

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis First Quarter 2016

Principal Results:

Consolidated Volcan	Jan-Mar 2016	Jan-Mar 2015	var %
Operating Results			
Mineral treatment ¹ (thousands MT)	1,943	1,863	4.3
Zinc Production (thousands FMT)	71.4	67.3	6.1
Lead Production (thousands FMT)	15.1	14.3	5.6
Copper Production (thousands FMT)	1.2	1.1	17.0
Silver Production (millions Oz)	5.8	5.9	-2.6
Gold Production (thousands Oz)	1.5	0.8	90.9
Unit Cost (USD/MT)	48.2	56.8	-15.2
Total Investments (MM USD)	18.5	42.5	-56.5
Sales Prices			
Zinc (USD/MT)	1,671	2,097	-20.3
Lead (USD/MT)	1,764	1,831	-3.6
Copper (USD/MT)	4,773	5,795	-17.6
Silver (USD/Oz)	14.9	16.7	-10.5
Financial Results (MM USD)			
Sales before adjustments	172.1	212.7	-19.1
Volcan Production	158.5	193.2	-17.9
Commercialization Business	13.6	19.6	-30.5
Sales Adjustments	11.3	-9.2	
Settlement of prior period adjustments	-7.0	-15.4	-54.3
Adjustments for open positions ²	6.5	8.3	-21.5
Hedging results	11.8	-2.1	
Sales after adjustments	183.4	203.5	-9.9
Net profit w/o exceptionals³	19.3	12.9	49.9
Earnings per share (EPS)	0.005	0.003	50.0
EBITDA³	75.8	63.9	18.5

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.

Source: Volcan Cia. Minera

1. Executive Summary

- The operating and financial results obtained by the Company during 1Q16 were superior to results obtained during 1Q15. Operating improvements implemented over the course of the last three years have resulted in increased production and lower costs, allowing for the increase of our contribution margins, despite lower average metal prices.
- Treated ore volumes increased by 4.3% in 1Q16 compared to 1Q15 mainly due to increased production at the Oxides Plant, which operated at full capacity, and the treatment of greater volumes at the Alparmarca and Chungar Units.
- During 1Q16, the production of fine zinc, lead, copper and gold rose by 6.1%, 5.6%, 17.0% and 90.9%, respectively, and silver was reduced by 2.6%, compared to 1Q15. The reduced silver production is explained by the suspension of operations at the Paragsha underground mine in Cerro de Pasco and lower production at the Chungar Unit. These results were partially offset by greater production at the Yauli Unit and the Oxides Plant.
- Consolidated unit cost decreased by 15.2%, from 56.8 USD/MT in 1Q15 to 48.2 USD/MT in 1Q16. Accordingly, the unit cost reduction in the last three years exceeds 36%.
- In 1Q16, total investments decreased by 56.5%, from USD 42.5 MM to USD 18.5 MM, mainly due to the completion of investments related to the construction of the Oxides Plant and reduced investments at the operating units, from USD 28.1 MM in 1Q15 to USD 16.1 MM in 1Q16.
- The average sales price of zinc fell from 2,097 USD/MT in 1Q15 to 1,671 USD/MT in 1Q16 (-20.3%), lead from 1,831 USD/MT to 1,764 USD/MT (-3.6%) and silver from 16.7 USD/Oz to 14.9 USD/Oz (-10.5%).
- Lower average metal prices in 1Q16 and the reduction of third-party concentrate sales, from USD 19.6 MM in 1Q15 to 13.6 MM in 1Q16, explain the 19.1% reduction of total sales before adjustments, from USD 212.7 MM in 1Q15 to USD 172.1 MM in 1Q16.
- Volcan recorded positive net sales adjustments of USD 11.3 MM¹ during 1Q16 versus USD -9.2 MM in 1Q15. Accordingly, sales after adjustments decreased from USD 203.5 MM in 1Q15 to USD 183.4 MM in 1Q16.
- The increase in gross margin, other income, and the reduction of sales and administrative expenses allowed for net profit to increase from USD 12.9 MM in 1Q15 to USD 19.3 MM in 1Q16. Likewise, EBITDA increased from USD 63.9 MM in 1Q15 to USD 75.8 MM in 1Q16.

¹ 1Q16 sales adjustments: final settlements USD -7.0 MM, provision related to open commercial positions USD +6.5 MM, hedging results USD +11.8 MM.

2. Analysis of Results

2.1 Consolidated Results

2.1.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2016	Jan-Mar 2015	var %
Mineral extraction (thousands MT)	1,901	1,864	2.0
Polymetallic ore	1,675	1,767	-5.2
Oxides ore ¹	226	97	133
Mineral treatment (thousands MT)	1,943	1,863	4.3
Concentrator Plants	1,718	1,767	-2.8
Silver Oxides Plant	226	97	133
Fine Content			
Zinc (thousands FMT)	71.4	67.3	6.1
Lead (thousands FMT)	15.1	14.3	5.6
Copper (thousands FMT)	1.2	1.1	17.0
Silver (millions Oz)	5.8	5.9	-2.6
Gold (thousands Oz)	1.5	0.8	90.9

¹The 97 thousand MT reported from January to March of 2015 correspond to the pre-operational stage.

Source: Volcan Cia. Minera

During 1Q16, Volcan increased extraction volumes by 2.0% 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 Alpamarca Unit, which offset the suspension of production from the Paragsha Mine at the Cerro de Pasco Unit.

Ore volumes treated at the plants grew by 4.3% compared to 1Q15, mainly due to increased volumes treated at the Oxides Plant, which reached its full capacity in June 2015, and, to a lesser extent, to increased volumes treated at the Alpamarca and Chungar Units.

The production of fine zinc increased 6.1%, from 67.3 thousand FMT in 1Q15 to 71.4 thousand FMT during 1Q16. Production of fine lead content rose by 5.6%, from 14.3 thousand FMT to 15.1 thousand FMT. Production of fine copper content registered a 17.0% increase, from 1.1 thousand FMT to 1.2 thousand FMT; while gold ounces produced increased by 90.9%, from 0.8 thousand ounces to 1.5 thousand ounces. Meanwhile, the production of silver ounces decreased by 2.6%, from 5.9 million ounces in 1Q15 to 5.8 million ounces in 1Q16.

The increase in fines produced is explained by the contribution from the Oxides Plant operating at full capacity, and greater production levels at the Yauli Unit, where better head grades and plant recoveries were achieved for all metals. These effects were

partially compensated by the decreased production from the Paragsha Mine at the Cerro de Pasco Unit.

2.1.2 Production Cost

Table 2: Consolidated Production Cost

Consolidated Production Cost¹	Jan-Mar 2016	Jan-Mar 2015	var %
Production Cost (MM USD)	92.5	100.4	-7.9
Mine Cost	52.1	59.3	-12.2
Plant and Other Cost	40.4	41.1	-1.6
Unit Cost (USD/MT)	48.2	56.8	-15.2
Mine Cost	27.4	33.6	-18.4
Plant and Other Cost	20.8	23.2	-10.6

¹The production cost does not consider: i. production cost from the pre-operational stage of the Oxides plant from January to March of 2015, ii. costs from third-party ore and concentrate purchase, iii. extraordinary costs related to severance

Source: Volcan Cia. Minera

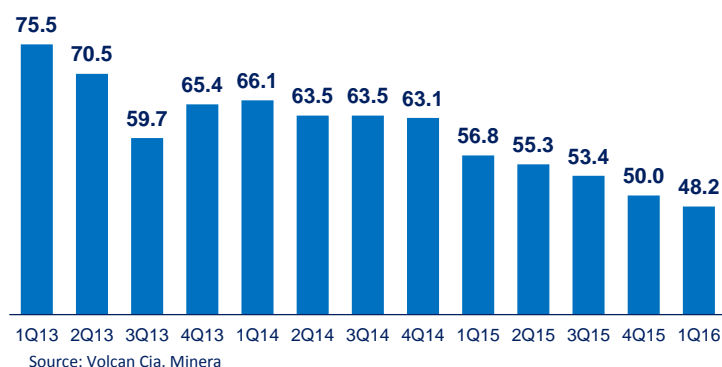
In absolute terms, the cost of production declined by 7.9%, from USD 100.4 MM in 1Q15 to USD 92.5 MM in 1Q16, as a result of improvements to all operating units made during the last three years through the system of continuous improvement established as part of Volcan's integrated management.

Moreover, the devaluation of the Peruvian Sol versus the US Dollar by 12.8%, from 3.06 Soles/USD in 1Q15 to 3.45 Soles/USD in 1Q16, and the reduction of average oil prices² by 31.8%, from 48.6 USD/barrel in 1Q15 to 33.2 USD/barrel in 1Q16 were additional exogenous factors that contributed to the reduction of production cost.

Consolidated unit cost decreased by 15.2%, from 56.8 USD/MT in 1Q15 to 48.2 USD/MT in 1Q16. The unit cost of production at Yauli registered a 6.0% decrease, while at the Chungar and Alpamarca operations, the unit cost of production fell by 2.2% and 33.2%, respectively. The Oxides Plant, which reached nominal operating capacity in June 2015, registered a unit cost of 39.3 USD/MT in 1Q16.

The Company's focus on lowering and controlling costs is reflected in the progressive reduction of consolidated unit cost over the past three years (-36% since 1Q13), as shown in the graph below.

² Source: WTI Crude Oil - BCRP

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

2.1.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Mining	16.7	36.1	-53.7
Mining Units	16.1	28.1	-42.5
Local Exploration	0.1	3.1	-97.8
Development	9.6	13.5	-29.4
Plants and Tailings Facilities	1.6	3.2	-48.2
Mine and Infrastructure	4.1	7.0	-41.2
Energy in Units	0.5	0.6	-12.0
Support and Others	0.2	0.6	-64.5
Regional Explorations	0.4	0.6	-30.7
Growth and Others	0.2	7.4	-97.7
Energy	1.7	6.4	-72.6
Total	18.5	42.5	-56.5

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 53.7%, from USD 36.1 MM in 1Q15 to USD 16.7 MM in 1Q16.

Operating unit investments fell by 42.5%, from USD 28.1 MM in 1Q15 to USD 16.1 MM in 1Q16, and focused on investments necessary to guarantee future production. Regional exploration investments (greenfield or early-stage projects) were reduced by 30.7%, from USD 0.6 MM in 1Q15 to USD 0.4 MM in 1Q16, and investments in growth projects for the mining business fell by 97.7%, from USD 7.4 MM in 1Q15 to USD 0.2 MM in 1Q16. This reduction is mainly explained by the completion of the construction of the Oxides Plant.

Energy investments in 1Q16 were mainly related to the construction of the Rucuy Hydroelectric Plant and totaled USD 1.7 MM. Progress at the Rucuy project was at 90% of completion as of March 2016.

2.1.4 Income Statement

Table 4: First Quarter Income Statement

Income Statement (MM USD)	Volcan Production			Commercialization Business			Consolidated		
	Jan-Mar 2016	Jan-Mar 2015	var %	Jan-Mar 2016	Jan-Mar 2015	var %	Jan-Mar 2016	Jan-Mar 2015	var %
Sales before adjust.	158.5	193.2	-17.9	13.6	19.6	-30.3	172.1	212.7	-19.1
<i>Sett. of prior periods adjust.</i>	-6.5	-12.3	-47.2	-0.5	-3.0	-83.4	-7.0	-15.4	-54.3
<i>Adj. open positions</i>	5.6	6.8	-18.2	0.9	1.5	-37.0	6.5	8.3	-21.5
<i>Hedging</i>	11.9	-3.1		-0.1	1.0		11.8	-2.1	
Sales after adjust.	169.5	184.5	-8.1	13.9	19.0	-26.7	183.4	203.5	-9.9
Cost of Goods Sold	-123.7	-147.2	-16.0	-12.1	-18.1	-33.2	-135.8	-165.3	-17.8
<i>Direct Cost of Goods Sold</i>	-92.4	-102.7	-10.0	-11.9	-18.1	-34.0	-104.4	-120.8	-13.6
<i>Depreciation and Amortization</i>	-30.0	-41.3	-27.3				-30.0	-41.3	-27.3
<i>Extraordinary Costs</i>	-0.4	-1.7	-73.8				-0.4	-1.7	-73.8
<i>Workers Participation</i>	-0.8	-1.5	-46.6	-0.2	0.0	366.6	-1.0	-1.5	-36.2
Gross Profit	45.8	37.4	22.6	1.8	0.9	107.0	47.6	38.2	24.6
<i>Gross Margin</i>	27%	20%	7 pp	13%	5%	8 pp	26%	19%	7 pp
Administrative Expenses	-9.2	-10.7	-14.1	-0.2	-0.2	-10.2	-9.3	-10.9	-14.1
Sales Expenses	-6.4	-7.7	-16.8	-0.2	-0.5	-60.8	-6.6	-8.2	-19.5
Other Income (Expenses) ¹	9.8	1.4	582.2				9.8	1.4	582.2
Operating Profit	40.0	20.4	96.1	1.4	0.2	715.6	41.5	20.6	101.4
<i>Operating Margin</i>	24%	11%	13 pp	10%	1%	9 pp	23%	10%	12 pp
Financial Income (Expenses)	-8.6	-6.4	34.0	0.0	-0.1	-84.7	-8.6	-6.5	32.0
Exchange difference (net)	0.7	-0.3					0.7	-0.3	
Royalties	-1.3	-2.0	-34.8	-0.1	-0.2	-30.3	-1.4	-2.2	-34.4
Income Tax	-12.4	1.3		-0.4	0.0		-12.8	1.3	
Net Profit	18.5	13.0	41.9	0.9	-0.1		19.3	12.9	49.9
<i>Net Margin</i>	11%	7%	4 pp	6%	-1%	8 pp	11%	6%	4 pp
EBITDA³	74.3	63.8	16.4	1.4	0.2	715.6	75.8	63.9	18.5
<i>EBITDA Margin</i>	44%	35%	9 pp	10%	1%	9 pp	41%	31%	10 pp

¹ Includes energy division sales and cost of sales

Source: Volcan Cia. Minera

• Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2016	Jan-Mar 2015	var %
Zinc (USD/MT)	1,671	2,097	-20.3
Lead (USD/MT)	1,764	1,831	-3.6
Copper (USD/MT)	4,773	5,795	-17.6
Silver (USD/Oz)	14.9	16.7	-10.5
Gold (USD/Oz)	1,165	1,219	-4.5

Source: Volcan Cia. Minera

Table 6: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2016	Jan-Mar 2015	var %
Volcan Production	Zinc (thousands FMT)	69.6	67.1	3.8
	Lead (thousands FMT)	15.2	13.7	11.5
	Copper (thousands FMT)	0.9	1.0	-6.2
	Silver (millions Oz) ¹	5.9	6.1	-3.0
	Gold (thousands Oz) ¹	3.5	3.0	17.9
Commercialization Business	Zinc (thousands FMT)	7.3	9.3	-21.8
	Lead (thousands FMT)	0.6	0.5	14.6
	Copper (thousands FMT)	0.3	0.6	-41.7
	Silver (millions Oz)	0.3	0.3	-17.7
	Gold (thousands Oz)	0.0	0.1	-84.3
Total	Zinc (thousands FMT)	76.9	76.4	0.7
	Lead (thousands FMT)	15.8	14.2	11.6
	Copper (thousands FMT)	1.3	1.6	-18.7
	Silver (millions Oz)	6.2	6.4	-3.7
	Gold (thousands Oz)	3.5	3.1	13.3

¹ Includes Oxides Plant silver and gold sales
Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)		Jan-Mar 2016	Jan-Mar 2015	var %
Volcan Production	Zinc	65.8	91.7	-28.2
	Lead	18.6	16.8	10.4
	Copper	1.9	2.9	-33.8
	Silver	69.6	79.4	-12.4
	Gold	2.6	2.2	18.0
	Antimony	0.0	0.2	-100.0
	Sales before adjust.	158.5	193.2	-17.9
	Sett. of prior period adjust.	-6.5	-12.3	-47.2
	Adjust. for open positions	5.6	6.8	-18.2
	Hedging results	11.9	-3.1	
	Sales after adjust.	169.5	184.5	-8.1
Commercialization Business	Zinc	9.5	12.9	-26.5
	Lead	0.7	0.7	-4.5
	Copper	0.8	2.2	-61.9
	Silver	2.6	3.7	-29.5
	Gold	0.0	0.1	-97.8
	Sales before adjust.	13.6	19.6	-30.5
	Sett. of prior period adjust.	-0.5	-3.0	-83.4
	Adjust. for open positions	0.9	1.5	-37.0
Hedging results	-0.1	1.0		
Sales after adjust.	13.9	19.0	-26.9	
Total	Zinc	75.3	104.6	-28.0
	Lead	19.2	17.5	9.8
	Copper	2.7	5.1	-45.8
	Silver	72.2	83.1	-13.1
	Gold	2.6	2.3	14.2
	Antimony	0.0	0.2	-100.0
	Sales before adjust.	172.1	212.7	-19.1
	Sett. of prior period adjust.	-7.0	-15.4	-54.3
Adjust. for open positions	6.5	8.3	-21.5	
Hedging results	11.8	-2.1		
Sales after adjust.	183.4	203.5	-9.9	

Source: Volcan Cia. Minera

For 1Q16, total sales before adjustments reached USD 172.1 MM, 19.1% lower than the USD 212.7 MM reported in 1Q15. This result was attributable to the material fall in average metal prices: 20.3% in zinc, 3.6% in lead, 17.6% in copper, 10.5% in silver and 4.5% in gold. The 30.5% decrease in third-party concentrate sales, from USD 19.6 MM in 1Q15 to USD 13.6 MM in 1Q16, was an additional factor.

Volcan recorded negative sales adjustments of USD -7.0 MM during 1Q16, mainly related to final settlements, and positive adjustments of USD 6.5 MM related to provisions for open commercial positions. Hedging results were positive by USD 11.8 MM in 1Q16 versus a negative result of USD -2.1 MM in the same period of the previous year.

As a consequence, sales after adjustments during 1Q16 totaled USD 183.4 MM, a 9.9% decrease if compared to the USD 203.5 MM reported in 1Q15.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Volcan Production	122.9	145.7	-15.6
Own Production Cost	92.5	100.4	-7.9
D&A from Production Cost	30.0	41.3	-27.3
Extraordinary Costs	0.4	1.7	-73.8
Variation of Inventories	0.0	2.4	
Commercialization Business	11.9	18.1	-34.0
Concentrates Purchase	12.2	17.1	-28.6
Variation of Inventories	-0.3	1.0	
Workers Participation	1.0	1.5	-36.2
Total	135.8	165.3	-17.8

Source: Volcan Cia. Minera

The total cost of goods sold during 1Q16 reached USD 135.8 MM, 17.8% lower than the USD 165.3 MM figure for 1Q15. This is mainly explained by the USD 7.9 MM decrease in the cost of production, the USD 11.3 MM decrease in depreciation and amortization following the adjustment made as a consequence of the impairment of fixed, intangible assets and inventory assets, and the USD 4.9 MM reduction in purchases of third-party concentrates.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 19% in 1Q15 to 26% in 1Q16 due to a lower cost of production, reduced depreciation and amortization, positive hedging results, and reduced commercialization of third-party concentrates in the total sales. The increased gross margin was achieved despite the significant decrease of average metal prices. Total gross profit in 1Q16 grew by 24.6%, from USD 38.2 MM in 1Q15 to USD 47.6 MM in 1Q16.

- **Administrative Expenses and Sales Expenses**

Administrative expenses reached USD 9.3 MM in 1Q16, a 14.1% reduction compared to the USD 10.9 MM figure reported in 1Q15. This reduction is mainly explained by the streamlining of personnel expenses, reduced insurance premiums and consulting expenses, and the effect of the depreciation of the Peruvian Sol.

Sales expenses during 1Q16 decreased by 19.5%, from USD 8.2 MM to 6.6 MM in 1Q15, mainly due to improved logistics that allowed for reductions in transportation and storage expenses.

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

Net financial expenses for 1Q16 totaled USD -8.6 MM, a figure higher than the USD -6.5 MM recorded in 1Q15. This is mainly explained by the fact that since May 2015, all expenses related to interest on the international bonds are reflected in the Income Statement. Before this date, a portion of these interests was capitalized as part of the investment in the Oxides Plant and the Alpamarca Unit.

Moreover, exchange-rate variation gains totaling USD 0.7 MM were registered in 1Q16 compared to the exchange-rate losses reported in 1Q15 for USD -0.3 MM.

- **Net Profit and EBITDA**

Net profit grew by 49.9%, from USD 12.9 MM in 1Q15 to USD 19.3 MM in 1Q16. This growth is mainly explained by increased gross margin, other income, and reduced administrative and sales expenses.

EBITDA increased by 18.5%, from USD 63.9 MM in 1Q15 to USD 75.8 MM in 1Q16.

2.1.5 Liquidity and Creditworthiness

In 1Q16, cash generated by mining operations totaled USD 29.0 MM. Operating and exploration investments, as well as growth investments in the mining business, reached USD 24.7 MM, while cash generation in the energy business was a negative USD 2.3 MM due to the investments made in the Rucuy Hydroelectric Plant project. Moreover, other investments totaled USD 3.1 MM, while net financing was USD 0.2 MM.

The resulting total cash flow during the period was USD -0.8 MM, and the total cash balance as of March 31, 2015, was USD 191.5 MM.

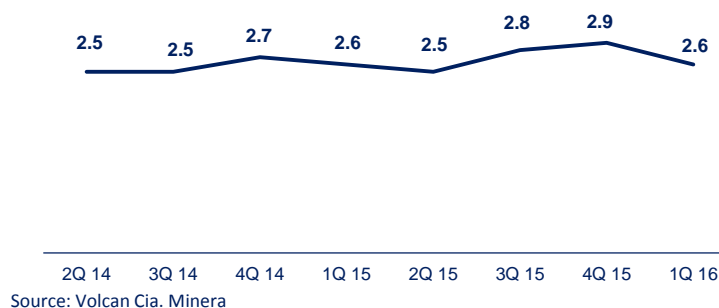
For a more complete analysis, the table below shows debt, cash balance and EBITDA pertaining to the mining division separately from the energy division. The energy division is comprised of subsidiary companies Hidroeléctrica Huanchor S.A.C., Compañía Hidroeléctrica Tingo S.A. and Empresa de Generación Eléctrica Río Baños S.A.C.

Table 9: EBITDA, Debt and Cash Flow Position

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 1Q16
Gross Debt (MM USD)	795.6	26.5	822.1
Cash Balance (MM USD)	182.6	8.9	191.5
Net Debt (MM USD)	613.0	17.6	630.6
EBITDA¹ (MM USD)	231.5	5.7	237.2
Ratio	2.6	3.1	2.7

¹ EBITDA for the last 12 months.

Source: Volcan Cia. Minera

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

Note: For greater precision, the debt considered when calculating this ratio was revised to reflect the effect of exchange-rate hedging associated with PEN/USD synthetic loans. As a result, the only ratio to change was that of 4Q15, which increased to 2.9 from 2.8.

2.2 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2016	Jan-Mar 2015	var %
Mineral extraction (thousands MT)	948	999	-5.1
Mineral treatment (thousands MT)	984	983	0.1
Fines Content			
Zinc (thousands FMT)	46.0	41.7	10.2
Lead (thousands FMT)	7.4	5.8	27.3
Copper (thousands FMT)	0.8	0.6	25.5
Silver (million Oz)	3.2	3.1	2.4
Gold (thousands Oz)	0.6	0.0	

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 1Q16 were reduced by 5.1% compared to the same quarter of the previous year. Ore extraction at the Carahuacra Mine increased by 52 thousand MT. Ore extraction decreased at the San Cristobal Mine by 82 thousand MT and at the Andaychagua Mine by 28 thousand MT. The ore treated at the Yauli Unit concentrator plants increased by 0.1% in 1Q16 compared to the same period of the previous year.

Fine zinc production grew by 10.2%, fine silver by 2.4%, fine lead by 27.3%, and fine copper by 25.5%, as a result of significantly higher head grades.

Table 11: Yauli Production Cost

Yauli Production Cost	Jan-Mar 2016	Jan-Mar 2015	var %
Production Cost (MM USD)	53.7	59.0	-9.0
Extraction Cost	32.8	36.1	-9.3
Treatment Cost	20.9	22.8	-8.5
Unit Cost (USD/MT)	55.8	59.4	-6.0
Extraction Cost	34.6	36.2	-4.4
Treatment Cost	21.2	23.2	-8.6

Source: Volcan Cia. Minera

The cost of production at Yauli in absolute terms was reduced by 9.0%, from USD 59.0 MM in 1Q15 to USD 53.7 MM in 1Q16. The reduction in the absolute cost of production, while maintaining treatment volumes through operating improvements, resulted the unit production cost to decrease by 6.0%, from 59.4 USD/MT in 1Q15 to 55.8 USD/MT in 1Q16.

Table 12: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Local Exploration	0.1	0.8	-93.0
Mine Development	5.6	9.1	-38.4
Plants and Tailings Dams	1.5	2.0	-28.4
Mine and Infrastructure	1.5	5.8	-73.6
Energy	0.5	0.2	93.1
Support and Others	0.1	0.6	-75.1
Total	9.3	18.6	-50.1

Source: Volcan Cia. Minera

Operating investments fell by 50.1%, from USD 18.6 MM in 1Q15 to USD 9.3 MM in 1Q16. This reduction is evident in almost all categories of investment thanks to the efforts made at the unit to prioritize investments in the face of the difficult price environment. Energy investments continued in the implementation of the new San Antonio Substation, expected to begin operations in 3Q16. This substation will significantly improve the reliability of power supply to the San Cristobal and Carahuacra Mines.

2.3 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2016	Jan-Mar 2015	var %
Mineral extraction (thousands MT)	501	507	-1.1
Mineral treatment at Animon Plant (thousands MT)	478	479	-0.2
Mineral treatment at San Expedito Plant (thousands MT)	31	0	
Fines Content			
Zinc (thousands FMT)	22.9	21.1	8.7
Lead (thousands FMT)	5.8	6.1	-4.9
Copper (thousands FMT)	0.4	0.3	37.2
Silver (million Oz)	1.1	1.3	-15.1

Source: Volcan Cia. Minera

In 1Q16, ore extracted at the Chungar Unit decreased by 1.1% as a consequence of a 24% reduction of volumes extracted at Islay Mine, offset by the 10.5% increase in ore extracted at Animon Mine. However, ore treated at the concentrator plants increased by 6.4%, including ore treated at Islay in the San Expedito plant in Cerro de Pasco.

During 1Q16, fine zinc production grew by 8.7% and fine copper by 37.2%. Fine lead production decreased by 4.9% and silver ounces by 15.1%.

Table 14: Chungar Production Cost

Chungar Production Cost	Jan-Mar 2016	Jan-Mar 2015	var %
Production Cost (MM USD)	24.3	24.5	-0.6
Extraction Cost	15.2	15.6	-2.5
Treatment Cost	9.1	8.9	2.6
Unit Cost (USD/MT)	48.2	49.3	-2.2
Extraction Cost	30.3	30.8	-1.4
Treatment Cost	17.9	18.5	-3.5

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 0.6%, from USD 24.5 MM in 1Q15 to USD 24.3 MM in 1Q16. The unit cost decreased by 2.2%, from 49.3 USD/MT in 1Q15 to 48.2 USD/MT in 1Q16. This cost includes the cost of extraction, transportation and processing of Islay ore treated at San Expedito plant.

Table 15: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Local Exploration	0.0	1.6	-99.6
Mine Development	3.9	4.0	-1.6
Plants and Tailings Dams	0.0	0.8	-96.3
Mine and Infrastructure	0.7	1.2	-43.3
Energy	0.0	0.3	-96.2
Support and Others	0.1	0.2	-58.9
Total	4.8	8.2	-41.7

Source: Volcan Cia. Minera

Operating investments fell by 41.7%, from USD 8.2 MM in 1Q15 to USD 4.8 MM in 1Q16, due to investment prioritization as a consequence of the metal price environment. However, investments are still focused on deepening the mines to ensure the development of future production.

2.4 Oxides Plant Results

Table 16: Oxides Plant Production

Oxides Plant Production*	Jan-Mar 2016	Jan-Mar 2015	var %
Mineral treatment (thousands MT)	226	97	132.8
Fines Content			
Silver (million Oz)	1.0	0.6	82.6
Gold (Oz)	933	787	18

* Production in operational-adjustment stage

Source: Volcan Cia. Minera

During 1Q16, the Oxides Plant treated 226 thousand MT of ore from stockpiles, obtaining 1.0 MM ounces of silver and 933 ounces of gold. During 1Q15, the Oxides Plant treated 97 thousand MT of ore, obtaining 0.6 MM ounces of silver and 787 ounces of gold. This increase was the result of the Oxides Plant operating at full capacity since June 2015.

Table 17: Oxides Plant Production Cost

Oxides Plant Production Cost	Jan-Mar 2016
Production Cost (MM USD)	8.9
Extraction Cost	1.3
Treatment Cost	7.6
Unit Cost (USD/MT)	39.3
Extraction Cost	5.7
Treatment Cost	33.6

Source: Volcan Cia. Minera

In absolute terms, production cost during 1Q16 totaled USD 8.9 MM, and unit cost of production was 39.3 USD/MT, as expected.

Table 18: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Plants and Tailings Dams	0.1	0.3	-65.0
Mine and Infrastructure	1.8	0.0	
Total	1.9	0.3	464.8

Source: Volcan Cia. Minera

The operating investment figure for 1Q16 at the Oxides Plant amounted to USD 1.9 MM, while during 1Q15, operating investment totaled USD 0.3 MM. These investments were mainly used to purchase land near the Raul Rojas Open Pit for future developments.

2.6 Alparmarca Unit Operating Results

Table 19: Alparmarca Production

Alparmarca Production	Jan-Mar 2016	Jan-Mar 2015	var %
Mineral extraction (thousands MT)	227	201	13.0
Mineral treatment (thousands MT)	224	206	8.7
Fines Content			
Zinc (thousands FMT)	2.5	1.8	36.8
Lead (thousands FMT)	1.8	1.2	55.2
Copper (thousands FMT)	0.1	0.2	-34.8
Silver (million Oz)	0.5	0.7	-35.2

Source: Volcan Cia. Minera

Ore volumes extracted at the Alparmarca Unit during 1Q16 grew by 13.0% compared to the same quarter of the previous year. The ore was extracted in its entirety at Alparmarca Open Pit, due to Río Pallanga underground mine being suspended. Meanwhile, the concentrator plant treated 224 thousand MT of ore in 1Q16, an 8.7% increase over 1Q15.

Table 20: Alparmarca Production Cost

Alparmarca Production Cost	Jan-Mar 2016	Jan-Mar 2015	var %
Production Cost (MM USD)	5.6	7.6	-25.8
Extraction Cost	2.8	4.2	-32.0
Treatment Cost	2.8	3.4	-18.3
Unit Cost (USD/MT)	25.0	37.4	-33.2
Extraction Cost	12.5	20.7	-39.9
Treatment Cost	12.5	16.7	-24.9

Source: Volcan Cia. Minera

In absolute terms, the cost of production reached USD 5.6 MM, 25.8% lower than the USD 7.6 MM figure for the same quarter of the previous year. The unit cost of production fell by 33.2%, from 37.4 USD/MT in 1Q15 to 25.0 USD/MT in 1Q16. The unit cost decreased significantly due to a lower absolute cost and higher treated volumes. It is worth mentioning that extraction costs at Alparmarca Open Pit, now source for all extracted ore, are lower than at Río Pallanga underground mine, which is currently suspended.

Table 21: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2016	Jan-Mar 2015	var %
Local Exploration	0.0	0.7	-99.6
Mine Development	0.0	0.4	-100.0
Mine and Infrastructure	0.1	0.0	384.9
Support and Others	0.0	0.0	-100.0
Total	0.2	1.1	-86.0

Source: Volcan Cia. Minera

Operating investments at the Alparmarca Unit during 1Q16 totaled USD 0.2 MM, decreased by 86.0%, from USD 1.1 MM in 1Q15

3. Energy

Table 22: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2016	Jan-Mar 2015	var %
Energy generation	70.2	78.7	-10.8
Chungar	38.7	42.5	-9.0
Tingo	2.3	2.4	-3.3
Huanchor	29.2	33.8	-13.5
Rucuy (under construction)	0.0	0.0	
Energy consumption	151.8	159.0	-4.5
Energy purchase	110.8	114.1	-2.9

Source: Volcan Cia. Minera

During 1Q16, Volcan's total consumption of electric power reached 152 GWh, with a maximum demand of 77 MW obtained from the national grid.

The 10 hydroelectric plants that belong to the Chungar Unit, jointly with the Tingo Hydroelectric Plant, generated 41 GWh. This accounted for 27% of the Company's total consumption, at an average cost of 19 USD/MWh, which included operating, maintenance and transmission costs.

Considering that the power generated by the Huanchor Hydroelectric Plant (29 GWh) is sold to third parties, Volcan purchased 111 GWh from the national grid (SEIN) in order to meet its total consumption demand, at an average unit rate of 76 USD/MWh.

Progress in the construction of the Rucuy Hydroelectric Plant is at 90%. The plant is expected to be completed by 2Q16, with an approximate total investment of USD 50 MM.

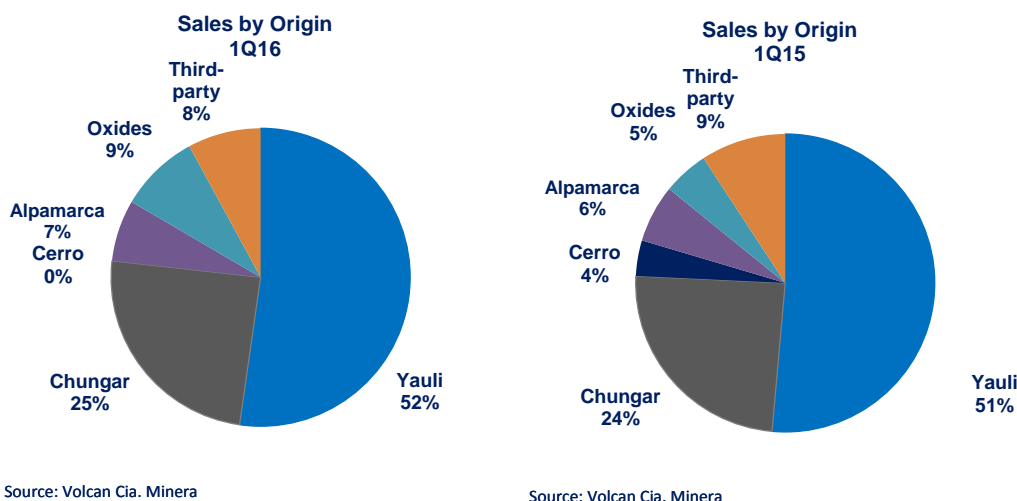
4. Final Comments

- Operating improvements made in recent years have allowed the Company to maintain production volumes at lower costs. Zinc, lead, copper and gold production in 1Q16 grew compared to the production during 1Q15, while silver production maintained similar levels during both periods. The unit cost reduction of 36% achieved in the last three years allowed the Company to face the difficult price environment.
- Net profit grew by 49.9% in 1Q16 compared to 1Q15, as a result of an improved gross margin, an increase in other income, and reduced sales and administrative expenses. Similarly, EBITDA margin increased from 31% in 1Q15 to 41% in 1Q16.
- Efforts to prioritize investments and maintain a balanced cash flow, together with EBITDA growth, have improved the net debt/EBITDA ratio over the previous quarter, from 2.9 to 2.7.
- The Company is permanently focused on developing a world-class safety culture, achieving improved operational efficiencies that permit the continuous reduction of its production cost, and developing initiatives to strengthen its balance sheet.

Annexes

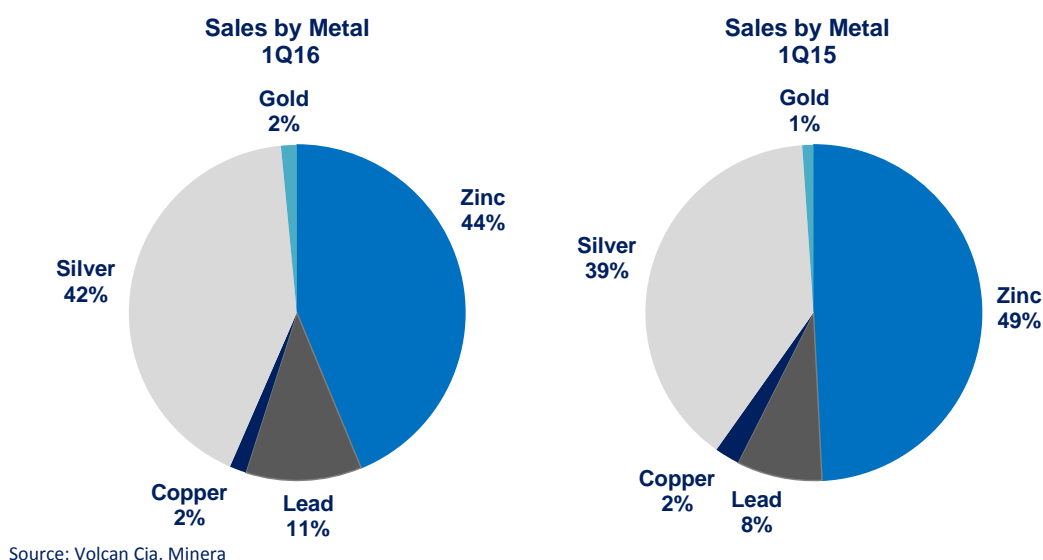
Annex 1: Sales Breakdown

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



The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 9% in 1Q15 to 8% in 1Q16. Meanwhile, sales from the Oxides Plant accounted for 9% of total sales in 1Q16, as compared to the 5% share reported in 1Q15.

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



The distribution of sales by metal in 1Q16 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 2016	Jan-Mar 2015	var %
Zinc (USD/MT)	1,676	2,081	-19.5
Lead (USD/MT)	1,742	1,806	-3.5
Copper (USD/MT)	4,669	5,815	-19.7
Silver (USD/Oz)	14.8	16.7	-11.3
Gold (USD/Oz)	1,179	1,220	-3.4

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2016	Jan-Mar 2015	var %
Exchange Rate (S/ x USD)	3.45	3.06	12.8
Inflation	4.30	3.02	42.4

¹ Inflation for the last 12 months.

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Dec 2015	Jan - Dec 2014	var %
Silver (Thousands Oz)	22,537	19,443	15.9
Zinc (FMT)	209,253	226,590	-7.7
Lead (FMT)	51,148	49,642	3.0
Copper (FMT)	326,442	211,609	54.3
Gold (Thousands Oz)	809	747	8

Source: Ministry of Energy and Mines