



# **Volcan Compañía Minera**

**September 2016**

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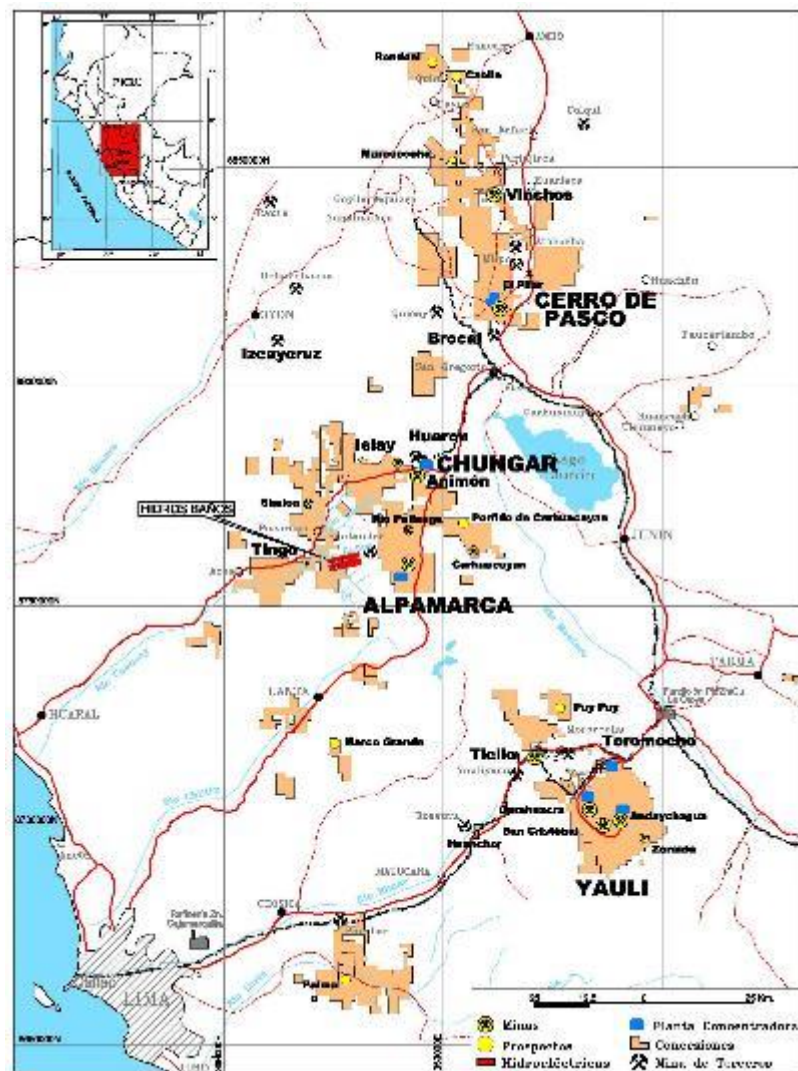
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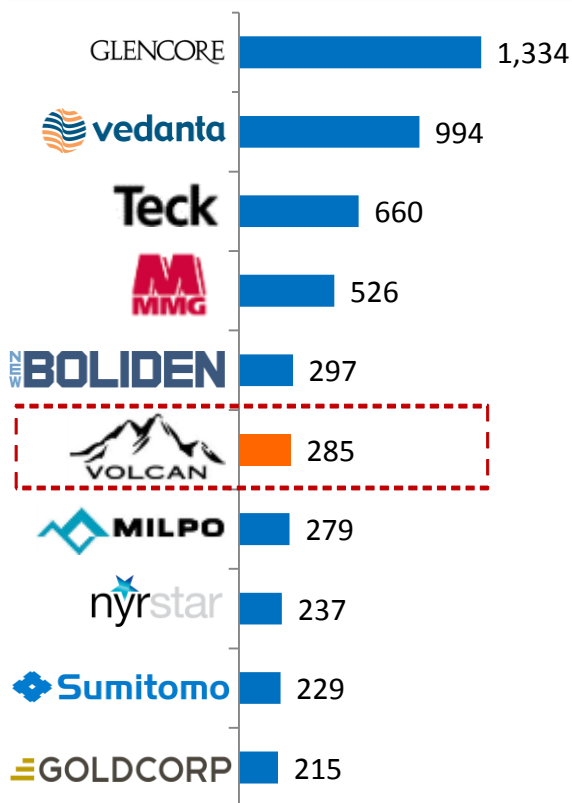
# Strategic Location with Diversified Operations

- 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
  - Five 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

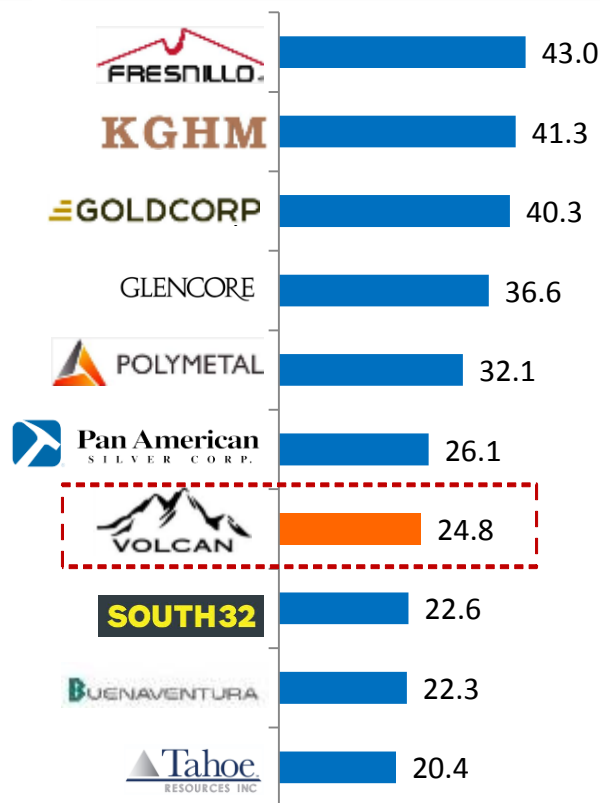


# A Leading Global Producer of Zinc, Silver & Lead<sup>1</sup>

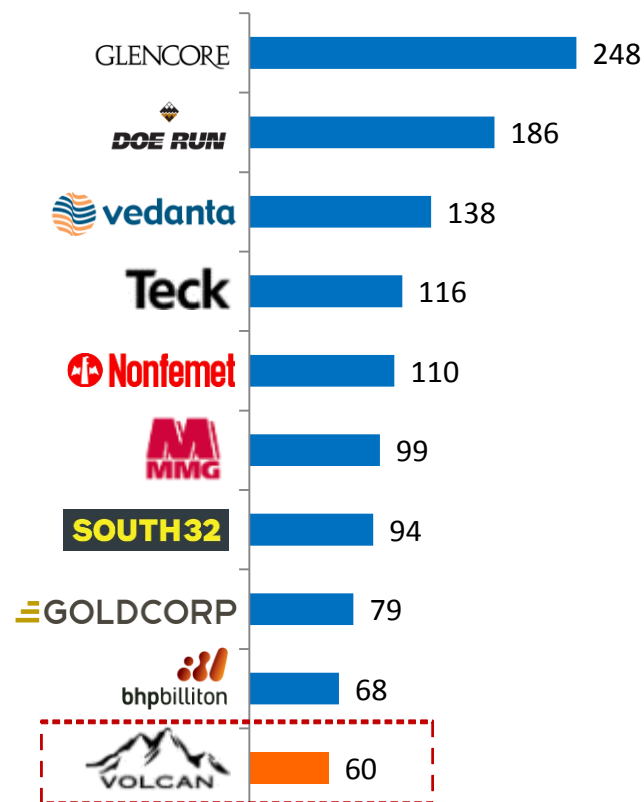
**Zinc Production 2015  
(000 FMT)**



**Silver Production 2015  
(MM Oz)**



**Lead Production 2015<sup>2</sup>  
(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, SNL & Company

<sup>2</sup> Paid metal was used as a proxy for 2015 Pb production. Paid metal is the proportion of metal in concentrate paid for by the smelter or refiner.

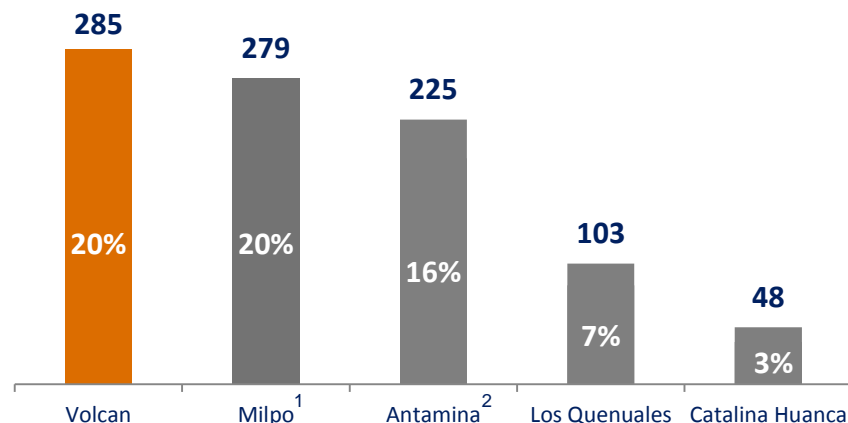


# A Leading Producer of Zinc, Silver & Lead in Peru

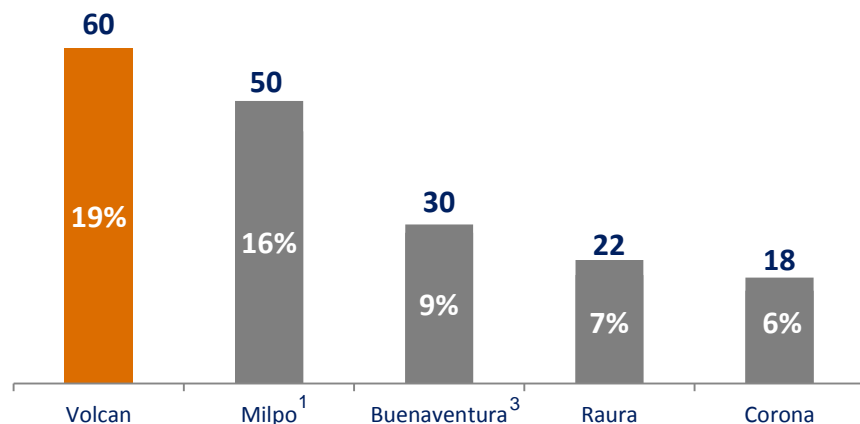
## Peru Ranking – Mining Production 2015

Metal	LatAm	Global
Zinc	1	3
Lead	1	4
Silver	2	3

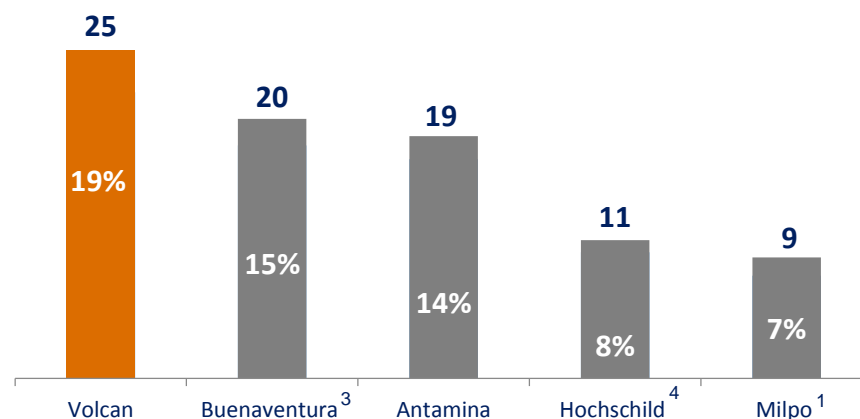
## Zinc Production 2015 (000 FMT)



## Lead Production 2015 (000 FMT)



## Silver Production 2015 (MM Oz)



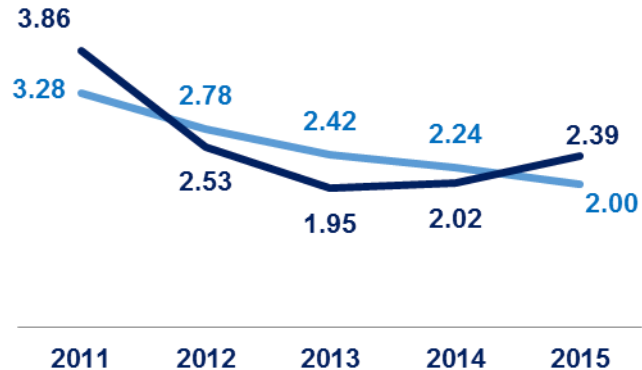
5 Source: Peru Ministry of Energy & Mines. <sup>1</sup> Includes Atacocha. <sup>2</sup> Considers comercial production only.  
<sup>3</sup> Includes 54% of El Brocal. <sup>4</sup> Considers only Peruvian Ag production (Arcata, Inmaculada & Pallancata)



# A Safe Place to Work

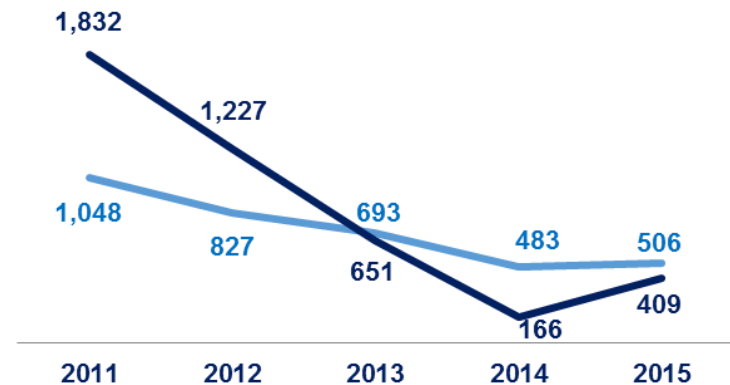
## Frequency Index

Lost-time injuries per million hours worked



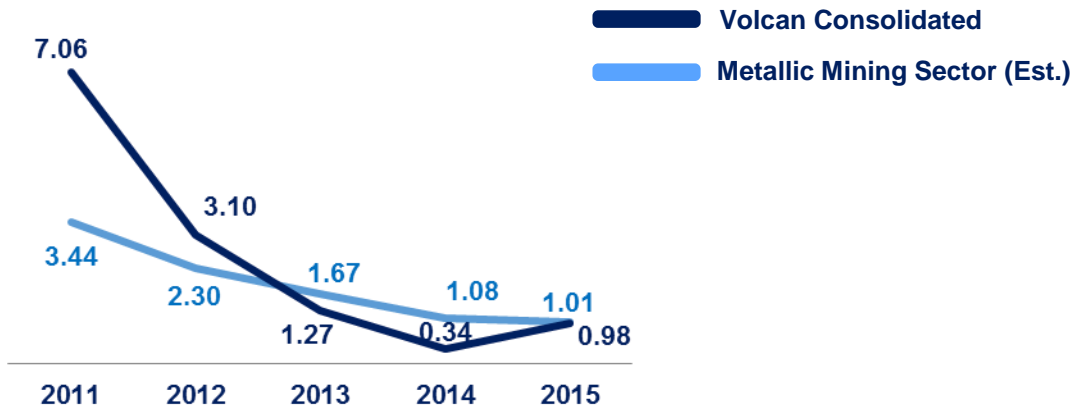
## Severity Index

Days lost per million hours worked



## Accident Index

Frequency x Severity



# Mining Operations



**Mines:** Four underground, one open pit  
**Reserves:** 34.6 MM MT; 4.91% (Zn), 0.85% (Pb), 0.20% (Cu), 3.52 oz/MT (Ag)  
**Capacity:** 11,000 tpd from three concentrator plants  
**Mine life<sup>1</sup>:** Nine years (reserves), 20 years (reserves + inferred resources)  
**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:** 11.3 MM MT; 4.86% (Zn), 1.49% (Pb), 0.14% (Cu), 2.86 oz/MT (Ag)  
**Capacity:** 5,500 tpd from one concentrator plant  
**Mine life<sup>1</sup>:** Five years (reserves), 13 years (reserves + inferred resources)  
**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:** 3.1 MM MT; 1.13% (Zn), 0.73% (Pb), 2.58 oz/MT (Ag)  
**Capacity:** 2,500 tpd from one concentrator plant  
**Mine life<sup>1</sup>:** Three years (reserves), Seven years (reserves + inferred resources)  
**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:</b>	15.3 MM MT; 3.51% (Zn), 1.21% (Pb), 1.56 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)



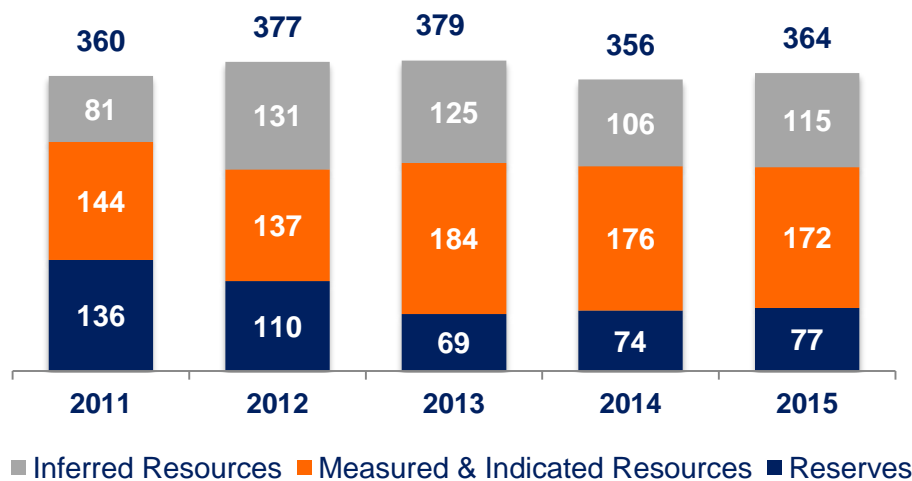
<b>Feed:</b>	Stockpiles & in-situ mineral from Raul Rojas Open Pit
<b>Reserves:</b>	12.6 MM MT; 6.42 oz/MT (Ag)
<b>Capacity:</b>	2,500 tpd from one lixiviation plant
<b>Mine life<sup>1</sup>:</b>	14 years of reserves, 20 years (reserves + inferred resources)
<b>Production<sup>2</sup>:</b>	3.6 MM Oz (Ag) 5.3 k Oz (Au)



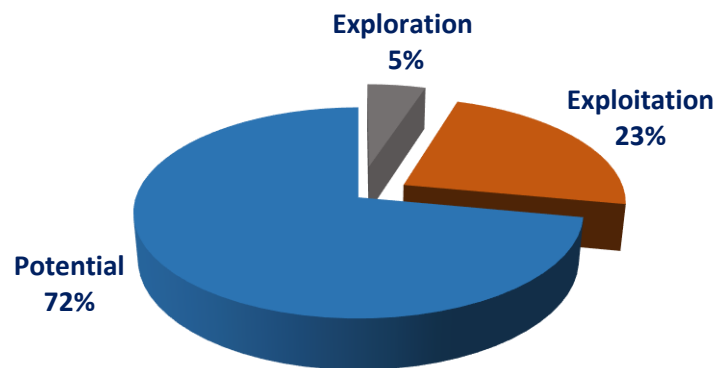
# Solid Life of Mine (LOM)<sup>1</sup>, Robust Geological Potential

- 8-year LOM (Reserves), 20-year LOM (Reserves + Inferred Resources)
- 10 MM FMT of Zn (Reserves + Resources)
- 886 MM ounces of Ag (Reserves + Resources)

## Evolution of Reserves & Resources (MM MT)



## ~ 323k Ha. of Mining Concessions

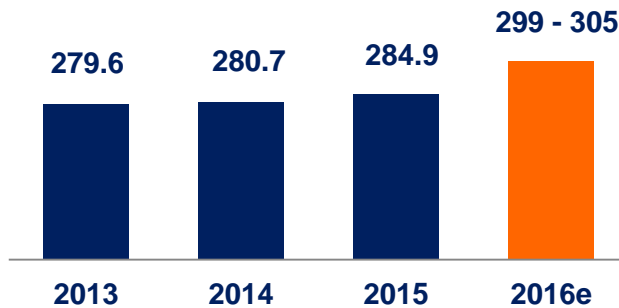


Note: Prices used to calculate R+R 2015: Zn 2,200 USD/MT, Pb 2,000 USD/MT, Cu 6,500 USD/MT, Ag 18 USD/Oz

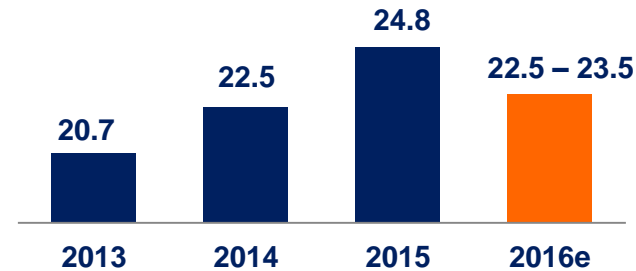
# Increasing Production with Operational Flexibility

- Additional production from Yauli, Chungar & Alpamarca compensate for suspended production at Cerro de Pasco mines
- Silver production now more diversified

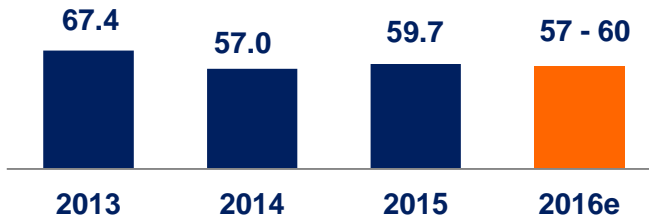
**Zinc Production  
(000 FMT)**



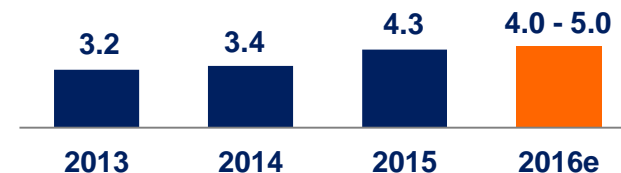
**Silver Production  
(MM Oz)**



**Lead Production  
(000 FMT)**

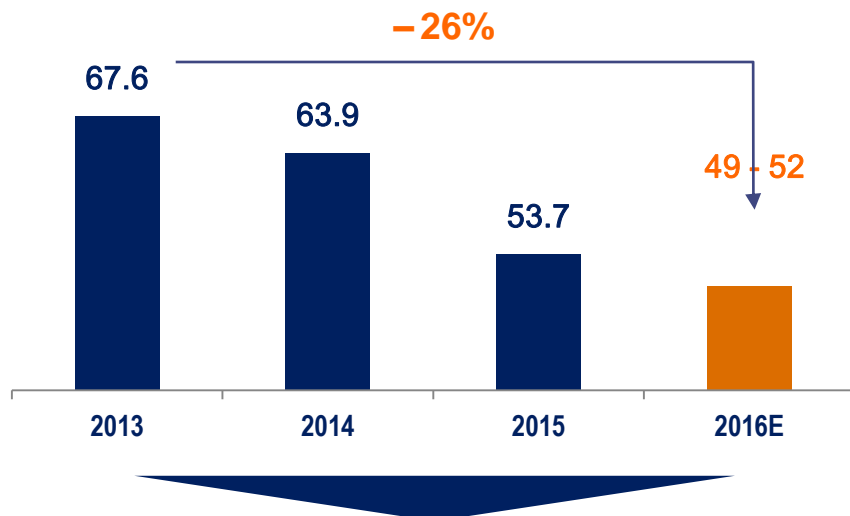


**Copper Production  
(000 FMT)**



# Restructuring & Reducing Operating Costs

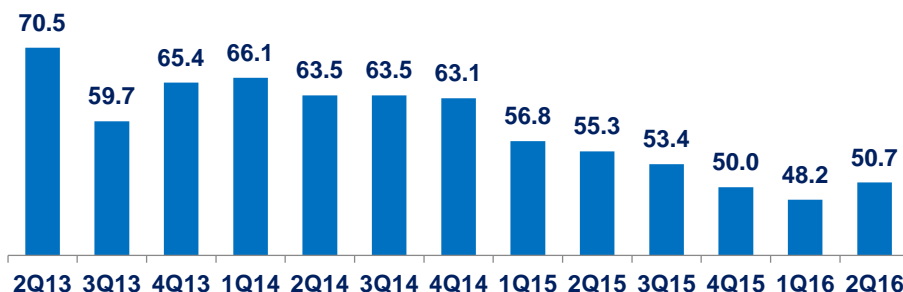
## Annual Unit Cost (USD/MT)<sup>1</sup>



**Embedded operating-cost reductions from continuous-improvement program integrated into all operating units**

- Optimization of mining methods
- Restructuring of the number, scope and rates of contractors
- Optimization of raw material consumption
- Personnel reduction
- Increased efficiencies in mine support & energy usage

## Quarterly Unit Cost (USD/MT)<sup>1</sup>



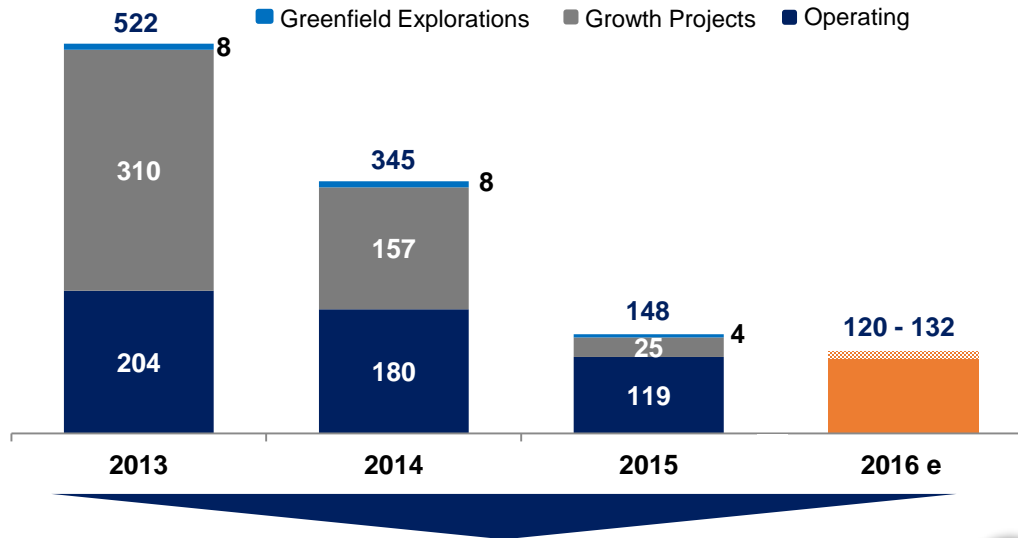
**36%** operating-cost reduction over the last three years



**5% to 9%** YOY operating-cost reduction expected in 2016

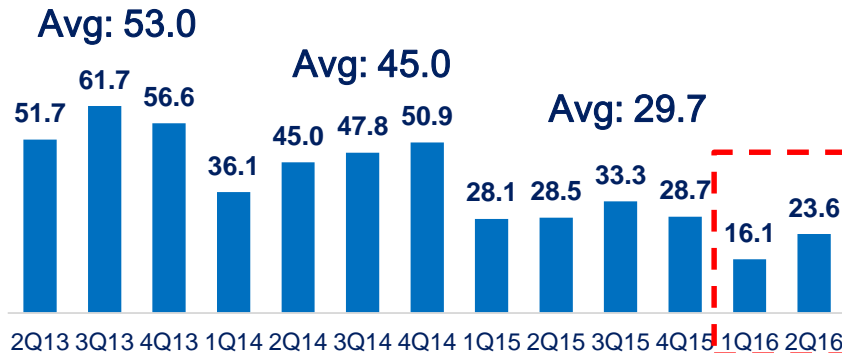
# Disciplined Capital Investment

## Annual Mining CAPEX (USD MM)



**Growth investments completed for this cycle**

## Quarterly Mining CAPEX (USD MM)



**57% CAPEX reduction in 2015**



**11% – 16% YOY CAPEX reduction expected for 2016**



**Optimization operating investment without compromising production**



# Mining Operations Guidance 2016

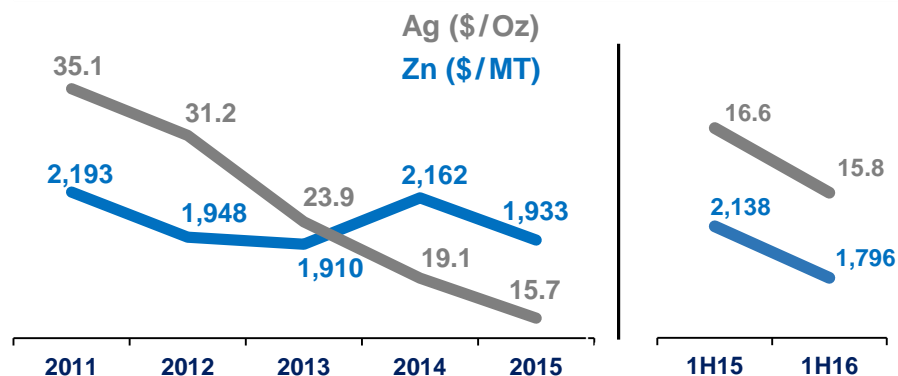
Consolidated Production		2014	2015	Var. %	Estimated 2016
<b>TMT (000)</b>		<b>7,395</b>	<b>7,910</b>	<b>7.0</b>	<b>7,200 - 8,000</b>
<b>Zinc</b>	<b>(000 FMT)</b>	<b>281</b>	<b>285</b>	<b>1.4</b>	<b>299 - 305</b>
<b>Lead</b>	<b>(000 FMT)</b>	<b>57</b>	<b>60</b>	<b>4.6</b>	<b>57 - 60</b>
<b>Copper</b>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

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

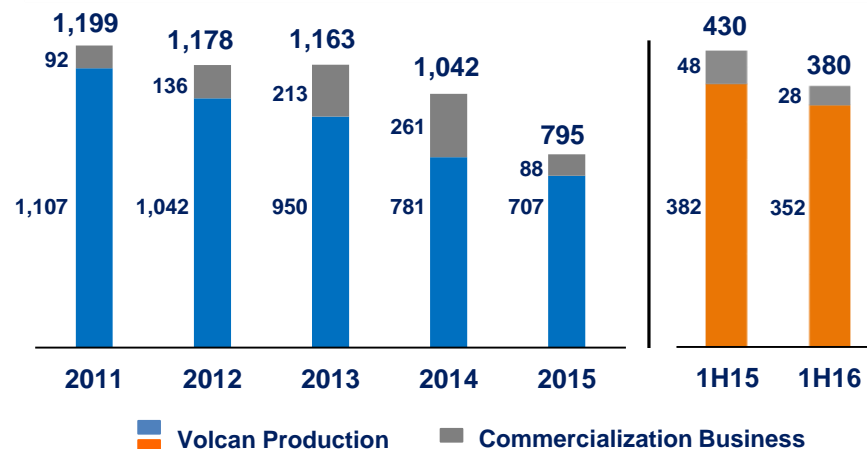
Consolidated CAPEX (MM USD)		2014	2015	Var. %	Estimated 2016
<b>Mining Operation</b>		<b>344.4</b>	<b>147.6</b>	<b>-57.1</b>	<b>120.0 - 132.0</b>
<b>Operating Capex</b>		<b>179.7</b>	<b>118.6</b>	<b>-34.0</b>	<b>115.0 - 125.0</b>
<b>Greenfield Explorations</b>		<b>7.7</b>	<b>4.1</b>	<b>-46.8</b>	<b>4.0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

# Financial Indicators

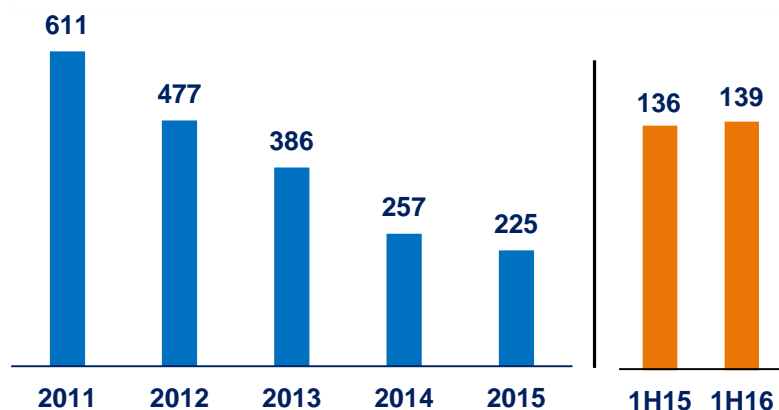
## Average Spot Prices (LME)



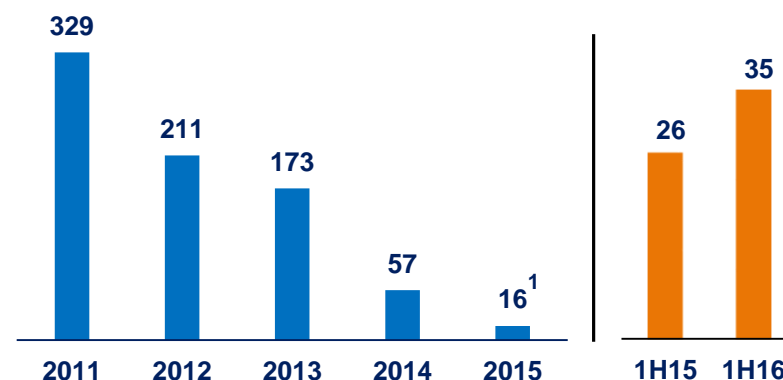
## Sales (USD MM)



## EBITDA (USD MM)



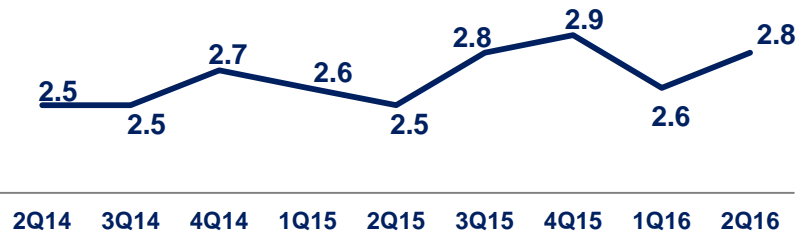
## Net Profit (USD MM)



# Liquidity & Creditworthiness

- Focused on increasing cash generation & balance-sheet strength
- Cost reduction & CAPEX optimization sustaining cash balance in low-price environment

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



## Cash Balance (USD MM)

Balance – Dec 2015	191.5
Operating Flow	54.8
Mining Investment	-23.2
Energy Investment	-1.2
Other Investments	-21.5
Net Financing	-7.3
Balance - Jun 2016	193.2

# Growth Strategy

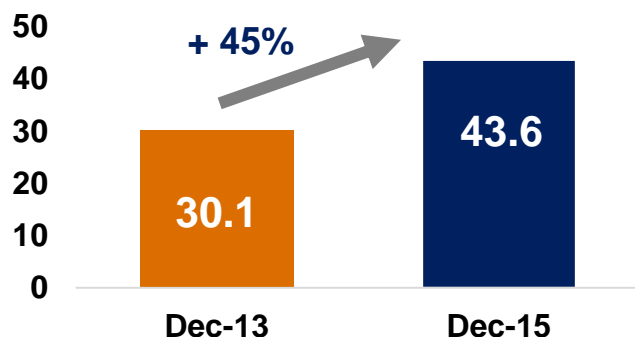
- Build on competitive global position in zinc, silver & lead production
- Capitalize on the geological potential within the portfolio
- Enhance diversification through significant copper production
- Achieve goals via organic & inorganic growth



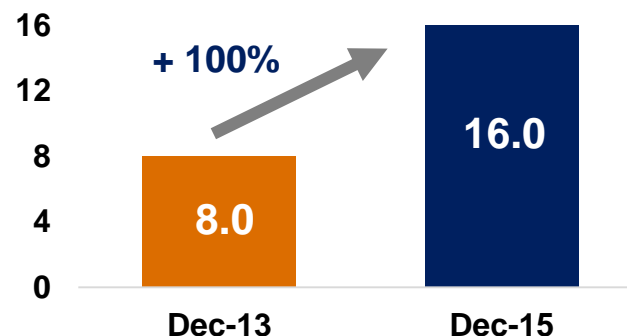


# Increasing Inferred Resources & Potential

**Yauli Unit  
Inferred Resources (MM MT)**

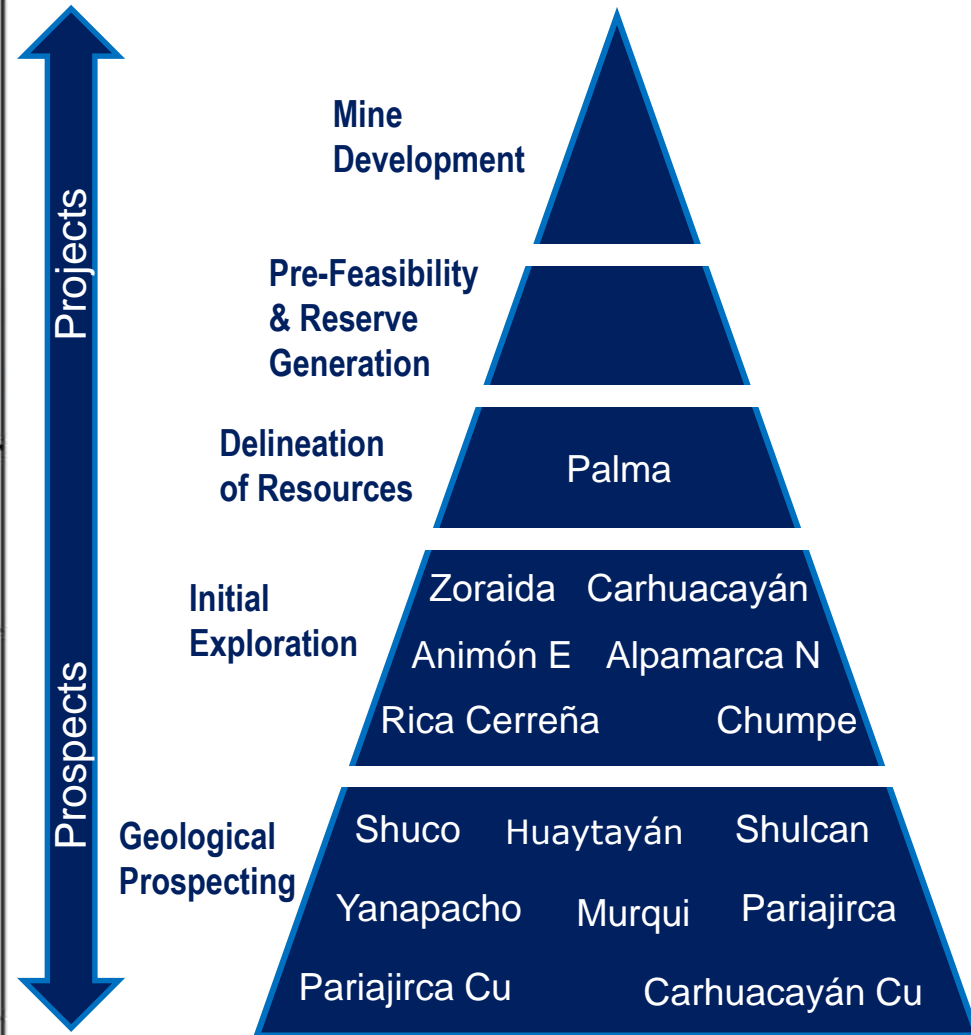
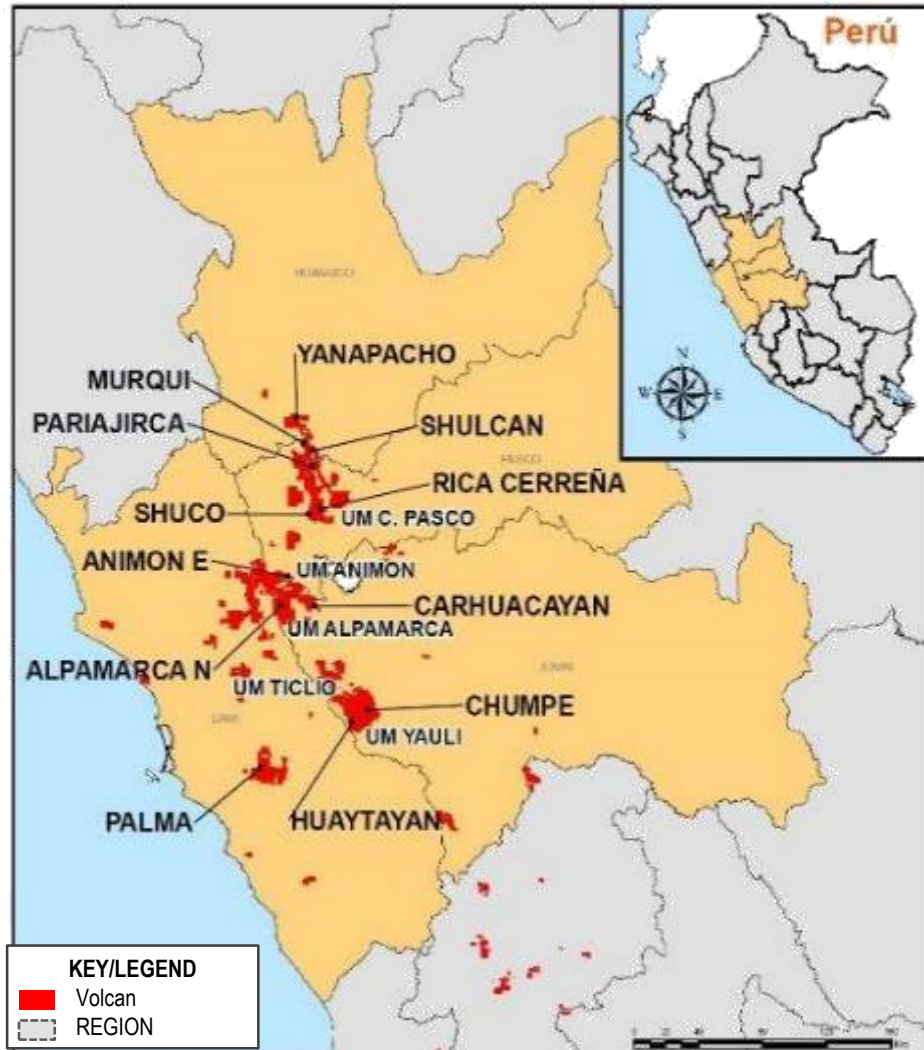


**Chungar Unit  
Inferred Resources (MM MT)**



- 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: + 45% inferred resources, + 34% Zn (from 1.5 MM FMT to 2.0 MM FMT), + 12% Ag (from 127 MM Oz to 142 MM Oz)
- Chungar results: + 100% inferred resources, + 70% Zn (from 551 M FMT to 938 M FMT), + 56% Ag (from 30 MM Oz to 47 MM Oz)
- The importance of these exploration results allows Volcan to begin to consider how best to expand the operations at Yauli and Chungar

# Greenfield Project Pipeline



# Energy Operations

## 100+ MW hydroelectric energy portfolio

- Rucuy commercial operations began august 2016
- 40 MW connected to the national grid
- 23 MW connected to the Chungar unit
- Additional 45 MW of development projects
- CAPEX 2016 (est.) of 5 MM USD to 8 MM USD

Current infrastructure	Capacity
12 Hydroelectric plants	63 MW
15 Transmission lines	350 Km
26 Electric substations	300 MVA

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

Cost	USD/MWh	Hydroelectric Projects	Capacity
Produced energy	20	Tingo Expansion	15 MW
Purchased energy	74	Chancay 2 plants	30 MW

## Rucuy Hydroelectric Plant



# 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
Silver (MM Oz)	0.5	24.8

# Yauli Mining Unit

Mines: Four underground, one open pit  
 Capacity: 11,000 tpd from three concentrator plants  
 Mine life<sup>1</sup>: Nine years of reserves, 20 years reserves + inferred resources



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	1H16
Treatment	000 TMT	3,550	3,743	3,837	3,994	1,883
Zinc	000 FMT	154	159	158	175	89
Lead	000 FMT	31	31	22	25	13
Copper	000 FMT	2	2	2	3	2
Silver	MM Oz	11.1	10.8	11.5	12.9	6.4
Unit Cost	USD/MT	65.8	66.2	66.1	58.6	58.2
Operating Inv.	USD MM	123	111	100	63	23

# Chungar Mining Unit

Mines: Two underground  
 Capacity: 5,500 tpd from one concentrator plant  
 Mine life<sup>1</sup>: Five years of reserves, 13 years reserves + inferred resources



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	1H16
Treatment	000 TMT	1,621	1,827	1,954	1,896	1,014
Zinc	000 FMT	97	102	104	89	47
Lead	000 FMT	23	27	25	23	11
Copper	000 FMT	1	1	1	1	1
Silver	MM Oz	5.4	7.0	5.9	4.6	2.2
Unit Cost	USD/MT	59.9	56.9	53.6	48.1	49.6
Operating Inv.	USD MM	72	80	65	41	13

# Alpamarca Mining Unit

Mines: One underground, one open pit  
 Capacity: 2,500 tpd from one concentrator plant  
 Mine life<sup>1</sup>: Three years of reserves, seven years reserves + inferred resources



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

Alpamarca Consolidated Production		2014	2015	1H16
Treatment	000 TMT	593	879	451
Zinc	000 FMT	6	9	5
Lead	000 FMT	4	6	4
Copper	000 FMT	0	1	0
Silver	MM Oz	2.2	2.7	0.9
Unit Cost	USD/MT	47.6	33.2	24.2
Operating Inv.	USD MM	11.9	5.6	0.6



# 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>: 14 years of reserves, 20 years reserves + inferred resources



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	1H16
Treatment	000 TMT	239	743	449
Silver	MM Oz	1.1	3.6	2.1
Gold	Oz	651	5,312	1,807
Unit Cost	USD/MT	-	39.1	38.5
Operating Inv.	USD MM	-	9.0	2.5



# Cerro de Pasco Mining Unit

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



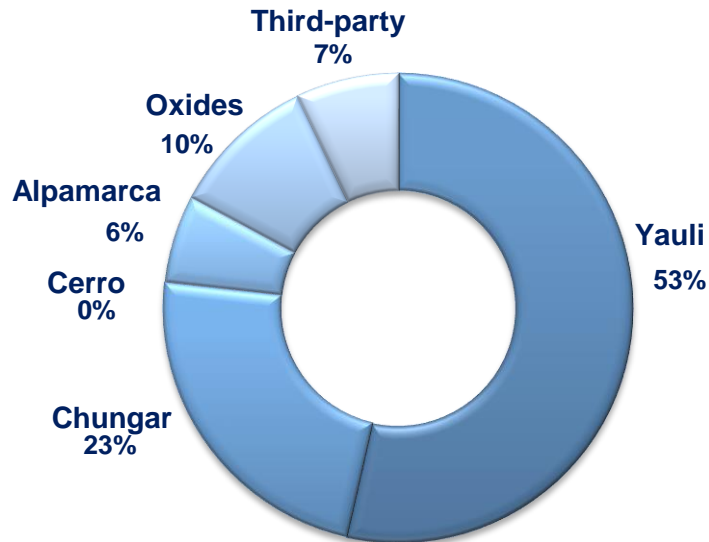
1. Unit in transition, production suspended
2. Evaluation of new business opportunities in progress

## Cerro de Pasco Consolidated Production

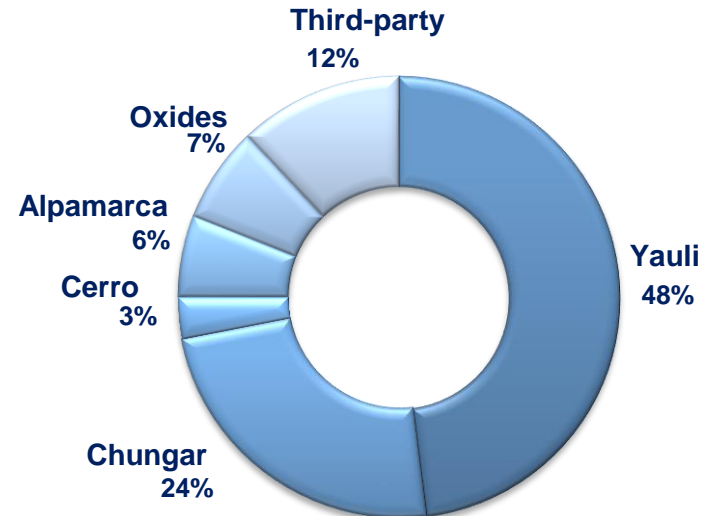
		2012	2013	2014	2015
Treatment	000 TMT	2,656	840	771	399
Zinc	000 FMT	46	19	13	12
Lead	000 FMT	19	9	6	5
Silver	MM Oz	5	3	2	1
Unit Cost	USD/MT	41.1	96.3	99.6	97.4
Operating Inv.	USD MM	34.6	10.6	1.8	-0.1

# Sales Breakdown by Origin

**2Q16**

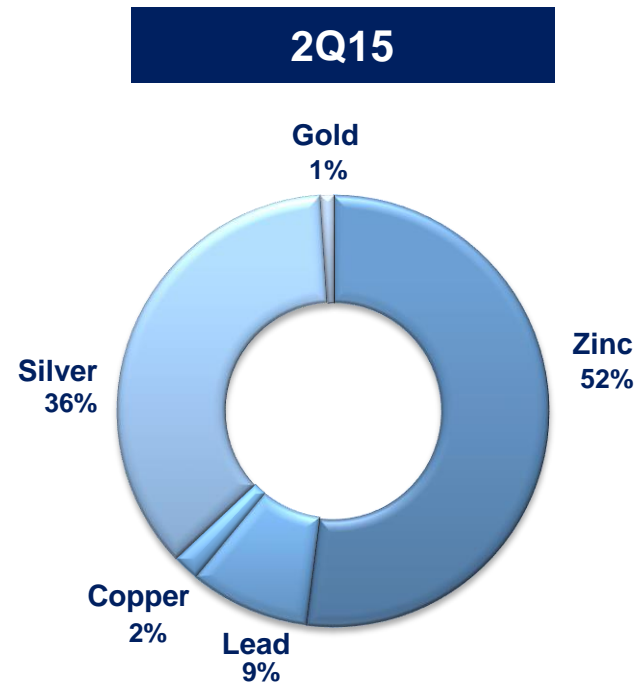


**2Q15**



- In 2Q16, sales from the Oxides Plant accounted for 10% of sales, increasing from 7% of sales in 2Q15
- Third-party concentrate sales continue to decline as expected

# Sales Breakdown by Metal



- The increase in silver sales was driven by greater production from Yauli and the Oxides plant, now producing at full capacity
- The contribution of zinc declined as a consequence of the reduction in its average sales price and volume sold as compared to 2Q15

# Competitive Operating Cash Cost

Cash Cost <sup>1</sup>	Zinc (USD/MT)		
	2Q16	2Q15	var%
Co - Product	1,299	1,479	-12.2
By - Product	855	1,005	-15.0

Price	Unit	2Q16	2Q15
Zinc	USD/MT	1,915	2,195
Silver	USD/Oz	16.8	16.4

Source: Average LME spot price

Cash Cost <sup>1</sup>	Silver (USD/Oz)		
	2Q16	2Q15	var%
Co - Product	11.4	11.0	3.6
By - Product	4.0	2.9	37.9

# Bonds and Credit Ratings

## International Bond Emission

- ✓ USD 600 MM issued February 2012
- ✓ Rate: 5.375% maturing February 2022
- ✓ Demand: USD 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. 8,800 shareholders

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

AFP Habitat	Credicorp Capital	Ishares MSCI All Peru Capped
AFP Integra	Diviso Grupo Financiero	La Positiva
Arca Trading Limited	Eaton Vance	Mercury Asset Management
Atlantic Security Bank	El Pacifico	Prima AFP
Ashmore Group	Emerging Markets Equity Fund	Profuturo AFP
Blackrock Global Funds	Fondo SRC De La Marina de Peru	Scotia Fondos
City of New York	Inteligo	Seguro Social De Salud - Essalud





**Gracias!**

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