

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

Principal Results:

Consolidated Volcan	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Sales Prices								
Zinc (USD/MT)	2,708	2,587	2,892	2,263	27.8	2,731	1,939	40.8
Lead (USD/MT)	2,276	2,133	2,320	1,874	23.8	2,246	1,773	26.7
Copper (USD/MT)	5,882	5,651	6,373	4,754	34.0	6,017	4,761	26.4
Silver (USD/Oz)	17.7	17.1	16.9	19.4	-12.6	17.2	16.9	1.8
Gold (USD/Oz)	1,221	1,256	1,287	1,334	-3.5	1,257	1,242	1.2
Operating Results								
Mineral treatment ¹ (thousands MT)	1,917	2,088	2,149	1,890	13.7	6,154	5,687	8.2
Zinc Production (thousands FMT)	59.5	65.4	66.3	68.3	-3.0	191.2	210.0	-8.9
Lead Production (thousands FMT)	11.2	12.5	13.9	11.9	16.8	37.6	40.0	-6.0
Copper Production (thousands FMT)	1.1	1.3	1.5	1.5	1.5	3.9	4.0	-1.0
Silver Production (millions Oz)	3.8	4.5	4.4	5.6	-21.0	12.8	17.2	-25.8
Gold Production (thousands Oz)	1.6	1.8	2.1	1.6	34.4	5.6	4.4	25.8
Unit Cost (USD/MT)	50.4	48.5	46.6	50.5	-7.7	48.4	49.8	-2.7
Total Investments (MM USD)	32.4	37.9	52.4	33.9	54.7	122.7	79.0	55.2
Financial Results (MM USD)								
Sales before adjustments	199.1	207.5	226.6	220.1	2.9	633.2	589.1	7.5
Volcan Production	190.8	201.6	221.3	203.6	8.7	613.7	544.5	12.7
Commercialization Business	8.4	5.9	5.3	16.5	-68.1	19.5	44.6	-56.2
Sales Adjustments	6.4	-5.4	5.9	-5.1		6.9	6.1	14.1
Settlement of prior period adjustments	5.0	0.1	2.2	12.6	-82.4	7.4	2.8	162.1
Adjustments for open positions ²	-1.5	-5.2	5.1	-3.0		-1.5	22.2	
Hedging results	2.9	-0.3	-1.4	-14.7	-90.2	1.1	-19.0	
Sales after adjustments	205.5	202.1	232.5	215.0	8.1	640.1	595.2	7.6
Net profit	23.5	15.6	30.1	26.3	14.3	69.2	61.1	13.3
Earnings per share - EPS (USD)	0.006	0.004	0.008	0.007	14.3	0.018	0.016	13.3
EBITDA	80.2	73.6	100.8	83.2	21.2	254.5	222.0	14.7

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 derivatives 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 2,263 USD/MT in 3Q16 to 2,892 USD/MT in 3Q17 **(+27.8%)**, lead from 1,874 USD/MT to 2,320 USD/MT **(+23.8%)** and copper from 4,754 USD/MT to 6,373 USD/MT **(+34.0%)**. The average sales price of silver fell from 19.4 USD/Oz in 3Q16 to 16.9 USD/Oz in 3Q17 **(-12.6%)**, and gold from 1,334 USD/Oz to 1,287 USD/Oz **(-3.5%)**.
- During 3Q17, the volume of ore treated at the plants increased by 13.7% as compared to the same quarter of the previous year. This is mainly explained by polymetallic ore from stockpiles processed at the Cerro de Pasco Unit, and the recovery of production at Yauli. This increase was partially offset by lower treatment volumes at Chungar due to a two-month suspension of operations at the Islay Mine resulting from the access roads being blocked by the Huaychao community. The operations were resumed in early October.
- In 3Q17, fine zinc production decreased by 3.0% and silver by 21.0% as compared to 3Q16, mainly due to lower head grades at Yauli and lower treated ore volumes at Chungar. Meanwhile, in 3Q17, lead production increased by 16.8% and copper by 1.5% as compared to the same period of the previous year. This is mainly explained by higher grades at Chungar. As planned, in 3Q17, fine zinc, lead and copper production was higher than in 2Q17. However, fine silver production decreased due to the suspension of operations at the Islay Mine in Chungar, and a lower silver grade from the ore of the Oxides Plant stockpiles.
- Consolidated unit cost decreased by 7.7%, from 50.5 USD/MT in 3Q16 to 46.6 USD/MT in 3Q17. This is mainly explained by the lower-cost production from stockpiles at Cerro de Pasco and greater production volumes and operating efficiencies at Alparmarca.
- Total investments increased by 54.7%, from USD 33.9 MM in 3Q16 to USD 52.4 MM in 3Q17, due to higher operating unit investments in mine development, plants and tailings dams, as well as in projects to increase production, such as the sorting¹ project at Cerro de Pasco. Greenfield exploration investments were increased in line with the strategy to incorporate resources to our main projects.
- Better average metals prices resulted in an increase in sales from the Company's own concentrate by 8.7%, from USD 203.6 MM in 3Q16 to USD 221.3 MM in 3Q17. In turn, third-party concentrates sales declined by 68.1%, from USD 16.5 MM to USD 5.3 MM. Total sales before adjustments increased by 2.9%, from USD 220.1 MM in 3Q16 to USD 226.6 MM in 3Q17.

¹The sorting technology separates the highest grade ore from the stockpiles, which is then treated at the concentrator plant, obtaining better recoveries and higher production.

- Sales adjustments increased from USD -5.1 MM in 3Q16 to USD 5.9 MM in 3Q17, including provisions related to open shipments of USD 5.1 MM, hedging results of USD -1.4 MM, and positive final settlements of USD 2.2 MM. Sales after adjustments increased by 8.1%, from USD 215.0 MM in 3Q16 to USD 232.5 MM in 3Q17.
- Gross margin increased from 33% in 3Q16 to 39% in 3Q17. Net profit increased by 14.3%, from USD 26.3 MM in 3Q16 to USD 30.1 MM in 3Q17. Likewise, EBITDA increased by 21.2%, from USD 83.2 MM in 3Q16 to USD 100.8 MM in 3Q17.
- Year-to-date (Jan-Sep), sales after adjustments rose by 7.6%, from USD 595.2 MM in 2016 to USD 640.1 MM in 2017, net profit increased by 13.3%, from USD 61.1 MM to USD 69.2 MM, while EBITDA grew by 14.7%, from USD 222.0 MM to USD 254.5 MM.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mineral extraction (thousands MT)	1,925	2,093	2,155	1,883	14.4	6,172	5,638	9.5
Polymetallic ore	1,746	1,861	1,924	1,660	16.0	5,532	4,965	11.4
Oxides ore ¹	178	231	231	224	3.2	640	673	-4.8
Mineral treatment (thousands MT)	1,917	2,088	2,149	1,890	13.7	6,154	5,687	8.2
Concentrator Plants	1,739	1,857	1,918	1,667	15.1	5,514	5,015	10.0
Silver Oxides Plant	178	231	231	224	3.2	640	673	-4.8
Fine Content								
Zinc (thousands FMT)	59.5	65.4	66.3	68.3	-3.0	191.2	210.0	-8.9
Lead (thousands FMT)	11.2	12.5	13.9	11.9	16.8	37.6	40.0	-6.0
Copper (thousands FMT)	1.1	1.3	1.5	1.5	1.5	3.9	4.0	-1.0
Silver (millions Oz)	3.8	4.5	4.4	5.6	-21.0	12.8	17.2	-25.8
Gold (thousands Oz)	1.6	1.8	2.1	1.6	34.4	5.6	4.4	25.8

Source: Volcan Cia. Minera

During 3Q17, Volcan increased ore extraction volumes by 14.4%, as compared to the same quarter of the previous year. This is mainly explained by the contribution of ore from stockpiles at the Cerro de Pasco Unit, greater ore volumes extracted at Yauli (3.8%) and Alpamarca (13.7%), partially offset by lower extracted ore volumes in Chungar (-10.7%).

Similarly, treated volumes increased 13.7%, from 1.89 million MT in 3Q16 to 2.15 million MT in 3Q17. Year-to-date (Jan-Sep), the extraction volume increased by 9.5% as compared to the same period in the previous year, while treated volume increased 8.2%.

In 3Q17, although treated volumes were higher, the production of fine zinc decreased by 3.0%, from 68.3 thousand FMT in 3Q16 to 66.3 thousand FMT during 3Q17. Production of fine silver decreased by 21.0%, from 5.6 MM Oz in 3Q16 to 4.4 MM Oz in 3Q17, mainly due to lower head grades at Yauli and the two-month suspension of operations at the Islay Mine resulting from the access roads being blocked by the Huaychao community. Meanwhile, lead production increased by 16.8%, from 11.9 thousand FMT in 3Q16 to 13.9 thousand FMT in 3Q17, mainly due to higher grades at Chungar. Copper production remained at 1.5 thousand FMT and gold increased by 34.4%, from 1.6 thousand ounces to 2.1 thousand ounces.

Year-to-date, fine zinc production decreased by 8.9%, lead by 6%, copper by 1% and silver by 25.8%.

It is important to note that in 2017, the production of fine zinc, lead and copper is gradually improving in each quarter, as planned. However, the reduction in fine silver production is due to the suspension of production at the Islay Mine at Chungar, and a lower silver grade from the ore of the Oxides Plant stockpiles.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Production Cost (MM USD)	96.8	101.4	100.4	95.3	5.3	298.6	281.7	6.0
Mine Cost	52.9	53.9	51.6	53.6	-3.8	158.4	158.5	-0.1
Plant and Other Cost	43.9	47.5	48.8	41.6	17.1	140.2	123.2	13.8
Unit Cost (USD/MT)	50.4	48.5	46.6	50.5	-7.7	48.4	49.8	-2.7
Mine Cost	27.5	25.8	23.9	28.5	-15.9	25.7	28.1	-8.7
Plant and Other Cost	22.9	22.8	22.7	22.0	3.0	22.8	21.7	5.2

Source: Volcan Cia. Minera

Consolidated unit cost decreased by 7.7%, from 50.5 USD/MT in 3Q16 to 46.6 USD/MT in 3Q17. This is mainly explained by the lower-cost production from stockpiles at Cerro de Pasco and greater production volumes and operating efficiencies at Alpamarca, partially offset by the increased unit cost at Chungar as a consequence of lower extraction and treatment volumes at this unit.

The cost of production in absolute terms increased by 5.3%, from USD 95.3 MM in 3Q16 to USD 100.4 MM in 3Q17. This is mainly explained by the increase of production volumes at Yauli and the low-grade polymetallic ore from stockpiles processed at the Cerro de Pasco Unit.

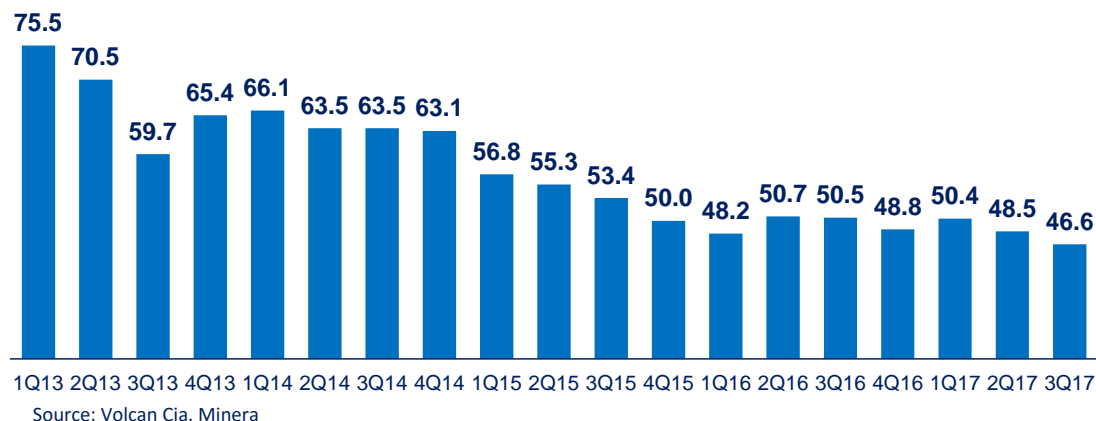
Year-to-date, unit cost decreased by 2.7%, from 49.8 USD/MT in 2016 to 48.4 USD/MT in 2017, while the absolute cost of production increased by 6.0%, from USD 281.7 MM to USD 298.6 MM.

The Company is permanently focused on reducing and controlling operating costs across all units. Specific opportunities for fixed-costs reductions and operating

efficiency improvement have been identified, and they will be executed in the following months.

The evolution of the unit cost since 2013 is shown in the chart below.

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



2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mining	32.1	37.8	52.0	32.8	58.5	121.9	73.9	65.0
Mining Units	30.6	35.6	47.4	31.9	48.6	113.6	71.6	58.6
Local Exploration	2.1	4.8	3.6	3.9	-6.6	10.5	6.0	75.0
Development	15.8	17.3	18.1	12.8	41.3	51.3	32.9	55.8
Plants and Tailings Facilities	5.6	7.4	16.3	4.6	256.9	29.2	9.6	203.5
Mine and Infrastructure	5.3	4.6	7.5	9.6	-21.6	17.4	20.6	-15.8
Energy in Units	1.1	0.6	0.8	0.2	241.0	2.4	0.9	183.0
Support and Others	0.7	1.0	1.0	0.8	26.8	2.8	1.6	76.6
Regional Explorations	1.5	1.8	3.8	0.8	384.2	7.0	1.7	316.5
Growth and Others	0.0	0.4	0.8	0.1	727.0	1.2	0.5	120.5
Energy	0.3	0.1	0.4	1.1	-61.2	0.8	5.2	-84.0
Total	32.4	37.9	52.4	33.9	54.7	122.7	79.0	55.2

Source: Volcan Cia. Minera

Total mining investments grew by 58.5%, from USD 32.8 MM in 3Q16 to USD 52.0 MM in 3Q17.

Operating unit investments increased by 48.6%, from USD 31.9 MM in 3Q16 to USD 47.4 MM in 3Q17, mainly in mine development (+41.3%) and plants and tailings dams (+256.9%). Regional exploration investments (greenfield or early-stage projects) increased by 384.2%, from USD 0.8 MM in 3Q16 to USD 3.8 MM in 3Q17, in line with the strategy to expedite the incorporation of resources to our main projects.

Energy investments in 3Q17 were USD 0.4 MM, as a result of operating investments at Huanchor Hydroelectric Plant.

Total investments increased by 54.7%, from USD 33.9 MM in 3Q16 to USD 52.4 MM in 3Q17.

Year-to-date, operating unit investments grew by 58.6%, from USD 71.6 MM in 2016 to USD 113.6 MM in 2017, and regional explorations by 316.5%, from USD 1.7 MM in 2016 to USD 7.0 MM in 2017. In the energy business, investments were USD 0.8 MM in 2017 versus USD 5.2 MM in 2016. Total investments increased by 55.2%, from USD 79 MM in 2016 to USD 122.7 MM in 2017.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Sales before adjust.	199.1	207.5	226.6	220.1	2.9	633.2	589.1	7.5
<i>Sett. of prior periods adjust.</i>	5.0	0.1	2.2	12.6	-82.4	7.4	2.8	162.1
<i>Adj. open positions</i>	-1.5	-5.2	5.1	-3.0		-1.5	22.2	
<i>Hedging</i>	2.9	-0.3	-1.4	-14.7	-90.2	1.1	-19.0	
Sales after adjust.	205.5	202.1	232.5	215.0	8.1	640.1	595.2	7.6
Cost of Goods Sold	-138.3	-145.1	-142.6	-144.8	-1.5	-426.1	-423.4	0.6
Gross Profit	67.2	57.0	89.8	70.2	27.9	214.0	171.8	24.6
<i>Gross Margin</i>	33%	28%	39%	33%	6 pp	33%	29%	5 pp
Administrative Expenses	-10.5	-11.6	-12.4	-10.0	24.3	-34.6	-30.4	13.7
Sales Expenses	-7.7	-7.3	-7.4	-8.3	-10.7	-22.4	-23.7	-5.7
Other Income (Expenses) ¹	-1.6	-1.1	-5.2	-1.8	192.0	-7.9	4.0	
Operating Profit	47.4	37.0	64.9	50.2	29.3	149.2	121.7	22.6
<i>Operating Margin</i>	23%	18%	28%	23%	5 pp	23%	20%	3 pp
Financial Income (Expense)	-9.4	-7.6	-8.6	-8.3	4.1	-25.7	-24.4	5.4
Exchange Difference (net)	0.1	1.2	0.6	-3.5		1.9	-2.5	
Royalties	-3.8	-3.0	-6.3	-1.9	240.6	-13.1	-5.9	123.7
Income Tax	-10.7	-11.9	-20.4	-10.2	99.6	-43.0	-27.8	54.7
Net Profit	23.5	15.6	30.1	26.3	14.3	69.2	61.1	13.3
<i>Net Margin</i>	11%	8%	13%	12%	1 pp	11%	10%	1 pp
EBITDA	80.2	73.6	100.8	83.2	21.2	254.5	222.0	14.7
<i>EBITDA Margin</i>	39%	36%	43%	39%	5 pp	40%	37%	2 pp

¹ Includes the sales and cost of sales of the energy division. In Jan-Sep 2016, other income include extraordinary income of USD 14.0 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	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Sales	194.7	193.9	228.9	199.7	14.6	617.5	553.6	11.5
Cost of Goods Sold	-130.9	-139.9	-138.9	-128.1	8.5	-409.7	-380.5	7.7
Gross Profit	63.8	54.0	90.0	71.6	25.7	207.8	173.1	20.1
Volcan Production <i>Gross Margin</i>	33%	28%	39%	36%	3 pp	34%	31%	2 pp
Net Profit	21.4	13.6	30.3	27.8	9.2	65.3	63.2	3.4
EBITDA¹	76.9	70.7	101.1	85.0	18.9	248.7	224.5	10.8
<i>EBITDA Margin</i>	40%	36%	44%	43%	2 pp	40%	41%	0 pp
Sales	10.8	8.3	3.6	15.3	-76.7	22.6	41.5	-45.6
Cost of Goods Sold	-7.4	-5.3	-3.7	-16.7	-77.6	-16.4	-42.8	-61.7
Gross Profit	3.4	3.0	-0.2	-1.4	-88.0	6.2	-1.3	
Commercialization Business <i>Gross Margin</i>	31%	36%	-5%	-9%	5 pp	27%	-3%	30 pp
Net Profit	2.2	1.9	-0.2	-1.4	-83.3	3.9	-2.1	
EBITDA	3.2	2.9	-0.3	-1.9	-85.3	5.8	-2.5	
<i>EBITDA Margin</i>	30%	35%	-8%	-12%	5 pp	26%	-6%	32 pp
Sales	205.5	202.1	232.5	215.0	8.1	640.1	595.2	7.6
Cost of Goods Sold	-138.3	-145.1	-142.6	-144.8	-1.5	-426.1	-423.4	0.6
Gross Profit	67.2	57.0	89.8	70.2	27.9	214.0	171.8	24.6
<i>Gross Margin</i>	33%	28%	39%	33%	6 pp	33%	29%	5 pp
Net Profit	23.5	15.6	30.1	26.3	14.3	69.2	61.1	13.3
EBITDA¹	80.2	73.6	100.8	83.2	21.2	254.5	222.0	14.7
<i>EBITDA Margin</i>	39%	36%	43%	39%	5 pp	40%	37%	2 pp

¹ In Jan-Sep 2016, other income include extraordinary income of USD 14.0 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	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Zinc (USD/MT)	2,708	2,587	2,892	2,263	27.8	2,731	1,939	40.8
Lead (USD/MT)	2,276	2,133	2,320	1,874	23.8	2,246	1,773	26.7
Copper (USD/MT)	5,882	5,651	6,373	4,754	34.0	6,017	4,761	26.4
Silver (USD/Oz)	17.7	17.1	16.9	19.4	-12.6	17.2	16.9	1.8
Gold (USD/Oz)	1,221	1,256	1,287	1,334	-3.5	1,257	1,242	1.2

Source: Volcan Cia. Minera

Table 7: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Volcan Production	Zinc (thousands FMT)	60.5	65.1	66.7	69.5	-4.0	192.4	208.1	-7.6
	Lead (thousands FMT)	11.4	12.3	14.5	11.5	26.1	38.2	41.0	-6.9
	Copper (thousands FMT)	0.8	0.7	1.2	1.1	13.3	2.7	2.9	-6.8
	Silver (millions Oz) ¹	4.1	4.4	4.6	5.5	-16.6	13.1	17.5	-25.1
	Gold (thousands Oz) ¹	2.2	2.1	2.6	2.4	9.2	6.9	9.1	-24.0
Commercialization Business	Zinc (thousands FMT)	1.6	0.6	0.2	7.4	-96.8	2.5	22.4	-89.0
	Lead (thousands FMT)	0.1	0.1	0.0	0.3	-100.0	0.2	1.3	-83.0
	Copper (thousands FMT)	0.4	0.5	0.5	0.3	65.3	1.4	1.0	39.8
	Silver (millions Oz)	0.2	0.2	0.2	0.2	-34.3	0.6	0.8	-28.9
	Gold (thousands Oz)	0.0	0.1	0.1	0.0	334.8	0.1	0.0	208.4
Total	Zinc (thousands FMT)	62.2	65.7	67.0	76.9	-13.0	194.8	230.5	-15.5
	Lead (thousands FMT)	11.5	12.4	14.5	11.8	22.4	38.4	42.3	-9.2
	Copper (thousands FMT)	1.2	1.2	1.7	1.4	24.4	4.1	3.9	4.7
	Silver (millions Oz)	4.3	4.6	4.8	5.7	-17.3	13.7	18.3	-25.2
	Gold (thousands Oz)	2.2	2.2	2.7	2.4	11.2	7.1	9.2	-22.8

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 8: Sales in USD

Sales (millions USD)		Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Volcan Production	Zinc	109.6	114.5	123.9	97.9	26.5	347.9	243.4	43.0
	Lead	19.4	21.2	27.5	14.9	84.7	68.2	50.2	35.8
	Copper	2.3	2.5	4.1	2.2	84.2	8.9	6.1	45.9
	Silver	58.0	62.1	63.9	86.7	-26.3	184.0	238.2	-22.8
	Gold	1.5	1.3	1.9	1.8	3.3	4.7	6.6	-28.8
	Sales before adjust.	190.8	201.6	221.3	203.6	8.7	613.7	544.5	12.7
	Sett. of prior period adjust.	4.6	-1.6	4.4	11.6	-62.3	7.4	2.6	183.4
	Adjust. for open positions	-2.8	-5.8	4.7	-2.3		-3.9	20.2	
	Hedging results	2.1	-0.3	-1.5	-13.2	-88.7	0.3	-13.7	
	Sales after adjust.	194.7	193.9	228.9	199.7	14.6	617.5	553.6	11.5
Commercialization Business	Zinc	3.6	1.2	0.5	12.2	-95.5	5.3	32.0	-83.4
	Lead	0.2	0.2	0.1	0.5	-85.9	0.5	1.6	-69.2
	Copper	1.8	1.8	2.3	0.7	206.5	5.9	2.5	136.4
	Silver	2.7	2.7	2.3	3.0	-22.4	7.7	8.5	-8.9
	Gold	0.0	0.0	0.0	0.0	294.7	0.1	0.0	288.6
	Sales before adjust.	8.4	5.9	5.3	16.5	-68.1	19.5	44.6	-56.2
	Sett. of prior period adjust.	0.4	1.7	-2.2	1.0		0.0	0.2	
	Adjust. for open positions	1.3	0.6	0.4	-0.7		2.3	2.0	13.9
	Hedging results	0.7	0.0	0.1	-1.4		0.8	-5.2	
	Sales after adjust.	10.8	8.3	3.6	15.3	-76.7	22.6	41.5	-45.6
Total	Zinc	113.1	115.7	124.4	110.1	13.0	353.3	275.3	28.3
	Lead	19.6	21.4	27.6	15.4	79.0	68.7	51.8	32.5
	Copper	4.1	4.3	6.4	3.0	114.5	14.8	8.6	72.2
	Silver	60.7	64.8	66.2	89.7	-26.2	191.7	246.6	-22.3
	Gold	1.5	1.3	1.9	1.8	4.9	4.8	6.6	-27.9
	Sales before adjust.	199.1	207.5	226.6	220.1	2.9	633.2	589.1	7.5
	Sett. of prior period adjust.	5.0	0.1	2.2	12.6	-82.4	7.4	2.8	162.1
Adjust. for open positions	-1.5	-5.2	5.1	-3.0		-1.5	22.2		
Hedging results	2.9	-0.3	-1.4	-14.7	-90.2	1.1	-19.0		
Sales after adjust.	205.5	202.1	232.5	215.0	8.1	640.1	595.2	7.6	

Source: Volcan Cia. Minera

For 3Q17, total sales before adjustments were USD 226.6 MM, 2.9% higher than the USD 220.1 MM reported in 3Q16. This result is attributable to the increase in the average sales price of zinc by 27.8%, lead by 23.8% and copper by 34.0%, partially offset by a lower price of silver by 12.6%. The increase in sales of the Company's own concentrate (+8.7%) were offset by lower third-party concentrates sales, where sales before adjustments decreased from USD 16.5 MM in 3Q16 to USD 5.3 MM in 3Q17.

During 3Q17, Volcan recorded sales adjustments related to open shipments of USD 5.1 MM, hedging results of USD -1.4 MM, and positive final settlements of USD 2.2 MM.

Therefore, during 3Q17 sales after adjustments totaled USD 232.5 MM, an 8.1% increase if compared to the USD 215.0 MM reported in 3Q16.

Year-to-date, sales after adjustments grew by 7.6%, from USD 595.2 MM in 2016 to USD 640.1 MM in 2017.

- **Cost of Goods Sold**

Table 9: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Volcan Production	130.9	138.3	137.9	126.3	9.2	407.1	375.9	8.3
Volcan Production Cost	96.8	101.4	100.4	95.3	5.3	298.6	281.7	6.0
D&A from Production Cost	29.6	33.7	32.7	28.9	13.0	96.0	87.7	9.5
Ore Purchase	0.0	1.6	1.4	0.0		3.1	0.0	
Extraordinary Costs	0.6	0.5	0.6	1.2	-48.8	1.8	1.8	-3.3
Variation of Inventories	3.9	1.0	2.8	0.9	216.4	7.7	4.7	64.9
Commercialization Business	7.1	5.0	3.8	16.8	-77.5	15.9	42.8	-62.8
Concentrates Purchase	6.4	4.5	3.3	16.1	-79.6	14.2	42.4	-66.6
Variation of Inventories	0.7	0.6	0.5	0.6	-22.4	1.7	0.4	316.6
Workers Participation	0.3	1.8	1.0	1.7	-43.1	3.1	4.7	-34.2
Total	138.3	145.1	142.6	144.8	-1.5	426.1	423.4	0.6

Source: Volcan Cia. Minera

Total cost of goods sold decreased by 1.5%, from USD 144.8 MM in 3Q16 to USD 142.6 MM in 3Q17. This is mainly explained by a reduction of USD 12.8 MM in purchases of third-party concentrates. This was partially offset by a higher cost of production of USD 5.1 MM and a greater depreciation of USD 3.8 MM, mainly at Cerro de Pasco, resulting from ore from stockpiles processed at Chungar and Yauli, and a decrease of USD 1.8 MM in total inventories.

Year-to-date, the total cost of goods sold increased by 0.6%, from USD 423.4 MM in 2016 to USD 426.1 MM in 2017.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 33% in 3Q16 to 39% in 3Q17. This was explained by better metals prices, positive adjustments on sales and a lower cost of goods sold. Total gross profit grew by 27.9%, from USD 70.2 MM in 3Q16 to USD 89.8 MM in 3Q17.

Year-to-date, gross margin increased from 29% in 2016 to 33% in 2017. Gross profit increased from USD 171.8 MM in 2016 to USD 214.0 MM in 2017.

- **Administrative and Sales Expenses**

Administrative expenses in 3Q17 totaled USD 12.4 MM, 24.3% higher than the USD 10.0 MM recorded in 3Q16, mainly due to personnel expenses provisions. Year-to-date, the administrative expenses increased from USD 30.4 MM in 2016 to USD 34.6 MM in 2017.

Sales expenses during 3Q17 decreased by 10.7%, from USD 8.3 MM in 3Q16 to USD 7.4 MM. This was mainly due to a reduction in shipping expenses achieved by a gain in logistic and business efficiencies. Year-to-date, the sales expenses decreased from USD 23.7 MM in 2016 to USD 22.4 MM in 2017.

- **Other Income and Expenses**

In 3Q17, the net amount of other income and expenses was negative, USD 5.2 MM versus a negative amount of USD 1.8 MM in 3Q16. The increase in expenses results from expenses recorded in previous periods, dead freight expenses, and an increase in expenses related to the suspension of the open pit and underground mine at Cerro de Pasco.

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

During 3Q17, net financial expenses totaled USD 8.6 MM, a 4.1% increase if compared to the USD 8.3 MM reported in 3Q16. Moreover, exchange-rate variation gains totaling USD 0.6 MM were registered in 3Q17, as compared to the exchange-rate loss reported in 3Q16 (USD 3.5 MM).

- **Income Tax and Royalties**

In 3Q17, royalties increased from USD 1.9 MM in 3Q16 to USD 6.3 MM in 3Q17 due to the higher provision as result of higher revenues. Likewise, income tax increased from USD 10.2 MM in 3Q16 to USD 20.4 MM in 3Q17, due to increases at individual companies' level.

- **Net Profit and EBITDA**

Net profit grew by 14.3%, from USD 26.3 MM in 3Q16 to USD 30.1 MM in 3Q17. Likewise, EBITDA increased by 21.2%, from USD 83.2 MM in 3Q16 to USD 100.8 MM in 3Q17.

Year-to-date, net profit increased from USD 61.1 MM in 2016 to USD 69.2 MM in 2017. EBITDA increased from USD 222.0 MM in 2016 to USD 254.5 MM in 2017.

2.5 Liquidity and Creditworthiness

In 3Q17, cash generated by mining operations totaled USD 92.7 MM. Operating and exploration investments, as well as growth investments in the mining business, totaled USD 52.2 MM, while energy investments totaled USD 4.0 MM. Moreover, interests paid totaled USD 15.9 MM, and other investments amounted to USD 0.9 MM. Financing for

the period was negative and totaled USD 15.9 MM. The resulting total cash flow during 3Q17 was USD 11.8 MM, and the total cash balance as of September 30, 2017, was USD 213.1 MM.

At the end of 3Q17, the net debt/EBITDA ratio continued to improve and totaled 1.8.

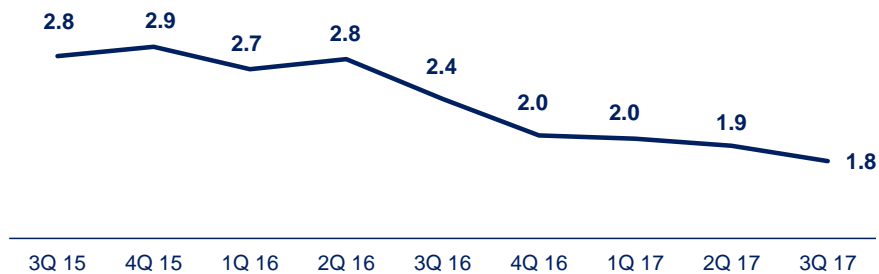
Table 10: Net Debt / EBITDA Ratio

Net Debt/EBITDA Ratio	Consolidated 3Q17
Gross Debt (MM USD)	804.6
Cash Balance (MM USD)	213.1
Net Debt (MM USD)	591.4
EBITDA¹ (MM USD)	335.4
Ratio	1.8

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	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mineral extraction (thousands MT)	804	877	943	908	3.8	2,624	2,756	-4.8
Mineral treatment (thousands MT)	805	888	955	908	5.2	2,648	2,790	-5.1
Fines Content								
Zinc (thousands FMT)	33.1	38.7	37.6	41.2	-8.8	109.4	130.5	-16.2
Lead (thousands FMT)	4.3	4.6	4.9	5.9	-16.7	13.8	19.3	-28.5
Copper (thousands FMT)	0.6	0.7	0.9	1.1	-17.2	2.2	2.6	-14.2
Silver (million Oz)	1.6	1.9	2.1	3.2	-32.7	5.7	9.6	-40.7
Gold (thousands Oz)	1.0	1.2	1.3	0.8	67.0	3.6	1.9	92.3

Source: Volcan Cia. Minera

In 3Q17, the ore extracted at the Yauli Unit increased by 3.8% as compared to the same period of the previous year, mainly due to increased volumes from the Carahuacra, Ticlio and San Cristóbal mines, which were partially offset by lower production at the Andaychagua Mine and the Carahuacra Norte open pit. The ore treated at the Yauli Unit concentrator plants grew by 5.2% in 3Q17 compared to the same period of the previous year.

Despite the increase in treated ore volumes in 3Q17, fine zinc production decreased by 8.8% as compared to 3Q16, lead by 16.7%, copper by 17.2%, and silver by 32.7%, as a result of lower average head grades.

It is important to note that, as compared to previous quarters, the production of lead, silver and copper at Yauli has grown due to increased development and mine preparations executed in recent months.

Table 12: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Production Cost (MM USD)	56.4	58.4	58.7	55.9	5.1	173.5	164.1	5.7
Extraction Cost	34.4	35.0	34.6	34.8	-0.6	104.1	100.8	3.2
Treatment Cost	22.0	23.4	24.1	21.0	14.5	69.4	63.3	9.7
Unit Cost (USD/MT)	70.1	66.3	61.9	61.5	0.6	65.9	59.3	11.2
Extraction Cost	42.8	39.9	36.7	38.4	-4.3	39.7	36.6	8.4
Treatment Cost	27.3	26.3	25.2	23.2	8.8	26.2	22.7	15.6

Source: Volcan Cia. Minera

In 3Q17, the cost of production in absolute terms increased by 5.1%, from USD 55.9 MM in 3Q16 to USD 58.7 MM in 3Q17. This is mainly explained by greater processed volumes and higher personnel expenses. The operation's unit cost increased by 0.6%, from 61.5 USD/MT in 3Q16 to 61.9 USD/MT in 3Q17. The unit cost at Yauli in 2017 is decreasing gradually in each quarter, as a result of the recovery of extraction and treatment volumes.

Year-to-date, the cost of production in absolute terms increased by 5.7%, from USD 164.1 MM in 2016 to USD 173.5 MM in 2017, while the unit cost of production increased by 11.2%, from 59.3 USD/MT in 2016 to 65.9 USD/MT in 2017.

Table 13: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Local Exploration	1.5	2.7	2.2	2.0	9.0	6.4	3.2	97.9
Mine Development	11.5	13.2	13.7	8.1	69.7	38.4	19.8	94.2
Plants and Tailings Dams	1.9	2.9	4.6	2.8	61.3	9.4	7.1	32.6
Mine and Infrastructure	2.5	2.3	4.2	3.7	15.2	9.0	8.7	2.9
Energy	0.7	0.5	0.7	0.2	230.0	1.9	0.8	154.1
Support and Others	0.3	0.5	0.7	0.3	185.7	1.5	0.8	86.5
Total	18.4	22.1	26.2	17.1	53.2	66.7	40.4	64.9

Source: Volcan Cia. Minera

Operating investments increased by 53.2%, from USD 17.1 MM in 3Q16 to USD 26.2 MM in 3Q17, including additional investments in development and plants/tailings dams.

Year-to-date, operating investments increased by 64.9%, from USD 40.4 MM in 2016 to USD 66.7 MM in 2017.

3.2 Chungar Unit Operating Results

Table 14: Chungar Production

Chungar Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mineral extraction (thousands MT)	477	499	433	484	-10.7	1,408	1,485	-5.2
Mineral treatment (thousands MT)	473	486	436	496	-12.1	1,394	1,510	-7.7
Fines Content								
Zinc (thousands FMT)	21.8	22.0	23.1	24.4	-5.2	66.9	71.8	-6.8
Lead (thousands FMT)	4.6	5.4	6.3	4.3	44.8	16.2	15.4	5.5
Copper (thousands FMT)	0.4	0.5	0.5	0.3	75.4	1.4	1.0	34.7
Silver (million Oz)	0.8	1.0	0.8	1.0	-13.4	2.6	3.1	-15.1

Source: Volcan Cia. Minera

In 3Q17, ore extracted at Chungar decreased by 10.7% as compared to 3Q16, due to the lower production at Islay Mine caused by the two-month suspension of operations resulting from the access roads being blocked by the Huaychao community. The operations at the Islay Mine were resumed in early October.

As a result, the ore volumes processed at the concentrator plant declined by 12.1%.

During 3Q17, the production of fine zinc and silver decreased by 5.2% and 13.4%, respectively, as compared to 3Q16. Meanwhile, lead production increased by 44.8% and copper by 75.4%, due to higher grades and metallurgical recoveries.

It is worth noting that the construction of the integration tunnel between Animón and Islay mines is underway. 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 production growth at the Chungar Unit.

Table 15: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Production Cost (MM USD)	25.7	26.6	25.1	25.3	-0.7	77.4	75.2	3.0
Extraction Cost	15.6	16.3	14.5	15.3	-5.2	46.5	46.5	-0.1
Treatment Cost	10.1	10.3	10.6	10.0	6.3	31.0	28.7	7.9
Unit Cost (USD/MT)	54.1	53.9	57.9	51.7	11.9	55.2	50.3	9.7
Extraction Cost	32.7	32.7	33.6	31.7	6.1	33.0	31.3	5.4
Treatment Cost	21.4	21.2	24.3	20.1	21.0	22.2	19.0	16.8

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 0.7%, from USD 25.3 MM in 3Q16 to USD 25.1 MM in 3Q17. The unit cost of production increased by 11.9%, from 51.7 USD/MT in 3Q16 to 57.9 USD/MT in 3Q17, mainly due to lower extraction and treatment volumes.

Year-to-date, the cost of production in absolute terms increased by 3.0%, from USD 75.2 MM in 2016 to USD 77.4 MM in 2017, while the unit cost of production increased by 9.7%, from 50.3 USD/MT in 2016 to 55.2 USD/MT in 2017.

Table 16: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Local Exploration	0.6	1.8	1.4	1.8	-25.0	3.8	2.7	40.3
Mine Development	4.3	4.2	4.4	4.7	-7.1	12.9	13.2	-2.0
Plants and Tailings Dams	2.8	2.5	5.5	0.8	624.9	10.7	1.0	930.0
Mine and Infrastructure	2.1	1.5	3.1	4.5	-31.2	6.7	8.0	-16.1
Energy	0.4	0.1	0.1	0.0	377.4	0.5	0.1	384.8
Support and Others	0.1	0.3	0.2	0.5	-51.7	0.6	0.6	8.2
Total	10.3	10.3	14.6	12.3	19.1	35.2	25.6	37.7

Source: Volcan Cia. Minera

Operating investments increased by 19.1%, from USD 12.3 MM in 3Q16 to USD 14.6 MM in 3Q17. This is mainly explained by the investment in the expansion of the tailings dam.

Year-to-date, operating investments increased by 37.7%, from USD 25.6 MM in 2016 to USD 35.2 MM in 2017, due to the increase of explorations and investments in tailings dams and the energy business.

3.3 Alparmarca Unit Operating Results

Table 17: Alparmarca Production

Alparmarca Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mineral extraction (thousands MT)	238	244	264	232	13.7	746	689	8.3
Mineral treatment (thousands MT)	234	242	242	228	6.5	718	679	5.7
Fines Content								
Zinc (thousands FMT)	2.7	2.8	3.1	2.4	28.8	8.7	7.4	17.8
Lead (thousands FMT)	1.6	1.7	1.8	1.6	14.5	5.2	5.2	0.0
Copper (thousands FMT)	0.1	0.1	0.1	0.1	-20.2	0.4	0.4	-8.5
Silver (million Oz)	0.5	0.5	0.4	0.5	-11.4	1.4	1.4	0.6

Source: Volcan Cia. Minera

In 3Q17, ore volumes extracted at the Alparmarca Unit grew by 13.7% compared to the same quarter of the previous year, while treated volumes increased by 6.5%.

During 3Q17, the production of fine zinc and lead rose by 28.8% and 14.5%, respectively, while silver production decreased by 11.4% and copper by 20.2%. The increase in zinc production is mainly explained by higher treated ore volumes and head grades.

Table 18: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Production Cost (MM USD)	4.9	4.2	4.0	5.3	-23.7	13.1	16.3	-19.4
Extraction Cost	2.0	1.3	1.1	2.4	-51.9	4.5	7.7	-42.3
Treatment Cost	2.9	2.9	2.9	2.9	-0.8	8.7	8.6	1.4
Unit Cost (USD/MT)	20.8	17.3	16.3	23.1	-29.4	18.1	23.8	-24.2
Extraction Cost	8.4	5.5	4.3	10.2	-57.7	6.0	11.2	-46.7
Treatment Cost	12.4	11.8	11.9	12.8	-6.9	12.1	12.6	-4.1

Source: Volcan Cia. Minera

In 3Q17, the cost of production in absolute terms reached USD 4.0 MM, 23.7% lower than the USD 5.3 MM figure for the same quarter of the previous year. The unit cost was reduced by 29.4%, from 23.1 USD/MT in 3Q16 to 16.3 USD/MT in 3Q17. The unit cost decreased due to the operating efficiencies achieved in the exploitation of the open pit.

Year-to-date, the cost of production in absolute terms decreased by 19.4%, from USD 16.3 MM in 2016 to USD 13.1 MM in 2017, while the unit cost of production decreased by 24.2%, from 23.8 USD/MT in 2016 to 18.1 USD/MT in 2017.

Table 19: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Local Exploration	0.0	0.0	0.0	0.1	-100.0	0.0	0.1	-100.0
Plants and Tailings Dams	0.2	0.7	1.4	1.0	46.4	2.3	1.2	86.6
Mine and Infrastructure	0.1	0.2	0.1	0.0	78.9	0.3	0.3	18.5
Support and Others	0.1	0.1	0.0	0.1	-11.3	0.2	0.1	197.4
Total	0.3	1.0	1.5	1.1	37.4	2.9	1.7	72.9

Source: Volcan Cia. Minera

Operating investments increased by 37.4%, from USD 1.1 MM in 3Q16 to USD 1.5 MM in 3Q17. This is mainly explained by the expansion of the tailings dam.

Year-to-date, operating investments increased by 72.9%, from USD 1.7 MM in 2016 to USD 2.9 MM in 2017.

3.4 Cerro de Pasco Unit Operating Results

Table 20: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jan-Sep 2017
Mineral extraction (thousands MT)	228	241	285	754
Mineral treatment (thousands MT)	228	241	285	754
Fines Content				
Zinc (thousands FMT)	1.8	2.0	2.4	6.3
Lead (thousands FMT)	0.7	0.7	0.9	2.4
Silver (million Oz)	0.1	0.1	0.1	0.3

Source: Volcan Cia. Minera

In 3Q17, the treated volumes of polymetallic ore from stockpiles amounted to 285 thousand MT, producing 2.4 thousand FMT of zinc, 0.9 thousand FMT of lead and 0.1 million silver ounces. Year-to-date, in 2017, the processed volumes of ore amounted to 754 thousand MT, producing 6.3 thousand FMT of zinc, 2.4 thousand FMT of lead and 0.3 million silver ounces.

The tests of the sorting technology that separates higher grade ores from the stockpiles were successful and should increase fine production at Cerro de Pasco beginning 4Q17.

Table 21: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jan-Sep 2017
Production Cost (MM USD)	3.0	3.4	3.6	10.1
Extraction Cost	0.0	0.0	0.0	0.0
Treatment Cost	3.0	3.4	3.6	10.1
Unit Cost (USD/MT)	13.3	14.2	12.7	13.3
Extraction Cost	0.0	0.0	0.0	0.0
Treatment Cost	13.3	14.2	12.7	13.3

Source: Volcan Cia. Minera

During 3Q17, the absolute cost of production amounted to USD 3.6 MM and the unit cost was 12.7 USD/MT. Year-to-date, the absolute cost totaled USD 10.1 MM, and unit cost was 13.3 USD/MT.

Table 22: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jan-Sep 2017
Local Exploration	0.0	0.2	0.1	0.3
Plants and Tailings Dams	0.6	1.2	3.8	5.6
Total	0.6	1.4	3.9	5.9

Source: Volcan Cia. Minera

During 3Q17, operating investments totaled USD 3.9 MM and were used for the maintenance of the San Expedito plant and the execution of the sorting project. Year-to-date, operating investments totaled USD 5.9 MM.

3.5 Oxides Plant Operating Results

Table 23: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Mineral treatment (thousands MT)	178	231	231	224	3.2	640	673	-4.8
Fines Content								
Silver (million Oz)	0.8	1.0	0.9	1.0	-4.5	2.8	3.1	-10.2
Gold (Oz)	608	615	754	755	0.0	1,978	2,562	-22.8

Source: Volcan Cia. Minera

In 3Q17, the treated volume of ore from the Oxides Plant stockpiles increased by 3.2% as compared to 3Q16.

In 3Q17, silver production decreased by 4.5%, as compared to 3Q16, due to lower treated ore grades. In 2017, year-to-date, silver production decreased by 10.2% as compared to 2016.

Table 24: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Production Cost (MM USD)	6.7	8.8	8.9	8.2	8.3	24.4	25.5	-4.1
Extraction Cost	0.9	1.2	1.3	1.1	19.8	3.4	3.5	-2.5
Treatment Cost	5.9	7.6	7.6	7.1	6.6	21.1	22.0	-4.3
Unit Cost (USD/MT)	37.8	38.1	38.6	36.7	4.9	38.2	37.9	0.8
Extraction Cost	4.8	5.4	5.6	4.8	16.1	5.3	5.2	2.4
Treatment Cost	33.0	32.7	33.0	31.9	3.3	32.9	32.7	0.5

Source: Volcan Cia. Minera

In absolute terms, the cost of production increased by 8.3%, from USD 8.2 MM in 3Q16 to USD 8.9 MM in 3Q17. The operation's unit cost increased by 4.9%, from 36.7 USD/MT in 3Q16 to 38.6 USD/MT in 3Q17.

Year-to-date, in absolute terms, the cost of production decreased by 4.1%, from USD 25.5 MM in 2016 to USD 24.4 MM in 2017. The operation's unit cost increased by 0.8%, from 37.9 USD/MT in 2016 to 38.2 USD/MT in 2017.

Table 25: Oxides Plant Operating Investments

Oxides Plant Operating Investment (MM USD)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Plants and Tailings Dams	0.1	0.1	1.0	0.0		1.2	0.3	360.4
Mine and Infrastructure	0.6	0.6	0.1	1.3	-93.5	1.3	3.6	-63.5
Support and Others	0.2	0.1	0.1	0.1	-10.6	0.3	0.1	387.6
Total	1.0	0.8	1.2	1.4	-16.6	2.9	3.9	-26.4

Source: Volcan Cia. Minera

Operating investments decreased by 16.6%, from USD 1.4 MM in 3Q16 to USD 1.2 MM in 3Q17. Year-to-date, operating investments decreased by 26.4%, from USD 3.9 MM in 2016 to USD 2.9 MM in 2017.

4. Energy

Table 26: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Energy generation	113.5	82.6	71.2	82.1	-13.3	267.3	229.4	16.6
Chungar	43.0	42.0	33.2	32.8	1.3	118.2	105.8	11.6
Tingo	2.2	2.3	2.3	2.3	-0.6	6.9	7.0	-1.3
Huanchor	33.7	38.4	35.7	34.2	4.6	107.8	103.7	3.9
Rucuy	34.6	0.0	0.0	12.9	-100.0	34.6	12.9	168.0
Energy consumption	166.1	181.6	178.4	159.7	11.7	526.1	467.8	12.5
Energy purchase	120.9	139.7	145.2	124.7	16.5	405.7	355.0	14.3

Source: Volcan Cia. Minera

During 3Q17, Volcan's total consumption of electric power reached 178.4 GWh, with a maximum demand of 94 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 33.2 GWh. This accounted for 19% of the Company's total consumption, at an average cost of 22 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 145.2 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 35.7 GWh and Tingo Hydroelectric Plant generated 2.3 MWh. All of this power was sold to third parties.

As a consequence of the coastal El Niño, the operations at the Rucuy Hydroelectric Plant are still suspended due to damage to part of the penstock and a section of the transmission line in March. The project to repair the penstock is currently underway, and includes the construction of a tunnel and, subsequently, a shaft.

5. Final Comments

- In 3Q17, zinc, lead, copper and gold production was higher than the production recorded in the first two quarters of 2017. However, silver production decreased slightly due to the two-month suspension of the Islay Mine at Chungar, resulting from the access roads being blocked by the Huaychao community, and a lower silver grade from the ore of the Oxides Plant stockpiles. The Islay Mine resumed operations in early October.
- The Company is permanently focused on operating cost reduction and control. New initiatives for operating improvements and cost reduction have been identified, mainly at Yauli and Chungar. They will be executed gradually in the following months. The construction of the integration tunnel between Animón and Islay mines in Chungar is underway. This will result in the improved efficiency of current operations, and lower transportation and pumping costs. 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 production growth at the Chungar Unit.
- Year-to-date, net profit increased by 13.3%, from USD 61.1 MM in 2016 to USD 69.2 MM in 2017 and EBITDA grew by 14.7%, from USD 222.0 MM to USD 254.5 MM. For a better analysis of changes, it is worth noting that in 2016 other income include USD 14.0 MM associated with the partial repurchase of the international bonds.
- The exploration programs at the operating units and the Company's main growth projects have made significant progress, despite some delays in obtaining licenses and permits. These programs will allow for the expansion of resources of the mines in operation and for the definition of resources at our most important projects, such as Romina 2, Palma, Carhuacayán, Zoraida, Vinchos, and Chumpe, among others, which represent the future growth of the Company.
- At Romina 2 (Alpamarca), the conceptual study has been concluded, and the project can advance to the pre-feasibility stage. Simultaneously, diamond drilling continues, to increase resources and measure reserves. Moreover, the Palma greenfield project program include 7 thousand meters of diamond drilling at the surface level by the end of 2017. Likewise, the process to obtain permits for the construction of the exploration tunnel is in its final stage. This tunnel is expected to result in increased resources and increased certainty of the 5 MM resources already identified.
- The repair works at Rucuy Hydroelectric Plant are underway. The operations at the Plant were suspended since March as a consequence of the coastal El Niño, due to damage to part of the penstock and a section of the transmission line. It is worth mentioning that the insurance company has paid the first installment of the insurance claim coverage.
- The Company continues with the development of Terminales Portuarios Chancay S.A. (Chancay Port project). Likewise, Volcan continues with the incorporation

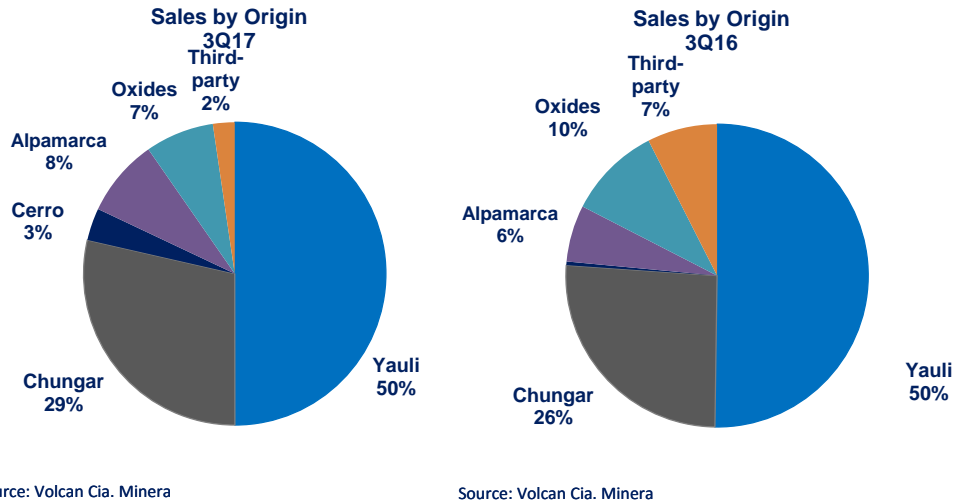
process of a strategic partner. It is worth mentioning that year-to-date, USD 21.8 MM has been invested in the development of this project.

- The reduction of financial obligations, improved EBITDA, and higher cash balance at the end of September, have allowed to achieve a Net Debt/EBITDA ratio of 1.8. The Company is firmly focused on further reducing its debt in a favorable environment of metals prices.

Annexes

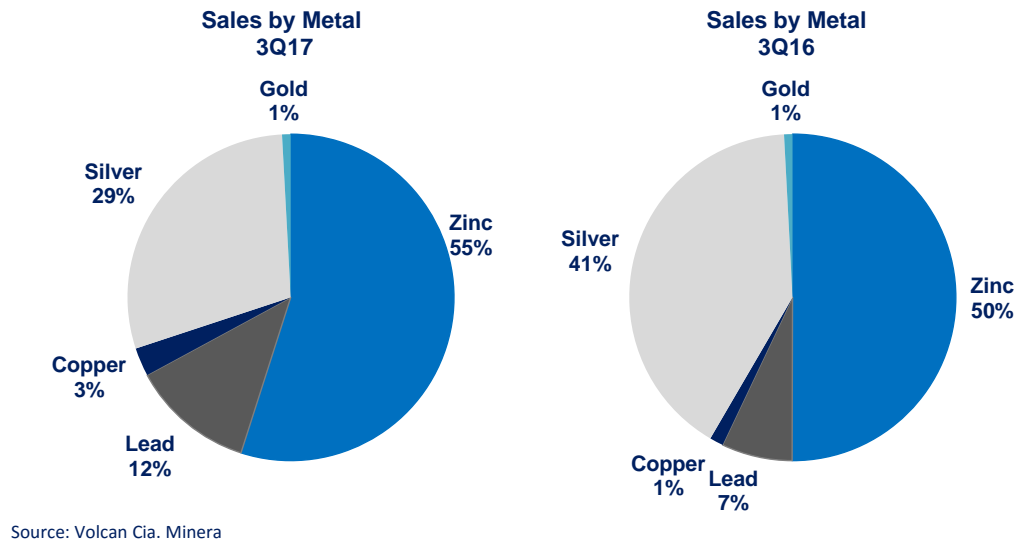
Annex 1: Sales Breakdown

Chart 5: Sales by Origin (percentage of value in USD)



The distribution of sales by origin reflects a decline in the contribution of third-party concentrates in total sales, from 7% in 3Q16 to 2% in 3Q17.

Chart 6: Sales by Metal (percentage of value in USD)



The distribution of sales by metal in 3Q17 reflects the growth in the contribution of zinc, lead and copper, as a result of the increase in their sales price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Zinc (USD/MT)	2,781	2,598	2,962	2,253	31.5	2,781	1,948	42.7
Lead (USD/MT)	2,279	2,165	2,334	1,872	24.7	2,259	1,778	27.1
Copper (USD/MT)	5,834	5,663	6,347	4,774	32.9	5,948	4,724	25.9
Silver (USD/Oz)	17.4	17.3	16.8	19.6	-14.2	17.2	17.1	0.6
Gold (USD/Oz)	1,219	1,258	1,278	1,335	-4.3	1,252	1,257	-0.5

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Jul-Sep 2016	var %	Jan-Sep 2017	Jan-Sep 2016	var %
Exchange Rate (S/ x USD)	3.29	3.26	3.25	3.34	-2.8	3.27	3.37	-3.1
Inflation	3.97	2.73	2.94	3.13	-5.8	2.94	3.13	-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 2017	Apr - Jun 2017	Jul - Sep 2017	Jul - Sep 2016	var %	Jan - Sep 2017	Jan - Sep 2016	var %
Silver (Thousands Oz)	32,681	36,651	34,997	35,723	-2.0	104,329	105,514	-1.1
Zinc (FMT)	332,580	375,431	373,460	339,240	10.1	1,081,470	967,940	11.7
Lead (FMT)	72,333	79,366	75,979	81,191	-6.4	227,679	236,061	-3.6
Copper (FMT)	563,989	611,103	624,431	602,910	3.6	1,799,524	1,725,048	4.3
Gold (Thousands Oz)	1,141	1,191	1,272	1,203	5.7	3,603	3,683	-2.2

Source: Ministry of Energy and Mines