

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis Third Quarter 2015

Principal Results:

Consolidated Volcan	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Operating Results								
Mineral treatment ¹ (thousands MT)	1,863	1,962	2,060	1,903	8.2	5,886	5,361	9.8
Zinc Production (thousands FMT)	67.3	69.6	74.7	74.4	0.3	211.6	207.6	1.9
Lead Production (thousands FMT)	14.3	14.5	15.6	14.4	8.1	44.3	42.6	4.0
Copper Production (thousands FMT)	1.1	1.0	1.1	0.8	37.7	3.2	2.6	21.8
Silver Production (millions Oz)	5.9	6.1	6.4	6.0	6.5	18.5	16.4	12.6
Unit Cost (USD/MT)	56.8	55.3	53.4	63.5	-15.9	55.1	64.2	-14.3
Total Investments (MM USD)	42.5	44.8	47.7	80.2	-40.5	134.9	275.9	-51.1
Sales Prices								
Zinc (USD/MT)	2,097	2,163	1,833	2,281	-19.6	2,034	2,119	-4.0
Lead (USD/MT)	1,831	1,893	1,727	2,182	-20.9	1,816	2,126	-14.6
Silver (USD/Oz)	16.7	16.4	15.0	19.6	-23.3	16.0	19.9	-19.4
Copper (USD/MT)	5,795	6,012	5,206	6,708	-22.4	5,698	6,799	-16.2
Financial Results (MM USD)								
Sales before adjustments	212.7	236.0	194.4	284.2	-31.6	643.1	802.4	-19.9
- Volcan Production	193.2	208.1	173.3	225.0	-23.0	574.6	598.9	-4.1
- Commercialization Business	19.6	27.9	21.1	59.2	-64.4	68.6	203.6	-66.3
Sales Adjustments	-9.2	-9.9	-11.2	-12.8	-11.9	-30.3	-7.6	298.0
- Settlement of prior period adjustments	-15.4	-1.3	-7.7	-0.3		-24.4	-20.2	20.8
- Adjustments for open positions ²	8.3	-7.2	-4.5	-5.2	-14.6	-3.4	7.0	
- Hedging results	-2.1	-1.3	0.9	-7.2		-2.6	5.5	
Sales after adjustments	203.5	226.2	183.1	271.4	-32.5	612.8	794.8	-22.9
Net profit before extraordinaries³	12.9	13.0	-10.9	16.0		15.1	39.0	-61.3
Net profit	12.9	13.0	-10.9	16.0		15.1	46.5	-67.6
Earnings per share (EPS)	0.003	0.003	-0.003	0.004		0.004	0.012	-67.5
D&A	41.3	45.0	51.8	38.3	35.4	138.1	105.8	30.5
EBITDA³	63.9	72.4	43.6	59.1	-26.3	179.9	189.0	-4.8

¹ Includes treated tons at Oxides Plant

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

³ The figures do not reflect the extraordinary income in 2Q14 related to the sale of the Belo Horizonte hydroelectric project, 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 3Q15 grew by 8.2%, compared to the same period of the previous year. This is explained by the Oxides Plant operating at 100% of its capacity, and the treatment of greater volumes at Yauli and Alpamarca units. This increase was achieved despite the expected decrease in treated tonnage that was realized at the Cerro de Pasco Unit.
- During 3Q15, the production of fine zinc, silver, lead, and copper contents rose by 0.3%, 6.5%, 8.1%, and 37.7%, respectively, as compared to 3Q14. Such increases are mainly due to greater production of all metals at the Yauli Unit and the silver contribution from the Oxides Plant.
- Consolidated unit cost fell by 15.9%, from 63.5 USD/MT in 3Q14 to 53.4 USD/MT in 3Q15, as a consequence of the measures implemented to reduce the costs across all operating units. These measures encompass operating efficiency improvements, reductions in personnel expenses, supplies, and services of specialized contractors, energy and maintenance savings, among others. The implementation of this program has occurred in systematic fashion for more than two years and continues as metals prices fall. Certain exogenous factors such as the devaluation of the Peruvian Nuevo Sol and the fall in oil prices also contributed to the reduction of the unit production cost.
- Total investments during 3Q15 decreased by 40.5%, from USD 80.2 MM to USD 47.7 MM. This is explained by the culmination of investments related to the construction of the Oxides Plant at Cerro de Pasco, and a 30.3% reduction in investments across operating units, from USD 47.8 MM in 3Q14 to USD 33.3 MM in 3Q15.
- The financial results of the Company were affected by the significant reduction in metals prices, which, during 3Q15, fell to their lowest levels in more than 5 years. The average silver price fell from 19.6 USD/Oz in 3Q14 to 15.0 USD/Oz in 3Q15 **(-23.3%)**, the average zinc price from 2,281 USD/MT to 1,833 USD/MT **(-19.6%)** and the average lead price from 2,182 USD/MT to 1,727 USD/MT **(-20.9%)**. The effect of falling metals prices on sales before adjustments was USD 60.5 MM. In addition, the negative price trend for metals resulted in a reduction to final contract settlements of USD 7.7 MM and negative adjustments to open positions of USD 4.5 MM.
- Consequently, sales before adjustments fell by 31.6%, from USD 284.2 MM in 3Q14 to USD 194.4 MM in 3Q15. In addition to the fall in metals prices, another factor influencing the decline in total sales was the 64.4% reduction in the sale of third-party concentrate, from USD 59.2 MM in 3Q14 to 21.1 MM in 3Q15.
- The Company's gross margin decreased from 20% in 3Q14 to 4% in 3Q15, mainly attributable to falling metals prices and the USD 13.5 MM increase in depreciation and amortization included in the cost of goods sold, from USD 38.3 MM in 3Q14 to USD 51.8 MM in 3Q15. The increase in depreciation and amortization is primarily

explained by the Oxides Plant reaching full capacity in June 2015. In cumulative terms, from January to September, depreciation and amortization in the cost of goods sold rose by USD 32.3MM, from USD 105.8 MM in 2014 to USD 138.1 MM in 2015 **(+30.5%)**.

- Net profit went from USD 16.0 MM in 3Q14 to a net loss of USD 10.9 MM in 3Q15. EBITDA declined from USD 70.7 MM in 3Q14 to USD 43.6 MM in 3Q15. In cumulative terms, from January to September, net profit fell from USD 46.5 MM in 2014 to USD 15.1 MM in 2015, while EBITDA declined from USD 189 MM in 2014 to USD 179.9 MM in 2015.

2. Analysis of Results

2.1 Consolidated Results

2.1.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral extraction (thousands MT)	1,864	1,995	2,074	1,853	11.9	5,933	5,080	16.8
Polymetallic ore	1,767	1,793	1,851	1,794	3.2	5,411	4,959	9.1
Oxides ore ¹	97	202	223	59	279	522	121	333
Mineral treatment (thousands MT)	1,863	1,962	2,060	1,903	8.2	5,886	5,361	9.8
Concentrator Plants	1,767	1,760	1,837	1,844	-0.4	5,364	5,241	2.3
Silver Oxides Plant	97	202	223	59	279	522	121	333
Fine Content								
Zinc (thousands FMT)	67.3	69.6	74.7	74.4	0.3	211.6	207.6	1.9
Lead (thousands FMT)	14.3	14.5	15.6	14.4	8.1	44.3	42.6	4.0
Copper (thousands FMT)	1.1	1.0	1.1	0.8	37.7	3.2	2.6	21.8
Silver (millions Oz)	5.9	6.1	6.4	6.0	6.5	18.5	16.4	12.6

¹Of the 522 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015, and 295 thousand MT to the operational stage since June of 2015.

Source: Volcan Cia. Minera

During 3Q15, Volcan increased extraction volumes by 11.9% as compared to the same quarter of the previous year. This is mainly explained by larger ore volumes hauled from the Oxides stockpiles, and, to a lesser extent, by the increased volume of ore mined at Yauli, Alpamarca, and Cerro de Pasco units.

Likewise, the volume of ore treated at the Company's plants during 3Q15 registered an 8.2% increase as compared to 3Q14. This is mainly attributable to greater tonnage treated at the Oxides Plant. The Yauli and Alpamarca units also increased treatment tonnages by 2.9% and 8.9%, respectively. Treatment tonnages at the Cerro de Pasco Unit also fell by an expected 30.3%. The Chungar Unit registered a slight decline in tonnage treated of 1.0% decline.

The production of silver ounces grew by 6.5%, from 6.0 million ounces in 3Q14 to 6.4 million ounces in 3Q15. Production of fine zinc content rose by 0.3%, from 74.4

thousand FMT in 3Q14 to 74.7 thousand FMT in 3Q15. Production of fine lead content registered an 8.1% increase, from 14.4 thousand FMT to 15.6 thousand FMT, while fine copper content grew by 37.7%, from 0.8 thousand FMT to 1.1 thousand FMT.

The increase in silver production is explained by the Oxides Plant operating at full capacity and the good performance of the Yauli Unit, in spite of the expected lower production levels at the Cerro de Pasco Unit and the reduced production at the Chungar Unit.

In the case of zinc, the production decrease at the Chungar Unit was offset by the greater production at the Yauli Unit, and, to a lesser extent, by greater production achieved at the Cerro de Pasco and Alpamarca units.

The increase in lead production resulted from larger production volumes across all units, while copper production increased due to improved performance at the Yauli, Chungar, and Alpamarca units.

It should be noted that production at the Chungar Unit is recovering after overcoming the delays reported in its accesses, due to the presence of groundwater volumes being greater than expected.

2.1.2 Production Cost

Table 2: Consolidated Production Cost

Consolidated Production Cost ¹	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Production Cost (MM USD)	100.4	102.4	110.3	115.2	-4.2	313.1	326.0	-4.0
Mine Cost	59.3	58.6	60.9	67.0	-9.0	178.9	187.4	-4.5
Plant and Other Cost	41.1	43.7	49.4	48.2	2.4	134.2	138.6	-3.2
Unit Cost (USD/MT)	56.8	55.3	53.4	63.5	-15.9	55.1	64.2	-14.3
Mine Cost	33.6	31.4	29.4	37.3	-21.3	31.3	37.8	-17.0
Plant and Other Cost	23.2	23.9	24.0	26.2	-8.3	23.7	26.4	-10.3

¹The production cost only considers the cost of the Oxides plant from June 2015, and excludes third-party ore and concentrate purchase costs as well as extraordinary costs referring to severance payments.
Source: Volcan Cia. Minera

In absolute terms, the production cost decreased by 4.2%, from USD 115.2 MM in 3Q14 to USD 110.3 MM in 3Q15. This decline in absolute cost was possible despite larger production volumes, given the cost reductions achieved across all operating units.

Consolidated unit cost fell by 15.9%, from 63.5 USD/MT in 3Q14 to 53.4 USD/MT in 3Q15, as a result of the Company's continuous efforts to lower costs and improve efficiencies during this difficult environment of falling metals prices.

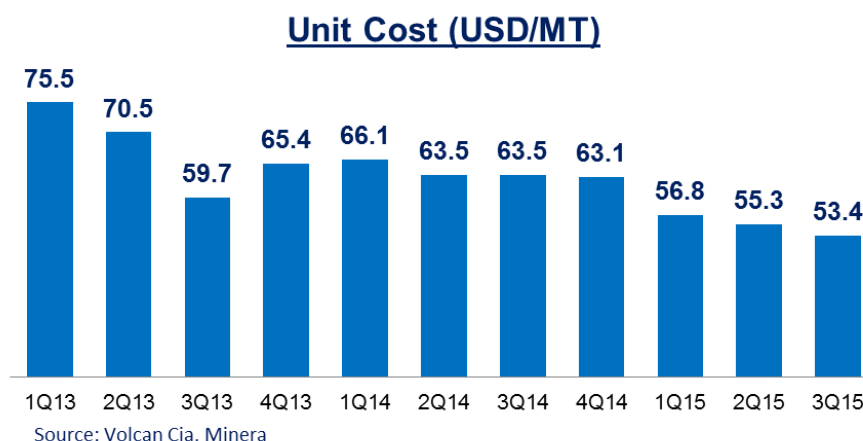
The unit cost of production at Yauli registered a 10.7% decrease, while at the Chungar, Cerro de Pasco, and Alpamarca units also decreased by 10.2%, 10.6%, and 32.8%, respectively. The Oxides Plant registered a unit cost of 40.8 USD/MT in 3Q15.

The devaluation of the Peruvian Nuevo Sol versus the US Dollar by 13.9%, from 2.82 Soles/USD in 3Q14 to 3.21 Soles/USD in 3Q15, as well as the fall in the oil price by

52.5%, from 97.5 USD/barrel in 3Q14 to 46.3 USD/barrel in 3Q15, are additional exogenous factors that contributed to the reduction in the cost of production.

The Company's focus on lowering and controlling costs is reflected in the progressive reduction of consolidated unit cost over the past two years and a half, as shown in the graph below.

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



The system of continuous improvement established as part of Volcan's integrated management across all operating units ensures the generation and development of new initiatives 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	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mining	36.1	40.3	41.2	74.5	-44.7	117.6	262.8	-55.3
Mining Units	28.1	28.5	33.3	47.8	-30.3	89.9	128.8	-30.2
Local Exploration	3.1	2.2	1.9	3.3	-41.2	7.2	9.2	-21.5
Development	13.5	13.8	14.6	16.3	-10.4	41.9	42.6	-1.7
Plants and Tailings Facilities	3.2	8.1	7.7	12.8	-39.7	19.0	36.1	-47.3
Mine and Infrastructure	7.0	2.8	7.0	10.1	-30.0	16.9	29.4	-42.5
Energy in Units	0.6	0.8	0.5	2.1	-75.7	1.9	5.0	-61.6
Support and Others	0.6	0.8	1.5	3.3	-53.6	3.0	6.5	-54.9
Regional Explorations	0.6	1.4	1.1	2.6	-57.3	3.1	5.3	-41.0
Growth and Others	7.43	10.4	6.8	24.1	-71.8	24.6	128.7	-80.9
Energy	6.4	4.5	6.5	5.7	14.3	17.3	13.1	31.9
Total	42.5	44.8	47.7	80.2	-40.5	134.9	275.9	-51.1

Source: Volcan Cia. Minera

Given the current low-price environment for metals, investments necessary for the continuity of operations are prioritized. Accordingly, total mining investments were reduced by 44.7%, from USD 74.5 MM in 3Q14 to USD 41.2 MM in 3Q15.

Investments in the operating units decreased by 30.3%, from USD 47.8 MM in 3Q14 to USD 33.3 MM in 3Q15. Regional exploration investments (greenfield or early-stage projects) were reduced by 57.3%, from USD 2.6 MM in 3Q14 to USD 1.1 MM in 3Q15, and investments in growth projects for the mining business fell by 71.8%, from USD 24.1 MM in 3Q14 to USD 6.8 MM in 3Q15, mainly explained by the completion of the construction of the Oxides Plant.

Energy investments during 3Q15 totaled USD 6.5 MM, mainly related to the construction of the Rucuy Hydroelectric Plant, where progress was at 76% of completion as of September 2015.

2.1.4 Income Statement

Table 4: Third Quarter Income Statement

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Jul-Sep 2015	Jul-Sep 2014	var %	Jul-Sep 2015	Jul-Sep 2014	var %	Jul-Sep 2015	Jul-Sep 2014	var %
Sales before adjust.	173.3	225.1	-23.0	21.1	59.1	-64.3	194.4	284.2	-31.6
<i>Sett. of prior periods adjust.</i>	-6.9	0.2		-0.8	-0.5	58.3	-7.7	-0.3	2,450.5
<i>Adj. open positions</i>	-4.3	-4.1	4.8	-0.2	-1.2	-82.9	-4.5	-5.2	-14.6
<i>Hedging</i>	0.0	6.3		0.9	-13.5		0.9	-7.2	
Sales after adjust.	162.1	227.5	-28.8	21.0	44.0	-52.2	183.1	271.4	-32.5
Cost of Goods Sold	-154.9	-156.0	-0.7	-21.5	-62.1	-65.5	-176.4	-218.1	-19.1
<i>Cost of goods sold</i>	-102.7	-114.6	-10.3				-123.9	-177.1	-30.1
<i>Depreciation and Amortization</i>	-51.8	-38.3	35.4				-51.8	-38.3	35.4
<i>Extraordinary Costs</i>	-0.7	-0.7	-0.9				-0.7	-0.7	-0.9
<i>Workers Participation</i>	0.3	-2.5		-0.3	0.4		0.0	-2.1	-99.5
Gross Profit	7.2	71.4	-90.0	-0.4	-18.1	-97.7	6.7	53.3	-87.4
<i>Margin</i>	4%	31%	-27 pp	-2%	-41%	39 pp	4%	20%	-16 pp
Administrative Expenses	-10.0	-13.6	-26.5	-0.2	0.0		-10.2	-13.6	-24.9
Sales Expenses	-9.6	-8.8	9.0	-0.7	-3.9	-81.0	-10.3	-12.7	-18.6
Other Income (Expenses) ¹	3.8	0.3					3.8	0.3	
Operating Profit	-8.6	49.4	-27 pp	-1.4	-22.0	-93.8	-9.9	27.4	-16 pp
<i>Margin</i>	-5%	22%	-27 pp	-7%	-50%	44 pp	-5%	10%	-16 pp
Financial Income (Expenses)	-9.7	-3.3	198.1	-0.1	-0.1	0.0	-9.8	-3.4	191.6
Royalties	-3.1	-5.3	-41.2	-0.2	-0.3	-33.2	-3.3	-5.6	-40.7
Income Tax	11.7	-9.1		0.5	6.7	-92.5	12.2	-2.3	
Net Profit	-9.7	31.7	-20 pp	-1.2	-15.7	-92.5	-10.9	16.0	-12 pp
<i>Margin</i>	-6%	14%	-20 pp	-6%	-36%	30 pp	-6%	6%	-12 pp
EBITDA	45.0	92.7	-51.5	-1.4	-22.0	-93.8	43.6	70.7	-38.4

¹ Includes energy division sales and cost of sales

Source: Volcan Cia. Minera

Table 5: Accumulated Income Statement as of September 2015

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Jan-Sep 2015	Jan-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Sales before adjust.	574.6	598.9	-4.1	68.6	203.5	-66.3	643.1	802.4	-19.9
<i>Sett. of prior periods adjust.</i>	-20.3	-17.5	16.4	-4.0	-2.7	49.6	-24.4	-20.2	20.8
<i>Adjust. of open positions</i>	-4.5	5.6		1.1	1.4	-22.2	-3.4	7.0	
<i>Hedging</i>	-3.8	-0.4		1.2	5.9	-79.9	-2.6	5.5	
Sales after adjust.	546.0	586.7	-6.9	66.8	208.2	-67.9	612.8	794.8	-22.9
Cost of Goods Sold	-456.4	-446.5	2.2	-64.4	-201.1	-68.0	-520.9	-647.5	-19.6
<i>Cost of goods sold</i>	-312.9	-333.2	-27.8	-63.7	-201.1	-68.3	-376.6	-534.3	-29.5
<i>Depreciation and Amortization</i>	-138.1	-105.8	30.5				-138.1	-105.8	30.5
<i>Extraordinary Costs</i>	-2.5	-1.7	48.6				-2.5	-1.7	48.6
<i>Workers Participation</i>	-2.9	-5.8	-49.2	-0.7	0.0		-3.7	-5.8	-36.6
Gross Profit	89.5	140.2	-36.1	2.4	7.1	-66.5	91.9	147.3	-37.6
<i>Gross Margin</i>	16%	24%	-7 pp	4%	3%	0 pp	15%	19%	-4 pp
Administrative Expenses	-32.6	-39.5	-17.5	-0.6	0.0		-33.2	-39.5	-16.1
Sales Expenses	-27.1	-24.8	9.4	-2.0	-10.4	-80.8	-29.1	-35.2	-17.3
Other Income (Expenses) ¹	6.8	2.6	162.2				6.8	2.6	162.2
Operating Profit	36.7	78.5	-53.3	-0.2	-3.3	-94.7	36.5	75.2	-51.5
<i>Operating Margin</i>	7%	13%	-7 pp	0%	-2%	1 pp	6%	9%	-4 pp
Financial Income (Expenses)	-24.7	-17.2	43.9	-0.3	-0.2	74.2	-25.1	-17.4	44.2
Royalties	-8.2	-11.1	-26.1	-0.7	-1.8	-61.0	-8.9	-12.8	-30.9
Income Tax	12.2	-7.6		0.4	1.6	-77.3	12.5	-6.0	
Net Profit w/o Exceptionals	15.9	42.7	-62.7	-0.8	-3.7	-77.9	15.1	39.0	-61.3
Exceptional Profit (net) ²		7.5						7.5	
Net Profit	15.9	50.2	-68.3	-0.8	-3.7	-77.9	15.1	46.5	-67.6
<i>Net Margin</i>	3%	9%	-6 pp	-1%	-2%	1 pp	2%	6%	-3 pp
EBITDA ³	180.0	192.4	-6.4	-0.2	-3.3	-94.7	179.9	189.0	-4.8
<i>EBITDA Margin</i>	33%	33%	0 pp	0%	-2%	1 pp	29%	24%	6 pp

¹ Includes energy division sales and cost of sales

² Net Profit related to the 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 the Belo Horizonte hydroelectric project sale

Source: Volcan Cia. Minera

• Sales Analysis

Table 6: Concentrate Sales Volume

Concentrates Sales (thousands DMT)		Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Volcan Production	Zinc	125.1	138.9	129.6	138.2	-6.2	393.6	388.1	1.4
	Lead	23.4	24.9	27.5	26.3	4.6	75.8	78.1	-2.9
	Copper	3.6	3.2	2.2	2.7	-18.0	9.0	10.4	-13.4
	Silver Bulk	2.6	3.0	2.9	0.0		8.5	0.0	
		154.7	170.0	162.2	167.2	-3.0	486.9	476.7	2.2
Commercialization Business	Zinc	17.8	23.1	20.9	42.5	-50.7	61.8	141.9	-56.5
	Lead	0.7	1.3	0.7	1.9	-63.7	2.7	12.9	-78.8
	Copper	2.2	2.1	2.4	7.9	-69.7	6.7	22.3	-69.9
		20.7	26.5	24.0	52.3	-54.1	71.3	177.1	-59.8
Total	Zinc	142.9	162.0	150.5	180.6	-16.7	455.4	530.0	-14.1
	Lead	24.1	26.3	28.2	28.2	0.0	78.6	91.0	-13.7
	Copper	5.8	5.3	4.6	10.6	-56.5	15.7	32.7	-51.9
	Silver Bulk	2.6	3.0	2.9	0.0		8.5	0.0	
		175.4	196.5	186.2	219.4	-15.1	558.2	653.8	-14.6

Source: Volcan Cia. Minera

The volume of concentrate sold during 3Q15 declined by 15.1% as compared to 3Q14, which is mainly attributed to the 54.1% reduction in the commercialization of third-party concentrate. The sale of the Company's own concentrate decreased by 3%, mainly due to lower zinc concentrate volumes sold, which led to a temporary increase in zinc inventories.

Table 7: Fine Content Sales Volumes

Fines Sales		Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Volcan Production	Zinc (thousands FMT)	67.1	74.1	68.1	74.9	-9.1	209.2	210.9	-0.8
	Lead (thousands FMT)	13.7	15.2	15.5	14.1	9.5	44.3	41.3	7.2
	Copper (thousands FMT)	1.0	0.9	0.7	0.6	5.4	2.6	2.3	14.2
	Silver (millions Oz) ¹	6.1	6.2	6.4	6.0	7.4	18.7	15.6	19.8
	Gold (thousands Oz)	3.0	2.9	3.5	3.6	-2.8	9.3	10.4	-10.9
	Antimony (thousands FMT)	0.2	0.2	0.2	0.0		0.5	0.0	
Commercialization Business	Zinc (thousands FMT)	9.3	12.7	11.4	22.7	-50.0	33.4	75.2	-55.5
	Lead (thousands FMT)	0.5	0.7	0.4	1.1	-61.1	1.6	7.8	-78.9
	Copper (thousands FMT)	0.6	0.5	0.6	1.7	-67.8	1.6	4.9	-66.8
	Silver (millions Oz)	0.3	0.4	0.4	0.9	-58.8	1.1	3.6	-69.4
	Gold (thousands Oz)	0.1	0	0.2	0.0		0.5	0.0	
Total	Zinc (thousands FMT)	76.4	86.8	79.5	97.6	-18.6	242.7	286.1	-15.2
	Lead (thousands FMT)	14.2	15.9	15.9	15.2	4.4	45.9	49.1	-6.5
	Copper (thousands FMT)	1.6	1.4	1.2	2.4	-47.8	4.2	7.2	-40.7
	Silver (millions Oz)	6.4	6.6	6.8	6.9	-1.2	19.8	19.2	3.2
	Gold (thousands Oz)	3.1	3.0	3.7	3.6	2.1	9.8	10.5	-6.3
	Antimony (thousands FMT)	0.2	0.2	0.2	0.0		0.5	0.0	

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 8: Average Sales Prices

Sales Prices	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Zinc (USD/MT)	2,097	2,163	1,833	2,281	-19.6	2,034	2,119	-4.0
Lead (USD/MT)	1,831	1,893	1,727	2,182	-20.9	1,816	2,126	-14.6
Copper (USD/MT)	5,795	6,012	5,206	6,708	-22.4	5,698	6,799	-16.2
Silver (USD/Oz)	16.7	16.4	15.0	19.6	-23.3	16.0	19.9	-19.4
Gold (USD/Oz)	1,219	1,192	1,127	1,272	-11.4	1,176	1,289	-8.8

Source: Volcan Cia. Minera

Table 9: Sales in USD

Sales (millions USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %	
Volcan Production	Zinc	91.7	102.0	73.0	110.3	-33.8	266.6	288.0	-7.4
	Lead	16.8	20.5	18.9	20.9	-9.8	56.2	58.4	-3.8
	Copper	2.9	2.9	1.3	1.9	-29.0	7.2	6.9	3.2
	Silver	79.4	80.3	77.3	89.3	-13.4	237.0	237.7	-0.3
	Gold	2.2	2.3	2.8	2.7	2.6	7.3	7.8	-6.6
	Antimony	0.2	0.0	0.1	0.0		0.3	0.0	
	Sales before adjust.	193.2	208.1	173.3	225.0	-23.0	574.6	598.9	-4.1
	Sett. of prior period adjust.	-12.3	-1.1	-6.9	0.2		-20.3	-17.5	16.4
	Adjust. for open positions	6.8	-7.0	-4.3	-4.1	4.8	-4.5	5.6	
	Hedging results	-3.1	-0.6	0.0	6.3		-3.8	-0.4	928.6
Sales after adjust.	184.5	199.4	162.1	227.4	-28.7	546.0	586.6	-6.9	
Commerciali- zation Business	Zinc	12.9	20.8	15.2	37.0	-59.0	48.9	115.0	-57.5
	Lead	0.7	0.9	0.5	2.6	-79.5	2.1	15.5	-86.4
	Copper	2.2	2.0	1.9	7.4	-74.1	6.1	21.0	-71.0
	Silver	3.7	4.1	3.4	12.3	-72.1	11.3	52.2	-78.3
	Gold	0.1	0.1	0.0	0.0		0.2	0.0	
	Sales before adjust.	19.6	27.9	21.1	59.2	-64.4	68.6	203.6	-66.3
	Sett. of prior period adjust.	-3.0	-0.2	-0.8	-0.5	58.3	-4.0	-2.7	49.6
	Adjust. for open positions	1.5	-0.2	-0.2	-1.2	-82.9	1.1	1.4	-22.2
	Hedging results	1.0	-0.7	0.9	-13.5		1.2	5.9	-79.9
	Sales after adjust.	19.0	26.8	21.0	44.0	-52.2	66.8	208.2	-67.9
Total	Zinc	104.6	122.8	88.1	147.2	-40.1	315.5	402.9	-21.7
	Lead	17.5	21.4	19.4	23.5	-17.4	58.3	73.9	-21.1
	Copper	5.1	5.0	3.2	9.2	-65.0	13.2	27.9	-52.6
	Silver	83.1	84.5	80.7	101.5	-20.5	248.3	289.9	-14.3
	Gold	2.3	2.4	2.8	2.7	4.3	7.5	7.8	-3.9
	Antimony	0.2	0.0	0.1	0.0		0.3	0.0	
	Sales before adjust.	212.7	236.0	194.4	284.2	-31.6	643.1	802.4	-19.9
	Sett. of prior period adjust.	-15.4	-1.3	-7.7	-0.3	2,450.5	-24.4	-20.2	20.8
	Adjust. for open positions	8.3	-7.2	-4.5	-5.2	-14.6	-3.4	7.0	
	Hedging results	-2.1	-1.3	0.9	-7.2		-2.6	5.5	
Sales after adjust.	203.5	226.2	183.1	271.4	-32.5	612.8	794.8	-22.9	

Source: Volcan Cia. Minera

For 3Q15, total sales before adjustments were USD 194.4 MM, 31.6% lower than the USD 284.2 MM reported in 3Q14. This result is attributable to the material fall in metals prices: 19.6% in zinc, 23.3% in silver, 20.9% in lead, 22.4% in copper, and 11.4% in gold. Another important factor that explains the reduction in total sales is the 64.4% decline in third-party concentrate sales, which was reduced to 11% for 3Q15, as compared to 21% of total sales reported in 3Q14.

Volcan recorded negative sales adjustments of USD 12.2 MM during 3Q15, mainly related to final settlements of prior-period sales and financial provisions related to open commercial positions, as compared to similar negative adjustments of USD 5.5 MM reported in 3Q14. The magnitude of these adjustments increased during 3Q15 due to the negative trend in metals prices, which was most pronounced at the end of the quarter. As of September 30, the price of silver was 14.7 USD/Oz and the price of zinc was 1,657 USD/MT.

Hedging results were positive by USD 0.9 MM in 3Q15, as compared to the loss of USD 7.2 MM in the same period of the previous year.

As a consequence, sales after adjustments during 3Q15 totaled USD 183.1 MM, a 32.5% decrease if compared to the USD 271.4 MM reported in 3Q14.

- **Cost of Goods Sold**

Table 10: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Volcan Production	145.7	152.6	155.2	153.5	1.1	453.5	440.7	2.9
Own Cost of Production	100.4	102.4	110.3	115.2	-4.2	313.1	326.0	-4.0
D&A of Cost of Production	41.3	45.0	51.8	38.3	35.4	138.1	105.8	30.5
Ore Purchase	0.0	0.0	0.0	0.1	-100.0	0.0	5.3	-100.0
Extraordinary Costs	1.7	0.2	0.7	0.7	-0.9	2.5	1.7	48.6
Variation of Inventories	2.4	5.1	-7.6	-0.8	898.6	-0.2	1.9	-108.2
Commercialization Business	18.1	24.5	21.1	62.5	-66.2	63.7	201.1	-68.3
Concentrates Purchase	17.1	24.9	20.4	61.8	-66.9	62.4	195.5	-68.1
Variation of Inventories	1.0	-0.5	0.7	0.8	-11.9	1.3	5.5	-77.3
Workers Participation	1.5	2.1	0.0	2.0	-99.5	3.7	5.7	-35.5
Total	165.3	179.2	176.4	218.1	-19.1	520.9	647.5	-19.6

Source: Volcan Cia. Minera

Total cost of goods sold during 3Q15 reached USD 176.4 MM, 19.1% lower than the USD 218.1 MM figure for 3Q14. This is mainly explained by the 66.2% decline in the cost of goods sold related to the concentrate commercialization business, from USD 62.5 MM in 3Q14 to USD 21.1 MM in 3Q15, due to reduced concentrate volumes sold.

The Company's own cost of goods sold increased by 1.1%, from USD 153.5 MM in 3Q14 to USD 155.2 MM in 3Q15. This increase is attributed to the larger volumes of ore mined and treated across the operating units and the operation of the Oxides Plant during the entire quarter, which is reflected in a USD 13.5 MM increase in depreciation and amortization, from USD 38.3 MM in 3Q14 to USD 51.8 MM in 3Q15. This increase was partially offset by the USD 4.9 MM decrease in the Company's own production cost and the USD 6.9 MM increase in inventories.

- **Gross Margin and Gross Profit**

The Company's gross margin decreased from 20% in 3Q14 to 4% in 3Q15, as a result of the significant fall in the prices of all metals, and the USD 13.5 increase in depreciation and amortization included in the cost of goods sold. These factors were partially offset by the Company's efforts to lower costs, and the reduced share of the third-party concentrate commercialization business in total sales.

Accordingly, total gross profit fell by 87.4%, from USD 53.3 MM in 3Q14 to USD 6.7 MM in 3Q15. Gross profit from the sale of the Company's own production also fell by 90.0%, from USD 71.4 MM in 3Q14 to USD 7.2 MM in 3Q15. Gross profit from the commercialization of third-party concentrates reduced its loss by 97.7%, from an USD 18.1 MM loss in 3Q14 to a loss of USD 0.4 MM in 3T15, mainly because of better hedging results.

- **Administrative Expenses and Sales Expenses**

Administrative expenses reached USD 10.2 MM in 3Q15, a 24.9% reduction compared to the USD 13.6 MM figure reported in 3Q14. The reduction is explained by reduced insurance premiums, lower consulting and advisory expenses, the streamlining of personnel expenses, and the effect of the depreciation of the Peruvian Nuevo Sol.

Sales expenses amounted to USD 10.3 MM, down by 18.6% as compared to the USD 12.7 MM reported in 3Q14, mainly attributed to lower volumes of third-party concentrate sales.

- **Net Financial Expenses**

Net financial expenses for 3Q15 totaled USD 9.8 MM, higher than the USD 3.4 MM for 3Q14. This is mainly explained by the fact that in 3Q15, all expenses related to interest on the international bonds (USD 8.3 MM) was reflected in the Income Statement, while the 3Q14 statement registered USD 6.3 MM for this item given that the difference was capitalized as part of the investment in the Oxides Plant. In addition, exchange-rate variation losses totaling USD 0.9 MM were registered in 3Q15, as compared to the exchange-rate gains reported in 3Q14 (USD 3.3 MM).

2.1.5 Liquidity and Creditworthiness

The cash flow generated in 3Q15 amounted to USD 88.9 MM. Operating and exploration investments, as well as growth investments in the mining business, reached USD 32.9 MM, while energy investments totaled USD 9.4 MM. As a result, the cash flow after investments was USD 46.5 MM.

Overdraft settlements during the quarter reached USD 30.9 MM, while interest paid totaled USD 17 MM. The resulting total cash balance as of September 30, 2015, was USD 187.7 MM.

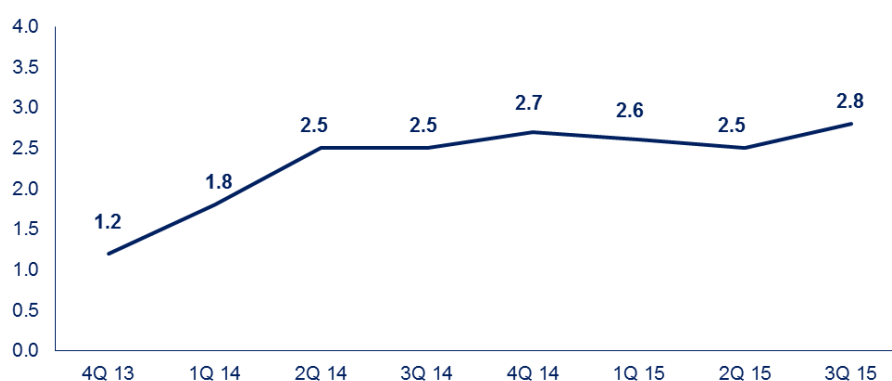
For a more complete analysis, the table below shows debt, cash balance and EBITDA pertaining to the mining division separately from the energy division. The energy division is comprised of subsidiary companies Hidroelectrica Huancho S.A.C., Compañía Hidroelectrica Tingo S.A., and Empresa de Generacion Electrica Rio Baños S.A.C.

Table 11: EBITDA, Debt and Cash Flow Position

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 3Q15
Gross Debt (MM USD)	811.8	27.5	839.3
Cash Balance (MM USD)	179.9	7.7	187.7
Net Debt (MM USD)	631.9	19.8	651.7
EBITDA¹ (MM USD)	229.7	6.4	236.2
Ratio	2.8	3.1	2.8

¹ EBITDA for the last 12 months. Does not include the exceptional profit related to the 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 Plant during 2Q14.

2.2 Yauli Unit Operating Results

Table 12: Yauli Production

Yauli Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral extraction (thousands MT)	999	999	1,011	967	4.6	3,008	2,780	8.2
Mineral treatment (thousands MT)	983	972	1,004	976	2.9	2,960	2,843	4.1
Fine Content								
Zinc (thousands FMT)	41.7	42.5	44.0	41.4	6.1	128.2	115.9	10.6
Lead (thousands FMT)	5.8	5.9	6.2	5.5	12.4	18.0	16.2	10.6
Copper (thousands FMT)	0.6	0.5	0.7	0.5	33.8	1.8	1.6	12.0
Silver (millions Oz)	3.1	3.1	3.1	2.9	8.9	9.4	8.5	9.7

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 3Q15 grew by 4.6%, as compared to the same quarter of the previous year. Ore extraction increased from the Carahuacra Mine by 60 thousand MT, and increased at the San Cristobal Mine by 14 thousand MT. Tonnage was reduced at the Ticlio Mine by 25 thousand MT.

The ore treated at the Yauli Unit concentrator plants grew by 2.9% during 3Q15, as compared to the same period of the previous year. Together, the three concentrator plants at Yauli reached an average treatment volume of nearly 11,300 tons per day

(TPD). It should be noted that the expansion of the nominal treatment capacity of the Victoria Plant from 4,700 TPD to 5,200 TPD is near completion.

The production of fine silver content rose by 8.9%, mainly due to a greater contribution from the Andaychagua and San Cristobal mines. The production of fine zinc content grew by 6.1%, attributed to the increased contribution from the Carahuacra Mine. In addition, the production of fine lead content registered a 12.4% increase due to higher head grades at the San Cristobal Mine, while the production of fine copper content increases by 33.8%, also due to higher head grades.

Table 13: Yauli Production Cost

Yauli Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Production Cost (MM USD)	59.0	58.7	59.6	64.2	-7.2	177.2	184.3	-3.8
Mine Cost	36.1	36.5	37.2	39.5	-5.8	109.8	111.1	-1.1
Plant and Other Cost	22.8	22.2	22.4	24.7	-9.4	67.4	73.2	-7.9
Unit Cost (USD/MT)	59.4	59.4	59.1	66.1	-10.7	59.3	65.7	-9.7
Mine Cost	36.2	36.6	36.8	40.8	-9.9	36.5	40.0	-8.6
Plant and Other Cost	23.2	22.9	22.3	25.3	-12.0	22.8	25.7	-11.5

Source: Volcan Cia. Minera

Production cost in absolute terms was reduced by 7.2%, from USD 64.2 MM in 3Q14 to USD 59.6 MM in 3Q15, despite the increase in tonnage treated.

The reduction in the absolute production cost, together with the increase in treatment volumes, allowed the unit cost to fall by 10.7%, from 66.1 USD/MT in 3Q14 to 59.1 USD/MT in 3Q15.

Table 14: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Local Exploration	0.8	0.5	0.6	0.9	-37.3	1.9	3.0	-36.5
Mine Development	9.1	8.3	8.8	10.4	-14.8	26.3	28.7	-8.5
Plants and Tailings Dams	2.0	3.5	3.5	4.2	-17.0	9.0	16.2	-44.3
Mine and Infrastructure	5.8	0.5	1.8	6.2	-71.1	8.1	17.6	-54.0
Energy	0.2	0.3	0.3	1.0	-67.3	0.9	2.1	-57.1
Support and Others	0.6	0.5	0.6	1.7	-67.2	1.6	3.2	-49.4
Total	18.6	13.6	15.6	24.5	-36.2	47.8	70.8	-32.5

Source: Volcan Cia. Minera

Operating investments fell by 36.2%, from USD 24.5 MM in 3Q14 to USD 15.6 MM in 3Q15. This reduction is evident in all categories of investment thanks to the efforts made at the unit to prioritize investments in the face of the difficult price environment.

It should be noted that the construction of the Roberto Letts shaft at the Andaychagua Mine will resume during the following quarter, and is expected to begin operation by 4Q16. This investment will reduce transportation costs and to improve efficiency in general at the mine.

The results of the systematic exploration program carried out at the Yauli Unit follow:

- **San Cristobal:** 918 meters were drilled during 3Q15 in order to explore the mineralization potential of the San Cristobal Suroeste and Mishell veins. Results were moderate, mainly associated with silver mineralization.
- **Carahuacra:** 136 meters were drilled during 3Q15 as part of the infill-drilling program of Manto Principal. This program was suspended due to issues related to the terrain and strong water flows.
- **Andaychagua:** 3,611 meters were drilled during 3Q15, including 1,089 meters of infill drilling in order to convert inferred resources to indicated resources in the central zone of the Andaychagua Vein and the Prosperidad E Vein. Results were favorable. The remaining meters were drilled below level 1250 of the Prosperidad E Vein, in order to define and add new inferred resources, again with favorable results. The drill holes also intercepted promising zinc and silver mineralization associated with six additional structures. The diamond-drilling program will continue during the rest of the year in order to convert additional inferred resources to indicated status, and to add new inferred resources northwest of the Prosperidad Este Vein.
- **Ticlio:** 2,211 meters were drilled during 3Q15 in order to develop the infill-drilling program at the Ramal Techo Vein, and to convert inferred resources to indicated resources between levels 10 and 11. Results have been favorable as significant polymetallic mineralization was intercepted. In addition, the drill holes intercepted significant polymetallic mineralization associated with the Principal Vein and the 570 ore body. During the rest of the year, the diamond drilling program will be focused on upgrading inferred resources to indicated status in the central zone of the Ramal Techo Vein.

2.3 Chungar Unit Operating Results

Table 15: Chungar Production

Chungar Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral extraction (thousands MT)	507	513	546	558	-2.2	1,566	1,558	0.5
Mineral treatment (thousands MT)	479	469	493	498	-1.0	1,441	1,466	-1.7
Fine Content								
Zinc (thousands FMT)	21.1	21.5	24.4	27.6	-11.9	67.0	77.5	-13.6
Lead (thousands FMT)	6.1	5.9	6.3	6.0	4.9	18.2	19.3	-5.3
Copper (thousands FMT)	0.3	0.3	0.3	0.3	8.6	0.8	0.9	-9.5
Silver (millions Oz)	1.3	1.1	1.2	1.6	-19.8	3.6	4.5	-20.1

Source: Volcan Cia. Minera

As compared to 3Q14, ore volumes extracted at the Chungar Unit during 3Q15 declined by 2.2%, and the ore treated at its concentrator plant decreased by 1.0%. The ore contribution from the Animon Mine was reduced by 2.3%, while the ore contribution from the Islay Mine increased by 2.7%.

The production of fine lead and copper content during 3Q15 grew by 4.9% and 8.6%, respectively, compared to the same period of the previous year. Nevertheless, the

production of fine zinc and silver content fell by 11.9% and 19.8%, respectively, because of lower head grades.

Production is gradually recovering at the Chungar Unit after overcoming the delays in advances as a consequence of groundwater volumes being greater than expected.

Table 16: Chungar Production Cost

Chungar Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Production Cost (MM USD)	24.5	24.5	24.7	28.1	-12.2	73.3	83.0	-11.7
Mine Cost	15.6	14.4	14.7	17.8	-17.5	44.7	54.6	-18.0
Plant and Other Cost	8.9	10.1	10.0	10.3	-2.9	28.6	28.4	0.6
Unit Cost (USD/MT)	49.3	49.6	47.2	52.6	-10.2	48.4	54.4	-11.1
Mine Cost	30.8	28.1	26.9	31.9	-15.6	28.6	35.0	-18.5
Plant and Other Cost	18.5	21.5	20.2	20.6	-1.9	19.8	19.4	2.3

Source: Volcan Cia. Minera

In absolute terms, production cost fell by 12.2%, from USD 28.1 MM in 3Q14 to USD 24.7 MM in 3Q15.

Unit cost declined by 10.2%, from 52.6 USD/MT in 3Q14 to 47.2 USD/MT in 3Q15. This is explained by the cost-cutting initiatives currently in place, the operation of the Jacob Timmers shaft, and the relatively larger proportion of tonnage treated from the Islay Mine, which enjoys lower mining unit cost.

Table 17: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Local Exploration	1.6	1.2	1.3	2.2	-39.9	4.1	5.8	-28.1
Mine Development	4.0	5.2	5.4	3.8	41.8	14.6	10.5	38.7
Plants and Tailings Dams	0.8	0.6	2.1	6.8	-68.8	3.6	17.3	-79.4
Mine and Infrastructure	1.2	2.0	3.4	3.0	15.1	6.6	9.9	-32.9
Energy	0.3	0.5	0.2	0.9	-80.4	1.0	2.5	-59.2
Support and Others	0.2	0.1	0.8	1.1	-24.4	1.2	2.3	-48.9
Total	8.2	9.7	13.3	17.7	-25.1	31.1	48.3	-35.6

Source: Volcan Cia. Minera

Operating investments fell by 25.1%, from USD 17.7 MM in 3Q14 to USD 13.3 MM in 3Q15, mainly as a result of reduced investment in plants and tailings dam, and local exploration. Investments in mine development increased by 41.8%, followed by mine and infrastructure with a 15.1% increase, mainly attributed to improvements in pumping systems.

The results of the systematic exploration program carried out at the Chungar Unit follow:

- **Animon:** a total of 9,971 meters were drilled during 3Q15, including 5,216 meters aimed at adding new inferred resources at the Ramal, Principal, and Gisela veins, with favorable results. The program to define mineralization potential included 4,431 meters drilled in order to extend the lateral continuity of economic

mineralization at the Ramal, Principal, Gisela, and Andalucia veins. The infill-drilling program included 1,954 meters drilled at the Ramal, Gisela, Karina, and Principal veins. Again, results were favorable, allowing for the upgrade of inferred resources to measured-indicated status.

- **Islay:** 6,078 meters were drilled during 3Q15, including 3,424 meters aimed at converting inferred resources to measured-indicated resources at the Sur, Islay Piso, and Lizeth veins. Results were favorable. The resource-definition program included 2,338 meters drilled in order to add new resources at the Lizeth and Islay Piso veins. Results were mixed, revealing high-grade silver zones, as well as uneconomic zones.

2.4 Cerro de Pasco Unit Operating Results

Table 18: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral extraction (thousands MT)	61	69	82	58	41.1	212	168	25.9
Mineral treatment (thousands MT)	98	100	113	162	-30.3	311	541	-42.6
Fine Content								
Zinc (thousands FMT)	2.6	3.5	4.0	3.1	27.8	10.1	10.0	0.6
Lead (thousands FMT)	1.2	1.3	1.5	1.4	10.1	3.9	4.4	-9.9
Silver (millions Oz)	0.3	0.2	0.3	0.6	-41.2	0.8	1.3	-36.5

Source: Volcan Cia. Minera

Ore volumes extracted at the Paragsha Underground Mine increased by 41.1% during 3Q15 as compared to 3Q14. However, ore volumes treated at the San Expedito plant fell by 30.3%, from 162 thousand MT in 3Q14 to 113 thousand MT in 3Q15, due to lower ore contributions of marginal stockpiles from the open pit, the stoppage of the Vinchos Mine, and reduced ore volumes shipped from the Islay Mine at the Chungar Unit.

The production of fine zinc and lead contents grew by 27.8% and 10.1%, respectively, as a result of greater ore volumes treated from the Paragsha Underground Mine, with higher average head grades and improved metallurgical recoveries. Conversely, the production of fine silver content dropped by 41.2%, due to the reduction of tonnage treated from the Vinchos and Islay mines, resulting in lower head grades and metallurgical recoveries.

Table 19: Cerro de Pasco Production Cost

Cerro de Pasco Production Cost ¹	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Production Cost (MM USD)	9.0	9.2	9.4	11.4	-17.5	27.6	35.5	-22.0
Mine Cost	3.1	2.9	3.4	3.2	6.1	9.5	8.3	13.6
Plant and Other Cost	5.9	6.2	6.0	8.2	-26.8	18.2	27.1	-33.0
Unit Cost (USD/MT)	111.5	104.8	95.0	106.3	-10.6	103.1	99.6	3.6
Mine Cost	51.2	42.2	41.9	55.7	-24.8	44.7	49.5	-9.8
Plant and Other Cost	60.4	62.6	53.1	50.6	5.0	58.5	50.1	16.7

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

Source: Volcan Cia. Minera

Cost in absolute terms registered a 17.5% decrease, from USD 11.4 MM in 3Q14 to USD 9.4 MM in 3Q15. Likewise, unit production cost declined by 10.6%, from 106.3 USD/MT in 3Q14 to 95.0 USD/MT in 3Q15, explained by the lower unit mining cost, partially offset by the higher unit treatment cost due to reduced treatment volumes.

Table 20: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mine Development	0.0	0.0	0.0	0.0	-100.0	0.0	0.1	-100.0
Plants and Tailings Dams	0.0	0.0	0.1	0.0		0.1	0.2	-71.8
Mine and Infrastructure	0.0	0.0	0.0	0.0	-100.0	0.0	0.1	-100.0
Support and Others	-0.2	0.0	0.0	0.2	-100.0	-0.1	0.4	
Total	-0.2	0.0	0.1	0.3	-76.1	-0.1	1.0	

Source: Volcan Cia. Minera

Operating investments at the Cerro de Pasco Unit are still kept to minimum levels. The investment figure for 3Q14 reached USD 0.3 MM, while the figure for 3Q15 totaled USD 61 thousand.

2.5 Oxides Plant Results

Table 21: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral treatment (thousands MT)¹	97	202	223	59	278.9	522	121	333.1
Fine Content								
Silver (millions Oz)	0.6	1.0	1.0	0.2	320.4	2.6	0.5	409.7
Gold (Oz)	787	1,311	1,746	132	1222.5	3,845	166	2,220

¹Of the 522 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015 and 295 thousand MT to the operational stage since June of 2015.

Source: Volcan Cia. Minera

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

During 3Q15, the Oxides Plant treated 223 thousand MT of stockpiled ore, obtaining 423 dore bars containing 1 MM silver ounces and 1,746 gold ounces.

Table 22: Oxides Plant Production Cost

Oxides Plant Production Cost	Jul-Sep 2015
Production Cost (MM USD)	9.1
Unit Cost (USD/MT)	40.8

Source: Volcan Cia. Minera

In absolute terms, production cost during 3Q15 totaled USD 9.1 MM, and unit production cost was 40.8 USD/MT.

Table 23: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jan-Sep 2015
Plants and Tailings Dams	0.3	3.7	0.6	4.7
Mine and Infrastructure	0.0	0.0	1.5	1.6
Total	0.3	3.7	2.2	6.3

Source: Volcan Cia. Minera

The operating investment figure for 3Q15 at the Oxides Plant amounted to USD 2.2 MM.

2.6 Alparmarca Unit Operating Results

Table 24: Alparmarca Production

Alparmarca Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Mineral extraction (thousands MT)	201	211	212	187	13.3	624	388	61.1
Mineral treatment (thousands MT)	206	219	227	208	8.9	652	390	67.1
Fine Content								
Zinc (thousands FMT)	1.8	2.1	2.4	3.1	-22.8	6.3	4.1	53.9
Lead (thousands FMT)	1.2	1.4	1.6	2.0	-20.6	4.2	2.7	52.7
Copper (thousands FMT)	0.2	0.2	0.2	0.1	56.0	0.6	0.1	390.5
Silver (millions Oz)	0.7	0.7	0.6	1.0	-39.9	2.1	1.6	32.7

During 3Q15, ore volumes extracted at the Alparmarca Unit grew by 13.3% as compared to the same period of the previous year. Meanwhile, the concentrator plant treated 227 thousand MT during 3Q15, an 8.9% increase from 3Q14. Ore contributions included 189 thousand MT from the Alparmarca Open Pit and 37 thousand MT from the Rio Pallanga Underground Mine.

Table 25: Alparmarca Production Cost

Alparmarca Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Production Cost (MM USD)	7.6	7.5	7.2	9.6	-25.3	22.3	18.2	22.6
Mine Cost	4.2	4.2	4.0	5.1	-22.1	12.3	9.9	24.1
Plant and Other Cost	3.4	3.3	3.2	4.5	-28.8	10.0	8.3	20.7
Unit Cost (USD/MT)	37.4	35.0	32.9	49.0	-32.8	35.0	46.8	-25.1
Mine Cost	20.7	19.8	18.6	27.1	-31.3	19.7	25.6	-22.9
Plant and Other Cost	16.7	15.1	14.3	21.8	-34.6	15.3	21.2	-27.7

Source: Volcan Cia. Minera

In absolute terms, production cost reached USD 7.2 MM, 25.3% lower than the USD 9.6 MM reported in the same period of the previous year. The unit cost was reduced by 32.8%, from 49.0 USD/MT in 3Q14 to USD 32.9 USD/MT in 3Q15.

Table 26: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Local Exploration	0.7	0.4	0.1	0.0		1.1	0.0	
Mine Development	0.4	0.3	0.3	1.8	-82.3	1.1	2.9	-63.9
Plants and Tailings Dams	0.0	0.3	1.4	1.8	-23.2	1.6	2.3	-29.3
Mine and Infrastructure	0.0	0.4	0.3	0.8	-67.8	0.6	1.8	-65.3
Energy	0.0	0.0	0.0	0.2	-100.0	0.0	0.2	-100.0
Support and Others	0.0	0.1	0.1	0.3	-72.4	0.2	0.5	-61.3
Total	1.1	1.5	2.1	4.9	-56.8	4.7	7.8	-40.1

Source: Volcan Cia. Minera

Operating investments at the Alparmarca Unit during 3Q15 totaled USD 2.1 MM, 56.8% lower than the USD 4.9 MM figure for 3Q14.

It should be noted that during 3Q15, as part of the systematic exploration program carried out at the Alparmarca Unit, the infill drilling program conducted at the San Jose Vein was completed with a 164-meter perforation, from a total of 2,799 meters drilled. The entire program confirmed the grades reported as inferred resources, and were upgraded to measured-indicated status.

3. Energy

Table 28: Volcan Electric Power Balance

Electric Balance (GWh)	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Energy generation	74.7	72.9	2.4%	236.5	235.2	0.5%
Chungar	36.2	36.3	-0.3%	119.7	120.5	-0.7%
Tingo	2.5	0.0		7.4	0.0	
Huanchor	36.1	36.7	-1.6%	109.4	114.7	-4.6%
Rucuy (under construction)	0	0		0	0	
Energy consumption	169.0	165.1	2.4%	494.1	475.5	3.9%
Energy purchase	130.4	128.8	1.2%	367.0	355	3.4%

Source: Volcan Cia. Minera

The Company's total energy consumption in 3Q15 reached 169 GWh, with a maximum demand of 85 MW.

The 10 hydroelectric plants that belong to the Chungar Unit, jointly with the Tingo Hydroelectric Plant, generated 38.7 GWh. This accounted for 22.9% of the Company's total consumption, at an average cost of 21.5 USD/MWh, which included operating, maintenance and transmission costs.

Taking into account that the power generated by the Huanchor Hydroelectric Plant (36.1 GWh) is sold to third parties, Volcan had to purchase 130.4 GWh from the national grid (*SEIN*) in order to meet its total consumption demand, at an average unit rate of 74.7 USD/MWh.

Regarding energy projects, the construction of the 20 MW Rucuy Hydroelectric Plant is undergoing civil works and electromechanical assembly. The project is 76% completed and is expected to begin operations during 1Q16, with a total investment of USD 47 MM.

During 3Q15, the Company was granted an extension of development timetable until December 2018 for the Tingo Hydroelectric Plant expansion project. The Feasibility Study entrusted to Hatch Corporation is expected to be completed by November 2015.

The Environmental Impact Assessment for the 60 km long 220 kV Chancay II – Rucuy – Francoise transmission line was approved in July 2015.

4. Final Comments

- Realized production for 3Q15 was in line with planned production, registering an increase in treated tonnage and fine content for all metals when compared with 3Q14. With these results, the Company maintains its production objectives for the year.

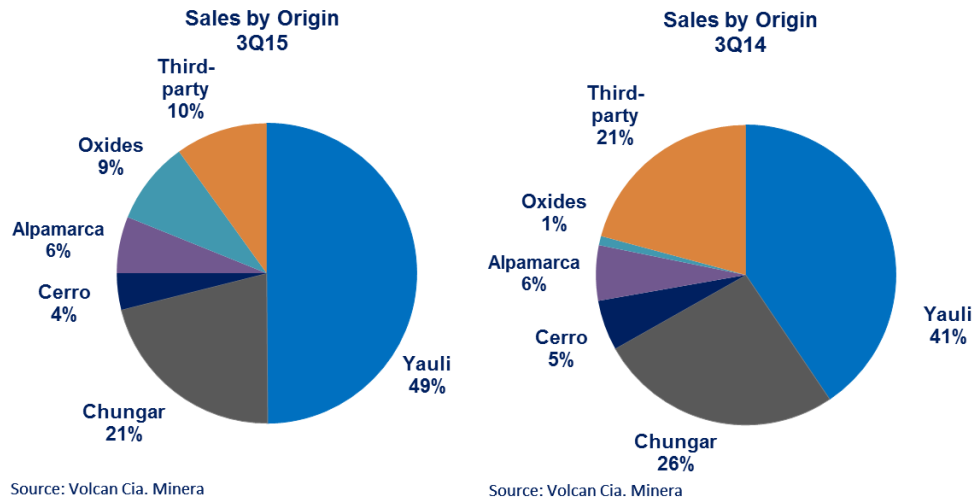
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- The unit-cost of production has decreased in a sustainable manner for the past 30 months, as a result of the systematic efforts to lower costs across all operating units. During 3Q15, the unit cost was reduced by 15.9%, compared with the same period of the previous year. The Company continues identifying new opportunities to improve efficiency, as well as implement new initiatives that lead to additional savings.
 - Investments are restricted to those that ensure that future production goals are met, as a function of cash-flow generation. Total investment in 3Q15 was 40.5% lower than those made in 3Q14. Despite these restrictions, the expansion of the Victoria Plant at the Yauli Unit, from 4,700 TPD to 5,200 TPD, is moving to completion.
 - The fall in metal prices during 3Q15 was the determining factor in the Company's financial results. During this quarter, the spot prices for silver, zinc, and lead hit five-year lows. The negative effect of declining prices on 3Q15 sales was approximately USD 60.5 MM compared to 3Q14. Final settlements and provisions for open commercial positions resulted in an additional negative adjustment of USD 12.2 MM. Perspectives on metal prices over the months to come are still uncertain, thus Volcan will continue to focus on preserving its cash balance and guaranteeing a profitable operation across all mines.
 - Gross margin for 3Q15 was affected by the fall in metal prices and the increase in depreciation and amortization by USD 13.5 MM, as compared to the same period of the previous year. The increase in depreciation and amortization is attributed to greater extraction and treatment tonnages and the Oxides Plant reaching full capacity from June 2015.
 - The systematic exploration programs carried out by the Geology Division across the operating units continue to yield favorable results. Significant resources have been confirmed at the Company's principal mines, securing the continuity of its operations for the long term.
 - Despite the difficulties in the mining sector at this time, the Company continues to promote its safety-oriented culture. Particular emphasis is being placed on the training of supervisors at operating units, and the deployment of the safety management system at specialized companies.
 - Progress in the construction of the Rucuy Hydroelectric Plant is at 76%. The plant is expected to be completed by 1Q16, with a total approximate investment of USD 47 MM.



Annexes

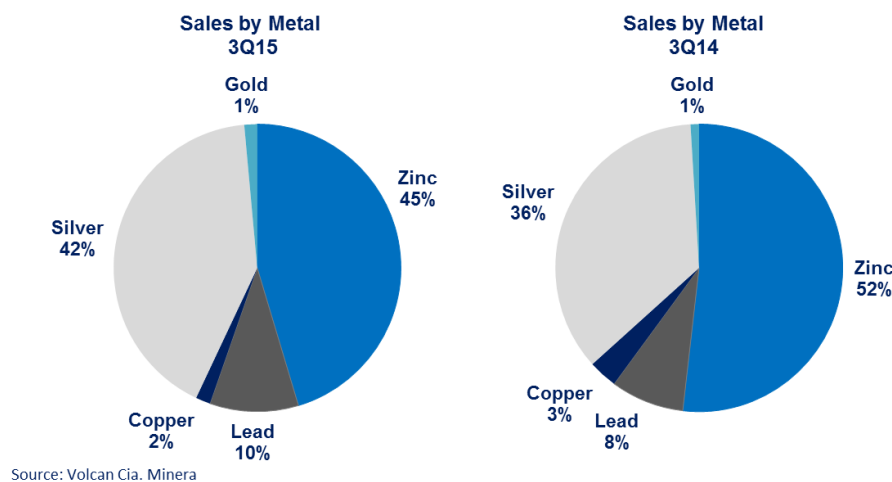
Annex 1: Sales Breakdown

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



The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 21% in 3Q14 to 10% in 3Q15. Meanwhile, Oxides Plant sales accounted for 9% of total sales in 3Q15, as compared to the 1% share reported in 3Q14.

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



The distribution of sales by metal in 3Q15 reflects an increased contribution of silver as a result of the rise in the production of fine contents, while the relative share of zinc declined as compared to the same quarter of the previous year.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Zinc (USD/MT)	2,081	2,195	1,844	2,311	-20.2	2,040	2,138	-4.6
Lead (USD/MT)	1,806	1,947	1,712	2,183	-21.5	1,822	2,128	-14.4
Copper (USD/MT)	5,815	6,054	5,251	6,992	-24.9	5,707	6,939	-17.8
Silver (USD/Oz)	16.7	16.4	14.9	19.7	-24.5	16.0	20.0	-19.8
Gold (USD/Oz)	1,220	1,193	1,125	1,284	-12.4	1,179	1,289	-8.5

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Jul-Sep 2014	var %	Jan-Sep 2015	Jan-Sep 2014	var %
Exchange Rate (S/. x USD)	3.06	3.14	3.21	2.82	13.9	3.14	2.81	11.8
Inflation	3.02	3.54	3.90	2.74		3.90	2.74	

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Aug 2015	Jan - Aug 2014	var %
Silver (Thousands Oz)	83,191	79,601	4.5
Zinc (FMT)	934,114	859,510	8.7
Lead (FMT)	204,109	178,177	14.6
Copper (FMT)	1,059,036	924,654	14.5
Gold (Thousands Oz)	3,003	2,848	5.4

Source: Ministry of Energy and Mines