Volcan Compañía Minera S.A.A. and Subsidiaries
Management Discussion and Analysis
First Quarter 2018

Principal Results:

Consolidated Volcan	Jan-Mar 2018	Jan-Mar 2017	var %
Sales Prices			
Zinc (USD/MT)	3,404	2,708	25.7
Lead (USD/MT)	2,511	2,276	10.3
Copper (USD/MT)	6,931	5,882	17.8
Silver (USD/Oz)	16.7	17.7	-5.4
Gold (USD/Oz)	1,330	1,221	9.0
Operating Results			
Mineral treatment[1] (thousands MT)	1,921	1,917	0.2
Zinc Production (thousands FMT)	58.8	59.5	-1.2
Lead Production (thousands FMT)	12.0	11.2	7.4
Copper Production (thousands FMT)	1.1	1.1	-1.4
Silver Production (millions Oz)	4.2	3.8	10.0
Gold Production (thousands Oz)	2.5	1.6	52.0
Unit Cost (USD/MT)	48.0	50.4	-4.6
Total Investments (MM USD)	35.2	32.4	8.7
Financial Results (MM USD)			
Sales before adjustments	**220.2**	**199.1**	**10.6**
Volcan Production	220.2	190.8	15.4
Commercialization Business	0.0	8.4	-100.0
Sales Adjustments	**-17.6**	**6.4**	
Settlement of prior period adjustments	2.6	5.0	-48.1
Adjustments for open positions[2]	-7.8	-1.5	416.9
Hedging results	-12.4	2.9	
Sales after adjustments	**202.6**	**205.5**	**-1.4**
Net profit before exceptionals	**24.5**	**23.5**	**4.0**
Exceptional adjustments	-2.3		
Net profit after exceptionals	**22.2**	**23.5**	**-5.8**
EBITDA[3]	**91.8**	**80.2**	**14.5**

[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 2,708 USD/MT in 1Q17 to 3,404 USD/MT in 1Q18 (+25.7%), lead from 2,276 USD/MT to 2,511 USD/MT (+10.3%), copper from 5,882 USD/MT to 6,931 USD/MT (+17.8%), and gold from 1,221 USD/Oz to 1,330 USD/Oz (+9.0%). However, the average sales price of silver decreased from 17.7 USD/Oz in 1Q17 to 16.7 USD/Oz in 1Q18 (-5.4%).

- In 1Q18, treated ore volumes at Chungar and Yauli decreased due to the reformulation of mining plans at our units. Initially, this review may translate into lower extracted volumes at some units, but with higher head grades. This will improve the extracted ore value and reduce costs, without affecting fine production. However, the consolidated total volume of treated ore increased by 0.2% as compared to the same quarter of the previous year. This is mainly explained by increased treated volumes of polymetallic ore from stockpiles at Cerro de Pasco and the Oxides Plant.

- In 1Q18, lead production increased by 7.4% and silver ounces by 10.0% as compared to 1Q17, mainly due to higher head grades at Yauli and Chungar. Production of zinc and copper decreased by 1.2% and 1.4%, respectively.

- Consolidated unit cost fell by 4.6%, from 50.4 USD/MT in 1Q17 to 48.0 USD/MT in 1Q18. This is mainly explained by greater low-cost volumes of production from stockpiles at Cerro de Pasco, and operating efficiencies reached at Alpamarca.

- Total investments increased by 8.7%, from USD 32.4 MM in 1Q17 to USD 35.2 MM in 1Q18, mainly due to higher investments in local development and exploration at the operating units. Investment in the energy business also increased, mainly related to repairs at CH Rucuy.

- Better average metals prices resulted in an increase in sales from the Company's own concentrate by 15.4%, from USD 190.8 MM in 1Q17 to USD 220.2 MM in 1Q18. In turn, there were no third-party concentrates sales in 1Q18, as compared to USD 8.4 MM sold in 1Q17. Total sales before adjustments increased by 10.6%, from USD 199.1 MM in 1Q17 to USD 220.2 MM in 1Q18.

- However, in 1Q18, sales adjustments were negative (USD -17.6 MM), as compared to the positive adjustments recorded in 1Q17 (USD 6.4 MM), and, therefore, the total effect, quarter versus quarter, amounted to USD -24 MM. In 1Q18, sales adjustments included a negative hedge result of USD -12.4 MM, provisions related to open shipments of USD -7.8 MM due to a downward trend of prices at the end of the quarter, and positive final settlements of USD 2.6 MM. Total sales after adjustments decreased by 1.4%, from USD 205.5 MM in 1Q17 to USD 202.6 MM in 1Q18.

- Gross margin increased from 33% in 1Q17 to 37% in 1Q18. Net profit before exceptional items increased by 4.0%, from USD 23.5 MM in 1Q17 to USD 24.5 MM in 1Q18. EBITDA increased by 14.5%, from USD 80.2 MM in 1Q17 to USD 91.8 MM in 1Q18.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral extraction (thousands MT)	**1,938**	**1,925**	**0.7**
Polymetallic ore	1,720	1,746	-1.5
Oxides ore	218	178	22.3
Mineral treatment (thousands MT)	**1,921**	**1,917**	**0.2**
Concentrator Plants	1,703	1,739	-2.1
Silver Oxides Plant	218	178	22.3
Fine Content			
Zinc (thousands FMT)	58.8	59.5	-1.2
Lead (thousands FMT)	12.0	11.2	7.4
Copper (thousands FMT)	1.1	1.1	-1.4
Silver (millions Oz)	4.2	3.8	10.0
Gold (thousands Oz)	2.5	1.6	52.0

Source: Volcan Cia. Minera

In 1Q18, extracted ore volumes increased by 0.7% compared to the same quarter of the previous year, from 1,925 MM MT in 1Q17 to 1,938 MM MT in 1Q18. This increase is explained by greater volumes of polymetallic ore from stockpiles at Cerro de Pasco and silver oxides stockpiles at the Oxides Plant. It is worth noting that, in 1Q17, the Oxides Plant suffered a 17-day paralyzation resulting from the plant's access road being blocked by the community company ECOSERM Rancas. The increased production at Cerro de Pasco and the Oxides Plant was offset by lower volumes extracted at Yauli and Chungar due to the implementation of the strategy to ensure the profitability of all volumes extracted at our operations. This strategy may initially translate into lower extracted volumes, but with higher head grades. This will improve the extracted ore value and reduce costs, without affecting fine production.

Similarly, treated volumes increased by 0.2%, from 1,917 MM MT in 1Q17 to 1,921 MM MT in 1Q18.

The production of lead content increased by 7.4%, from 11.2 thousand FMT in 1Q17 to 12.0 thousand FMT in 1Q18; and the production of silver ounces increased by 10.0%, from 3.8 MM ounces in 1Q17 to 4.2 MM ounces in 1Q18, mainly explained by higher head grades at Yauli and Chungar. Zinc production decreased by 1.2%, from 59.5 thousand FMT in 1Q17 to 58.8 thousand FMT in 1Q18, and copper production by 1.4% from 1.13 thousand FMT in 1Q17 to 1.11 thousand FMT in 1Q18.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**92.7**	**96.8**	**-4.2**
Mine Cost	48.0	52.9	-9.1
Plant and Other Cost	44.7	43.9	1.8
Unit Cost (USD/MT)	**48.0**	**50.4**	**-4.6**
Mine Cost	24.8	27.5	-9.8
Plant and Other Cost	23.3	22.9	1.6

Source: Volcan Cia. Minera

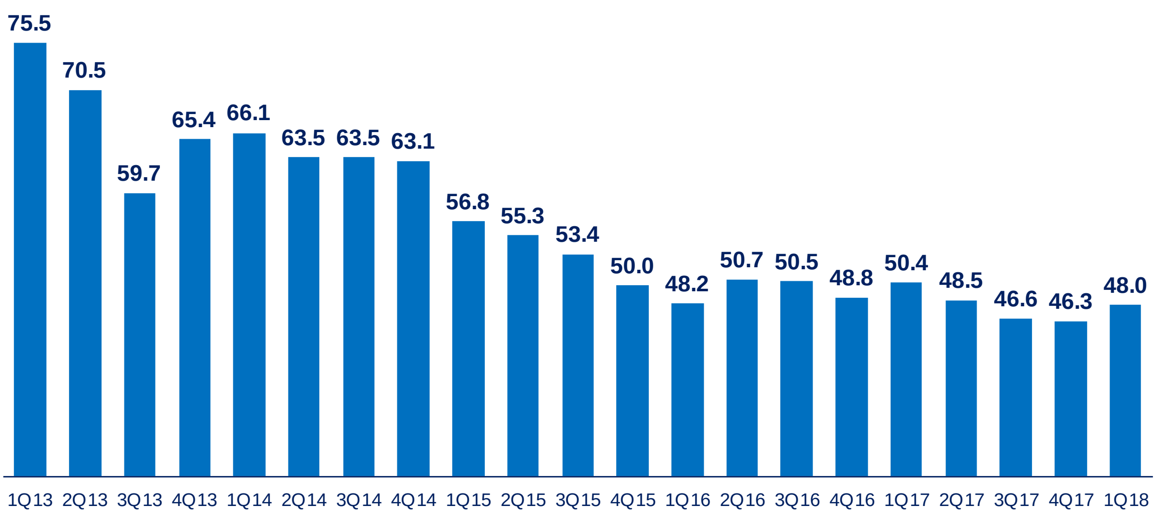
Absolute cost of production decreased by 4.2%, from USD 96.8 MM in 1Q17 to USD 92.7 MM in 1Q18, mainly due to lower production volumes at Yauli and Chungar.

Consolidated unit cost fell by 4.6%, from 50.4 USD/MT in 1Q17 to 48.0 USD/MT in 1Q18. This is mainly explained by greater low-cost volumes of production from stockpiles at Cerro de Pasco (12.6 USD/MT in 1Q18), and operating efficiencies reached at Alpamarca.

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, maintenance, transportation and administrative areas, and will continue to be executed in the following months.

The evolution of the unit cost since 2013 is shown in the chart below. It is worth noting that unit cost in 1Q18 was 36.4% lower than in 1Q13.

Figure 1: Reduction of the Unit Cost of Production (USD/MT)



2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Mining	**34.0**	**32.1**	**6.0**
Mining Units	**33.7**	**30.6**	**10.1**
Local Exploration	3.8	2.1	78.3
Development	18.5	15.8	17.0
Plants and Tailings Facilities	4.8	5.6	-14.3
Mine and Infrastructure	4.0	5.3	-24.2
Energy in Units	1.6	1.1	48.4
Support and Others	1.0	0.7	45.1
Regional Explorations	**0.1**	**1.5**	**-94.6**
Growth and Others	**0.3**	**0.0**	**747.5**
Energy	**1.1**	**0.3**	**318.3**
Total	**35.2**	**32.4**	**8.7**

Source: Volcan Cia. Minera

Total mining investments grew by 6.0%, from USD 32.1 MM in 1Q17 to USD 34.0 MM in 1Q18. Total operating investments increased by 10.1%, from USD 30.6 MM in 1Q17 to USD 33.7 MM in 1Q18, mainly due to higher investments in local exploration and mine development. Furthermore, regional explorations (greenfield or early-stage projects) show a slight decrease, but this is mainly due to the more conservative position adopted in the accounting policy for recording investments related to this type of exploration. These investments are now directly reflected on the income statement under exploration expenses for the period. Investments in the energy business increased from USD 0.3 MM in 1Q17 to USD 1.1 MM in 1Q18, mainly due to the investment in repairs at the Rucuy Hydroelectric Plant. It is worth noting that, to date, the insurance company's adjuster has issued a favorable final report on material damages.

Total investments increased by 8.7%, from USD 32.4 MM in 1Q17 to USD 35.2 MM in 1Q18.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Sales before adjust.	**220.2**	**199.1**	**10.6**
Sett. of prior periods adjust.	*2.6*	*5.0*	*-48.1*
Adj. open positions	*-7.8*	*-1.5*	*416.9*
Hedging	*-12.4*	*2.9*	
Sales after adjust.	**202.6**	**205.5**	**-1.4**
Cost of Goods Sold	**-127.9**	**-138.3**	**-7.5**
Gross Profit	**74.7**	**67.2**	**11.2**
Gross Margin	*37%*	*33%*	*4 pp*
Administrative Expenses	-12.1	-10.5	*15.3*
Sales Expenses	-6.2	-7.7	-19.4
Other Income (Expenses) 1	-2.9	-1.6	77.2
Operating Profit	**53.5**	**47.4**	**13.0**
Operating Margin	*26%*	*23%*	*3 pp*
Financial Income (Expense)	-9.3	-9.4	-1.2
Exchange Difference (net)	0.2	0.1	32.4
Royalties	-4.0	-3.8	6.1
Income Tax	-15.9	-10.7	48.0
Net Profit before Exceptionals	**24.5**	**23.5**	**4.0**
Net Margin	*12%*	*11%*	*1 pp*
Exceptional adjustments2	-2.3		
Net Profit after Exceptionals	**22.2**	**23.5**	**-5.8**
EBITDA3	**91.8**	**80.2**	**14.5**
EBITDA Margin	*45%*	*39%*	*6 pp*

[1] Includes the sales and cost of sales of the energy division.

[2] The exceptional adjustment of USD 2.3 MM in 1Q18 is related to the provision of an old account receivable in a subsidiary of Volcan.

[3] Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2018	Jan-Mar 2017	var %
Zinc (USD/MT)	3,404	2,708	25.7
Lead (USD/MT)	2,511	2,276	10.3
Copper (USD/MT)	6,931	5,882	17.8
Silver (USD/Oz)	16.7	17.7	-5.4
Gold (USD/Oz)	1,330	1,221	9.0

Source: Volcan Cia. Minera

Table 6: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2018	Jan-Mar 2017	var %
Volcan Production	Zinc (thousands FMT)	59.3	60.5	-2.1
	Lead (thousands FMT)	10.1	11.4	-10.9
	Copper (thousands FMT)	0.7	0.8	-12.2
	Silver (millions Oz)[1]	3.9	4.1	-4.6
	Gold (thousands Oz)[1]	3.1	2.2	39.6
Commercialization Business	Zinc (thousands FMT)	0.0	1.6	-100.0
	Lead (thousands FMT)	0.0	0.1	-100.0
	Copper (thousands FMT)	0.0	0.4	-100.0
	Silver (millions Oz)	0.0	0.2	-100.0
	Gold (thousands Oz)	0.0	0.0	-100.0
Total	Zinc (thousands FMT)	59.3	62.2	-4.7
	Lead (thousands FMT)	10.1	11.5	-11.8
	Copper (thousands FMT)	0.7	1.2	-43.1
	Silver (millions Oz)	3.9	4.3	-9.4
	Gold (thousands Oz)	3.1	2.2	37.7

[1] Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)		Jan-Mar 2018	Jan-Mar 2017	var %
Volcan Production	Zinc	139.7	109.6	27.5
	Lead	21.4	19.4	10.3
	Copper	3.2	2.3	42.8
	Silver	53.2	58.0	-8.2
	Gold	2.6	1.5	73.7
	Sales before adjust.	**220.2**	**190.8**	**15.4**
	Sett. of prior period adjust.	2.6	4.6	-43.2
	Adjust. for open positions	-7.8	-2.8	180.2
	Hedging results	-12.3	2.1	
	Sales after adjust.	**202.8**	**194.7**	**4.1**
Commerciali-zation Business	Zinc	0.0	3.6	-100.0
	Lead	0.0	0.2	-100.0
	Copper	0.0	1.8	-100.0
	Silver	0.0	2.7	-100.0
	Gold	0.0	0.0	-100.0
	Sales before adjust.	**0.0**	**8.4**	**-100.0**
	Sett. of prior period adjust.	0.0	0.4	-100.0
	Adjust. for open positions	0.0	1.3	-100.0
	Hedging results	-0.1	0.7	
	Sales after adjust.	**-0.1**	**10.8**	
Total	Zinc	139.7	113.1	23.5
	Lead	21.4	19.6	9.0
	Copper	3.2	4.1	-21.3
	Silver	53.2	60.7	-12.2
	Gold	2.6	1.5	70.9
	Sales before adjust.	**220.2**	**199.1**	**10.6**
	Sett. of prior period adjust.	2.6	5.0	-48.1
	Adjust. for open positions	-7.8	-1.5	416.9
	Hedging results	-12.4	2.9	
	Sales after adjust.	**202.6**	**205.5**	**-1.4**

Source: Volcan Cia. Minera

During 1Q18, sales before adjustments totaled USD 220.2 MM, a 10.6% increase if compared to the USD 199.1 MM reported in 1Q17, mainly due to higher zinc, lead and copper prices. The effect of better metals prices was offset by the lower sales volume of the Company's own concentrate, which generated higher inventory levels in 1Q18, and the absence of sales of third-party concentrates, which totaled USD 8.4 MM in 1Q17.

In 1Q18, sales adjustments were negative (USD -17.6 MM), as compared to the positive adjustments recorded in 1Q17 (USD 6.4 MM), and, therefore, the total effect, quarter versus quarter, amounted to USD -24 MM. In 1Q18, sales adjustments included a negative hedge result of USD -12.4 MM, provisions related to open shipments of USD -7.8 MM due to a downward trend of prices at the end of the quarter, and positive final settlements of USD 2.6

MM. Total sales after adjustments decreased by 1.4%, from USD 205.5 MM in 1Q17 to USD 202.6 MM in 1Q18.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Volcan Production	**125.0**	**130.9**	**-4.5**
Volcan Production Cost	92.7	96.8	-4.2
D&A from Production Cost	35.0	29.6	18.1
Extraordinary Costs	0.4	0.6	-40.0
Variation of Inventories	-3.1	3.9	
Commercialization Business	**0.0**	**7.1**	**-100.0**
Concentrates Purchase	0.0	6.4	-100.0
Variation of Inventories	0.0	0.7	-100.0
Workers Participation	**2.9**	**0.3**	**898.5**
Total	**127.9**	**138.3**	**-7.5**

Source: Volcan Cia. Minera

In 1Q18, total cost of goods sold decreased by 7.5%, from USD 138.3 MM in 1Q17 to USD 127.9 MM in 1Q18. This is mainly explained by a lower cost of production of USD 4.1 MM, related to higher inventories of the Company's own concentrates in 1Q18 which had a positive effect on the cost of sales, amounting to USD 7.0 MM, and because in 1Q18 no purchase of third party concentrates was made, as compared to USD 6.4 MM purchased in 1Q17. These effects were partially offset by higher depreciation and amortization totaling USD 5.4 MM, and a USD 2.6 MM increase in the provisions related to workers' participation.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 33% in 1Q17 to 37% in 1Q18. This was explained by better metals prices, and the absence of commercialization of third-party concentrates in total sales. Gross profit grew by 11.2%, from USD 67.2 MM in 1Q17 to USD 74.7 MM in 1Q18.

- **Administrative and Sales Expenses**

Administrative expenses increased by 15.3%, from USD 10.5 MM in 1Q17 to USD 12.1 MM in 1Q18, due to the increased workers' participation related to higher operating profits, and because, as from this year, investments in greenfield or early stage explorations are reflected as expenses under this item in the financial statement. These effects were partially offset by lower administrative personnel expenses.

Sales expenses during 1Q18 decreased by 19.4%, from USD 7.7 MM in 1Q17 to USD 6.2 MM, mainly explained by lower freight expenses in sales contracts.

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

In 1Q18, the net amount of other income and expenses was negative, USD -2.9 MM versus a negative amount of USD -1.6 MM in 1Q17. The variation is mainly explained by lower net income from the energy business, due to the paralyzation of CH Rucuy since March 2017.

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

During 1Q18, net financial expenses totaled USD 9.3 MM, a 1.2% decrease if compared to the USD 9.4 MM reported in 1Q17, due to the decrease in financing costs and bank expenses.

Exchange-rate gains totaling USD 0.2 MM were registered in 1Q18, as compared to the exchange-rate loss reported in 1Q17 (USD 0.1 MM).

- **Income Tax and Royalties**

Royalties grew from USD 3.8 MM in 1Q17 to USD 4.0 MM in 1Q18. Income tax increased from USD 10.7 MM in 1Q17 to USD 15.9 MM in 1Q18, mainly due to higher operating income and deferred taxes.

- **Net Profit and EBITDA**

Net profit before exceptional items grew from USD 23.5 MM in 1Q17 to USD 24.5 MM in 1Q18. EBITDA increased by 14.5%, from USD 80.2 MM in 1Q17 to USD 91.8 MM in 1Q18.

In 1Q18, an exceptional provision of USD 3.3 MM related to an account receivable was recorded in one of Volcan's subsidiaries. The effect of this provision, net of taxes, was USD 2.3 MM; therefore, net profit after exceptional items totaled USD 22.2 MM.

2.5 Liquidity and Creditworthiness

In 1Q18, cash generated by mining and energy operations totaled USD 68.1 MM. Operations and exploration investments, as well as growth investments in the mining business, amounted to USD 35.9 MM, other investments amounted to USD 1.5 MM, interests paid amounted to USD 16.9 MM and net financing cash flow for the period was negative and totaled USD 15.6 MM. Therefore, during 1Q18, the resulting total cash flow was USD -1.9 MM, and the total cash balance as of March 31, 2018, was USD 100.0 MM.

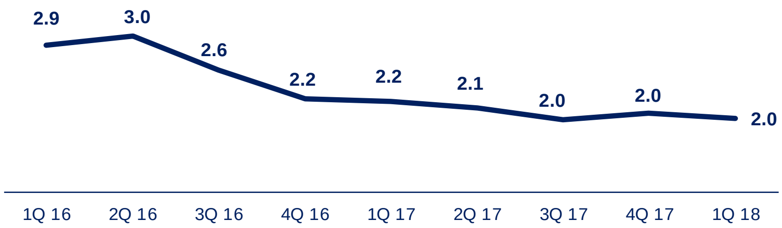
Table 9: Net Debt / EBITDA Ratio

Net Debt/EBITDA Ratio	Consolidated 1Q18
Gross Debt (MM USD)	800.2
Cash Balance (MM USD)	100.0
Net Debt (MM USD)	**700.3**
EBITDA[1] (MM USD)	**354.6**
Ratio	**2.0**

[1] EBITDA for the last 12 months.

Source: Volcan Cia. Minera

Chart 2: Net Debt / EBITDA Ratio Evolution



Source: Volcan Cia. Minera

At the end of 1Q18, the net debt/EBITDA ratio was 2.0, lower than in the two previous years, mainly due to the Company's better EBITDA.

3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 10: Yauli Production}

Yauli Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral extraction (thousands MT)	**757**	**804**	**-5.8**
Mineral treatment (thousands MT)	**751**	**805**	**-6.7**
Fines Content			
Zinc (thousands FMT)	33.7	33.1	1.8
Lead (thousands FMT)	4.2	4.3	-1.9
Copper (thousands FMT)	0.6	0.6	-3.6
Silver (million Oz)	1.8	1.6	10.1
Gold (thousands Oz)	1.6	1.0	56.0

Source: Volcan Cia. Minera

In 1Q18, the ore extracted at the Yauli Unit decreased by 5.8% as compared to the same period of the previous year, mainly due to reduced volumes from the Carahuacra, Ticlio and San Cristóbal mines, which were partially offset by higher production at the Carahuacra Mine. The reduced extracted volume is explained by the reformulation of mining plans to ensure the profitability of each ton extracted from the mines. Initially, this entails lower extracted volumes, but with higher head grades. The ore treated at the Yauli Unit concentrator plants decreased by 6.7% in 1Q18 compared to the same period of the previous year.

In 1Q18, fine zinc production increased by 1.8% and silver by 10.1% as compared to 1Q17, mainly due to higher head grades at Andaychagua, San Cristóbal and Carahuacra. Production of lead decreased by 1.9% and copper by 3.6%, respectively.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**52.0**	**56.4**	**-7.8**
Extraction Cost	31.2	34.4	-9.4
Treatment Cost	20.8	22.0	-5.4
Unit Cost (USD/MT)	**68.9**	**70.1**	**-1.7**
Extraction Cost	41.2	42.8	-3.8
Treatment Cost	27.7	27.3	1.4

Source: Volcan Cia. Minera

In 1Q18, the absolute cost of production decreased by 7.8%, from USD 56.4 MM in 1Q17 to USD 52.0 MM in 1Q18. This is mainly explained by greater extracted and treated volumes.

Unit cost of production fell by 1.7%, from 70.1 USD/MT in 1Q17 to 68.9 USD/MT in 1Q18, explained by lower energy costs and higher contribution from Carahuacra, the mine with the lowest extraction cost at Yauli.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Local Exploration	2.4	1.5	57.0
Mine Development	12.0	11.5	4.4
Plants and Tailings Dams	1.1	1.9	-41.9
Mine and Infrastructure	1.8	2.5	-28.3
Energy	0.8	0.7	25.6
Support and Others	0.5	0.3	33.1
Total	**18.5**	**18.4**	**0.9**

Operating investments at Yauli grew from USD 18.4 MM in 1Q17 to USD 18.5 MM in 1Q18. It is worth noting a 57% increase in exploration investments.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral extraction (thousands MT)	**434**	**477**	**-9.0**
Mineral treatment (thousands MT)	**432**	**473**	**-8.6**
Fines Content			
Zinc (thousands FMT)	19.8	21.8	-9.1
Lead (thousands FMT)	5.0	4.6	8.9
Copper (thousands FMT)	0.4	0.4	9.2
Silver (million Oz)	1.0	0.8	22.8

Source: Volcan Cia. Minera

In 1Q18, ore volumes extracted at Chungar declined by 9.0% as compared to 1Q17. Similarly, ore volumes treated in 1Q18 decreased by 8.6%, as compared to the same quarter in the previous year.

With regard to fines, in 1Q18, zinc production fell by 9.1%, as compared to 1Q17, in line with lower volumes. Silver, lead and copper production grew by 22.8%, 8.9% and 9.2%, respectively, due to higher head grades at Animón Mine.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**25.1**	**25.7**	**-2.3**
Extraction Cost	14.6	15.6	-6.2
Treatment Cost	10.5	10.1	3.8
Unit Cost (USD/MT)	**57.9**	**54.1**	**7.2**
Extraction Cost	33.7	32.7	3.0
Treatment Cost	24.3	21.4	13.6

Source: Volcan Cia. Minera

In 1Q18, the absolute cost of production decreased by 2.3%, from USD 25.7 MM in 1Q17 to USD 25.1 MM in 1Q18. The unit cost of production grew by 7.2%, from 54.1 USD/MT in 1Q17 to 57.9 USD/MT in 1Q18, mainly explained by lower treated ore volumes during this period.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Local Exploration	1.4	0.6	139.5
Mine Development	6.5	4.3	50.5
Plants and Tailings Dams	0.9	2.8	-68.8
Mine and Infrastructure	2.2	2.1	2.8
Energy	0.7	0.4	85.5
Support and Others	0.2	0.1	24.0
Total	**11.8**	**10.3**	**14.7**

Source: Volcan Cia. Minera

Operating investments increased by 14.7%, from USD 10.3 MM in 1Q17 to USD 11.8 MM in 1Q18. This is mainly explained by higher investment in local exploration and mine development.

3.3 Alpamarca Unit Operating Results

Table 16: Alpamarca Production

Alpamarca Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral extraction (thousands MT)	**239**	**238**	**0.2**
Mineral treatment (thousands MT)	**229**	**234**	**-1.8**
Fines Content			
Zinc (thousands FMT)	2.4	2.7	-13.0
Lead (thousands FMT)	1.8	1.6	11.7
Copper (thousands FMT)	0.1	0.1	-22.5
Silver (million Oz)	0.4	0.5	-25.0

Source: Volcan Cia. Minera

In 1Q18, ore volumes extracted at the Alpamarca Unit grew by 0.2% compared to the same quarter of the previous year, and treated volumes decreased by 1.8%.

In fine terms, in 1Q18, lead production rose by 11.7%, and zinc, copper and silver production decreased by 13.0%, 22.5% and 25.0%, respectively, mainly explained by lower head grades.

Table 17: Alpamarca Cost of Production

Alpamarca Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**3.6**	**4.9**	**-25.4**
Extraction Cost	1.0	2.0	-51.5
Treatment Cost	2.7	2.9	-7.5
Unit Cost (USD/MT)	**15.7**	**20.8**	**-24.3**
Extraction Cost	4.1	8.4	-51.6
Treatment Cost	11.7	12.4	-5.8

Source: Volcan Cia. Minera

In 1Q18, the absolute cost of production was USD 3.6 MM, 25.4% lower than the USD 4.9 MM figure for the same quarter of the previous year. The unit cost fell by 24.3%, from 20.8 USD/MT in 1Q17 to 15.7 USD/MT in 1Q18, mainly due to better operating efficiencies gained at the operation.

Table 18: Alpamarca Operating Investments

Alpamarca Operating Inv. (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Plants and Tailings Dams	0.1	0.2	-29.4
Mine and Infrastructure	0.0	0.1	-47.0
Support and Others	0.2	0.1	134.1
Total	**0.3**	**0.3**	**0.6**

Source: Volcan Cia. Minera

Operating investments remain unchanged in 1Q18 at USD 0.3 MM, mainly related to investments in tailings dams and support areas.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral extraction (thousands MT)	**291**	**228**	**27.7**
Mineral treatment (thousands MT)	**291**	**228**	**27.7**
Fines Content			
Zinc (thousands FMT)	2.9	1.8	58.2
Lead (thousands FMT)	1.0	0.7	42.1
Silver (million Oz)	0.1	0.1	18.3

Source: Volcan Cia. Minera

In 1Q18, the treated volumes of polymetallic ore from stockpiles amounted to 291 thousand MT, 27.7% higher than the same quarter of the previous year. With regard to fines, production volumes amounted to 2.9 thousand FMT of zinc, 1.0 thousand FMT of lead and 0.1 MM Oz of silver, which grew by 58.2%, 42.1% and 18.3%, respectively, as compared to production in 1Q17.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**3.7**	**3.0**	**21.3**
Treatment Cost	3.7	3.0	20.9
Unit Cost (USD/MT)	**12.6**	**13.3**	**-5.0**
Treatment Cost	12.6	13.3	-5.3

Source: Volcan Cia. Minera

Absolute cost increased by 21.3%, from USD 3.0 MM in 1Q17 to USD 3.7 MM in 1Q18 due to higher treated volumes. The unit cost decreased by 5.0%, from 13.3 USD/MT to 12.6 USD/MT.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Plants and Tailings Dams	1.3	0.6	125.3
Support and Others	0.1	0.0	
Total	**1.5**	**0.6**	**141.8**

Source: Volcan Cia. Minera

During 1Q18, operating investments amounted to USD 1.5 MM, mainly explained by the expansion of Ocroyoc tailings dam (an investment shared with the Oxides Plant).

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2018	Jan-Mar 2017	var %
Mineral treatment (thousands MT)	**218**	**178**	**22.3**
Fines Content			
Silver (million Oz)	0.9	0.8	17.3
Gold (Oz)	884	608	45.3

Source: Volcan Cia. Minera

In 1Q18, the treated volume of ore from the stockpiles increased by 22.3% as compared to 1Q17, due to the 17-day paralyzation of this plant resulting from the blockage of the plant's access road by the community company ECOSERM Rancas.

Silver ounces production increased by 17.3%, from USD 0.8 MM in 1Q17 to USD 0.9 MM ounces in 1Q18, due to higher treated volumes.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2018	Jan-Mar 2017	var %
Production Cost (MM USD)	**8.3**	**6.7**	**23.1**
Extraction Cost	1.2	0.9	44.2
Treatment Cost	7.1	5.9	20.0
Unit Cost (USD/MT)	**38.1**	**37.8**	**0.6**
Extraction Cost	5.7	4.8	17.9
Treatment Cost	32.4	33.0	-1.9

Source: Volcan Cia. Minera

In 1Q18, the absolute cost of production increased by 23.1%, from USD 6.7 MM in 1Q17 to USD 8.3 MM in 1Q18, mainly due to higher treated volumes. The operation's unit cost increased by 0.6%, from 37.8 USD/MT in 1Q17 to 38.1 USD/MT in 1Q18, mainly due to higher ore haulage costs and higher consumption of reagents and chemical inputs.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Investment (MM USD)	Jan-Mar 2018	Jan-Mar 2017	var %
Plants and Tailings Dams	1.4	0.1	805.4
Mine and Infrastructure	0.0	0.6	-96.6
Support and Others	0.1	0.2	-39.4
Total	**1.5**	**1.0**	**55.0**

Source: Volcan Cia. Minera

During 1Q18, operating investments amounted to USD 1.5 MM, mainly explained by the expansion of Ocroyoc tailings dam (an investment shared with the Cerro de Pasco Unit).

4. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2018	Jan-Mar 2017	var %
Energy generation	**84.0**	**113.5**	**-26.0**
Chungar	40.3	43.0	-6.3
Tingo	2.2	2.2	-1.5
Huanchor	41.5	33.7	23.2
Rucuy	0.0	34.6	-100.0
Energy consumption	**174.0**	**166.1**	**4.7**
Energy purchase	**131.4**	**120.9**	**8.7**

Source: Volcan Cia. Minera

During 1Q18, Volcan's total consumption of electric power reached 174.0 GWh, with a maximum demand of 92.8 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 40.3 GWh. This accounted for 23% of the Company's total consumption, at an average cost of 14 USD/MWh, including operating, maintenance and transmission costs. Moreover, the Tingo Hydroelectric Plant generated 2.2 GWh, which was sold directly to Chungar.

Volcan made a net purchase of 131.4 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average unit cost of 58.2 USD/MWh.

The Huanchor Hydroelectric Plant produced 41.5 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

- The Company is focused on consolidating its current operations, investing in explorations to increase resources at our main operations, and develop them and improve their infrastructure. This will act as the foundation for medium-term growth, which will seize the quality and potential of our mines.

- During 1Q18, Glencore International AG continued sending professionals to visit and to support the development of different departments, mainly mining operation, plants, geology, safety and environment, these highly qualified professionals came from Australia, Canada, South Africa, and other countries. Additionally, the Company is working on improving its current operations, prioritizing the use of resources in their units and identifying potential synergies in benefit of Volcan. Moreover, the Company is expecting to reduce production costs, improve drivers that impact the cash flow and optimize the production and reserves generation.

- The reformulation of mining plans seeks to ensure the profitability of each ton of ore extracted from the mines, which will initially entail lower extracted volumes, but higher head grades. This strategy allows to increase the value of extracted ore and reduce costs, without affecting fine production.

- Three executives from Glencore have joined Volcan, Mr. Aldo de la Cruz Peceros as Operating Vice President, Mr. Carlos Francisco Fernández Navarro as Executive Vice President and Mr. Jorge De Olazabal Angulo as Environment Affairs Deputy Manager.

- The Company remains firm in its efforts to improve productivity, and the control and reduction of operating costs, having identified improvement opportunities, mainly related to extraction methods, shotcrete, maintenance and transportation processes.

- EBITDA increased by 14.5%, from USD 80.2 MM in 1Q17 to USD 91.8 MM in 1Q18. Net profit before exceptional items grew from USD 23.5 MM in 1Q17 to USD 24.5 MM in 1Q18. The improved metals prices were partially offset by higher inventories at the end of the quarter, hedging results (USD -12.4 MM), negative open commercial provisions (USD -7.8 MM) due to a decreasing price trend at the end of the quarter, and higher income tax.

- It is worth noting that the budget for 2018, includes more than 284 thousand meters of diamond drilling. Out of this, 212 thousand meters will aim at strengthening the continuity and growth of our current operations, seizing the favorable geology of the operational area and the existing infrastructure. The remaining 72 thousand meters will be executed at our main projects: Romina II, Carhuacayán, Palma, Zoraida, Islay 4, Alpamarca Norte, Shuco, Garhuashmina and Yacucancha.

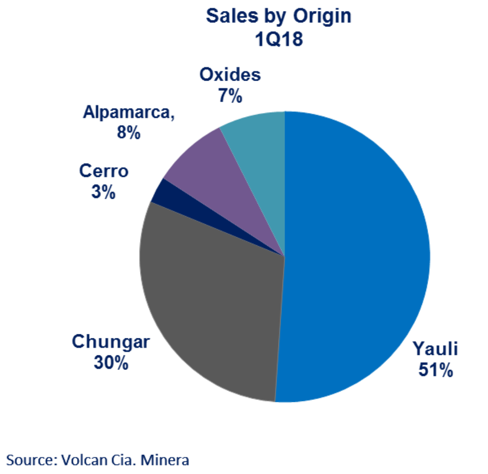
- The repairs of the Rucuy Hydroelectric Plant, suspended since March 2017 as a consequence of the coastal El Niño, due to damage to part of the penstock and a section of the transmission line, are underway as planned, and the operations are expected to resume in the second half of 2018. It is important to note that, to date, the insurance company's adjuster has issued a favorable final report on material damages.

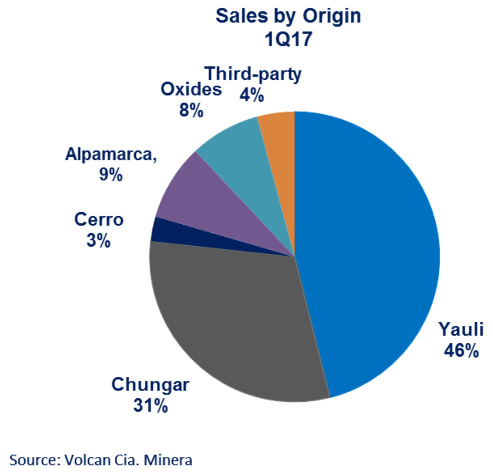
- The Company continues developing the Chancay port project, through Terminales Portuarios Chancay S.A.. Additionally, the process to find a strategic partner is still underway. It is worth mentioning that, in 1Q18, USD 1.5 MM were invested in the development of this project.

Annexes

Annex 1: Sales Breakdown

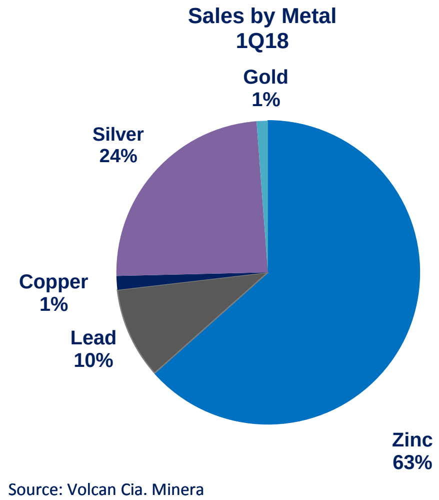
Chart 3: Sales by Origin (percentage of value in USD)

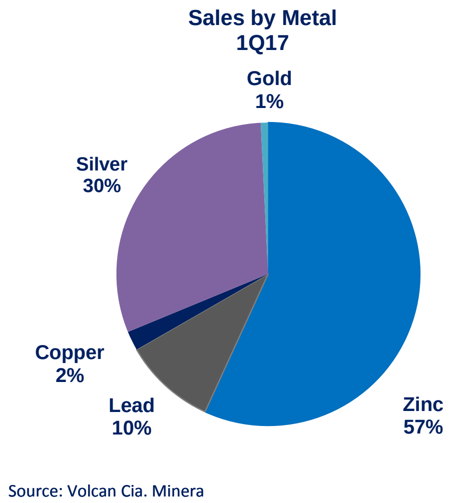




The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 4% in 1Q17 to no contribution in 1Q18.

Figure 4: Sales by Metal (percentage of value in USD)





The distribution of sales by metal in 1Q18 reflects the growth in the contribution of zinc, as a result of the increase in its sales price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2018	Jan-Mar 2017	var %
Zinc (USD/MT)	3,422	2,781	23.1
Lead (USD/MT)	2,523	2,279	10.7
Copper (USD/MT)	6,959	5,834	19.3
Silver (USD/Oz)	16.8	17.4	-3.8
Gold (USD/Oz)	1,331	1,219	9.2

Source: London Metal Exctange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2018	Jan-Mar 2017	var %
Exctange Rate (S/ x USD)	3.24	3.29	-1.5
Inflation	0.36	3.97	-90.9

[1] Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Feb 2018	Jan - Feb 2017	var %
Silver (Thousands Oz)	20,694	21,131	-2.1
Zinc (FMT)	228,213	222,707	2.5
Lead (FMT)	44,382	46,425	-4.4
Copper (FMT)	367,019	374,599	-2.0
Gold (Thousands Oz)	716	769	-6.9

Source: Ministry of Energy and Mines