

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

Principal Results:

| Consolidated Volcan | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Operating Results | | | | | | | |
| Mineral treatment ¹ (thousands MT) | 1,943 | 1,853 | 1,962 | -5.6 | 3,797 | 3,826 | -0.8 |
| Zinc Production (thousands FMT) | 71.4 | 70.2 | 69.6 | 0.9 | 141.7 | 136.9 | 3.5 |
| Lead Production (thousands FMT) | 15.1 | 13.0 | 14.5 | -10.3 | 28.1 | 28.8 | -2.4 |
| Copper Production (thousands FMT) | 1.2 | 1.2 | 1.0 | 25.0 | 2.5 | 2.0 | 20.9 |
| Silver Production (millions Oz) | 5.8 | 5.8 | 6.1 | -5.6 | 11.6 | 12.1 | -4.1 |
| Gold Production (thousands Oz) | 1.5 | 1.4 | 1.3 | 4.9 | 2.9 | 2.1 | 37.2 |
| Unit Cost (USD/MT) | 48.2 | 50.7 | 55.3 | -8.4 | 49.4 | 56.0 | -11.8 |
| Total Investments (MM USD) | 18.5 | 26.7 | 44.8 | -40.4 | 45.2 | 87.3 | -48.2 |
| Sales Prices | | | | | | | |
| Zinc (USD/MT) | 1,671 | 1,883 | 2,163 | -12.9 | 1,777 | 2,132 | -16.7 |
| Lead (USD/MT) | 1,764 | 1,701 | 1,893 | -10.1 | 1,734 | 1,864 | -7.0 |
| Copper (USD/MT) | 4,773 | 4,756 | 6,012 | -20.9 | 4,764 | 5,899 | -19.2 |
| Silver (USD/Oz) | 14.9 | 16.7 | 16.4 | 1.4 | 15.8 | 16.6 | -4.5 |
| Gold (USD/Oz) | 1,165 | 1,257 | 1,192 | 5.5 | 1,209 | 1,205 | 0.3 |
| Financial Results (MM USD) | | | | | | | |
| Sales before adjustments | 172.1 | 196.8 | 236.0 | -16.6 | 369.0 | 448.8 | -17.8 |
| Volcan Production | 158.5 | 182.3 | 208.1 | -12.4 | 340.9 | 401.3 | -15.1 |
| Commercialization Business | 13.6 | 14.5 | 27.9 | -48.1 | 28.1 | 47.5 | -40.8 |
| Sales Adjustments | 11.3 | -0.1 | -9.9 | -99.3 | 11.2 | -19.1 | |
| Settlement of prior period adjustments | -7.0 | -2.8 | -1.3 | 107.3 | -9.8 | -16.7 | -41.4 |
| Adjustments for open positions ² | 6.5 | 18.8 | -7.2 | | 25.3 | 1.1 | |
| Hedging results | 11.8 | -16.1 | -1.3 | | -4.3 | -3.5 | 23.9 |
| Sales after adjustments | 183.4 | 196.8 | 226.2 | -13.0 | 380.2 | 429.7 | -11.5 |
| Net profit | 19.3 | 15.4 | 13.0 | 18.2 | 34.7 | 25.9 | 34.0 |
| Earnings per share (EPS) | 0.005 | 0.004 | 0.003 | 18.2 | 0.005 | 0.003 | 34.0 |
| EBITDA | 75.8 | 63.1 | 72.4 | -12.8 | 138.8 | 136.3 | 1.9 |

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

- During 2Q16, treatment volumes decreased by 5.6% compared to 2Q15 due to the reduced production volume at Yauli Unit and the suspension of operations at Cerro de Pasco. The reduced volumes at Yauli were the result of a shift in operations, which focused on higher head grade areas in order to ensure production profitability in a low metal price scenario.
- During 2Q16, the production of zinc, copper and gold rose by 0.9%, 25% and 4.9%, respectively, and lead and silver were reduced by 10.3% and 5.6%, respectively, compared to 2Q15. The reduced lead and silver production is mainly explained by the suspension of operations at the Paragsha underground mine in the Cerro de Pasco Unit in November 2015.
- Consolidated unit cost decreased by 8.4%, from 55.3 USD/MT in 2Q15 to 50.7 USD/MT in 2Q16.
- In 2Q16, total investments declined by 40.4%, from USD 44.8 MM to USD 26.7 MM mainly due to the completion of investments related to the construction of the Oxides plant and lower investments at the operating units, from USD 28.5 MM in 2Q15 to USD 23.6 MM in 2Q16.
- The average sales price of zinc fell from 2,163 USD/MT in 2Q15 to 1,883 USD/MT in 2Q16 **(-12.9%)** and lead from 1,893 USD/MT to 1,701 USD/MT **(-10.1%)**. Meanwhile, the average sales price of silver rose slightly from 16.4 USD/Oz in 2Q15 to 16.7 USD/Oz in 2Q16 **(+1.4%)**.
- Lower average sales prices of zinc and lead in 2Q16 and the reduction of third-party concentrate sales, from USD 27.9 MM in 2Q15 to USD 14.5 MM in 2Q16, explain the 16.6% reduction of total sales before adjustments, from USD 236.0 MM in 2Q15 to USD 196.8 MM in 2Q16.
- In 2Q16, negative final settlements (USD -2.8 MM) and negative hedging results (USD -16.1 MM) were completely offset by positive provisions related to open commercial positions (USD 18.8 MM). This neutral result stemming from sales adjustments in 2Q16 can be compared to negative adjustments of USD -9.9 MM in 2Q15. Accordingly, sales after adjustments decreased from USD 226.2 MM in 2Q15 to USD 196.8 MM in 2Q16.
- An increased gross margin and reduced administrative and sales expenses allowed for a net profit increase from USD 13.0 MM in 2Q15 to USD 15.4 MM in 2Q16. However, due to lower sales prices of zinc and lead, EBITDA declined from USD 72.4 MM in 2Q15 to USD 63.1 MM in 2Q16.

2. Analysis of Results

2.1 Consolidated Results

2.1.1 Production

Table 1: Consolidated Production

| Consolidated Production | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|--|--------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Mineral extraction (thousands MT) | 1,901 | 1,854 | 1,995 | -7.1 | 3,755 | 3,859 | -2.7 |
| Polymetallic ore | 1,675 | 1,630 | 1,793 | -9.1 | 3,306 | 3,560 | -7.1 |
| Oxides ore ¹ | 226 | 223 | 202 | 10.4 | 449 | 299 | 50.1 |
| Mineral treatment (thousands MT) | 1,943 | 1,853 | 1,962 | -5.6 | 3,797 | 3,826 | -0.8 |
| Concentrator Plants | 1,718 | 1,630 | 1,760 | -7.4 | 3,348 | 3,527 | -5.1 |
| Silver Oxides Plant | 226 | 223 | 202 | 10.4 | 449 | 299 | 50.1 |
| Fine Content | | | | | | | |
| Zinc (thousands FMT) | 71.4 | 70.2 | 69.6 | 0.9 | 141.7 | 136.9 | 3.5 |
| Lead (thousands FMT) | 15.1 | 13.0 | 14.5 | -10.3 | 28.1 | 28.8 | -2.4 |
| Copper (thousands FMT) | 1.2 | 1.2 | 1.0 | 25.0 | 2.5 | 2.0 | 20.9 |
| Silver (millions Oz) | 5.8 | 5.8 | 6.1 | -5.6 | 11.6 | 12.1 | -4.1 |
| Gold (thousands Oz) | 1.5 | 1.4 | 1.3 | 4.9 | 2.9 | 2.1 | 37.2 |

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

Source: Volcan Cia. Minera

During 2Q16, extraction volume was reduced by 7.1% compared to the same quarter of the previous year. This is mainly explained by lower volumes extracted at the Yauli Unit, which focused on extracting higher head grade ore to guarantee profitability across all mines amidst a low metal price environment, and by the suspension of production at the Paragsha Mine in Cerro de Pasco Unit. These results were offset by larger ore volumes hauled from the Oxides stockpiles and the increased volume of ore mined at the Alpamarca Unit. Year-to-date (Jan-Jun), extraction volume was reduced by 2.7% as compared to the previous year.

Similarly, in 2Q16, ore volumes treated at the plants decreased by 5.6% as compared to 2Q15, mainly due to the suspension of production at the Cerro de Pasco Unit and lower ore volumes from Yauli Unit. These reductions were partly offset by higher treated volumes at the Chungar, Oxides and Alpamarca plants. Year-to-date (Jan-Jun), the treated volume was reduced by 0.8% as compared to the previous year.

The production of fine zinc increased 0.9%, from 69.6 thousand FMT in 2Q15 to 70.2 thousand FMT during 2Q16. Production of fine copper registered a 25.0% increase, from 1.0 thousand FMT to 1.2 thousand FMT; while gold ounces increased by 4.9%, from 1.3 thousand ounces to 1.4 thousand ounces. Meanwhile, the production of fine lead content decreased by 10.3%, from 14.5 thousand FMT in 2Q15 to 13.0 thousand FMT in 2Q16; while the production of silver ounces decreased by 5.6%, from 6.1 million ounces in 2Q15 to 5.8 million ounces in 2Q16.

2.1.2 Production Cost

Table 2: Consolidated Production Cost

| Consolidated Production Cost¹ | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---|-------------------------|-------------------------|-------------------------|--------------|-------------------------|-------------------------|--------------|
| Production Cost (MM USD) | 92.5 | 93.9 | 102.4 | -8.2 | 186.4 | 202.7 | -8.1 |
| Mine Cost | 52.1 | 52.8 | 58.6 | -9.9 | 104.9 | 117.9 | -11.1 |
| Plant and Other Cost | 40.4 | 41.1 | 43.7 | -5.9 | 81.5 | 84.8 | -3.9 |
| Unit Cost (USD/MT) | 48.2 | 50.7 | 55.3 | -8.4 | 49.4 | 56.0 | -11.8 |
| Mine Cost | 27.4 | 28.5 | 31.4 | -9.4 | 27.9 | 32.5 | -14.0 |
| Plant and Other Cost | 20.8 | 22.2 | 23.9 | -7.0 | 21.5 | 23.6 | -8.9 |

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 payments.

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 8.2%, from USD 102.4 MM in 2Q15 to USD 93.9 MM in 2Q16. This reduction is the result of improvement initiatives implemented in all operating units during the last three years through a system of continuous improvement established as part of Volcan's integrated management.

The devaluation of the Peruvian Sol versus the US Dollar by 5.5%, from 3.14 Soles/USD in 2Q15 to 3.32 Soles/USD in 2Q16, and the reduction of oil prices by¹ 21.3%, from 57.8 USD/barrel in 2Q15 to 45.5 USD/barrel in 2Q16 were additional exogenous factors that contributed to the reduction in the cost of production.

Year-to-date (Jan-Jun), the absolute cost of production declined by 8.1%, from USD 202.7 MM in 1H15 to USD 186.4 MM in 1H16.

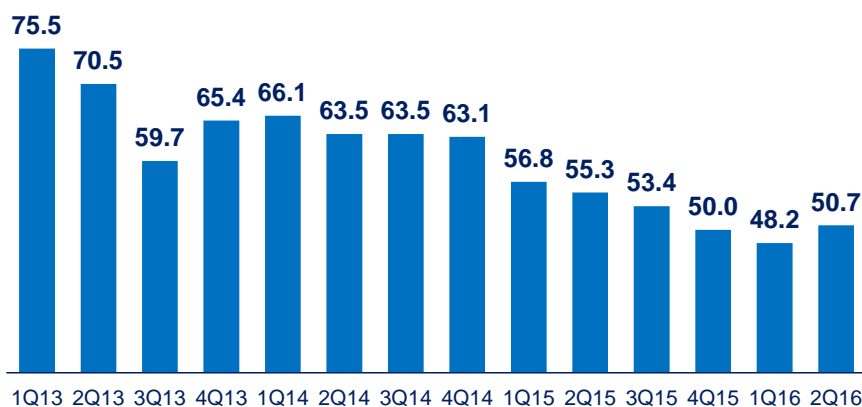
Consolidated unit cost decreased by 8.4%, from 55.3 USD/MT in 2Q15 to 50.7 USD/MT in 2Q16. This is mainly explained by a 33.0% decrease of the unit cost of production at Alpamarca. However, it is worth noting that the unit cost at Yauli increased by 2.2% due to lower extraction and treated volumes, and greater preparations to ensure compliance with production goals. Similarly, the unit cost at Chungar increased by 4.3%, mainly due to temporary exceptional expenses related to mine water pumping.

The increased unit cost at Yauli and Chungar led to a higher consolidated unit cost in 2Q16 as compared to 1Q16. However, these effects are temporary and the unit cost should resume its declining trend in upcoming months. It is worth mentioning that Volcan remains firm in its commitment and approach to control and reduce costs at all levels.

Year-to-date (Jan-Jun), consolidated unit cost decreased by 11.8%, from 56.0 USD/MT in 1H15 to 49.4 USD/MT in the same period in 2016.

¹ Source: WTI Crude Oil - BCRP

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



Source: Volcan Cia. Minera

2.1.3 Total Investments

Table 3: Consolidated Investment

| Consolidated Investment (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Mining | 16.7 | 24.4 | 40.3 | -39.6 | 41.1 | 76.4 | -46.2 |
| Mining Units | 16.1 | 23.6 | 28.5 | -17.3 | 39.7 | 56.6 | -29.8 |
| Local Exploration | 0.1 | 2.1 | 2.2 | -5.1 | 2.1 | 5.3 | -59.6 |
| Development | 9.6 | 10.5 | 13.8 | -23.6 | 20.1 | 27.3 | -26.4 |
| Plants and Tailings Facilities | 1.6 | 3.4 | 8.1 | -57.8 | 5.1 | 11.3 | -55.1 |
| Mine and Infrastructure | 4.1 | 6.9 | 2.8 | 144.9 | 11.1 | 9.9 | 12.2 |
| Energy in Units | 0.5 | 0.1 | 0.8 | -84.1 | 0.6 | 1.4 | -55.5 |
| Support and Others | 0.2 | 0.5 | 0.8 | -33.4 | 0.8 | 1.4 | -47.5 |
| Regional Explorations | 0.4 | 0.5 | 1.4 | -64.4 | 0.9 | 2.0 | -54.4 |
| Growth and Others | 0.2 | 0.3 | 10.4 | -97.4 | 0.4 | 18 | -97.5 |
| Energy | 1.7 | 2.3 | 4.5 | -47.5 | 4.1 | 10.8 | -62.3 |
| Total | 18.5 | 26.7 | 44.8 | -40.4 | 45.2 | 87.3 | -48.2 |

Source: Volcan Cia. Minera

Total mining investments were reduced by 39.6%, from USD 40.3 MM in 2Q15 to USD 24.4 MM in 2Q16. Operating unit investments fell by 17.3%, from USD 28.5 MM in 2Q15 to USD 23.6 MM in 2Q16. Regional exploration investments (greenfield or early-stage projects) were reduced by 64.4%, from USD 1.4 MM in 2Q15 to USD 0.5 MM in 2Q16, and investments in growth projects for the mining business fell by 97.4%, from USD 10.4 MM in 2Q15 to USD 0.3 MM in 2Q16. This reduction is mainly explained by the completion of the construction of the Oxides plant.

Energy investments in 2Q16 were mainly related to the construction of the Rucuy Hydroelectric Plant and totaled USD 2.3 MM. Progress at the Rucuy project was at 98.5% of completion as of June 2016.

In the first half of 2016 (Jan-Jun), total investments amounted to USD 45.2 MM, 48.2% lower than the USD 87.3 MM for 2015.

2.1.4 Income Statement

Table 4: Income Statement

| Income Statement (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---------------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Sales before adjust. | 172.1 | 196.8 | 236.0 | -16.6 | 369.0 | 448.8 | -17.8 |
| <i>Sett. of prior periods adjust.</i> | -7.0 | -2.8 | -1.3 | 107.3 | -9.8 | -16.7 | -41.4 |
| <i>Adj. open positions</i> | 6.5 | 18.8 | -7.2 | | 25.3 | 1.1 | |
| <i>Hedging</i> | 11.8 | -16.1 | -1.3 | | -4.3 | -3.5 | 23.9 |
| Sales after adjust. | 183.4 | 196.8 | 226.2 | -13.0 | 380.2 | 429.7 | -11.5 |
| Cost of Goods Sold | -135.8 | -142.8 | -179.2 | -20.3 | -278.6 | -344.5 | -19.1 |
| Gross Profit | 47.6 | 54.0 | 47.0 | 14.9 | 101.6 | 85.2 | 19.2 |
| <i>Gross Margin</i> | 26% | 27% | 21% | 7 pp | 27% | 20% | 7 pp |
| Administrative Expenses | -9.3 | -11.1 | -12.1 | -8.5 | -20.4 | -23.0 | -11.1 |
| Sales Expenses | -6.6 | -8.9 | -10.6 | -16.1 | -15.5 | -18.8 | -17.6 |
| Other Income (Expenses) ¹ | 9.8 | -4.0 | 1.5 | | 5.8 | 2.9 | 96.9 |
| Operating Profit | 41.5 | 30.0 | 25.8 | 16.3 | 71.5 | 46.4 | 54.0 |
| <i>Operating Margin</i> | 23% | 15% | 11% | 4 pp | 19% | 11% | 8 pp |
| Financial Income (Expenses) | -8.6 | -7.5 | -8.5 | -11.8 | -16.1 | -15.0 | 7.2 |
| Exchange difference (net) | 0.7 | 0.3 | 0.1 | 306.9 | 0.9 | -0.2 | |
| Royalties | -1.4 | -2.6 | -3.3 | -22.8 | -4.0 | -5.5 | -27.4 |
| Income Tax | -12.8 | -4.8 | -1.0 | 369.2 | -17.6 | 0.3 | |
| Net Profit | 19.3 | 15.4 | 13.0 | 18.2 | 34.7 | 25.9 | 34.0 |
| <i>Net Margin</i> | 11% | 8% | 6% | 2 pp | 9% | 6% | 3 pp |
| EBITDA | 75.8 | 63.1 | 72.4 | -12.8 | 138.8 | 136.3 | 1.9 |
| <i>EBITDA Margin</i> | 41% | 32% | 32% | 0 pp | 37% | 32% | 5 pp |

¹ Includes energy division sales and cost of sales

Source: Volcan Cia. Minera

Table 5: Financial Results per Business

| Income Statement (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % | |
|-----------------------------------|----------------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|
| Volcan Production | Sales | 169.5 | 185.2 | 199.4 | -7.1 | 354.7 | 383.9 | -7.6 |
| | Cost of Goods Sold | -123.7 | -128.8 | -154.4 | -16.5 | -252.5 | -301.5 | -16.3 |
| | Gross Profit | 45.8 | 56.4 | 45.0 | 25.1 | 102.2 | 82.4 | 24.0 |
| | <i>Gross Margin</i> | 27% | 30% | 23% | 8 pp | 29% | 21% | 7 pp |
| | Net Profit | 18.5 | 17.5 | 12.6 | 39.0 | 35.9 | 25.6 | 40.5 |
| | EBITDA | 74.3 | 65.9 | 71.3 | -7.6 | 140.3 | 135.1 | 3.8 |
| | <i>EBITDA Margin</i> | 44% | 36% | 36% | 0 pp | 40% | 35% | 4 pp |
| Commercialization Business | Sales | 13.9 | 11.6 | 26.8 | -56.8 | 25.5 | 45.8 | -44.4 |
| | Cost of Goods Sold | -12.1 | -14.0 | -24.8 | -43.9 | -26.1 | -43.0 | -39.4 |
| | Gross Profit | 1.8 | -2.4 | 1.9 | | -0.6 | 2.8 | |
| | <i>Gross Margin</i> | 13% | -21% | 7% | -28 pp | -2% | 6% | -9 pp |
| | Net Profit | 0.9 | -2.1 | 0.4 | | -1.2 | 0.4 | |
| | EBITDA | 1.4 | -2.8 | 1.0 | | -1.4 | 1.2 | |
| | <i>EBITDA Margin</i> | 10% | -25% | 4% | -28 pp | -6% | 3% | -8 pp |
| Consolidated | Sales | 183.4 | 196.8 | 226.2 | -13.0 | 380.2 | 429.7 | -11.5 |
| | Cost of Goods Sold | -135.8 | -142.8 | -179.2 | -20.3 | -278.6 | -344.5 | -19.1 |
| | Gross Profit | 47.6 | 54.0 | 47.0 | 14.9 | 101.6 | 85.2 | 19.2 |
| | <i>Gross Margin</i> | 26% | 27% | 21% | 7 pp | 27% | 20% | 7 pp |
| | Net Profit | 19.3 | 15.4 | 13.0 | 18.2 | 34.7 | 25.9 | 34.0 |
| | EBITDA | 75.8 | 63.1 | 72.4 | -12.8 | 138.8 | 136.3 | 1.9 |
| | <i>EBITDA Margin</i> | 41% | 32% | 32% | 0 pp | 37% | 32% | 5 pp |

Source: Volcan Cia. Minera

• Sales Analysis

Table 6: Average Sales Prices

| Sales Prices | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|-----------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Zinc (USD/MT) | 1,671 | 1,883 | 2,163 | -12.9 | 1,777 | 2,132 | -16.7 |
| Lead (USD/MT) | 1,764 | 1,701 | 1,893 | -10.1 | 1,734 | 1,864 | -7.0 |
| Copper (USD/MT) | 4,773 | 4,756 | 6,012 | -20.9 | 4,764 | 5,899 | -19.2 |
| Silver (USD/Oz) | 14.9 | 16.7 | 16.4 | 1.4 | 15.8 | 16.6 | -4.5 |
| Gold (USD/Oz) | 1,165 | 1,257 | 1,192 | 5.5 | 1,209 | 1,205 | 0.3 |

Source: Volcan Cia. Minera

Table 7: Fine Content Sales Volume

| Fines Sales | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % | |
|----------------------------|-----------------------------------|--------------|--------------|-------|--------------|--------------|-------|-------|
| Volcan Production | Zinc (thousands FMT) | 69.6 | 69.0 | 74.1 | -6.8 | 138.6 | 141.1 | -1.8 |
| | Lead (thousands FMT) | 15.2 | 14.3 | 15.2 | -5.6 | 29.5 | 28.8 | 2.5 |
| | Copper (thousands FMT) | 0.9 | 0.9 | 0.9 | -2.0 | 1.9 | 2.0 | -4.2 |
| | Silver (millions Oz) ¹ | 5.9 | 6.1 | 6.2 | -1.9 | 12.0 | 12.3 | -2.5 |
| | Gold (thousands Oz) ¹ | 3.5 | 3.2 | 2.9 | 13.1 | 6.7 | 5.8 | 15.5 |
| Commercialization Business | Zinc (thousands FMT) | 7.3 | 7.6 | 12.7 | -40.0 | 14.9 | 22.1 | -32.3 |
| | Lead (thousands FMT) | 0.6 | 0.3 | 0.7 | -52.1 | 0.9 | 1.2 | -24.3 |
| | Copper (thousands FMT) | 0.3 | 0.4 | 0.5 | -29.1 | 0.7 | 1.1 | -35.7 |
| | Silver (millions Oz) | 0.3 | 0.3 | 0.4 | -28.1 | 0.5 | 0.7 | -23.3 |
| | Gold (thousands Oz) | 0.0 | 0.0 | 0.2 | -93.3 | 0.0 | 0.3 | -89.2 |
| Total | Zinc (thousands FMT) | 76.9 | 76.7 | 86.8 | -11.7 | 153.6 | 163.2 | -5.9 |
| | Lead (thousands FMT) | 15.8 | 14.7 | 15.9 | -7.7 | 30.5 | 30.0 | 1.4 |
| | Copper (thousands FMT) | 1.3 | 1.3 | 1.4 | -11.5 | 2.6 | 3.0 | -15.3 |
| | Silver (millions Oz) | 6.2 | 6.4 | 6.6 | -3.5 | 12.5 | 13.0 | -3.6 |
| | Gold (thousands Oz) | 3.5 | 3.3 | 3.0 | 7.3 | 6.8 | 6.1 | 10.3 |

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 8: Sales in USD

| Sales (millions USD) | | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|----------------------------|-------------------------------|--------------|--------------|--------------|-------|--------------|--------------|--------|
| Volcan Production | Zinc | 65.8 | 79.6 | 102.0 | -22.0 | 145.5 | 193.7 | -24.9 |
| | Lead | 18.6 | 16.7 | 20.5 | -18.5 | 35.3 | 37.4 | -5.5 |
| | Copper | 1.9 | 1.9 | 2.9 | -34.4 | 3.8 | 5.8 | -34.1 |
| | Silver | 69.6 | 81.9 | 80.3 | 2.0 | 151.5 | 159.7 | -5.2 |
| | Gold | 2.6 | 2.2 | 2.3 | -7.1 | 4.8 | 4.5 | 5.2 |
| | Antimony | 0.0 | 0.0 | 0.0 | | 0.0 | 0.2 | -100.0 |
| | Sales before adjust. | 158.5 | 182.3 | 208.1 | -12.4 | 340.9 | 401.3 | -15.1 |
| | Sett. of prior period adjust. | -6.5 | -2.5 | -1.1 | 124.2 | -9.0 | -13.4 | -33.1 |
| | Adjust. for open positions | 5.6 | 17.8 | -7.0 | | 23.3 | -0.2 | |
| | Hedging results | 11.9 | -12.4 | -0.6 | | -0.5 | -3.7 | -86.7 |
| Sales after adjust. | 169.5 | 185.2 | 199.4 | -7.1 | 354.7 | 383.9 | -7.6 | |
| Commercialization Business | Zinc | 9.5 | 10.3 | 20.8 | -50.6 | 19.8 | 33.7 | -41.4 |
| | Lead | 0.7 | 0.4 | 0.9 | -48.9 | 1.1 | 1.6 | -29.2 |
| | Copper | 0.8 | 0.9 | 2.0 | -53.3 | 1.8 | 4.2 | -57.8 |
| | Silver | 2.6 | 2.8 | 4.1 | -32.1 | 5.4 | 7.9 | -30.9 |
| | Gold | 0.0 | 0.0 | 0.1 | -91.0 | 0.0 | 0.2 | -94.3 |
| | Sales before adjust. | 13.6 | 14.5 | 27.9 | -48.1 | 28.1 | 47.5 | -40.8 |
| | Sett. of prior period adjust. | -0.5 | -0.3 | -0.2 | 27.5 | -0.8 | -3.3 | -75.5 |
| | Adjust. for open positions | 0.9 | 1.0 | -0.2 | | 2.0 | 1.3 | 50.9 |
| Hedging results | -0.1 | -3.7 | -0.7 | 396.5 | -3.8 | 0.3 | | |
| Sales after adjust. | 13.9 | 11.6 | 26.8 | -56.8 | 25.5 | 45.8 | -44.4 | |
| Total | Zinc | 75.3 | 89.9 | 122.8 | -26.8 | 165.2 | 227.4 | -27.3 |
| | Lead | 19.2 | 17.2 | 21.4 | -19.7 | 36.4 | 38.9 | -6.4 |
| | Copper | 2.7 | 2.9 | 5.0 | -42.1 | 5.6 | 10.0 | -44.0 |
| | Silver | 72.2 | 84.7 | 84.5 | 0.3 | 156.9 | 167.6 | -6.4 |
| | Gold | 2.6 | 2.2 | 2.4 | -9.8 | 4.8 | 4.7 | 1.9 |
| | Antimony | 0.0 | 0.0 | 0.0 | | 0.0 | 0.2 | -100.0 |
| | Sales before adjust. | 172.1 | 196.8 | 236.0 | -16.6 | 369.0 | 448.8 | -17.8 |
| | Sett. of prior period adjust. | -7.0 | -2.8 | -1.3 | 107.3 | -9.8 | -16.7 | -41.4 |
| | Adjust. for open positions | 6.5 | 18.8 | -7.2 | | 25.3 | 1.1 | |
| | Hedging results | 11.8 | -16.1 | -1.3 | | -4.3 | -3.5 | 23.9 |
| Sales after adjust. | 183.4 | 196.8 | 226.2 | -13.0 | 380.2 | 429.7 | -11.5 | |

Source: Volcan Cia. Minera

For 2Q16, total sales before adjustments reached USD 196.8 MM, 16.6% lower than the USD 236.0 MM reported in 2Q15. This result was mainly attributable to the fall in average zinc sales price by 12.9%, lead by 10.1%, and copper by 20.9%, and the reduction by 48.1% in third-party concentrates sales, from USD 27.9 MM in 2Q15 to USD 14.5 MM in 2Q16.

Volcan recorded negative sales adjustments of USD -2.8 MM during 2Q16, mainly related to final settlements, and USD -16.1 MM related to hedging results, out of which USD -9.9 MM stem from actual hedge execution and USD -6.2 MM from the provision for outstanding hedging estimated results according to the market prices curve at the end of 2Q16. These negative adjustments were offset in full by positive adjustments of USD 18.8 MM related to provisions over open commercial positions. This neutral result stemming from sales adjustments in 2Q16 can be compared to negative adjustments of USD -9.9 MM in 2Q15.

As a consequence, sales after adjustments during 2Q16 totaled USD 196.8 MM, a 13.0% decrease if compared to the USD 226.2 MM reported in 2Q15.

Year-to-date (Jan-Jun), sales after adjustments declined by 11.5%, from USD 429.7 MM in 1H15 to USD 380.2 MM in 1H16.

- **Cost of Goods Sold**

Table 9: Cost of Goods Sold

| Cost of Goods Sold (millions USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Volcan Production | 122.9 | 126.7 | 152.6 | -17.0 | 249.6 | 298.3 | -16.3 |
| Own Production Cost | 92.5 | 93.9 | 102.4 | -8.2 | 186.4 | 202.7 | -8.1 |
| D&A from Production Cost | 30.0 | 28.7 | 45.0 | -36.1 | 58.7 | 86.2 | -31.9 |
| Extraordinary Costs | 0.4 | 0.2 | 0.2 | 7.7 | 0.6 | 1.9 | -66.8 |
| Variation of Inventories | 0.0 | 3.8 | 5.1 | -25.1 | 3.8 | 7.5 | -49.1 |
| Commercialization Business | 11.9 | 14.1 | 24.5 | -42.3 | 26.1 | 42.6 | -38.8 |
| Concentrates Purchase | 12.2 | 14.1 | 24.9 | -43.5 | 26.3 | 42.0 | -37.5 |
| Variation of Inventories | -0.3 | 0.1 | -0.5 | -112.1 | -0.2 | 0.6 | |
| Workers Participation | 1.0 | 2.0 | 2.1 | -7.8 | 2.9 | 3.7 | -19.6 |
| Total | 135.8 | 142.8 | 179.2 | -20.3 | 278.6 | 344.5 | -19.1 |

Source: Volcan Cia. Minera

The total cost of goods sold during 2Q16 was USD 142.8 MM, 20.3% lower than the USD 179.2 MM figure for 2Q15. This is mainly explained by the USD 8.4 MM decrease in the cost of production, the USD 16.2 MM decrease in depreciation and amortization following the impairment of fixed intangible assets and inventory assets in December 2015, and the USD 10.9 MM reduction in purchases of third-party concentrates.

Year-to-date (Jan-Jun), the total cost of goods sold declined by 19.1%, from USD 344.5 MM in 1H15 to USD 278.6 MM in 1H16.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 21% in 2Q15 to 27% in 2Q16 due to lower cost of production, reduced depreciation and amortization, and reduced commercialization of third-party concentrates in total sales. The gross margin increase occurred despite the lower average sales price of zinc, lead and copper.

Total gross profit in 2Q16 increased by 14.9%, from USD 47.0 MM in 2Q15 to USD 54.0 MM in 2Q16.

Year-to-date (Jan-Jun), gross profit increased by 19.2%, from USD 85.2 MM in 1H15 to USD 101.6 MM in 1H16.

- **Administrative and Sales Expenses**

Administrative expenses reached USD 11.1 MM in 2Q16, a 8.5% reduction compared to the USD 12.1 MM figure reported in 2Q15. This reduction is mainly explained by the streamlining of personnel expenses, reduced insurance premiums, and the effect of the depreciation of the Peruvian Sol.

Sales expenses during 2Q16 decreased by 16.1%, from USD 10.6 MM in 2Q15 to USD 8.9 MM, mainly due to improved logistics that allowed for continued reductions in transportation and storage expenses.

- **Other income and expenses**

In 2Q16, the net amount of other income and expenses was negative, USD -4.0 MM versus a positive amount of USD 1.5 MM in 2Q15. This is explained by the fact that since 2016, expenses related to the Cerro de Pasco Unit are reflected in the Income Statement. During 2Q16, these expenses amounted to USD 3.0 MM and the depreciation and amortization related to this unit, which is also included in this item, amounted to USD 2.6 MM.

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

Net financial expenses for 2Q16 totaled USD -7.5 MM, compared to the USD -8.5 MM recorded in 2Q15. Moreover, exchange-rate variation gains totaling USD 0.3 MM were registered in 2Q16, as compared to the exchange-rate losses reported in 2Q15 (USD 0.1 MM).

- **Net Profit and EBITDA**

Net profit grew by 18.2%, from USD 13.0 MM in 2Q15 to USD 15.4 MM in 2Q16. However, EBITDA was reduced by 12.8%, from USD 72.4 MM in 2Q15 to USD 63.1 MM in 2Q16, mainly due to the fall in zinc, lead and copper prices.

Year-to-date (Jan-Jun), net profit increased by 34.0%, from USD 25.9 MM in 1H15 to USD 34.7 MM in 1H16.

2.1.5 Liquidity and Creditworthiness

In 2Q16, cash generated by mining operations totaled USD 54.8 MM. Operating and exploration investments, as well as growth investments in the mining business, reached USD 23.2 MM, while energy cash generation was negative USD 1.2 MM due to the investments made in the Rucuy Hydroelectric Plant project.

Moreover, other investments totaled USD 21.5 MM, while net financing was USD -7.3 MM.

The resulting total cash flow during the period was USD 1.7 MM, and the total cash balance as of June 30, 2016, was USD 193.2 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.

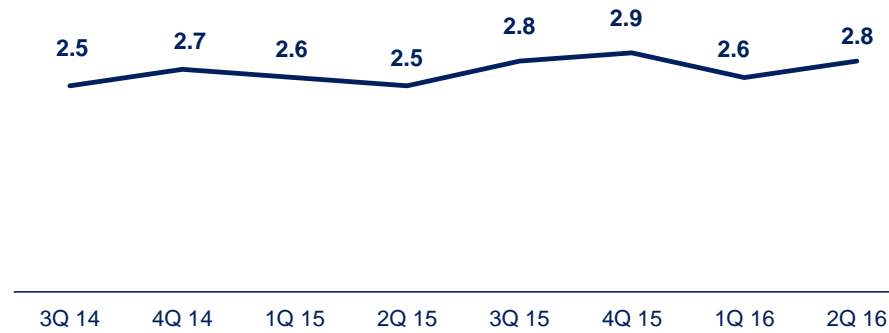
Table 10: EBITDA, Debt and Cash Flow Position

| Net Debt/EBITDA Ratio | Mining | Energy | Consolidated 2Q16 |
|------------------------------------|--------------|-------------|-------------------|
| Gross Debt (MM USD) | 796.2 | 25.5 | 821.8 |
| Cash Balance (MM USD) | 184.1 | 9.1 | 193.2 |
| Net Debt (MM USD) | 612.2 | 16.4 | 628.6 |
| EBITDA¹ (MM USD) | 222.2 | 5.6 | 227.9 |
| Ratio | 2.8 | 2.9 | 2.8 |

¹ EBITDA for the last 12 months.

Source: Volcan Cia. Minera

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



Source: Volcan Cia. Minera

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 11: Yauli Production

| Yauli Production | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|-----------------------------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 948 | 900 | 999 | -9.9 | 1,847 | 1,998 | -7.5 |
| Mineral treatment (thousands MT) | 984 | 898 | 972 | -7.6 | 1,883 | 1,955 | -3.7 |
| Fines Content | | | | | | | |
| Zinc (thousands FMT) | 46.0 | 43.3 | 42.5 | 1.9 | 89.3 | 84.2 | 6.1 |
| Lead (thousands FMT) | 7.4 | 6.0 | 5.9 | 1.8 | 13.4 | 11.7 | 14.5 |
| Copper (thousands FMT) | 0.8 | 0.7 | 0.5 | 43.4 | 1.5 | 1.1 | 33.8 |
| Silver (million Oz) | 3.2 | 3.2 | 3.1 | 3.8 | 6.4 | 6.2 | 3.1 |
| Gold (thousands Oz) | 0.6 | 0.5 | 0.0 | | 1.1 | 0.0 | |

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 2Q16 were reduced by 9.9% compared to the same quarter of the previous year. The reduced ore extraction at Yauli is explained by the focus on extracting higher head grade ore to guarantee profitability across all mines amidst a low metal price environment. During 2Q16, preparation works were intensified. These will allow to progressively increase extraction volumes in the upcoming months.

Accordingly, the ore treated at the Yauli Unit concentrator plants increased by 7.6% in 2Q16 compared to the same period of the previous year.

Despite lower extraction and treatment volumes in 2Q16, fine zinc production at Yauli Unit grew by 1.9%, fine silver by 3.8%, fine lead by 1.8%, and fine copper by 43.4%, as compared to 2Q15. This was due to better head grades.

Table 12: Yauli Production Cost

| Yauli Production Cost | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---------------------------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Production Cost (MM USD) | 53.7 | 54.6 | 58.7 | -7.1 | 108.2 | 117.7 | -8.0 |
| Extraction Cost | 32.8 | 33.2 | 36.5 | -9.1 | 66.0 | 72.6 | -9.2 |
| Treatment Cost | 20.9 | 21.4 | 22.2 | -3.8 | 42.3 | 45.0 | -6.2 |
| Unit Cost (USD/MT) | 55.8 | 60.7 | 59.4 | 2.2 | 58.2 | 59.4 | -2.1 |
| Extraction Cost | 34.6 | 36.9 | 36.6 | 1.0 | 35.7 | 36.4 | -1.8 |
| Treatment Cost | 21.2 | 23.8 | 22.9 | 4.1 | 22.4 | 23.0 | -2.5 |

Source: Volcan Cia. Minera

Cost of production in absolute terms was reduced by 7.1%, from USD 58.7 MM in 2Q15 to USD 54.6 MM in 2Q16. However, the operation's consolidated unit cost increased by 2.2%, from 59.4 USD/MT in 2Q15 to 60.7 USD/MT in 2Q16, mainly due to lower extracted and treated volumes.

In accumulated terms (Jan-Jun), the absolute cost declined by 8.0%, from USD 117.7 MM in 1H15 to USD 108.2 MM in 1H16, while the unit cost decreased by 2.1%, from 59.4 USD/MT to 58.2 USD/MT.

Table 13: Yauli Operating Investments

| Yauli Operating Investments (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|--------------------------------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|
| Local Exploration | 0.1 | 1.2 | 0.5 | 119.3 | 1.2 | 1.4 | -9.2 |
| Mine Development | 5.6 | 6.1 | 8.3 | -27.0 | 11.7 | 17.4 | -32.9 |
| Plants and Tailings Dams | 1.5 | 2.8 | 3.5 | -20.1 | 4.2 | 5.5 | -23.2 |
| Mine and Infrastructure | 1.5 | 3.5 | 0.5 | 623.8 | 5.0 | 6.3 | -19.6 |
| Energy | 0.5 | 0.1 | 0.3 | -82.5 | 0.5 | 0.6 | -5.8 |
| Support and Others | 0.1 | 0.4 | 0.5 | -12.2 | 0.6 | 1.1 | -46.3 |
| Total | 9.3 | 14.0 | 13.6 | 3.0 | 23.3 | 32.2 | -27.6 |

Source: Volcan Cia. Minera

Operating investments increased by 3.0%, from USD 13.6 MM in 2Q15 to USD 14.0 MM in 2Q16, mainly due to higher exploration, mine and infrastructure investments. In this regard, it is worth mentioning that local explorations have resumed at the Carahuacra, San Cristobal and Ticlio Mines.

For 1H16 (Jan-Jun), operating investments fell by 27.6%, from USD 32.2 MM in 1H15 to USD 23.3 MM in 1H16.

2.3 Chungar Unit Operating Results

Table 14: Chungar Production

| Chungar Production | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|-----------------------------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 501 | 500 | 513 | -2.6 | 1,001 | 1,020 | -1.9 |
| Mineral treatment (thousands MT) | 510 | 504 | 469 | 7.6 | 1,014 | 948 | 7.0 |
| Fines Content | | | | | | | |
| Zinc (thousands FMT) | 22.9 | 24.5 | 21.5 | 13.8 | 47.4 | 42.6 | 11.3 |
| Lead (thousands FMT) | 5.8 | 5.3 | 5.9 | -10.4 | 11.1 | 12.0 | -7.6 |
| Copper (thousands FMT) | 0.4 | 0.4 | 0.3 | 34.3 | 0.7 | 0.5 | 35.7 |
| Silver (million Oz) | 1.1 | 1.1 | 1.1 | 1.8 | 2.2 | 2.3 | -7.4 |

Source: Volcan Cia. Minera

In 2Q16, ore volumes extracted at the Chungar Unit decreased by 2.6% as a consequence of a 31.5% reduction of volumes extracted at Islay Mine, offset by a 7.9% increase in ore extracted at Animon Mine. The lower volumes extracted at Islay Mine are explained by a delay reported in its progress due to the presence of larger groundwater volumes than expected. This problem will be solved through the implementation of a new pump system in 3Q16.

However, in 2Q16, the ore treated increased by 7.6% as compared to 2Q15. Fine zinc production increased by 13.8%, fine copper by 34.3% and fine silver by 1.8%. Fine lead production decreased by 10.4% due to lower head grades.

Table 15: Chungar Production Cost

| Chungar Production Cost | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---------------------------------|-----------------|-----------------|-----------------|------------|-----------------|-----------------|------------|
| Production Cost (MM USD) | 24.3 | 25.6 | 24.2 | 5.8 | 49.9 | 48.6 | 2.6 |
| Extraction Cost | 15.2 | 15.9 | 14.4 | 10.4 | 31.1 | 30.0 | 3.7 |
| Treatment Cost | 9.1 | 9.6 | 9.7 | -1.0 | 18.8 | 18.6 | 0.7 |
| Unit Cost (USD/MT) | 48.2 | 51.0 | 48.9 | 4.3 | 49.6 | 49.1 | 1.1 |
| Extraction Cost | 30.3 | 31.9 | 28.1 | 13.4 | 31.1 | 29.4 | 5.7 |
| Treatment Cost | 17.9 | 19.1 | 20.8 | -8.0 | 18.5 | 19.6 | -5.8 |

Source: Volcan Cia. Minera

The cost of production in absolute terms increased by 5.8%, from USD 24.2 MM in 2Q15 to USD 25.6 MM in 2Q16. Moreover, unit cost increased by 4.3%, from 48.9 USD/MT in 2Q15 to 51.0 USD/MT in 2Q16. This increase is mainly explained by exceptional pumping expenses incurred at Islay Mine.

Year-to-date (Jan-Jun), the absolute cost of production increased by 2.6%, from USD 48.6 MM in 1H15 to USD 49.9 MM in 1H16, while the unit cost increased by 1.1%, from 49.1 USD/MT in 1H15 to 49.6 USD/MT in 1H16.

Table 16: Chungar Operating Investments

| Chungar Operating Investments (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Local Exploration | 0.0 | 0.9 | 1.2 | -29.9 | 0.9 | 2.8 | -69.1 |
| Mine Development | 3.9 | 4.5 | 5.2 | -13.4 | 8.4 | 9.2 | -8.2 |
| Plants and Tailings Dams | 0.0 | 0.3 | 0.6 | -58.9 | 0.3 | 1.5 | -80.6 |
| Mine and Infrastructure | 0.7 | 2.8 | 2.0 | 42.4 | 3.5 | 3.2 | 9.6 |
| Energy | 0.0 | 0.1 | 0.5 | -85.0 | 0.1 | 0.8 | -89.2 |
| Support and Others | 0.1 | 0.1 | 0.1 | -62.8 | 0.1 | 0.4 | -60.5 |
| Total | 4.8 | 8.5 | 9.7 | -11.6 | 13.3 | 17.9 | -25.4 |

Source: Volcan Cia. Minera

Operating investments fell by 11.6%, from USD 9.7 MM in 2Q15 to USD 8.5 MM in 2Q16. However, mine and infrastructure investments increased due to pumping system projects. For the first half of 2016 (Jan-Jun), investments declined by 25.4%, from USD 17.9 MM in 1H15 to USD 13.3 MM in 1H16.

2.4 Oxides Plant Results

Table 17: Oxides Plant Production

| Oxides Plant Production* | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---|-----------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| Mineral treatment (thousands MT) | 226 | 223 | 202 | 10.4 | 449 | 299 | 50.1 |
| Fines Content | | | | | | | |
| Silver (million Oz) | 1.0 | 1.1 | 1.0 | 3.2 | 2.1 | 1.6 | 31.6 |
| Gold (Oz) | 933 | 874 | 1,311 | -33.3 | 1,807 | 2,098 | -13.9 |

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

Source: Volcan Cia. Minera

During 2Q16, the Oxides plant treated 223 thousand MT of ore from stockpiles, obtaining 1.1 MM ounces of silver and 874 ounces of gold. During 2Q15, the Oxides plant treated 202 thousand MT of ore, obtaining 1.0 MM ounces of silver and 1,311 ounces of gold.

Table 18: Oxides Plant Production Cost

| Oxides Plant Production Cost | Jan-Mar 2016 | Apr-Jun 2016 | Jun 2015 * | var % | Jan-Jun 2016 | Jun 2015 * | var % |
|---------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|
| Production Cost (MM USD) | 8.9 | 8.4 | 2.7 | 215.4 | 17.3 | 2.7 | 547.9 |
| Extraction Cost | 1.3 | 1.1 | 0.4 | 153.0 | 2.4 | 0.4 | 445.3 |
| Treatment Cost | 7.6 | 7.3 | 2.2 | 227.7 | 14.9 | 2.2 | 568.2 |
| Unit Cost (USD/MT) | 39.3 | 37.6 | 37.0 | 1.7 | 38.5 | 37.0 | 4.0 |
| Extraction Cost | 5.7 | 5.0 | 6.1 | -18.4 | 5.3 | 6.1 | -12.5 |
| Treatment Cost | 33.6 | 32.7 | 30.9 | 5.7 | 33.1 | 30.9 | 7.2 |

* Production cost of 2015 is considered from the operational stage starting from June.

Source: Volcan Cia. Minera

In absolute terms, cost of production during 2Q16 totaled USD 8.4 MM, and unit cost of production was 37.6 USD/MT. Year-to-date (Jan-Jun), absolute cost during 1H16 totaled USD 17.3 MM, and unit cost was 38.5 USD/MT.

Table 19: Oxides Plant Operating Investments

| Oxides Plant Operating Inv. (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Plants and Tailings Dams | 0.1 | 0.1 | 3.7 | -96.0 | 0.3 | 4.1 | -93.4 |
| Mine and Infrastructure | 1.8 | 0.5 | 0.0 | | 2.3 | 0.0 | |
| Total | 1.9 | 0.6 | 3.7 | -83.9 | 2.5 | 4.1 | -38.0 |

Source: Volcan Cia. Minera

The operating investment figure for 2Q16 at the Oxides plant amounted to USD 0.6 MM, versus USD 3.7 MM in 2Q15. This reduction by 83.9% was mainly due to the completion of works at the Ocroyoc Tailings Dam. In accumulated terms (Jan-Jun), operating investment declined by 38.0%, from USD 4.1 MM in 1H15 to USD 2.5 MM in 1H16.

2.6 Alparmarca Unit Operating Results

Table 20: Alparmarca Production

| Alparmarca Production | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|--|--------------|--------------|--------------|------------|--------------|--------------|-------------|
| Mineral extraction (thousands MT) | 227 | 231 | 211 | 9.2 | 457 | 412 | 11.0 |
| Mineral treatment (thousands MT) | 224 | 227 | 219 | 3.5 | 451 | 426 | 6.0 |
| Fines Content | | | | | | | |
| Zinc (thousands FMT) | 2.5 | 2.4 | 2.1 | 14.5 | 4.9 | 4.0 | 24.8 |
| Lead (thousands FMT) | 1.8 | 1.7 | 1.4 | 21.4 | 3.6 | 2.6 | 36.9 |
| Copper (thousands FMT) | 0.1 | 0.1 | 0.2 | -35.2 | 0.3 | 0.4 | -35.0 |
| Silver (million Oz) | 0.5 | 0.5 | 0.7 | -38.3 | 0.9 | 1.4 | -36.8 |

Source: Volcan Cia. Minera

Ore volumes extracted at the Alparmarca Unit during 2Q16 grew by 9.2% compared to the same quarter of the previous year. The ore was extracted in its entirety at Alparmarca Open Pit, due to the Río Pallanga underground mine being suspended. Meanwhile, the concentrator plant treated 227 thousand MT of ore in 2Q16, a 3.5% increase over 2Q15.

Table 21: Alparmarca Production Cost

| Alparmarca Production Cost | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---------------------------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Production Cost (MM USD) | 5.6 | 5.4 | 7.5 | -28.6 | 11.0 | 15.1 | -27.2 |
| Extraction Cost | 2.8 | 2.5 | 4.2 | -39.5 | 5.4 | 8.4 | -35.8 |
| Treatment Cost | 2.8 | 2.8 | 3.3 | -14.9 | 5.6 | 6.8 | -16.6 |
| Unit Cost (USD/MT) | 25.0 | 23.4 | 35.0 | -33.0 | 24.2 | 36.2 | -33.0 |
| Extraction Cost | 12.5 | 11.0 | 19.8 | -44.6 | 11.7 | 20.3 | -42.2 |
| Treatment Cost | 12.5 | 12.4 | 15.1 | -17.8 | 12.5 | 15.9 | -21.4 |

Source: Volcan Cia. Minera

In absolute terms, the cost of production reached USD 5.4 MM in 2Q16, 28.6% lower than the USD 7.5 MM figure for the same quarter of the previous year. The unit cost of production fell by 33.0%, from 35.0 USD/MT in 2Q15 to 23.4 USD/MT in 2Q16. The significant unit cost reduction was due to operating improvements and the fact that all the ore was extracted from Alparmarca Open Pit, which has lower relative costs as compared to the underground mine. Year-to-date (Jan-Jun), the absolute cost of production decreased by 27.2%, from USD 15.1 MM in 1H15 to USD 11.0 MM in 1H16, while the unit cost decreased by 33.0%, from 36.2 USD/MT in 1H15 to 24.2 USD/MT in 1H16.

Table 22: Alparmarca Operating Investments

| Alparmarca Operating Inv. (MM USD) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|---------------------------------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Local Exploration | 0.0 | 0.0 | 0.4 | -98.6 | 0.0 | 1.1 | -99.3 |
| Mine Development | 0.0 | 0.0 | 0.3 | -100.0 | 0.0 | 0.7 | -100.0 |
| Plants and Tailings Dams | 0.0 | 0.2 | 0.3 | -19.2 | 0.3 | 0.3 | 10.0 |
| Mine and Infrastructure | 0.1 | 0.1 | 0.4 | -58.3 | 0.3 | 0.4 | -32.2 |
| Support and Others | 0.0 | 0.0 | 0.1 | -70.2 | 0.0 | 0.1 | -74.4 |
| Total | 0.2 | 0.4 | 1.5 | -71.4 | 0.6 | 2.5 | -77.6 |

Source: Volcan Cia. Minera

Operating investments at the Alparmarca Unit during 2Q16 totaled USD 0.4 MM, while investments in 2Q15 totaled USD 1.5 MM. Year-to-date (Jan-Jun), investments declined by 77.6%, from USD 2.5 MM in 1H15 to USD 0.6 MM in 1H16.

3. Energy

Table 23: Volcan's Electric Power Balance

| Electric Balance (GWh) | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|----------------------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Energy generation | 70.2 | 77.0 | 83.1 | -7.3 | 147.2 | 161.7 | -9.0 |
| Chungar | 38.7 | 34.4 | 41.1 | -16.2 | 73.1 | 83.5 | -12.5 |
| Tingo | 2.3 | 2.3 | 2.5 | -8.2 | 4.6 | 4.9 | -6.0 |
| Huanchor | 29.2 | 40.3 | 39.5 | 2.0 | 69.5 | 73.3 | -5.1 |
| Rucuy (under construction) | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Energy consumption | 151.8 | 156.2 | 166.1 | -6.0 | 308.0 | 325.1 | -5.3 |
| Energy purchase | 110.8 | 119.5 | 122.6 | -2.5 | 230.3 | 236.7 | -2.7 |

Source: Volcan Cia. Minera

During 2Q16, Volcan's total consumption of electric power reached 156 GWh, with a maximum demand of 84 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 34 GWh. This accounted for 22% of the Company's total consumption, at an average cost of 22 USD/MWh, which included operating, maintenance and transmission costs. Tingo Hydroelectric Plant generated 2 GWh. This accounted for 1.5% of the Company's total consumption, which was supplied in its entirety to Chungar Unit operations.

Considering that the power generated by the Huanchor Hydroelectric Plant (40 GWh) was sold to third parties, Volcan purchased 119 GWh from the national grid (the SEIN) in order to meet its total consumption demand, at an average unit rate of 75 USD/MWh.

Progress in the construction of the Rucuy Hydroelectric Plant is at 98.5% at the end of 2Q16. Startup tests are expected to begin by the end of July, with an approximate total investment of USD 50 MM. It is worth mentioning that in 2Q16, a 20-year long-term agreement was executed to guarantee the sale of energy generated by this hydroelectric plant at rates that greatly exceed current market rates.

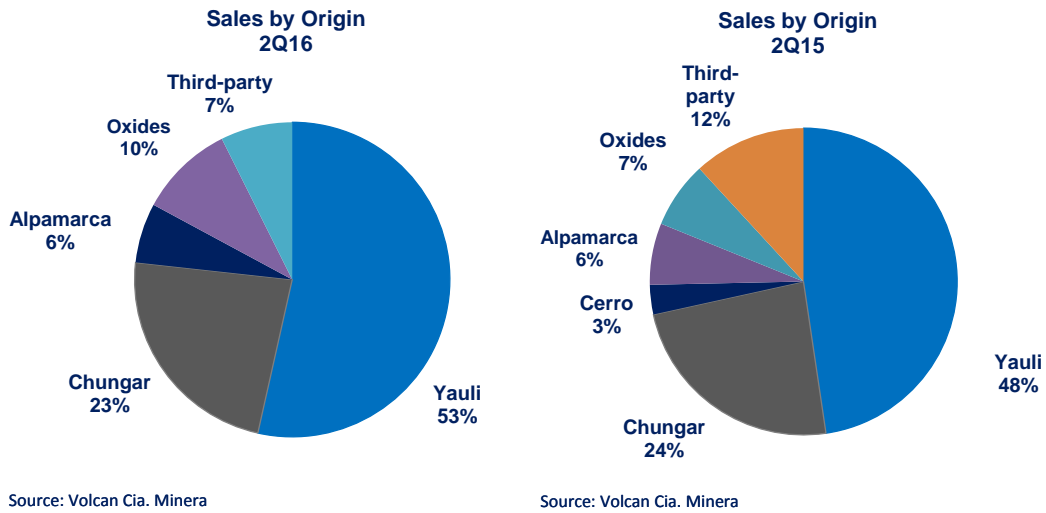
4. Final Comments

- The 2Q16 operating results are in line with the goals Volcan set for the year. Production levels were similar to those recorded in 2Q15, but unit cost decreased by 8.4%. These results and lower depreciation and amortization allowed for gross margin improvement from 21% in 2Q15 to 27% in 2Q16.
- Volcan remains steadfast in its commitment and focus on controlling and reducing costs through the continuous improvement system that is an integral part of the operations management.
- Zinc and silver prices improved in 2Q16, compared to the first quarter of the year. However, compared to 2Q15, zinc, lead and copper average sales prices decreased by -12.9%, -10.1% and -20.9%, respectively, which largely explains the decrease of EBITDA from USD 72.4 MM in 2Q15 to USD 63.1 MM in 2Q16.
- It is important to mention that the systematic exploration plan has resumed in the operating units, which will allow for the expansion of the resources in our main mines, increasing operational flexibility.
- The Company continues to carry out its strategic growth plan to strengthen its competitive position in zinc, lead and silver and, in the future, to improve its diversification incorporating significant copper production.
- In 2Q16, Volcan announced the consolidation of the company Terminales Portuarios Chancay (TPCH), owner of the port of Chancay project, and assumed a role as promoter of the project. In a ceremony held in May, the President of the Republic of Peru laid the cornerstone and preliminary works began. It is worth mentioning that the Company is currently in the process to find a strategic partner to develop and operate the port.
- Finally, pre-operational tests at the Rucuy Hydroelectric Plant began during July. With the startup of the 20 MW plant, the Company will have 13 hydroelectric plants in operation and a total generation capacity of 63 MW.

Annexes

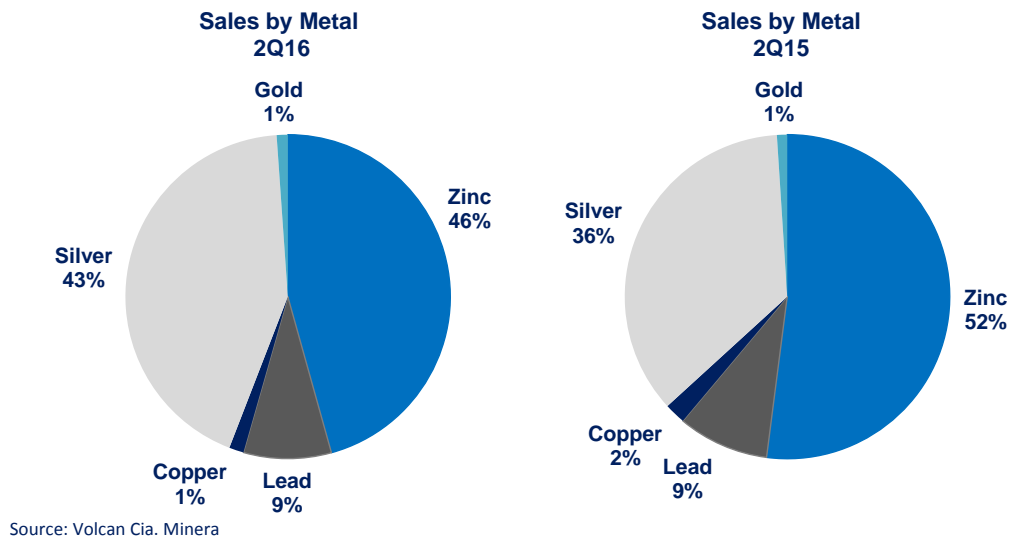
Annex 1: Sales Breakdown

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 12% in 2Q15 to 7% in 2Q16.

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



The distribution of sales per metal in 2Q16 reflects a decline in the contribution of zinc, as a consequence of the reduction in its average sales price as compared to 2Q15. Silver, on the other hand, has increased its relative contribution to total sales.

Annex 2: Average Spot Prices

| Spot Prices | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Zinc (USD/MT) | 1,676 | 1,915 | 2,195 | -12.7 | 1,796 | 2,138 | -16.0 |
| Lead (USD/MT) | 1,742 | 1,719 | 1,947 | -11.7 | 1,731 | 1,876 | -7.8 |
| Copper (USD/MT) | 4,669 | 4,730 | 6,054 | -21.9 | 4,699 | 5,934 | -20.8 |
| Silver (USD/Oz) | 14.8 | 16.8 | 16.4 | 2.3 | 15.8 | 16.6 | -4.6 |
| Gold (USD/Oz) | 1,179 | 1,258 | 1,193 | 5.5 | 1,219 | 1,207 | 1.0 |

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

| Macroeconomic Indicators | Jan-Mar 2016 | Apr-Jun 2016 | Apr-Jun 2015 | var % | Jan-Jun 2016 | Jan-Jun 2015 | var % |
|--------------------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Exchange Rate (S/ x USD) | 3.45 | 3.32 | 3.14 | 5.5 | 3.38 | 3.10 | 9.1 |
| Inflation | 4.30 | 3.34 | 3.54 | -5.8 | 3.34 | 3.54 | -5.8 |

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

| National Production | Jan - Mar 2016 | Apr - May 2016 | Apr - May 2015 | var % | Jan - May 2016 | Jan - May 2015 | var % |
|-----------------------|-------------------|-------------------|-------------------|-------|-------------------|-------------------|-------|
| Silver (Thousands Oz) | 33,328 | 22,792 | 18,253 | 24.9 | 56,120 | 47,501 | 18.1 |
| Zinc (FMT) | 320,114 | 198,596 | 223,949 | -11.3 | 518,710 | 568,154 | -8.7 |
| Lead (FMT) | 78,428 | 52,184 | 49,467 | 5.5 | 130,612 | 126,623 | 3.2 |
| Copper (FMT) | 514,494 | 400,437 | 254,460 | 57.4 | 914,931 | 595,145 | 53.7 |
| Gold (Thousands Oz) | 1,185 | 806 | 737 | 9.3 | 1,991 | 1,841 | 8.1 |

Source: Ministry of Energy and Mines