

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

Principal Results:

Consolidated Volcan	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Operating Results								
Mineral treatment ¹ (thousands MT)	1,943	1,853	1,890	2,060	-8.2	5,687	5,886	-3.4
Zinc Production (thousands FMT)	71.4	70.2	68.3	74.7	-8.5	210.0	211.6	-0.7
Lead Production (thousands FMT)	15.1	13.0	11.9	15.6	-23.3	40.0	44.3	-9.7
Copper Production (thousands FMT)	1.2	1.2	1.5	1.1	33.0	4.0	3.2	25.2
Silver Production (millions Oz)	5.8	5.8	5.6	6.4	-12.4	17.2	18.5	-7.0
Gold Production (thousands Oz)	1.5	1.4	1.6	1.7	-11.1	4.4	3.8	15.2
Unit Cost (USD/MT)	48.2	50.7	50.5	53.4	-5.4	49.8	55.1	-9.6
Total Investments (MM USD)	18.5	26.7	33.9	47.7	-28.9	79.0	134.9	-41.4
Sales Prices								
Zinc (USD/MT)	1,671	1,883	2,263	1,833	23.5	1,939	2,034	-4.7
Lead (USD/MT)	1,764	1,701	1,874	1,727	8.5	1,773	1,816	-2.4
Copper (USD/MT)	4,773	4,756	4,754	5,206	-8.7	4,761	5,698	-16.4
Silver (USD/Oz)	14.9	16.7	19.4	15.0	28.7	16.9	16.0	5.6
Gold (USD/Oz)	1,165	1,257	1,334	1,127	18.4	1,242	1,176	5.6
Financial Results (MM USD)								
Sales before adjustments	172.1	196.8	220.1	194.4	13.3	589.1	643.1	-8.4
Volcan Production	158.5	182.3	203.6	173.3	17.5	544.5	574.6	-5.2
Commercialization Business	13.6	14.5	16.5	21.1	-21.8	44.6	68.6	-35.0
Sales Adjustments	11.3	-0.1	-5.1	-11.2	-54.3	6.1	-30.3	
Settlement of prior period adjustments	-7.0	-2.8	12.6	-7.7		2.8	-24.4	
Adjustments for open positions ²	6.5	18.8	-3.0	-4.5	-31.8	22.2	-3.4	
Hedging results	11.8	-16.1	-14.7	0.9		-19.0	-2.6	637.0
Sales after adjustments	183.4	196.8	215.0	183.1	17.4	595.2	612.8	-2.9
Net profit	19.3	15.4	26.3	-10.9		61.1	15.1	305.0
Earnings per share (EPS)	0.005	0.004	0.007	-0.003		0.016	0.004	305.0
EBITDA	75.8	63.1	83.2	43.6	90.8	222.0	179.9	23.4

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 average sales price of zinc rose from 1,833 USD/MT in 3Q15 to 2,263 USD/MT in 3Q16 **(+23.5%)**, lead from 1,727 USD/MT to 1,874 USD/MT **(+8.5%)** and silver from 15.0 USD/Oz in 3Q15 to 19.4 USD/Oz in 3Q16 **(+28.7%)**.
- Total sales before adjustments increased by 13.3%, from USD 194.4 MM in 3Q15 to USD 220.1 MM in 3Q16, due to better metal prices.
- Adjustments over sales shifted from USD -11.2 MM in 3Q15 to USD -5.1 MM in 3Q16, comprising final settlements for USD 12.6 MM, provisions related to open commercial positions for USD -3.0 MM and hedging results for USD -14.7 MM. As a consequence, sales after adjustments rose by 17.4%, from USD 183.1 MM in 3Q15 to USD 215.0 MM in 3Q16.
- Better metal prices and lower cost of production allowed a gross margin increase, from 4% in 3Q15 to 33% in 3Q16. Net profit grew from USD -10.9 MM in 3Q15 to USD 26.3 MM in 3Q16. Likewise, EBIDTA increased by 90.8%, from USD 43.6 MM in 3Q15 to USD 83.2 MM in 3Q16.
- During 3Q16, treatment volumes decreased by 8.2% compared to 3Q15 due to the reduced production volume at Yauli Unit and the suspension of operations at Cerro de Pasco Unit in November 2015.
- During 3Q16, zinc production was reduced by 8.5% compared to the same quarter of the previous year. This is mainly explained by the suspension of production at the Cerro de Pasco Unit, and lower production at the San Cristobal and Andaychagua Mines at the Yauli Unit. Lead production was reduced by 23.3%, mainly due to the suspension of production at the Cerro de Pasco Unit and lower head grades at the Chungar Unit. Silver production was reduced by 12.4%, mainly due to the suspension of production at the Cerro de Pasco Unit and lower head grades at the Alpamarca and Chungar Units. Finally, copper production rose by 33.0% and gold production decreased by 11.1%.
- Consolidated unit cost decreased by 5.4%, from 53.4 USD/MT in 3Q15 to 50.5 USD/MT in 3Q16.
- In 3Q16, total investments declined by 28.9%, from USD 47.7 MM to USD 33.9 MM, mainly due to the completion of investments related to the construction of the Oxides plant and the Rucuy Hydroelectric Plant (20MW). It is important to mention that this hydroelectric plant started commercial operations in August.

2. Analysis of Results

2.1 Consolidated Results

2.1.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mineral extraction (thousands MT)	1,901	1,854	1,883	2,074	-9.2	5,638	5,933	-5.0
Polymetallic ore	1,675	1,630	1,660	1,851	-10.3	4,965	5,411	-8.2
Oxides ore ¹	226	223	224	223	0.2	673	522	28.7
Mineral treatment (thousands MT)	1,943	1,853	1,890	2,060	-8.2	5,687	5,886	-3.4
Concentrator Plants	1,718	1,630	1,667	1,837	-9.3	5,015	5,364	-6.5
Silver Oxides Plant	226	223	224	223	0.2	673	522	28.7
Fine Content								
Zinc (thousands FMT)	71.4	70.2	68.3	74.7	-8.5	210.0	211.6	-0.7
Lead (thousands FMT)	15.1	13.0	11.9	15.6	-23.3	40.0	44.3	-9.7
Copper (thousands FMT)	1.2	1.2	1.5	1.1	33.0	4.0	3.2	25.2
Silver (millions Oz)	5.8	5.8	5.6	6.4	-12.4	17.2	18.5	-7.0
Gold (thousands Oz)	1.5	1.4	1.6	1.7	-11.1	4.4	3.8	15.2

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

Source: Volcan Cia. Minera

In 3Q16, extracted ore volumes decreased by 9.2% compared to the same quarter of the previous year. This is mainly explained by the suspension of production at the Cerro de Pasco Unit in November 2015, and lower volumes extracted at Yauli and Chungar Units. These results were partly 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-Sep), the extraction volume was reduced by 5.0% as compared to the previous year.

The ore volume treated at the plants during 3Q16 decreased by 8.2%, and year-to-date (Jan-Sep), it decreased by 3.4% as compared to the same quarter in 2015, mainly due to the reasons explained in the preceding paragraph.

The production of fine zinc fell by 8.5%, from 74.7 thousand FMT in 3Q15 to 68.3 thousand FMT in 3Q16; fine lead decreased by 23.3%, from 15.6 thousand FMT in 3Q15 to 11.9 thousand FMT in 3Q16; fine silver decreased by 12.4%, from 6.4 million ounces in 3Q15 to 5.6 million ounces in 3Q16; and gold production decreased by 11.1%, from 1.7 thousand ounces to 1.6 thousand ounces. Meanwhile, fine copper production increased by 33.0%, from 1.1 thousand FMT to 1.5 thousand FMT.

The reduced zinc production is mainly explained by the suspension of production at the Cerro de Pasco Unit, and lower production at the San Cristobal and Andaychagua Mines at the Yauli Unit. The reduced lead production is mainly due to the suspension of production at the Cerro de Pasco Unit and lower head grades at the Chungar Unit. The reduced silver production is mainly due to the suspension of production at the Cerro de Pasco Unit and lower head grades at the Alpamarca and Chungar Units.

Year-to-date (Jan-Sep), in 2016, zinc production decreased by 0.7%, lead by 9.7% and silver by 7.0%, as compared to the same period in 2015. Meanwhile, copper production increased by 25.2% and gold by 15.2%.

2.1.2 Production Cost

Table 2: Consolidated Production Cost

Consolidated Production Cost ¹	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Production Cost (MM USD)	92.5	93.9	95.3	110.3	-13.7	281.7	313.1	-10.0
Mine Cost	52.1	52.8	53.6	60.9	-12.0	158.5	178.9	-11.4
Plant and Other Cost	40.4	41.1	41.6	49.4	-15.7	123.2	134.2	-8.2
Unit Cost (USD/MT)	48.2	50.7	50.5	53.4	-5.4	49.8	55.1	-9.6
Mine Cost	27.4	28.5	28.5	29.4	-3.1	28.1	31.3	-10.3
Plant and Other Cost	20.8	22.2	22.0	24.0	-8.1	21.7	23.7	-8.7

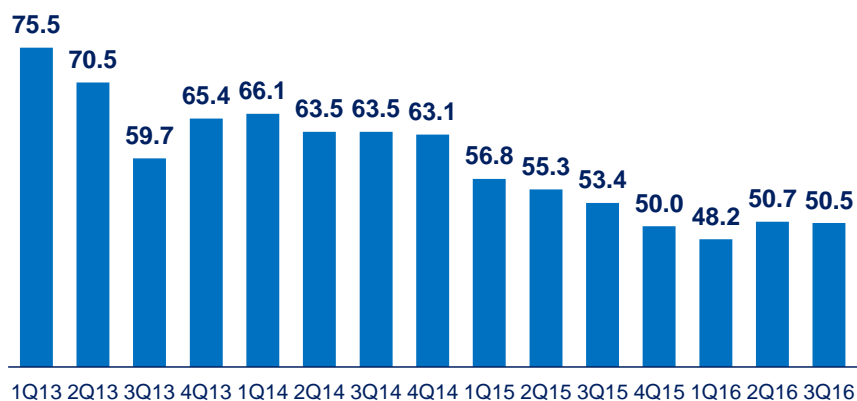
¹The production cost does not consider: i. production cost from the pre-operational stage of the Oxides plant from January to May of 2015, ii. costs from third-party ore and concentrate purchase, iii. extraordinary costs related to severance payments.

Source: Volcan Cia. Minera

In absolute terms, the production cost declined by 13.7%, from USD 110.3 MM in 3Q15 to USD 95.3 MM in 3Q16. Year-to-date (Jan-Sep), the absolute production cost declined by 10.0%, from USD 313.1 MM in 2015 to USD 281.7 MM in 2016.

Consolidated unit cost decreased by 5.4%, from 53.4 USD/MT in 3Q15 to 50.5 USD/MT in 3Q16. Year-to-date (Jan-Sep), consolidated unit cost decreased by 9.6%, from 55.1 USD/MT in 2015 to 49.8 USD/MT in the same period in 2016.

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	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mining	16.7	24.4	32.8	41.2	-20.4	73.9	117.6	-37.2
Mining Units	16.1	23.6	31.9	33.3	-4.2	71.6	89.9	-20.3
Local Exploration	0.1	2.1	3.9	1.9	100.3	6.0	7.2	-16.6
Development	9.6	10.5	12.8	14.6	-11.8	32.9	41.9	-21.4
Plants and Tailings Facilities	1.6	3.4	4.6	7.7	-40.8	9.6	19.0	-49.3
Mine and Infrastructure	4.1	6.9	9.6	7.0	35.5	20.6	16.9	21.9
Energy in Units	0.5	0.1	0.2	0.5	-53.5	0.9	1.9	-54.9
Support and Others	0.2	0.5	0.8	1.5	-45.9	1.6	3.0	-46.8
Regional Explorations	0.4	0.5	0.8	1.1	-29.4	1.7	3.1	-45.5
Growth and Others	0.17	0.3	0.1	6.8	-98.6	0.5	24.6	-97.8
Energy	1.7	2.3	1.1	6.5	-83.1	5.2	17.3	-70.1
Total	18.5	26.7	33.9	47.7	-28.9	79.0	134.9	-41.4

Source: Volcan Cia. Minera

Total mining investments were reduced by 20.4%, from USD 41.2 MM in 3Q15 to USD 32.8 MM in 3Q16. This is due to the fact that investments in the operating units decreased by 4.2%, from USD 33.3 MM in 3Q15 to USD 31.9 MM in 3Q16; regional exploration investments (greenfield or early-stage projects) were reduced by 29.4%, from USD 1.1 MM in 3Q15 to USD 0.8 MM in 3Q16, and investments in growth projects for the mining business fell by 98.6%, from USD 6.8 MM in 3Q15 to USD 0.1 MM in 3Q16. The latter is mainly explained by the completion of the construction of the Oxides plant.

Energy investments in 3Q16 were USD 1.1 MM versus USD 6.5 MM in 3Q15, mainly due to the completion of Rucuy Hydroelectric Plant (20MW), which started operations in August 2016.

Year-to-date (Jan-Sep), total investments in 2016 amounted to USD 79.0 MM, 41.4% lower than the USD 134.9 MM in 2015.

2.1.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Sales before adjust.	172.1	196.8	220.1	194.4	13.3	589.1	643.1	-8.4
<i>Sett. of prior periods adjust.</i>	-7.0	-2.8	12.6	-7.7		2.8	-24.4	
<i>Adj. open positions</i>	6.5	18.8	-3.0	-4.5	-31.8	22.2	-3.4	
<i>Hedging</i>	11.8	-16.1	-14.7	0.9		-19.0	-2.6	637.0
Sales after adjust.	183.4	196.8	215.0	183.1	17.4	595.2	612.8	-2.9
Cost of Goods Sold	-135.8	-142.8	-144.8	-176.4	-17.9	-423.4	-520.9	-18.7
Gross Profit	47.6	54.0	70.2	6.7	941.7	171.8	91.9	86.8
<i>Gross Margin</i>	26%	27%	33%	4%	29 pp	29%	15%	14 pp
Administrative Expenses	-9.3	-11.1	-10.0	-10.2	-2.1	-30.4	-33.2	-8.4
Sales Expenses	-6.6	-8.9	-8.3	-10.3	-19.9	-23.7	-29.1	-18.4
Other Income (Expenses) ¹	9.8	-4.0	-1.8	3.8		4.0	6.8	-40.7
Operating Profit	41.5	30.0	50.2	-9.9		121.7	36.5	233.5
<i>Operating Margin</i>	23%	15%	23%	-5%	29 pp	20%	6%	14 pp
Financial Income (Expenses)	-8.6	-7.5	-8.3	-8.9	-6.4	-24.4	-15.0	62.5
Exchange difference (net)	0.7	0.3	-3.5	-0.9	269.7	-2.5	-0.2	947.1
Royalties	-1.4	-2.6	-1.9	-3.3	-44.2	-5.9	-8.9	-33.7
Income Tax	-12.8	-4.8	-10.2	12.2		-27.8	12.5	
Net Profit	19.3	15.4	26.3	-10.9		61.1	15.1	305.0
<i>Net Margin</i>	11%	8%	12%	-6%	18 pp	10%	2%	8 pp
EBITDA	75.8	63.1	83.2	43.6	90.8	222.0	179.9	23.4
<i>EBITDA Margin</i>	41%	32%	39%	24%	15 pp	37%	29%	8 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	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %	
Volcan Production	Sales	168.8	185.1	199.7	162.1	23.2	553.6	546.0	1.4
	Cost of Goods Sold	-123.6	-128.8	-128.1	-155.0	-17.4	-380.5	-456.5	-16.6
	Gross Profit	45.2	56.2	71.6	7.1	914.2	173.1	89.5	93.5
	<i>Gross Margin</i>	27%	30%	36%	4%	32 pp	31%	16%	15 pp
	Net Profit	18.0	17.4	27.8	-9.7		63.2	15.8	298.9
	EBITDA	73.7	65.8	85.0	44.8	89.6	224.5	179.9	24.8
	<i>EBITDA Margin</i>	44%	36%	43%	28%	15 pp	41%	33%	8 pp
Commercialization Business	Sales	14.6	11.7	15.3	21.0	-27.3	41.5	66.8	-37.8
	Cost of Goods Sold	-12.2	-13.9	-16.7	-21.4	-21.8	-42.8	-64.3	-33.4
	Gross Profit	2.4	-2.3	-1.4	-0.3	339.4	-1.3	2.5	
	<i>Gross Margin</i>	17%	-19%	-9%	-2%	-8 pp	-3%	4%	-7 pp
	Net Profit	1.3	-2.0	-1.4	-1.1	30.1	-2.1	-0.8	176.6
	EBITDA	2.1	-2.7	-1.9	-1.3	48.7	-2.5	-0.1	
	<i>EBITDA Margin</i>	14%	-23%	-12%	-6%	-6 pp	-6%	0%	-6 pp
Consolidated	Sales	183.4	196.8	215.0	183.1	17.4	595.2	612.8	-2.9
	Cost of Goods Sold	-135.8	-142.8	-144.8	-176.4	-17.9	-423.4	-520.9	-18.7
	Gross Profit	47.6	54.0	70.2	6.7	941.7	171.8	91.9	86.8
	<i>Gross Margin</i>	26%	27%	33%	4%	29 pp	29%	15%	14 pp
	Net Profit	19.3	15.4	26.3	-10.9		61.1	15.1	305.0
	EBITDA	75.8	63.1	83.2	43.6	90.8	222.0	179.9	23.4
	<i>EBITDA Margin</i>	41%	32%	39%	24%	15 pp	37%	29%	8 pp

Source: Volcan Cia. Minera

• Sales Analysis

Table 6: Average Sales Prices

Sales Prices	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Zinc (USD/MT)	1,671	1,883	2,263	1,833	23.5	1,939	2,034	-4.7
Lead (USD/MT)	1,764	1,701	1,874	1,727	8.5	1,773	1,816	-2.4
Copper (USD/MT)	4,773	4,756	4,754	5,206	-8.7	4,761	5,698	-16.4
Silver (USD/Oz)	14.9	16.7	19.4	15.0	28.7	16.9	16.0	5.6
Gold (USD/Oz)	1,165	1,257	1,334	1,127	18.4	1,242	1,176	5.6

Source: Volcan Cia. Minera

Table 7: Fine Content Sales Volume

Fines Sales		Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Volcan Production	Zinc (thousands FMT)	69.6	69.0	69.5	68.1	2.1	208.1	209.2	-0.5
	Lead (thousands FMT)	15.2	14.3	11.5	15.5	-25.7	41.0	44.3	-7.3
	Copper (thousands FMT)	0.9	0.9	1.1	0.7	57.0	2.9	2.6	11.7
	Silver (millions Oz) ¹	5.9	6.1	5.5	6.4	-14.6	17.5	18.7	-6.6
	Gold (thousands Oz) ¹	3.5	3.2	2.4	3.5	-31.6	9.1	9.3	-2.0
Commercialization Business	Zinc (thousands FMT)	7.3	7.6	7.4	11.4	-34.5	22.4	33.4	-33.0
	Lead (thousands FMT)	0.6	0.3	0.3	0.4	-18.0	1.3	1.6	-22.7
	Copper (thousands FMT)	0.3	0.4	0.3	0.6	-47.7	1.0	1.6	-39.8
	Silver (millions Oz)	0.3	0.3	0.2	0.4	-33.1	0.8	1.1	-26.6
	Gold (thousands Oz)	0.0	0.0	0.0	0.2	-91.8	0.0	0.5	-90.1
Total	Zinc (thousands FMT)	76.9	76.7	76.9	79.5	-3.2	230.5	242.7	-5.0
	Lead (thousands FMT)	15.8	14.7	11.8	15.9	-25.5	42.3	45.9	-7.9
	Copper (thousands FMT)	1.3	1.3	1.4	1.2	10.0	3.9	4.2	-7.9
	Silver (millions Oz)	6.2	6.4	5.7	6.8	-15.6	18.3	19.8	-7.7
	Gold (thousands Oz)	3.5	3.3	2.4	3.7	-34.6	9.2	9.8	-6.4

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	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Volcan Production	Zinc	65.8	79.6	97.9	73.0	34.2	243.4	266.6	-8.7
	Lead	18.6	16.7	14.9	18.9	-21.1	50.2	56.2	-10.7
	Copper	1.9	1.9	2.2	1.3	69.9	6.1	7.2	-15.0
	Silver	69.6	81.9	86.7	77.3	12.2	238.2	237.0	0.5
	Gold	2.6	2.2	1.8	2.8	-34.3	6.6	7.3	-9.8
	Antimony	0.0	0.0	0.1	0.1	-21.0	0.1	0.3	-75.4
	Sales before adjust.	158.5	182.3	203.6	173.3	17.5	544.5	574.6	-5.2
	Sett. of prior period adjust.	-6.5	-2.5	11.6	-6.9		2.6	-20.3	
	Adjust. for open positions	5.6	17.0	-2.3	-4.3	-46.1	20.2	-4.5	
	Hedging results	11.2	-11.7	-13.2	0.0		-13.7	-3.8	265.1
Sales after adjust.	168.8	185.1	199.7	162.1	23.2	553.6	546.0	1.4	
Commercialization Business	Zinc	9.5	10.3	12.2	15.2	-19.6	32.0	48.9	-34.6
	Lead	0.7	0.4	0.5	0.5	-1.7	1.6	2.1	-22.3
	Copper	0.8	0.9	0.7	1.9	-61.2	2.5	6.1	-58.8
	Silver	2.6	2.8	3.0	3.4	-12.1	8.5	11.3	-25.2
	Gold	0.0	0.0	0.0	0.0	-72.0	0.0	0.2	-90.0
	Sales before adjust.	13.6	14.5	16.5	21.1	-21.8	44.6	68.6	-35.0
	Sett. of prior period adjust.	-0.5	-0.3	1.0	-0.8		0.2	-4.0	
	Adjust. for open positions	0.9	1.8	-0.7	-0.2	274.7	2.0	1.1	83.5
	Hedging results	0.6	-4.4	-1.4	0.9		-5.2	1.2	
	Sales after adjust.	14.6	11.7	15.3	21.0	-27.3	41.5	66.8	-37.8
Total	Zinc	75.3	89.9	110.1	88.1	25.0	275.3	315.5	-12.7
	Lead	19.2	17.2	15.4	19.4	-20.6	51.8	58.3	-11.1
	Copper	2.7	2.9	3.0	3.2	-7.6	8.6	13.2	-35.1
	Silver	72.2	84.7	89.7	80.7	11.2	246.6	248.3	-0.7
	Gold	2.6	2.2	1.8	2.8	-34.8	6.6	7.5	-11.9
	Antimony	0.0	0.0	0.1	0.1	-21.0	0.1	0.3	-75.4
	Sales before adjust.	172.1	196.8	220.1	194.4	13.3	589.1	643.1	-8.4
	Sett. of prior period adjust.	-7.0	-2.8	12.6	-7.7		2.8	-24.4	
	Adjust. for open positions	6.5	18.8	-3.0	-4.5	-31.8	22.2	-3.4	
	Hedging results	11.8	-16.1	-14.7	0.9		-19.0	-2.6	637.0
Sales after adjust.	183.4	196.8	215.0	183.1	17.4	595.2	612.8	-2.9	

Source: Volcan Cia. Minera

For 3Q16, total sales before adjustments were USD 220.1 MM, 13.3% higher than the USD 194.4 MM reported in 3Q15. This result was attributable to the increase in the average sales price of zinc by 23.5%, lead by 8.5% and silver by 28.7%.

Volcan recorded positive sales adjustments of USD 12.6 MM during 3Q16, mainly related to final settlements, and negative adjustments of USD -3.0 MM related to provisions for open commercial positions. Hedging results were negative by USD -14.7 MM, mainly due to the execution of defensive positions in zinc and silver, which ended in August 2016. In consequence, total sales adjustments in 3Q16 was USD -5.1 MM, versus USD 11.2 worth of adjustments during the same quarter of the previous year.

Therefore, sales after adjustments during 3Q16 totaled USD 215.0 MM, a 17.4% increase if compared to the USD 183.1 MM reported in 3Q15.

Year-to-date (Jan-Sep), sales after adjustments declined by 2.9%, from USD 612.8 MM in 2015 to USD 595.2 MM in 2016.

- **Cost of Goods Sold**

Table 9: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Volcan Production	122.9	126.7	126.3	155.2	-18.6	375.9	453.5	-17.1
Own Production Cost	92.5	93.9	95.3	110.3	-13.7	281.7	313.1	-10.0
D&A from Production Cost	30.0	28.7	28.9	51.8	-44.2	87.7	138.1	-36.5
Extraordinary Costs	0.4	0.2	1.2	0.7	79.5	1.8	2.5	-28.2
Variation of Inventories	0.0	3.8	0.9	-7.6		4.7	-0.2	
Commercialization Business	11.9	14.1	16.8	21.1	-20.7	42.8	63.7	-32.8
Concentrates Purchase	12.2	14.1	16.1	20.4	-21.1	42.4	62.4	-32.1
Variation of Inventories	-0.3	0.1	0.6	0.7	-11.0	0.4	1.3	-66.9
Workers Participation	1.0	2.0	1.7	0.0		4.7	3.7	27.7
Total	135.8	142.8	144.8	176.4	-17.9	423.4	520.9	-18.7

Source: Volcan Cia. Minera

The total cost of goods sold during 3Q16 was USD 144.8 MM, 17.9% lower than the USD 176.4 MM figure for 3Q15. This is mainly explained by the USD 15.1 MM decrease in the production cost, the USD 22.9 MM decrease in depreciation and amortization following the impairment of fixed intangible assets and inventory assets in December 2015, and the USD 4.3 MM reduction in purchases of third-party concentrates.

Year-to-date (Jan-Sep), the total cost of goods sold declined by 18.7%, from USD 520.9 MM in 2015 to USD 423.4 MM in 2016.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 4% in 3Q15 to 33% in 3Q16 due to higher zinc, lead and silver prices, lower cost of goods sold, and reduced commercialization of third-party concentrates in total sales.

Total gross profit grew by 941.7%, from USD 6.7 MM in 3Q15 to USD 70.2 MM in 3Q16.

Year-to-date (Jan-Sep), gross profit increased by 86.8%, from USD 91.9 MM in 2015 to USD 171.8 MM in 2016.

- **Administrative and Sales Expenses**

Administrative expenses in 3Q16 totaled USD 10.0 MM, 2.1% lower than the USD 10.2 MM recorded in 3Q15. Year-to-date (Jan-Sep), expenses decreased by 8.4%, from USD 33.2 MM in 2015 to USD 30.4 MM.

Sales expenses during 3Q16 decreased by 19.9%, from USD 10.3 MM to USD 8.3 MM in 3Q15, mainly due to reductions in concentrate transportation expenses.

- **Other Income and Expenses**

In 3Q16, the net amount of other income and expenses was negative, USD -1.8 MM versus a positive amount of USD 3.8 MM in 3Q15. This is explained by the fact that since 2016 expenses related to the Cerro de Pasco Unit are reflected in the Income Statement.

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

Net financial expenses for 3Q16 totaled USD -8.3 MM, as compared to USD -8.9 MM recorded in 3Q15. Moreover, exchange-rate variation losses totaling USD -3.5 MM were registered in 3Q16 compared to the exchange-rate losses reported in 3Q15 (USD -0.9 MM).

- **Net Profit and EBITDA**

Net profit grew from USD -10.9 MM in 3Q15 to USD 26.3 MM in 3Q16. Likewise, EBITDA rose by 90.8%, from USD 43.6 MM in 3Q15 to USD 83.2 MM in 3Q16, mainly due to increased gross margin.

Year-to-date (Jan-Sep), net profit rose by 305.0%, from USD 15.1 MM in 2015 to USD 61.1 MM in 2016, while EBITDA grew by 23.4%, from USD 179.9 MM in 2015 to USD 222.0 MM in 2016.

2.1.5 Liquidity and Creditworthiness

In 3Q16, cash generated by mining operations totaled USD 73.8 MM. Operating and exploration investments, as well as growth investments in the mining business reached USD 31.4 MM, while dividends totaled 15.3 MM, interests amounted to USD 16.0 MM, and other investments totaled USD 2.2 MM. Energy division investments totaled USD 0.2 MM, while net financing was USD -18.0 MM.

The resulting total cash flow during the period was USD -9.1 MM, and the total cash balance as of September 30, 2016, was USD 184.1 MM.

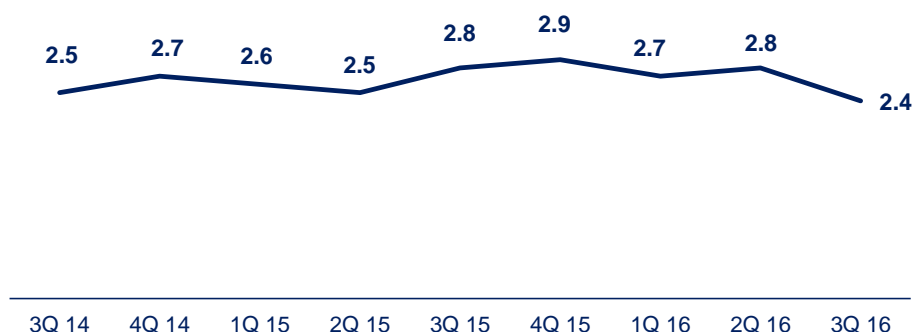
For a more complete analysis, the table below shows debt, cash balance and EBITDA pertaining to the mining division separately from the energy division. The energy division is comprised of subsidiary companies Hidroeléctrica Huancho S.A.C., Compañía Hidroeléctrica Tingo S.A. and Empresa de Generación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

Table 10: EBITDA, Debt and Cash Flow Position

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 3Q16
Gross Debt (MM USD)	792.9	24.6	817.4
Cash Balance (MM USD)	174.9	9.2	184.1
Net Debt (MM USD)	618.0	15.3	633.3
EBITDA¹ (MM USD)	260.3	6.4	266.7
Ratio	2.4	2.4	2.4

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

2.2 Yauli Unit Operating Results

Table 11: Yauli Production

Yauli Production	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mineral extraction (thousands MT)	948	900	908	1,011	-10.1	2,756	3,008	-8.4
Mineral treatment (thousands MT)	984	898	908	1,004	-9.6	2,790	2,960	-5.7
Fines Content								
Zinc (thousands FMT)	46.0	43.3	41.2	44.0	-6.3	130.5	128.2	1.8
Lead (thousands FMT)	7.4	6.0	5.9	6.2	-5.3	19.3	18.0	7.6
Copper (thousands FMT)	0.8	0.7	1.1	0.7	59.4	2.6	1.8	43.4
Silver (million Oz)	3.2	3.2	3.2	3.1	0.3	9.6	9.4	2.2
Gold (thousands Oz)	0.6	0.5	0.8	n/a		1.9	n/a	

Source: Volcan Cia. Minera

Ore volumes extracted at the Yauli Unit during 3Q16 were reduced by 10.1% compared to the same quarter of the previous year. This reduction occurred at Andaychagua and San Cristobal Mines because the tasks to achieve greater production could not be carried out. Year-to-date (Jan-Sep), the extraction volume was reduced by 8.4%.

In consequence, the ore treated at the Yauli Unit concentrator plants decreased by 9.6% in 3Q16 compared to the same period of the previous year. Year-to-date (Jan-Sep), the volume of ore treated was reduced by 5.7%.

During 3Q16, the production of silver and copper rose by 0.3% and 59.4%, respectively, while zinc and lead were reduced by 6.3% and 5.3%, respectively, compared to 3Q15. Year-to-date (Jan-Sep), zinc production rose by 1.8%, lead by 7.6%, copper by 43.4%, and silver by 2.2%.

Table 12: Yauli Production Cost

Yauli Production Cost	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Production Cost (MM USD)	53.7	54.6	55.9	59.6	-6.2	164.1	177.2	-7.4
Extraction Cost	32.8	33.2	34.8	37.2	-6.3	100.8	109.8	-8.2
Treatment Cost	20.9	21.4	21.0	22.4	-6.1	63.3	67.4	-6.1
Unit Cost (USD/MT)	55.8	60.7	61.5	59.1	4.1	59.3	59.3	0.0
Extraction Cost	34.6	36.9	38.4	36.8	4.2	36.6	36.5	0.2
Treatment Cost	21.2	23.8	23.2	22.3	3.9	22.7	22.8	-0.4

Source: Volcan Cia. Minera

Production cost in absolute terms was reduced by 6.2%, from USD 59.6 MM in 3Q15 to USD 55.9 MM in 3Q16. However, the operation's unit cost increased by 4.1%, from 59.1 USD/MT in 3Q15 to 61.5 USD/MT in 3Q16, mainly due to lower extracted and treated volumes.

Year-to-date (Jan-Sep), the absolute cost declined by 7.4%, from USD 177.2 MM in 2015 to USD 164.1 MM in 2016, while the unit cost remained at 59.3 USD/MT.

Table 13: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Local Exploration	0.1	1.2	2.0	0.6	253.1	3.2	1.9	67.7
Mine Development	5.6	6.1	8.1	8.8	-8.5	19.8	26.3	-24.7
Plants and Tailings Dams	1.5	2.8	2.8	3.5	-18.5	7.1	9.0	-21.4
Mine and Infrastructure	1.5	3.5	3.7	1.8	103.5	8.7	8.1	8.0
Energy	0.5	0.1	0.2	0.3	-34.1	0.8	0.9	-16.3
Support and Others	0.1	0.4	0.3	0.5	-54.2	0.8	1.6	-49.0
Total	9.3	14.0	17.1	15.6	9.6	40.4	47.8	-15.5

Source: Volcan Cia. Minera

Operating investments increased by 9.6%, from USD 15.6 MM in 3Q15 to USD 17.1 MM in 3Q16, mainly due to higher exploration, mine and infrastructure investments. It is worth mentioning that systematical exploration programs are currently carried out at San Cristobal, Carahuacra and Andaychagua Mines.

Year-to-date (Jan-Sep), operating investments were 15.5% lower, from USD 47.8 MM in 2015 to USD 40.4 MM in 2016, due to limited investments during the early months of the year to ensure the Company's cash flow balance in a low metal price scenario.

2.3 Chungar Unit Operating Results

Table 14: Chungar Production

Chungar Production	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mineral extraction (thousands MT)	501	500	484	546	-11.3	1,485	1,566	-5.2
Mineral treatment (thousands MT)	510	504	496	493	0.6	1,510	1,441	4.8
Fines Content								
Zinc (thousands FMT)	22.9	24.5	24.4	24.4	0.2	71.8	67.0	7.3
Lead (thousands FMT)	5.8	5.3	4.3	6.3	-31.0	15.4	18.2	-15.7
Copper (thousands FMT)	0.4	0.4	0.3	0.3	8.3	1.0	0.8	26.1
Silver (million Oz)	1.1	1.1	1.0	1.2	-23.2	3.1	3.6	-12.9

Source: Volcan Cia. Minera

In 3Q16, the ore volumes extracted at the Chungar Unit decreased by 11.3%. This is explained by the reduction of volumes extracted at Islay Mine due to the presence of larger groundwater volumes than expected. Year-to-date (Jan-Sep), the extraction volume was reduced by 5.2% at the Chungar Unit.

In 3Q16, ore volumes treated increased by 0.6% as compared to 3Q15, while year-to-date (Jan-Sep), it increased by 4.8%.

During 3Q16, the production of fine zinc increased by 0.2% and copper by 8.3% as compared to 3Q15, while lead production decreased by 31.0% and silver by 23.2%, due to lower head grades. Year-to-date (Jan-Sep), zinc production rose by 7.3%, lead by 26.1%, while copper and silver decreased by 15.7% and 12.9%, respectively.

Table 15: Chungar Production Cost

Chungar Production Cost	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Production Cost (MM USD)	24.3	25.6	25.3	24.7	2.5	75.2	73.3	2.5
Extraction Cost	15.2	15.9	15.3	14.7	4.3	46.5	44.7	3.9
Treatment Cost	9.1	9.6	10.0	10.0	-0.2	28.7	28.6	0.4
Unit Cost (USD/MT)	48.2	51.0	51.7	47.2	9.7	50.3	48.4	3.9
Extraction Cost	30.3	31.9	31.7	26.9	17.6	31.3	28.6	9.6
Treatment Cost	17.9	19.1	20.1	20.2	-0.8	19.0	19.8	-4.2

Source: Volcan Cia. Minera

Production cost in absolute terms increased by 2.5%, from USD 24.2 MM in 3Q15 to USD 25.6 MM in 3Q16. This is mainly explained by higher sustaining and pumping costs related to larger underground water volumes. Unit cost increased by 9.7%, from 47.2 USD/MT in 3Q15 to 51.7 USD/MT in 3Q16, as a consequence of lower extraction volumes.

Year-to-date (Jan-Sep), the absolute production cost increased by 2.5%, from USD 73.3 MM in 2015 to USD 75.2 MM in 2016, while the unit cost increased by 3.9%, from 48.4 USD/MT in 2015 to 50.3 USD/MT in 2016.

Table 16: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Local Exploration	0.0	0.9	1.8	1.3	39.9	2.7	4.1	-34.7
Mine Development	3.9	4.5	4.7	5.4	-12.1	13.2	14.6	-9.7
Plants and Tailings Dams	0.0	0.3	0.8	2.1	-64.2	1.0	3.6	-70.9
Mine and Infrastructure	0.7	2.8	4.5	3.4	30.5	8.0	6.6	20.4
Energy	0.0	0.1	0.0	0.2	-90.8	0.1	1.0	-89.4
Support and Others	0.1	0.1	0.5	0.8	-46.6	0.6	1.2	-50.7
Total	4.8	8.5	12.3	13.3	-7.5	25.6	31.1	-17.8

Source: Volcan Cia. Minera

Operating investments fell by 7.5%, from USD 13.3 MM in 3Q15 to USD 12.3 MM in 3Q16. However, exploration, mine and infrastructure investments increased by 39.9% and 30.5%, respectively. Year-to-date (Jan-Sep), investments declined by 17.8%, from USD 31.1 MM in 2015 to USD 25.6 MM in 2016.

2.4 Oxides Plant Results

Table 17: Oxides Plant Production

Oxides Plant Production*	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mineral treatment (thousands MT) ¹	226	223	224	223	0.2	673	522	28.7
Fines Content								
Silver (million Oz)	1.0	1.1	1.0	1.0	-5.7	3.1	2.6	16.9
Gold (Oz)	933	874	755	1,746	-56.8	2,562	3,845	-33

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 295 thousand MT to the operational stage since June of 2015.

Source: Volcan Cia. Minera

In 3Q16, the treated volume of ore from stockpiles increased by 0.2% as compared to 3Q15. Meanwhile, fine silver production decreased by 5.7% and gold fines by 56.8% due to lower head grades.

Year-to-date (Jan-Sep), ore volumes treated in 2016 increased by 28.7% as compared to 2015. Fine silver production increased by 16.9% and gold fine decreased by 33.4%.

Table 18: Oxides Plant Production Cost

Oxides Plant Production Cost	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015 *	var %
Production Cost (MM USD)	8.9	8.4	8.2	9.1	-9.7	25.5	11.8	
Extraction Cost	1.3	1.1	1.1	1.3	-16.6	3.5	1.7	
Treatment Cost	7.6	7.3	7.1	7.8	-8.6	22.0	10.0	
Unit Cost (USD/MT)	39.3	37.6	36.7	40.8	-9.9	37.9	39.9	-4.9
Extraction Cost	5.7	5.0	4.8	5.8	-16.7	5.2	5.9	-11.7
Treatment Cost	33.6	32.7	31.9	35.0	-8.8	32.7	34.0	-3.7

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

Source: Volcan Cia. Minera

Production cost in absolute terms was reduced by 9.7%, from USD 9.1 MM in 3Q15 to USD 8.2 MM in 3Q16. The operation's unit cost decreased by 9.9%, from 40.8 USD/MT in 3Q15 to 36.7 USD/MT in 3Q16. Moreover, the cost per silver ounce decreased 4.3%, from 8.4 USD/Oz in 3Q16 to 8.8 USD/Oz in 3Q15.

Table 19: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Plants and Tailings Dams	0.1	0.1	0.0	0.6	-99.8	0.3	4.7	-94.3
Mine and Infrastructure	1.8	0.5	1.3	1.5	-13.2	3.6	1.6	131.4
Support and Others	0.0	0.0	0.1	0.0	59.0	0.1	0.0	43.3
Total	1.9	0.6	1.4	2.2	-36.7	3.9	6.3	-37.5

Source: Volcan Cia. Minera

Operating investment figure for 3Q16 at the Oxides plant amounted to USD 1.4 MM, versus USD 2.2 MM in 3Q15. This reduction by 36.7% was mainly due to the completion of works at Ocroyoc Tailings Dam. Year-to-date (Jan-Sep), operating investment declined by 37.5%, from USD 6.3 MM in 2015 to USD 3.9 MM in 2016.

2.5 Alparmarca Unit Operating Results

Table 20: Alparmarca Production

Alparmarca Production	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Mineral extraction (thousands MT)	227	231	232	212	9.2	689	624	10.4
Mineral treatment (thousands MT)	224	227	228	227	0.4	679	652	4.1
Fines Content								
Zinc (thousands FMT)	2.5	2.4	2.4	2.4	1.9	7.4	6.3	16.2
Lead (thousands FMT)	1.8	1.7	1.6	1.6	3.0	5.2	4.2	24.2
Copper (thousands FMT)	0.1	0.1	0.1	0.2	-24.0	0.4	0.6	-31.5
Silver (million Oz)	0.5	0.5	0.5	0.6	-21.9	1.4	2.1	-32.3

Source: Volcan Cia. Minera

Ore volumes extracted at the Alparmarca Unit during 3Q16 grew by 9.2% compared to the same quarter of the previous year. Meanwhile, ore volumes treated in 3Q16 amounted to 228 thousand MT of ore, 0.4% higher than the figure recorded in 3Q15. Year-to-date (Jan-Sep), ore extraction grew by 10.4% in 2016, as compared to the same period in 2015, while the volume of ore treated grew by 4.1%.

During 3Q16, the production of zinc rose by 1.9% and lead by 3.0%, respectively, compared to 3Q15, while copper and silver were reduced by 24.0% and 21.9%, respectively. Year-to-date (Jan-Sep), zinc production rose by 16.2% and lead by 24.2%, as compared to 2015, while copper decreased by 31.5% and silver by 32.3%. The reduced silver production is explained by the lower head grades, mainly due to the suspension of operations at the Río Pallanga underground mine since November 2015.

Table 21: Alparmarca Production Cost

Alparmarca Production Cost	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Production Cost (MM USD)	5.6	5.4	5.3	7.2	-26.5	16.3	22.3	-27.0
Extraction Cost	2.8	2.5	2.4	3.9	-39.9	7.7	12.3	-37.1
Treatment Cost	2.8	2.8	2.9	3.3	-10.2	8.6	10.0	-14.5
Unit Cost (USD/MT)	25.0	23.4	23.1	32.9	-30.0	23.8	35.0	-32.0
Extraction Cost	12.5	11.0	10.2	18.6	-45.0	11.2	19.7	-43.0
Treatment Cost	12.5	12.4	12.8	14.3	-10.6	12.6	15.3	-17.9

Source: Volcan Cia. Minera

In absolute terms, the production cost reached USD 5.3 MM in 3Q16, 26.5% lower than the USD 7.2 MM figure for the same quarter of the previous year. Unit cost fell by 30.0%, from 32.9 USD/MT in 3Q15 to 23.1 USD/MT in 3Q16. The unit cost reduction was due to operating improvements and the fact that all the ore was extracted from Alpamarca Open Pit, which has lower relative costs as compared to the Río Pallanga underground mine. Year-to-date (Jan-Sep), the absolute production cost decreased by 27.0%, from USD 22.3 MM in 2015 to USD 16.3 MM in 2016, while the unit cost decreased by 32.0%, from 35.0 USD/MT in 2015 to 23.8 USD/MT in 2016.

Table 22: Alpamarca Operating Investments

Alpamarca Operating Inv. (MM USD)	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Local Exploration	0.0	0.0	0.1	0.1	-14.3	0.1	1.1	-94.3
Mine Development	0.0	0.0	0.0	0.3	-100.0	0.0	1.1	-100.0
Plants and Tailings Dams	0.0	0.2	1.0	1.4	-31.4	1.2	1.6	-25.1
Mine and Infrastructure	0.1	0.1	0.0	0.3	-84.3	0.3	0.6	-53.5
Support and Others	0.0	0.0	0.1	0.1	-40.5	0.1	0.2	-60.9
Total	0.2	0.4	1.1	2.1	-48.0	1.7	4.7	-64.1

Source: Volcan Cia. Minera

Total operating investments at the Alpamarca Unit were reduced by 48.0%, from USD 2.1 MM in 3Q15 to USD 1.1 MM in 3Q16. Year-to-date (Jan-Sep), investments declined by 64.1%, from USD 4.7 MM in 2015 to USD 1.7 MM in 2016.

2.6 Cerro de Pasco Unit Operating Results

During 3Q16, metallurgical tests were carried out at the Cerro de Pasco Unit on mineral from polymetallic ore stockpiles. Volumes of ore treated amounted to 35 thousand MT of ore, producing 284 FMT of zinc, 107 FMT of lead and 24 thousand silver ounces. Absolute cost amounted to USD 621 thousand and unit cost totaled 17.5 USD/MT.

The tests were successful and resulted in larger volumes of ore from stockpiles being scheduled for treatment during 4Q16.

3. Energy

Table 23: Volcan's Electric Power Balance (GWh)

Electric Balance (GWh)	Jan-Mar 2016	Apr-Jun Jan-Mar	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Energy generation	70.2	77.0	82.1	74.7	9.9	229.4	236.5	-3.0
Chungar	38.7	34.4	32.8	36.2	-9.4	105.8	119.7	-11.6
Tingo	2.3	2.3	2.3	2.5	-7.5	7.0	7.4	-5.9
Huanchor	29.2	40.3	34.2	36.1	-5.2	103.7	109.4	-5.2
Rucuy	0.0	0.0	12.9	0.0		12.9	0.0	
Energy consumption	151.8	156.2	159.7	169.0	-5.5	467.8	494.1	-5.3
Energy purchase	110.8	119.5	124.7	130.4	-4.4	355.0	367.0	-3.3

Source: Volcan Cia. Minera

During 3Q16, Volcan's total consumption of electric power reached 169 GWh, with a maximum demand of 83 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 32.8 GWh. This accounted for 19.4% of the Company's total consumption, at an average cost of 23 USD/MWh, which included operating, maintenance and transmission costs.

Tingo Hydroelectric Plant generated 2.3 GWh. This accounted for 1.4% of the Company's total consumption, which was supplied in its entirety to the Chungar Unit.

Considering that the power generated by the Huanchor Hydroelectric Plant (34.2 GWh) was sold to third parties, Volcan purchased 125 GWh from the national grid (the SEIN) in order to meet its total consumption demand, at an average unit rate of 74 USD/MWh.

It is worth mentioning that the Rucuy Hydroelectric Plant (20 MW) began commercial operations on the second week of August 2016, and has generated 12.9 GWh during August and September. This power was sold to third parties.

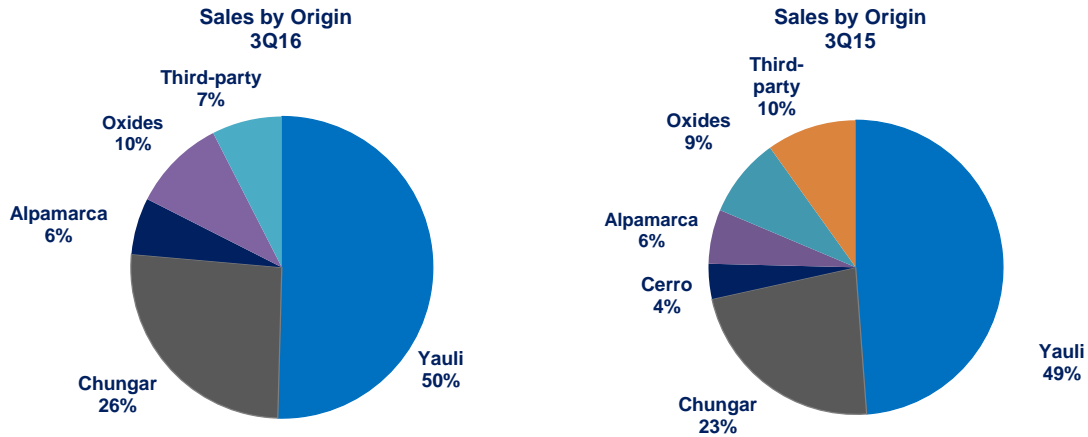
4. Final Comments

- The recovery of zinc, lead and silver prices during 3Q16 and the reduced cost of production resulted in an increased gross margin of 33% in 3Q16 versus 4% in 3Q15. This allowed to achieve a net profit of USD 26.3 MM and an EBITDA of 83.2 MM in 3Q16, compared to a net loss of USD -10.9 MM and an EBITDA of USD 43.6 MM in 3Q15.
- The total debt reduction and the increase of EBITDA in the last 12 months resulted in a reduced net debt/EBITDA ratio of 2.4 in 3Q16, compared to 2.8 in 3Q15 and 2Q16.
- The systematic exploration plan has resumed in our operating units' main mines, which will allow for the expansion of our resources and reserves, increasing operational flexibility.
- Rucuy Hydroelectric Plant began commercial operations on the second week of August 2016. With 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

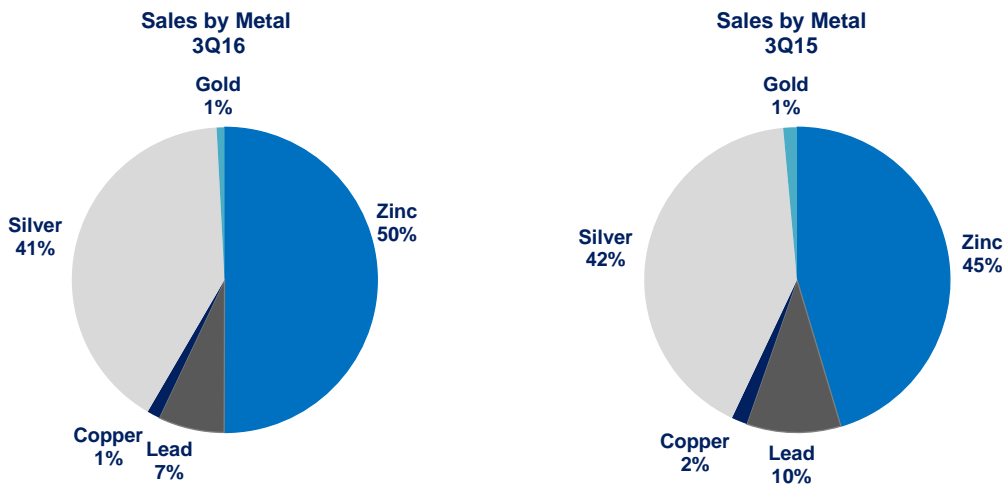
Chart 3: Sales by Origin (% of value in USD)



Source: Volcan Cia. Minera

The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 10% in 3Q15 to 7% in 3Q16.

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



Source: Volcan Cia. Minera

The distribution of sales per metal in 3Q16 reflects higher zinc contribution, as a consequence of the increase in its average sales price as compared to 3Q15.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Zinc (USD/MT)	1,676	1,915	2,253	1,844	22.2	1,948	2,040	-4.5
Lead (USD/MT)	1,742	1,719	1,872	1,712	9.3	1,778	1,822	-2.4
Copper (USD/MT)	4,669	4,730	4,774	5,251	-9.1	4,724	5,707	-17.2
Silver (USD/Oz)	14.8	16.8	19.6	14.9	31.6	17.1	16.0	6.6
Gold (USD/Oz)	1,179	1,258	1,335	1,125	18.7	1,257	1,179	6.6

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Jul-Sep 2015	var %	Jan-Sep 2016	Jan-Sep 2015	var %
Exchange Rate (S/ x USD)	3.45	3.32	3.34	3.21	3.9	3.37	3.14	7.3
Inflation	4.30	3.34	3.13	3.90	-19.9	3.13	3.90	-19.9

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 - Jun 2016	Jul - Aug 2015	Jul - Aug 2015	var %	Jan - Aug 2016	Jan - Aug 2015	var %
Silver (million Oz)	34.5	35.3	23.6	22.9	2.8	93.3	83.2	12.2
Zinc (thousands FMT)	320.1	310.2	222.3	249.5	-10.9	852.6	934.5	-8.8
Lead (thousands FMT)	78.4	77.5	53.4	52.3	2.0	209.3	203.7	2.7
Copper (thousands FMT)	514.5	607.6	403.4	307.8	31.1	1,525.5	1,048.7	45.5
Gold (thousands Oz)	1,225.0	1,254.3	804.4	819.9	-1.9	3,283.7	3,128.8	5.0

Source: Ministry of Energy and Mines