations, and lower transportation, pumping and other operating costs. Furthermore, this tunnel facilitates the exploration of the Islay 4 concession, which shows significant evidence of mineralization and may lead to the future production growth at the Chungar Unit.

Table 15: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	25.7	26.6	25.1	24.7	26.4	-6.3	102.2	101.6	0.6
Extraction Cost	15.6	16.3	14.5	16.0	16.4	-2.3	62.5	62.9	-0.6
Treatment Cost	10.1	10.3	10.6	8.7	10.0	-13.0	39.6	38.7	2.5
Unit Cost (USD/MT)	54.1	53.9	33.6	54.5	52.5	3.8	55.0	50.9	8.2
Extraction Cost	32.7	32.7	33.6	34.9	32.8	6.5	33.5	31.7	5.6
Treatment Cost	21.4	21.2	0.0	19.6	19.7	-0.8	21.6	19.2	12.4

Source: Volcan Cia. Minera

In 4Q17, the cost of production in absolute terms decreased by 6.3%, from USD 26.4 MM in 4Q16 to USD 24.7 MM in 4Q17. The unit cost of production grew by 3.8%, from 52.5 USD/MT in 4Q16 to 54.5 USD/MT in 4Q17, mainly explained by lower treated ore volumes during this period.

In annual terms (Jan-Dec), the absolute cost of production increased by 0.6%, as compared to 2016, while the unit cost of production increased by 8.2%, from 50.9 USD/MT in 2016 to 55.0 USD/MT in 2017.

Table 16: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Local Exploration	0.6	1.8	1.4	1.1	1.8	-37.9	4.9	4.5	9.5
Mine Development	4.3	4.2	4.4	5.2	4.4	19.4	18.1	17.5	3.3
Plants and Tailings Dams	2.8	2.5	5.5	6.2	2.9	115.7	16.8	3.9	333.0
Mine and Infrastructure	2.1	1.5	3.1	3.7	3.1	21.7	10.5	11.1	-5.6
Energy	0.4	0.1	0.1	0.5	0.5	5.4	1.0	0.6	72.9
Support and Others	0.1	0.3	0.2	1.7	0.7	132.3	2.4	1.3	77.2
Total	10.3	10.3	14.6	18.5	13.3	38.7	53.7	38.9	38.0

Source: Volcan Cia. Minera

Operating investments increased by 38.7%, from USD 13.3 MM in 4Q16 to USD 18.5 MM in 4Q17. This increase includes additional investments in plants and tailings dams, mine and infrastructure, development and support areas.

In annual terms (Jan-Dec), total operating investments grew by 38.0%, from USD 38.9 MM in 2016 to USD 53.7 MM in 2017.

3.3 Alparmarca Unit Operating Results

Table 17: Alparmarca Production

Alparmarca Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral extraction (thousands MT)	238	244	264	262	230	14.1	1,008	926	9.0
Mineral treatment (thousands MT)	234	242	242	240	231	3.7	958	910	5.2
Fines Content									
Zinc (thousands FMT)	2.7	2.8	3.1	3.0	2.4	26.0	11.7	9.8	19.8
Lead (thousands FMT)	1.6	1.7	1.8	2.0	1.8	13.8	7.2	7.0	3.6
Copper (thousands FMT)	0.1	0.1	0.1	0.1	0.2	-36.9	0.5	0.6	-17.2
Silver (million Oz)	0.5	0.5	0.4	0.4	0.6	-27.2	1.8	2.0	-7.6

Source: Volcan Cia. Minera

In 4Q17, ore volumes extracted at the Alparmarca Unit grew by 11.0% compared to the same quarter of the previous year, while treated volumes increased by 3.7%.

With regard to fines, during 4Q17, the production of zinc rose by 26.0%, while lead production increased by 13.8%. Meanwhile, copper and silver production decreased by 36.9% and 27.2%, respectively, due to lower head grades.

In annual terms (Jan-Dec), ore extraction in 2017 increased by 9.0%, and treated ore increased by 5.2%, as compared to 2016. During the same period, the production of fine zinc increased by 19.8% and lead by 3.6%, while copper production decreased by 17.2% and silver by 7.6%.

Table 18: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	4.9	4.2	4.0	3.7	5.2	-28.4	16.9	21.5	-21.6
Extraction Cost	2.0	1.3	1.1	1.0	2.4	-58.8	5.5	10.2	-46.3
Treatment Cost	2.9	2.9	2.9	2.7	2.8	-1.7	11.4	11.3	0.7
Unit Cost (USD/MT)	20.8	17.3	16.3	15.3	22.7	-32.8	17.3	23.5	-26.1
Extraction Cost	8.4	5.5	4.3	3.8	10.6	-63.9	5.4	11.0	-50.7
Treatment Cost	12.4	11.8	11.9	11.4	12.0	-5.2	11.9	12.5	-4.3

Source: Volcan Cia. Minera

In 4Q17, the cost of production in absolute terms reached USD 3.7 MM, 28.4% lower than the USD 5.2 MM figure for the same quarter of the previous year. The unit cost of production fell by 31.9%, from 22.4 USD/MT in 4Q16 to 15.3 USD/MT in 4Q17. This is explained by improved operating efficiencies at the unit.

In annual terms (Jan-Dec), the absolute cost of production decreased by 21.6%, from USD 21.5 MM in 2016 to USD 16.9 MM in 2017, while the unit cost of production decreased by 26.1%, from 23.5 USD/MT in 2016 to 17.3 USD/MT in 2017.

Table 19: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Local Exploration	0.0	0.0	0.0	0.0	0.0		0.0	0.1	-100.0
Plants and Tailings Dams	0.2	0.7	1.4	1.1	0.3	302.9	3.4	1.5	125.1
Mine and Infrastructure	0.1	0.2	0.1	0.0	0.1	-94.2	0.4	0.4	-11.4
Support and Others	0.1	0.1	0.0	0.1	0.4	-68.9	0.4	0.5	-22.8
Total	0.3	1.0	1.5	1.2	0.8	57.2	4.1	2.4	68.0

Operating investments increased by 57.2%, from USD 0.8 MM in 4Q16 to USD 1.2 MM in 4Q17, due to the expansion of the tailings dam at Alparmarca.

In annual terms (Jan-Dec), operating investments grew by 68.0%, from USD 2.4 MM in 2016 to USD 4.1 MM in 2017.

3.4 Cerro de Pasco Unit Operating Results

Table 20: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral extraction (thousands MT)	228	241	285	305	198	54.6	1,059	233	354.6
Mineral treatment (thousands MT)	228	241	285	305	198	54.6	1,059	233	354.6
Fines Content									
Zinc (thousands FMT)	1.8	2.0	2.4	3.1	2.0	51.2	9.3	2.3	301.9
Lead (thousands FMT)	0.7	0.7	0.9	1.1	0.8	40.8	3.5	0.9	285.5
Silver (million Oz)	0.1	0.1	0.1	0.1	0.1	8.2	0.4	0.1	189.1

Source: Volcan Cia. Minera

In 4Q17, the treated volumes of polymetallic ore from stockpiles amounted to 305 thousand MT, 54.6% higher than the same quarter of the previous year. With regard to fines, production volumes amounted to 3.1 thousand FMT of zinc, 1.1 thousand FMT of lead and 0.1 MM Oz of silver.

In annual terms (Jan-Dec), treated ore volumes increased from 233 thousand MT in 2016, to 1,059 thousand MT in 2017, producing 9.3 thousand FMT of zinc, 3.5 thousand FMT of lead and 0.4 MM Oz of silver.

Table 21: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	3.0	3.4	3.6	4.2	3.2	29.4	14.3	3.9	268.6
Treatment Cost	3.0	3.4	3.6	4.2	3.2	29.4	14.3	3.9	268.5
Unit Cost (USD/MT)	13.3	14.2	12.7	13.8	16.4	-16.3	13.5	16.6	-18.9
Treatment Cost	13.3	14.2	12.7	13.8	16.4	-16.3	13.5	16.6	-18.9

Source: Volcan Cia. Minera

Absolute cost increased by 29.4%, from USD 3.2 MM in 4Q16 to USD 4.2 MM in 4Q17. The operation's unit cost decreased by 16.3%, from 16.4 USD/MT to 13.8 USD/MT, mainly due to greater processed volumes.

In annual terms (Jan-Dec), the absolute cost of production increased from USD 3.9 MM in 2016 to USD 14.3 MM in 2017, explained by greater processed volumes, while the unit cost of production decreased by 18.9%, from 16.6 USD/MT in 2016 to 13.5 USD/MT in 2017.

Table 22: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Local Exploration	0.0	0.2	0.1	0.0	0.0		0.3	0.0	
Plants and Tailings Dams	0.6	1.2	3.8	7.5	0.1		13.1	0.1	
Support and Others	0.0	0.0	0.0	0.6	0.0		0.6	0.0	
Total	0.6	1.4	3.9	8.1	0.1		14.0	0.1	

Source: Volcan Cia. Minera

During 4Q17, operating investments amounted to USD 8.1 MM, while in annual terms, investment amounted to USD 14.0 MM, including the expansion of Ocroyoc tailings dam.

3.5 Oxides Plant Operating Results

Table 23: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Mineral treatment (thousands MT)	178	231	231	232	228	1.8	872	900	-3.1
Fines Content									
Silver (million Oz)	0.8	1.0	0.9	1.0	1.0	-3.9	3.7	4.1	-8.6
Gold (Oz)	608	615	754	871	710	22.7	2,850	3,272	-12.9

Source: Volcan Cia. Minera

In 4Q17, the treated volume of ore from the Oxides Plant stockpiles increased by 1.8% as compared to 4Q16. Silver production decreased by 3.9% due to lower head grades.

In annual terms (Jan-Dec), treated volumes decreased by 3.1%, and silver production by 8.6%, from 4.1 MM Oz in 2016 to 3.7 MM Oz in 2017.

Table 24: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Production Cost (MM USD)	6.7	8.8	8.9	8.9	8.2	7.9	33.3	33.7	-1.2
Extraction Cost	0.9	1.2	1.3	1.2	1.1	10.2	4.6	4.6	0.5
Treatment Cost	5.9	7.6	7.6	7.7	7.1	7.6	28.7	29.1	-1.4
Unit Cost (USD/MT)	37.8	38.1	38.6	38.2	36.1	6.0	38.2	37.4	2.1
Extraction Cost	4.8	5.4	5.6	5.2	4.8	8.2	5.3	5.1	3.8
Treatment Cost	33.0	32.7	33.0	33.1	31.3	5.7	32.9	32.4	1.8

Source: Volcan Cia. Minera

In 4Q17, the cost of production in absolute terms increased by 7.9%, from USD 8.2 MM in 4Q16 to USD 8.9 MM in 4Q17. The operation's unit cost increased by 6.0%, from 36.1 USD/MT in 4Q16 to 38.2 USD/MT in 4Q17, mainly explained by the increased use of reagents and chemical inputs, which facilitated improved metallurgical recoveries during the leaching process.

In annual terms (Jan-Dec), the absolute cost of production decreased by 1.2%, from USD 33.7 MM in 2016 to USD 33.3 MM in 2017, while unit cost increased by 2.1%, from 37.4 USD/MT in 2016 to 38.2 USD/MT in 2017.

Table 25: Oxides Plant Operating Investments

Oxides Plant Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Plants and Tailings Dams	0.1	0.1	1.0	2.1	0.0		3.3	0.3	1139.4
Mine and Infrastructure	0.6	0.6	0.1	0.4	2.8	-86.3	1.7	6.4	-73.4
Support and Others	0.2	0.1	0.1	0.1	0.1	-9.5	0.5	0.2	118.7
Total	1.0	0.8	1.2	2.6	2.9	-10.6	5.5	6.9	-19.7

Source: Volcan Cia. Minera

Operating investments decreased by 10.6%, from USD 2.9 MM in 4Q16 to USD 2.6 MM in 4Q17. In annual terms (Jan-Dec), total operating investment decreased by 19.7%, from USD 6.9 MM in 2016 to USD 5.5 MM in 2017.

4. Energy

Table 26: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Energy generation	113.5	82.6	71.2	85.1	93.2	-8.8	352.5	322.6	9.2
Chungar	43.0	42.0	33.2	43.8	32.0	37.0	161.9	137.8	17.5
Tingo	2.2	2.3	2.3	2.1	2.3	-6.9	9.0	9.3	-2.7
Huanchor	33.7	38.4	35.7	39.1	35.5	10.1	146.9	139.3	5.5
Rucuy	34.6	0.0	0.0	0.0	23.4	-100.0	34.6	36.3	-4.9
Energy consumption	166.1	181.6	178.4	180.6	166.8	8.3	706.7	634.6	11.4
Energy purchase	120.9	139.7	145.2	135.7	132.6	2.4	541.4	487.5	11.0

Source: Volcan Cia. Minera

During 4Q17, Volcan's total consumption of electric power reached 180.6 GWh, with a maximum demand of 90.4 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 43.8 GWh. This accounted for 24% of the Company's total consumption, at an average cost of 22.6 USD/MWh, including operating, maintenance and transmission costs. Moreover, the Tingo Hydroelectric Plant generated 2.1 GWh, which was sold directly to Chungar.

Volcan made a net purchase of 134.7 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average unit cost of 79.5 USD/MWh.

The Huanchor Hydroelectric Plant produced 39.1 GWh. All of this power was sold to third parties.

As a consequence of the coastal El Niño, the operations at the Rucuy Hydroelectric Plant are still suspended due to damage to part of the penstock and a section of the transmission line in March 2017. Repairs are progressing as planned, and the operations are expected to resume in the second half of 2018.

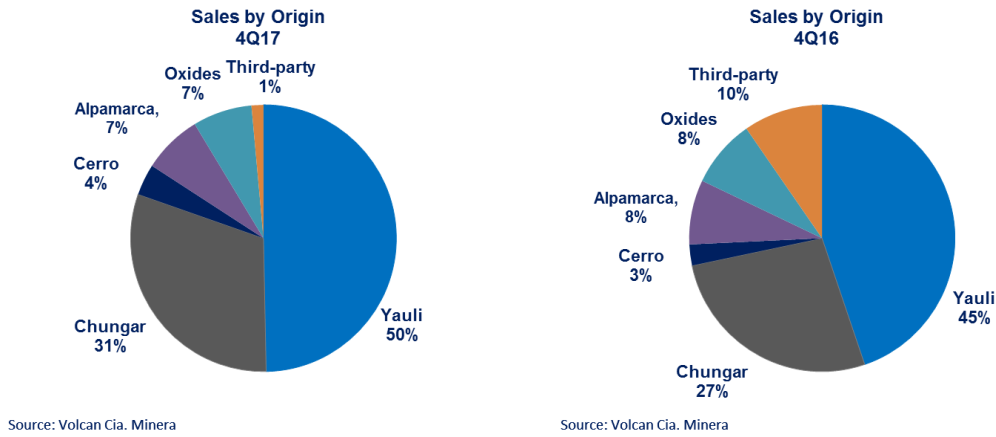
5. Final Comments

- Glencore acquired 55.03% of Volcan's Class A common shares in the Public Tender Offer concluded on November 7, 2017. Glencore's international technical teams visited our mining units and shared their expertise and best practices with our personnel. A plan for major improvements was drafted with their support. It will allow to increase efficiency and productivity at our operations.
- In the short term, the strategy will focus on consolidating the current operations: investments will be made at our main mines to improve their infrastructure and increase their resources. This will act as the foundation for medium-term growth, which will seize the quality and potential of our mines.
- The Company is permanently focused on operating-cost reduction and control, and achieved a continuous decrease of the unit cost of production throughout all quarters in 2017. Moreover, improvement opportunities have been identified, mainly related to extraction methods, shotcrete use, maintenance and transportation processes, which will facilitate improved productivity of operations and cost reduction.
- Net profit before exceptional items rose by 9.8%, from USD 84.4 MM in 2016 to USD 92.7 MM in 2017, while EBITDA grew by 13.2%, from USD 302.9 MM to USD 343.0 MM. At year-end 2017, the Company recorded an exceptional charge of USD 570.2 MM, mainly due to the adjustments related to aligning the Company's financial statements with the corporate policies and accounting standards of Glencore. These exceptional items have no effect on the Company cash flow.
- At the Romina 2 (Alpamarca) project, the exploration concluded in 2017 and obtained good results. The Feasibility Study and detailed Environmental Impact Assessment for exploitation have begun. At the Palma project, diamond-drill exploration will begin from the surface with the aim of covering a larger surface area to achieve greater resources and a better definition of the ore body at depth. In 2018, a significant investment will be made to develop this projects, and to explore additional projects at Carhuacayán (Alpamarca), Zoraida (Yauli), Shuco, Garhuashmina and Yacucancha (Cerro de Pasco).
- Repairs at the Rucuy Hydroelectric Plant are underway. The operations at the Plant have been suspended since March 2016 as a consequence of the coastal El Niño, due to damage to part of the penstock and a section of the transmission line. Operations are expected to resume in the second half of 2018.
- The Company continues developing the Chancay port project, through Terminales Portuarios Chancay S.A.. Additionally, the process to find a strategic partner is still underway. It is worth mentioning that, in 2017, USD 24.3 MM were invested in the development of this project.

Annexes

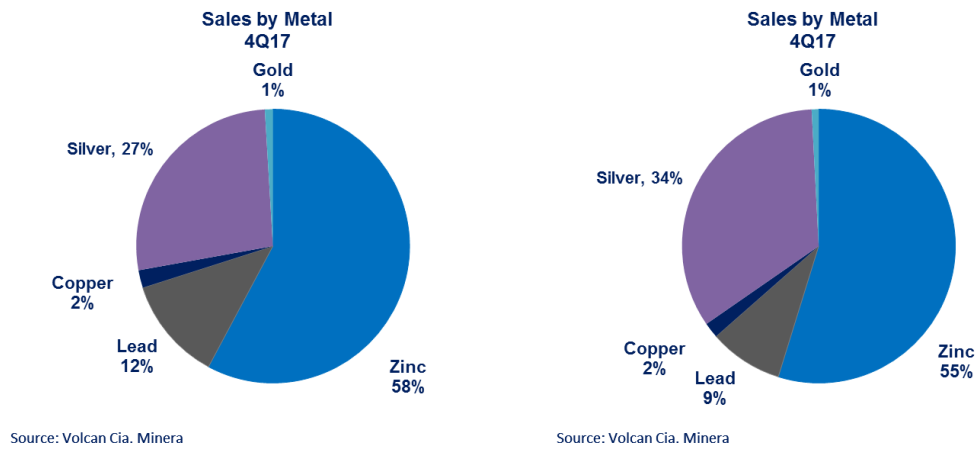
Annex 1: Sales Breakdown

Chart 5: Sales by Origin (percentage of value in USD)



The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 10% in 4Q16 to 1% in 4Q17.

Chart 6: Sales by Metal (percentage of value in USD)



The distribution of sales by metal in 4Q17 reflects the growth in the contribution of zinc and lead, as a result of the increase in their sales price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Zinc (USD/MT)	2,781	2,598	2,962	3,234	2,518	28.4	2,894	2,091	38.4
Lead (USD/MT)	2,279	2,165	2,334	2,493	2,150	16.0	2,318	1,871	23.9
Copper (USD/MT)	5,834	5,663	6,347	6,808	5,281	28.9	6,163	4,863	26.7
Silver (USD/Oz)	17.4	17.3	16.8	16.7	17.2	-2.8	17.1	17.1	-0.3
Gold (USD/Oz)	1,219	1,258	1,278	1,277	1,220	4.6	1,258	1,248	0.8

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Oct-Dec 2017	Oct-Dec 2016	var %	Jan-Dec 2017	Jan-Dec 2016	var %
Exchange Rate (S/ x USD)	3.29	3.26	3.25	3.25	3.39	-4.4	3.26	3.38	-3.4
Inflation	3.97	2.73	2.94	1.36	3.23	-57.8	1.36	3.23	-57.8

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Mar 2017	Apr - Jun 2017	Jul - Sep 2017	Jul - Sep 2017	Jul - Sep 2016	var %	Jan - Sep 2017	Jan - Sep 2016	var %
Silver (Thousands Oz)	32,681	36,651	34,997	34,033	35,157	-3.2	138,362	140,670	-1.6
Zinc (FMT)	332,580	375,431	373,460	391,566	369,142	6.1	1,473,037	1,337,081	10.2
Lead (FMT)	72,333	79,366	75,979	79,115	78,360	1.0	306,794	314,422	-2.4
Copper (FMT)	563,989	611,103	624,431	646,061	628,811	2.7	2,445,585	2,353,859	3.9
Gold (Thousands Oz)	1,141	1,191	1,272	1,255	1,236	1.5	4,858	4,919	-1.2

Source: Ministry of Energy and Mines