Volcan Compañia Minera S.A.A. and Subsidiaries
Management Discussion and Analysis
Second Quarter 2015

Principal Results:

Consolidated Volcan	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Operating Results							
Mineral treatment[1] (thousand MT)	1,863	1,962	1,893	3.7	3,826	3,458	10.6
Zinc Production (thousand FMT)	67.3	69.6	68.2	2.1	136.9	133.2	2.8
Lead Production (thousand FMT)	14.3	14.5	15.1	-3.9	28.8	28.2	1.9
Copper Production (thousand FMT)	1.1	1.0	0.9	8.8	2.0	1.8	14.5
Silver Production (million Oz)	5.9	6.1	5.8	5.7	12.1	10.4	16.2
Unit Cost (USD/MT)	56.8	55.3	63.5	-12.9	56.0	64.6	-13.3
Total Investments (MM USD)	42.5	44.8	92.0	-51.3	87.3	195.8	-55.4
Sales Prices							
Zinc (USD/MT)	2,097	2,163	2,057	5.1	2,132	2,035	4.8
Lead (USD/MT)	1,831	1,893	2,096	-9.7	1,864	2,101	-11.3
Silver (USD/Oz)	16.7	16.4	19.7	-16.6	16.6	20.1	-17.5
Financial Results (MM USD)							
Sales before adjustments[2]	212.7	236.0	274.8	-14.1	448.8	518.2	-13.4
Net sales	203.5	226.2	278.9	-18.9	429.7	523.4	-17.9
EBITDA[3]	63.9	72.4	61.9	16.9	136.3	118.3	15.2
Net profit before extraordinaries[3]	12.9	13.0	12.9	0.8	25.9	23.0	12.9
Net profit	12.9	13.0	20.4	-36.1	25.9	30.4	-14.8

[1] Includes treated tons in Oxides Plant

[2] Adjustments: i) settlement of prior period adjustments , ii) sales adjustments for open positions (embedded derivative and sales adjustments) iii) hedging results

[3] The figures do not reflect the extraordinary income in 2Q14 related to Belo Horizonte Hydroelectric Project sale, of which the effect on EBITDA was USD 11.6 MM and on Net Profit USD 7.5 MM

Source: Volcan Cia. Minera

1. Executive Summary

- The volume of ore treated by Volcan during 2Q15 rose by 3.7%, as compared to the same period during the previous year. This is due to the greater volumes treated at Alpamarca Unit, the Oxides Plant operating at full capacity, and the increased production at Yauli Unit. This increase was possible despite the expected decline in the tonnage treated at Cerro de Pasco Unit.

- As a result of the above, 2Q15 production of fine silver ounces increased by 5.7%, while the production of fine zinc and copper contents grew by 2.1% and 8.8%, respectively. The production of fine lead content decreased by 3.9% due to the lower production at Cerro de Pasco and Chungar Units.

- The consolidated unit cost fell by 12.9%, from 63.5 USD/MT in 2Q14 to 55.3 USD/MT in 2Q15. This decline reflects the consolidation of the initiatives taken by the Company to lower costs and improve efficiencies. In addition, the systematic process of continuous improvement program established in all operating units as part of its comprehensive management will allow the Company to maintain control of costs and to generate new improvement initiatives.

- Other factors contributing to the reduction of unitary cost include the 12.6% devaluation of the Peruvian Nuevo Sol versus the US Dollar - from the average rate of 2.79 PEN/USD in 2Q14 to 3.14 PEN/USD in 2Q15 - as well as the 43.9% decrease in the price of oil, from 103 USD/barrel in 2Q14 to 57.8 USD/barrel in 2Q15.

- The Oxides Plant at Cerro de Pasco began commercial operations in June 2015, contributing to the reduction in consolidated unit cost due to its 37 USD/MT production cost.

- Investments across the operating units remain under strict control while avoiding posing any risk to future operations. As a result, investments made during the second quarter were reduced by 36.6%, from USD 45.0 MM in 2Q14 to USD 28.5 MM in 2Q15. Furthermore, total investments declined by 51.3%, from USD 92.0 MM to USD 44.8 MM, mainly explained by the completion of the investments related to the construction of the Alpamarca Unit and the Oxides Plant.

- Sales before adjustments decreased by 14.1%, from USD 274.8 MM in 2Q14 to USD 236.0 MM in 2Q15. This is mainly attributed to the 58.9% reduction in the sales volume of third-party concentrates, the 16.6% decline in the average silver price from 19.7 USD/Oz in 2Q14 to 16.4 USD/Oz in 2Q15, and the 9.7% decline in the average lead price from 2,096 USD/MT in 2Q14 to 1,893 USD/MT in 2Q15. These declines were partially offset by greater sales of the Company's own production of fine zinc and silver contents, and the 5.1% increase in the average zinc price from 2,057 USD/MT in 2Q14 to 2,163 USD/MT in 2Q15.

- The Company's gross margin increased from 18% in 2Q14 to 21% in 2Q15, which is explained by the decline in production costs, the increase in the average price of zinc, and the reduced volume of third-party concentrates in total sales. This gross margin increase was possible despite the falling silver and lead prices, the negative sales adjustment of USD 9.9 MM in 2Q15 against the positive adjustment of USD 4.2 MM in 2Q14, and the cost of depreciation increase from USD 36.4 MM in 2Q14 to USD 45.0 MM in 2Q15.

- Net profit before extraordinary gains slightly increased from USD 12.9 MM in 2Q14 to USD 13.0 MM in 2Q15, while EBITDA rose from USD 61.9 MM in 2Q14 to USD 72.4 MM in 2Q15. The figures for 2Q14 exclude the extraordinary gain from the sale of the Belo Horizonte Hydroelectric Project, which increased EBITDA in USD 11.6 MM and net profit in USD 7.5 MM. Including this extraordinary gain, net profit was USD 20.4 MM in 2Q14.

- As of June 2015, progress on the construction of the 20 MW Rucuy Hydroelectric Plant reached 67%. This plant is expected to be completed by 1Q16, with a total investment of USD 45 MM.

2. Analysis of Results

2.1 Consolidated Results

2.1.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral extraction (thousand MT)	**1,864**	**1,995**	**1,809**	**10.3**	**3,859**	**3,227**	**19.6**
Polymetallic ore	1,767	1,793	1,748	2.6	3,560	3,165	12.5
Haulage ore[1]	97	202	62	228	299	62	385
Mineral treatment (thousand MT)	**1,863**	**1,962**	**1,893**	**3.7**	**3,826**	**3,458**	**10.6**
Concentrator Plants	1,767	1,760	1,832	-3.9	3,527	3,397	3.8
Silver Oxides Plant	97	202	62	228	299	62	385
Fine Content							
Zinc (thousand FMT)	67.3	69.6	68.2	2.1	136.9	133.2	2.8
Lead (thousand FMT)	14.3	14.5	15.1	-3.9	28.8	28.2	1.9
Copper (thousand FMT)	1.1	1.0	0.9	8.8	2.0	1.8	14.5
Silver (million Oz)	5.9	6.1	5.8	5.7	12.1	10.4	16.2

[1]Of the 299 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015 and 72 thousand MT to the operational stage in June of 2015.

Source: Volcan Cia. Minera

During 2Q15, the Company's extraction volumes increased by 10.3% as compared to the same period during the previous year. This is mainly explained by greater ore volumes hauled from the Oxides stockpiles, and by the 8.9% increase in the volume of ore mined at Yauli Unit – particularly from the San Cristobal, Carahuacra and Andaychagua mines.

Additionally, the volume of ore treated at the Company's plants during 2Q15 grew by 3.7% as compared to 2Q14. This is mainly attributed to increased tonnage treated at the Oxides Plant, where production reached full capacity in 2Q15 after starting commercial operations in June 2015. Alpamarca and Yauli units also increased their treatment tonnages by 20.3% and 2.4%, respectively, while volumes treated at Cerro de Pasco and Chungar units fell by 53.3% and 3.6%, respectively.

Due to the larger contribution from the Oxides Plant and increased production at Yauli Unit during the second quarter, silver ounce production grew by 5.7%, from 5.8 million ounces in 2Q14 to 6.1 million ounces in 2Q15. Moreover, zinc production rose by 2.1% – from 68.2 thousand FMT in 2Q14 to 69.6 thousand FMT in 2Q15 – while copper production grew by 8.8 % – from 0.9 thousand FMT in 2Q14 to 1.0 thousand FMT in 2Q15. However, lead production declined by 3.9%, from 15.1 thousand FMT in 2Q14 to 14.5 thousand FMT in 2Q15, due to lower production at Cerro de Pasco and Chungar units.

Despite the expected decline in production at the Cerro de Pasco Unit and the temporary decrease in production at the Chungar Unit, the initiation of commercial operations at the Oxides Plant and the overall strengthening of the Yauli Unit explain the increase in production at the Company.

The reduced production at Chungar Unit is mainly attributed to delays in accessing the Principal Vein, the vein with the highest metal content at Animon Mine. The delays were due to groundwater volumes being greater than expected. Water levels are now controlled, and a production increase is expected from the Chungar Unit during the second half of 2015.

2.1.2 Production Cost

Table 2: Consolidated Production Cost

Consolidated Production Cost[1]	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Production Cost (MM USD)	**100.3**	**102.4**	**113.2**	**-9.6**	**202.7**	**210.8**	**-3.8**
Extraction Cost	59.3	58.6	64.4	-8.9	117.9	120.4	-2.1
Treatment Cost	41.1	43.7	48.8	-10.5	84.8	90.4	-6.2
Unit Cost (USD/MT)	**56.8**	**55.3**	**63.5**	**-12.9**	**56.0**	**64.6**	**-13.3**
Extraction Cost	33.5	31.4	36.8	-14.6	32.5	38.0	-14.7
Treatment Cost	23.2	23.9	26.7	-10.5	23.6	26.6	-11.4

[1]The production cost only considers the cost of the Oxides plant during its operational stage and excludes third-party ore and concentrate purchase costs as well as extraordinary costs referring to severance payments.
Source: Volcan Cia. Minera

Consolidated unit cost fell by 12.9%, from 63.5 USD/TM in 2Q14 to 55.3 USD/MT in 2Q15 as a result of the Company's efforts to lower costs and improve efficiencies during the current low-price environment for the metals market.

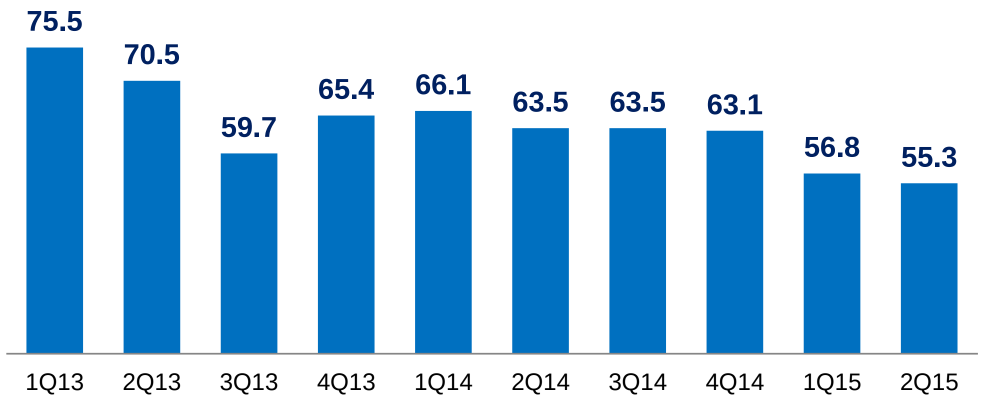
Therefore, an 11.1% reduction in the unitary production cost was achieved at the Yauli Unit, followed by the Chungar Unit with a 9.5% reduction. At the Alpamarca Unit, the Company´s lowest-cost unit, production cost decreased by 21.6%. In addition, the Oxides Plant began full operations in June 2015 with a unit cost of 37.0 USD/MT.

The devaluation of the Peruvian Nuevo Sol versus the US Dollar by 12.6%, from 2.79 PEN/USD to 3.14 PEN/USD, as well as the 43.9% fall in the oil price, from 103 USD/barrel in 2Q14 to 57.8 USD/barrel in 2Q15, also contributed to the production cost reduction.

In absolute terms, the production cost decreased by 9.6%, from USD 113.2 MM in 2Q14 to USD 102.4 MM in 2Q15. This decline in absolute cost was achieved despite larger production volumes given the cost reductions achieved across all operating units.

The Company's approach on lowering and controlling costs is reflected in the gradual reduction of the consolidated unit cost over the past two years, as shown in the chart below.

Chart 1: Evolution of the Unit Production Cost (USD/MT)



Source: Volcan Cia. Minera

The establishment of a system of continuous improvement is part of Volcan's comprehensive management across all operating units and will allow the Company to generate and develop new initiatives that continue to improve efficiencies and lower costs.

2.1.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mining	**36.1**	**40.3**	**85.7**	**-52.9**	**76.4**	**188.3**	**-59.4**
Mining Units	**28.1**	**28.5**	**45.0**	**-36.6**	**56.6**	**81.0**	**-30.2**
Local Exploration	3.1	2.2	3.0	-26.7	5.3	5.9	-10.4
Development	13.5	13.8	15.7	-12.0	27.3	26.4	3.6
Plants and Tailings Facilities	3.2	8.1	13.5	-40.0	11.3	23.3	-51.5
Mine and Infrastructure	7.0	2.8	9.5	-70.2	9.9	19.4	-49.0
Energy in Units	0.6	0.8	1.2	-28.9	1.4	2.9	-51.4
Support and Others	0.6	0.8	2.1	-62.9	1.4	3.3	-56.1
Regional Explorations	**0.6**	**1.4**	**1.6**	**-11.3**	**2.0**	**2.7**	**-25.3**
Growth and Others	**7.4**	**10.4**	**39.1**	**-73.4**	**17.8**	**104.6**	**-82.9**
Energy	**6.4**	**4.5**	**6.3**	**-29.5**	**10.8**	**7.5**	**45.3**
Total	**42.5**	**44.8**	**92.0**	**-51.3**	**87.3**	**195.8**	**-55.4**

Source: Volcan Cia. Minera

In line with the Company's austerity policy, the control and prioritization of investments resulted in a 52.9% decrease in mining investments, from USD 85.7 MM in 2Q14 to USD 40.3 MM in 2Q15.

Investments in the operating units fell by 36.6%, from USD 45.0 MM in 2Q14 to USD 28.5 MM in 2Q15. These reductions were made in areas such as mining and infrastructure investments by USD 6.7 MM, plant and tailing dams by USD 5.4 MM, mine development by USD 1.9 MM, support and other areas by USD 1.3 MM, local exploration by USD 0.8 MM, and energy supply for the operations by USD 0.4 MM.

Regional exploration investments (*greenfield or early-stage projects*) were reduced from USD 1.6 MM in 2Q14 to USD 1.4 MM in 2Q15. Moreover, growth investments in the mining business fell by 73.4%, from USD 39.1 MM in 2Q14 to USD 10.4 MM in 2Q15, mainly explained by the completion of projects such as the Oxides Plant and the new Alpamarca Unit.

Finally, energy investments during 2Q15 totaled USD 4.5 MM, mainly related to the construction of the Rucuy Hydroelectric Plant, which reached 67% completion in June 2015.

2.1.4 Income Statement

Table 4: Average Sales Prices

Sales Prices	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Zinc (USD/MT)	2,097	2,163	2,057	5.1	2,132	2,035	4.8
Lead (USD/MT)	1,831	1,893	2,096	-9.7	1,864	2,101	-11.3
Copper (USD/MT)	5,795	6,012	6,745	-10.9	5,899	6,844	-13.8
Silver (USD/Oz)	16.7	16.4	19.7	-16.6	16.6	20.1	-17.5
Gold (USD/Oz)	1,219	1,192	1,269	-6.1	1,205	1,298	-7.1

Source: Volcan Cia. Minera

Table 5: Second Quarter Income Statement

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Apr-Jun 2015	Apr-Jun 2014	var %	Apr-Jun 2015	Apr-Jun 2014	var %	Apr-Jun 2015	Apr-Jun 2014	var %
Sales	**199.4**	**195.8**	**1.9**	**26.8**	**83.2**	**-67.8**	**226.2**	**278.9**	**-18.9**
Net sales	*208.1*	*207.7*	*0.2*	*27.9*	*67.0*	*-58.3*	*236.0*	*274.8*	*-14.1*
Sett. of prior periods adjust.	*-1.1*	*-6.1*	*-82.0*	*-0.2*	*-0.9*	*-74.3*	*-1.3*	*-7.0*	*-81.0*
Adjust. of open positions	*-7.0*	*5.4*		*-0.2*	*0.9*		*-7.2*	*6.2*	
Hedging	*-0.6*	*-11.2*	*-94.7*	*-0.7*	*16.2*		*-1.3*	*5.0*	
Cost of Goods Sold	**-154.4**	**-161.3**	**-4.3**	**-24.8**	**-68.5**	**-63.7**	**-179.2**	**-229.8**	**-22.0**
Direct Cost of Goods Sold	*-152.4*	*-158.4*	*-3.7*	*-24.5*	*-68.7*	*-64.4*	*-176.9*	*-227.0*	*-22.1*
Extraordinary Costs	*-0.2*	*-0.7*	*-76.1*				*-0.2*	*-0.7*	*-76.1*
Workers Participation	*-1.8*	*-2.2*	*-21.2*	*-0.4*	*0.1*		*-2.1*	*-2.1*	*0.7*
Gross Profit	**45.0**	**34.5**	**30.6**	**1.9**	**14.6**	**-86.8**	**47.0**	**49.1**	**-4.4**
Gross Margin	*23%*	*18%*	*5 pp*	*7%*	*18%*	*-10 pp*	*21%*	*18%*	*3 pp*
Administrative Expenses	-11.9	-15.1	-21.2	-0.2	0.0		-12.1	-15.1	-20.2
Sales Expenses	-9.8	-7.4	32.8	-0.8	-3.3	-77.2	-10.6	-10.7	-1.5
Other Income (Expenses) [1]	1.5	1.2	25.3				1.5	1.2	25.3
Operating Profit	**24.8**	**13.2**	**88.4**	**1.0**	**11.3**	**-91.0**	**25.8**	**24.5**	**5.6**
Operating Margin	*12%*	*7%*	*6 pp*	*4%*	*14%*	*-10 pp*	*11%*	*9%*	*3 pp*
Financial Income (Expenses)	-8.3	-9.1	-8.4	-0.1	-0.1	38.5	-8.4	-9.2	-8.0
Royalties	-3.1	-2.7	11.7	-0.3	-0.7	-58.3	-3.3	-3.4	-2.1
Income Tax	-0.8	4.2		-0.2	-3.2	-94.0	-1.0	1.0	
Net Profit w/o Extraordinaries	**12.6**	**5.5**	**127.0**	**0.4**	**7.4**	**-94.0**	**13.0**	**12.9**	**0.8**
Extraordinary Profit (net) [2]		7.5						7.5	
Net Profit	**12.6**	**13.0**	**-3.2**	**0.4**	**7.4**	**-94.0**	**13.0**	**20.4**	**-36.1**
Net Margin	*6%*	*7%*	*0 pp*	*2%*	*9%*	*-7 pp*	*6%*	*7%*	*-2 pp*
EBITDA [3]	**71.3**	**50.6**	**41.0**	**1.0**	**11.3**	**-91.0**	**72.4**	**61.9**	**16.9**
EBITDA Margin	*36%*	*26%*	*10 pp*	*4%*	*14%*	*-10 pp*	*32%*	*22%*	*10 pp*

[1] Includes sales and cost of sales of the energy division
[2] Net Profit related to Belo Horizonte Hydroelectric Project sale
[3] The EBITDA of 2Q14 does not consider the effect of USD 11.6 MM related to Belo Horizonte Hydroelectric Project sale
Source: Volcan Cia. Minera

Table 6: Accumulated Income Statement as of June 2015

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Jan-Jun 2015	Jan-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Sales	**383.9**	**359.2**	**6.9**	**45.8**	**164.2**	**-72.1**	**429.7**	**523.4**	**-17.9**
Net sales	*401.3*	*373.8*	*7.3*	*47.5*	*144.4*	*-67.1*	*448.8*	*518.2*	*-13.4*
Sett. of prior periods adjust.	*-13.4*	*-17.7*	*-24.0*	*-3.3*	*-2.2*	*47.7*	*-16.7*	*-19.9*	*-16.0*
Adjust. of open positions	*-0.2*	*9.7*		*1.3*	*2.6*	*-49.5*	*1.1*	*12.2*	*-91.2*
Hedging	*-3.7*	*-6.6*	*-43.7*	*0.3*	*19.4*	*-98.6*	*-3.5*	*12.8*	
Cost of Goods Sold	**-301.5**	**-290.4**	**3.8**	**-43.0**	**-139.0**	**-69.1**	**-344.5**	**-429.4**	**-19.8**
Direct Cost of Goods Sold	*-296.4*	*-286.1*	*3.6*	*-42.6*	*-138.5*	*-69.3*	*-339.0*	*-424.6*	*-20.2*
Extraordinary Costs	*-1.9*	*-1.0*	*81.0*				*-1.9*	*-1.0*	*81.0*
Workers Participation	*-3.3*	*-3.2*	*0.5*	*-0.4*	*-0.4*	*-7.6*	*-3.7*	*-3.7*	*-0.5*
Gross Profit	**82.4**	**68.8**	**19.8**	**2.8**	**25.2**	**-88.9**	**85.2**	**94.0**	**-9.4**
Gross Margin	*21%*	*19%*	*2 pp*	*6%*	*15%*	*-9 pp*	*20%*	*18%*	*2 pp*
Administrative Expenses	-22.6	-25.9	-12.8	-0.4	0.0		-23.0	-25.9	-11.4
Sales Expenses	-17.5	-16.0	9.6	-1.3	-6.5	-80.7	-18.8	-22.5	-16.6
Other Income (Expenses) [1]	2.9	2.2	32.8				2.9	2.2	32.8
Operating Profit	**45.2**	**29.1**	**55.3**	**1.2**	**18.7**	**-93.6**	**46.4**	**47.8**	**-2.9**
Operating Margin	*12%*	*8%*	*4 pp*	*3%*	*11%*	*-9 pp*	*11%*	*9%*	*2 pp*
Financial Income (Expenses)	-15.0	-13.9	7.9	-0.2	-0.1	176.9	-15.3	-14.0	8.9
Royalties	-5.1	-5.8	-12.1	-0.5	-1.4	-67.1	-5.5	-7.2	-23.2
Income Tax	0.4	1.5	-70.8	-0.2	-5.1	-97.1	0.3	-3.6	
Net Profit w/o Extraordinaries	**25.6**	**11.0**	**133.3**	**0.4**	**12.0**	**-97.1**	**25.9**	**23.0**	**12.9**
Extraordinary Profit (net) [2]		7.5						7.5	
Net Profit	**25.6**	**18.4**	**38.9**	**0.4**	**12.0**	**-97.1**	**25.9**	**30.4**	**-14.8**
Net Margin	*7%*	*5%*	*2 pp*	*1%*	*7%*	*-7 pp*	*6%*	*6%*	*0 pp*
EBITDA [3]	**135.1**	**99.6**	**35.6**	**1.2**	**18.7**	**-93.6**	**136.3**	**118.3**	**15.2**
EBITDA Margin	*35%*	*28%*	*7 pp*	*3%*	*11%*	*-9 pp*	*32%*	*23%*	*9 pp*

[1] Includes sales and cost of sales of the energy division
[2] Net Profit related to Belo Horizonte Hydroelectric Project sale
[3] The EBITDA from January to June of 2014 does not consider the effect of USD 11.6 MM related to Belo Horizonte Hydroelectric Project sale
Source: Volcan Cia. Minera

- ## Sales Analysis

Table 7: Concentrate Sales Volume

Concentrates Sales (thousand DMT)		Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Volcan Production	Zinc	125.1	138.9	122.7	13.2	264.0	249.9	5.7
	Lead	23.4	24.9	30.1	-17.1	48.3	51.8	-6.7
	Copper	3.6	3.2	4.4	-27.0	6.8	7.7	-11.8
	Silver Bulk	2.6	3.0	0.0		5.5	0.0	
		154.7	**170.0**	**157.2**	**8.2**	**324.7**	**309.5**	**4.9**
Commerciali-zation Business	Zinc	17.8	23.1	53.2	-56.7	40.9	99.5	-58.9
	Lead	0.7	1.3	4.4	-70.1	2.0	11.0	-81.4
	Copper	2.2	2.1	6.8	-69.0	4.3	14.4	-69.9
		20.7	**26.5**	**64.5**	**-58.9**	**47.2**	**124.8**	**-62.2**
Total	Zinc	142.9	162.0	175.9	-7.9	304.9	349.4	-12.7
	Lead	24.1	26.3	34.5	-23.9	50.4	62.8	-19.8
	Copper	5.8	5.3	11.2	-52.5	11.1	22.1	-49.6
	Silver Bulk	2.6	3.0	0.0		5.5	0.0	
		175.4	**196.5**	**221.7**	**-11.3**	**372.0**	**434.3**	**-14.4**

Source: Volcan Cia. Minera

The volume of concentrate sold during 2Q15 declined by 11.3% as compared to 2Q14, which is mainly explained by the reduction of the commercialization of third-party concentrate. The sale of third-party concentrate fell by 58.9% in 2Q15 as compared to the same period during the previous year. Conversely, the sale of the Company's own concentrate rose by 8.2%.

Table 8: Fine Content Sales Volume

Fines Sales		Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Volcan Production	Zinc (thousand FMT)	67.1	74.1	66.6	11.2	141.1	136.0	3.7
	Lead (thousand FMT)	13.7	15.2	16.6	-8.6	28.8	27.2	6.0
	Copper (thousand FMT)	1.0	0.9	0.9	2.1	2.0	1.7	17.6
	Silver (million Oz)	6.1	6.2	5.8	6.6	12.3	9.6	27.4
	Gold (thousand Oz)	3.0	2.9	4.6	-38.3	5.8	6.9	-15.1
	Antimony (thousand FMT)	0.2	0.2	0.0		0.3	0.0	
Commerciali-zation Business	Zinc (thousand FMT)	9.3	12.7	28.2	-54.9	22.1	52.4	-57.9
	Lead (thousand FMT)	0.5	0.7	1.8	-59.5	1.2	6.7	-81.8
	Copper (thousand FMT)	0.6	0.5	1.5	-65.8	1.1	3.1	-66.3
	Silver (million Oz)	0.3	0.4	1.1	-66.1	0.7	2.7	-73.0
	Gold (thousand Oz)	0.1	0.2	0.0		0.3	0.0	
Total	Zinc (thousand FMT)	76.4	86.8	94.9	-8.5	163.2	188.5	-13.4
	Lead (thousand FMT)	14.2	15.9	18.4	-13.5	30.0	33.9	-11.4
	Copper (thousand FMT)	1.6	1.4	2.4	-39.9	3.0	4.8	-37.3
	Silver (million Oz)	6.4	6.6	7.0	-5.2	13.0	12.3	5.7
	Gold (thousand Oz)	3.1	3.0	4.6	-34.8	6.1	6.9	-10.7
	Antimony (thousand FMT)	0.2	0.2	0.0		0.3	0.0	

Source: Volcan Cia. Minera

Total sales of fine content during 2Q15 declined for all metals as compared to 2Q14 due to the significant reduction in the sale of third-party concentrate. However, the sale of the Company's own production of fine zinc, silver and copper contents rose by 11.2%, 6.6%, and 2.1%, respectively, in line with the increased production across operating units.

Table 9: Sales in USD

Sales (million USD)		Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Volcan Production	Zinc	91.7	102.0	86.7	17.7	193.7	177.7	9.0
	Lead	16.8	20.5	23.2	-11.4	37.4	37.5	-0.4
	Copper	2.9	2.9	3.2	-8.0	5.8	5.1	15.0
	Silver	79.4	80.3	91.0	-11.7	159.7	148.4	7.6
	Gold	2.2	2.3	3.7	-36.6	4.5	5.1	-11.4
	Antimony	0.2	0.0	0.0		0.2	0.0	
	Total	**193.2**	**208.1**	**207.7**	**0.2**	**401.3**	**373.8**	**7.3**
	Adjustments[1]	-8.7	-8.7	-12.0	-27.1	-17.4	-14.6	18.8
	Net Sales	**184.5**	**199.4**	**195.8**	**1.9**	**383.9**	**359.2**	**6.9**
Commerciali-zation Business	Zinc	12.9	20.8	41.7	-50.1	33.7	78.0	-56.8
	Lead	0.7	0.9	3.3	-73.3	1.6	12.9	-87.8
	Copper	2.2	2.0	6.5	-69.2	4.2	13.6	-69.3
	Silver	3.7	4.1	15.6	-73.4	7.9	39.9	-80.3
	Gold	0.1	0.1	0.0		0.2	0.0	
	Total	**19.6**	**27.9**	**67.0**	**-58.3**	**47.5**	**144.4**	**-67.1**
	Adjustments[1]	-0.6	-1.1	16.1		-1.7	19.8	
	Net Sales	**19.0**	**26.8**	**83.2**	**-67.8**	**45.8**	**164.2**	**-72.1**
Total	Zinc	104.6	122.8	128.4	-4.3	227.4	255.7	-11.1
	Lead	17.5	21.4	26.5	-19.1	38.9	50.4	-22.8
	Copper	5.1	5.0	9.7	-49.1	10.0	18.7	-46.4
	Silver	83.1	84.5	106.6	-20.7	167.6	188.3	-11.0
	Gold	2.3	2.4	3.7	-34.3	4.7	5.1	-8.2
	Antimony	0.2	0.0	0.0		0.2	0.0	
	Total	**212.7**	**236.0**	**274.8**	**-14.1**	**448.8**	**518.2**	**-13.4**
	Adjustments[1]	-9.2	-9.9	4.2		-19.1	5.1	
	Net Sales	**203.5**	**226.2**	**278.9**	**-18.9**	**429.7**	**523.4**	**-17.9**

[1] Adjustments: i) ajusted settlement of prior period sales , ii) sales adjustments for open positions (embedded derivative and sales adjustments) iii) hedging results

Source: Volcan Cia. Minera

Total sales before adjustments for 2Q15 amounted to USD 236.0 MM, 14.1% lower than the USD 274.8 MM reported in 2Q14. This is mainly attributed to the 58.3% decrease in third-party concentrate sales – from USD 67.0 MM in 2Q14 to USD 27.9 MM in 2Q15 – as well as the 16.6% decrease in the silver price and the 9.7% decrease in the lead price. The decline in third-party concentrate sales resulted in a 12% share in total sales before adjustments for 2Q15 as compared to the 24% share reported in 2Q14. The sale of the Company's own concentrate during 2Q15 grew by 0.2% as compared to 2Q14, mainly explained by greater sales of zinc and silver fine content, as well as the 5.1% increase in the zinc price.

In 2Q15, Volcan recorded negative sales adjustments of USD 9.9 MM as compared to the positive adjustments of USD 4.2 MM reported in 2Q14. The sales adjustments are due to financial provisions related to open commercial positions[1], which were negative in 2Q15 due to the fall in metal prices at the end of the quarter (as of June 30, the silver price was 15.7 USD/Oz and the zinc price was 1,994 USD/MT). As a result, net sales for 2Q15 totaled USD 226.2 MM, an 18.9% decrease if compared to the USD 278.9 MM figure for 2Q14.

[1] 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 reflect this exposure according to a certain forward-price curve.

- ## Cost of Goods Sold

Table 10: Cost of Goods Sold

Cost of Goods Sold (million USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Volcan Production	**145.7**	**152.6**	**159.0**	**-4.0**	**298.3**	**287.2**	**3.9**
Own Cost of Production	100.3	102.4	113.2	-9.6	202.7	210.8	-3.8
D&A of Cost of Production	41.3	45.0	36.4	23.4	86.2	67.5	27.7
Ore Purchase	0.0	0.0	2.3	-100.0	0.0	5.3	-100.0
Extraordinary Costs	1.7	0.2	0.7	-76.1	1.9	1.0	81.0
Variation of Inventories	2.4	5.1	6.4		7.5	2.5	
Commercialization Business	**18.1**	**24.5**	**68.7**	**-64.4**	**42.6**	**138.5**	**-69.3**
Concentrates Purchase	17.1	24.9	65.3	-61.8	42.0	133.8	-68.6
Variation of Inventories	1.0	-0.5	3.4		0.6	4.7	
Workers Participation	**1.5**	**2.1**	**2.1**	**0.7**	**3.7**	**3.7**	**-0.5**
Total	**165.3**	**179.2**	**229.8**	**-22.0**	**344.5**	**429.4**	**-19.8**

Source: Volcan Cia. Minera

Total cost of goods sold in 2Q15 amounted to USD 179.2 MM, 22.0% lower than the USD 229.8 MM figure for 2Q14. This is mainly explained by the 64.4% decrease in the cost of goods sold related to the commercialization business, from USD 68.7 MM in 2Q14 to USD 24.5 MM in 2Q15, due to reduced volumes of third-party concentrate sales. The Company's own cost of goods sold was reduced by 4.0%, from USD 159.0 MM in 2Q14 to USD 152.6 MM in 2Q15. This is explained by the USD 10.8 MM decrease in the Company's own production cost in addition to the cessation of the purchase of third-party ore at the Yauli Unit, both partially offset by the USD 8.6 MM increase in depreciation and amortization related to the production cost.

- ## Gross Profit

Total gross profit decreased by 4.4%, from USD 49.1 MM in 2Q14 to USD 47.0 MM in 2Q15. Gross profit from the sale of the Company's own production rose by 30.6% – from USD 34.5 MM in 2Q14 to USD 45.0 MM in 2Q15 – while gross profit from the concentrate commercialization business fell by 86.8% – from USD 14.6 MM in 2Q14 to USD 1.9 MM in 2Q15.

The Company's gross margin increased from 18% in 2Q14 to 21% in 2Q15, explained by the decline in production costs, the 5.1% increase in the average zinc price, and the reduced share of the concentrate commercialization business in total sales. This gross margin increase was possible despite the 16.6% and 9.7% declines in silver and lead prices, respectively, in addition to the increase in depreciation and the negative sales adjustments of USD 9.9 MM in 2Q15 as compared to the positive adjustments of USD 4.2 MM reported in 2Q14.

- ## Operating Expenses

Administrative expenses amounted to USD 12.1 MM in 2Q15, down by USD 3.1 MM as compared to 2Q14. This reduction is mainly explained by lower insurance payments, the streamlining of other administrative expenses, and the effect of the depreciation of the Peruvian Nuevo Sol. Meanwhile, sales expenses totaled USD 10.6 MM, similar to the figure for 2Q14.

- **Net Financial Expenses**

Net financial expenses for 2Q15 amounted to USD 8.4 MM, down from the USD 9.2 MM reported in 2Q14. This is explained by the fact that no exchange-rate losses were registered in 2Q15, while exchange-rate losses in the same period of the previous year reached USD 2.7 MM.

2.1.5 Liquidity and Creditworthiness

The operating cash flow generated in 2Q15 totaled USD 63.4 MM. Operating and exploration investments reached USD 26.2 MM, while mining growth investments and energy investments amounted to USD 12.0 MM and USD 7.5 MM, respectively. As a result, cash flow after investments was USD 17.7 MM.

Dividends paid during the quarter amounted to USD 9.9 MM in addition to overdraft settlements for USD 14.5 MM. The resulting total cash balance as of June 30, 2015, was USD 189.5 MM.

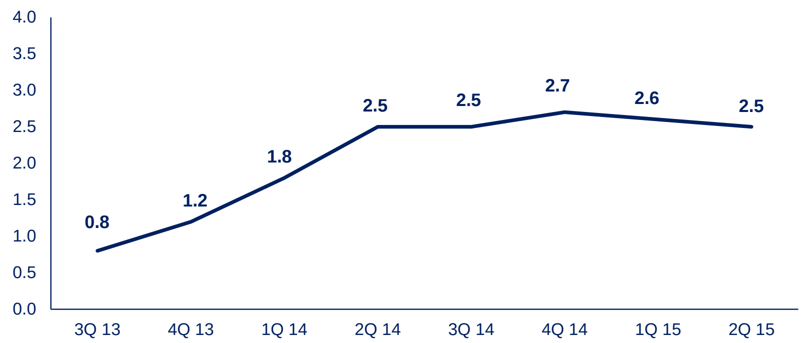
For a more complete analysis, the table below shows debt, cash balance and EBITDA pertaining to the mining division separately from the energy division. The energy division is comprised of subsidiary companies Hidroelectrica Huanchor S.A.C., Compañia Hidroelectrica Tingo S.A., and Empresa de Generacion Electrica Rio Baños S.A.C. Currently, the output from these plants is not connected to Company mining operations.

Table 11: EBITDA, Debt and Cash Flow Position

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 2Q15
Gross Debt (MM USD)	816.4	27.5	843.9
Cash Balance (MM USD)	173.0	16.5	189.5
Net Debt (MM USD)	**643.4**	**11.0**	**654.4**
EBITDA[1] (MM USD)	**255.4**	**7.9**	**263.3**
Ratio	**2.5**	**1.4**	**2.5**

[1] EBITDA for the last 12 months. Does not include the extraordinary income related to Belo Horizonte Hydroelectric Project sale.
Source: Volcan Cia. Minera

Chart 2: Evolution of Net Debt / EBITDA Ratio (Mining Division)



Source: Volcan Cia. Minera
Note: For the calculation of this ratio, EBITDA excludes the effect of the USD 11.6 MM related to the extraordinary gain on the sale of the Belo Horizonte Hydroelectric Project in 2Q14.

2.2 Yauli Unit Operating Results

Table 12: Yauli Production

Yauli Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral extraction (thousand MT)	**999**	**999**	**917**	**8.9**	**1,998**	**1,814**	**10.1**
Mineral treatment (thousand MT)	**983**	**972**	**949**	**2.4**	**1,955**	**1,867**	**4.7**
Fine Content							
Zinc (thousand FMT)	41.7	42.5	37.8	12.3	84.2	74.5	13.1
Lead (thousand FMT)	5.8	5.9	5.6	5.5	11.7	10.7	9.7
Copper (thousand FMT)	0.6	0.5	0.5	-1.2	1.1	1.1	2.0
Silver (million Oz)	3.1	3.1	2.8	11.5	6.2	5.7	10.0

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 2Q15 grew by 8.9% as compared to the same period during the previous year. It is worth highlighting the increase in ore tonnages from the Andaychagua Mine by 58 thousand MT, the Carahuacra Mine by 48 thousand MT, and the San Cristobal Mine by 33 thousand MT.

The ore treated at the Yauli Unit concentrating plants grew by 2.4% in 2Q15 compared to the same period during the previous year. Altogether, the three concentrating plants at the Yauli Unit reached an average volume of treated ore exceeding 11,000 tons per day (TPD).

The production of fine silver content rose by 11.5%, mainly due to a greater contribution from the Andaychagua Mine with higher silver grades. Meanwhile, the production of fine zinc content rose by 12.3%, followed by lead with 5.5%, due to increased tonnage treated from San Cristobal Mine with higher average grades. On the other hand, the production of fine copper content decreased by 1.2% due to lower metallurgical recoveries.

Table 13: Yauli Production Cost

Yauli Production Cost	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Production Cost (MM USD)	**59.0**	**58.7**	**62.2**	**-5.5**	**117.7**	**120.1**	**-2.0**
Extraction Cost	36.1	36.5	36.5	0.0	72.6	71.6	1.4
Treatment Cost	22.8	22.2	25.7	-13.4	45.0	48.5	-7.1
Unit Cost (USD/MT)	**59.4**	**59.4**	**66.8**	**-11.1**	**59.4**	**65.4**	**-9.2**
Extraction Cost	36.2	36.6	39.8	-8.1	36.4	39.5	-7.9
Treatment Cost	23.2	22.9	27.0	-15.5	23.0	26.0	-11.3

Source: Volcan Cia. Minera

Unit cost registered an 11.1% decline, from 66.8 USD/MT in 2Q14 to 59.4 USD/MT in 2Q15. This is mainly explained by the cost-cutting initiatives put in place related to personnel, contractors and suppliers, by lowering administrative services costs, plant and energy (as a result of the energy efficiency program), by lower costs at San Cristobal Mine due to the centralization of services and improved controls inside the mine, and lower mining costs at the Andaychagua Mine due to increased use of ascending cut-and-fill extraction methods.

In absolute terms, production cost was reduced by 5.5%, from USD 62.2 MM in 2Q14 to USD 58.7 MM in 2Q15.

Table 14: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Local Exploration	0.8	0.5	0.9	-39.5	1.4	2.1	-36.2
Mine Development	9.1	8.3	10.4	-20.2	17.4	18.3	-4.9
Plants and Tailings Dams	2.0	3.5	5.7	-38.4	5.5	12.0	-53.9
Mine and Infrastructure	5.8	0.5	6.1	-92.1	6.3	11.3	-44.5
Energy	0.2	0.3	0.5	-32.0	0.6	1.1	-47.4
Support and Others	0.6	0.5	0.9	-47.3	1.1	1.5	-29.9
Total	**18.6**	**13.6**	**24.5**	**-44.3**	**32.2**	**46.4**	**-30.5**

Source: Volcan Cia. Minera

Operating investments fell by 44.3%, from USD 24.5 MM in 2Q14 to USD 13.6 MM in 2Q15. This reduction is observed in all investment areas, with the reduction in mining and infrastructure investments standing out

The results of the systematic exploration program that continues at the Yauli Unit follow:

- <u>San Cristobal:</u> 615 meters were drilled during 2Q15 in order to explore the mineralization potential of the San Cristobal Suroeste and Mishell veins at Level 920. Results were favorable, with economic value confirmed regarding zinc-related mineralization, despite narrow vein widths (0.60-0.65 m). The diamond-drilling program will continue with four additional perforations in order to define the width of these structures.

- <u>Carahuacra</u>: 134 meters were drilled during 2Q15 in order to define the mineralization potential in the southwest extreme of the Mary Vein. This marked the completion of perforation DDH-S-CA-15-05 reported in 1Q15.

- <u>Andaychagua</u>: 4,463 meters were drilled during 2Q15, including 1,815 meters of infill drilling with favorable results. This will allow upgrading inferred resources to indicated status on the southwest and central zones of the Andaychagua Vein. The remaining 2,648 meters were aimed at defining and adding new inferred resources at the Prosperidad Vein. Results were favorable as significant mineralization widths of zinc-lead and silver were intercepted. The diamond-drilling program will continue during 2015 in order to add new inferred resources and to determine the mineralization potential at depth for the Prosperidad Este Vein and west of the Andaychagua Vein.

- <u>Ticlio</u>: 983 meters were drilled during 2Q15 in order to develop the infill drilling program and to convert inferred resources to indicated resources at the Ramal Techo Vein. Results were favorable as significant polymetallic mineralization was intercepted. The drill holes also intercepted significant polymetallic mineralization associated with the Principal Vein.

2.3 Chungar Unit Operating Results

Table 15: Chungar Production

Chungar Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral extraction (thousand MT)	**507**	**513**	**530**	**-3.2**	**1,020**	**1,000**	**2.0**
Mineral treatment (thousand MT)	**479**	**469**	**486**	**-3.6**	**948**	**968**	**-2.1**
Fine Content							
Zinc (thousand FMT)	21.1	21.5	24.8	-13.4	42.6	49.9	-14.6
Lead (thousand FMT)	6.1	5.9	6.5	-9.8	12.0	13.3	-9.9
Copper (thousand FMT)	0.3	0.3	0.3	-18.3	0.5	0.6	-17.1
Silver (million Oz)	1.3	1.1	1.5	-29.3	2.3	2.9	-20.3

Source: Volcan Cia. Minera

As compared to 2Q14, ore volumes extracted at the Chungar Unit during 2Q15 declined by 3.2%, and the ore treated at its concentrating plant also decreased by 3.6%. The ore contribution from the Animon Mine fell by 10.7%, while the ore contribution from the Islay Mine rose by 20.9%.

This decline in production at the Chungar Unit is mainly explained by delays in the accesses to the Principal Vein, which has the highest metal content in the Animon Mine, due to groundwater volumes being greater than expected. These water volumes are now controlled, and a production increase is expected at Chungar Unit during the second half of the year.

In addition, the exploration program at the Gisela Vein and the Ramal Piso 3 Principal Vein are showing favorable results, including higher grades and good vein widths. These veins are being included with current extraction, and, given their higher grades and good widths, provide an additional support for the possibility of increased production from the Animon Mine during the second half of the year.

Additionally, a third flash cell was initiated during 2Q15, intended for lead-silver flotation at the concentrating plant. As a result, metallurgical recoveries are expected to improve even further in the coming months.

Table 16: Chungar Production Cost

Chungar Production Cost	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Production Cost (MM USD)	**24.5**	**24.2**	**27.8**	**-13.1**	**48.6**	**54.9**	**-11.5**
Extraction Cost	15.6	14.4	18.6	-22.3	30.0	36.8	-18.4
Treatment Cost	8.9	9.7	9.2	5.4	18.6	18.2	2.5
Unit Cost (USD/MT)	**49.3**	**48.9**	**54.0**	**-9.5**	**49.1**	**55.5**	**-11.7**
Extraction Cost	30.7	28.1	35.0	-19.7	29.4	36.8	-20.0
Treatment Cost	18.5	20.8	19.0	9.3	19.6	18.8	4.7

Source: Volcan Cia. Minera

Unit cost diminished by 9.5%, from 54 USD/MT in 2Q14 to 48.9 USD/MT in 2Q15. This is explained by the cost-cutting initiatives put in place, the relatively greater ore contribution from the Islay Mine that has lower mining costs, and the decrease in mining cost at Animon Mine as a result of the startup of the Jacob Timmers Shaft.

In absolute terms, the production cost decreased by 13.1% during 2Q15, from USD 27.8 MM in 2Q14 to USD 24.2 MM in 2Q15.

Table 17: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Local Exploration	1.6	1.2	2.0	-37.6	2.8	3.6	-20.9
Mine Development	4.0	5.2	4.0	28.9	9.2	6.7	37.0
Plants and Tailings Dams	0.8	0.6	7.2	-91.5	1.5	10.6	-86.2
Mine and Infrastructure	1.2	2.0	2.3	-14.5	3.2	6.9	-53.6
Energy	0.3	0.5	0.7	-26.8	0.8	1.6	-47.5
Support and Others	0.2	0.1	0.8	-81.6	0.4	1.2	-71.3
Total	**8.2**	**9.7**	**17.0**	**-43.3**	**17.9**	**30.6**	**-41.6**

Source: Volcan Cia. Minera

Operating investment fell by 43.3%, from USD 17.0 MM in 2Q14 to USD 9.7 MM in 2Q15; mainly due to lower investments in plants and tailings dams, local exploration, and mine and infrastructure. Conversely, investments in mine development grew by 28.9%.

The results of the continued systematic exploration program at Chungar follow:

- Animon: 8,761 meters were drilled during 2Q15, including 5,334 meters aimed at adding new inferred resources at the Andalucia 120, Principal and Gisela veins. Results were favorable. The exploration program included 1,164 meters drilled in order to extend the continuity of mineralization of the Principal Vein at depth, intercepting significant economic mineralization at the Ramal Piso 3 and Principal veins. Finally, the infill drilling program included 2,264 meters drilled at the Principal, Ramal Piso 3, and Janeth veins in order to convert inferred resources to indicated resources, again with favorable results. The perforations conducted during 2Q15 allowed for the completion of the inferred-resource program at the central zone of the Andalucia 120 Vein, thus extending the continuity of economic mineralization 200 meters horizontally. The economic mineralization at the Principal Vein now extends 400 meters on-strike, between levels 4,000 to 4,100.

- Islay: 6,139 meters were drilled during 2Q15, including 5,334 meters aimed at defining and adding new inferred resources at the veins Sur, Islay Piso, and Lizeth. Again, results were favorable. The exploration program included the perforation of 672 meters to explore the continuity of mineralization of the Quimacocha system, as well as to explore the south extension of the Anita Mantle 400 meters south of the ore shoot currently being mined. The infill drilling program also included 537 meters at the Lizeth Vein, providing more certainty as to the inferred resource block. The drill holes conducted during 2Q15 completed the inferred-resource program at the Sur Vein up to level 4,180, defining an economic ore shoot that extends 700 meters and shows multiple mineralization events.

2.4 Cerro de Pasco Unit Operating Results

Table 18: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral extraction (thousand MT)	**61**	**69**	**59**	**17.4**	**131**	**111**	**18.0**
Mineral treatment (thousand MT)	**98**	**100**	**213**	**-53.3**	**198**	**379**	**-47.8**
Fine Content							
Zinc (thousand FMT)	2.6	3.5	3.6	-4.4	6.1	6.9	-11.6
Lead (thousand FMT)	1.2	1.3	1.8	-26.2	2.4	3.0	-18.9
Silver (million Oz)	0.3	0.2	0.4	-47.3	0.5	0.7	-32.6

Source: Volcan Cia. Minera

During 2Q15, ore volumes extracted at the Paragsha Underground Mine rose by 17.4% compared to 2Q14. Ore treated at the San Expedito plant registered a 53.3% decline, from 213 thousand MT in 2Q14 to 100 thousand MT in 2Q15, due to lower ore contributions of marginal stockpiles from the open pit as well as the suspension of the Vinchos Mine, and reduced ore volumes from the Islay Mine at the Chungar Unit.

The production of zinc, lead, and silver decreased by 4.4%, 26.2%, and 47.3%, respectively. These reductions are explained by reduced ore treatment volumes, partially offset by higher head grades and improved metallurgical recoveries.

Table 19: Cerro de Pasco Production Cost

Cerro de Pasco Production Cost[1]	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Production Cost (MM USD)	**9.0**	**9.2**	**12.1**	**-23.9**	**18.2**	**24.0**	**-24.2**
Extraction Cost	3.1	2.9	2.8	5.7	6.1	5.1	18.3
Treatment Cost	5.9	6.2	9.3	-32.8	12.2	18.9	-35.6
Unit Cost (USD/MT)	**111.5**	**104.8**	**90.4**	**15.9**	**107.9**	**96.1**	**12.3**
Extraction Cost	51.2	42.2	46.8	-10.0	46.4	46.2	0.3
Treatment Cost	60.4	62.6	43.5	43.8	61.5	49.9	23.4

[1] The reported production cost excludes intercompany purchase of ore from Vinchos and Islay (Chungar)

Source: Volcan Cia. Minera

Unit cost increased by 15.9%, from 90.4 USD/MT in 2Q14 to 104.8 USD/MT in 2Q15, mainly attributed to lower tonnage treated. In absolute terms, production cost fell by 23.9%, from USD 12.1 MM in 2Q14 to USD 9.2 MM in 2Q15.

Table 20: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Local Exploration	0.0	0.0	0.0		0.0	0.0	
Mine Development	0.0	0.0	0.0		0.0	0.1	-100.0
Plants and Tailings Dams	0.0	0.0	0.1	-100.0	0.0	0.2	-100.0
Mine and Infrastructure	0.0	0.0	0.1	-100.0	0.0	0.1	-100.0
Energy	0.0	0.0	0.0		0.0	0.0	
Support and Others	-0.2	0.0	0.1	-79.2	-0.1	0.3	
Total	**-0.2**	**0.0**	**0.3**	**-93.0**	**-0.1**	**0.7**	

Source: Volcan Cia. Minera

Operating investments at Cerro de Pasco Unit have been kept to minimum levels. The investment figure for 2Q14 totaled USD 0.3 MM, while the figure for 2Q15 was USD 24 thousand.

2.5 Oxides Plant Results

Table 21: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral treatment (thousand MT)[1]	**97**	**202**	**62**	**227.8**	**299**	**62**	**384.8**
Fine Content							
Silver (million Oz)	0.6	1.0	0.3	280.4	1.6	0.3	491.9
Gold (Oz)	787	1,311	34	3,792	2,098	34	6,130

[1]Of the 299 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015 and 72 thousand MT to the operational stage in June of 2015.
Source: Volcan Cia. Minera

The Oxides Plant reached nameplate capacity of 2,500 tons per day during 2Q15, officially initiating its operational stage in June 2015.

During 2Q15, the Oxides Plant treated 202 thousand MT of stockpiled ore, obtaining 381 dore bars containing 1 MM silver ounces and 1,311 gold ounces.

Table 22: Oxides Plant Production Cost

Oxides Plant Production Cost	Jun 2015
Production Cost (MM USD)	**2.7**
Unit Cost (USD/MT)	**37.0**

Source: Volcan Cia. Minera

Unit cost amounted to 37 USD/MT in June 2015, while in absolute terms production cost was USD 2.7 MM.

Table 23: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jan-Jun 2015
Local Exploration	0.0	0.0	0.0
Mine Development	0.0	0.0	0.0
Plants and Tailings Dams	0.3	3.7	4.1
Mine and Infrastructure	0.0	0.0	0.0
Energy	0.0	0.0	0.0
Support and Others	0.0	0.0	0.0
Total	**0.3**	**3.7**	**4.1**

Source: Volcan Cia. Minera

Operating investments at the Oxides Plant during 2Q15 totaled USD 3.7 MM, and were related to the expansion of the Ocroyoc tailings dam.

2.6 Alpamarca Unit Operating Results

Table 24: Alpamarca Production

Alpamarca Production	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Mineral extraction (thousand MT)	**201**	**211**	**200**	**5.6**	**412**	**200**	**105.7**
Mineral treatment (thousand MT)	**206**	**219**	**182**	**20.3**	**426**	**182**	**133.3**
Fine Content							
Zinc (thousand FMT)	1.8	2.1	1.9	13.8	4.0	1.9	111.3
Lead (thousand FMT)	1.2	1.4	1.2	16.0	2.6	1.2	113.8
Copper (thousand FMT)	0.2	0.2	0.1	274.0	0.4	0.1	643.9
Silver (million Oz)	0.7	0.7	0.8	-11.0	1.4	0.8	76.3

Source: Volcan Cia. Minera

During 2Q15, ore volumes extracted at the Alpamarca Unit increased by 5.6% compared to the same period during the previous year. Treatment volumes at the concentrating plant reached 219 thousand MT during 2Q15, a 20.3% increase from 2Q14, of which 179 thousand MT were from the Alpamarca Pit and 41 thousand MT were from the Rio Pallanga Underground Mine.

Table 25: Alpamarca Production Cost

Alpamarca Production Cost	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Production Cost (MM USD)	**7.6**	**7.5**	**8.6**	**-12.3**	**15.1**	**8.6**	**76.3**
Extraction Cost	4.2	4.2	4.8	-13.2	8.4	4.8	72.7
Treatment Cost	3.4	3.3	3.7	-11.0	6.8	3.7	81.0
Unit Cost (USD/MT)	**37.4**	**35.0**	**44.6**	**-21.6**	**36.2**	**44.6**	**-19.0**
Extraction Cost	20.7	19.8	24.2	-17.8	20.3	24.2	-16.1
Treatment Cost	16.7	15.1	20.5	-26.0	15.9	20.5	-22.4

Source: Volcan Cia. Minera

Unit cost declined by 21.6%, from 44.6 USD/MT in 2Q14 to USD 35.0 USD/MT in 2Q15. Absolute production cost during 2Q15 reached USD 7.5 MM, 12.3% lower than the figure reported in the same period of the previous year.

Table 26: Alpamarca Operating Investments

Alpamarca Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Local Exploration	0.7	0.4	0.0		1.1	0.0	
Mine Development	0.4	0.3	1.1	-71.0	0.7	1.1	-33.7
Plants and Tailings Dams	0.0	0.3	0.5	-43.7	0.3	0.5	-51.0
Mine and Infrastructure	0.0	0.4	1.0	-65.5	0.4	1.0	-63.4
Energy	0.0	0.0	0.0		0.0	0.0	
Support and Others	0.0	0.1	0.2	-54.8	0.1	0.2	-47.4
Total	**1.1**	**1.5**	**2.9**	**-49.3**	**2.5**	**2.9**	**-11.6**

Source: Volcan Cia. Minera

Operating investments at Alpamarca Unit during 2Q15 totaled USD 1.5 MM, 49.3% lower than the USD 2.9 MM figure for 2Q14.

It should be noted that the systematic exploration program carried out at the Alpamarca Unit during 2Q15 completed the definition and incorporation of new inferred resources at the Tirol Vein, which included 828 meters drilled with favorable results. In addition, an infill drilling program was carried out at the San Jose Vein below level 4,520, including 2,634 meters drilled with an average separation of 30 meters in order to provide greater certainty for the inferred resources. Results confirmed the mineralization reported by the definition perforations.

3. Energy

Energy consumption at the Company's mining operations during 2Q15 reached 208.7 GWh, which included 164.7 GWh purchased from the national grid (*SEIN*) at an average unit rate of 75.7 USD/MWh. The remaining energy was supplied by the 10 hydroelectric plants that belong to Chungar Unit, with an installed capacity of 22 MW.

During 2Q15, the Huanchor Hydroelectric Plant that has an installed capacity of 20 MW, generated 39.5 GWh, while the Tingo Hydroelectric Plant, with an installed capacity of 1.1 MW, generated 2.4 GWh.

In 2Q15, energy investments totaled USD 4.5 MM, mainly related to the construction of the Rucuy Hydroelectric Plant. Total estimated investment in this project is USD 45 MM. Progress is at 67%, having invested USD 30.5 MM to date. The Company participated in the tests conducted on the two WEG generators that took place in Brazil with successful results. Tests will also be conducted on two Andritz turbines and will take place in France and Italy during July 2015. This hydroelectric plant is expected to begin operations by 1Q16.

Regarding the expansion of the Tingo Hydroelectric Plant, the topographic survey of the project has been completed and the seismic refraction study should begin soon. Both studies are necessary for the feasibility study that is currently underway and is expected to be completed in August 2015.

In addition, the definitive engineering studies for the civil works of the 30 MW two-stage Chancay II Hydroelectric Plant are completed and the report will be presented by the contractor for review.

4. Final Comments

- The Oxides Plant at the Cerro de Pasco Unit reached its nameplate capacity of 2,500 TPD during 2Q15, officially initiating its operational stage. In a full year, this plant should produce approximately 4 million silver ounces, with a unit-cost of production of 37 USD/MT.

- The reduction of the cost of production across all operating units has been consolidated. In 2Q15, the unit-cost of production was reduced by 12.9% compared to the same period during the previous year. The formal processes put in place within the continuous improvement system established across all operating units as part of the Company’s comprehensive management will allow it to maintain control of costs and to generate new improvement initiatives.

- The important cost reductions have helped to offset the fall in average silver and lead prices by 16.6% and 9.7%, respectively, as well as the USD 8.6 MM increase in depreciation and the negative sales adjustments of USD 9.9 MM. As a result, gross margin increased from 18% in 2Q14 to 21% in 2Q15, while EBITDA also increased by 16.9% (excluding the effect of the extraordinary gain on the sale of the Belo Horizonte Hydroelectric Project in 2Q14).

- Investments remain under strict control and are prioritized without compromising future operations of the Company's units. In 2Q15, total investments were 51.3% lower than the investments made in the same period of the previous year.

- The systematic exploration programs carried out by the Geology Division across the mining units show favorable results, particularly in Yauli and Chungar units. Significant resources were confirmed at the Company's principal mines, securing the continuity of its operations for the very long term.

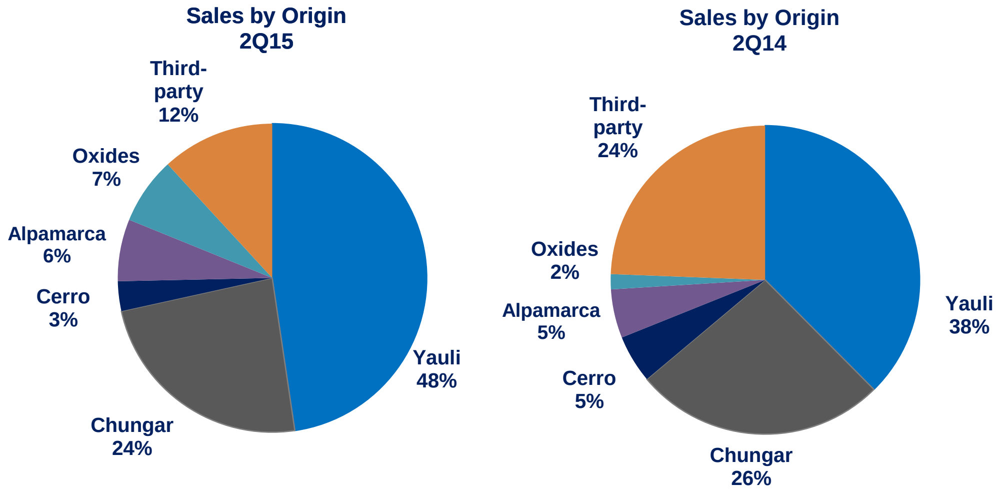
- Progress at the Rucuy Hydroelectric Plant project reached 67%, and its completion is expected by 1Q16 with a total estimated investment of USD 45 MM.

- It is important to note the satisfactory advance of the safety cultural-change program across the Company. Emphasis is currently being placed on the training of supervisors at the operating units and the deployment of the Company´s safety management system at specialized companies.

Annexes

Annex 1: Sales Breakdown

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

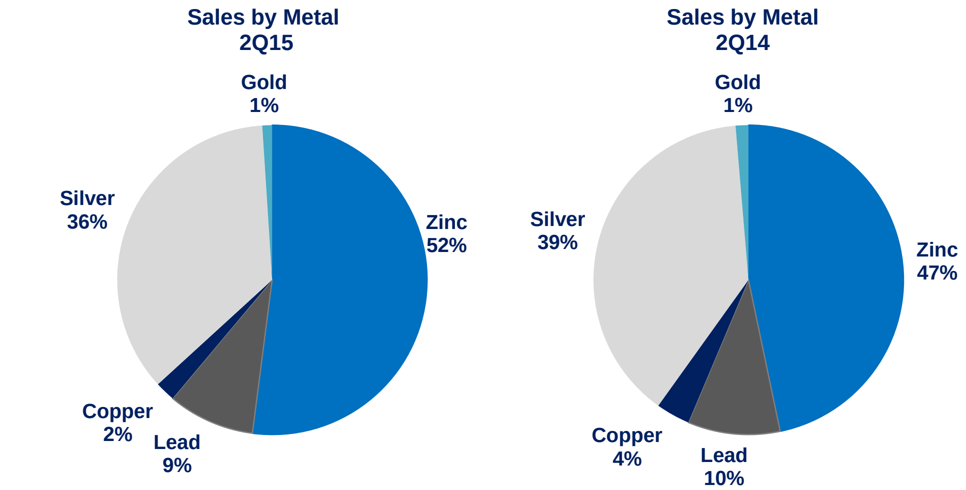


Source: Volcan Cia. Minera

Source: Volcan Cia. Minera

The distribution of sales by origin reflects a reduction in the contribution of the sale of third-party concentrates in total sales, from 24% in 2Q14 to 12% in 2Q15. Meanwhile, the Oxides Plant sales accounted for 7% of total sales in 2Q15, as compared to the 2% reported in 2Q14.

Chart 4: Sales by Metal (% of value in USD)



Source: Volcan Cia. Minera

The distribution of sales by metal in 2Q15 reflects an increased percentage of zinc as a result of the rise of both average prices and production volumes. On the other hand, the percentage of silver registered a decline compared to the same period during the previous year due to the fall in average prices.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Zinc (USD/MT)	2,081	2,195	2,073	5.9	2,138	2,051	4.2
Lead (USD/MT)	1,806	1,947	2,095	-7.1	1,876	2,100	-10.7
Copper (USD/MT)	5,815	6,054	6,787	-10.8	5,934	6,913	-14.2
Silver (USD/Oz)	16.7	16.4	19.6	-16.4	16.6	20.1	-17.5
Gold (USD/Oz)	1,220	1,193	1,289	-7.4	1,207	1,291	-6.6

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2015	Apr-Jun 2015	Apr-Jun 2014	var %	Jan-Jun 2015	Jan-Jun 2014	var %
Exchange Rate (S/. x USD)	3.06	3.14	2.79	12.6	3.10	2.80	10.8
Inflation	3.02	3.54	3.45		3.54	3.45	

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - May 2015	Jan - May 2014	var %
Silver (Thousand Oz)	49,098	47,743	2.8
Zinc (FMT)	567,856	501,684	13.2
Lead (FMT)	126,690	106,596	18.9
Copper (FMT)	595,119	559,926	6.3
Gold (Thousand Oz)	1,890	1,751	7.9

Source: Ministry of Energy and Mines