

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis Second Quarter 2019

Principal Results:

Consolidated Volcan	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Sales Prices¹							
Zinc (USD/MT)	2,694	2,760	3,122	-11.6	2,728	3,267	-16.5
Lead (USD/MT)	2,042	1,873	2,392	-21.7	1,934	2,443	-20.8
Copper (USD/MT)	6,400	6,128	6,896	-11.1	6,220	6,909	-10.0
Silver (USD/Oz)	15.5	14.8	16.6	-10.4	15.1	16.6	-9.2
Gold (USD/Oz)	1,307	1,305	1,302	0.2	1,305	1,315	-0.7
Operating Results							
Mineral treatment ² (thousands MT)	1,969	2,202	1,915	15.0	4,171	3,836	8.7
Zinc Production (thousands FMT)	53.9	60.3	56.4	6.9	114.2	115.2	-0.9
Lead Production (thousands FMT)	11.5	11.8	10.8	9.3	23.3	22.8	2.0
Copper Production (thousands FMT)	1.0	1.2	1.2	3.2	2.2	2.3	-2.3
Silver Production (millions Oz)	3.4	3.8	4.3	-10.4	7.2	8.5	-14.9
Gold Production (thousands Oz)	4.7	6.4	2.9	119.1	11.1	5.4	105.4
Unit Cost (USD/MT)	48.7	47.2	47.8	-1.1	47.9	47.9	0.0
Total Investments (MM USD)	32.2	42.9	44.1	-2.6	75.1	79.2	-5.2
Financial Results (MM USD)							
Sales before adjustments	169.0	205.2	229.5	-10.6	374.3	449.7	-16.8
Sales Adjustments	12.6	-19.8	-19.4	2.3	-7.3	-36.9	-80.3
Settlement of prior period adjustments	-0.2	6.0	-5.2		5.8	-2.6	
Adjustments for open positions ³	12.7	-25.8	-8.6	201.0	-13.1	-16.4	-19.8
Hedging results	0.0	0.0	-5.6		0.0	-18.0	
Sales after adjustments	181.6	185.4	210.1	-11.8	367.0	412.8	-11.1
Net profit	8.4	-4.9	17.9		3.5	37.7	-91.2
EBITDA⁴	73.7	47.3	81.6	-42.0	121.0	173.3	-30.2

¹ These prices are the initial billing prices, which are provisional, as the adjustments are made when settlements of prior periods are received from customers.

² Includes treated tons at Oxides Plant

³ 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.

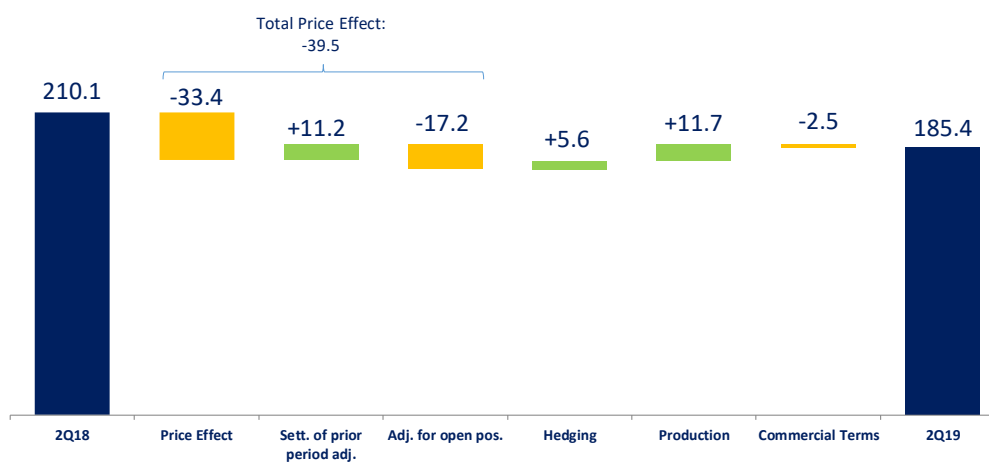
⁴ Does not consider exceptional adjustments or the expenses associated with the closing of the sale of the Chancay port project.

Source: Volcan Cia. Minera

1. Executive Summary

- Sales after adjustments decreased by 11.8%, from USD 210.1 MM in 2Q18 to USD 185.4 MM in 2Q19, mainly due to lower metals prices, partially offset by greater production, as shown in the figure below:

Figure 1: 2Q19 vs 2Q18 variations impact on net sales (USD MM)

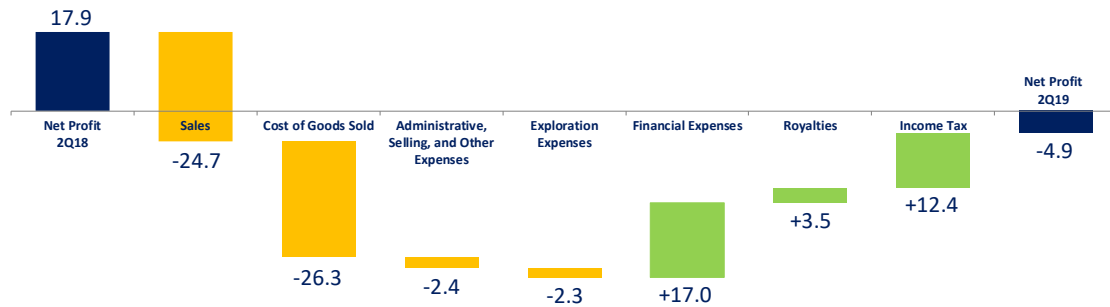


Source: Volcan Cía Minera

- The price of zinc decreased by -362 USD/MT, from 3,122 USD/MT in 2Q18 to 2,760 USD/MT in 2Q19 (11.6%); lead decreased by -519 USD/MT, from 2,392 USD/MT to 1,873 USD/MT (21.7%); copper decreased by -768 USD/MT, from 6,896 USD/MT to 6,128 USD/MT (11.1%); and silver decreased by -1.8 USD/Oz, from 16.6 USD/Oz to 14.8 USD/Oz (10.4%). Gold increased slightly +2.5 USD/Oz, from 1,302 USD/Oz in 2Q18 to 1,305 USD/Oz in 2Q19 (0.2%).
- Total treated volumes increased by 15%, from 1.9 MM MT in 2Q18 to 2.2 MM MT in 2Q19, mainly explained by: i) the recovery of production at the Chungar Mine after four weeks of suspended operations in 2Q18 to ensure compliance with safety standards, and ii) greater treatment of stockpiles at Cerro de Pasco. As a result, the production of zinc increased 6.9%, from 56.4 thousand FMT in 2Q18 to 60.3 thousand FMT during 2Q19, copper registered a 9.3% increase, from 10.8 thousand FMT to 11.8 thousand FMT; while copper increased by 3.2%, from 1.17 thousand FMT to 1.20 thousand FMT. However, silver production decreased by 10.4%, from 4.3 MM Oz in 2Q18 to 3.8 MM Oz in 2Q19, explained by lower head grades at Andaychagua Mine. Finally, gold production increased by 119.1%, from 2.9 thousand Oz in 2Q18 to 6.4 thousand Oz in 2Q19, resulting from run-of-mine ore with higher gold grade processed at the Oxides Plant.
- Consolidated unit cost fell by 1.2%, from 47.8 USD/MT in 2Q18 to 47.2 USD/MT in 2Q19. This reduction is mainly explained by the dilution of fixed costs caused by the increased processed volumes.
- The reduction of net profit from USD 17.9 MM in 2Q18 to USD -4.9 MM in 2Q19, is mainly due to: i) the decrease of sales as a result of lower metal prices and greater provisions for open commercial positions, and ii) increased cost of goods sold explained by the increase of the depreciation by USD 16.9 MM as a result of greater capitalization of ongoing works

and the application of IFRS 16 on operating leases. The variation is explained in the figure below.

Figure 2: 2Q19 vs 2Q18 variations impact on net profit (USD MM)



Source: Volcan Cia. Minera

- The lower EBTDA, from USD 81.6 MM in 2Q18 to USD 47.3 MM in 2Q19, is mainly explained by: i) lower prices and greater provisions for open commercial positions, ii) less favorable commercial terms, and iii) increased costs of regional explorations.
- Year-to-date (Jan-Jun), sales after adjustments decreased from USD 412.8 MM in 1H18 to USD 367.0 MM in 1H19, net profit decreased from USD 40.1 MM in 1H18 to USD 3.5 MM in 1H19, while EBITDA decreased from USD 173.3 MM in 1H18 to USD 121.0 MM in 1H19.
- Total investments decreased from USD 44.1 MM in 2Q18 to USD 42.9 MM in 2Q19. Year-to-date, total investments decreased from USD 79.2 MM in 1H18 to USD 75.1 MM in 1H19.
- It is important to note that in May 10th 2019, 60% of the representative shares of Terminales Portuarios Chancay (TPCH), owner of the Chancay Port project, were sold to Cosco Shipping Ports Limited (CSPL). The contract was signed at the Government Palace with the presence of the President of the Republic Martín Vizcarra, its main Ministers of State and senior Chinese officials: Zhang Wei, Chairman of the board of Cosco Shipping Ports Limited, and Xu Lirong, Chairman of the board of Cosco Shipping Corporation Limited, parent company of CSPL.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	1,957	2,201	1,876	17.3	4,157	3,814	9.0
Polymetallic ore	1,758	1,963	1,648	19.1	3,722	3,368	10.5
Oxides ore	198	237	228	4.1	436	446	-2.3
Mineral treatment (thousands MT)	1,969	2,202	1,915	15.0	4,171	3,836	8.7
Concentrator Plants	1,770	1,965	1,687	16.5	3,735	3,390	10.2
Silver Oxides Plant	198	237	228	4.1	436	446	-2.3
Fine Content							
Zinc (thousands FMT)	53.9	60.3	56.4	6.9	114.2	115.2	-0.9
Lead (thousands FMT)	11.5	11.8	10.8	9.3	23.3	22.8	2.0
Copper (thousands FMT)	1.0	1.2	1.2	3.2	2.2	2.3	-2.3
Silver (millions Oz)	3.4	3.8	4.3	-10.4	7.2	8.5	-14.9
Gold (thousands Oz)	4.7	6.4	2.9	119.1	11.1	5.4	105.4

Source: Volcan Cia. Minera

In 2Q19, extracted ore volumes increased by 17.3% compared to the same quarter of the previous year, from 1.876 MM MT in 2Q18 to 2.201 MM MT in 2Q19. Similarly, treated volumes increased by 15.0%, from 1.915 MM MT in 2Q18 to 2.202 MM MT in 2Q19. This increase is mainly explained by: i) the recovery of production at the Chungar Mine after four weeks of suspended operations in 2Q18 to ensure compliance with safety standards, and ii) greater treatment of stockpiles at Cerro de Pasco.

As a result, zinc production increased by 6.9%, from 56.4 thousand FMT in 2Q18 to 60.3 thousand FMT in 2Q19; lead production grew by 9.3%, from 10.8 thousand FMT in 2Q18 to 11.8 thousand FMT in 2Q19, copper production increased by 3.2%, from 1.17 thousand FMT in 2Q18 to 1.20 thousand FMT in 2Q19. However, silver production decreased by 10.4% from 4.3 MM Oz in 2Q18 to 3.8 MM Oz in 2Q19, mainly due to lower grades at the Andaychagua Mine. Finally, gold production increased by 119.1%, from 2.9 thousand Oz in 2Q18 to 6.4 thousand Oz in 2Q19, resulting from run-of-mine ore with higher gold grade processed at the Oxides Plant.

Year-to-date (Jan-Jun), the extraction volume increased by 9.0% as compared to the same period in the previous year, while treated volume increased by 8.7%, from 3.836 MM MT in 1H18 to 4.171 MM MT in 1H19.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD)¹	95.5	104.0	90.5	14.8	199.5	183.2	8.9
Mine Cost	49.6	52.7	46.2	14.3	102.3	94.2	8.7
Plant and Other Cost	45.9	51.2	44.4	15.4	97.1	89.1	9.1
Unit Cost (USD/MT)¹	48.7	47.2	47.8	-1.2	47.9	47.9	0.0
Mine Cost	25.3	24.0	24.6	-2.6	24.6	24.7	-0.3
Plant and Other Cost	23.3	23.3	23.2	0.4	23.3	23.2	0.3

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 4.3 MM in 2Q19 and USD 9.3 MM cumulatively.

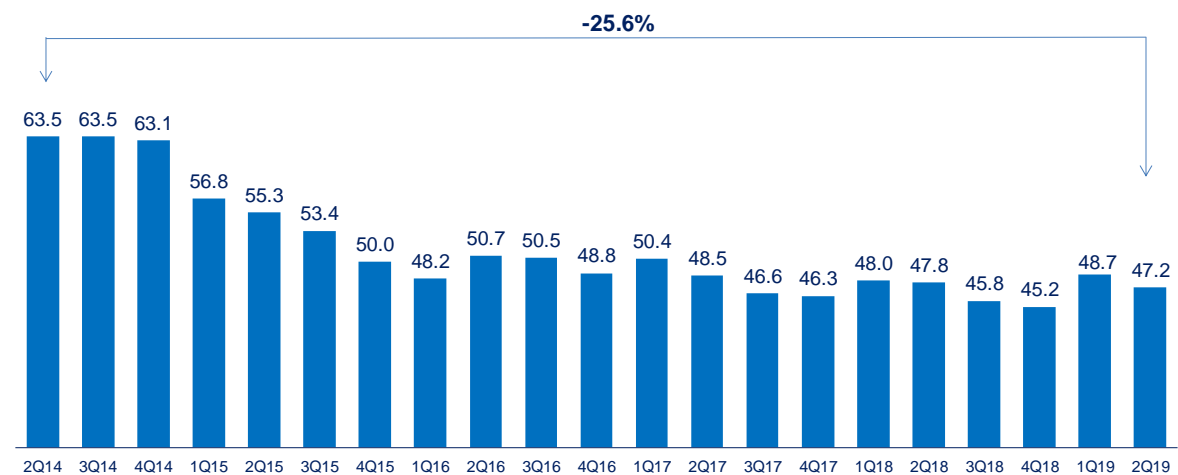
Source: Volcan Cia. Minera

The absolute cost of production rose by 14.8%, from USD 90.5 MM in 2Q18 to USD 104.0 MM in 2Q19, mainly due to greater extracted and treated volumes. For the same reason, the consolidated unit cost fell by 1.2%, from 47.8 USD/MT in 2Q18 to 47.2 USD/MT in 2Q19.

Year-to-date, the absolute cost of production increased by 8.9%, from 183.2 MM in 1H18 to 199.5 MM in 1H19, while unit cost remained in line with the USD 47.9 USD/MT reported in 1H18.

The Company is permanently focused on controlling and reducing operating costs across all operating units. The figure below shows a 25.6% unit cost decrease between 2Q14 and 2Q19.

Figure 3: 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 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mining	31.4	42.2	43.4	-2.8	73.6	77.5	-5.0
Mining Units	30.1	39.7	43.0	-7.5	69.8	76.6	-8.9
Local Exploration	5.0	6.4	5.6	14.9	11.4	9.3	21.9
Development	15.7	18.7	20.5	-8.7	34.4	39.0	-11.7
Plants and Tailings Facilities	4.5	4.7	5.8	-19.5	9.2	10.6	-13.5
Mine and Infrastructure	2.4	6.1	8.1	-24.1	8.5	12.1	-29.4
Electrical Infrastructure in Units	0.5	1.4	1.4	1.1	1.9	3.0	-35.5
Support and Others	2.0	2.4	1.6	47.5	4.4	2.7	65.7
Regional Explorations	0.3	1.0	0.0		1.3	0.1	
Growth and Others	1.0	1.5	0.5	223.8	2.5	0.8	233.1
Energy	0.8	0.7	0.6	12.5	1.5	1.8	-14.5
Total	32.2	42.9	44.1	-2.6	75.1	79.2	-5.2

Source: Volcan Cia. Minera

Total mining investments decreased by 2.8%, from USD 43.4 MM in 2Q18 to USD 42.2 MM in 2Q19. Operating unit investments fell by 7.5%, from USD 43.0 MM in 2Q18 to USD 39.7 MM in 2Q19, mainly due to lower investments in mine infrastructure, developments, and plants and tailings dams; while greater investments were made in local explorations and support areas. Regional explorations and growth investments totaled USD 2.5 MM in 2Q19, mainly related to the Romina Project.

Investments in the energy business increased from USD 0.6 MM in 2Q18 to USD 0.7 MM in 2Q19. It is important to mention that the Rucuy hydroelectric plant resumed its commercial operations on June 1, 2019.

As a result, total investments decreased by 2.6%, from USD 44.1 MM in 2Q18 to USD 42.9 MM in 2Q19. Year-to-date, total investments decreased by 5.2%, from USD 79.2 MM in 1H18 to USD 75.1 MM in 1H19.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Sales before adjust.	169.0	205.2	229.5	-10.6	374.3	449.7	-16.8
<i>Sett. of prior periods adjust.</i>	-0.2	6.0	-5.2		5.8	-2.6	
<i>Adj. open positions</i>	12.7	-25.8	-8.6	201.0	-13.1	-16.4	-19.8
<i>Hedging</i>	0.0	0.0	-5.6		0.0	-18.0	
Sales after adjust.	181.6	185.4	210.1	-11.8	367.0	412.8	-11.1
Cost of Goods Sold	-136.2	-157.6	-131.3	20.0	-293.8	-259.2	13.3
Gross Profit	45.4	27.8	78.8	-64.7	73.2	153.5	-52.3
<i>Gross Margin</i>	<i>25%</i>	<i>15%</i>	<i>38%</i>	<i>-23 pp</i>	<i>20%</i>	<i>37%</i>	<i>-17 pp</i>
Administrative Expenses	-9.8	-12.2	-8.8	37.9	-22.0	-19.4	13.0
Exploration Expenses	-2.4	-4.0	-1.7	131.7	-6.3	-3.2	97.8
Sales Expenses	-4.7	-6.5	-7.0	-6.7	-11.2	-13.2	-15.1
Other Income (Expenses) ¹	-3.9	-14.7	-15.1	-3.1	-18.6	-21.3	-12.7
Operating Profit	24.7	-9.5	46.1		15.1	96.4	-84.3
<i>Operating Margin</i>	<i>14%</i>	<i>-5%</i>	<i>22%</i>	<i>-27 pp</i>	<i>4%</i>	<i>23%</i>	<i>-19 pp</i>
Financial Income (Expense)	-11.1	7.2	-9.8		-3.8	-19.1	-79.9
Exchange Difference (net)	0.7	0.4	-0.9		1.1	-0.7	
Royalties	-2.1	-2.7	-4.9	-44.5	-4.8	-8.9	-46.3
Income Tax	-3.8	-0.3	-12.7	-97.6	-4.1	-27.6	-85.1
Net Profit	8.4	-4.9	17.9		3.5	40.1	-91.2
<i>Net Margin</i>	<i>5%</i>	<i>-3%</i>	<i>9%</i>	<i>-11 pp</i>	<i>1%</i>	<i>10%</i>	<i>-9 pp</i>
EBITDA²	73.7	47.3	81.6	-42.0	121.0	173.3	-30.2
<i>EBITDA Margin</i>	<i>41%</i>	<i>26%</i>	<i>39%</i>	<i>-13 pp</i>	<i>33%</i>	<i>42%</i>	<i>-9 pp</i>

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

² Does not consider exceptional adjustments or the expenses associated with the closing of the sale of the Chancay port project.

Source: Volcan Cia. Minera

• Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Zinc (USD/MT)	2,694	2,760	3,122	-11.6	2,728	3,267	-16.5
Lead (USD/MT)	2,042	1,873	2,392	-21.7	1,934	2,443	-20.8
Copper (USD/MT)	6,400	6,128	6,896	-11.1	6,220	6,909	-10.0
Silver (USD/Oz)	15.5	14.8	16.6	-10.4	15.1	16.6	-9.2
Gold (USD/Oz)	1,307	1,305	1,302	0.2	1,305	1,315	-0.7

Source: Volcan Cia. Minera

These prices are the initial billing prices, which are provisional, as adjustments are made when settlements of prior periods are received from customers. Embedded derivatives and sales adjustments are financial provisions at the end of each period that estimate the adjustments on open shipments for future variations in metal prices, using a determined future price curve.

Table 6: Fine Contents Sales Volumes

Fines Sales	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Zinc (thousands FMT)	56.8	59.4	56.2	5.7	116.2	115.5	0.6
Lead (thousands FMT)	9.2	16.1	13.9	16.4	25.3	24.0	5.5
Copper (thousands FMT)	0.7	1.4	1.1	31.1	2.2	1.8	21.2
Silver (millions Oz)	3.0	4.3	4.8	-9.5	7.3	8.7	-15.3
Gold (thousands Oz)	4.9	7.7	3.9	94.5	12.6	7.0	79.4

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Zinc	107.2	114.5	127.2	-10.0	221.7	266.9	-16.9
Lead	15.9	25.3	28.2	-10.3	41.1	49.6	-17.0
Copper	3.3	4.0	4.5	-11.4	7.4	7.8	-5.3
Silver	37.2	53.0	66.0	-19.7	90.2	119.2	-24.3
Gold	5.4	8.5	3.6	136.4	13.9	6.2	123.1
Sales before adjust.	169.0	205.2	229.5	-10.6	374.3	449.7	-16.8
Sett. of prior period adjust.	-0.2	6.0	-5.2		5.8	-2.6	
Adjust. for open positions	12.7	-25.8	-8.6	201.0	-13.1	-16.4	-19.8
Hedging results	0.0	0.0	-5.6		0.0	-18.0	
Sales after adjust.	181.6	185.4	210.1	-11.8	367.0	412.8	-11.1

Source: Volcan Cia. Minera

In 2Q19, total sales before adjustments decreased by 10.6%, USD 205.2 MM as compared to USD 229.5 MM in 2Q18, due to lower prices for all metals, partially offset by the increased sales volume of zinc, lead, copper and gold.

In 2Q19, sales adjustments were negative (USD 19.8 MM), as were the negative adjustments recorded in 2Q18 (USD 19.4 MM). That is, quarter versus quarter, there was a negative effect of USD 0.4 MM. In 2Q19, sales adjustments included final settlements of USD 6.0 MM, and provisions related to open shipments of USD -25.8 MM explained by a declining trend of metals prices. Total sales after adjustments decreased by 11.8%, from USD 210.1 MM in 2Q18 to USD 185.4 MM in 2Q19.

Year-to-date (Jan-Jun), sales before adjustments decreased by 16.8%, from USD 449.7 MM in 1H18 to USD 374.3 MM in 1H19, while sales after adjustments decreased by 11.1%, from USD 412.8 MM in 1H18 to USD 367.0 MM in 1H19.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Volcan Production¹	134.9	156.2	128.6	21.5	291.1	253.6	14.8
Volcan Production Cost	90.5	99.7	90.5	10.1	190.2	183.2	3.8
D&A from Production Cost	46.7	46.5	29.6	57.0	93.2	64.6	44.3
Ore Purchase	0.0	1.0	0.0		1.0	0.0	
Extraordinary Costs	0.4	0.6	0.4	62.2	1.0	0.7	40.4
Variation of Inventories	-2.7	8.4	8.1	4.4	5.7	5.0	13.6
Workers Participation	1.3	1.4	2.7	-48.3	2.7	5.6	-52.8
Total	136.2	157.6	131.3	20.0	293.8	259.2	13.3

¹ Does not include the amortization of operating leases according to NIIF 16.

² Includes the amortization of operating leases according to NIIF 16, equivalent to USD 4.3 MM in 2Q19 and USD 9.3 MM cumulatively.

Source: Volcan Cia. Minera

Total cost of goods sold increased by 20.0%, from USD 131.3 MM in 2Q18 to USD 157.6 MM in 2Q19. This is mainly explained by the increase of depreciation and amortization by USD 16.9 MM, resulting from ongoing works being increasingly recorded as assets (USD 12.4 MM) and the amortization of operating leases after the application of IFRS 16 (USD 4.5 MM), and the increased cost of production due to greater treated volumes (USD 9.2 MM).

Year-to-date (Jan-Jun), the total cost of goods sold increased from USD 259.2 MM in 1H18 to USD 293.8 MM in 1H19, mainly explained by the increased depreciation (USD 28.6 MM).

- **Gross Margin and Gross Profit**

The Company's gross margin decreased from 38% in 2Q18 to 15% in 2Q19, due to reduced metals prices and higher depreciation. In line with this, total gross profit fell by 64.7%, from USD 78.8 MM in 2Q18 to USD 27.8 MM in 2Q19.

Year-to-date (Jan-Jun), gross margin decreased from 37% in 1H18 to 20% in 1H19. Gross profit decreased from USD 153.5 MM in 1H18 to USD 73.2 MM in 1H19.

- **Administrative Expenses**

Administrative expenses increased by 37.9%, from USD 8.8 MM in 2Q18 to USD 12.2 MM in 2Q19, mainly due to expenses related to the Chancay Port sale. Year-to-date (Jan-Jun), administrative expenses increased from USD 19.4 MM in 1H18 to USD 22.0 MM in 1H19.

- **Exploration Expenses**

Exploration expenses increased from USD 1.7 MM in 2Q18 to USD 4.0 MM in 2Q19, as a result of the increased execution of projects at Zoraida and Carhuacayán. Year-to-date (Jan-Jun), exploration expenses increased from USD 3.2 MM in 1H18 to USD 6.3 MM in 1H19.

- **Sale expenses**

Sales expenses during 2Q19 decreased by 6.7%, from USD 7.0 MM in 2Q18 to USD 6.5 MM, due to lower expenses at the destination and lower freights. Year-to-date (Jan-Jun), sale expenses decreased from USD 13.2 MM in 1H18 to USD 11.2 MM in 1H19.

- **Other Income and Expenses**

In 2Q19, the net amount of other income and expenses was negative, USD 14.7 MM versus a negative amount of USD 15.1 MM in 2Q18. Year-to-date (Jan-Jun), the net amount of other income and expenses was negative, USD 18.6 MM in 1H19 versus a negative amount of USD 21.3 MM in 1H18. It is important to note that the main items reported under this category of the income statement are the energy business, expenses resulting from suspended operations at Cerro de Pasco, Vinchos, Río Pallanga, Paragsha and Mahr Túnel, non-deductible expenses, and contributions to OEFA and OSINERGMIN.

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

Net financial income totaled USD 7.2 MM in 2Q19, compared to net financial expenses worth USD -9.8 MM in 2Q18. Year-to-date (Jan-Jun), net financial expenses decreased to USD -3.8 MM in 1H19, as compared to USD -19.1 MM recorded in 1H18.

Exchange-rate gains totaling USD 0.4 MM were registered in 2Q19, as compared to the exchange-rate loss reported in 2Q18 (USD -0.9 MM). Year-to-date (Jan-Jun), exchange-rate gains totaling USD 1.1 MM were registered in 1H19, as compared to the exchange-rate loss reported in 1H18 (USD -0.7 MM).

- **Income Tax and Royalties**

Royalties decreased from USD 4.9 MM in 2Q18 to USD 2.7 MM in 2Q19, while income tax decreased from USD 12.7 MM in 2Q18 to USD 0.3 MM in 2Q19, in line with the reduced profits and the exchange-rate conversion effect.

Year-to-date (Jan-Jun), royalties decreased from USD 8.9 MM in 1H18 to USD 4.8 MM in 1H19, while income tax decreased from USD 27.6 MM in 1H18 to USD 4.1 MM in 1H19.

- **Net Profit and EBITDA**

Net profit decreased from USD 17.9 MM in 2Q18 to USD -4.9 MM in 2Q19, mainly due to reduced sales as a result of lower metals prices and higher depreciation from new capitalization and the application of IFRS 16 on operating leases. EBITDA decreased from USD 81.6 MM in 2Q18 to USD 47.3 MM in 2Q19, mainly explained by lower prices, greater provisions due to shipments without final settlement, less favorable commercial terms, and increased regional explorations expenses.

Year-to-date (Jan-Jun), net profit increased from USD 40.1 MM in 1H18 to USD 3.5 MM in 1H19. EBITDA decreased from USD 173.3 MM in 1H18 to USD 121.0 MM in 1H19.

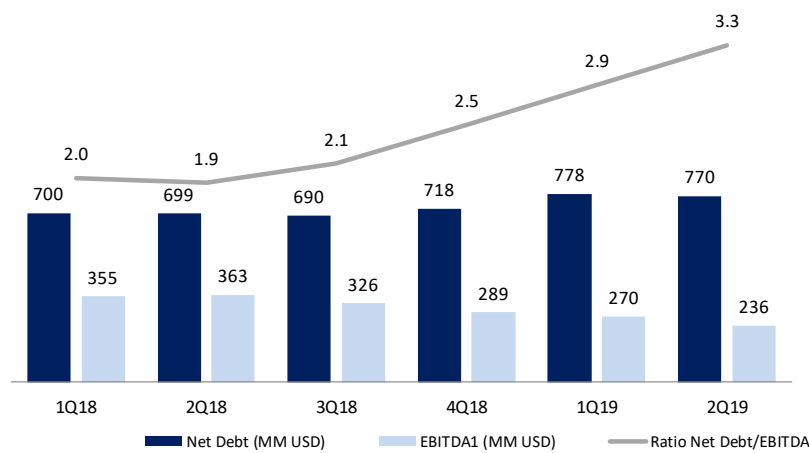
2.5 Liquidity and Creditworthiness

In 2Q19, cash generated by mining operations and the energy business, after investments, totaled USD 28.8 MM. There was a positive cash effect of USD 8.6 MM related to the close of the sale of the Chancay Port explained by the payment of the debt of TPCH to Volcan. Interests

paid amounted to USD -1.9 MM and financial obligations paid amounted to USD -22.3 MM. Therefore, during 2Q19, the resulting total cash flow was USD +13.2 MM, and the total cash balance as of June 30, 2019, was USD 51.8 MM.

As of June 30, 2019, the net debt/EBITDA ratio was 3.3, higher than in the previous quarter, mainly due to the lower EBITDA accumulated in the last 12 months as a result of lower metals prices. Net debt does not decrease, basically due to the inclusion of operating leases resulting from the application of IFRS 16 (USD 32.6 MM as of June 30) and current interests (USD 14.2 MM as of June 30) as financial debt.

Figure 4: Net Debt / EBITDA Ratio Evolution



1 EBITDA for the last 12 months.
Source: Volcan Cia. Minera

3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	743	798	808	-1.3	1,541	1,565	-1.6
Mineral treatment (thousands MT)	737	803	823	-2.4	1,540	1,574	-2.2
Fines Content							
Zinc (thousands FMT)	31.0	35.1	37.7	-6.8	66.1	71.4	-7.3
Lead (thousands FMT)	5.2	5.0	4.6	10.8	10.2	8.8	16.7
Copper (thousands FMT)	0.7	0.8	0.8	4.9	1.5	1.4	7.2
Silver (million Oz)	1.6	1.8	2.2	-17.3	3.4	3.9	-13.3
Gold (thousands Oz)	1.4	1.6	1.9	-17.1	3.0	3.5	-15.2

Source: Volcan Cia. Minera

In 2Q19, ore extracted at the Yauli Unit decreased by 1.3% as compared to the same quarter of the previous year, mainly explained by a lower contribution by Carahuacra and Ticlio mines as a consequence of the reformulation of mining plans and a delay in operations, offset by greater production at the San Cristóbal and Andaychagua mines. The ore treated at the Yauli Unit concentrator plants decreased by 2.4% in 2Q19, as compared to the same period of the previous year.

In 2Q19, the production of fine zinc and silver decreased by 6.8% and 17.3%, respectively, as compared to 2Q18, mainly due to lower volumes from the Carahuacra and Ticlio mines, and lower grades at Andaychagua and Ticlio. Lead production increased by 10.8%, explained by higher head grades at San Cristóbal; copper increased by 4.9% as a result of higher metallurgical recoveries in the ore from San Cristóbal.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD)¹	51.4	55.2	53.1	4.1	106.6	105.1	1.5
Extraction Cost	31.3	33.2	32.4	2.5	64.5	63.6	1.4
Treatment Cost	20.1	22.0	20.6	6.5	42.1	41.4	1.7
Unit Cost (USD/MT)¹	69.4	69.0	65.2	5.9	69.2	67.0	3.3
Extraction Cost	42.1	41.7	40.1	3.9	41.9	40.7	3.0
Treatment Cost	27.3	27.4	25.1	9.1	27.3	26.3	3.9

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 3.0 MM in 2Q19 and USD 6.6 MM cumulatively.

Source: Volcan Cia. Minera

Cost of production in absolute terms increased by 4.1%, from USD 53.1 MM in 2Q18 to USD 55.2 MM in 2Q19, due to greater treated volumes at San Cristóbal and Andaychagua, offset by lower treated volumes at Carahuacra and Ticlio.

The unit cost of production increased by 5.9%, from 65.2 USD/MT in 2Q18 to 69.0 USD/MT in 2Q19.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 1.5%, from USD 105.1 MM in 1H18 to USD 106.6 MM in 1H19. The unit cost of production increased by 3.4%, from 67.0 USD/MT in 1H18 to 69.2 USD/MT in 1H19.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Local Exploration	3.3	3.7	3.2	13.8	6.9	5.6	23.9
Mine Development	10.5	12.2	11.2	9.0	22.7	23.2	-2.2
Plants and Tailings Dams	1.0	1.9	2.0	-3.7	2.9	3.1	-6.2
Mine and Infrastructure	1.6	1.2	1.8	-35.2	2.8	3.6	-21.2
Electrical Infrastructure	0.2	1.1	1.2	-7.5	1.4	2.1	-34.0
Support and Others	0.7	1.0	0.8	25.3	1.8	1.3	37.8
Total	17.3	21.2	20.3	4.2	38.5	38.8	-0.9

Source: Volcan Cia. Minera

Operating investments at Yauli increased by 4.2%, from USD 20.3 MM in 2Q18 to USD 21.2 MM in 2Q19, due to greater investments in explorations, developments and support areas, partially offset by lower investments in mine infrastructure, plants and tailings dams, and electric infrastructure. Year-to-date (Jan-Jun), operating investments decreased by 0.9%, from USD 38.8 MM in 1H18 to USD 38.5 MM in 1H19.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	413	413	301	37.2	826	735	12.4
Mineral treatment (thousands MT)	435	449	317	41.7	884	749	18.0
Fines Content							
Zinc (thousands FMT)	18.5	19.6	13.7	43.3	38.2	33.5	13.9
Lead (thousands FMT)	4.4	4.3	3.6	18.2	8.7	8.6	1.0
Copper (thousands FMT)	0.3	0.3	0.3	5.5	0.5	0.7	-17.4
Silver (million Oz)	0.8	0.7	0.8	-4.9	1.5	1.8	-12.9

Source: Volcan Cia. Minera

In 2Q19, ore volumes extracted at Chungar increased by 37.2% as compared to 2Q18, due to four weeks of suspended operations in 2Q18 to ensure compliance with quality standards. In line with this, ore volumes treated in 2Q19 increased by 41.7%, as compared to the same quarter in the previous year.

With regard to zinc, lead and copper, in 2Q19, production grew by 43.3%, 18.2% and 5.5%, respectively, as compared to 2Q18. However, silver production decreased by 4.9% due to lower head grades.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD)¹	25.2	26.1	19.8	32.0	51.3	44.9	14.4
Extraction Cost	15.1	14.6	11.2	30.4	29.7	25.8	14.9
Treatment Cost	10.2	11.5	8.5	34.2	21.6	19.0	13.7
Unit Cost (USD/MT)¹	59.9	61.0	64.2	-5.1	60.4	60.6	-0.2
Extraction Cost	36.5	35.4	37.3	-5.0	36.0	35.2	2.3
Treatment Cost	23.4	25.5	27.0	-5.3	24.5	25.4	-3.6

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 1.2 MM in 2Q19 and USD 2.7 MM cumulatively.

Source: Volcan Cia. Minera

In 2Q19, the cost of production in absolute terms increased by 32.0%, from USD 19.8 MM in 2Q18 to USD 26.1 MM in 2Q19, while the unit cost decreased by 5.1%, from 64.2 USD/MT in 2Q18 to 61.0 USD/MT in 2Q19, in both cases due to greater extraction volumes.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 14.4%, from USD 44.9 MM in 1H18 to USD 51.3 MM in 1H19. The unit cost of production decreased by 0.2%, from 60.6 USD/MT in 1H18 to 60.4 USD/MT in 1H19.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Local Exploration	1.6	2.1	1.7	23.4	3.7	3.1	19.5
Mine Development	5.3	6.5	9.3	-30.1	11.7	15.8	-25.6
Plants and Tailings Dams	0.7	1.4	1.0	44.4	2.1	1.8	13.4
Mine and Infrastructure	0.7	2.0	2.1	-6.5	2.7	4.3	-37.2
Electrical Infrastructure	0.3	0.3	0.2	66.6	0.5	0.9	-38.4
Support and Others	0.8	0.7	0.2	367.9	1.5	0.3	383.6
Total	9.3	13.0	14.4	-9.7	22.3	26.2	-14.9

Source: Volcan Cia. Minera

Operating investments fell by 9.7%, from USD 14.4 MM in 2Q18 to USD 13.0 MM in 2Q19, mainly due to lower investments in developments, mine and infrastructure, partially offset by greater investments in plants and tailings dams, local explorations, electric infrastructure and support areas. Year-to-date (Jan-Jun), operating investments decreased by 14.9%, from USD 26.2 MM in 1H18 to USD 22.3 MM in 1H19.

3.3 Alparmarca Unit Operating Results

Table 16: Alparmarca Production

Alparmarca Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	227	278	223	24.5	505	462	9.3
Mineral treatment (thousands MT)	224	238	232	2.4	461	462	0.0
Fines Content							
Zinc (thousands FMT)	1.2	1.5	2.2	-32.9	2.7	4.6	-40.7
Lead (thousands FMT)	0.9	1.1	1.6	-32.5	2.0	3.4	-40.3
Copper (thousands FMT)	0.1	0.1	0.1	-12.9	0.2	0.2	-16.7
Silver (million Oz)	0.3	0.3	0.4	-16.5	0.6	0.8	-23.4

Source: Volcan Cia. Minera

In 2Q19, ore volumes extracted at the Alparmarca Unit increased by 24.5% compared to the same quarter of the previous year, while treated volumes increased by 2.4%.

In 2Q19, zinc, lead, silver and copper production decreased by 32.9%, 32.5%, 16.5% and 12.9%, respectively, as compared to 2Q18, mainly explained by lower head grades of the treated ore resulting from the use of new extraction zones in the open pit and the use of ore from stockpiles.

Table 17: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD)¹	4.8	5.8	4.0	45.6	10.5	7.6	38.7
Extraction Cost	2.0	2.8	1.3	118.2	4.8	2.2	113.6
Treatment Cost	2.8	3.0	2.7	11.0	5.7	5.4	7.2
Unit Cost (USD/MT)¹	21.2	22.5	17.3	30.6	22.0	16.5	33.3
Extraction Cost	8.8	10.0	5.7	75.3	9.5	4.9	95.4
Treatment Cost	12.4	12.5	11.5	8.4	12.5	11.6	7.3

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 0.1 MM in 2Q19 and USD 0.1 MM cumulatively.

Source: Volcan Cia. Minera

In 2Q19, the absolute cost of production was USD 5.8 MM, 45.6% higher than the USD 4.0 MM figure for the same quarter of the previous year, due to a greater stripping cost at the Alparmarca open pit. The unit cost increased by 30.6%, from 17.3 USD/MT in 2Q18 to 22.5 USD/MT in 2Q19.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 38.7%, from USD 7.6 MM in 1H18 to USD 10.5 MM in 1H19, while the unit cost of production increased by 33.3%, from 16.5 USD/MT in 1H18 to 22.0 USD/MT in 1H19.

Table 18: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Local Exploration	0.0	0.4	0.5	-13.7	0.4	0.5	-12.5
Plants and Tailings Dams	0.3	0.2	0.4	-57.4	0.5	0.5	-3.3
Mine and Infrastructure	0.0	2.1	0.1	1686.2	2.1	0.2	1188.6
Support and Others	0.0	0.1	0.0	379.2	0.1	0.2	-29.5
Total	0.4	2.8	1.1	162.6	3.2	1.4	126.9

Source: Volcan Cia. Minera

Operating investments increased from USD 1.1 MM in 2Q18 to USD 2.8 MM in 2Q19, due to higher investments in the open pit and support areas. Year-to-date (Jan-Jun), operating investments increased from USD 1.4 MM in 1H18 to USD 3.2 MM in 1H19.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	375	475	315	50.6	850	606	40.3
Mineral treatment (thousands MT)	375	475	315	50.6	850	606	40.3
Fines Content							
Zinc (thousands FMT)	3.1	4.0	2.8	44.4	7.2	5.7	25.2
Lead (thousands FMT)	0.9	1.4	1.0	37.3	2.3	2.1	13.5
Silver (million Oz)	0.1	0.2	0.1	96.0	0.3	0.2	50.1

Source: Volcan Cia. Minera

In 2Q19, ore volumes extracted and treated at Cerro de Pasco increased by 50.6% compared to the same quarter of the previous year, from 315 thousand MT in 2Q18 to 475 thousand MT in 2Q19.

With regard to zinc, lead and silver, in 2Q19, production grew by 44.4%, 37.3% and 96.0%, respectively, as compared to 2Q18.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD) ¹	6.0	7.2	5.1	42.0	13.2	8.8	50.9
Extraction Cost	0.0	0.9	0.0		0.9	0.0	
Treatment Cost	6.0	6.4	5.1	25.3	12.4	8.8	41.3
Unit Cost (USD/MT) ¹	16.0	15.3	16.2	-5.7	15.6	14.5	7.6
Extraction Cost	0.0	1.8	0.0		1.0	0.0	
Treatment Cost	16.0	13.5	16.2	-16.8	14.6	14.5	0.7

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 0.01 MM in 2Q19 and USD 0.01 MM cumulatively.

Source: Volcan Cia. Minera

Absolute cost increased by 42.0%, from USD 5.1 MM in 2Q18 to USD 7.2 MM in 2Q19 due to higher treated volumes. Unit cost fell by 5.7%, from 16.2 USD/MT in 2Q18 to 15.3 USD/MT.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 50.9%, from USD 8.8 MM in 1H18 to USD 13.2 MM in 1H19. The unit cost of production increased by 7.6%, from 14.5 USD/MT in 1H18 to 15.6 USD/MT in 1H19.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Local Exploration	0.1	0.1	0.1	47.4	0.3	0.1	152.6
Plants and Tailings Dams	1.2	0.6	1.2	-50.7	1.8	2.5	-28.9
Mine and Infrastructure	0.0	0.3	0.0		0.3	0.0	
Support and Others	0.4	0.3	0.5	-35.3	0.7	0.6	8.5
Total	1.7	1.3	1.7	-25.1	3.0	3.2	-7.5

Source: Volcan Cia. Minera

Operating investments decreased from USD 1.7 MM in 2Q18 to USD 1.3 MM in 2Q19, due to lower investments in plants and tailings dams and support areas. Year-to-date (Jan-Jun), operating investments decreased from USD 3.2 MM in 1H18 to USD 3.0 MM in 1H19.

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Mineral extraction (thousands MT)	198	237	228	4.1	436	446	-2.3
Mineral treatment (thousands MT)	198	237	228	4.1	436	446	-2.3
Fines Content							
Silver (million Oz)	0.6	0.8	0.9	-7.9	1.4	1.8	-24.2
Gold (Oz)	3,335	4,810	1,019	372.0	8,145	1,903	328.0

Source: Volcan Cia. Minera

Ore volumes extracted and treated at the Oxides Plant increased by 4.1%, from 228 thousand MT in 2Q18 to 237 thousand MT in 2Q19.

Silver production decreased by 7.9%, from USD 0.9 MM in 2Q18 to USD 0.8 MM ounces in 2Q19, due to lower head grades resulting from the increased use of treated ore from on-site oxides (run of the mill), which has lower silver grades, but higher gold grades. Gold production increased by 372.0%, from 1,019 USD/MT in 2Q18 to 4,810 USD/MT in 2Q19.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Production Cost (MM USD)¹	8.1	9.1	8.6	5.2	17.2	16.9	1.5
Extraction Cost	1.3	1.2	1.2	0.6	2.5	2.5	1.2
Treatment Cost	6.9	7.9	7.4	5.9	14.7	14.5	1.6
Unit Cost (USD/MT)¹	40.9	38.3	37.9	1.0	39.5	38.0	3.9
Extraction Cost	6.3	5.2	5.4	-3.4	5.7	5.5	3.6
Treatment Cost	34.6	33.1	32.6	1.7	33.8	32.5	4.0

¹ For a better comparison between 2018, 2019 production costs include the amortization of operating leases which have been removed in accounting cost according to NIIF 16. These costs were USD 0.01 MM in 2Q19 and USD 0.01 MM cumulatively.

Source: Volcan Cia. Minera

In 2Q19, the cost of production in absolute terms totaled USD 9.1 MM, 5.2% higher than in 2Q18, in line with the increased treated volume. Unit cost increased by 1.0%, from 37.9 USD/MT in 2Q18 to 38.3 USD/MT in 2Q19, resulting from the on-site oxides ore extraction.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 1.5%, from USD 16.9 MM in 1H18 to USD 17.2 MM in 1H19. The operation's unit cost increased by 3.9%, from 38.0 USD/MT in 1H18 to 39.5 USD/MT in 1H19.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Plants and Tailings Dams	1.3	0.6	1.3	-52.5	1.9	2.6	-28.4
Mine and Infrastructure	0.0	0.7	4.1	-83.5	0.7	4.1	-83.0
Support and Others	0.1	0.3	0.2	42.7	0.4	0.3	28.7
Total	1.4	1.5	5.5	-72.2	2.9	7.0	-58.1

Source: Volcan Cia. Minera

Operating investments decreased by 72.2%, from USD 5.5 MM in 2Q18 to USD 1.5 MM in 2Q19, due to lower investments in plants and tailings dams. Year-to-date (Jan-Jun), operating investments decreased by 58.1%, from USD 7.0 MM in 1H18 to USD 2.9 MM in 1H19.

4. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Energy generation	86.0	91.2	73.0	24.9	177.1	157.0	12.8
Chungar	42.5	38.5	37.9	1.7	81.1	78.2	3.7
Tingo	2.3	2.3	2.4	-4.5	4.6	4.6	-0.7
Huanchor	41.1	40.2	32.7	23.0	81.4	74.2	9.6
Rucuy	0.0	10.1	0.0		10.1	0.0	
Energy consumption	181.4	192.7	174.6	10.4	374.1	348.6	7.3
Energy purchase	136.6	151.9	134.3	13.1	288.5	265.8	8.5

Source: Volcan Cia. Minera

During 2Q19, Volcan's total consumption of electric power reached 192.7 GWh, with a maximum demand of 99.3 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 38.5 GWh. This accounted for 20% of the Company's total consolidated consumption, at an average cost of 18.0 USD/MWh, including operating, maintenance and transmission costs. Moreover, the Tingo Hydroelectric Plant generated 2.3 GWh, which was sold directly to Chungar.

Volcan purchased 151.9 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 61.2 USD/MWh.

The Huanchor Hydroelectric Plant produced 40.2 GWh, 23% higher than in the same period of the previous year, due to the scheduled shut down for maintenance for approximately 4 weeks in May 2018. The energy of the Huanchor HP was sold to third parties.

The Rucuy Hydroelectric Plant resumed its operations on June 1, 2019, after being 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. In June, its production totaled 10.1 GWh and it was used to meet the power committed under its renewable energy agreement (RER).

5. Final Comments

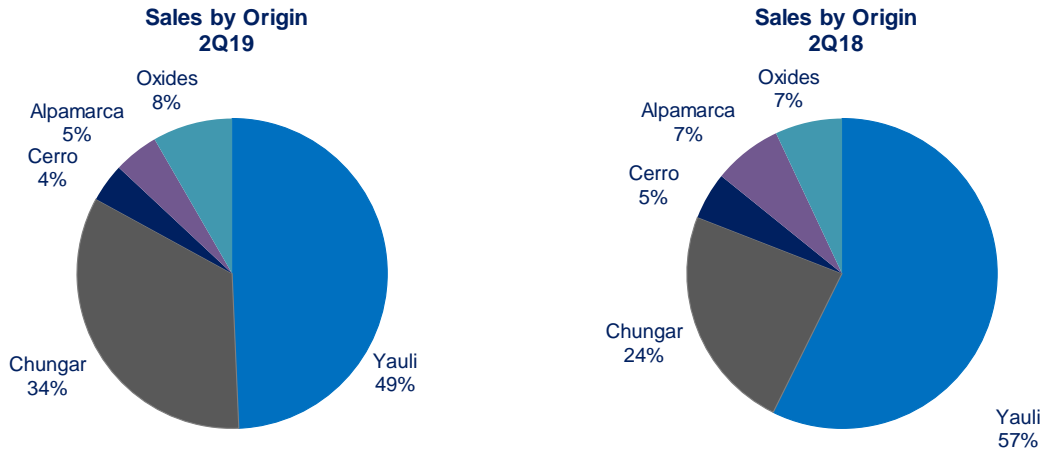
- The Company is permanently focused on developing and improving the infrastructure of its operations and ensure a sustainable production and the maximum safety of its employees. Our most crucial value is safety, and this is reflected on the actions and investments made by the Company to ensure safe working conditions and a SafeWork culture, in compliance with the high safety standards in place.
- Similarly, the exploration plans are being executed as scheduled. During 2019, the Company plans to drill more than 300 thousand meters, with an approximate investment of USD 50 MM. As of June, 138 thousand meters have been done, of which 115 thousand meters have been drilled at the current operations, and 23 thousand meters at main projects, such as Romina, Palma, Zoraida and Carhuacayán.
- In 2Q19, the Company's financial results were affected by lower metals prices, as compared to 2Q18 (USD 33.4 MM), and by greater depreciation as a result of new capitalization of ongoing works and the inclusion of operating leases in accordance with IFRS 16 (USD 16.9 MM).
- The Rucuy Hydroelectric Plant resumed its commercial operations on June 1, 2019, after being 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. A 430 m vertical shaft and a 620 m tunnel to replace the penstock have been installed at the plant, making it safer and more efficient.
- It is important to note that in May 10th 2019, 60% of the representative shares of Terminales Portuarios Chancay (TPCH), owner of the Chancay Port project, were sold to Cosco Shipping Ports Limited (CSPL). The contract was signed at the Government Palace with the presence of the President of the Republic Martín Vizcarra, its main Ministers of State and senior Chinese officials: Zhang Wei, Chairman of the board of Cosco Shipping Ports Limited, and Xu Lirong, Chairman of the board of Cosco Shipping Corporation Limited, parent company of CSPL.

Cosco joining TPCH marks the beginning of a new phase in the development of the Chancay Port, which is a large infrastructure project and a great opportunity to boost Peru's economic development through a new connectivity network of maritime and land economic corridors between China and the rest of the world.

Annexes

Annex 1: Sales Breakdown

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

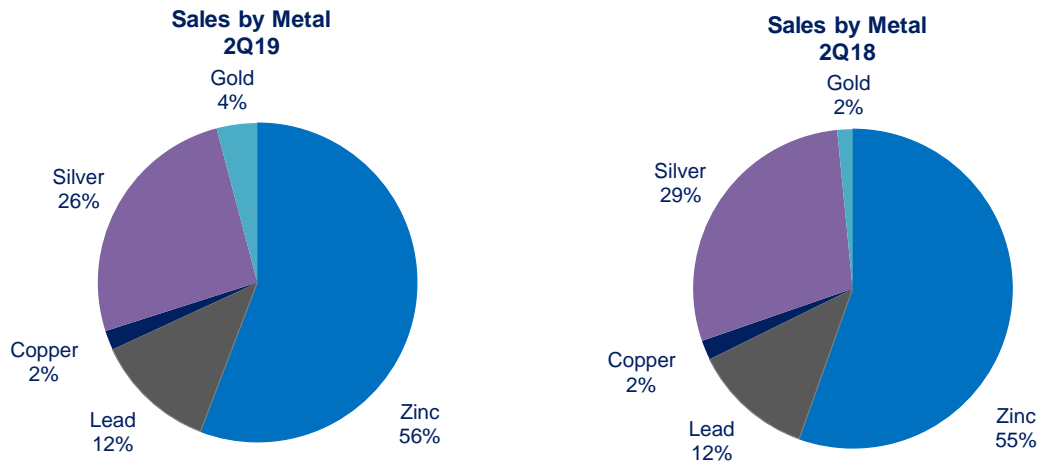


Source: Volcan Cia. Minera

Source: Volcan Cia. Minera

The distribution of sales by origin reflects an increase in the contribution of Chungar and the Oxides Plant in total sales, as compared to a reduced contribution by Yauli, Alparmarca and Cerro.

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



Source: Volcan Cia. Minera

Source: Volcan Cia. Minera

The distribution of sales by metal in 2Q19 shows that the contribution of zinc, lead and copper is similar to the one recorded in 2Q18. The contribution of gold rose from 2% in 2Q18 to 4% in 2Q19, due to increased production of this metal at the Oxides Plant.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Zinc (USD/MT)	2,704	2,763	3,114	-11.3	2,734	3,268	-16.4
Lead (USD/MT)	2,037	1,886	2,387	-21.0	1,961	2,455	-20.1
Copper (USD/MT)	6,220	6,114	6,872	-11.0	6,167	6,915	-10.8
Silver (USD/Oz)	15.6	14.9	16.5	-10.0	15.2	16.6	-8.5
Gold (USD/Oz)	1,305	1,310	1,307	0.2	1,307	1,319	-0.9

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2019	Apr-Jun 2019	Apr-Jun 2018	var %	Jan-Jun 2019	Jan-Jun 2018	var %
Exchange Rate (S/ x USD)	3.32	3.32	3.26	1.9	3.32	3.25	2.3
Inflation	2.25	2.29	1.43	60.5	2.29	1.43	60.5

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan-Mar 2019	Apr-May 2019	Apr-May 2018	var %	Jan-May 2019	Jan-May 2018	var %
Silver (Thousands Oz)	27,985	21,259	22,588	-5.9	49,243	55,120	-10.7
Zinc (FMT)	327,381	235,199	272,788	-13.8	562,581	619,722	-9.2
Lead (FMT)	69,710	55,029	45,150	21.9	124,739	112,706	10.7
Copper (FMT)	587,150	406,220	399,744	1.6	993,370	966,770	2.8
Gold (Thousands Oz)	1,028	706	765	-7.7	1,734	1,837	-5.6

Source: Ministry of Energy and Mines