Volcan Compañía Minera S.A.A. and Subsidiaries
Management Discussion and Analysis
First Quarter 2017

Principal Results:

Consolidated Volcan	Jan-Mar 2017	Jan-Mar 2016	var %
Sales Prices			
Zinc (USD/MT)	2,708	1,671	62.0
Lead (USD/MT)	2,276	1,764	29.0
Copper (USD/MT)	5,882	4,773	23.2
Silver (USD/Oz)	17.7	14.9	18.4
Gold (USD/Oz)	1,221	1,165	4.8
Financial Results (MM USD)			
Sales before adjustments	**199.1**	**172.1**	**15.7**
Volcan Production	190.8	158.5	20.3
Commercialization Business	8.4	13.6	-38.6
Sales Adjustments	**6.4**	**11.3**	**-43.4**
Settlement of prior period adjustments	5.0	-7.0	
Adjustments for open positions[1]	-1.5	6.5	
Hedging results	2.9	11.8	-75.8
Sales after adjustments	**205.5**	**183.4**	**12.0**
Net profit	**23.5**	**19.3**	**21.7**
Earnings per share - EPS (USD)	0.006	0.005	21.7
EBITDA	**80.2**	**75.8**	**5.8**
Operating Results			
Mineral treatment[2] (thousands MT)	1,917	1,943	-1.3
Zinc Production (thousands FMT)	59.5	71.4	-16.7
Lead Production (thousands FMT)	11.2	15.1	-25.8
Copper Production (thousands FMT)	1.1	1.2	-8.4
Silver Production (millions Oz)	3.8	5.8	-33.7
Gold Production (thousands Oz)	1.6	1.5	9.5
Unit Cost (USD/MT)	50.4	48.2	4.5
Total Investments (MM USD)	32.4	18.5	75.3

[1] 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.

[2] Includes treated tons at Oxides Plant

Source: Volcan Cia. Minera

1. Executive Summary

- During 1Q17, the average sales price of metals produced by the Company increased, as compared to the same period of the previous year. The average sales price of zinc rose from 1,671 USD/MT in 1Q16 to 2,708 USD/MT in 1Q17 **(+62.0%)**, lead from 1,764 USD/MT to 2,276 USD/MT **(+29.0%)** and silver from 14.9 USD/Oz to 17.7 USD/Oz **(+18.4%).**

- Better average metals prices resulted in an increase in sales from the Company's own concentrate by 20.3%, from USD 158.5 MM in 1Q16 to USD 190.8 MM in 1Q17. In turn, third-party concentrates sales declined by 38.6%, from USD 13.6 MM to USD 8.4 MM. Total sales before adjustments increased by 15.7%, from USD 172.1 MM in 1Q16 to USD 199.1 MM in 1Q17.

- Sales adjustments were reduced from USD 11.3 MM in 1Q16 to USD 6.4 MM in 1Q17, including final settlements of USD 5.0 MM, provisions related to open commercial positions of USD -1.5 MM and hedging results of USD 2.9 MM. Sales after adjustments increased by 12.0%, from USD 183.4 MM in 1Q16 to USD 205.5 MM in 1Q17.

- Gross margin increased from 26% in 1Q16 to 33% in 1Q17. Net profit increased from USD 19.3 MM in 1Q16 to USD 23.5 MM in 1Q17. Likewise, EBITDA increased from USD 75.8 MM in 1Q16 to USD 80.2 MM in 1Q17. It is worth noting that 1Q16 results included an extraordinary gain of USD 12.9 MM related to the partial buyback of bonds issued in 2012.

- During 1Q17, treated ore volumes treated decreased sby 1.3% compared to the same period of the previous year. This is explained by lower treated ore volumes at the Yauli and Chungar units and the Oxides Plant, partially offset by larger ore volumes from Cerro de Pasco and Alpamarca. It is worth noting that, in February 2017, the Oxides Plant suffered a 17-day paralyzation resulting from the plant's access road being blocked by a community company ECOSERM Rancas. Moreover, a review of the safety at the Islay Mine (Chungar Unit) partially affected ore contribution from this mine in March. Furthermore, in view of the restrictions to road and rail transportation caused by the coastal El Niño, a decision was made to limit supplies at the operating units. Mining operations were partially affected by this, especially the Yauli Unit.

- The reduction of treated ore volumes at the Yauli (-18.2%) and Chungar (-7.3%) units and the Oxides Plant (-20.9%), as well as lower average head grades in 1Q17, resulted in a decrease of fine production of zinc by 16.7%, of lead by 25.8% and of silver by 33.7%.

- The operation's consolidated unit cost increased by 4.5%, from 48.2 USD/MT in 1Q16 to 50.4 USD/MT in 1Q17, mainly due to a higher unit cost at Yauli and Chungar, resulting from the increase of mine preparations and lower extraction and treatment volumes at these units.

- Total investments increased by 75.3%, from USD 18.5 MM in 1Q16 to USD 32.4 MM in 1Q17, mainly due to higher investments in exploration, developments, tailings dams and mine and energy infrastructure at the operating units. Moreover, greenfield exploration investments have been increased to develop the main projects that represent the future growth of the Company.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2017	Jan-Mar 2016	var %
Mineral extraction (thousands MT)	**1,925**	**1,901**	**1.2**
Polymetallic ore	1,746	1,675	4.2
Oxides ore[1]	178	226	-20.9
Mineral treatment (thousands MT)	**1,917**	**1,943**	**-1.3**
Concentrator Plants	1,739	1,718	1.2
Silver Oxides Plant	178	226	-20.9
Fine Content			
Zinc (thousands FMT)	59.5	71.4	-16.7
Lead (thousands FMT)	11.2	15.1	-25.8
Copper (thousands FMT)	1.1	1.2	-8.4
Silver (millions Oz)	3.8	5.8	-33.7
Gold (thousands Oz)	1.6	1.5	9.5

Source: Volcan Cia. Minera

During 1Q17, Volcan increased extraction volumes by 1.2% as compared to the same quarter of the previous year. This is mainly explained by the contribution of low grade polymetallic ore from stockpiles at the Cerro de Pasco Unit, which was partially offset by lower extracted ore volumes at the Yauli (-15.2%) and Chungar (-4.9%) units, and lower ore volumes from the Oxides Plant stockpiles (-20.9%).

Ore volumes treated at the plants decreased by 1.3% as compared to 1Q16, mainly due to lower treatment volumes at the (-18.2%), Chungar (-7.3%) units, and the Oxides Plant (-20.9%). The Oxides Plant halted operations for 17 days as a result the plant's access road being blocked by a group of people and vehicles related to the community company ECOSERM Rancas. Moreover, at the Chungar Unit, a review of the safety was carried out at the Islay Mine and partially affected its ore contribution in March. Furthermore, in view of the restrictions to road and rail transportation caused by the coastal El Niño, a decision was made to limit supplies at the operating units, especially the Yauli and Chungar units, which partially affected the normal development of mining operations.

As a result of lower volumes treated at the Yauli and Chungar units and the Oxides Plant, and lower average head grades, the production of fine zinc decreased by 16.7%, from 71.4 thousand FMT in 1Q16 to 59.5 thousand FMT during 1Q17. Production of fine lead decreased by 25.8%, from 15.1 thousand FMT to 11.2 thousand FMT. Production of fine copper registered an 8.4% decrease, from 1.2 thousand FMT to 1.1 thousand FMT, while silver ounces decreased by 33.7%, from 5.8 million to 3.8 million. Meanwhile, gold ounces produced increased by 9.5%, from 1.5 thousand ounces to 1.6 thousand ounces.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2017	Jan-Mar 2016	var %
Production Cost (MM USD)	**96.8**	**92.5**	**4.6**
Mine Cost	52.9	52.1	1.5
Plant and Other Cost	43.9	40.4	8.7
Unit Cost (USD/MT)	**50.4**	**48.2**	**4.5**
Mine Cost	27.5	27.4	0.3
Plant and Other Cost	22.9	20.8	10.2

Source: Volcan Cia. Minera

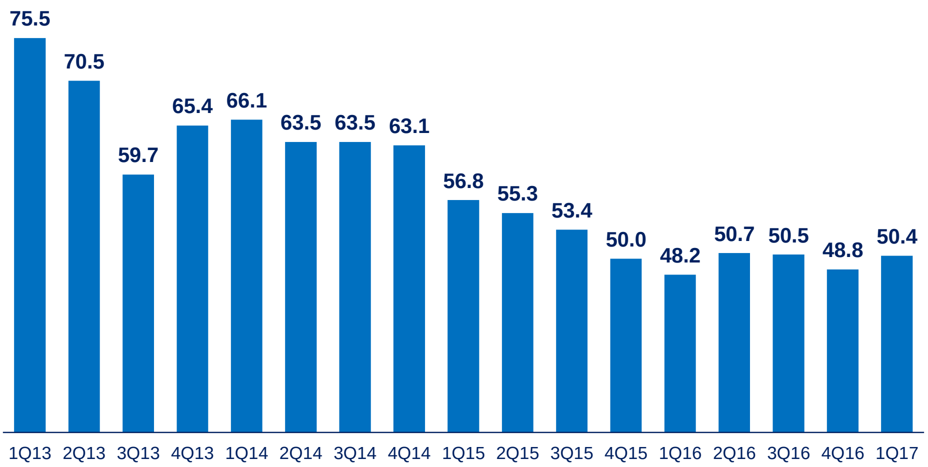
The cost of production in absolute terms increased by 4.6%, from USD 92.5 MM in 1Q16 to USD 96.8 MM in 1Q17. This is mainly explained by the treatment of low grade polymetallic ore stockpiles in Cerro de Pasco and the increase of mine preparations at the Yauli and Chungar units.

The consolidated unit cost of operations increased by 4.5%, from 48.2 USD/MT in 1Q16 to 50.4 USD/MT in 1Q17, mainly due to a higher unit cost at Yauli and Chungar, resulting from lower extraction and treatment volumes.

The Company is permanently focused on reducing and controlling operating costs across all units. In addition to the continuous-improvement system, specialized teams were created at the corporate level to identify specific opportunities for fixed-cost reductions and operating efficiency improvement.

The evolution of the consolidated unit cost of production over the last 3 years is shown in the chart below.

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



Source: Volcan Cia. Minera

2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Mining	**32.1**	**16.7**	**92.0**
Mining Units	**30.6**	**16.1**	**89.6**
Local Exploration	2.1	0.1	3,051.2
Development	15.8	9.6	65.5
Plants and Tailings Facilities	5.6	1.6	237.9
Mine and Infrastructure	5.3	4.1	28.5
Energy in Units	1.1	0.5	115.9
Support and Others	0.7	0.2	207.8
Regional Explorations	**1.5**	**0.4**	**257.0**
Growth and Others	**0.0**	**0.2**	**-80.6**
Energy	**0.3**	**1.7**	**-84.5**
Total	**32.4**	**18.5**	**75.3**

Source: Volcan Cia. Minera

Mining investments necessary to ensure the continuity and flexibility of the Company's operations and its growth increased in an environment of recovering metals prices. Accordingly, total mining investments grew by 92.0%, from USD 16.7 MM in 1Q16 to USD 32.1 MM in 1Q17.

Operating unit investments increased by 89.6%, from USD 16.1 MM in 1Q16 to USD 30.6 MM in 1Q17, mainly in mine development (+65%), plants & tailings dams

(+238%) and local exploration (3,051%). Regional exploration investments (greenfield or early-stage projects) increased by 257.0%, from USD 0.4 MM in 1Q16 to USD 1.5 MM in 1Q17, in line with the strategy of the Company to expedite the incorporation of resources to our main projects.

Energy investments in 1Q17 were USD 0.3 MM versus USD 1.7 MM in 1Q16, mainly due to the completion of the construction of the Rucuy Hydroelectric Plant.

Total investment increased by 75.3%, from USD 18.5 MM in 1Q16 to USD 32.4 MM in 1Q17.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Sales before adjust.	**199.1**	**172.1**	**15.7**
Sett. of prior periods adjust.	*5.0*	*-7.0*	
Adj. open positions	*-1.5*	*6.5*	
Hedging	*2.9*	*11.8*	*-75.8*
Sales after adjust.	**205.5**	**183.4**	**12.0**
Cost of Goods Sold	**-138.3**	**-135.8**	**1.8**
Gross Profit	**67.2**	**47.6**	**41.1**
Gross Margin	*33%*	*26%*	*7 pp*
Administrative Expenses	-10.5	-9.3	*12.4*
Sales Expenses	-7.7	-6.6	16.5
Other Income (Expenses)[1]	-1.6	9.8	
Operating Profit	**47.4**	**41.5**	**14.2**
Operating Margin	*23%*	*23%*	*0 pp*
Financial Income (Expenses)	-9.4	-8.6	10.1
Exchange difference (net)	0.1	0.7	-80.5
Royalties	-3.8	-1.4	161.3
Income Tax	-10.7	-12.8	-15.8
Net Profit	**23.5**	**19.3**	**21.7**
Net Margin	*11%*	*11%*	*1 pp*
EBITDA	**80.2**	**75.8**	**5.8**
EBITDA Margin	*39%*	*41%*	*-2 pp*

[1] Includes the sales and cost of sales of the energy division. In 1Q16, other income include extraordinary income of USD 12.9 MM associated with the partial repurchase of the international bonds

Source: Volcan Cia. Minera

Table 5: Financial Results per Business

Income Statement by Business (MM USD)		Jan-Mar 2017	Jan-Mar 2016	var %
Volcan Production	**Sales**	**194.7**	**168.8**	***15.3***
	Cost of Goods Sold	-130.9	-123.6	*5.9*
	Gross Profit	**63.8**	**45.2**	***41.2***
	Gross Margin	*33%*	*27%*	*6 pp*
	Net Profit	**21.4**	**18.0**	***18.8***
	EBITDA[1]	**76.9**	**73.7**	***4.4***
	EBITDA Margin	*40%*	*44%*	*-4 pp*
Commercialization Business	**Sales**	**10.8**	**14.6**	***-26.1***
	Cost of Goods Sold	-7.4	-12.2	*-39.3*
	Gross Profit	**3.4**	**2.4**	***40.1***
	Gross Margin	*31%*	*17%*	*15 pp*
	Net Profit	**2.2**	**1.3**	***60.5***
	EBITDA	**3.2**	**2.1**	***54.6***
	EBITDA Margin	*30%*	*14%*	*16 pp*
	Sales	**205.5**	**183.4**	***12.0***
	Cost of Goods Sold	-138.3	-135.8	*1.8*
	Gross Profit	**67.2**	**47.6**	***41.1***
	Gross Margin	*33%*	*26%*	*7 pp*
	Net Profit	**23.5**	**19.3**	***21.7***
	EBITDA[1]	**80.2**	**75.8**	***5.8***
	EBITDA Margin	*39%*	*41%*	*-2 pp*

[1] In 1Q16, includes the extraordinary income of USD 12.9 MM associated with the partial repurchase of the international bonds

Source: Volcan Cia. Minera

- **Sales Analysis**

Table 6: Average Sales Prices

Sales Prices	Jan-Mar 2017	Jan-Mar 2016	var %
Zinc (USD/MT)	2,708	1,671	62.0
Lead (USD/MT)	2,276	1,764	29.0
Copper (USD/MT)	5,882	4,773	23.2
Silver (USD/Oz)	17.7	14.9	18.4
Gold (USD/Oz)	1,221	1,165	4.8

Source: Volcan Cia. Minera

Table 7: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2017	Jan-Mar 2016	var %
Volcan Production	Zinc (thousands FMT)	60.5	69.6	-13.0
	Lead (thousands FMT)	11.4	15.2	-25.4
	Copper (thousands FMT)	0.8	0.9	-17.8
	Silver (millions Oz)[1]	4.1	5.9	-30.9
	Gold (thousands Oz)[1]	2.2	3.5	-37.1
Commerciali-zation Business	Zinc (thousands FMT)	1.6	7.3	-77.4
	Lead (thousands FMT)	0.1	0.6	-80.4
	Copper (thousands FMT)	0.4	0.3	32.5
	Silver (millions Oz)	0.2	0.3	-21.2
	Gold (thousands Oz)	0.0	0.0	36.4
Total	Zinc (thousands FMT)	62.2	76.9	-19.1
	Lead (thousands FMT)	11.5	15.8	-27.5
	Copper (thousands FMT)	1.2	1.3	-5.1
	Silver (millions Oz)	4.3	6.2	-30.5
	Gold (thousands Oz)	2.2	3.5	-36.7

[1] Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 8: Sales in USD

Sales (millions USD)		Jan-Mar 2017	Jan-Mar 2016	var %
Volcan Production	Zinc	109.6	65.8	66.4
	Lead	19.4	18.6	4.6
	Copper	2.3	1.9	18.0
	Silver	58.0	69.6	-16.7
	Gold	1.5	2.6	-41.8
	Sales before adjust.	**190.8**	**158.5**	**20.3**
	Sett. of prior period adjust.	4.6	-6.5	
	Adjust. for open positions	-2.8	5.6	
	Hedging results	2.1	11.2	-81.0
	Sales after adjust.	**194.7**	**168.8**	**15.3**
Commerciali-zation Business	Zinc	3.6	9.5	-62.5
	Lead	0.2	0.7	-65.2
	Copper	1.8	0.8	124.3
	Silver	2.7	2.6	2.3
	Gold	0.0	0.0	
	Sales before adjust.	**8.4**	**13.6**	**-38.6**
	Sett. of prior period adjust.	0.4	-0.5	
	Adjust. for open positions	1.3	0.9	38.0
	Hedging results	0.7	0.6	27.6
	Sales after adjust.	**10.8**	**14.6**	**-26.1**
Total	Zinc	113.1	75.3	50.2
	Lead	19.6	19.2	2.1
	Copper	4.1	2.7	49.8
	Silver	60.7	72.2	-16.0
	Gold	1.5	2.6	-40.8
	Sales before adjust.	**199.1**	**172.1**	**15.7**
	Sett. of prior period adjust.	5.0	-7.0	
	Adjust. for open positions	-1.5	6.5	
	Hedging results	2.9	11.8	-75.8
	Sales after adjust.	**205.5**	**183.4**	**12.0**

Source: Volcan Cia. Minera

For 1Q17, total sales before adjustments were USD 199.1 MM, 15.7% higher than the USD 172.1 MM reported in 1Q16. This result is attributable to the increase in the average sales price of zinc by 62.0%, lead by 29.0%, copper by 23.2%, silver by 18.4%, and gold by 4.8%. The increase in total sales occurred despite lower third-party concentrates sales, where sales before adjustments decreased from USD 13.6 MM in 1Q16 to USD 8.4 MM in 1Q17.

During 1Q17, Volcan recorded positive sales adjustments of USD 5.0 MM, related to final settlements, and negative adjustments of USD 1.5 MM related to provisions for open commercial positions. Moreover, hedging results were positive by USD 2.9 MM.

Therefore, during 1Q17 sales after adjustments totaled USD 205.5 MM, a 12.0% increase if compared to the USD 183.4 MM reported in 1Q16.

- **Cost of Goods Sold**

Table 9: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Volcan Production	**130.9**	**122.9**	**6.5**
Own Production Cost	96.8	92.5	4.6
D&A from Production Cost	29.6	30.0	-1.3
Extraordinary Costs	0.6	0.4	33.4
Variation of Inventories	3.9	0.0	
Commercialization Business	**7.1**	**11.9**	**-40.3**
Concentrates Purchase	6.4	12.2	-47.2
Variation of Inventories	0.7	-0.3	
Workers Participation	**0.3**	**1.0**	**-69.7**
Total	**138.3**	**135.8**	**1.8**

Source: Volcan Cia. Minera

During 1Q17, the total cost of goods sold was USD 138.3 MM, 1.8% higher than the USD 135.8 MM figure for 1Q16. This is mainly explained by a USD 4.3 MM increase in the cost of production and a USD 4.9 MM decrease in total inventories, partially offset by a reduction of USD 5.8 MM in purchases of third-party concentrates.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 26% in 1Q16 to 33% in 1Q17 due to the higher metals prices, improved margin in concentrates sales, and reduced commercialization of third-party concentrates in total sales. Total gross profit in 1Q17 grew by 41.1%, from USD 47.6 MM in 1Q16 to USD 67.2 MM in 1Q17.

- **Administrative and Sales Expenses**

Administrative expenses in 1Q17 totaled USD 10.5 MM, 12.4% higher than the USD 9.3 MM recorded in 1Q16, mainly explained by the increased workers' participation and the appreciation of local currency.

Administrative expenses in 1Q17 totaled USD 7.7 MM, 16.5% higher than the USD 6.6 MM recorded in 1Q16, mainly due to higher freight expenses arising from the logistical complications caused by the coastal El Niño in the central highlands.

- **Other Income and Expenses**

In 1Q17, the net amount of other income and expenses was negative USD 1.6 MM versus a positive amount of USD 9.8 MM in 1Q16. It is worth noting that 1Q16 results included an extraordinary gain of USD 12.9 MM related to the partial buyback of international bonds issued in 2012.

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

Net financial expenses for 1Q17 totaled USD 9.4 MM, a figure higher than the USD 8.6 MM recorded in 1Q16. This is explained by the reprofiling of a portion of the debt that was converted from short-term into medium-term, at an interest rate in line with the new term. This reprofiling will result in an improved liquidity ratio for the Company.

Moreover, exchange-rate variation gains totaling USD 0.1 MM were registered in 1Q17, lower than the exchange-rate gains reported in 1Q16 (USD 0.7 MM).

- **Net Profit and EBITDA**

Net profit grew by 21.7%, from USD 19.3 MM in 1Q16 to USD 23.5 MM in 1Q17. This growth is mainly explained by an increased gross margin, as a result of higher metals prices.

EBITDA increased by 5.8%, from USD 75.8 MM in 1Q16 to USD 80.2 MM in 1Q17.

2.5 Liquidity and Creditworthiness

In 1Q17, cash generated by mining operations totaled USD 73.4 MM. Operating and exploration investments, as well as growth investments in the mining business, totaled USD 30.5 MM, while energy investments totaled USD +0.9 MM. Moreover, other investments totaled USD 1.5 MM, dividends paid amounted to USD 14.1 MM, interests to USD 17.3 MM, while financial liabilities decreased by USD 13.8 MM.

Therefore, during 1Q17, the resulting total cash flow was USD -2.9 MM, and the total cash balance as of March 31, 2017, was USD 200.5 MM.

At the end of 1Q17, the net debt/EBITDA ratio was 1.98.

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

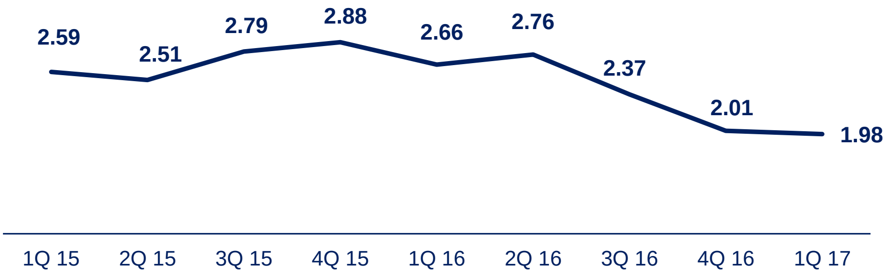
Table 10: Net Debt / EBITDA Ratio

Net Debt/EBITDA Ratio	Mining	Energy	Consolidated 1Q17
Gross Debt (MM USD)	787.5	22.6	810.0
Cash Balance (MM USD)	191.8	8.6	200.5
Net Debt (MM USD)	**595.6**	**13.9**	**609.6**
EBITDA[1] (MM USD)	**300.3**	**7.0**	**307.3**
Ratio	**1.98**	**2.00**	**1.98**

[1] EBITDA for the last 12 months.

Source: Volcan Cia. Minera

Chart 2: Net Debt / EBITDA Ratio Evolution



Source: Volcan Cia. Minera

3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 11: Yauli Production

Yauli Production	Jan-Mar 2017	Jan-Mar 2016	var %
Mineral extraction (thousands MT)	**804**	**948**	**-15.2**
Mineral treatment (thousands MT)	**805**	**984**	**-18.2**
Fines Content			
Zinc (thousands FMT)	33.1	46.0	-28.0
Lead (thousands FMT)	4.3	7.4	-42.4
Copper (thousands FMT)	0.6	0.8	-16.2
Silver (million Oz)	1.6	3.2	-49.1
Gold (thousands Oz)	0.6	0.6	4.4

Source: Volcan Cia. Minera

In 1Q17, the ore extracted at the Yauli Unit declined by 15.2% as compared to the same period of the previous year, mainly due to the depletion of the Carahuacra Norte Open Pit, lower ore volumes at the San Cristóbal Mine, and a lower contribution by the Andaychagua Mine, as a result of the reduction of the width of its veins at depth. Similarly, in 1Q17, the operations were affected by supply impediments as a consequence of the restriction to road and rail transportation caused by the coastal El Niño.

As a consequence, the ore treated at the Yauli Unit concentrator plants decreased by 18.2% in 1Q17 compared to the same period of the previous year.

Fine zinc production decreased by 28.0%, fine silver by 49.1%, fine lead by 42.4%, and fine copper by 16.2%, as a result of reduced treatment volumes and lower average head grades.

The aggressive exploration, mine development and preparation plan currently in execution at the *Domo de Yauli* where the mines Carahuacra, San Cristóbal and Andaychagua are located is expected to result in a gradual increase of production.

Table 12: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2017	Jan-Mar 2016	var %
Production Cost (MM USD)	**56.4**	**53.7**	**5.1**
Extraction Cost	34.4	32.8	5.1
Treatment Cost	22.0	20.9	5.2
Unit Cost (USD/MT)	**70.1**	**55.8**	**25.7**
Extraction Cost	42.8	34.6	23.9
Treatment Cost	27.3	21.2	28.6

Source: Volcan Cia. Minera

Cost of production in absolute terms increased by 5.1%, from USD 53.7 MM in 1Q16 to USD 56.4 MM in 1Q17. This increase is mainly explained by the decline in Carahuacra Norte Open Pit low-production-cost contributions to the Yauli Unit production mix, and increased preparations, mainly at the San Cristóbal and Carahuacra mines.

The operation's unit cost increased by 25.7%, from 55.8 USD/MT in 1Q16 to 70.1 USD/MT in 1Q17, mainly due to a higher absolute cost and lower extracted and treated volumes.

Table 13: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Local Exploration	1.5	0.1	2500.8
Mine Development	11.5	5.6	105.0
Plants and Tailings Dams	1.9	1.5	29.5
Mine and Infrastructure	2.5	1.5	60.4
Energy	0.7	0.5	39.8
Support and Others	0.3	0.1	138.1
Total	**18.4**	**9.3**	**97.9**

Source: Volcan Cia. Minera

Operating investments increased by 97.9%, from USD 9.3 MM in 1Q16 to USD 18.4 MM in 1Q17, including increased investments in exploration, development and mine infrastructure, in line with the current plan to increase production levels.

3.2 Chungar Unit Operating Results

Table 14: Chungar Production

Chungar Production	Jan-Mar 2017	Jan-Mar 2016	var %
Mineral extraction (thousands MT)	**477**	**501**	**-4.9**
Mineral treatment (thousands MT)	**473**	**510**	**-7.3**
Fines Content			
Zinc (thousands FMT)	21.8	22.9	-4.8
Lead (thousands FMT)	4.6	5.8	-20.7
Copper (thousands FMT)	0.4	0.4	5.0
Silver (million Oz)	0.8	1.1	-24.0

Source: Volcan Cia. Minera

In 1Q17, ore volumes extracted at the Chungar Unit decreased by 4.9% as a consequence of a 19.9% reduction of volumes extracted at the Islay Mine, offset by a 0.3% increase in ore extracted at the Animon Mine. The decline in the contribution of the Islay Mine was due to a reduction of work fronts and the effect from a revision of the safety carried out in March. Accordingly, ore processed at the concentrator plant declined by 7.3%.

As a result of the lower ore volumes at the Islay Mine and lower lead and silver grades at the Animón Mine, in 1Q17, fine zinc production decreased by 4.8%, lead by 20.7% and silver by 24.0%. Meanwhile, fine copper production increased by 5.0%.

It is worth noting that the integration tunnel between the Animón and Islay mines will be built this year. This will result in the improved efficiency of current operations, and lower transportation and pumping costs, among others. In addition, this tunnel will facilitate the exploration of the Islay 4 concession, which shows significant evidence of mineralization and may lead to the future growth of production at the Chungar Unit.

Table 15: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2017	Jan-Mar 2016	var %
Production Cost (MM USD)	**25.7**	**24.3**	**5.6**
Extraction Cost	15.6	15.2	2.5
Treatment Cost	10.1	9.1	10.8
Unit Cost (USD/MT)	**54.1**	**48.2**	**12.1**
Extraction Cost	32.7	30.3	7.7
Treatment Cost	21.4	17.9	19.5

Source: Volcan Cia. Minera

Cost of production in absolute terms increased by 5.6%, from USD 24.3 MM in 1Q16 to USD 25.7 MM in 1Q17. This is explained by a significant increase in preparations at the Islay and Animón mines, and by larger contributions to neighboring communities through collective agreements.

The unit cost increased by 12.1%, from 48.2 USD/MT in 1Q16 to 54.1 USD/MT in 1Q17, mainly due to a higher absolute cost and lower volumes of production.

Table 16: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Local Exploration	0.6	0.0	
Mine Development	4.3	3.9	9.3
Plants and Tailings Dams	2.8	0.0	
Mine and Infrastructure	2.1	0.7	208.1
Energy	0.4	0.0	
Support and Others	0.1	0.1	46.1
Total	**10.3**	**4.8**	**116.0**

Source: Volcan Cia. Minera

Operating investments increased by 116.0%, from USD 4.8 MM in 1Q16 to USD 10.3 MM in 1Q17, mainly due to higher investments in exploration, development, tailings dams and mine and energy infrastructure.

3.3 Alpamarca Unit Operating Results

Table 17: Alpamarca Production

Alpamarca Production	Jan-Mar 2017	Jan-Mar 2016	var %
Mineral extraction (thousands MT)	**238**	**227**	**5.2**
Mineral treatment (thousands MT)	**234**	**224**	**4.2**
Fines Content			
Zinc (thousands FMT)	2.7	2.5	9.8
Lead (thousands FMT)	1.6	1.8	-14.4
Copper (thousands FMT)	0.1	0.1	0.4
Silver (million Oz)	0.5	0.5	7.4

Source: Volcan Cia. Minera

In 1Q17, ore volumes extracted at the Alpamarca Unit grew by 5.2% compared to the same quarter of the previous year. Meanwhile, the concentrator plant treated 234 thousand MT of ore in 1Q17, a 4.2% increase over 1Q16.

During 1Q17, the production of zinc, copper and silver rose by 9.8%, 0.4% and 7.4%, respectively, while lead production decreased 14.4%. The increase in zinc and silver production is mainly explained by higher treated ore volumes and head grades, while the decline in lead production is due to a lower head grade.

Table 18: Alpamarca Cost of Production

Alpamarca Production Cost	Jan-Mar 2017	Jan-Mar 2016	var %
Production Cost (MM USD)	**4.9**	**5.6**	**-13.1**
Extraction Cost	2.0	2.8	-29.4
Treatment Cost	2.9	2.8	3.4
Unit Cost (USD/MT)	**20.8**	**25.0**	**-16.8**
Extraction Cost	8.4	12.5	-32.9
Treatment Cost	12.4	12.5	-0.8

Source: Volcan Cia. Minera

In absolute terms, the cost of production totaled USD 4.9 MM, 13.1% lower than the USD 5.6 MM figure for the same quarter of the previous year. The unit cost fell by 16.8%, from 25.0 USD/MT in 1Q16 to 20.8 USD/MT in 1Q17. The unit cost decreased significantly due to an increased volume of production and the operating efficiencies achieved in the exploitation of the open pit.

Table 19: Alpamarca Operating Investments

Alpamarca Operating Inv. (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Local Exploration	0.0	0.0	-100.0
Mine Development	0.0	0.0	
Plants and Tailings Dams	0.2	0.0	323.0
Mine and Infrastructure	0.1	0.1	-20.8
Support and Others	0.1	0.0	
Total	**0.3**	**0.2**	**122.0**

Source: Volcan Cia. Minera

Operating investments at the Alpamarca Unit during 1Q17 totaled USD 0.3 MM, while investments in 1Q16 totaled USD 0.2 MM.

3.4 Cerro de Pasco Unit Operating Results

Table 20: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2017
Mineral extraction (thousands MT)	**228**
Mineral treatment (thousands MT)	**228**
Fines Content	
Zinc (thousands FMT)	1.8
Lead (thousands FMT)	0.7
Copper (thousands FMT)	0.0
Silver (million Oz)	0.1

Source: Volcan Cia. Minera

In 4Q16, the commercial treatment of low-grade polymetallic ore from the stockpiles began at this unit. In 1Q17, the volumes of ore treated amounted to 228 thousand MT, producing 1.8 thousand FMT of zinc, 0.7 thousand FMT of lead and 0.1 million silver ounces.

A sorting technology that separates the highest grade ore from the stockpiles is expected to commence operations during the second half of 2017 at the Cerro de Pasco Unit, allowing for a significant increase in treated grades of this polymetalic mineral.

Table 21: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2017
Production Cost (MM USD)	**3.0**
Extraction Cost	0.0
Treatment Cost	3.0
Unit Cost (USD/MT)	**13.3**
Extraction Cost	0.0
Treatment Cost	13.3

Source: Volcan Cia. Minera

In 1Q17, the absolute cost of production amounted to USD 3.0 MM and the unit cost was 13.3 USD/MT.

Table 22: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2017
Plants and Tailings Dams	0.6
Total	**0.6**

Source: Volcan Cia. Minera

During 1Q17, operating investments totaled USD 0.6 MM and were used for the treatment of ore from stockpiles at the San Expedito plant.

3.5 Oxides Plant Operating Results

Table 23: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2017	Jan-Mar 2016	var %
Mineral treatment (thousands MT)	**178**	**226**	**-20.9**
Fines Content			
Silver (million Oz)	0.8	1.0	-23.2
Gold (Oz)	608	933	-34.8

Source: Volcan Cia. Minera

In 1Q17, the treated volume of ore from the stockpiles declined by 20.9% as compared to 1Q16, due to the 17-day suspension of production resulting from the blockage of the plant's access road by a group of people and vehicles from the community company ECOSERM Rancas. As a consequence, the production of silver fines declined by 23.2% and gold fine by 34.8%.

The annual planned production is expected to recover in the following months.

Table 24: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2017	Ene-Mar 2016	var %
Production Cost (MM USD)	**6.7**	**8.9**	**-23.9**
Extraction Cost	0.9	1.3	-33.4
Treatment Cost	5.9	7.6	-22.3
Unit Cost (USD/MT)	**37.8**	**39.3**	**-3.8**
Extraction Cost	4.8	5.7	-15.8
Treatment Cost	33.0	33.6	-1.8

Source: Volcan Cia. Minera

The cost of production in absolute terms decreased by 23.9%, from USD 8.9 MM in 1Q16 to USD 6.7 MM in 1Q17, due to the 17-day suspension of the plant.

The operation's unit cost decreased by 3.8%, from 39.3 USD/MT in 1Q16 to 37.8 USD/MT in 1Q17, due to reduced use of reagents and improved efficiency in the plant's operation.

Table 25: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2017	Jan-Mar 2016	var %
Plants and Tailings Dams	0.1	0.1	24.9
Mine and Infrastructure	0.6	1.8	-64.5
Support and Others	0.2	0.0	
Total	**1.0**	**1.9**	**-50.4**

Source: Volcan Cia. Minera

The operating investment figure for 1Q17 at the Oxides Plant amounted to USD 1.0 MM. During 1Q16, operating investment totaled USD 1.9 MM.

4. Energy

Table 26: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2017	Jan-Mar 2016	var %
Energy generation	**113.5**	**70.2**	**61.7**
Chungar	43.0	38.7	11.3
Tingo	2.2	2.3	-4.2
Huanchor	33.7	29.2	15.4
Rucuy	34.6		
Energy consumption	**166.1**	**151.8**	**9.4**
Energy purchase	**120.9**	**110.8**	**9.1**

Source: Volcan Cia. Minera

During 1Q17, Volcan's total consumption of electric power reached 166.1 GWh, with a maximum demand of 88 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 43 GWh. This accounted for 26% of the Company's total consumption; at an average cost of 18 USD/MWh, including operating, maintenance and transmission costs. The Tingo Hydroelectric Plant generated 2.2 GWh, accounting for 1.3% of the Company's total consumption. All of the Tingo plant´s power supplied to the Chungar Unit.

Volcan purchased 120.9 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average unit cost of 79 USD/MWh.

The Huanchor Hydroelectric Plant produced 33.7 GWh and Rucuy Hydroelectric Plant generated 34.6 MWh. All of this power was sold to third parties.

As a consequence of the coastal El Niño, the Rucuy Hydroelectric Plant suspended operations in March due to damage to part of the penstock and a section of the transmission line[1]. The Company made an insurance claim and is evaluating the time needed to resume the hydroelectric plant's operation.

[1] This event was reported to the *Superintendencia de Mercado de Valores* in letter RB-016-17 on March 22, 2017.

5. Final Comments

- The Company has an aggressive exploration plan in place for its current operating units and for new prospects and projects. During 2017, an exploration program of more than 200 thousand meters of diamond drilling will be executed. These programs will allow for the expansion of the resource base of the mines in operation and for the definition of resources at our most important projects, such as Romina 2, Carhuacayán, Zoraida, Vinchos, Palma, and Chumpe, among others, which represent the future growth of the Company.

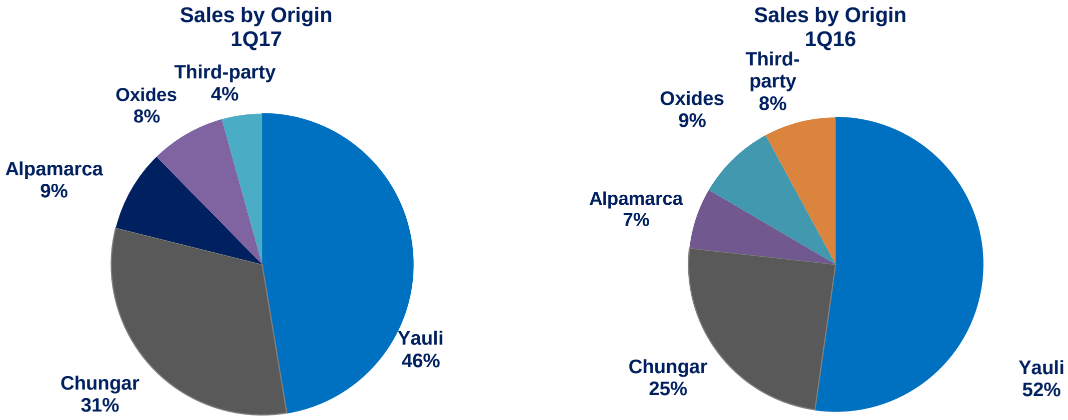
- The Company is permanently focused on operating cost reduction and control. Investments in infrastructure, such as the integration tunnels between the San Cristóbal and Carahuacra mines in Yauli and the Animón and Islay mines in Chungar, will allow for significant reductions in transportation costs and improved operating efficiencies. The execution of a new energy supply agreement will translate into savings of approximately USD 8.8 MM from 2018 to 2020 and USD 6.8 MM from 2021 to 2023. Moreover, specialized teams were created within the organization with the specific purpose of identifying and developing new operating improvement and cost-reduction initiatives.

- Improved financial results are reflected in higher net profit and EBITDA, and also in better liquidity and debt ratios. Short-term debt has decreased from USD 251 MM in 4Q16 to USD 179 MM in 1Q17, while the net debt/EBITDA ratio registered 1.98. The Company is firmly focused on further reducing its total debt in a favorable price environment.

Annexes

Annex 1: Sales Breakdown

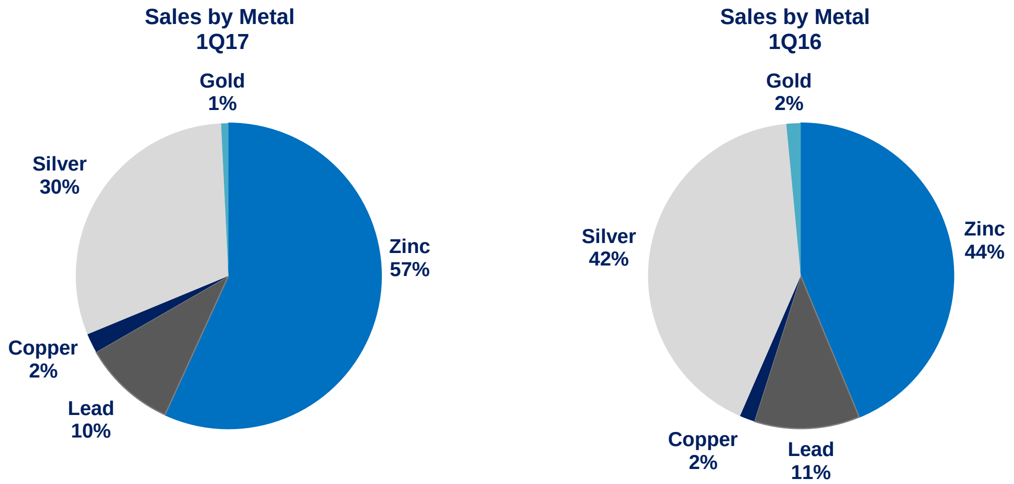
Chart 3: Sales by Origin (percentage of value in USD)



Source: Volcan Cia. Minera

The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 8% in 1Q16 to 4% in 1Q17.

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



Source: Volcan Cia. Minera

The distribution of sales by metal in 1Q17 reflects the growth in the contribution of zinc, as a result of the increase in its average sales price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2017	Jan-Mar 2016	var %
Zinc (USD/MT)	2,781	1,676	65.9
Lead (USD/MT)	2,279	1,742	30.8
Copper (USD/MT)	5,834	4,669	25.0
Silver (USD/Oz)	17.4	14.8	17.4
Gold (USD/Oz)	1,219	1,179	3.4

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2017	Jan-Mar 2016	var %
Exchange Rate (S/ x USD)	3.29	3.45	-4.7
Inflation	3.97	4.30	-7.6

[1] Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan - Feb 2017	Jan - Feb 2016	var %
Silver (Thousands Oz)	21,040	22,551	-6.7
Zinc (FMT)	222,707	209,055	6.5
Lead (FMT)	46,425	50,844	-8.7
Copper (FMT)	374,599	326,426	14.8
Gold (Thousands Oz)	767	820	-6.5

Source: Ministry of Energy and Mines