

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis Third Quarter 2018

Principal Results:

Consolidated Volcan	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Sales Prices								
Zinc (USD/MT)	3,404	3,122	2,549	2,892	-11.9	3,007	2,731	10.1
Lead (USD/MT)	2,511	2,392	2,123	2,320	-8.5	2,334	2,246	3.9
Copper (USD/MT)	6,931	6,896	6,123	6,373	-3.9	6,580	6,017	9.4
Silver (USD/Oz)	16.7	16.6	15.0	16.9	-11.1	16.1	17.2	-6.5
Gold (USD/Oz)	1,330	1,302	1,215	1,287	-5.6	1,279	1,257	1.8
Operating Results								
Mineral treatment ¹ (thousands MT)	1,921	1,915	2,110	2,149	-1.8	5,946	6,154	-3.4
Zinc Production (thousands FMT)	58.8	56.4	65.3	66.3	-1.4	180.6	191.2	-5.6
Lead Production (thousands FMT)	12.0	10.8	12.1	13.9	-13.1	34.9	37.6	-7.1
Copper Production (thousands FMT)	1.1	1.2	1.3	1.5	-18.4	3.5	3.9	-10.3
Silver Production (millions Oz)	4.2	4.3	4.4	4.4	-1.7	12.8	12.8	0.7
Gold Production (thousands Oz)	2.5	2.9	3.1	2.1	50.2	8.5	5.6	53.4
Unit Cost (USD/MT)	48.0	47.8	45.8	46.6	-1.7	47.2	48.4	-2.6
Total Investments (MM USD)	35.2	44.1	45.6	52.4	-13.0	124.8	122.7	1.7
Financial Results (MM USD)								
Sales before adjustments	220.2	229.5	202.5	226.6	-10.6	652.2	633.2	3.0
Volcan Production	220.2	229.5	202.5	221.3	-8.5	652.2	613.7	6.3
Commercialization Business	0.0	0.0	0.0	5.3	-100.0	0.0	19.5	-100.0
Sales Adjustments	-17.6	-19.4	-13.2	5.9		-50.2	6.9	
Settlement of prior period adjustments	2.6	-5.2	-11.8	2.2		-14.4	7.4	
Adjustments for open positions ²	-7.8	-8.6	-5.4	5.1		-21.8	-1.5	
Hedging results	-12.4	-5.6	4.0	-1.4		-14.0	1.1	
Sales after adjustments	202.6	210.1	189.3	232.5	-18.6	602.1	640.1	-5.9
Net profit before exceptionals	24.5	17.9	1.3	30.1	-95.8	43.6	69.2	-37.0
Exceptional adjustments	-2.3	0.0	0.0	0.0		-2.3	0.0	
Net profit after exceptionals	22.2	17.9	1.3	30.1	-95.8	41.3	69.2	-40.3
EBITDA³	91.8	81.6	64.6	100.8	-35.9	238.0	254.5	-6.5

¹ Includes treated tons at Oxides Plant

² Adjustments for open commercial positions refer to shipments without final settlement, which are therefore exposed to possible adjustments from variations of future metals prices. These financial provisions, embedded derivatives and sales adjustments, reflect this exposure according to a forward-price curve.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

1. Executive Summary

- In 3Q18, the Company's own production of fines of all metals increased, as compared to the first and second quarters of this year. However, the steep fall of metals prices in 3Q18 had a significant impact on results. The lower prices translated not only into lower gross sales, but also into negative sales adjustments of USD -13.2 MM in 3Q18. This, together with special personnel expenses provisions of USD 3.6 MM and higher deferred income tax due to specific adjustments of USD 3.5 MM, determined a net profit of USD 1.3 MM in 3Q18.
- As compared to the same period in the previous year, the average sales price of zinc fell from 2,892 USD/MT in 3Q17 to 2,549 USD/MT in 3Q18 (-11.9%), lead from 2,320 USD/MT to 2,123 USD/MT (-8.5%), copper from 6,373 USD/MT to 6,123 USD/MT (-3.9%), silver from 16.9 USD/Oz to 15.0 USD/Oz in 3Q18 (-11.1%), and gold from 1,287 USD/Oz to 1,215 USD/Oz (-5.6%).
- During 3Q18, treated ore volumes decreased by 1.8% compared to the same period of the previous year. Similarly, in this quarter, the production of fine zinc, lead, copper and silver decreased by 1.4%, 13.1%, 18.4% and 1.7%, respectively, compared to 3Q17.
- Consolidated unit cost decreased by 1.7%, from 46.6 USD/MT in 3Q17 to 45.8 USD/MT in 3Q18. This is mainly explained by greater low-cost volumes of production from stockpiles at Cerro de Pasco.
- Total investments decreased by 13.0%, from USD 52.4 MM in 3Q17 to USD 45.6 MM in 3Q18, mainly due to lower investments in tailings dams and regional explorations being reported as expenses and not capitalized.
- Lower average metals prices and the reduced volume of the company's own production of zinc, silver and lead resulted in a decrease in sales from the Company's own production by 8.5%, from USD 221.3 MM in 3Q17 to USD 202.5 MM in 3Q18. There were no third-party concentrates sales in 3Q18, as compared to USD 5.3 MM sold in 3Q17. Total sales before adjustments decreased by 10.6%, from USD 226.6 MM in 3Q17 to USD 202.5 MM in 3Q18.
- In 3Q18, sales adjustments were negative (USD -13.2 MM), as compared to USD 5.9 MM, recorded in 3Q17. The negative impact, quarter versus quarter, was USD -19.1 MM. The increased negative adjustments are mainly explained by a downward trend of metals prices during 3Q18, particularly at the end of the period. In 3Q18, sales adjustments included negative final settlements of USD -11.8 MM, provisions related to open shipments of USD -5.4 MM, and a positive hedge result of USD 4.0 MM.
-
- Total sales before adjustments decreased by 18.6%, from USD 232.5 MM in 3Q17 to USD 189.3 MM in 3Q18. EBITDA decreased by 35.9%, from USD 100.8 MM in 3Q17 to USD 64.6 MM in 3Q18. Year-to-date (Jan-Sep), net profit before exceptional items declined from USD 69.2 MM in 2017 to USD 43.6 MM in 2018, while EBITDA decreased from USD 254.5 MM in 2017 to USD 238.0 MM in 2018.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	1,938	1,876	2,157	2,155	0.1	5,971	6,172	-3.3
Polymetallic ore	1,720	1,648	1,928	1,924	0.2	5,296	5,532	-4.3
Oxides ore ¹	218	228	229	231	-0.7	675	640	5.5
Mineral treatment (thousands MT)	1,921	1,915	2,110	2,149	-1.8	5,946	6,154	-3.4
Concentrator Plants	1,703	1,687	1,880	1,918	-2.0	5,270	5,514	-4.4
Silver Oxides Plant	218	228	229	231	-0.7	675	640	5.5
Fine Content								
Zinc (thousands FMT)	58.8	56.4	65.3	66.3	-1.4	180.6	191.2	-5.6
Lead (thousands FMT)	12.0	10.8	12.1	13.9	-13.1	34.9	37.6	-7.1
Copper (thousands FMT)	1.1	1.2	1.3	1.5	-18.4	3.5	3.9	-10.3
Silver (millions Oz)	4.2	4.3	4.4	4.4	-1.7	12.8	12.8	0.7
Gold (thousands Oz)	2.5	2.9	3.1	2.1	50.2	8.5	5.6	53.4

Source: Volcan Cia. Minera

In 3Q18, extracted ore volumes increased by 0.1% compared to the same quarter of the previous year, from 2.155 MM MT in 3Q17 to 2.157 MM MT in 3Q18. Volumes decreased at Yauli, but increased at Cerro de Pasco, Alpamarca and Chungar. Furthermore, treated volumes decreased by 1.8%, from 2.149 MM MT in 3Q17 to 2.110 MM MT in 3Q18. The difference between the extracted and the treated volumes is mainly explained by the ore stockpiles stored at Alpamarca.

Year-to-date (Jan-Sep), the extraction volume decreased by 3.3% as compared to the same period in the previous year, while treated volume decreased by 3.4%, from 6.154 MT in 2017 to 5.946 MT in 2018.

As a consequence of lower treated volumes, zinc production decreased by 1.4%, from 66.3 thousand FMT in 3Q17 to 65.3 thousand FMT in 3Q18; lead production decreased by 13.1%, from 13.9 thousand FMT in 3Q17 to 12.1 thousand FMT in 3Q18, copper production decreased by 18.4%, from 1.5 thousand FMT in 3Q17 to 1.3 thousand FMT in 3Q18, and silver decreased by 1.7% from 4.43 MM Oz in 3Q17 to 4.35 MM Oz in 3Q18.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	92.7	90.5	97.8	100.4	-2.6	281.0	298.6	-5.9
Mine Cost	48.0	46.2	51.5	51.6	-0.1	145.7	158.4	-8.0
Plant and Other Cost	44.7	44.4	46.2	48.8	-5.2	135.3	140.2	-3.5
Unit Cost (USD/MT)	48.0	47.8	45.8	46.6	-1.7	47.2	48.4	-2.6
Mine Cost	24.8	24.6	23.9	23.9	-0.2	24.4	25.7	-4.9
Plant and Other Cost	23.3	23.2	21.9	22.7	-3.4	22.8	22.8	-0.1

Source: Volcan Cia. Minera

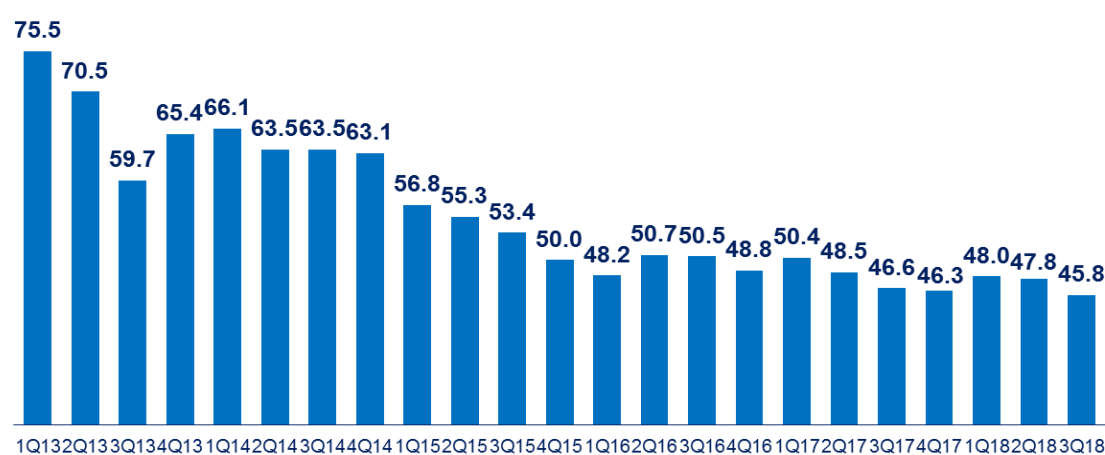
Absolute cost of production decreased by 2.6%, from USD 100.4 MM in 3Q17 to USD 97.8 MM in 3Q18, mainly due to a lower extraction and treatment volume at Yauli due to the reformulation of mining plans.

Consolidated unit cost decreased by 1.7%, from 46.6 USD/MT in 3Q17 to 45.8 USD/MT in 3Q18. This is mainly explained by greater low-cost volumes of production from stockpiles at Cerro de Pasco (14.0 USD/MT in 3Q18).

Year-to-date (Jan-Sep), the absolute cost of production decreased by 5.9%, from USD 298.6 MM in 2017 to USD 281.0 MM in 2018, while the unit cost decreased by 2.6%, from 48.4 USD/MT in 2017 to 47.2 USD/MT in 2018.

The Company is permanently focused on controlling and reducing operating costs across all operating units. The chart below shows a 39.3% unit cost decrease between 1Q13 and 3Q18.

Figure 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 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mining	34.0	43.4	44.9	52.0	-13.7	122.3	121.9	0.4
Mining Units	33.7	43.0	44.0	47.4	-7.2	120.6	113.6	6.1
Local Exploration	3.8	5.6	6.5	3.6	80.0	15.9	10.5	50.8
Development	18.5	20.5	18.4	18.1	1.3	57.3	51.3	11.8
Plants and Tailings Facilities	4.8	5.8	11.7	16.3	-28.1	22.3	29.2	-23.7
Mine and Infrastructure	4.0	8.1	4.7	7.5	-37.3	16.8	17.4	-3.3
Energy in Units	1.6	1.4	1.3	0.8	59.9	4.2	2.4	74.2
Support and Others	1.0	1.6	1.4	1.0	31.2	4.0	2.8	45.5
Regional Explorations	0.1	0.0	0.4	3.8	-89.4	0.5	7.0	-93.2
Growth and Others	0.3	0.5	0.5	0.8	-37.9	1.2	1.2	4.3
Energy	1.1	0.6	0.7	0.4	75.7	2.5	0.8	202.2
Total	35.2	44.1	45.6	52.4	-13.0	124.8	122.7	1.7

In the third quarter, total mining investments were reduced by 13.7%, from USD 52.0 MM in 3Q17 to USD 44.9 MM in 3Q18. Operating unit investments fell by 7.2%, from USD 47.4 MM in 3Q17 to USD 44.0 MM in 3Q18, mainly due to lower investments in tailings dams and mine infrastructure.

The apparent reduction in greenfield or early stage explorations investments is mainly due to regional explorations investments being recorded directly as expenses on the financial statement.

Investments in the energy business increased from USD 0.4 MM in 3Q17 to USD 0.7 MM in 3Q18, mainly due to the investment in repairs at the Rucuy Hydroelectric Plant. It is worth noting that the insurance company's adjuster has issued a favorable final report on material damages and loss of profit arising from the Hydroelectric Plant's insurance claim occurred in March 2017.

Total investments decreased by 13.0%, from USD 52.4 MM in 3Q17 to USD 45.6 MM in 3Q18. Year-to-date (Jan-Sep), total investments declined by 1.7%, from USD 122.7 MM in 2017 to USD 124.8 MM in 2018.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Sales before adjust.	220.2	229.5	202.5	226.6	-10.6	652.2	633.2	3.0
<i>Sett. of prior periods adjust.</i>	2.6	-5.2	-11.8	2.2		-14.4	7.4	
<i>Adj. open positions</i>	-7.8	-8.6	-5.4	5.1		-21.8	-1.5	
<i>Hedging</i>	-12.4	-5.6	4.0	-1.4		-14.0	1.1	
Sales after adjust.	202.6	210.1	189.3	232.5	-18.6	602.1	640.1	-5.9
Cost of Goods Sold	-127.9	-131.3	-135.4	-142.6	-5.1	-394.6	-426.1	-7.4
Gross Profit	74.7	78.8	53.9	89.8	-40.0	207.5	214.0	-3.1
<i>Gross Margin</i>	37%	38%	28%	39%	-10 pp	34%	33%	1 pp
Administrative and Exploration Expenses	-12.1	-10.5	-18.1	-12.4	45.3	-40.7	-34.6	17.7
Sales Expenses	-6.2	-7.0	-6.3	-7.4	-14.1	-19.5	-22.4	-12.7
Other Income (Expenses) ¹	-2.9	-15.1	-4.5	-5.2	-12.9	-22.5	-7.9	186.2
Operating Profit	53.5	46.1	25.0	64.9	-61.4	124.7	149.2	-16.4
<i>Operating Margin</i>	26%	22%	13%	28%	-15 pp	21%	23%	-3 pp
Financial Income (Expense)	-9.3	-9.8	-9.4	-8.6	8.3	-28.5	-25.7	10.8
Exchange Difference (net)	0.2	-0.9	-1.4	0.6		-2.0	1.9	
Royalties	-4.0	-4.9	-2.8	-6.3	-56.2	-11.7	-13.1	-10.9
Income Tax	-15.9	-12.7	-10.3	-20.4	-49.6	-38.8	-43.0	-9.8
Net Profit before Exceptionals	24.5	17.9	1.3	30.1	-95.8	43.6	69.2	-37.0
<i>Net Margin</i>	12%	9%	1%	13%	-12 pp	7%	11%	-4 pp
Exceptional adjustments ²	-2.3	0.0	0.0	0.0		-2.3	0.0	
Net Profit after Exceptionals	22.2	17.9	1.3	30.1	-95.8	41.3	69.2	-40.3
EBITDA³	91.8	81.6	64.6	100.8	-35.9	238.0	254.5	-6.5
<i>EBITDA Margin</i>	45%	39%	34%	43%	-9 pp	40%	40%	0 pp

¹ Includes the sales and cost of sales of the energy division.

² The exceptional adjustment of USD 2.3 MM in 1Q18 is related to the provision of an old account receivable in a subsidiary of Volcan.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

- Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Zinc (USD/MT)	3,404	3,122	2,549	2,892	-11.9	3,007	2,731	10.1
Lead (USD/MT)	2,511	2,392	2,123	2,320	-8.5	2,334	2,246	3.9
Copper (USD/MT)	6,931	6,896	6,123	6,373	-3.9	6,580	6,017	9.4
Silver (USD/Oz)	16.7	16.6	15.0	16.9	-11.1	16.1	17.2	-6.5
Gold (USD/Oz)	1,330	1,302	1,215	1,287	-5.6	1,279	1,257	1.8

Source: Volcan Cia. Minera

Table 6: Fine Contents Sales Volumes

Fines Sales		Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Volcan Production	Zinc (thousands FMT)	59.3	56.2	65.3	66.7	-2.2	180.8	192.4	-6.0
	Lead (thousands FMT)	10.1	13.9	12.4	14.5	-14.4	36.4	38.2	-4.8
	Copper (thousands FMT)	0.7	1.1	1.3	1.2	5.9	3.1	2.7	11.8
	Silver (millions Oz) ¹	3.9	4.8	4.4	4.6	-4.8	13.0	13.1	-0.5
	Gold (thousands Oz) ¹	3.1	3.9	3.9	2.6	51.2	10.9	6.9	57.9
Commerciali- zation Business	Zinc (thousands FMT)	0.0	0.0	0.0	0.2	-100.0	0.0	2.5	-100.0
	Lead (thousands FMT)	0.0	0.0	0.0	0.0		0.0	0.2	-100.0
	Copper (thousands FMT)	0.0	0.0	0.0	0.5	-100.0	0.0	1.4	-100.0
	Silver (millions Oz)	0.0	0.0	0.0	0.2	-100.0	0.0	0.6	-100.0
	Gold (thousands Oz)	0.0	0.0	0.0	0.1	-100.0	0.0	0.1	-100.0
Total	Zinc (thousands FMT)	59.3	56.2	65.3	67.0	-2.5	180.8	194.8	-7.2
	Lead (thousands FMT)	10.1	13.9	12.4	14.5	-14.4	36.4	38.4	-5.3
	Copper (thousands FMT)	0.7	1.1	1.3	1.7	-24.1	3.1	4.1	-25.3
	Silver (millions Oz)	3.9	4.8	4.4	4.8	-8.0	13.0	13.7	-4.6
	Gold (thousands Oz)	3.1	3.9	3.9	2.7	47.5	10.9	7.1	54.6

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)		Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Volcan Production	Zinc	139.7	127.2	117.9	123.9	-4.8	384.8	347.9	10.6
	Lead	21.4	28.2	22.8	27.5	-17.2	72.4	68.2	6.1
	Copper	3.2	4.5	4.6	4.1	11.8	12.4	8.9	39.5
	Silver	53.2	66.0	53.7	63.9	-15.9	173.0	184.0	-6.0
	Gold	2.6	3.6	3.5	1.9	85.7	9.7	4.7	106.7
	Sales before adjust.	220.2	229.5	202.5	221.3	-8.5	652.2	613.7	6.3
	Sett. of prior period adjust.	2.6	-5.2	-11.8	4.4		-14.4	7.4	
	Adjust. for open positions	-7.8	-8.6	-5.4	4.7		-21.8	-3.9	463.5
	Hedging results	-12.3	-5.7	4.0	-1.5		-13.9	0.3	
	Sales after adjust.	202.8	210.1	189.3	228.9	-17.3	602.1	617.5	-2.5
Commercialization Business	Zinc	0.0	0.0	0.0	0.5	-100.0	0.0	5.3	-100.0
	Lead	0.0	0.0	0.0	0.1	-100.0	0.0	0.5	-100.0
	Copper	0.0	0.0	0.0	2.3	-100.0	0.0	5.9	-100.0
	Silver	0.0	0.0	0.0	2.3	-100.0	0.0	7.7	-100.0
	Gold	0.0	0.0	0.0	0.0	-100.0	0.0	0.1	-100.0
	Sales before adjust.	0.0	0.0	0.0	5.3	-100.0	0.0	19.5	-100.0
	Sett. of prior period adjust.	0.0	0.0	0.0	-2.2	-100.0	0.0	0.0	-100.0
	Adjust. for open positions	0.0	0.0	0.0	0.4	-100.0	0.0	2.3	-100.0
	Hedging results	-0.1	0.0	0.0	0.1	-100.0	-0.1	0.8	
	Sales after adjust.	-0.1	0.0	0.0	3.6	-100.0	-0.1	22.6	
Total	Zinc	139.7	127.2	117.9	124.4	-5.3	384.8	353.3	8.9
	Lead	21.4	28.2	22.8	27.6	-17.4	72.4	68.7	5.4
	Copper	3.2	4.5	4.6	6.4	-27.8	12.4	14.8	-16.3
	Silver	53.2	66.0	53.7	66.2	-18.9	173.0	191.7	-9.8
	Gold	2.6	3.6	3.5	1.9	81.7	9.7	4.8	103.5
	Sales before adjust.	220.2	229.5	202.5	226.6	-10.6	652.2	633.2	3.0
	Sett. of prior period adjust.	2.6	-5.2	-11.8	2.2		-14.4	7.4	
	Adjust. for open positions	-7.8	-8.6	-5.4	5.1		-21.8	-1.5	
	Hedging results	-12.4	-5.6	4.0	-1.4		-14.0	1.1	
	Sales after adjust.	202.6	210.1	189.3	232.5	-18.6	602.1	640.1	-5.9

In 3Q18, total sales before adjustments decreased by 10.6%, USD 202.5 MM as compared to USD 226.6 MM in 3Q17, due to lower prices for all metals, reduced sales volume of the company's own production of zinc, silver and lead, and the absence of sales of third-party concentrates, which totaled USD 5.3 MM in 3Q17.

In 3Q18, sales adjustments were negative (USD -13.2 MM), as compared to the positive adjustments recorded in 3Q17 (USD 5.9 MM). That is, quarter versus quarter, the negative effect was -19.1 MM. This is mainly explained by a downward trend of metals prices during 3Q18, which was even more pronounced at the end of the quarter. In 3Q18, sales adjustments included final settlements of USD -11.8 MM, provisions related to open shipments of USD -5.4 MM, and positive hedging results of USD 4.0 MM. As a result, sales after adjustments decreased by 18.6%, from USD 232.5 MM in 3Q17 to USD 189.3 MM in 3Q18.

Year-to-date (Jan-Sep), sales before adjustments rose by 3.0%, from USD 633.2 MM in 2017 to USD 652.2 MM in 2018, while sales after adjustments decreased by 5.9%, from USD 640.1 MM in 2017 to USD 602.1 MM in 2018.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Volcan Production	125.0	128.6	134.1	137.9	-2.8	387.7	407.1	-4.8
Volcan Production Cost	92.7	90.5	97.8	100.4	-2.6	281.0	298.6	-5.9
D&A from Production Cost	35.0	29.6	35.2	32.7	7.7	99.8	96.0	4.0
Ore Purchase	0.0	0.0	0.6	1.4	-58.0	0.6	3.1	-80.3
Extraordinary Costs	0.4	0.4	0.2	0.6	-61.8	1.0	1.8	-45.4
Variation of Inventories	-3.1	8.1	0.2	2.8	-91.5	5.3	7.7	-31.7
Commercialization Business	0.0	0.0	0.0	3.8	-100.0	0.0	15.9	-100.0
Concentrates Purchase	0.0	0.0	0.0	3.3	-100.0	0.0	14.2	-100.0
Variation of Inventories	0.0	0.0	0.0	0.5	-100.0	0.0	1.7	-100.0
Workers Participation	2.9	2.7	1.3	1.0	31.0	7.0	3.1	125.0
Total	127.9	131.3	135.4	142.6	-5.1	394.6	426.1	-7.4

In 3Q18, total cost of goods sold decreased by 5.1%, from USD 142.6 MM in 3Q17 to USD 135.4 MM in 3Q18. This is mainly explained by a USD 2.6 MM reduction in the production cost, a USD 2.5 MM decrease of inventories variation, a USD 0.8 MM decrease in ore purchases, and a USD 3.3 MM decrease in purchases of third-party concentrates. The figures above were partially offset by the USD 2.5 MM increase in depreciation and amortization.

Year-to-date (Jan-Sep), the total cost of goods sold declined by 7.4%, from USD 426.1 MM in 2017 to USD 394.6 MM in 2018.

- **Gross Margin and Gross Profit**

The Company's gross margin decreased from 39% in 3Q17 to 28% in 3Q18, mainly explained by lower metals prices, which are reflected in the lower sales of the quarter, as well as negative adjustments on sales of previous periods and open shipments. Total gross profit fell by 40.0%, from USD 89.8 MM in 3Q17 to USD 53.9 MM in 3Q18.

Year-to-date (Jan-Sep), gross margin increased from 33% in 2017 to 34% in 2018. Gross profit decreased from USD 214.0 MM in 2017 to USD 207.5 MM in 2018.

- **Administrative and Exploration Expenses**

Administrative and exploration expenses increased by 45.3%, from USD 12.4 MM in 3Q17 to USD 18.1 MM in 3Q18, due to additional personnel expenses provisions and greater exploration expenses, which increased from USD 0.3 MM in 3Q17 to USD 3.9 MM in 3Q18. This is explained by investments in greenfield or early stage explorations being reflected as expenses under this item in the financial statement and not being capitalized as from this year.

Year-to-date (Jan-Sep), the administrative and exploration expenses increased from USD 25.7 MM in 2017 to USD 28.5 MM in 2018.

- **Sales expenses**

Sales expenses during 3Q18 decreased by 14.1%, from USD 7.4 MM in 3Q17 to USD 6.3 MM, due to lower transportation expenses. Year-to-date (Jan-Sep), the sales expenses decreased from USD 22.4 MM in 2017 to USD 19.5 MM in 2018.

- **Other Income and Expenses (unadjusted)**

In 3Q18, the net amount of other income and expenses was negative, USD -4.5 MM versus a negative amount of USD -5.2 MM in 3Q17.

Year-to-date (Jan-Sep), other income and expenses were USD -22.5 MM in 2018, as compared to USD -7.9 MM in 2017. The higher negative result is mainly explained by lower income from insurance recovery, costs resulting from suspended operations at Chungar, and greater permanent costs at Cerro de Pasco and Yauli.

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

During 3Q18, net financial expenses totaled USD 9.4 MM, a 8.3% increase if compared to the USD 8.6 MM reported in 3Q17, mainly explained by lower income from loans to third parties, and partially offset by the reduced financing cost and bank charges. Year-to-date (Jan-Sep), net financial expenses totaled USD 28.5 MM in 2018, a 10.8% increase if compared to the USD 25.7 MM reported in 2017.

Exchange-rate losses totaling USD -1.4 MM were registered in 3Q18, as compared to the exchange-rate gain reported in 3Q17 (USD 0.6 MM). Year-to-date (Jan-Sep), an exchange-rate loss totaling USD -2.0 MM was registered in 2018, as compared to the exchange-rate gain reported in 2017 (USD 1.9 MM).

- **Income Tax and Royalties**

Royalties decreased from USD 6.3 MM in 3Q17 to USD 2.8 MM in 3Q18, while income tax decreased from USD 20.4 MM in 3Q17 to USD 10.3 MM in 3Q18, in line with the reduced profits. However, the effective rate of the income tax is exceptionally high in 3Q18 due to some specific adjustments to the deferred income tax, related to non-deductible losses of financial instruments of previous periods, and the exchange difference in non-monetary items. It is important to note that adjustments to the deferred income tax have no impact on the Company's cash generation.

Year-to-date (Jan-Sep), royalties decreased from USD 13.1 MM in 2017 to USD 11.7 MM in 2018, while income tax decreased from USD 43.0 MM in 2017 to USD 38.8 MM in 2018.

- **Net Profit and EBITDA**

Net profit before exceptional items fell from USD 30.1 MM in 3Q17 to USD 1.3 MM in 3Q18. EBITDA decreased by 35.9%, from USD 100.8 MM in 3Q17 to USD 64.6 MM in 3Q18.

Year-to-date (Jan-Sep), the net profit before exceptional items decreased from USD 69.2 MM in 2017 to USD 43.6 MM in 2018. EBITDA decreased from USD 254.5 MM in 2017 to USD 238.0 MM in 2018.

2.5 Liquidity and Creditworthiness

In 3Q18, cash generated by mining and energy operations, after sustaining capex, totaled USD 19.2 MM. Regional exploration and growth investments in mining and energy reached USD 6.8 MM, while other investments totaled USD 0.8 MM. Interests paid amounted to USD 15.2 MM and net financing cash flow for the period was positive and totaled USD 5.0 MM. The resulting total cash flow during 3Q18 was USD 1.5 MM, and the cash balance as of September 30, 2018, was USD 98.7 MM.

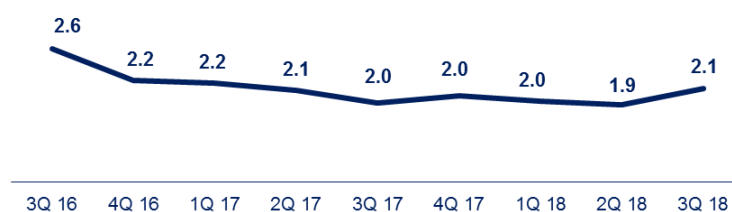
Table 9: Net Debt / EBITDA Ratio

Net Debt/EBITDA Ratio	Consolidated 3Q18
Gross Debt (MM USD)	789.2
Cash Balance (MM USD)	98.7
Net Debt (MM USD)	690.4
EBITDA¹ (MM USD)	326.4
Ratio	2.1

¹ EBITDA for the last 12 months.

Source: Volcan Cia. Minera

Chart 2: Net Debt / EBITDA Ratio Evolution



Source: Volcan Cia. Minera

At the end of 3Q18, the net Debt/EBITDA ratio was 2.1, higher than in the previous quarter, mainly due to the high EBITDA accumulated in the last 12 months as a result of lower metals prices.

3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	757	808	858	943	-9.1	2,423	2,624	-7.7
Mineral treatment (thousands MT)	751	823	852	955	-10.7	2,426	2,648	-8.4
Fines Content								
Zinc (thousands FMT)	33.7	37.7	40.2	37.6	7.1	111.6	109.4	2.1
Lead (thousands FMT)	4.2	4.6	5.0	4.9	2.5	13.8	13.8	-0.4
Copper (thousands FMT)	0.6	0.8	0.8	0.9	-5.5	2.2	2.2	2.1
Silver (million Oz)	1.8	2.2	2.0	2.1	-5.1	6.0	5.7	5.2
Gold (thousands Oz)	1.6	1.9	2.0	1.3	53.6	5.6	3.6	54.6

Source: Volcan Cia. Minera

In 3Q18, the ore extracted at the Yauli Unit decreased by 9.1% as compared to the same period of the previous year, due to the reformulation of mining plans which entail lower extracted volumes but higher head grades. The ore treated at the Yauli Unit concentrator plants decreased by 10.7% in 3Q18 compared to the same period of the previous year.

In 3Q18, fine zinc and lead production grew by 7.1% and 2.5%, respectively, as compared to 3Q17, due to higher head grades at the San Cristóbal, Carahuacra and Andaychagua mines. Production of copper and silver decreased by 5.5% and 5.1%, respectively.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	52.0	53.1	53.5	58.7	-8.8	158.6	173.5	-8.6
Extraction Cost	31.2	32.4	32.6	34.6	-5.9	96.2	104.1	-7.6
Treatment Cost	20.8	20.6	21.0	24.1	-12.9	62.4	69.4	-10.1
Unit Cost (USD/MT)	68.9	65.2	62.5	61.9	1.0	65.4	65.9	-0.7
Extraction Cost	41.2	40.1	38.0	36.7	3.4	39.7	39.7	0.1
Treatment Cost	27.7	25.1	24.6	25.2	-2.4	25.7	26.2	-1.9

Source: Volcan Cia. Minera

In 3Q18, the absolute cost of production decreased by 8.8%, from USD 58.7 MM in 3Q17 to USD 53.5 MM in 3Q18. This is mainly explained by lower production volumes at the Yauli unit mines.

The operation's unit cost increased by 1.0%, from 61.9 USD/MT in 3Q17 to 62.5 USD/MT in 3Q18, mainly due to lower extracted and treated volumes. However, it is important to note that the unit cost in 3Q18 is significantly lower than in the first and second quarters of this year.

Year-to-date (Jan-Sep), the absolute cost of production declined by 8.6%, from USD 173.5 MM in 2017 to USD 158.6 MM in 2018. The unit cost of production decreased by 0.7%, from 65.9 USD/MT in 2017 to 65.4 USD/MT in 2018.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Local Exploration	2.4	3.2	3.5	2.2	58.2	9.1	6.4	41.1
Mine Development	12.0	11.2	11.6	13.7	-15.6	34.8	38.4	-9.4
Plants and Tailings Dams	1.1	2.0	4.3	4.6	-7.3	7.4	9.4	-21.8
Mine and Infrastructure	1.8	1.8	1.7	4.2	-59.6	5.3	9.0	-41.1
Energy	0.8	1.2	0.9	0.7	23.2	3.0	1.9	54.5
Support and Others	0.5	0.8	0.5	0.7	-35.3	1.8	1.5	13.1
Total	18.5	20.3	22.4	26.2	-14.6	61.2	66.7	-8.2

Source: Volcan Cia. Minera

In 3Q18, total investments at Yauli amounted to USD 22.4 MM, 14.6% lower than the USD 26.2 MM for 3Q17. Explorations and energy investments increased, but development, tailings dams and mine infrastructure investments decreased.

Year-to-date (Jan-Sep), total investments declined by 8.2%, from USD 66.7 MM in 2017 to USD 61.2 MM in 2018.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	434	301	462	433	6.8	1,197	1,408	-15.0
Mineral treatment (thousands MT)	432	317	462	436	6.0	1,211	1,394	-13.2
Fines Content								
Zinc (thousands FMT)	19.8	13.7	20.4	23.1	-12.1	53.9	66.9	-19.5
Lead (thousands FMT)	5.0	3.6	4.6	6.3	-26.6	13.2	16.2	-18.5
Copper (thousands FMT)	0.4	0.3	0.3	0.5	-41.6	1.0	1.4	-29.2
Silver (million Oz)	1.0	0.8	1.1	0.8	27.4	2.8	2.6	6.8

Source: Volcan Cia. Minera

In 3Q18, ore volumes extracted at Chungar increased by 6.8% as compared to 3Q17. This increase was mainly explained by higher extracted volumes at the Islay mine, which was affected by a two-month suspension of operations in 3Q17 resulting from the access roads being blocked by the Huaychao community. Similarly, ore volumes treated in 3Q18 increased by 6.0%, as compared to the same quarter in the previous year.

With regard to fines, in 3Q18, zinc, lead and copper production fell by 12.1%, 26.6%, and 41.6%, respectively, as compared to 3Q17. This reduction is explained by lower head grades at the Animón mine. Moreover, silver production increased by 27.4% as compared to 3Q17, mainly due to the greater contribution from Islay mine.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	25.1	19.8	26.6	25.1	6.0	71.5	77.4	-7.7
Extraction Cost	14.6	11.2	16.3	14.5	12.0	42.1	46.5	-9.3
Treatment Cost	10.5	8.5	10.3	10.6	-2.3	29.4	31.0	-5.2
Unit Cost (USD/MT)	57.9	64.2	57.6	57.9	-0.5	59.4	55.2	7.7
Extraction Cost	33.7	37.3	35.2	33.6	4.8	35.2	33.0	6.7
Treatment Cost	24.3	27.0	22.4	24.3	-7.8	24.3	22.2	9.2

Source: Volcan Cia. Minera

In 3Q18, the absolute cost of production increased by 6.0%, from USD 25.1 MM in 3Q17 to USD 26.6 MM in 3Q18, due to higher extracted and treated volumes. For the same reason, the unit cost of production decreased by 0.5%, from 57.9 USD/MT in 3Q17 to 57.6 USD/MT in 3Q18.

Year-to-date (Jan-Sep), the absolute cost of production declined by 7.7%, from USD 77.4 MM in 2017 to USD 71.5 MM in 2018, due to lower extracted and treated volumes as a result of approximately three weeks of suspended operations at the Animón mine in 2Q18. The unit cost of production increased by 7.7%, from 55.2 USD/MT in 2017 to 59.4 USD/MT in 2018.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Local Exploration	1.4	1.7	2.2	1.4	62.6	5.4	3.8	41.1
Mine Development	6.5	9.3	6.8	4.4	54.0	22.5	12.9	74.9
Plants and Tailings Dams	0.9	1.0	1.1	5.5	-79.4	3.0	10.7	-72.3
Mine and Infrastructure	2.2	2.1	2.2	3.1	-28.2	6.5	6.7	-3.3
Energy	0.7	0.2	0.4	0.1	413.8	1.3	0.5	146.5
Support and Others	0.2	0.2	0.5	0.2	152.5	0.9	0.6	34.9
Total	11.8	14.4	13.3	14.6	-9.1	39.5	35.2	12.1

Source: Volcan Cia. Minera

Operating investments decreased by 9.1%, from USD 14.6 MM in 3Q17 to USD 13.3 MM in 3Q18. This decrease is mainly explained by lower investments at tailings dams.

Year-to-date (Jan-Sep), operating investments increased by 12.1%, from USD 35.2 MM in 2017 to USD 39.5 MM in 2018, mainly due to higher investment in mine development.

3.3 Alparmarca Unit Operating Results

Table 16: Alparmarca Production

Alparmarca Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	239	223	282	264	6.8	744	746	-0.3
Mineral treatment (thousands MT)	229	232	240	242	-1.0	701	718	-2.3
Fines Content								
Zinc (thousands FMT)	2.4	2.2	2.2	3.1	-29.2	6.8	8.7	-21.3
Lead (thousands FMT)	1.8	1.6	1.7	1.8	-9.6	5.1	5.2	-2.1
Copper (thousands FMT)	0.1	0.1	0.1	0.1	-9.0	0.3	0.4	-15.4
Silver (million Oz)	0.4	0.4	0.4	0.4	-15.6	1.1	1.4	-20.6

Source: Volcan Cia. Minera

In 3Q18, ore volumes extracted at the Alparmarca Unit grew by 6.8% compared to the same quarter of the previous year, while treated volumes decreased by 1.0%. A portion of the extracted ore remains in the stockpiles.

With regard to fines, in 3Q18, zinc, silver, lead and copper production decreased by 29.2%, 15.6%, 9.6% and 9.0%, respectively, mainly explained by lower head grades of the treated ore.

Table 17: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	3.6	4.0	4.1	4.0	2.8	11.8	13.1	-10.5
Extraction Cost	1.0	1.3	1.4	1.1	22.3	3.6	4.5	-18.6
Treatment Cost	2.7	2.7	2.8	2.9	-4.9	8.1	8.7	-6.3
Unit Cost (USD/MT)	15.7	17.3	16.4	16.3	0.9	16.5	18.1	-8.9
Extraction Cost	4.1	5.7	5.0	4.3	14.4	4.9	6.0	-18.4
Treatment Cost	11.7	11.5	11.5	11.9	-4.0	11.6	12.1	-4.2

Source: Volcan Cia. Minera

In 3Q18, the absolute cost of production was USD 4.1 MM, 2.8% higher than the USD 4.0 MM figure for the same quarter of the previous year, due to greater extracted volumes at the open pit. The unit cost increased by 0.9%, from 16.3 USD/MT in 3Q17 to 16.4 USD/MT in 3Q18.

Year-to-date (Jan-Sep), the absolute cost of production decreased by 10.5%, from USD 13.1 MM in 2017 to USD 11.8 MM in 2018. The unit cost of production decreased by 8.9%, from 18.1 USD/MT in 2017 to 16.5 USD/MT in 2018.

Table 18: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Local Exploration	0.0	0.5	0.5	0.0		1.0	0.0	
Plants and Tailings Dams	0.1	0.4	1.7	1.4	21.8	2.3	2.3	-2.3
Mine and Infrastructure	0.0	0.1	0.0	0.1	-47.5	0.2	0.3	-43.1
Support and Others	0.2	0.0	0.0	0.0	-28.0	0.2	0.2	-11.5
Total	0.3	1.1	2.3	1.5	50.8	3.7	2.9	27.0

Source: Volcan Cia. Minera

Operating investments increased by 50.8%, from USD 1.5 MM in 3Q17 to USD 2.3 MM in 3Q18, due to higher explorations and tailings dams investments.

Year-to-date (Jan-Sep), total investments increased by 27.0%, from USD 2.9 MM in 2017 to USD 3.7 MM in 2018, due to higher investments in local exploration.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	291	315	327	285	14.5	932	754	23.7
Mineral treatment (thousands MT)	291	315	327	285	14.5	932	754	23.7
Fines Content								
Zinc (thousands FMT)	2.9	2.8	2.5	2.4	3.2	8.2	6.3	31.7
Lead (thousands FMT)	1.0	1.0	0.8	0.9	-11.6	2.9	2.4	21.7
Silver (million Oz)	0.1	0.1	0.1	0.1	-15.9	0.3	0.3	10.5

Source: Volcan Cia. Minera

In 3Q18, the treated volumes of polymetallic ore from stockpiles amounted to 327 thousand MT, 14.5% higher than the same quarter of the previous year. With regard to fines, in 3Q18, production volumes amounted to 2.5 thousand FMT of zinc, 0.8 thousand FMT of lead, and 0.09 MM Oz of silver, versus USD 2.4 thousand FMT of zinc, 0.9 thousand FMT of lead and 0.11 MM Oz of silver in 3Q17.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	3.7	5.1	4.6	3.6	26.6	13.4	10.1	32.8
Treatment Cost	3.7	5.1	4.6	3.6	26.6	13.3	10.1	32.7
Unit Cost (USD/MT)	12.6	16.2	14.0	12.7	10.6	14.3	13.3	7.4
Treatment Cost	12.6	16.2	14.0	12.7	10.6	14.3	13.3	7.3

Source: Volcan Cia. Minera

Absolute cost increased by 26.6%, from USD 3.6 MM in 3Q17 to USD 4.6 MM in 3Q18 due to higher treated volumes and by a portion of the unit's permanent costs being reclassified as production costs. Unit cost increased by 10.6%, from 12.7 USD/MT in 3Q17 to 14.0 USD/MT in 3Q18.

Year-to-date (Jan-Sep), the absolute cost of production increased by 32.8%, from USD 10.1 MM in 2017 to USD 13.4 MM in 2018. The unit cost of production increased by 7.4%, from 13.3 USD/MT in 2017 to 14.3 USD/MT in 2018.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Local Exploration	0.0	0.1	0.3	0.1	346.2	0.4	0.3	42.9
Plants and Tailings Dams	1.3	1.2	2.2	3.8	-41.6	4.7	5.6	-15.6
Support and Others	0.1	0.5	0.3	0.0		0.9	0.0	
Total	1.5	1.7	2.9	3.9	-26.3	6.1	5.9	2.7

Source: Volcan Cia. Minera

Operating investments decreased by 26.3%, from USD 3.9 MM in 3Q17 to USD 2.9 MM in 3Q18, due to lower investments in tailings dams. Year-to-date (Jan-Sep), operating investments increased by 2.7%, from USD 5.9 MM in 2017 to USD 6.1 MM in 2018.

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Mineral extraction (thousands MT)	218	228	229	231	-0.7	675	640	5.5
Mineral treatment (thousands MT)	218	228	229	231	-0.7	675	640	5.5
Fines Content								
Silver (million Oz)	0.9	0.9	0.8	0.9	-11.8	2.6	2.8	-4.5
Gold (Oz)	884	1,019	1,087	754	44.0	2,990	1,978	51.2

Source: Volcan Cia. Minera

In 3Q18, the treated volume of ore from the Oxides Plant stockpiles decreased by 0.7% as compared to 3Q17.

Silver ounces production decreased by 11.8%, from USD 0.9 MM Oz in 3Q17 to USD 0.8 MM Oz in 3Q18, due to lower head grades, and gold production increased by 44%, from 754 Oz in 3Q17 to 1,087 Oz in 3Q18.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Production Cost (MM USD)	8.3	8.6	8.9	8.9	0.3	25.9	24.4	5.8
Extraction Cost	1.2	1.2	1.3	1.3	1.3	3.8	3.4	11.0
Treatment Cost	7.1	7.4	7.6	7.6	0.1	22.1	21.1	5.0
Unit Cost (USD/MT)	38.1	37.9	38.9	38.6	0.9	38.3	38.2	0.3
Extraction Cost	5.7	5.4	5.7	5.6	2.0	5.6	5.3	5.2
Treatment Cost	32.4	32.6	33.2	33.0	0.8	32.7	32.9	-0.5

Source: Volcan Cia. Minera

In absolute terms, the cost of production totaled USD 8.9 MM, similar to the absolute cost in 3Q17. Unit cost increased by 0.9%, from 38.6 USD/MT in 3Q17 to 38.9 USD/MT in 3Q18.

Year-to-date (Jan-Sep), the absolute cost of production increased by 5.8%, from USD 24.4 MM in 2017 to USD 25.9 MM in 2018. The operation's unit cost increased by 0.3%, from 38.2 USD/MT in 2017 to 38.3 USD/MT in 2018.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Plants and Tailings Dams	1.4	1.3	2.4	1.0	134.4	5.0	1.2	304.2
Mine and Infrastructure	0.0	4.1	0.7	0.1	744.5	4.8	1.3	265.8
Support and Others	0.1	0.2	0.0	0.1	-55.1	0.3	0.3	-9.1
Total	1.5	5.5	3.2	1.2	168.7	10.1	2.9	249.6

Source: Volcan Cia. Minera

Operating investments increased by 168.7%, from USD 1.2 MM in 3Q17 to USD 3.2 MM in 3Q18, mainly explained by investments for the development of oxides on-site and the expansion of the Ocroyoc tailings dam.

Year-to-date (Jan-Sep), total investments increased by 249.6%, from USD 2.9 MM in 2017 to USD 10.1 MM in 2018.

4. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Energy generation	84.0	73.0	73.2	71.2	2.9	230.3	267.3	-13.9
Chungar	40.3	37.9	33.2	33.2	0.1	111.4	118.2	-5.7
Tingo	2.2	2.4	2.2	2.3	-4.8	6.8	6.9	-0.9
Huanchor	41.5	32.7	37.8	35.7	5.9	112.1	107.8	4.0
Rucuy	0.0	0.0	0.0	0.0		0.0	34.6	-100.0
Energy consumption	174.0	174.6	181.5	178.4	1.8	530.1	526.1	0.7
Energy purchase	131.4	134.3	146.1	145.2	0.6	411.8	405.7	1.5

Source: Volcan Cia. Minera

During 3Q18, Volcan's total consumption of electric power reached 181.5 GWh, with a maximum demand of 93.3 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 33.2 GWh. This accounted for 18% of the Company's total consolidated consumption, at an average cost of 18.5 USD/MWh, including operating, maintenance and transmission costs. Moreover, the Tingo Hydroelectric Plant generated 2.2 GWh, which was sold directly to Chungar.

Volcan purchased 146.1 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 56.3 USD/MWh.

The Huanchor Hydroelectric Plant produced 37.8 GWh. 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 2017. Repairs are progressing as planned, and the operations are expected to resume in the fourth quarter of 2018. It is worth noting that the insurance company's adjuster has issued a favorable final report on material damages and loss of profit arising from the insurance claim.

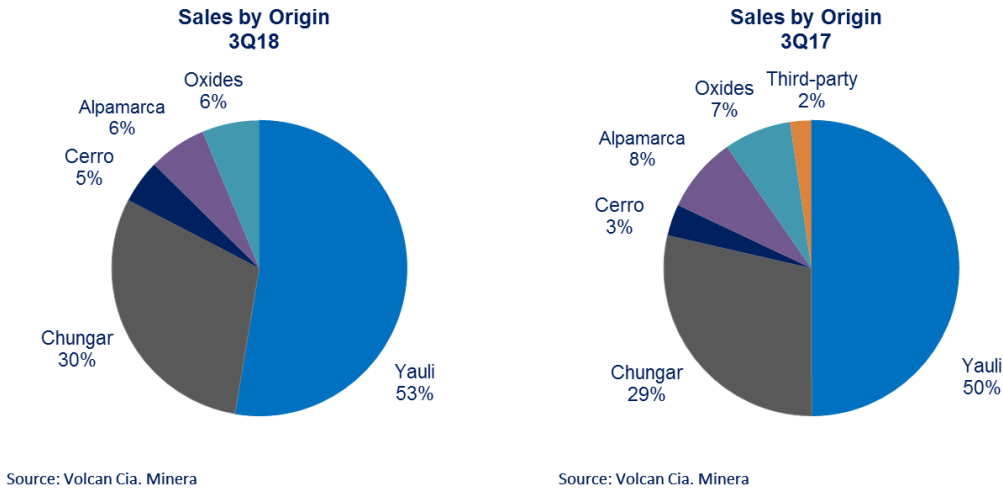
5. Final Comments

- The Company is permanently focused on the consolidation and improvement of its current operations, with Glencore's technical support. The Company continues to invest in explorations to increase resources at our main operations, and develop them and improve their infrastructure. Similarly, a significant safety improvement is underway at our operations with high standards, through the implementation of the Safe Work system. As well, our environmental management system is being consolidated.
- In 3Q18, the production of all metals in Volcan's portfolio increased, as compared to the first and second quarters of this year. However, the quarter's financial results were affected by the significant fall of metals prices, which not only impacted the shipments of the quarter, but also generated negative settlements of shipments of previous periods (USD -11.8 MM) and negative provisions related to open shipments (USD -5.4 MM).
- In the January-September 2018 period, over 157 thousand meters have been drilled at current operations, mainly focused on infill drilling (88 thousand meters), resources (38 thousand meters) and potential (28 thousand meters). Moreover, 26 thousand meters have been drilled at regional explorations, mainly at Palma, Carhuacayán and Zoraida and Romina. It is worth noting that the budget for 2018 includes more than 284 thousand meters of diamond drilling, significantly exceeding the 208 thousand meters drilled in 2017.
- The repairs of the Rucuy Hydroelectric Plant, suspended since March 2017 as a consequence of the coastal El Niño, due to damage to part of the penstock and a section of the transmission line, are underway as planned, and the operations are expected to resume in the fourth quarter of 2018. To date, the insurance company's adjuster has issued a favorable final report on material damages and loss of profit arising from the insurance claim.
- The Company continues developing the Chancay port project, through Terminales Portuarios Chancay S.A. Additionally, the process to incorporate a strategic partner is moving forward. Furthermore, year-to-date (Jan-Sep), USD 22.4 MM were invested in this project.

Annexes

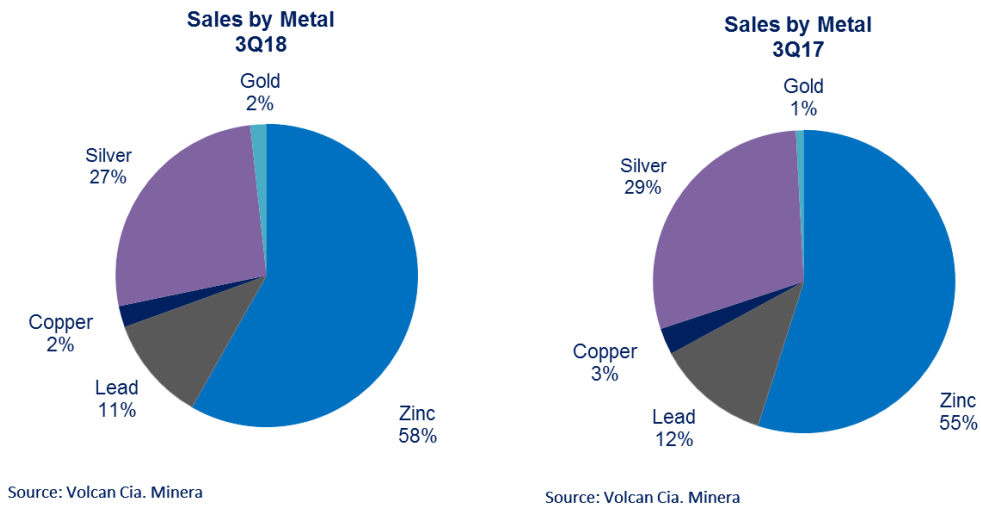
Annex 1: Sales Breakdown

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



The distribution of sales by origin reflects an increase in the contribution of Yauli, Cerro de Pasco and Chungar in sales, as compared to a reduced contribution by Alpamarca and the Oxides Plant. Moreover, third-parties concentrates were not sold in 3Q18.

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



The distribution of sales by metal in 3Q18 reflects the growth in the contribution of zinc.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Zinc (USD/MT)	3,422	3,114	2,534	2,962	-14.5	3,023	2,781	8.7
Lead (USD/MT)	2,523	2,387	2,102	2,334	-9.9	2,337	2,259	3.5
Copper (USD/MT)	6,959	6,872	6,103	6,347	-3.8	6,645	5,948	11.7
Silver (USD/Oz)	16.8	16.5	15.0	16.8	-10.9	16.1	17.2	-6.3
Gold (USD/Oz)	1,331	1,307	1,213	1,278	-5.1	1,283	1,252	2.5

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Jul-Sep 2017	var %	Jan-Sep 2018	Jan-Sep 2017	var %
Exchange Rate (S/ x USD)	3.24	3.26	3.29	3.25	1.4	3.26	3.27	-0.1
Inflation	0.36	1.43	1.28	2.94	-56.5	1.28	2.94	-56.5

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan-Mar 2018	Apr-Jun 2018	Jul-Aug 2018	Jul-Aug 2017	var %	Jan-Aug 2018	Jan-Aug 2017	var %
Silver (Thousands Oz)	32,551	33,906	23,739	24,054	-1.3	90,196	94,281	-4.3
Zinc (FMT)	345,966	396,911	261,103	239,175	9.2	1,003,980	947,286	6.0
Lead (FMT)	67,545	68,559	52,701	50,343	4.7	188,805	201,739	-6.4
Copper (FMT)	567,502	606,193	402,744	415,512	-3.1	1,576,438	1,591,019	-0.9
Gold (Thousands Oz)	1,075	1,154	807	855	-5.6	3,036	3,200	-5.1

Source: Ministry of Energy and Mines