



# **Volcan Compañía Minera**

**BMO Capital Markets 25<sup>th</sup> Global Mining & Metals Conference  
28 February – 2 March, 2016**

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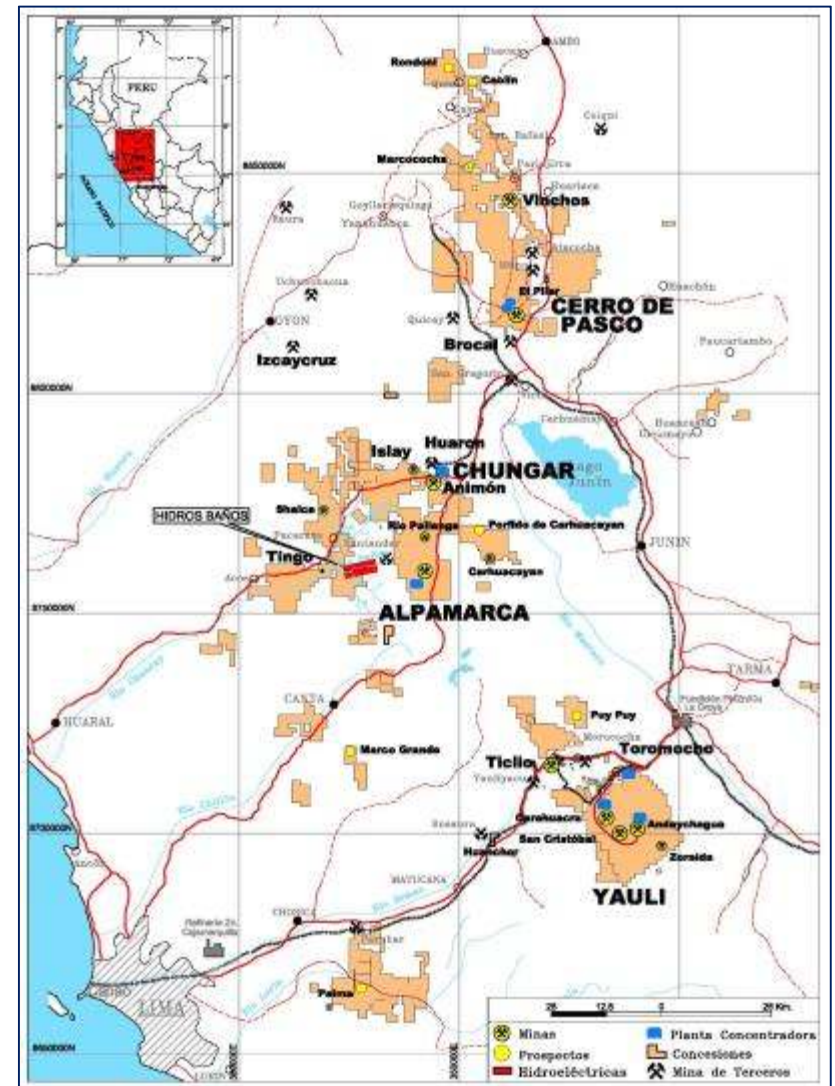
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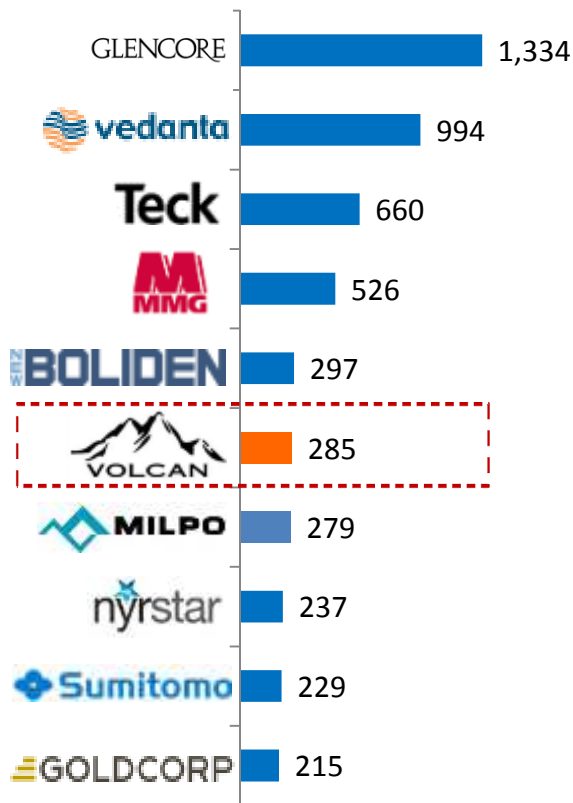
# Strategic Location with Diversified Operations

- More than 70 years of mining experience
- Committed to the highest standards of safety & environmental protection
- A world-class producer with significant organic growth potential
- Diversified, balanced and increasing production of base & precious metals
  - Four operating units, 12 mines
  - Seven concentrator plants & one lixiviation plant (Ag oxides)
- First-quartile C1 zinc & silver cash costs
- Highly prospective mining concessions
- Logistical flexibility
- Constructive relationships with authorities, labor & communities

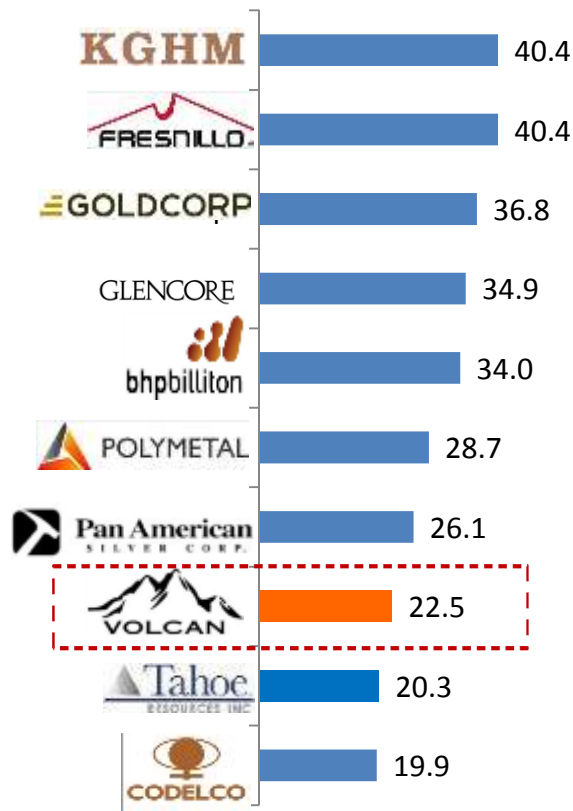


# A Leading Global Producer of Zinc, Silver & Lead<sup>1</sup>

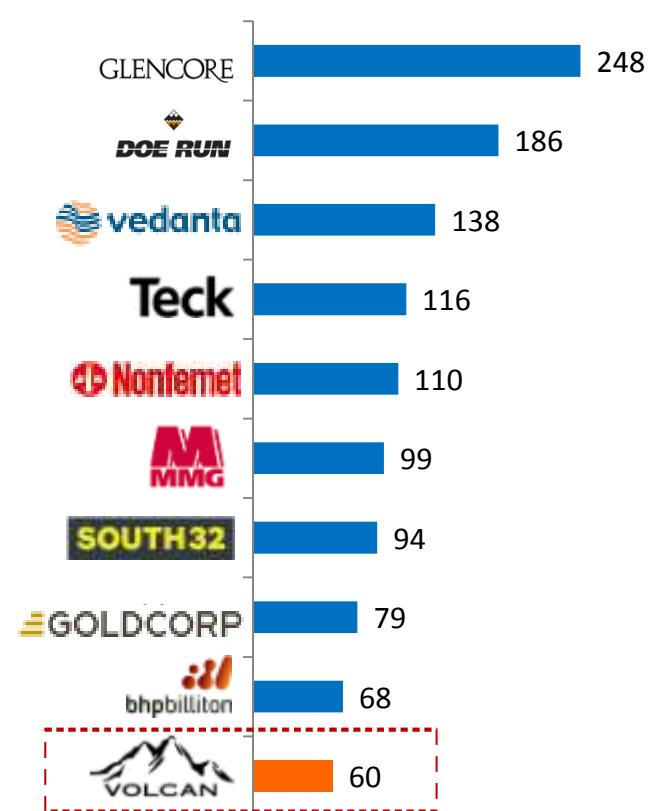
Zinc Production 2015  
(000 FMT)



Silver Production 2014  
(MM Oz)



Lead Production 2015  
(000 FMT)



- Significant negotiating leverage due to ability to deliver large volumes across several key metals
- Broad client base composed of major global commodity traders and refineries

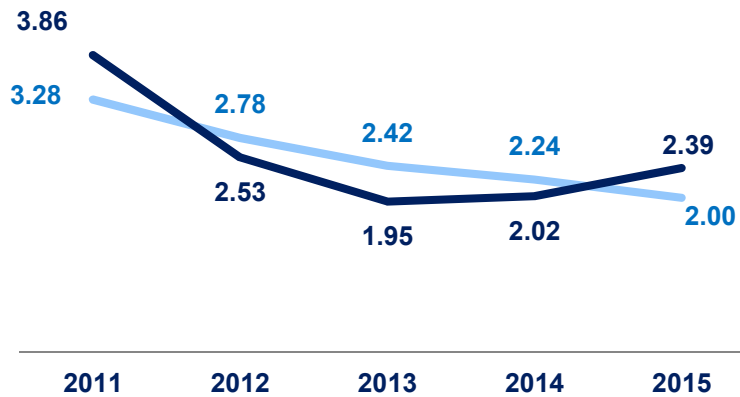
4 <sup>1</sup> Source: Wood Mackenzie, the Silver Institute & JP Morgan.



# A Safe Place to Work<sup>1</sup>

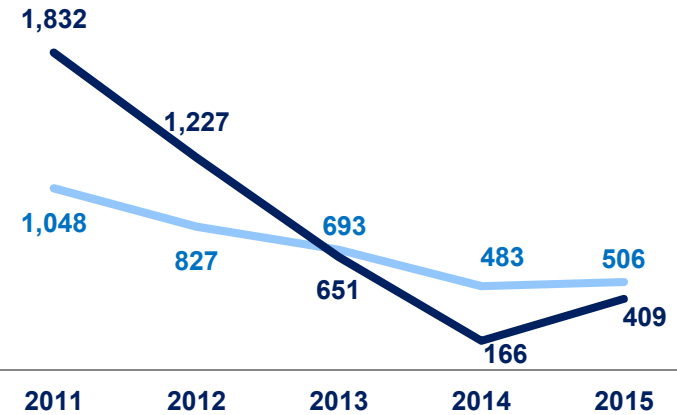
## Frequency Index

(Lost-time injuries per million hours worked)

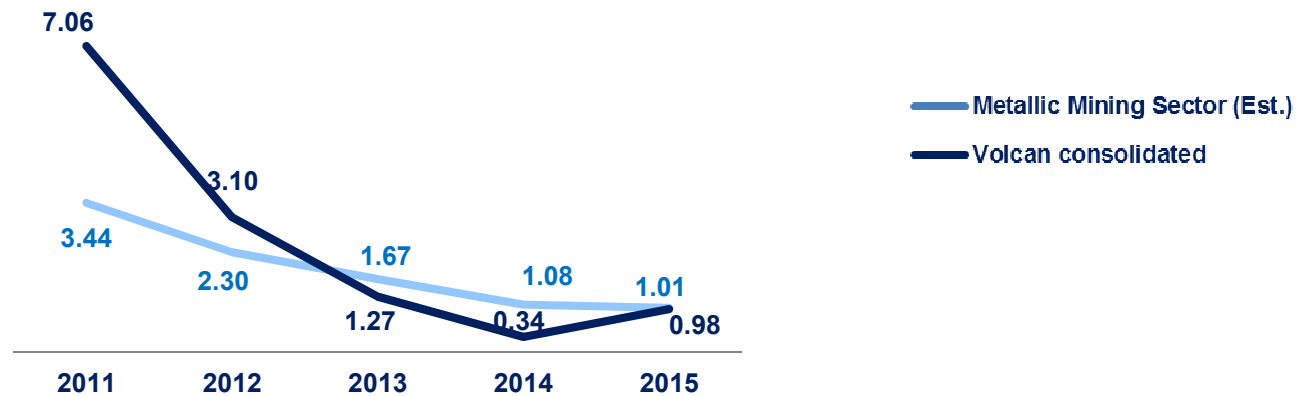


## Severity Index

(Days lost per million hours worked)



## Accident Index (Frequency x Severity)



5 <sup>1</sup> Source: Peru Ministry of Energy & Mines as of December 31, 2015



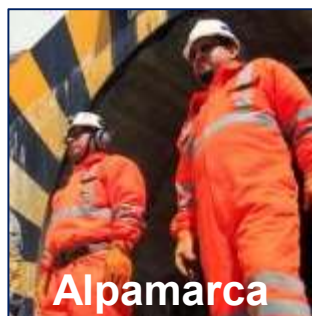
# Mining Operations



**Mines:** Four underground, one open pit  
**Reserves<sup>1</sup>:** 32 MM MT; 5.21% (Zn), 0.88% (Pb), 0.21% (Cu), 3.87 oz/MT (Ag)  
**Capacity:** 11,000 tpd from three concentrator plants  
**Mine life<sup>1</sup>:** Eight years (reserves), 12 years (R+R)  
**Production<sup>2</sup>:** 175 K FMT (Zn), 25 K FMT (Pb), 3 K FMT (Cu), 12.9 MM oz (Ag)



**Mines:** Two underground  
**Reserves<sup>1</sup>:** 8 MM MT; 5.16% (Zn), 1.47% (Pb), 0.14% (Cu), 3.29 oz/MT (Ag)  
**Capacity:** 5,500 tpd from one concentrator plant  
**Mine life<sup>1</sup>:** Four years (reserves), five years (R+R)  
**Production<sup>2</sup>:** 89 K FMT (Zn), 23 K FMT (Pb), 1 K FMT (Cu), 4.6 MM oz (Ag)



**Mines:** One underground, one open pit  
**Reserves<sup>1</sup>:** 4 MM MT; 1.62% (Zn), 1.04% (Pb), 3.24 oz/MT (Ag)  
**Capacity:** 2,300 tpd from one concentrator plant  
**Mine life<sup>1</sup>:** Five years (reserves), eight years (R+R)  
**Production<sup>2</sup>:** 9 K FMT (Zn), 6 K FMT (Pb), 2.7 MM oz (Ag)

# Mining Operations



<b>Mines:</b>	Two underground, open pit
<b>Reserves<sup>1</sup>:</b>	15.8 MM MT; 3.58% (Zn), 1.24% (Pb), 1.63 oz/MT (Ag)
<b>Capacity:</b>	6,000 tpd from two concentrator plants
<b>Production<sup>2</sup>:</b>	12 K FMT (Zn), 5 K FMT (Pb), 1 MM Oz (Ag)

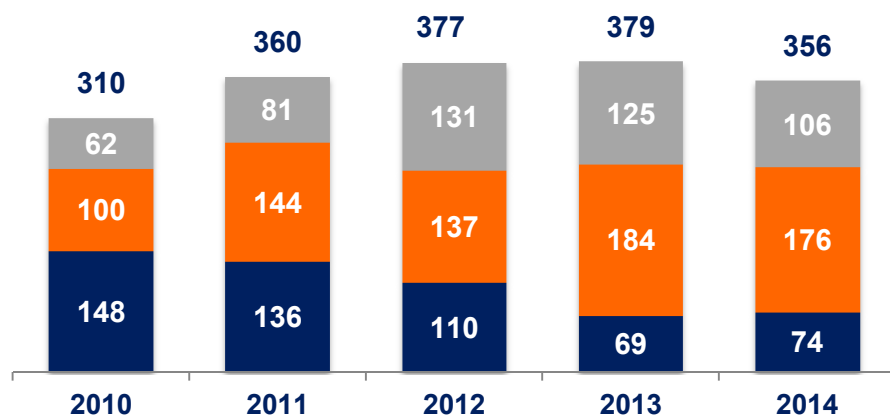


<b>Feed:</b>	Stockpiles & in-situ mineral from Raul Rojas Open Pit
<b>Reserves<sup>1</sup>:</b>	13.6 MM MT; 6.51 oz/MT (Ag)
<b>Capacity:</b>	2,500 tpd from one lixiviation plant
<b>Mine life<sup>1</sup>:</b>	15 years of reserves
<b>Production<sup>2</sup>:</b>	3.6 MM Oz (Ag) 5.3 k Oz (Au)

# Solid Life of Mine<sup>1</sup> with Robust Geological Potential

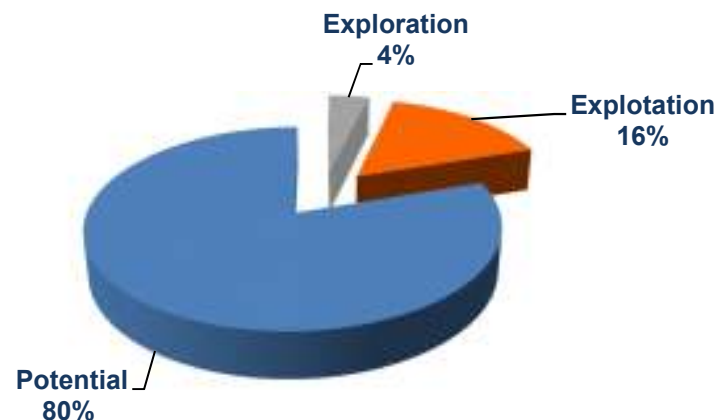
- 8-year life of mine in reserves, 27-year life of mine R+R
- Nearly 7 MM FMT of Zn (R+R), 10 MM FMT, including inferred resources
- 630 MM ounces of Ag (R+R), 940 MM ounces, including inferred resources

## Evolution of Reserves & Resources (MM MT)



■ Inferred Resources ■ Measured & Indicated Resources ■ Reserves

## ~ 310k Ha. of Mining Concessions



Note: Prices used to calculate R+R 2014: Zn 2,200 USD/MT, Pb 2,000 USD/MT, Cu 6,500 USD/MT, Ag 18 USD/Oz

8 <sup>1</sup> Life of mine is calculated based up proven and probable reserves plus measured and indicated resources as of 31/12/14. Inferred resources are excluded.





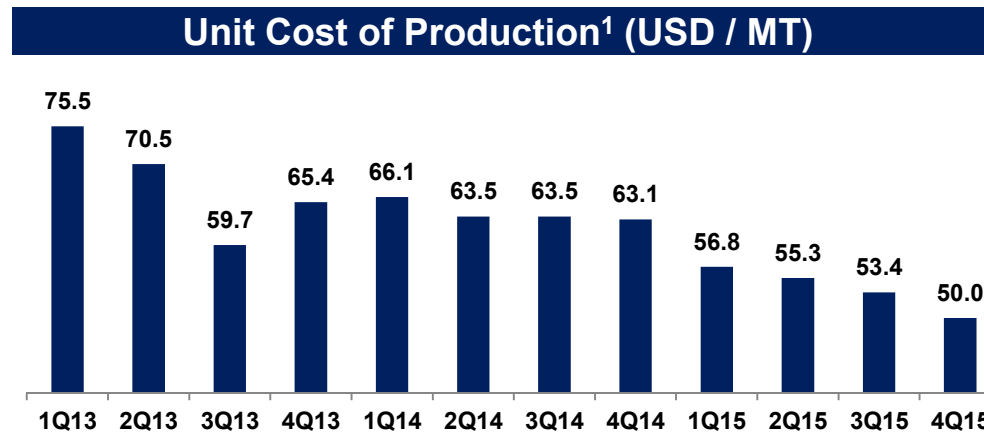
# Mining Operations Guidance Summary 2016

Consolidated Production		2014	2015	Var. %	Estimated 2016
<b>TMT (000)</b>		<b>7,395</b>	<b>7,910</b>	<b>7.0</b>	<b>7,200 - 8,000</b>
Zinc	(000 FMT)	281	285	1.4	299 - 305
Lead	(000 FMT)	57	60	4.6	57 - 60
Copper	(000 FMT)	3.4	4.3	25.3	4.0 - 5.0
Silver	(MM Oz)	22.5	24.8	10.2	22.5 - 23.5
Gold	(000 Oz)	0.7	5.3	715.0	3.5 - 5.0

Consolidated OPEX		2014	2015	Var. %	Estimated 2016
Unit Cost	(USD/TM)	63.9	53.7	-15.9	49.0 - 52.0

Consolidated CAPEX (MM USD)		2014	2015	Var. %	Estimated 2016
<b>Mining Operation</b>		<b>344.4</b>	<b>147.6</b>	<b>-57.1</b>	<b>120.0 - 132.0</b>
Operating Capex		179.7	118.6	-34.0	115.0 - 125.0
Greenfield Explorations		7.7	4.1	-46.8	4.0 - 6.0
Growth Projects and Others		157.0	24.9	-84.1	1.0 - 1.0

# OPEX, Margins Improving



- Three years of continuous reduction of operating costs
- Continuous-improvement system integrated into operations
  - Optimization of mining methods, contractor scope & rates, raw material consumption and personnel
  - Increased efficiencies in mine support & energy usage
- 16% YOY reduction in unit cost: 63.9 USD/MT (2014) to 53.7 USD/MT (2015)
- Unit-cost reduction of 3% to 9% expected for 2016
- Devaluation of Peruvian Sol & lower fuel prices aid reduction

# Cash Cost

Cash Cost <sup>1</sup>	Zinc (USD/MT)		
	2014	2015	var%
Co - Product	1,541	1,370	-11.1
By - Product	1,100	975	-11.4

Price	Unit	2014	2015
Zinc	USD/MT	2,162	1,933
Silver	USD/Oz	19.1	15.7

Source: Average LME spot price

Cash Cost <sup>1</sup>	Silver (USD/Oz)		
	2014	2015	var%
Co - Product	13.5	11.1	-17.3
By - Product	5.6	4.7	-15.7

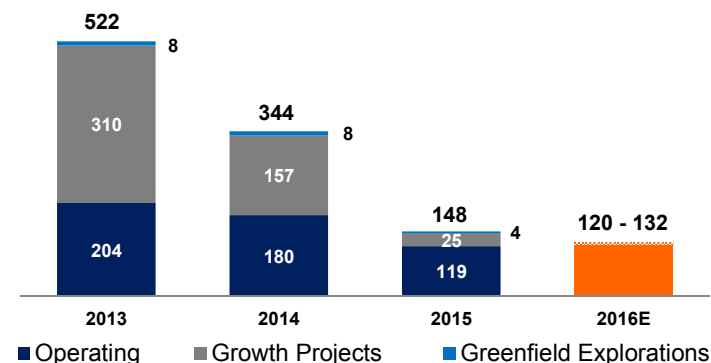
11 <sup>1</sup> Cash costs include all costs incurred in the production and commercialization of concentrate, including production costs (excluding depreciation and amortization), commercial discounts, sales expenses and royalties.



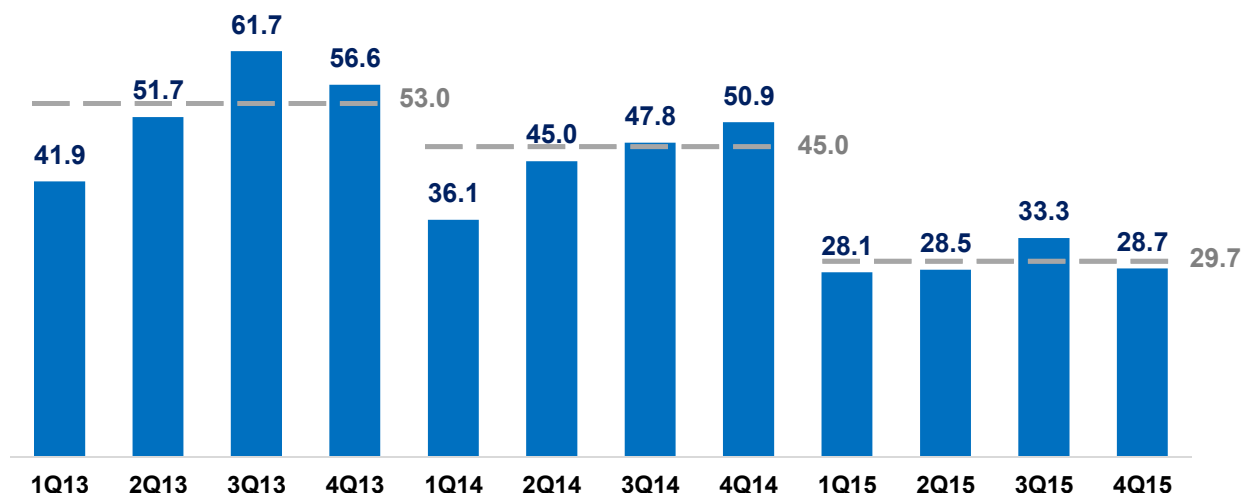
# CAPEX Reduced Assuring Positive Cash Generation

- Growth investments completed for this cycle
- Operating investments prioritized & optimized without compromising production objectives
- CAPEX fell by 57% (2015), by 34% (2014)
- 2016 CAPEX reduction of 11% to 16% (est.)

Mining CAPEX (USD MM)

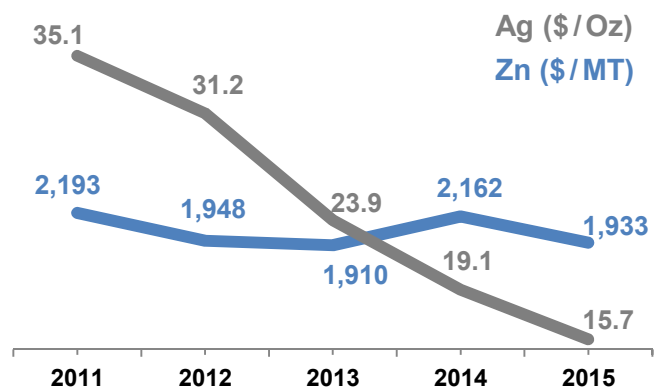


Mining Operating CAPEX (USD MM)

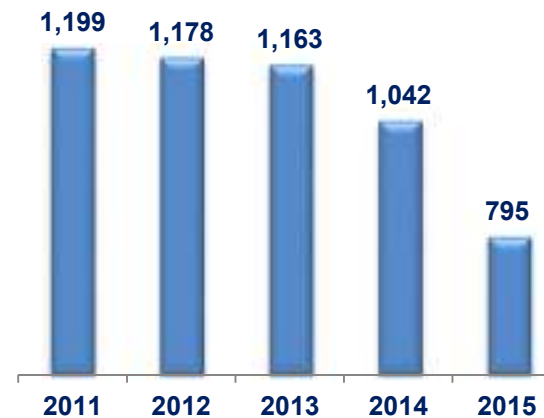


# Financial Indicators

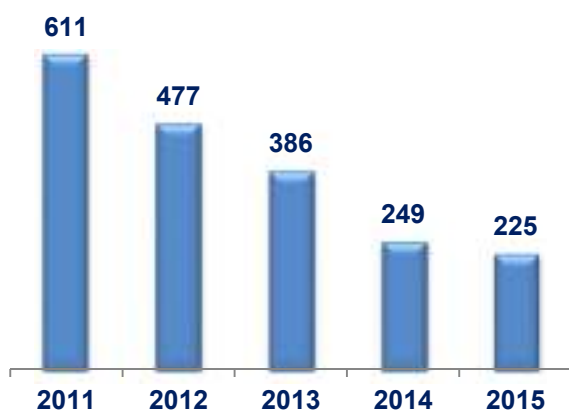
## Average Spot Prices (LME)



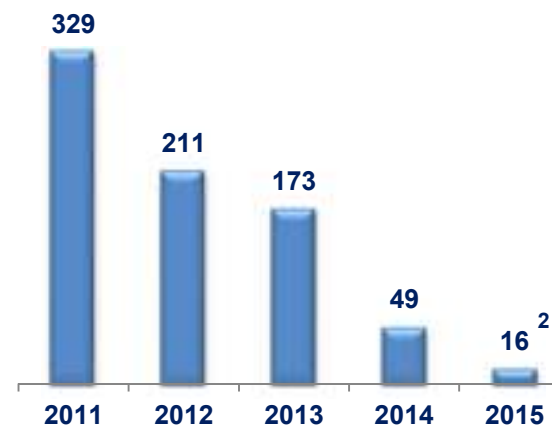
## Sales (USD MM)



## EBITDA (USD MM)<sup>1</sup>



## Net Profit (USD MM)<sup>1</sup>



13 <sup>1</sup> 2014 figures exclude Belo Horizonte Hydroelectric Project exceptional gain. Including this effect increases EBITDA to USD 11.6 MM and Net Profit to USD 7.5 MM.

<sup>2</sup> Net profit before exceptional items, excluding non-cash impairment of assets, intangibles and inventory. Net profit with exceptionals was USD - 454 MM.



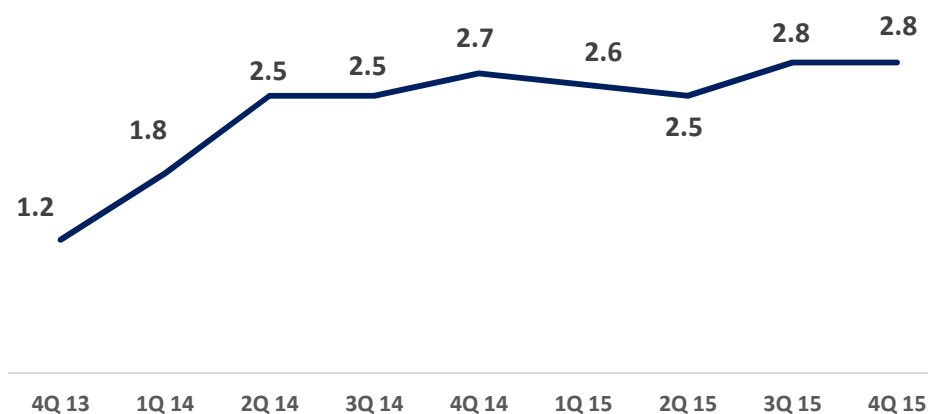
# Liquidity & Creditworthiness

- Cost reduction & CAPEX prioritization sustaining cash balance in low-price environment
- Flexibility to further reduce CAPEX & OPEX if price pressure increases
- New energy investments financed *without* guaranties from mining business

## Cash Balance (US\$ MM)

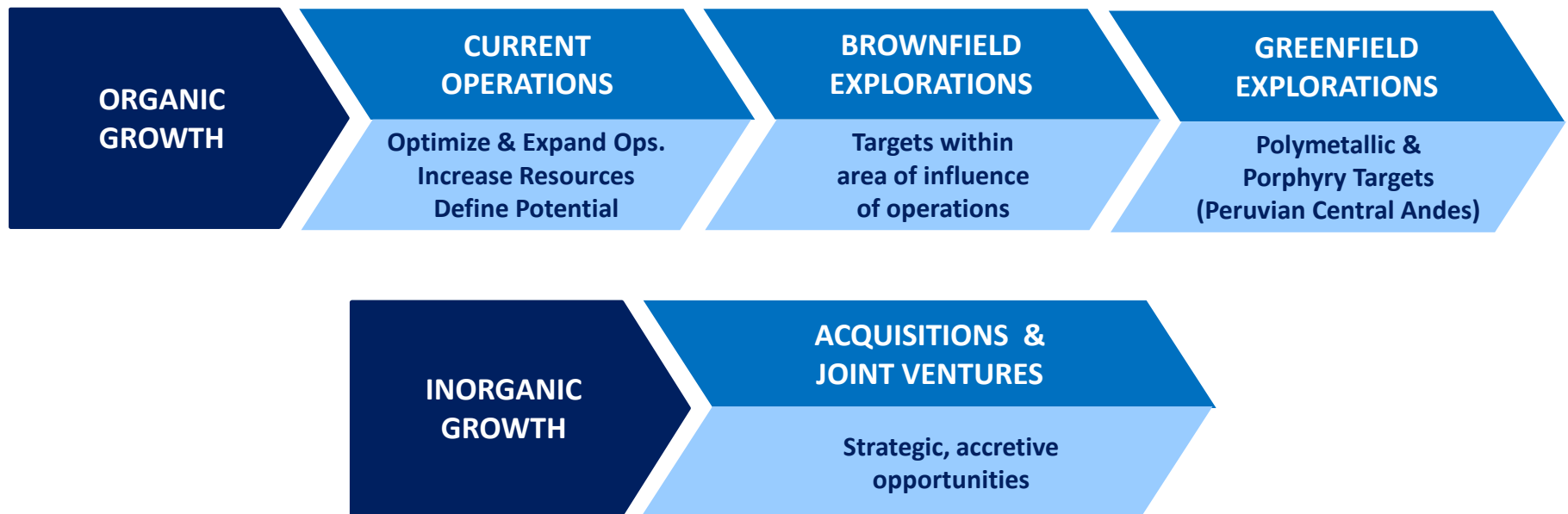
<b>Balance – Dec 2014</b>	<b>174</b>
Operating Flow	251
Mining Investment	-172
Energy Investment	-34
Net Financing	-28
<b><u>Balance - Dec 2015</u></b>	<b><u>192</u></b>

## Net Debt / EBITDA (Mining) <sup>1</sup>

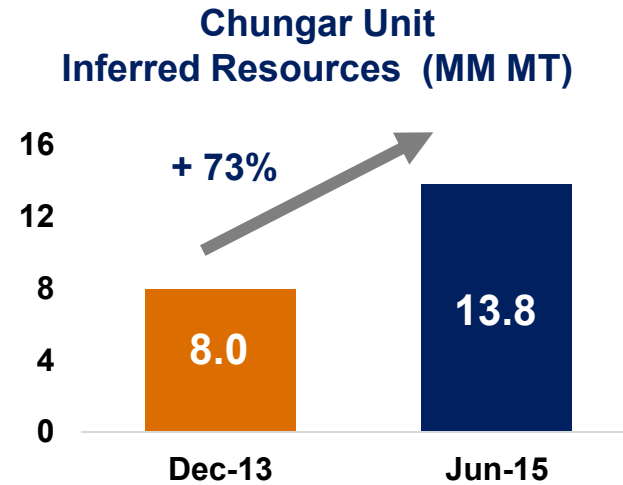
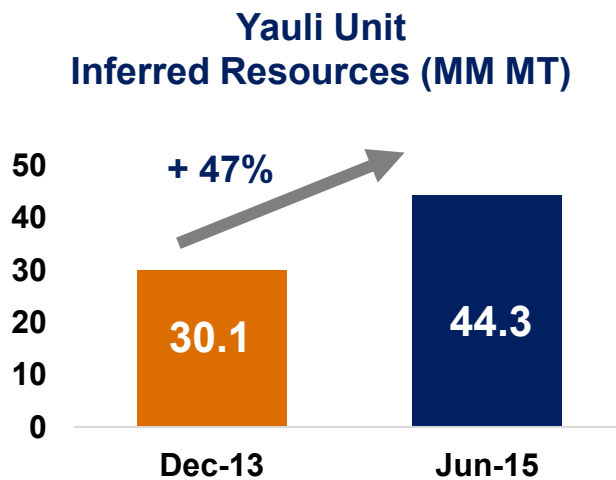


# Growth Strategy

- Build on competitive global position in zinc, silver & lead production
  - Capitalize on advantage of geological potential in area of influence
- Enhance diversification with significant copper production
- Achieve goals through organic & inorganic growth



# Increasing Inferred Resources & Potential



- In 2014 ,Volcan initiated the systematic exploration of the mineralized clusters that comprise its operations with two goals: sustaining production & generating brownfield growth projects
- Yauli Results: + 47% inferred resources, + 45% Zn (from 1.5 MM FMT to 2.1 MM FMT), + 24% Ag (from 127.2 MM Oz to 158.2 MM Oz)
- Chungar Results: + 73% inferred resources, + 45% Ag (from 30.4 MM Oz to 44.0 MM Oz)
- The potential discovered to date indicates a resource more than 50% larger in Yauli and more than 60% larger in Chungar
- The importance of the exploration results allows Volcan to begin to consider how best to expand the operations at Yauli and Chungar



# Selected Exploration Targets

<b>Greenfield</b>	<b>Metal</b>	<b>Operation</b>	<b>Stage</b>
Palma	Zn - Pb - Ag	Lima	Resource Estimation
Huaytayan	Zn - Pb - Ag	Yauli	Initial Exploration
Zoraida	Zn - Pb - Ag	Yauli	Initial Exploration
Cerro Shuco	Zn - Pb - Ag	Cerro de Pasco	Initial Exploration
Carhuacayan Mine	Zn - Pb - Ag	Alpamarca	Initial Exploration
Carhuacayan Porphyry	Cu - Au	Alpamarca	Initial Exploration
Rica Cerreña	Cu - Au	Cerro de Pasco	Initial Exploration
Chumpe	Cu - Au	Yauli	Initial Exploration

# Energy Operations at Volcan

## 100 MW hydroelectric energy portfolio

- 23 MW connected to the Chungar unit
- 20 MW connected to the national grid
- 20 MW Rucuy Hydroelectric Plant completed 2Q16
- Additional 44 MW of development projects
- CAPEX 2016 (est.) of 5 MM USD to 8 MM USD

Current infrastructure	Capacity
12 Hydroelectric plants	43 MW
15 Transmission lines	350 Km
26 Electric substations	300 MVA

Volcan Electric Balance	GWh	%
Consumption 2015	654	100
Self generation	317	48

Cost	US\$/MWh	Hydroelectric Projects	Capacity
Produced energy	20	Rucuy plant	20 MW
Purchased energy	74	Tingo Expansion	14 MW
		Chancay 2 plants	30 MW

Paragsha II – Francoise Transmission Line  
45 km – 118 towers



# Why Invest in Volcan?



- A world-class, low-cost producer
- Experienced management
- Committed to the highest safety & sustainability standards
- Diversified among base & precious metals
- Increasing production through organic growth
- Highly prospective, wholly-owned resource base

# Annex

# Volcan Compañía Minera History

In 1943 the Company began operations as Volcan Mines Company. For more than 50 years, Volcan operated only two mines, Ticlio and Carahuacra, and the concentrator plant Victoria.

In 1997 Volcan acquired Empresa Minera Mahr Tunel, owner of the San Cristobal and Andaychagua mines, and the concentrator plants Mahr Tunel and Andaychagua.

In 1999 Volcan acquired Empresa Minera Paragsha, which included the Cerro de Pasco mining operation.

One year later, in 2000, Volcan acquired Empresa Administradora Chungar with 450 ha. of mining concessions and a 350 tpd processing plant. Today Chungar produces 5,500 tpd.

These acquisitions, as well as mine and plant expansions executed by the Company in the last 15 years, turned Volcan into one of the principal producers of zinc, silver and lead in the world.



Ticlio, 1943

## Volcan Compañía Minera Production Growth

PRODUCTION	1997	2015
Zinc Concentrates (000 MT)	50	544
Lead Concentrates (000 MT)	6	98
Copper Concentrates (000 MT)	-	14
<b>Silver (MM Oz)</b>	<b>0.5</b>	<b>24.8</b>

# Yauli Mining Unit

Mines: Four underground, one open pit  
 Capacity: 11,000 tpd from three concentrator plants  
 Mine life<sup>1</sup>: Eight years of reserves, 12 years R+R



Roberto Letts Shaft,  
Andaychagua Mine (Yauli)

1. Largest unit by volume & revenue
2. Ongoing infrastructure investment, improving efficiency
3. Systematic exploration of deposits in current operation & brownfield targets

## Yauli Consolidated Production

		2012	2013	2014	2015
Treatment	000 TMT	3,550	3,743	3,837	3,994
Zinc	000 FMT	154	159	158	175
Lead	000 FMT	31	31	22	25
Copper	000 FMT	2	2	2	3
Silver	MM Oz	11.1	10.8	11.5	12.9
Unit Cost	USD/MT	65.8	66.2	66.1	58.6
Operating Inv.	USD MM	123	111	100	63

22 <sup>1</sup> Life of mine is calculated based upon proven and probable reserves plus measured and indicated resources as of 31/12/14. Inferred resources are excluded.

# Chungar Mining Unit

Mines: Two underground  
 Capacity: 5,500 tpd from one concentrator plant  
 Mine life<sup>1</sup>: Four years of reserves, five years R+R



1. Most profitable unit
2. Jacob Timmers shaft (5,000 tpd) in production since 3Q14
3. Systematic exploration of deposits in current operation & brownfield targets

## Chungar Consolidated Production

		2012	2013	2014	2015
Treatment	000 TMT	1,621	1,827	1,954	1,896
Zinc	000 FMT	97	102	104	89
Lead	000 FMT	23	27	25	23
Copper	000 FMT	1	1	1	1
Silver	MM Oz	5.4	7.0	5.9	4.6
Unit Cost	USD/MT	59.9	56.9	53.6	48.1
Operating Inv.	USD MM	72	80	65	41

23 <sup>1</sup> Life of mine is calculated based upon proven and probable reserves plus measured and indicated resources as of 31/12/14. Inferred resources are excluded.

# Cerro de Pasco Mining Unit

Mines: Two underground, one open pit  
Capacity: 6,000 tpd from two concentrator plants



1. Unit in transition, production suspended
2. Evaluation of new business opportunities in progress

## Cerro de Pasco Consolidated Production

		2012	2013	2014	2015
Treatment	000 TMT	2,656	840	771	399
Zinc	000 FMT	46	19	13	12
Lead	000 FMT	19	9	6	5
Silver	MM Oz	5	3	2	1
Unit Cost	USD/MT	41.1	96.3	99.6	97.4
Operating Inv.	USD MM	34.6	10.6	1.8	-0.1



# Oxides Plant

Capacity: 2,500 tpd from one lixiviation plant  
Feed: Stockpiles & in-situ mineral from Raul Rojas Open Pit  
Mine life<sup>1</sup>: 15 years of reserves



1. Production initiated 2Q14
2. Plant operating at full capacity since 1 June, 2015
3. Annual production (est.): 3 MM to 4 MM Oz (Ag)

## Oxides Plant Production

		2014	2015
Treatment	000 TMT	239	743
Silver	MM Oz	1.1	3.6
Gold	Oz	651	5,312
Unit Cost	USD/MT	-	39.1
Operating Inv.	USD MM	-	9.0

# Alpamarca Mining Unit

Mines: One underground, one open pit  
 Capacity: 2,300 tpd from one concentrator plant  
 Mine life<sup>1</sup>: Five years of reserves, 8 years R+R



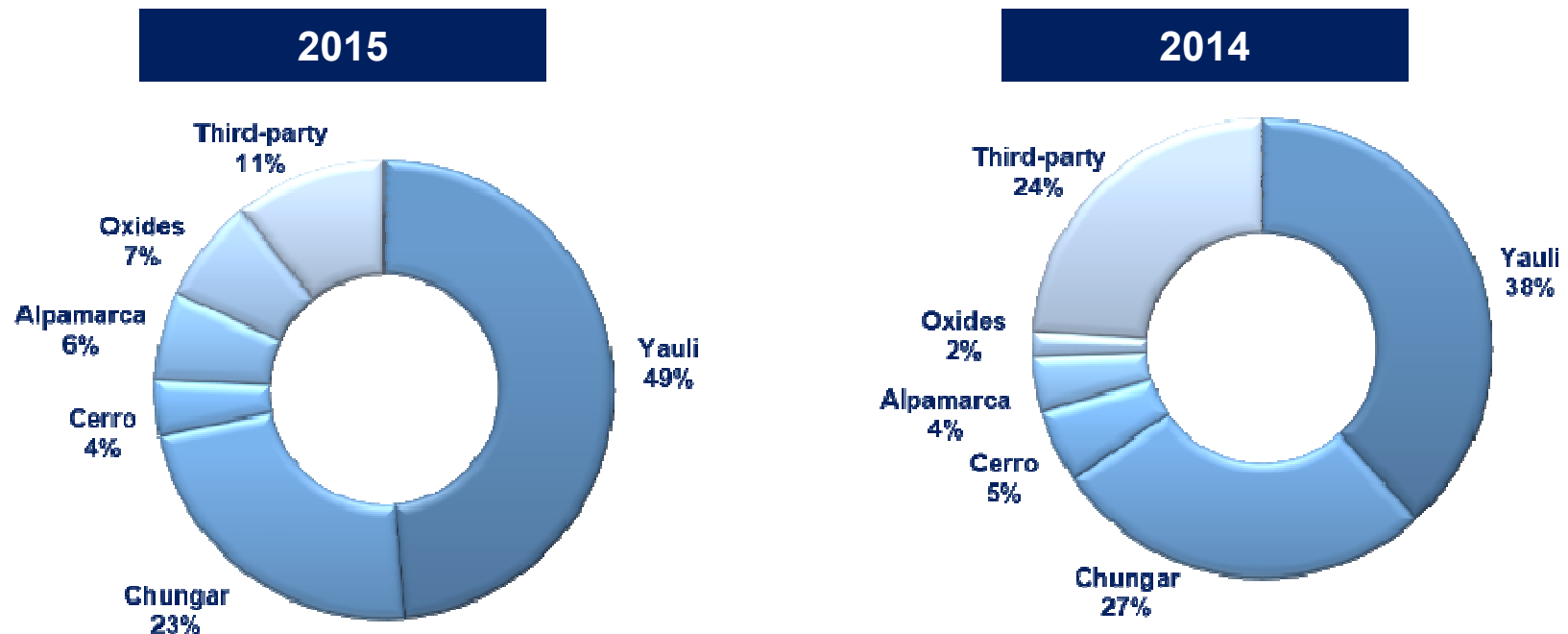
1. In operation since 2Q14
2. Costs below projections
3. Significant brownfield & greenfield opportunities

## Alpamarca Consolidated Production

		2014	2015
Treatment	000 TMT	593	879
Zinc	000 FMT	6	9
Lead	000 FMT	4	6
Copper	000 FMT	0	1
Silver	MM Oz	2.2	2.7
Unit Cost	USD/MT	47.6	33.2
Operating Inv.	USD MM	11.9	5.6

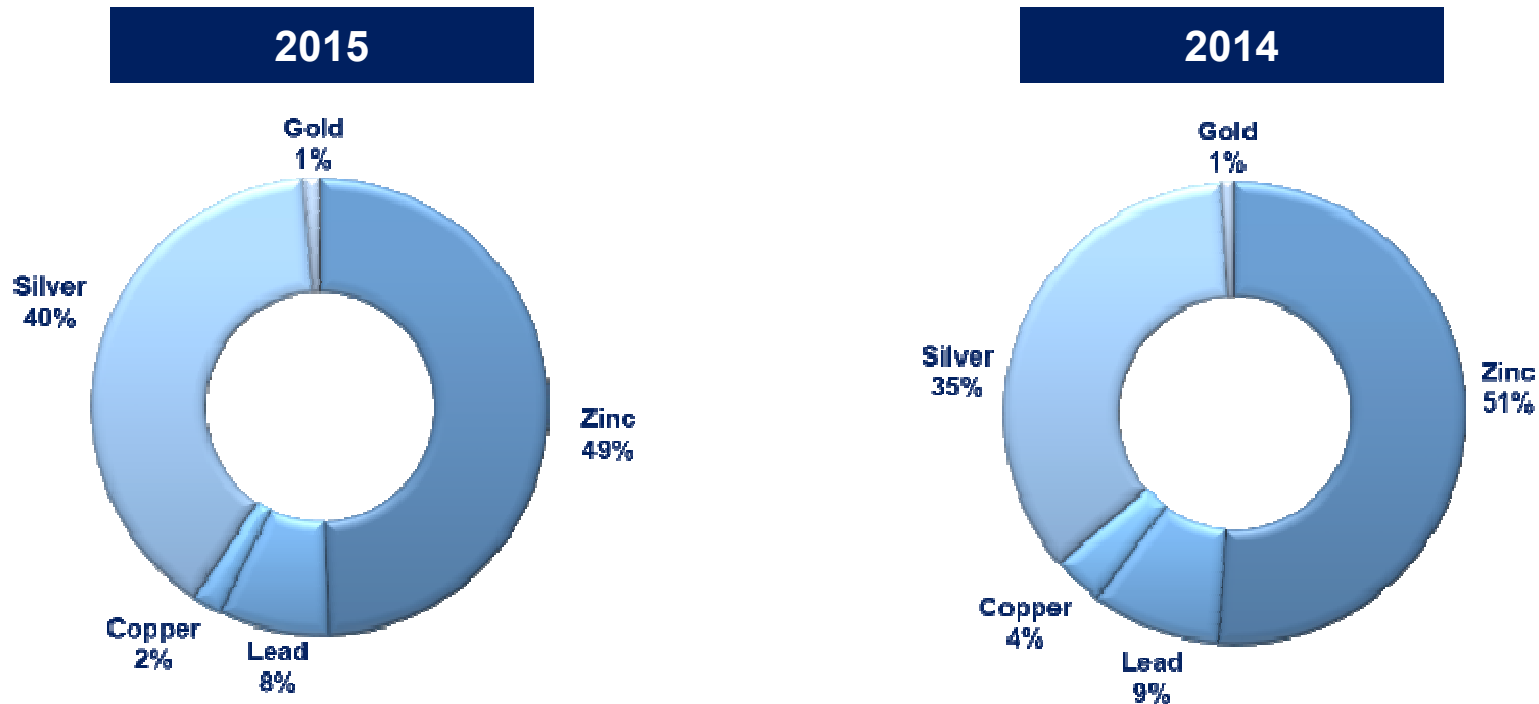
26 <sup>1</sup> Life of mine is calculated based upon proven and probable reserves plus measured and indicated resources as of 31/12/15. Inferred resources are excluded.

# Sales Breakdown by Origin<sup>1</sup>



- The 11% increase in sales from Yauli reflects the increase in production mitigating the negative impact of falling metals prices
- The impact of the new oxide plant producing at full capacity since June 2015 is reflected in the 5% increase in sales between 2014 and 2015
- Sales of third-party concentrate was reduced by nearly 55% from one year ago

# Sales Breakdown by Metal



- While zinc production increased year-on-year by 1.5%, its contribution to total sales decreased due to lower zinc prices.
- Despite lower silver prices, silver sales increased by 5% year-on-year due to a 10.2% increase in production volumes driven by the new oxides plant, producing at full capacity since June 2015, and greater production from Yauli.

# Bonds and Credit Ratings

## International Bond Emission

- ✓ US\$ 600 MM issued January 2012
- ✓ Rate: 5.375% with maturity in 2022
- ✓ Demand: US\$ 4.8 B

## Credit Ratings

**Fitch**Ratings : BBB-

**MOODY'S** : B2

# Stock Market Highlights<sup>1</sup>

## Stock Market Listings

Lima	Since 1956
Madrid (Latibex)	Since 2000
Santiago	Since 2007

## Class A Shares : Full voting rights

Shares outstanding: 1,633,414,553  
Aprox. 600 shareholders

## Class B Shares : Div. premium of 5% over Class A

Shares outstanding: 2,443,157,622  
Aprox. 8,500 shareholders

## Selected Institutional Shareholders of Volcan Compañía Minera S.A.A.

AFP Habitat	Credicorp Capital	Manchester International Properties S.A
AFP Integra	Eaton Vance	Mercury Asset Management
Alkin Asset Management	El Pacifico	Prima AFP
Arca Trading Limited	Fondo De Seguro De Retiro y Cesacion De La Marina	Profuturo AFP
Atlantic Security Bank	Inteligo	Santander Central Hispano Investment
Blackrock Global Funds	Interfondos	Scotia Fondos
Bleauvelt Capital Partners	Ishares MSCI All Peru Capped	Seguro Social De Salud - Essalud
City Of New York	La Positiva	Sura Fondos





**Gracias!**

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