

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

### Principal Results:

Consolidated Volcan	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Operating Results</b>									
Mineral treatment <sup>1</sup> (thousands MT)	1,863	1,962	2,060	2,024	2,033	-0.5	7,910	7,395	7.0
Zinc Production (thousands FMT)	67.3	69.6	74.7	73.3	73.1	0.3	284.9	280.7	1.5
Lead Production (thousands FMT)	14.3	14.5	15.6	15.3	14.4	6.2	59.6	57.0	4.6
Copper Production (thousands FMT)	1.1	1.0	1.1	1.1	0.8	36.3	4.3	3.4	25.3
Silver Production (millions Oz)	5.9	6.1	6.4	6.3	6.1	3.8	24.8	22.5	10.2
Unit Cost (USD/MT)	56.8	55.3	53.4	50.0	63.1	-20.8	53.7	63.9	-15.9
Total Investments (MM USD)	42.5	44.8	47.7	39.0	91.9	-57.6	173.9	367.8	-52.7
<b>Sales Prices</b>									
Zinc (USD/MT)	2,097	2,163	1,833	1,614	2,216	-27.2	1,917	2,143	-10.5
Lead (USD/MT)	1,831	1,893	1,727	1,679	2,025	-17.1	1,782	2,103	-15.3
Copper (USD/MT)	5,795	6,012	5,206	4,788	6,520	-26.6	5,426	6,724	-19.3
Silver (USD/Oz)	16.7	16.4	15.0	14.6	16.8	-13.1	15.6	19.1	-18.1
<b>Financial Results (MM USD)</b>									
<b>Sales before adjustments</b>	<b>212.7</b>	<b>236.0</b>	<b>194.4</b>	<b>193.2</b>	<b>254.4</b>	<b>-24.1</b>	<b>836.3</b>	<b>1,056.9</b>	<b>-20.9</b>
Volcan Production	193.2	208.1	173.3	171.9	205.0	-16.1	746.5	803.8	-7.1
Commercialization Business	19.6	27.9	21.1	21.3	49.5	-57.0	89.8	253.1	-64.5
<b>Sales Adjustments</b>	<b>-9.2</b>	<b>-9.9</b>	<b>-11.2</b>	<b>-11.5</b>	<b>-6.9</b>	<b>66.6</b>	<b>-41.8</b>	<b>-14.5</b>	<b>188.2</b>
Settlement of prior period adjustments	-15.4	-1.3	-7.7	-13.2	-6.7	95.9	-37.5	-26.9	39.6
Adjustments for open positions <sup>2</sup>	8.3	-7.2	-4.5	-1.2	-9.7	-87.9	-4.6	-2.7	68.5
Hedging results	-2.1	-1.3	0.9	2.9	9.6	-69.9	0.3	15.1	-98.0
<b>Sales after adjustments</b>	<b>203.5</b>	<b>226.2</b>	<b>183.1</b>	<b>181.7</b>	<b>247.5</b>	<b>-26.6</b>	<b>794.5</b>	<b>1,042.4</b>	<b>-23.8</b>
<b>Net profit w/o exceptionals<sup>3</sup></b>	<b>12.9</b>	<b>13.0</b>	<b>-10.9</b>	<b>1.1</b>	<b>10.3</b>	<b>-89.2</b>	<b>16.2</b>	<b>49.4</b>	<b>-67.2</b>
Exceptionals <sup>3</sup>				-470.1			-470.1	7.5	
<b>Net profit with exceptionals</b>	<b>12.9</b>	<b>13.0</b>	<b>-10.9</b>	<b>-469.0</b>	<b>10.3</b>		<b>-453.9</b>	<b>56.8</b>	
Earnings per share (EPS)	0.003	0.003	-0.003	-0.122	0.003		-0.118	0.015	
<b>EBITDA<sup>4</sup></b>	<b>63.9</b>	<b>72.4</b>	<b>43.6</b>	<b>45.4</b>	<b>56.3</b>	<b>-19.3</b>	<b>225.3</b>	<b>249.4</b>	<b>-9.7</b>

<sup>1</sup> Includes treated tons at Oxides Plant

<sup>2</sup> 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.

<sup>3</sup> The figures do not reflect the exceptional income in 2014 related to the sale of the Belo Horizonte hydroelectric project, and, in 2015, figures do not include the devaluation of assets, intangibles and inventory.

<sup>4</sup> EBITDA does not consider exceptional results.

Source: Volcan Cia. Minera

## 1. Executive Summary

- The volume of ore treated by Volcan during 4Q15 remained at a similar level compared to the same period of the previous year. This was achieved despite the decrease in treated tonnage that at the San Expedito plant at the Cerro de Pasco Unit, and is mainly explained by the greater production from the Oxides Plant that is operating at full capacity since June 2015. In addition, greater volumes were treated at the Yauli and Alpamarca Units. In annual terms, treated tonnage grew by 7.0% in 2015, mainly due to the greater volumes processed at the Oxides Plant.
- During 4Q15, the production of fine zinc, lead, copper and silver rose by 0.3%, 6.2%, 36.3% and 3.8%, respectively compared to 4Q14. Such increases are mainly due to greater production at the Yauli Unit and the Oxides Plant, which offset lower production from the Chungar Unit and the San Expedito plant at Cerro de Pasco. Similarly, in annual terms, production of fines increased by 1.5% in zinc, 4.6% in lead, 25.3% in copper and 10.2% in silver, meeting and, as in the case of silver and copper, exceeding production objectives for the year.
- Consolidated unit cost fell by 20.8%, from 63.1 USD/MT in 4Q14 to 50.0 USD/MT in 4Q15. This reduction is the result of a program of continuous improvement implemented in 2013 with the objective of achieving improved operating efficiencies, reducing supply consumption, optimizing the scope of services rendered by specialized contractors and their fees, decreasing personnel expenses, improving energy savings, among others. The devaluation of the Peruvian Sol and the fall in oil prices also contributed to the reduction of the cost of production. Similarly, annual unit cost decreased by 15.9%, from 63.9 USD/MT in 2014 to 53.7 USD/MT in 2015.
- In 4Q15, total investment decreased by 57.6%, from USD 91.9 MM to USD 39 MM, because of the culmination of investments related to the construction of the Oxides Plant at Cerro de Pasco, and the 43.5% reduction of investments at the operating units, which were reduced from USD 50.9 MM in 4Q14 to USD 28.7 MM in 4Q15. Similarly, in annual terms, total investments were reduced by 52.7%, from USD 367.8 MM in 2014 to USD 173.9 MM in 2015.
- The financial results of the Company were affected by the continuous reduction in metals prices, which, during 4Q15, fell to their lowest levels in more than five years. The average sales price of zinc fell from 2,216 USD/MT in 4Q14 to 1,614 USD/MT in 4Q15 **(-27.2%)**, lead from 2,025 USD/MT to 1,679 USD/MT **(-17.1%)** and silver from 16.8 USD/Oz to 14.6 USD/Oz **(-13.1%)**.
- The significant fall in metal prices and the reduction of third-party concentrate sales, from USD 49.5 MM in 4Q14 to 21.3 MM in 4Q15, explain the 24.1% reduction of sales before adjustments, from USD 254.4 MM in 4Q14 to USD 193.2 MM in 4Q15. Similarly, annual sales before adjustments decreased by 20.9%, from USD 1,056.9 MM in 2014 to USD 836.3 MM in 2015.

- 
- Volcan recorded negative sales adjustments<sup>1</sup> of USD -11.5 MM during 4Q15 versus USD -6.9 MM in 4Q14. Accordingly, sales after adjustments decreased from USD 247.5 MM in 4Q14 to USD 181.7 MM in 4Q15. In annual terms, net negative adjustments<sup>2</sup> in 2015 totaled USD -41.8 MM versus USD -14.5 MM in 2014, and therefore, sales after adjustments fell from USD 1,042.4 MM to USD 794.5 MM.
  - Net profit before exceptional items decreased from USD 10.3 MM in 4Q14 to USD 1.1 MM in 4Q15, while EBITDA declined from USD 56.3 MM in 4Q14 to USD 45.4 MM in 4Q15. In annual terms, net profit before exceptional items declined from USD 49.4 MM in 2014 to USD 16.2 MM in 2015, while EBITDA<sup>3</sup> decreased from USD 249.4 MM in 2014 to USD 225.3 MM in 2015.
  - In accordance with International Accounting Standards (IAS 36), in 4Q15 the Company recorded an exceptional net loss of USD 470.1 MM, mainly due to the non-cash impairment of fixed, intangible and inventories assets as a result of the unfavorable metal prices environment. This item has no effect on the Company's cash flow and may revert in the future if a material improvement in metal prices occurs.

---

<sup>1</sup> Adjustments over sales 4Q15: final settlements USD -13.2 MM, provision related to open commercial positions USD -1.2 MM, hedging results USD 2.9 MM

<sup>2</sup> Adjustments over sales 2015: final settlements USD -37.5 MM, provisions related to open commercial positions USD -4.6 MM, hedging result USD 0.3 MM

<sup>3</sup> EBITDA does not consider exceptional results.

## 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	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Mineral extraction (thousands MT)</b>	<b>1,864</b>	<b>1,995</b>	<b>2,074</b>	<b>1,975</b>	<b>1,935</b>	<b>2.1</b>	<b>7,908</b>	<b>7,015</b>	<b>12.7</b>
Polymetallic ore	1,767	1,793	1,851	1,755	1,816	-3.4	7,165	6,776	5.8
Oxides ore <sup>1</sup>	97	202	223	220	119	86	743	239	211
<b>Mineral treatment (thousands MT)</b>	<b>1,863</b>	<b>1,962</b>	<b>2,060</b>	<b>2,024</b>	<b>2,033</b>	<b>-0.5</b>	<b>7,910</b>	<b>7,395</b>	<b>7.0</b>
Concentrator Plants	1,767	1,760	1,837	1,804	1,915	-5.8	7,167	7,156	0.2
Silver Oxides Plant	97	202	223	220	119	86	743	239	211
<b>Fine Content</b>									
Zinc (thousands FMT)	67.3	69.6	74.7	73.3	73.1	0.3	284.9	280.7	1.5
Lead (thousands FMT)	14.3	14.5	15.6	15.3	14.4	6.2	59.6	57.0	4.6
Copper (thousands FMT)	1.1	1.0	1.1	1.1	0.8	36.3	4.3	3.4	25.3
Silver (millions Oz)	5.9	6.1	6.4	6.3	6.1	3.8	24.8	22.5	10.2

<sup>1</sup>Of the 743 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015, and 516 thousand MT to the operational stage since June of 2015.

Source: Volcan Cia. Minera

During 4Q15, Volcan increased extraction volumes by 2.1%, 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 the Yauli and Alpamarca Units, which offset the decreased production from the Paragsha Mine at the Cerro de Pasco Unit.

The volume of ore treated at the Company's plants decreased by 0.5% as compared to 4Q14. This was mainly attributable to the lower tonnage treated at the San Expedito plant at the Cerro de Pasco Unit, where operation was suspended which was decommissioned as planned in November this year. Production from the Oxides Plant increased by 85.9%, reaching 100% capacity in June 2015. The tonnage treated at the Yauli and Alpamarca Units increased by 4.0% and 11.7%, respectively, while the Chungar Unit registered a decrease of 6.7%, affected by the blockage of access to the unit by the community of Huayllay; a situation that was resolved after extensive negotiations.

The production of silver ounces increased 3.8%, from 6.1 million ounces in 4Q14 to 6.3 million ounces during 4Q15. Production of fine zinc content rose by 0.3%, from 73.1 thousand FMT in 4Q14 to 73.3 thousand FMT in 4Q15. Production of fine lead content registered a 6.2% increase, from 14.4 thousand FMT to 15.3 thousand FMT; while fine copper content produced increased by 36.3%, from 0.8 thousand FMT to 1.1 thousand FMT.

The increase in fines produced is explained by the contribution from the Oxides Plant operating at full capacity, greater production levels at the Yauli Unit, and, to a lesser extent, greater production from Alpamarca Unit. Production increased, despite expected lower production levels from the Cerro de Pasco Unit and reduced production at the Chungar Unit.

It should be noted that in annual terms silver production increased by 10.2%, from 22.5 MM ounces in 2014 to 24.8 MM ounces in 2015, exceeding the Company's production target. Similarly, zinc production grew by 1.5%, from 280.7 thousand FMT in 2014 to 284.9 thousand FMT in 2015. Lead production rose by 4.6%, from 57.0 thousand FMT in 2014 to 59.6 thousand FMT in 2015, and copper production also grew by 25.3% from 3.4 thousand FMT in 2014 to 4.3 thousand FMT in 2015.

## 2.1.2 Cost of Production

**Table 2: Consolidated Cost of Production**

Consolidated Production Cost <sup>1</sup>	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Production Cost (MM USD)</b>	<b>100.4</b>	<b>102.4</b>	<b>110.3</b>	<b>99.8</b>	<b>117.1</b>	<b>-14.8</b>	<b>412.8</b>	<b>443.1</b>	<b>-6.8</b>
Mine Cost	59.3	58.6	60.9	56.1	67.8	-17.3	234.9	255.2	-7.9
Plant and Other Cost	41.1	43.7	49.4	43.7	49.3	-11.5	177.9	187.9	-5.4
<b>Unit Cost (USD/MT)</b>	<b>56.8</b>	<b>55.3</b>	<b>53.4</b>	<b>50.0</b>	<b>63.1</b>	<b>-20.8</b>	<b>53.7</b>	<b>63.9</b>	<b>-15.9</b>
Mine Cost	33.6	31.4	29.4	28.4	37.3	-24.0	30.6	37.7	-18.8
Plant and Other Cost	23.2	23.9	24.0	21.6	25.8	-16.2	23.2	26.3	-11.8

<sup>1</sup>The production cost does not consider: i. production cost from the pre-operational stage of the Oxides plant , ii. costs from third-party ore and concentrate purchase, iii. extraordinary costs related to severance payments.

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 14.8%, from USD 117.1 MM in 4Q14 to USD 99.8 MM in 4Q15, as the result of the implementation three years ago of a system of continuous improvement as part of the integrated management of all operating units. This system permitted the generation of initiatives for improving operating efficiencies and reducing costs. Examples of these initiatives include the revision of the scope of the third-party services and their fees, the optimization of supply consumption, improvements in energy efficiency, the rationalization of overhead costs, the reduction of personnel costs, and others.

The devaluation of the Peruvian Sol versus the US Dollar by 13.4%, from 2.93 Soles/USD in 4Q14 to 3.32 Soles/USD in 4Q15. Oil prices<sup>4</sup> fell by 42.6%, from 73.3 USD/barrel in 4Q14 to 42.1 USD/barrel in 4Q15. These additional exogenous factors contributed to the reduction in the cost of production.

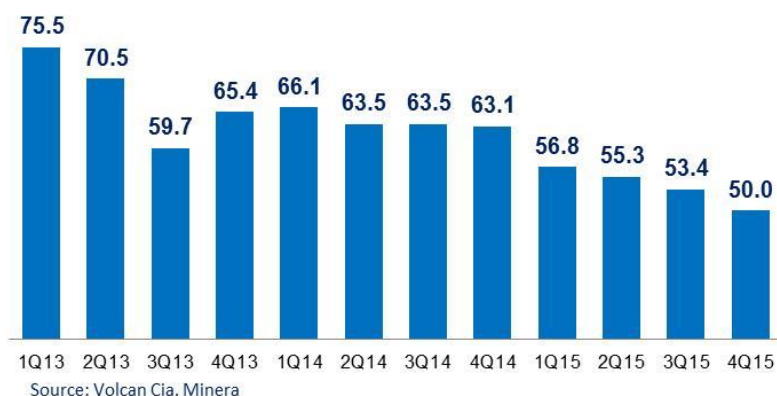
Consolidated unit cost fell by 20.8%, from 63.1 USD/MT in 4Q14 to 50.0 USD/MT in 4Q15. The unit cost of production at Yauli registered a 16.0% decrease, while at the Chungar, Cerro de Pasco and Alpamarca operations, the unit cost of production fell by 7.6%, 28.7% and 43.0%, respectively. The Oxides Plant, which reached nominal operating capacity in June 2015, registered a unit cost of 38.0 USD/MT in 4Q15.

In annual terms, absolute cost declined by 6.8%, from USD 443.1 MM in 2014 to USD 412.8 MM during 2015, while unit cost fell by 15.9%, from 63.9 USD/MT in 2014 to 53.7 USD/MT in 2015.

<sup>4</sup> Source: Brent Crude Oil BCRP

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

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



### 2.1.3 Total Investments

**Table 3: Consolidated Investment**

Consolidated Investment (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Mining</b>	36.1	40.3	41.2	30.0	81.6	-63.2	147.6	344.4	-57.1
<b>Mining Units</b>	28.1	28.5	33.3	28.7	50.9	-43.5	118.6	179.7	-34.0
Local Exploration	3.1	2.2	1.9	1.3	3.8	-66.0	8.5	13.0	-34.6
Development	13.5	13.8	14.6	10.0	15.2	-34.5	51.8	57.8	-10.4
Plants and Tailings Facilities	3.2	8.1	7.7	9.3	14.0	-34.1	28.3	50.1	-43.6
Mine and Infrastructure	7.0	2.8	7.0	5.4	8.3	-35.0	22.3	37.8	-40.9
Energy in Units	0.6	0.8	0.5	0.5	2.0	-73.9	2.4	6.9	-65.0
Support and Others	0.6	0.8	1.5	2.3	7.5	-69.4	5.2	14.0	-62.6
<b>Regional Explorations</b>	0.6	1.4	1.1	1.0	2.4	-57.3	4.1	7.7	-46.2
<b>Growth and Others</b>	7.43	10.4	6.8	0.3	28.3	-99.0	24.9	157.0	-84.1
<b>Energy</b>	6.4	4.5	6.5	8.9	10.3	-13.0	26.2	23.4	12.2
<b>Total</b>	42.5	44.8	47.7	39.0	91.9	-57.6	173.9	367.8	-52.7

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 63.2%, from USD 81.6 MM in 4Q14 to USD 30.0 MM in 4Q15.

Investments in the operating units decreased by 43.5%, from USD 50.9 MM in 4Q14 to USD 28.7 MM in 4Q15. Regional exploration investments (greenfield or early-stage projects) were reduced by 57.3%, from USD 2.4 MM in 4Q14 to USD 1.0 MM in 4Q15, and investments in growth projects for the mining business fell by 99.0%, from USD 28.3 MM in 4Q14 to USD 0.3 MM in 4Q15, mainly explained by the completion of the construction of the Oxides Plant at Cerro de Pasco.

Energy investments in 4Q15 were mainly related to the construction of the Rucuy Hydroelectric Plant project and totaled USD 8.9 MM. Progress at the Rucuy project was at 80% of completion as of December 2015.

In annual terms, mining investments were reduced by 57.1%, from USD 344.4 MM to 147.6 MM. Investments in the operating units decreased by 34% from USD 179.7 MM to 118.6 MM, mainly due to the prioritization of local development and exploration programs, the completion of a number of tailings dam expansions and CAPEX optimization in support areas. Regional explorations were reduced by 46.2%, from USD 7.7 MM in 2014 to USD 4.1 MM. Due to the price situation this year, some projects had to be prioritized or postponed. Growth projects were reduced by 84.1%, from USD 157 MM in 2014 to USD 24.9 MM.

In the energy business, annual investments grew from USD 23.4 MM in 2014 to USD 26.2 MM this year. This was mainly due to the continuation of the Rucuy Hydroelectric Plant.

## 2.1.4 Income Statement

**Table 4: Fourth Quarter Income Statement**

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Oct-Dec 2015	Oct-Dec 2014	var %	Oct-Dec 2015	Oct-Dec 2014	var %	Oct-Dec 2015	Oct-Dec 2014	var %
<b>Sales before adjust.</b>	<b>171.9</b>	<b>205.0</b>	<b>-16.1</b>	<b>21.3</b>	<b>49.5</b>	<b>-57.0</b>	<b>193.2</b>	<b>254.4</b>	<b>-24.1</b>
<i>Sett. of prior periods adjust.</i>	-11.6	-4.6	151.4	-1.5	-2.1	-27.4	-13.2	-6.7	95.9
<i>Adj. open positions</i>	0.1	-8.0		-1.3	-1.7	-21.1	-1.2	-9.7	-87.9
<i>Hedging</i>	0.1	2.8	-97.8	2.8	6.8	-58.4	2.9	9.6	-69.9
<b>Sales after adjust.</b>	<b>160.5</b>	<b>195.1</b>	<b>-17.7</b>	<b>21.2</b>	<b>52.4</b>	<b>-59.5</b>	<b>181.7</b>	<b>247.5</b>	<b>-26.6</b>
<b>Cost of Goods Sold</b>	<b>-122.2</b>	<b>-164.2</b>	<b>-25.6</b>	<b>-18.7</b>	<b>-54.0</b>	<b>-65.4</b>	<b>-140.9</b>	<b>-218.2</b>	<b>-35.4</b>
<i>Direct Cost of Goods Sold</i>	-104.1	-116.5	-10.7	-18.6	-53.6	-65.2	-122.7	-170.1	-27.9
<i>Depreciation and Amortization</i>	-17.2	-46.6	-63.1				-17.2	-46.6	-63.1
<i>Extraordinary Costs</i>	-1.0	-0.4	124.7				-1.0	-0.4	124.7
<i>Workers Participation</i>	0.1	-0.6		-0.1	-0.4	-85.6	0.0	-1.0	
<b>Gross Profit</b>	<b>38.3</b>	<b>30.9</b>	<b>24.0</b>	<b>2.6</b>	<b>-1.5</b>		<b>40.8</b>	<b>29.3</b>	<b>39.2</b>
<i>Gross Margin</i>	24%	16%	8 pp	12%	-3%	15 pp	22%	12%	11 pp
Administrative Expenses	-11.3	-12.9	-12.5	-0.2	-2.1		-11.4	-15.0	-23.8
Sales Expenses	-12.9	-15.9	-18.9	-1.0	2.1		-13.9	-13.9	0.4
Other Income (Expenses) <sup>1</sup>	10.2	8.2	24.6				10.2	8.2	24.6
<b>Operating Profit</b>	<b>24.3</b>	<b>10.3</b>	<b>136.9</b>	<b>1.4</b>	<b>-1.6</b>		<b>25.7</b>	<b>8.6</b>	<b>196.9</b>
<i>Operating Margin</i>	15%	5%	10 pp	6%	-3%	10 pp	14%	3%	11 pp
Financial Income (Expenses)	-11.7	-5.8	100.3	0.0	-0.1	-82.6	-11.7	-6.0	97.0
Exchange difference (net)	-8.1	2.5		0.0	0.0		-8.1	2.5	
Royalties	-2.9	-1.8	56.7	-0.2	0.0		-3.1	-1.8	67.3
Income Tax	-1.3	6.5		-0.3	0.5		-1.7	7.0	
<b>Net Profit w/o Exceptionals</b>	<b>0.3</b>	<b>11.5</b>	<b>-97.4</b>	<b>0.8</b>	<b>-1.2</b>		<b>1.1</b>	<b>10.3</b>	<b>-89.2</b>
<i>Net Margin</i>	0%	6%	-6 pp	4%	-2%	6 pp	1%	4%	-4 pp
Exceptional Profit (net) <sup>2</sup>	-470.1	0.0					-470.1	0.0	
<b>Net Profit</b>	<b>-469.8</b>	<b>11.5</b>		<b>0.8</b>	<b>-1.2</b>		<b>-469.0</b>	<b>10.3</b>	
<b>EBITDA<sup>3</sup></b>	<b>44.1</b>	<b>57.9</b>	<b>-23.9</b>	<b>1.4</b>	<b>-1.6</b>		<b>45.4</b>	<b>56.3</b>	<b>-19.3</b>
<i>EBITDA Margin</i>	27%	30%	-2 pp	6%	-3%	10 pp	25%	23%	2 pp

<sup>1</sup> Includes energy division sales and cost of sales

<sup>2</sup> The figures do not reflect the exceptional income in 2014 related to the sale of the Belo Horizonte hydroelectric project, and in 2015, figures do not include the devaluation of assets, intangibles and inventory.

<sup>3</sup> EBITDA does not consider exceptional results.

Source: Volcan Cia. Minera

**Table 5: Accumulated Income Statement as of December**

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Jan-Dec 2015	Jan-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Sales before adjust.</b>	<b>746.5</b>	<b>803.8</b>	<b>-7.1</b>	<b>89.8</b>	<b>253.0</b>	<b>-64.5</b>	<b>836.3</b>	<b>1,056.9</b>	<b>-20.9</b>
<i>Sett. of prior periods adjust.</i>	-32.0	-22.1	44.7	-5.5	-4.8	16.0	-37.5	-26.9	39.6
<i>Adj. open positions</i>	-4.3	-2.4	77.4	-0.2	-0.3	-15.3	-4.6	-2.7	68.5
<i>Hedging</i>	-3.7	2.4		4.0	12.7	-68.4	0.3	15.1	-98.0
<b>Sales after adjust.</b>	<b>706.5</b>	<b>781.7</b>	<b>-9.6</b>	<b>88.1</b>	<b>260.6</b>	<b>-66.2</b>	<b>794.5</b>	<b>1,042.4</b>	<b>-23.8</b>
<b>Cost of Goods Sold</b>	<b>-578.7</b>	<b>-610.6</b>	<b>-5.2</b>	<b>-83.0</b>	<b>-255.0</b>	<b>-67.5</b>	<b>-661.7</b>	<b>-865.7</b>	<b>-23.6</b>
<i>Direct Cost of Goods Sold</i>	-417.0	-449.7	-7.3	-82.3	-254.7	-67.7	-499.3	-704.4	-29.1
<i>Depreciation and Amortization</i>	-155.3	-152.4	1.9				-155.3	-152.4	1.9
<i>Extraordinary Costs</i>	-3.5	-2.1	63.8				-3.5	-2.1	63.8
<i>Workers Participation</i>	-3.0	-6.3	-52.8	-0.7	-0.4	86.7	-3.7	-6.7	-45.2
<b>Gross Profit</b>	<b>127.7</b>	<b>171.1</b>	<b>-25.3</b>	<b>5.1</b>	<b>5.6</b>	<b>-9.9</b>	<b>132.8</b>	<b>176.7</b>	<b>-24.9</b>
<b>Gross Margin</b>	<b>18%</b>	<b>22%</b>	<b>-4 pp</b>	<b>6%</b>	<b>2%</b>	<b>4 pp</b>	<b>17%</b>	<b>17%</b>	<b>0 pp</b>
Administrative Expenses	-43.9	-52.4	-16.3	-0.7	-2.1	-65.4	-44.6	-54.5	-18.2
Sales Expenses	-40.0	-40.7	-1.7	-3.0	-8.4	-64.0	-43.0	-49.0	-12.3
Other Income (Expenses) <sup>1</sup>	17.0	10.7	59.1				17.0	10.7	59.1
<b>Operating Profit</b>	<b>60.8</b>	<b>88.7</b>	<b>-31.4</b>	<b>1.3</b>	<b>-4.9</b>		<b>62.1</b>	<b>83.8</b>	<b>-25.8</b>
<b>Operating Margin</b>	<b>9%</b>	<b>11%</b>	<b>-3 pp</b>	<b>1%</b>	<b>-2%</b>	<b>3 pp</b>	<b>8%</b>	<b>8%</b>	<b>0 pp</b>
Financial income	-35.3	-22.7	55.4	-0.3	-0.3	16.6	-35.6	-23.0	54.9
Exchange difference (net)	-9.2	2.1		0.0	0.0		-9.2	2.1	
Royalties	-11.1	-12.9	-14.2	-0.9	-1.8	-50.1	-11.9	-14.7	-18.5
Income Tax	10.8	-1.0		0.0	2.1		10.8	1.1	923.8
<b>Net Profit w/o Exceptionals</b>	<b>16.1</b>	<b>54.2</b>	<b>-70.2</b>	<b>0.1</b>	<b>-4.9</b>		<b>16.2</b>	<b>49.4</b>	<b>-67.2</b>
<b>Net Margin</b>	<b>2%</b>	<b>7%</b>	<b>-5 pp</b>	<b>0%</b>	<b>-2%</b>	<b>2 pp</b>	<b>2%</b>	<b>5%</b>	<b>-3 pp</b>
Exceptional Profit (net) <sup>2</sup>	-470.1	7.5					-470.1	7.5	
<b>Net Profit</b>	<b>-454.0</b>	<b>61.7</b>		<b>0.1</b>	<b>-4.9</b>		<b>-453.9</b>	<b>56.8</b>	
<b>EBITDA <sup>3</sup></b>	<b>224.0</b>	<b>254.3</b>	<b>-11.9</b>	<b>1.3</b>	<b>-4.9</b>		<b>225.3</b>	<b>249.4</b>	<b>-9.7</b>
<b>EBITDA Margin</b>	<b>32%</b>	<b>33%</b>	<b>-1 pp</b>	<b>1%</b>	<b>-2%</b>	<b>3 pp</b>	<b>28%</b>	<b>24%</b>	<b>4 pp</b>

<sup>1</sup> Includes energy division sales and cost of sales

<sup>2</sup> The figures do not reflect the exceptional income in 2014 related to the sale of the Belo Horizonte hydroelectric project, and in 2015, figures do not include the devaluation of assets, intangibles and inventory.

<sup>3</sup> EBITDA does not consider exceptional results.

Source: Volcan Cia. Minera

## • Sales Analysis

**Table 6: Concentrate Sales Volume**

Concentrates Sales (thousands DMT)		Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Volcan Production	Zinc	125.1	138.9	129.6	150.1	131.7	14.0	543.7	519.8	4.6
	Lead	23.4	24.9	27.5	22.0	23.4	-5.8	97.9	101.5	-3.6
	Copper	3.6	3.2	2.2	5.1	4.5	13.0	14.1	14.9	-5.5
	Silver Bulk	2.6	3.0	2.9	3.9	0.0		12.3	0.0	
		<b>154.7</b>	<b>170.0</b>	<b>162.2</b>	<b>181.1</b>	<b>159.6</b>	<b>13.5</b>	<b>668.0</b>	<b>636.3</b>	<b>5.0</b>
Commerciali- zation Business	Zinc	17.8	23.1	20.9	27.1	42.8	-36.6	88.9	184.7	-51.9
	Lead	0.7	1.3	0.7	0.5	3.0	-83.4	3.2	15.9	-79.6
	Copper	2.2	2.1	2.4	1.9	6.9	-71.8	8.7	29.2	-70.3
	<b>20.7</b>	<b>26.5</b>	<b>24.0</b>	<b>29.6</b>	<b>52.7</b>	<b>-43.9</b>	<b>100.8</b>	<b>229.8</b>	<b>-56.1</b>	
Total	Zinc	142.9	162.0	150.5	177.2	174.5	1.6	632.6	704.5	-10.2
	Lead	24.1	26.3	28.2	22.5	26.4	-14.7	101.1	117.4	-13.9
	Copper	5.8	5.3	4.6	7.0	11.4	-38.4	22.8	44.1	-48.4
	Silver Bulk	2.6	3.0	2.9	3.9	0.0		12.3	0.0	
	<b>175.4</b>	<b>196.5</b>	<b>186.2</b>	<b>210.7</b>	<b>212.3</b>	<b>-0.8</b>	<b>768.9</b>	<b>866.0</b>	<b>-11.2</b>	

Source: Volcan Cia. Minera



The volume of concentrate sold during 4Q15 declined by 0.8% as compared to 4Q14, which is mainly attributed to the 43.9% reduction in the commercialization of third-party concentrate. The sale of the Company's own concentrate grew by 13.5%, mainly due to greater zinc and copper concentrate volumes sold.

In annual terms, concentrate sales decreased by 11.2% in 2015 as compared to 2014, mainly due to the 56.1% reduction in third-party concentrate volumes sold.

**Table 7: Fine Contents Sales Volumes**

Fines Sales		Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Volcan Production	Zinc (thousands FMT)	67.1	74.1	68.1	87.0	71.4	21.9	296.3	282.4	4.9
	Lead (thousands FMT)	13.7	15.2	15.5	13.0	13.3	-2.4	57.2	54.6	4.9
	Copper (thousands FMT)	1.0	0.9	0.7	1.3	1.0	32.0	4.0	3.3	19.6
	Silver (millions Oz) <sup>1</sup>	6.1	6.2	6.4	6.5	5.7	14.0	25.2	21.3	18.2
	Gold (thousands Oz) <sup>1</sup>	3.0	2.9	3.5	3.4	2.7	25.7	12.7	13.1	-3.5
	Antimony (thousands FMT)	0.2	0.2	0.2	0.1	0.0		0.6	0.0	
Commercialization Business	Zinc (thousands FMT)	9.3	12.7	11.4	15.1	23.1	-34.8	48.5	98.3	-50.7
	Lead (thousands FMT)	0.5	0.7	0.4	0.3	1.4	-79.7	1.9	9.2	-79.0
	Copper (thousands FMT)	0.6	0.5	0.6	0.5	1.6	-70.4	2.1	6.5	-67.7
	Silver (millions Oz)	0.3	0.4	0.4	0.4	1.0	-64.0	1.4	4.5	-68.3
	Gold (thousands Oz)	0.1	0.2	0	0.1	0.1	25.5	0.6	0.1	399.5
Total	Zinc (thousands FMT)	76.4	86.8	79.5	102.1	94.5	8.0	344.8	380.6	-9.4
	Lead (thousands FMT)	14.2	15.9	15.9	13.3	14.7	-9.6	59.2	63.8	-7.2
	Copper (thousands FMT)	1.6	1.4	1.2	1.8	2.6	-31.0	6.1	9.8	-38.1
	Silver (millions Oz)	6.4	6.6	6.8	6.8	6.7	2.5	26.6	25.8	3.1
	Gold (thousands Oz)	3.1	3.0	3.7	3.5	2.8	25.7	13.3	13.3	0.4
	Antimony (thousands FMT)	0.2	0.2	0.2	0.1	0.0		0.6	0.0	

<sup>1</sup> 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	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Zinc (USD/MT)	2,097	2,163	1,833	1,614	2,216	-27.2	1,917	2,143	-10.5
Lead (USD/MT)	1,831	1,893	1,727	1,679	2,025	-17.1	1,782	2,103	-15.3
Copper (USD/MT)	5,795	6,012	5,206	4,788	6,520	-26.6	5,426	6,724	-19.3
Silver (USD/Oz)	16.7	16.4	15.0	14.6	16.8	-13.1	15.6	19.1	-18.1
Gold (USD/Oz)	1,219	1,192	1,127	1,096	1,201	-8.7	1,154	1,271	-9.2

Source: Volcan Cia. Minera

**Table 9: Sales in USD**

Sales (millions USD)		Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Volcan Production	Zinc	91.7	102.0	73.0	81.7	107.8	-24.2	348.3	395.8	-12.0
	Lead	16.8	20.5	18.9	6.3	21.5	-70.6	62.6	79.9	-21.7
	Copper	2.9	2.9	1.3	3.0	1.9	55.6	10.1	8.8	14.5
	Silver	79.4	80.3	77.3	78.4	72.0	8.9	315.4	309.7	1.8
	Gold	2.2	2.3	2.8	2.6	1.7	46.8	9.9	9.6	3.1
	Antimony	0.2	0.0	0.1	0.0	0.0		0.3	0.0	
	Sales before adjust.	193.2	208.1	173.3	171.9	205.0	-16.1	746.5	803.8	-7.1
	Sett. of prior period adjust.	-12.3	-1.1	-6.9	-11.6	-4.6	151.4	-32.0	-22.1	44.7
	Adjust. for open positions	6.8	-7.0	-4.3	0.1	-8.0		-4.3	-2.4	77.4
	Hedging results	-3.1	-0.6	0.0	0.1	2.8	-97.8	-3.7	2.4	
Sales after adjust.	184.5	199.4	162.1	160.5	195.1	-17.7	706.5	781.7	-9.6	
Commercialization Business	Zinc	12.9	20.8	15.2	15.8	29.8	-47.0	64.7	144.8	-55.3
	Lead	0.7	0.9	0.5	0.3	-0.2		2.4	15.3	-84.2
	Copper	2.2	2.0	1.9	1.5	7.6	-80.2	7.6	28.6	-73.5
	Silver	3.7	4.1	3.4	3.6	12.3	-70.3	14.9	64.4	-76.8
	Gold	0.1	0.1	0.0	0.0	0.1	-25.0	0.2	0.0	707.3
	Sales before adjust.	19.6	27.9	21.1	21.3	49.5	-57.0	89.8	253.1	-64.5
	Sett. of prior period adjust.	-3.0	-0.2	-0.8	-1.5	-2.1	-27.4	-5.5	-4.8	16.0
	Adjust. for open positions	1.5	-0.2	-0.2	-1.3	-1.7	-21.1	-0.2	-0.3	-15.3
	Hedging results	1.0	-0.7	0.9	2.8	6.8	-58.4	4.0	12.7	-68.4
	Sales after adjust.	19.0	26.8	21.0	21.2	52.4	-59.5	88.1	260.6	-66.2
Total	Zinc	104.6	122.8	88.1	97.5	137.6	-29.2	413.0	540.6	-23.6
	Lead	17.5	21.4	19.4	6.6	21.2	-68.8	65.0	95.2	-31.7
	Copper	5.1	5.0	3.2	4.5	9.5	-53.2	17.7	37.4	-52.7
	Silver	83.1	84.5	80.7	82.0	84.2	-2.7	330.3	374.1	-11.7
	Gold	2.3	2.4	2.8	2.6	1.8	44.7	10.1	9.6	5.2
	Antimony	0.2	0.0	0.1	0.0	0.0		0.3	0.0	
	Sales before adjust.	212.7	236.0	194.4	193.2	254.4	-24.1	836.3	1,056.9	-20.9
	Sett. of prior period adjust.	-15.4	-1.3	-7.7	-13.2	-6.7	95.9	-37.5	-26.9	39.6
	Adjust. for open positions	8.3	-7.2	-4.5	-1.2	-9.7	-87.9	-4.6	-2.7	68.5
	Hedging results	-2.1	-1.3	0.9	2.9	9.6	-69.9	0.3	15.1	-98.0
Sales after adjust.	203.5	226.2	183.1	181.7	247.5	-26.6	794.5	1,042.4	-23.8	

Source: Volcan Cia. Minera

For 4Q15, total sales before adjustments reached USD 193.2 MM, 24.1% lower than the USD 254.4 MM reported in 4Q14. This result was attributable to the material fall in average metal prices: 27.2% in zinc, 17.1% in lead, 26.6% in copper, 13.1% in silver and 8.7% in gold. Another important factor that explains the reduction in total sales is the 57.0% decline in third-party concentrate sales. The third-party concentrate sales resulted in an 11% share of total sales in 4Q15 versus 19% in 4Q14.

Volcan recorded negative sales adjustments of USD -13.2 MM during 4Q15, and USD -1.2 MM related to provisions for open commercial positions. Hedging results were positive by USD 2.9 MM in 4Q15 versus USD 9.6 MM in the same period of the previous year.

As a consequence, sales after adjustments during 4Q15 totaled USD 181.7 MM, a 26.6% decrease if compared to the USD 247.5 MM reported in 4Q14.

In annual terms, sales before adjustments decreased from USD 1,056.9 MM in 2014 to USD 836.3 MM in 2015 due to reasons similar to those explained for 4Q15. Volcan recorded negative sales adjustments of USD -37.5 MM related to final settlements, and USD -4.6 MM related to provisions for open commercial positions. Hedging results

were positive by USD 0.3 MM in 2015 versus USD 15.1 MM in 2014. Therefore, sales after adjustments decreased from USD 1,042.4 MM in 2014 to USD 794.5 MM in 2015.

- **Cost of Goods Sold**

**Table 10: Cost of Goods Sold**

Cost of Goods Sold (millions USD)	Jan-Mar 2015	Apr-Jun 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Volcan Production</b>	<b>145.7</b>	<b>152.6</b>	<b>122.2</b>	<b>163.6</b>	<b>-25.3</b>	<b>575.7</b>	<b>604.3</b>	<b>-4.7</b>
Own Cost of Production	100.4	102.4	99.8	117.1	-14.8	412.8	443.1	-6.8
D&A of Cost of Production	41.3	45.0	17.2	46.6	-63.1	155.3	152.4	1.9
Ore Purchase	0.0	0.0	0.0	0.0		0.0	4.6	-100.0
Extraordinary Costs	1.7	0.2	1.0	0.4	124.7	3.5	2.1	63.8
Variation of Inventories	2.4	5.1	4.3	-0.6		4.2	2.0	112.7
<b>Commercialization Business</b>	<b>18.1</b>	<b>24.5</b>	<b>18.6</b>	<b>53.6</b>	<b>-65.2</b>	<b>82.3</b>	<b>254.7</b>	<b>-67.7</b>
Concentrates Purchase	17.1	24.9	19.0	53.4	-64.4	81.5	248.9	-67.3
Variation of Inventories	1.0	-0.5	-0.4	0.2		0.8	5.7	-85.2
<b>Workers Participation</b>	<b>1.5</b>	<b>2.1</b>	<b>0.0</b>	<b>1.0</b>		<b>3.7</b>	<b>6.7</b>	<b>-45.2</b>
<b>Total</b>	<b>165.3</b>	<b>179.2</b>	<b>140.9</b>	<b>218.2</b>	<b>-35.4</b>	<b>661.7</b>	<b>865.7</b>	<b>-23.6</b>

Source: Volcan Cia. Minera

The total cost of goods sold during 4Q15 reached USD 140.9 MM, 35.4% lower than the USD 218.2 MM figure for 4Q14. This is mainly explained by the USD 17.4 MM decrease of the production cost, the USD 29.4 MM decrease in depreciation following the adjustment made as a consequence of the impairment of fixed and intangible assets and inventories, and the USD 34.4 MM reduction in purchases of third-party concentrates.

In annual terms, the cost of goods sold decreased from USD 865.7 MM in 2014 to USD 661.7 MM in 2015. This is mainly explained by a USD 30.3 MM reduction in the production cost and a USD 167.5 MM decrease in purchases of third-party concentrates.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 12% in 4Q14 to 22% in 4Q15, as a result of the decrease of metal prices being offset by the significant fall in the cost of goods sold. The Company's annual gross margin for 2015 was 17%, a figure similar to 2014, which is explained by falling metal prices being offset by lower production costs and reduced commercialization of third-party concentrates.

Total gross profit in 4Q15 grew by 39.2%, from USD 29.3 MM in 4Q14 to USD 40.8 MM in 4Q15. In annual terms, total gross profit decreased by 24.9%, from USD 176.7 MM in 2014 to USD 132.8 MM in 2015, mainly due to the fall in metals prices.

- **Administrative Expenses and Sales Expenses**

Administrative expenses reached USD 11.4 MM in 4Q15, a 23.8% reduction compared to the USD 15.0 MM figure reported in 4Q14. This reduction is explained by the reduction of consulting and advisory expenses, the streamlining of personnel expenses, reduced insurance premiums, and the effect of the depreciation of the

Peruvian Sol. Administrative expenses during 2015 totaled USD 44.6 MM, 18.2% lower than the USD 54.5 MM recorded in 2014.

Sales expenses in 4Q15 totaled USD 13.9 MM, a figure similar to that reported in 4Q14. In annual terms, sales expenses in 2015 totaled USD 43.0 MM, 12.3% lower than the USD 49.0 MM reported in 2014.

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

Net financial expenses for 4Q15 totaled USD -11.7 MM, a figure higher than the USD -6.0 MM recorded in 4Q14. In annual terms, net financial expenses in 2015 totaled USD -35.6 MM, a figure higher than the USD -23 MM recorded in 2014. This is mainly explained by the fact that since 2Q15, all expenses related to interest on the international bonds were reflected in the Income Statement. Before this date, a portion of these interests was capitalized as part of the investment in the Oxides Plant.

Moreover, exchange-rate variation losses totaling USD -8.1 MM were registered in 4Q15, as compared to the exchange-rate gains reported in 4Q14 (USD 2.5 MM).

- **Exceptional Items**

During 4Q15, as a consequence of the difficult price environment and in accordance with International Accounting Standards (IAS 36), the Company recorded an exceptional item related to the impairment of fixed, intangible and inventory assets in its operating units. Impairment is defined as the deterioration of the value of long-lived assets that is not expected to be recovered through their sale or by the present value of future cash flows.

The total impairment amount and other exceptional adjustments in 4Q15 was USD -648.7 MM. After deferred income taxes, the net effect of these exceptional items on the Income Statement was USD -470.1 MM.

These exceptional items have no effect on the Company's cash flow. Likewise, the impairment of fixed, intangible and inventory assets at the Company's operating units may be reverted in the future if a material increase in metal prices occurs.

**Table 11: Detail of Exceptional Items in 4Q15**

Exceptional Charges (millions of USD)	Gross Amount	Deferred Tax	Net Amount
<b>Impaired Assets</b>	<b>-637.9</b>	<b>178.6</b>	<b>-459.3</b>
Volcan	-100.1	28.0	-72.1
Chungar	-54.4	15.2	-39.2
Cerro	-197.8	55.4	-142.4
Óxidos	-69.3	19.4	-49.9
Alpamarca	-188.9	52.9	-136.0
Vinchos	-27.4	7.7	-19.7
<b>Other Charges</b>	<b>-10.8</b>	<b>0.0</b>	<b>-10.8</b>
<b>Total</b>	<b>-648.7</b>	<b>178.6</b>	<b>-470.1</b>

Source: Volcan Cia. Minera

### 2.1.5 Liquidity and Creditworthiness

The cash flow generated in 4Q15 amounted to USD 39.3 MM. Operating and exploration investments, as well as growth investments in the mining business, reached USD 29.6 MM, while energy investments totaled USD 5.2 MM.

The total cash flow for the period was USD 4.6 MM. The resulting total cash balance as of December 31, 2015 was USD 192.3 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., Compañía Hidroelectrica Tingo S.A. and Empresa de Generacion Electrica Rio Baños S.A.C.

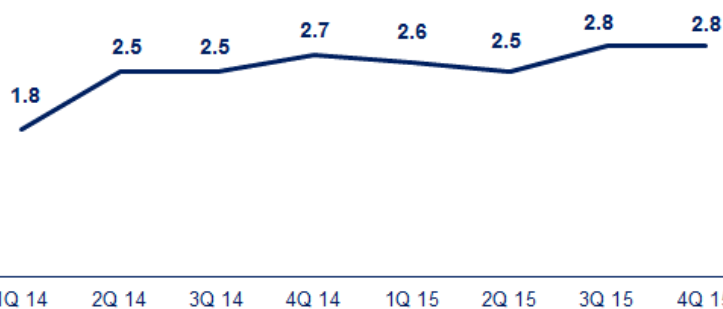
**Table 12: EBITDA, Debt and Cash Flow Position**

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 4Q15
Gross Debt (MM USD)	794.7	27.5	822.2
Cash Balance (MM USD)	183.4	8.9	192.3
<b>Net Debt (MM USD)</b>	<b>611.3</b>	<b>18.6</b>	<b>629.9</b>
<b>EBITDA<sup>1</sup> (MM USD)</b>	<b>219.4</b>	<b>6.0</b>	<b>225.3</b>
<b>Ratio</b>	<b>2.8</b>	<b>3.1</b>	<b>2.8</b>

<sup>1</sup> 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 exceptional gain on the sale of the Belo Horizonte Hydroelectric Plant during 2Q14.

## 2.2. Yauli Unit Operating Results

**Table 13: Yauli Production**

Yauli Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Mineral extraction (thousands MT)	999	999	1,011	1,028	987	4.1	4,036	3,767	7.1
Mineral treatment (thousands MT)	983	972	1,004	1,034	994	4.0	3,994	3,837	4.1
<b>Fine Content</b>									
Zinc (thousands FMT)	41.7	42.5	44.0	47.0	42.3	11.2	175.2	158.2	10.7
Lead (thousands FMT)	5.8	5.9	6.2	7.4	5.7	30.8	25.4	21.9	15.8
Copper (thousands FMT)	0.6	0.5	0.7	0.7	0.6	33.4	2.5	2.1	17.5
Silver (millions Oz)	3.1	3.1	3.1	3.5	2.9	19.7	12.9	11.5	12.2

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 4Q15 grew by 4.1%, as compared to the same quarter of the previous year. Ore extraction at the Carahuacra Mine increased by 75 thousand MT, and at the Andaychagua Mine by 30 thousand MT, and decreased at the San Cristobal Mine by 32 thousand MT.

The ore treated at the Yauli Unit concentrator plants grew by 4.0% in 4Q15 compared to the same period of the previous year. Together, the three concentrator plants at Yauli reached an average treatment volume of nearly 11,500 TPD in 4Q15, mainly due to the expansion of the nominal treatment capacity of the Victoria Plant from 4,700 TPD to 5,200 TPD.

The production of fine silver content rose by 19.7%, mainly due to the greater contribution of the Andaychagua, Carahuacra and San Cristobal Mines, the head grades of which increased significantly. The production of fine zinc content grew by 11.2%, attributed to the increased contribution of the Carahuacra Mine. In addition, the production of fine lead content registered a 30.8% increase due to higher head grades at the San Cristobal Mine, while the production of fine copper content increased by 33.4%, also due to higher head grades.

In annual terms, ore extraction grew by 7.1% as compared to the previous year. The ore tonnage coming from the Carahuacra Mine increased by 220.9 thousand MT, with high zinc content. Ore extraction from the Andaychagua Mine increased by 152.0 thousand MT, with high silver content. These increases were offset by reduced ore extraction at the Ticlio Mine by 77.8 thousand MT, and by 52.1 thousand MT due to the Toldorrumi Mine stoppage.

Ore treated at the concentrator plants increased by 4.1%, as compared to the previous year. This was attributed to the greater volumes extracted at Carahuacra and Andaychagua Mines, which offset the Toldorrumi Mine stoppage, the interruption of purchases of third-party ore, and reduced volumes at Ticlio and Carahuacra Norte Open Pit.

Annual fine silver content produced by the Yauli unit increased by 12.2%, mainly due to the increased ore tonnage and head grade at Andaychagua Mine. Annual zinc production grew by 10.7%, mainly due to the increased ore volume at Carahuacra Mine. Lead grew by 15.8%, mainly due to the increased head grade of ore from the

San Cristobal Mine. Copper production grew by 17.5%, due to increased copper head grades at San Cristobal Mine.

**Table 14: Yauli Production Cost**

Yauli Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Production Cost (MM USD)</b>	<b>59.0</b>	<b>58.7</b>	<b>59.6</b>	<b>58.2</b>	<b>66.5</b>	<b>-12.5</b>	<b>235.4</b>	<b>250.7</b>	<b>-6.1</b>
Mine Cost	36.1	36.5	37.2	36.0	40.7	-11.6	145.8	151.8	-3.9
Plant and Other Cost	22.8	22.2	22.4	22.2	25.8	-14.1	89.6	98.9	-9.5
<b>Unit Cost (USD/MT)</b>	<b>59.4</b>	<b>59.4</b>	<b>59.1</b>	<b>56.4</b>	<b>67.2</b>	<b>-16.0</b>	<b>58.6</b>	<b>66.1</b>	<b>-11.4</b>
Mine Cost	36.2	36.6	36.8	35.0	41.2	-15.1	36.1	40.3	-10.3
Plant and Other Cost	23.2	22.9	22.3	21.4	25.9	-17.4	22.4	25.8	-13.0

Source: Volcan Cia. Minera

Production cost in absolute terms was reduced by 12.5%, from USD 66.5 MM in 4Q14 to USD 58.2 MM in 4Q15, despite the increase in tonnage treated. The absolute annual cost of production decreased by 6.1%, from USD 250.7 MM in 2014 to USD 235.4 MM.

The reduction in the absolute production cost, together with the increase in treatment volumes, caused the unit cost of production to fall by 16.0%, from 67.2 USD/MT in 4Q14 to 56.4 USD/MT in 4Q15. In annual terms, the unit cost of production decreased by 11.4%, from 66.1 USD/MT in 2014 to 58.6 USD/MT in 2015.

**Table 15: Yauli Operating Investments**

Yauli Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Local Exploration	0.8	0.5	0.6	0.4	1.5	-72.1	2.4	4.6	-48.4
Mine Development	9.1	8.3	8.8	5.1	9.9	-48.9	31.3	38.6	-18.9
Plants and Tailings Dams	2.0	3.5	3.5	6.3	9.4	-32.9	15.3	25.6	-40.1
Mine and Infrastructure	5.8	0.5	1.8	1.8	4.5	-59.1	9.9	22.1	-55.0
Energy	0.2	0.3	0.3	0.4	1.0	-65.7	1.3	3.1	-59.9
Support and Others	0.6	0.5	0.5	1.0	2.6	-62.6	2.6	5.9	-55.4
<b>Total</b>	<b>18.6</b>	<b>13.6</b>	<b>15.6</b>	<b>15.0</b>	<b>29.0</b>	<b>-48.4</b>	<b>62.8</b>	<b>99.8</b>	<b>-37.1</b>

Source: Volcan Cia. Minera

Operating investments fell by 48.4%, from USD 29.0 MM in 4Q14 to USD 15.0 MM in 4Q15. 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. In annual terms, investment at the Yauli Unit fell by 37.1%, from USD 99.8 MM to USD 62.8 MM.

It is worth noting that the expansion of the Victoria Plant capacity to 5,200 tpd was completed, and the construction of the Roberto Letts Shaft resumed at the Andaychagua Mine. This new shaft is expected to begin operations during 4Q16. This investment will reduce transportation costs and improve efficiency in general at the mine.

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

- Andaychagua: During 4Q15, 3,490 meters were drilled; including 2,103 meters in order to define and add new inferred resources at the Prosperidad Este and the Split Techo veins, below level 1250. Results were favorable and intercepted

promising zinc and lead mineralization. The drill holes also intercepted significant zinc and silver mineralization, associated with additional structures, such as Andaychagua Techo Vein. The remaining 1,387 meters focused on the infill drilling program at the Prosperidad Este Vein, between levels 1100 and 1200, with the purpose of upgrading inferred resources into indicated resources. In addition, the structures Split Prosperidad, Ramal 1, Tensional 1, Tensional 2 and Tensional Techo were also intercepted, with positive zinc and silver mineralization results.

- **Ticlio:** During 4Q15, 1,009 meters were drilled, aimed at developing the infill drilling program at the Ramal Techo Vein with the objective of upgrading the inferred resources to measured and indicated resources between levels 10 and 11. Results were favorable, intercepting significant polymetallic zinc-lead mineralization. In addition, the trajectory of the drill holes also intercepted significant polymetallic zinc-lead mineralization associated to the Principal Vein.

## 2.3 Chungar Unit Operating Results

**Table 16: Chungar Production**

Chungar Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Mineral extraction (thousands MT)	507	513	546	453	554	-18.3	2,019	2,112	-4.4
Mineral treatment (thousands MT)	479	469	493	455	488	-6.7	1,896	1,954	-3.0
<b>Fine Content</b>									
Zinc (thousands FMT)	21.1	21.5	24.4	21.7	26.1	-16.6	88.7	103.6	-14.4
Lead (thousands FMT)	6.1	5.9	6.3	5.2	5.9	-12.4	23.4	25.2	-6.9
Copper (thousands FMT)	0.3	0.3	0.3	0.2	0.3	-23.0	1.0	1.2	-12.6
Silver (millions Oz)	1.3	1.1	1.2	1.0	1.4	-28.6	4.6	5.9	-22.1

Source: Volcan Cia. Minera

As compared to 4Q14, ore volumes extracted at the Chungar Unit during 4Q15 declined by 18.3%, and the ore treated at the concentrator plant decreased by 6.7%. Ore contribution from the Animon Mine and Islay Mine was reduced by 5.4% and 10.3%, respectively. The reduction in the production of Chungar is the result of the 11-day blockage of access to the unit by the community of Huayllay; a situation that was resolved after extensive negotiations.

As a consequence, the production of fine zinc, lead, copper and silver content during 4Q15 decreased by 16.6%, 12.4%, 23.0% and 28.6%, respectively.

The Chungar Unit is steadily increasing its production after overcoming the delays reported in its progress due to the presence of larger groundwater volumes than expected.

In annual terms, ore volumes extracted at the Chungar Unit declined by 4.4% and the ore treated at the concentrator plant decreased by 3.0%, as compared to the previous year. Therefore, zinc production decreased by 14.4%, lead by 6.9%, copper by 12.6% and silver by 22.1%, as compared to 2014.



**Table 17: Chungar Production Cost**

Chungar Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Production Cost (MM USD)</b>	<b>24.5</b>	<b>24.5</b>	<b>24.3</b>	<b>21.5</b>	<b>27.0</b>	<b>-20.5</b>	<b>94.8</b>	<b>110.0</b>	<b>-13.8</b>
Mine Cost	15.6	14.4	14.8	13.6	16.7	-18.7	58.4	71.3	-18.2
Plant and Other Cost	8.9	10.1	9.5	7.9	10.3	-23.4	36.5	38.7	-5.8
<b>Unit Cost (USD/MT)</b>	<b>49.3</b>	<b>49.6</b>	<b>46.4</b>	<b>47.3</b>	<b>51.2</b>	<b>-7.6</b>	<b>48.1</b>	<b>53.6</b>	<b>-10.1</b>
Mine Cost	30.8	28.1	27.1	30.1	30.2	-0.4	28.9	33.8	-14.4
Plant and Other Cost	18.5	21.5	19.3	17.3	21.0	-17.9	19.2	19.8	-2.9

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 20.5%, from USD 27.0 MM in 4Q14 to USD 21.5 MM in 4Q15. The absolute annual cost decreased by 13.8%, from USD 110.0 MM in 2014 to USD 94.8 MM.

The unit cost fell by 7.6%, from 51.2 USD/MT in 4Q14 to 47.3 USD/MT in 4Q15. In annual terms, the unit cost decreased by 10.1%, from 53.6 USD/MT in 2014 to 48.1 USD/MT in 2015. This is explained by the cost-cutting initiatives currently in place and the operation of the Jacob Timmers Shaft.

**Table 18: Chungar Operating Investments**

Chungar Operating Investments (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Local Exploration	1.6	1.2	1.3	0.7	2.1	-65.4	4.9	7.9	-38.1
Mine Development	4.0	5.2	5.4	4.9	3.7	33.0	19.5	14.2	37.2
Plants and Tailings Dams	0.8	0.6	2.1	1.4	3.5	-59.2	5.0	20.9	-76.0
Mine and Infrastructure	1.2	2.0	3.4	1.8	2.9	-38.4	8.4	12.8	-34.1
Energy	0.3	0.5	0.2	0.2	0.9	-81.5	1.2	3.3	-65.0
Support and Others	0.2	0.1	0.8	1.1	3.5	-69.0	2.3	5.9	-61.0
<b>Total</b>	<b>8.2</b>	<b>9.7</b>	<b>13.3</b>	<b>10.1</b>	<b>16.6</b>	<b>-39.2</b>	<b>41.3</b>	<b>65.0</b>	<b>-36.5</b>

Source: Volcan Cia. Minera

Operating investments fell by 39.2%, from USD 16.6 MM in 4Q14 to USD 10.1 MM in 4Q15. In annual terms, operating investments decreased by 36.5%, mainly due to the prioritization of investments in the face of the unfavorable metals prices environment. Investment in mine development rose by 33.0%, aiming at recovering normal production levels. As in previous months, investments are still focused on drilling different veins in Animon and Islay in order to meet the expected production plans.

A summary of the systematic exploration program carried out at the Chungar Unit follows:

- **Animón:** A total of 6,061 meters of diamond drilling was carried out during 4Q15, including 4,533 meters of the infill drilling program of the veins Ramal Piso 3 Principal, Gisela, Karina 1 and Principal. Results were favorable, allowing for the upgrade of inferred resources to measured-indicated resources. The remaining 1,527 meters was aimed at delineating potential, with the objective of assessing the continuity of the economic mineralization in the south-west sector of Andalucía 120, Gisela and Andalucía and Lineamiento Sur veins; all with positive results.

## 2.4 Cerro de Pasco Unit Operating Results

**Table 19: Cerro de Pasco Production**

Cerro de Pasco Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Mineral extraction (thousands MT)	61	69	82	39	52	-25.2	251	221	13.8
Mineral treatment (thousands MT)	98	100	113	88	230	-61.7	399	771	-48.3
<b>Fine Content</b>									
Zinc (thousands FMT)	2.6	3.5	4.0	2.2	3.0	-25.8	12.3	13.0	-5.5
Lead (thousands FMT)	1.2	1.3	1.5	1.0	1.5	-35.7	4.9	5.9	-16.5
Silver (millions Oz)	0.3	0.2	0.3	0.2	0.6	-58.3	1.1	1.9	-43.0

Source: Volcan Cia. Minera

In 4Q15, the operations of Cerro de Pasco were reduced to minimum levels, and the operation of the San Expedito plant was suspended in November. Accordingly, in 4Q15 the ore extracted from the Paragsha underground mine decreased by 25.2%, as compared to 4Q14, and the ore treated at the San Expedito plant declined by 61.7%.

In annual terms, the ore extracted from the Paragsha underground mine increased by 13.8%. However, treated ore volume was 48.3% lower, mainly due to the exhaustion of the marginal ore stockpiles from Raul Rojas Open Pit, the paralyzation of the Vinchos Mine, and reduced ore volumes shipped from the Islay Mine at the Chungar Unit.

The production of fine zinc fell by 25.8%, lead by 35.7% and silver by 58.3% in 4Q15, as compared to the same quarter of the previous year. In annual terms, fine zinc production fell by 5.5%, lead by 16.5%, and silver by 43.0%, as compared to the previous year.

**Table 20: Cerro de Pasco Cost of Production**

Cerro de Pasco Production Cost <sup>1</sup>	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Production Cost (MM USD)</b>	<b>9.0</b>	<b>9.2</b>	<b>9.4</b>	<b>4.9</b>	<b>11.8</b>	<b>-58.7</b>	<b>32.5</b>	<b>47.3</b>	<b>-31.2</b>
Mine Cost	3.1	2.9	3.4	1.3	3.5	-63.8	10.7	11.8	-9.3
Plant and Other Cost	5.9	6.2	6.0	3.6	8.3	-56.6	21.8	35.5	-38.5
<b>Unit Cost (USD/MT)</b>	<b>111.5</b>	<b>104.8</b>	<b>95.0</b>	<b>73.5</b>	<b>103.0</b>	<b>-28.7</b>	<b>97.4</b>	<b>99.6</b>	<b>-2.2</b>
Mine Cost	51.2	42.2	41.9	32.3	66.7	-51.6	42.7	53.6	-20.3
Plant and Other Cost	60.4	62.6	53.1	41.1	36.3	13.3	54.6	46.0	18.8

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

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 58.7%, from USD 11.8 MM in 4Q14 to USD 4.9 MM in 4Q15. Unit production cost fell by 28.7%, from 103.0 USD/MT in 4Q14 to 73.5 USD/MT in 4Q15.

Similarly, during the year, the absolute cost fell by 31.2%, from USD 47.3 MM in 2014 to USD 32.5 MM, mainly due to lower treated volumes and the implementation of cost-reduction initiatives. In unit-cost terms, the cost of production fell by 2.2%, from 99.6 USD/MT in 2014 to 97.4 USD/MT in 2015.

**Table 21: Cerro de Pasco Operating Investments**

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Mine Development	0.0	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	0.0	-39.0	0.1	0.2	-67.9
Mine and Infrastructure	0.0	0.0	0.0	0.0	0.1	-100.0	0.0	0.2	-100.0
Support and Others	-0.2	0.0	0.0	0.0	0.7	-100.0	-0.1	1.1	
<b>Total</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.8</b>	<b>-97.9</b>	<b>-0.1</b>	<b>1.8</b>	

Source: Volcan Cia. Minera

During 2015, investment at the Cerro de Pasco unit was nearly zero versus the USD 1.8 MM invested in 2014.

## 2.5 Oxides Plant Results

**Table 22: Oxides Plant Production**

Oxides Plant Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Mineral treatment (thousands MT)<sup>1</sup></b>	<b>97</b>	<b>202</b>	<b>223</b>	<b>220</b>	<b>119</b>	<b>85.9</b>	<b>743</b>	<b>239</b>	<b>210.6</b>
<b>Fine Content</b>									
Silver (millions Oz)	0.6	1.0	1.0	1.0	0.6	71.7	3.6	1.1	229.1
Gold (Oz)	787	1,311	1,746	1,467	486	202.0	5,312	651	715

<sup>1</sup>Of the 743 thousand MT, 227 thousand MT correspond to the pre-operational stage from January to May of 2015 and 516 thousand MT to the operational stage since June of 2015.

Source: Volcan Cia. Minera

The Oxides Plant began operating at full capacity in June 2015.

During 4Q15, the Oxides Plant treated 220 thousand MT of ore from stockpiles, obtaining 1 MM ounces of silver and 1,467 ounces of gold. In accumulated terms, for 2015, the Oxides Plant treated 743 thousand MT of ore, obtaining 3.6 MM ounces of silver and 5,312 ounces of gold.

**Table 23: Oxides Plant Cost of Production**

Oxides Plant Production Cost	Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Jan-Dec 2015
<b>Production Cost (MM USD)</b>	<b>2.7</b>	<b>9.1</b>	<b>8.4</b>	<b>20.1</b>
<b>Unit Cost (USD/MT)</b>	<b>37.0</b>	<b>40.8</b>	<b>38.0</b>	<b>39.1</b>

Source: Volcan Cia. Minera

In absolute terms, production cost during 4Q15 totaled USD 8.4 MM, and unit production cost was 38.0 USD/MT. In accumulated terms, the absolute cost totaled USD 20.1 MM and unit cost was 39.1 USD/MT.

**Table 24: Oxides Plant Operating Investments**

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Jan-Dec 2015
Plant and Tailing Dam	0.3	3.7	0.6	1.3	6.0
Mine and Infrastructure	0.0	0.0	1.5	1.2	2.8
Support and Others	0.0	0.0	0.0	0.2	0.2
<b>Total</b>	<b>0.3</b>	<b>3.7</b>	<b>2.2</b>	<b>2.7</b>	<b>9.0</b>

Source: Volcan Cia. Minera

The operating investment figure for 4Q15 at the Oxides Plant amounted to USD 2.7 MM. For the year, operating investment totaled USD 9.0 MM. These investments were mainly used to expand the Ocroyoc Tailings Dam, purchase land near the Raul Rojas Open Pit and equipment for the Oxides Plant.

## 2.6 Alparmarca Unit Operating Results

**Table 25: Alparmarca Production**

Alparmarca Production	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Mineral extraction (thousands MT)	201	211	212	235	197	19.4	859	585	47.0
Mineral treatment (thousands MT)	206	219	227	226	203	11.7	879	593	48.1
<b>Fine Content</b>									
Zinc (thousands FMT)	1.8	2.1	2.4	2.4	1.8	34.6	8.7	5.9	48.2
Lead (thousands FMT)	1.2	1.4	1.6	1.7	1.3	33.1	5.8	4.0	46.4
Copper (thousands FMT)	0.2	0.2	0.2	0.2	0.0		0.8	0.1	537.4
Silver (millions Oz)	0.7	0.7	0.6	0.6	0.6	-7.3	2.7	2.2	21.3

Source: Volcan Cia. Minera

Ore volumes extracted at the Alparmarca Unit during 4Q15 grew by 19.4%, as compared to the same quarter of the previous year. The concentrator plant treated 226 thousand MT of ore in 4Q15, an 11.7% increase over 4Q14. The Alparmarca Open Pit contributed 202 thousand MT and the Río Pallanga underground mine 25 thousand MT.

In accumulated terms, ore extraction at the Alparmarca Unit grew by 47% as compared to the previous year and the concentrator plant treated 879 thousand MT of ore, a figure 48.1% higher than in 2014. This was due to the first full year of operation of the Alparmarca Plant that reached full capacity during the second quarter of 2014. During the year, the Alparmarca Open Pit contributed with 735 thousand MT and the Río Pallanga underground mine with 144 thousand MT.

**Table 26: Alparmarca Cost of Production**

Alparmarca Production Cost	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
<b>Production Cost (MM USD)</b>	<b>7.6</b>	<b>7.5</b>	<b>7.2</b>	<b>6.5</b>	<b>9.8</b>	<b>-34.0</b>	<b>28.8</b>	<b>28.0</b>	<b>2.8</b>
Mine Cost	4.2	4.2	3.9	3.6	5.5	-35.5	15.9	15.4	2.7
Plant and Other Cost	3.4	3.3	3.3	2.9	4.3	-32.0	12.9	12.5	2.9
<b>Unit Cost (USD/MT)</b>	<b>37.4</b>	<b>35.0</b>	<b>32.9</b>	<b>28.0</b>	<b>49.1</b>	<b>-43.0</b>	<b>33.2</b>	<b>47.6</b>	<b>-30.3</b>
Mine Cost	20.7	19.8	18.6	15.2	28.1	-46.0	18.5	26.4	-30.1
Plant and Other Cost	16.7	15.1	14.3	12.8	21.0	-39.1	14.7	21.1	-30.5

Source: Volcan Cia. Minera

In absolute terms, the cost of production reached USD 6.5 MM, 34.0% lower than the USD 9.8 MM figure for the same quarter of the previous year. The unit cost of production fell by 43.0%, from 49.1 USD/MT in 4Q14 to 28.0 USD/MT in 4Q15.

In annual terms, the absolute cost of production at the Alparmarca Unit totaled USD 28.8 MM, 2.8% higher than the USD 28.0 MM figure for 2014. In annual terms, the unit cost decreased by 30.3%, from 47.6 USD/MT in 2014 to 33.2 USD/MT in 2015. The unit cost decreased significantly due to higher treated volumes and cost-cutting programs implemented during the year.

**Table 27: Alparmarca Operating Investments**

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Local Exploration	0.7	0.4	0.1	0.1	0.0		1.3	0.0	
Mine Development	0.4	0.3	0.3	0.0	1.5		1.1	4.5	-76.4
Plants and Tailings Dams	0.0	0.3	1.4	0.2	1.1	-83.6	1.8	3.4	-46.7
Mine and Infrastructure	0.0	0.4	0.3	0.6	0.8	-28.4	1.2	2.6	-54.1
Energy	0.0	0.0	0.0	0.0	0.1	-100.0	0.0	0.2	-100.0
Support and Others	0.0	0.1	0.1	0.0	0.6	-94.6	0.2	1.2	-78.9
<b>Total</b>	<b>1.1</b>	<b>1.5</b>	<b>2.1</b>	<b>0.9</b>	<b>4.1</b>	<b>-77.7</b>	<b>5.6</b>	<b>11.9</b>	<b>-53.1</b>

Source: Volcan Cia. Minera

Operating investments at the Alparmarca Unit during 4Q15 totaled USD 0.9 MM, 77.7% lower than the USD 4.1 MM figure for 4Q14.

In annual terms, investments at the Alparmarca Unit during 2015 totaled USD 5.6 MM, 53.1% lower than the USD 11.9 for 2014. These investments were mainly used for development and exploration at the unit, as well as for the expansion of the Alparmarca Tailings Dam.

With regard to the systematic exploration program carried out at the Alparmarca Unit, it is worth noting that 1,143 meters was drilled during 4Q15 with two objectives: First, to verify the extension towards the north of the sheeting mineralization of Alparmarca Open Pit, and, second, to explore the extension at depth of the mineralization of the Alparmarca structure.

A total of three drill holes were executed. The first drill hole obtained favorable results. The results of the grades of the third drill hole are pending. The second drill hole was aborted because it intercepted old mining works.

## 4. Energy

**Table 28: Volcan's Electric Power Balance**

<b>Electric Balance (GWh)</b>	<b>Oct-Dec 2015</b>	<b>Oct-Dec 2014</b>	<b>var %</b>	<b>Jan-Dec 2015</b>	<b>Jan-Dec 2014</b>	<b>var %</b>
<b>Energy generation</b>	<b>80.3</b>	<b>80.8</b>	<b>-0.6%</b>	<b>316.69</b>	<b>316.0</b>	<b>0.2%</b>
Chungar	41.5	43.1	-3.7%	161.2	163.6	-1.5%
Tingo	2.4	0.0		9.8	0.0	
Huanchor	36.4	37.7	-3.4%	145.75	152.44	-4.4%
Rucuy (under construction)	0	0		0	0	
<b>Energy consumption</b>	<b>160.1</b>	<b>168.1</b>	<b>-4.8%</b>	<b>654.2</b>	<b>643.7</b>	<b>1.6%</b>
<b>Energy purchase</b>	<b>116.2</b>	<b>125.1</b>	<b>-7.1%</b>	<b>483.3</b>	<b>480.1</b>	<b>0.7%</b>

Source: Volcan Cia. Minera

During 4Q15, Volcan's total consumption of electric power reached 160 GWh, with a maximum demand of 82 MW.

The 10 hydroelectric plants that belong to the Chungar Unit, jointly with the Tingo Hydroelectric Plant, generated 43.9 GWh. This accounted for 27.4% of the Company's total consumption, at an average cost of 19.8 USD/MWh, which included operating, maintenance and transmission costs.

Considering that the power generated by the Huanchor Hydroelectric Plant (36.4 GWh) is sold to third parties, Volcan purchased 116.2 GWh from the national grid (the SEIN) in order to meet its total consumption demand, at an average unit rate of 73.4 USD/MWh.

The construction of the 20 MW Rucuy Hydroelectric Plant (140 GWh-year) is undergoing civil works and electromechanical assembly. The project is 80% completed. The plant is expected to begin operations during 2Q16, with an approximate total investment of USD 48 MM.

---

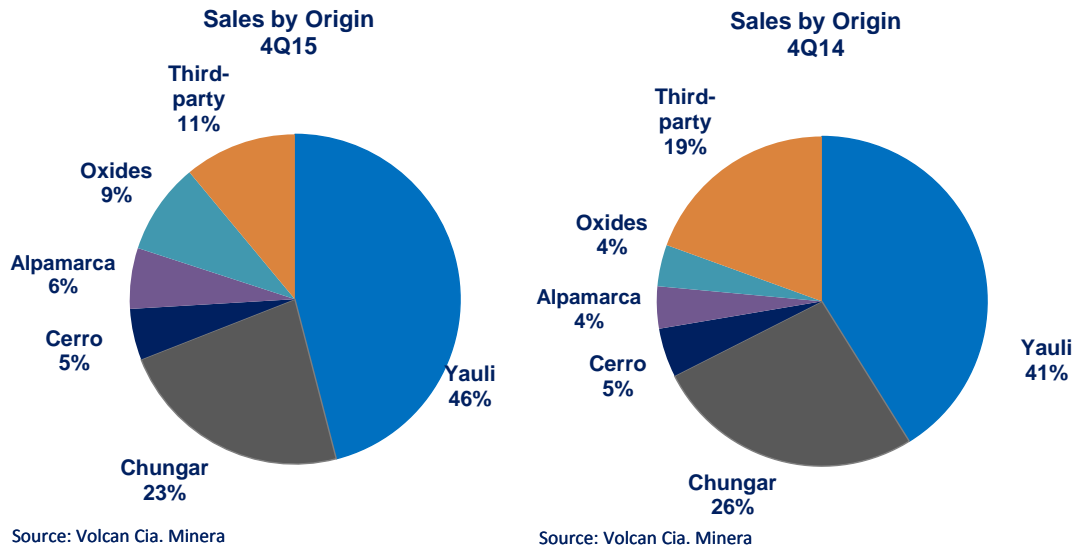
## 5. Final Comments

- Realized production for 4Q15 was in line with planned production, registering an increase in treated tonnage and fine content for all metals when compared to 4Q14. With these results, the Company maintained its zinc production objective for the year, and exceeded its annual production objectives for silver, lead, copper and gold.
- Systematic efforts to lower costs across all operating units continue bearing favorable results. Accordingly, the unit cost of production was reduced by 20.8% in 4Q15, compared to the same period of the previous year. In annual terms, the reduction was 15.9%. The Company is permanently focused on achieving improved operating efficiencies that permit the continuous reduction of its production cost.
- The investment program is continuously evaluated, prioritizing investments that ensure future production objectives as a function of cash generation. Accordingly, in 4Q15, total investments were 57.6% lower than those executed in 4Q14, and total investments for the entire year 2015 were 52.7% lower than those executed during 2014.
- The fall in metal prices during 4Q15 was once again the determining factor in the Company's financial results. During this quarter, spot prices for silver, zinc, and lead hit five-year lows. As a consequence of the deteriorating price trend, final settlements and provisions for open commercial positions resulted in a negative adjustment to sales revenue of USD -14.3 MM in 4Q15 and USD -42.1 MM during 2015.
- Despite the difficult price environment, the systematic exploration programs at the operating units continues. The results of these programs are favorable at the Company's principal mines.
- Progress in the construction of the Rucuy Hydroelectric Plant is at 80%. The plant is expected to be completed by 2Q16, with an approximate total investment of USD 48 MM.

**Annexes**

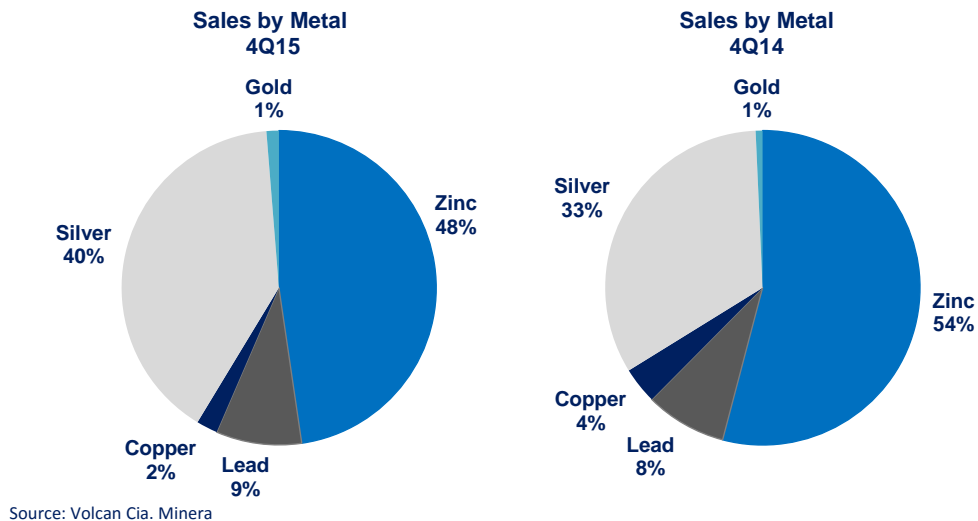
**Annex 1: Sales Breakdown**

**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 19% in 4Q14 to 11% in 4Q15. Meanwhile, sales from the Oxides Plant accounted for 9% of total sales in 4Q15, as compared to the 4% share reported in 4Q14.

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



The distribution of sales by metal in 4Q15 reflects an increased contribution of silver as a result of the increase in its production at the Yauli Unit and the Oxides Plant.



## Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Zinc (USD/MT)	2,081	2,195	1,844	1,611	2,235	-27.9	1,933	2,162	-10.6
Lead (USD/MT)	1,806	1,947	1,712	1,681	1,999	-15.9	1,786	2,096	-14.8
Copper (USD/MT)	5,815	6,054	5,251	4,887	6,621	-26.2	5,502	6,860	-19.8
Silver (USD/Oz)	16.7	16.4	14.9	14.8	16.5	-10.4	15.7	19.1	-17.8
Gold (USD/Oz)	1,220	1,193	1,125	1,105	1,200	-8.0	1,161	1,267	-8.4

Source: London Metal Exchange

## Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Oct-Dec 2014	var %	Jan-Dec 2015	Jan-Dec 2014	var %
Exchange Rate (S/ x USD)	3.06	3.14	3.21	3.32	2.93	13.4	3.19	2.84	12.2
Inflation	3.02	3.54	3.90	4.40	3.22	36.41	4.40	3.22	36.4

Source: Central Reserve Bank of Peru

## Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Dec 2015	Jan - Dec 2014	var %
Silver (Thousands Oz)	131,886	121,149	8.9
Zinc (FMT)	1,421,523	1,315,475	8.1
Lead (FMT)	315,784	277,294	13.9
Copper (FMT)	1,700,814	1,377,642	23.5
Gold (Thousands Oz)	4,663	4,504	3.5

Source: Ministry of Energy and Mines