VOLCAN COMPAÑIA MINERA S.A.A. AND SUBSIDIARIES
SECOND QUARTER 2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

US$ Millions	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
SALES	374.1	248.6	50.5%	606.9	539.7	12.4%
EBITDA	170.9	93.9	82.1%	246.8	238.7	3.4%
NET PROFIT	94.0	35.2	167.3%	116.4	105.9	9.9%

I. Executive Summary

Q2 2013 brought a general fall in metal prices, particularly of the precious metals. In the case of the main metals produced and sold by Volcan, such as zinc and silver, their prices fell on average by -9.5% and -23.2%, respectively, as compared to Q1 2013, and by -4.5% and -21.5%, respectively, as compared to Q2 2012. Abrupt price declines such as these, place significant pressure on mining company's margins, forcing them to make significant adjustments to their operational plans in order to partially mitigate the impact on their financial results and their cash flows, at least in the short term.

Despite the current global economic environment, Volcan registered a US$ 94 million net profit for Q2 2013, a figure which greatly exceeds the US$ 35.2 million registered in Q2 2012. This is mainly explained by extraordinary revenue of US$ 83.4 million resulting from an early settlement of hedging positions. Such revenue was partially offset by extraordinary expenses of US$ 14.7 million referred to severance packages paid to workers due to a personnel downsizing initiative in the Cerro de Pasco and Yauli Mining Units, and in the Lima office. After the relevant profit-sharing and taxes, such extraordinary items generated a net profit of US$ 46.8 million. It should be noted that excluding this extraordinary revenue, the resulting net profit totaled US$ 47.2 million, 33% higher than the net profit registered in the same period in 2012. Furthermore, it should be mentioned that the profit was more than two times higher than the one reported in Q1 2013.

Apart from the aforementioned extraordinary items, improvements in the Company's results, particularly when compared to the results reported in Q1 2013, are related to higher production levels and initial evidence of the impact of cost reduction and investment streamlining initiatives launched by the Company. Production unit costs in all mining units, particularly in Cerro de Pasco, fell with regard to Q1 2013, resulting in a consolidated unit cost of 70.5 $/MT versus 75.5 $/MT.

Simultaneously to the steps taken to mitigate the impact of falling prices, the Company kept pace with the execution of its Silver Oxides and Alpamarca - Rio Pallanga projects, whose funding is backed by the US$ 600 million bonds issuance of early 2012. As noted in previous reports, the construction of these projects is expected to be completed by the end of the year and production should begin during Q1 2014. The Company anticipates that both projects will jointly contribute approximately 8 million ounces of silver per year.

A brief analysis of the most significant operating and financial results for Q2 2013 are presented as follows.

II. General Aspects:

For a proper analysis of the Company's results, it is important to describe the behavior of certain prices and macroeconomic variables that impacted these results.

1. During Q2 2013, average international prices for the main metals produced by Volcan registered a significant decline compared to the same period of the previous year. Thus, metals such as zinc (Zn), silver (Ag), copper (Cu), and gold (Au) declined by 4.5%, 21.5%, 9.1%, and 12.3%, respectively. The only exception was the price of lead (Pb), which increased by 4.2%.

Table 1: Average prices

	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Zn (US$/MT)	1,840	1,927	(4.5)	1,937	1,976	(2.0)
Pb (US$/MT)	2,054	1,971	4.2	2,177	2,032	7.1
Ag (US$/Oz)	23.1	29.5	(21.5)	26.6	31.1	(14.3)
Cu (US$/MT)	7,146	7,862	(9.1)	7,537	8,085	(6.8)
Au (US$/Oz)	1,414	1,612	(12.3)	1,523	1,652	(7.8)

Source: Metals Week – Platts

2. The average exchange rate during Q2 2013 was S/. 2.664 per U.S. Dollar, which is similar to the average rate during Q2 2012 (S/. 2.666 per U.S. Dollar).

Source: bcrp.gob.pe

3. At the end of Q2 2013, Brent Crude oil price reached US$ 102.08 per barrel, a figure which represents a 4.6% increase with regard to the quote at the end of Q2 2012 (US$ 97.57 per barrel).

Source: Investis

4. Inflation, measure based on the variations in the Consumer Price Index and annualized as of June 30, 2013, reached 2.77%. On the other hand, the Wholesale Price Index registered an annual variation of -0.38%.

Source: bcrp.gob.pe

5. During the first five months of 2013, the domestic production of copper increased by 0.8%, while zinc and lead increased by 7.2% and 3.5%, respectively, with regard to the same period of the previous year. Oppositely, the gold production decreased by 5.3%, while silver production remained similar to the one achieved in 2012.

Table 2: Peru's metal production

Production (Fines)	Unit	Jan - May 2013	Jan - May 2012	Var (%)
Copper	MT	502,255	498,407	0.8
Gold	Kg	68,591	72,437	(5.3)
Zinc	MT	567,786	529,536	7.2
Silver	Kg	1,422,166	1,422,234	(0.0)
Lead	MT	104,941	101,395	3.5

Source: Ministry of Energy and Mines

III. Operating Results Analysis

1. Production

Table 3: Treated ore (Thousand MT)

Unit	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Yauli	925	872	6.1	1,819	1,744	4.3
Cerro de Pasco	217	638	(66.0)	380	1,274	(70.2)
Chungar	458	399	14.9	852	788	8.1
Total Volcan	**1,600**	**1,909**	**(16.2)**	**3,052**	**3,807**	**(19.8)**

Source: Volcan Cía. Minera S.A.A.

During Q2 2013, the volume of ore treated in Chungar and Yauli Mining Units increased by 14.9% and 6.1%, respectively, as compared to the volume treated in Q2 2012. Such increases are explained by the capacity expansion to 5,200 TPD of the Animon Plant located at the Chungar Unit, which was completed last January, and by the expansions currently taking place in Victoria and Andaychagua Plants located in our Yauli Unit. Upon completion, estimated to be during Q3 2013, the Yauli Unit is expected to reach 10,500 TPD of treatment capacity.

At our Cerro de Pasco Mining Unit, the suspension of operations at the Raul Rojas open pit in December 2012, the completion of the Silver Pyrite flotation testing stage in December 2012 and the optimization of the Paragsha underground mine, resulted in a significant decline in ore treated volume. During Q2 2013, this decline reached 66% in comparison to the same period of 2012. The increase in ore treated volumes at Chungar and Yauli Units partially compensated the production decline in Cerro de Pasco Unit. However, the consolidated ore treated volume decreased by 16.2% during Q2 2013 if compared to the same period of the previous year.

It must be noted that the Company is currently making important efforts to reorganize its Cerro de Pasco Mining Unit in order to make it more efficient and reduce its fixed costs. This Unit is undergoing a transformation process to enable Cerro de Pasco to make a significant contribution to the Company in the future. In addition to the construction of the Oxides Plant, Volcan is continuing to assess the execution of new projects at the Raul Rojas open pit and developing metallurgical feasibility studies for the treatment of Silver Pyrites.

Table 4: Production of fines

Unit	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Zinc (MT)						
Yauli	38,253	36,068	6.1	74,663	72,888	2.4
Cerro de Pasco	5,384	14,893	(63.8)	8,709	29,745	(70.7)
Chungar	25,049	24,606	1.8	46,609	48,630	(4.2)
Total Volcan	**68,686**	**75,566**	**(9.1)**	**129,981**	**151,264**	**(14.1)**
Lead (MT)						
Yauli	8,242	6,650	23.9	15,504	13,714	13.1
Cerro de Pasco	2,294	5,870	(60.9)	4,144	11,560	(64.2)
Chungar	6,490	5,870	10.6	13,284	10,738	23.7
Total Volcan	**17,026**	**18,390**	**(7.4)**	**32,933**	**36,013**	**(8.6)**
Silver (Ounces 000)						
Yauli	2,695	2,488	8.3	5,366	5,258	2.0
Cerro de Pasco	689	1,373	(49.8)	1,298	2,734	(52.5)
Chungar	1,826	1,348	35.4	3,407	2,642	29.0
Total Volcan	**5,210**	**5,209**	**0.0**	**10,070**	**10,634**	**(5.3)**
Copper (MT)						
Yauli	432	376	14.9	872	881	(1.0)
Chungar	307	291	5.6	577	521	10.6
Total Volcan	**739**	**666**	**10.9**	**1,449**	**1,403**	**3.3**

Source: Volcan Cía. Minera S.A.A.

The lower ore volume treated at the Cerro de Pasco Unit decreased the consolidated production of zinc and lead fines. However, it is worth highlighting that during Q2 2013, such decrease in the consolidated production of zinc (9.1%) and lead (7.4%) fines is proportionally lower than the decreased consolidated ore treated volume (16.2%). This is the result of successful efforts to improve the treatment grades and recoveries at all three Mining Units. In our Yauli Unit, the production of zinc and lead fines increased by 6.1% and 23.9%, respectively, while the production of zinc and lead fines in our Chungar Unit increased by 1.8% and 10.6%, respectively.

Regarding silver production during Q2 2013, it should be noted that the production increase at Yauli Unit (8.3%), and especially at the Chungar Unit (35.4%), given the expansion of the Animon Plant, fully offset the decreased production of silver fines at the Cerro de Pasco Unit (-49.8%).

Finally, in Q2 2013, copper fines production grew by 10.9% compared to the same period of the previous year. Our Yauli Unit registered a 14.9% increase due to improved ore grades and higher treatment volumes, while the 5.6% increase registered at the Chungar Unit is mainly explained by higher treatment volumes.

It should be kept in mind that the construction of the Oxides Plant at the Cerro de Pasco Unit, in addition to the Alpamarca Plant at the new Alpamarca – Rio Pallanga Unit, will be completed by the end of the year. Both plants will enable Volcan to reach additional production of about 8 million ounces of silver, which will be fully reflected in the production results of 2014.

2. Operating Costs

Table 5: Absolute Cost of Production (US$ MM)

Production Cost (US$ millions)	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Yauli	61.5	55.4	11.0	121.8	105.3	15.7
Cerro de Pasco *	14.3	25.3	(43.4)	29.3	49.5	(40.8)
Chungar	28.2	23.9	17.6	55.7	46.9	18.8
Vinchos	2.3	2.1	8.6	4.5	4.2	5.6
Total Volcan	**106.3**	**106.8**	**(0.5)**	**211.2**	**205.9**	**2.6**

Table 6: Unit Cost of Production (US$/MT)

Cost per Ton (US$/MT)	Jan - Mar 2013	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Yauli	71.1	69.9	64.0	9.2	70.5	62.1	13.5
Cerro de Pasco *	165.4	93.6	42.5	120.0	118.7	40.5	193.2
Chungar	63.7	58.9	57.3	2.8	61.2	56.3	8.7
Vinchos	54.3	51.4	57.4	-10.4	52.5	63.0	(16.6)
Total Volcan*	75.5	**70.5**	**55.6**	**26.8**	**73.1**	**53.1**	**37.7**

Source: Volcan Cía. Minera S.A.A.

* Cerro de Pasco's production cost for 2012 has been recalculated so as to include the silver Pyrite ore treated at the San Expedito Plant. Volcan's consolidated production cost for 2012 has been recalculated so as to include the transportation cost between mining units.

Q2 2013 production costs begin to show evidence of certain moderation in mining sector inflation as well as of the impact of the steps taken by the Company to reduce costs in its operations. <u>The consolidated unit cost for the quarter was 70.5 US$/MT, 6.6% lower than the 75.5 US$/MT cost reported in the first quarter</u>, mainly due to the reduced unit cost at all mining units, particularly at Cerro de Pasco, where the unit cost dropped from 165.4 US$/MT to 93.6 US$/MT. In addition, it is worth highlighting that our consolidated absolute production costs remained unchanged during Q2 2013 if compared to the same period of 2012. However, given the reduction of the treatment volume at the Cerro de Pasco Unit, Volcan's consolidated unit cost of production in Q2 2013 increased by 26.8% as compared to the 55.6 US$/MT cost reported in 2012.

In the case of Yauli, its unit cost during Q2 2013 increased by 9.2% as compared to the same period of the previous year. Such increase is still lower than the one reported in the first quarter (20.9%) as a result of the steps taken by the Company to reduce its costs, such as the expansion of concentrating plants and changes in mining methods. Yauli's unit cost increased from 64.0 US$/MT in Q2 2012 to 69.9 US$/MT in Q2 2013. This is mainly explained by increased labor costs, higher costs related to contractors, improved safety and environmental operating standards, repair of major equipment at treatment plants, and improved servicing levels in the workshops in order to increase the mechanical availability of equipment.

In regards to the Cerro de Pasco Unit, efforts made by the Company to restructure this Unit and reduce its fixed costs resulted in decreased absolute costs of 43.4% during the second quarter, from US$ 25.3 million in 2012 to US$ 14.3 million in 2013. This decrease, although very significant, has not reached the same proportion of the decrease in treatment volume. Consequently, the unit cost grew by 120%, from 42.5 US$/MT in 2012 to 93.6 US$/MT in 2013. However, it should be noted that Cerro de Pasco's unit cost of production during the second quarter is 43.4% lower than the unit cost reported during Q1 2013 (165.4 US$/MT). An additional decrease in the costs of this Unit is expected in the months to come.

The 10.4% decrease in the mining unit cost of Vinchos Unit is noteworthy. Unit cost was reduced from 57.4 US$/MT in 2012 to 51.4 US$/MT in 2013, mainly due to the impact of greater tonnage mined and dispatched to Cerro de Pasco Unit in order to be treated in its San Expedito concentrating plant.

The unit cost of Chungar Unit registered a 2.8% increase during the second quarter, from 57.3 US$/MT in 2012 to 58.9 US$/MT in 2013. In this case, mining sector inflation and the higher costs incurred in raising operating standards have been largely offset, mainly by the impact of higher treatment volumes as a result of the Animon Plant expansion and lower energy costs associated with the additional self-generated electricity supplied by the Baños V Hydroelectric Power Plant. In addition, the Jacob Timmers Shaft, which we expect to be operational by August, is expected to decrease transportation costs by approximately 1.5 US$/MT, not to mention a general improvement in Animon's mine efficiency.

We highlight the immediate reaction of the Company to the fall in metal prices that began in mid-April 2013, particularly that of the price of Silver. Concrete steps are currently being taken to reduce costs and investments in order to mitigate as much as possible the impact of falling metal prices on the Company's results and cash flows. Among such steps, it is worth noting the renegotiation of rates and scope of services provided by contractors, the reduction of exploration work in early stages, the stoppage of minor civil works, the dramatic decrease in administrative expenses, the renegotiation of prices of main supplies, and the rationalization of expenses of areas such as IT, Security, Human Resources, among others.

3. Investments

Table 7: Investments*

US$ (Thousands)	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Investments in Mining Units	51,688	54,503	(5.2)	93,570	94,554	(1.0)
Regional Explorations	2,413	2,776	(13.1)	4,665	4,704	(0.8)
Growth Projects and Others	70,212	17,164	309.1	102,141	26,666	283.0
Total	**124,313**	**74,442**	**67.0**	**200,376**	**125,923**	**59.1**

Source: Volcan Cía. Minera S.A.A.

* The total indicated in this table does not reflect the same amount reported in the Cash Flow Statement of the quarterly Financial Statements, given that the latter includes other items such as advances, Goodwill, municipal agreements, among others, and excludes investments made in Vichaycocha.

<u>During Q2 2013, the total investments made by Volcan on fixed and intangible assets totaled US$ 124.3 MM, a 67% increase if compared to the investments made in the same period of the previous year (US$ 74.4 MM)</u>. This is explained by the progress on projects such as the Oxides Plant at Cerro de Pasco and the new Alpamarca – Rio Pallanga Mining Unit. In the first semester of 2013, total investments reached US$

200.4 MM, 59.1% higher than the investments made in the same period of the previous year.

Operating investments made during Q2 2013 totaled US$ 51.7 MM, a 5.2% decrease compared to the US$ 54.5 MM of the same period of 2012. This decrease is due to the streamlining of investments in the mining units as a preventive measure adopted in order to preserve the Company's cash flow given the current fall in metal prices. The more significant operating investments made during the period were: US$ 21.0 MM in local exploration and development, 3% lower than the US$ 21.7 MM invested in 2012; US$ 12.8 MM in plants and tailing storage facilities, 13% higher than the US$ 11.3 MM invested in 2012; US$ 10.9 MM in infrastructure and mining equipment, 14% higher than the US$ 9.6 MM invested in 2012; US$ 3.0 MM in operating energy; and US$ 3.9 MM in camps, Safety, Environment, IT and communications.

During Q2 2013, investments made in regional exploration (early-stage prospects) totaled US$ 2.4 MM, a 13% decrease with regard to the same period of the previous year. To mitigate the effect of the fall in metal prices, regional explorations are focused on those prospects with the highest potential for success within the Company's portfolio, such as Zoraida, Palma, and Rio Pallanga Noreste.

Finally, investments made in growth and corporate projects totaled US$ 70.2 MM, a 309.1% increase compared to the same period of the previous year. This is mainly due to the progress on projects such as the Oxides Plant in Cerro de Pasco and the new Alpamarca – Rio Pallanga Unit.

IV. Analysis of Economic and Financial Results

1. Sales

Table 8: Concentrate Sales Volume (Dry MT)

Concentrate Sales (Thousands Dry MT)	Apr- Jun 2013			Apr- Jun 2012			Var (%)
	Own	Third	Total	Own	Third	Total	Total
Zinc Concentrate	138.7	16.0	154.6	128.6	14.6	143.2	8%
Lead Concentrate	32.1	2.8	34.9	24.6	3.6	28.2	24%
Copper Concentrate	4.9	8.6	13.4	3.2	4.5	7.7	74%
Bulk Silver Concentrate	0.6		0.6	3.2		3.2	-80%
Total	**176.2**	**27.4**	**203.6**	**159.5**	**22.7**	**182.2**	**12%**

Concentrate Sales (Thousands Dry MT)	Jan- Jun 2013			Jan- Jun 2012			Var (%)
	Own	Third	Total	Own	Third	Total	Total
Zinc Concentrate	232.4	22.9	255.3	285.5	20.8	306.3	-17%
Lead Concentrate	59.4	4.1	63.5	48.5	7.4	55.9	14%
Copper Concentrate	9.7	18.3	28.0	6.2	6.1	12.4	126%
Bulk Silver Concentrate	0.6		0.6	7.5		7.5	-92%
Total	**302.1**	**45.3**	**347.4**	**347.7**	**34.3**	**382.1**	**-9%**

Source: Volcan Cía. Minera S.A.A.

During the second quarter, volumes sold of zinc concentrate grew by 8%, from 143 thousand Dry MT in 2012 to 155 thousand Dry MT in 2013. Meanwhile, volumes sold of lead concentrate registered a 24% increase, from 28 thousand Dry MT to 35 thousand Dry MT. Likewise, volume sold of copper concentrate grew by 74%, from 8 thousand

Dry MT in 2012 to 13 thousand Dry MT in 2013. Finally, Ag bulk concentrate sold reached 612 Dry MT.

Despite falling production at the Cerro de Pasco Unit, the increase in the consolidated sales volume may be explained by the reduction in the Company's concentrate inventories and an increase in third-party concentrate sold volumes.

The sale of third-party concentrates during Q2 2013 accounted for approximately 13% of the Company's total sales volume. Particularly with regard to copper, third-party concentrate volumes sold represented 64% of the total volume. It should be mentioned that the margin on the sale of third-party concentrates is typically lower than the margin from the Company's own concentrates.

Table 9: Sales breakdown in US Dollars

Volcan Sales Thousands US$	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
Prices						
Zinc (US$/TM)	1,840	1,927	-4%	1,937	1,976	-2%
Lead (US$/TM)	2,054	1,971	4%	2,177	2,032	7%
Copper (US$/TM)	7,146	7,862	-9%	7,537	8,085	-7%
Silver (US$/Oz)	23.1	29.5	-22%	26.6	31.1	-14%
Sales without adjustments NIIF	**269.7**	**252.3**	**7%**	**505.6**	**517.1**	**-2%**
Sales Adjustment	-6.2	-5.4	14%	-7.8	9.7	-181%
Implicit Derivate	0.1	-5.5	-102%	-6.5	4.3	-253%
Sales before Hedging	**263.6**	**241.2**	**9%**	**491.2**	**531.1**	**-8%**
Hedging	110.5	7.4	0%	115.7	8.6	0%
Net Sales	**374.1**	**248.6**	**50%**	**606.9**	**539.7**	**12%**

Source: Volcan Cía. Minera S.A.A.

For a proper understanding of the sales figure in the Company's Income Statement, it should be mentioned that, under International Financial Reporting Standards (IFRS), the Company has to make provisions that reflect the estimated variations in future prices of the Company's concentrate sales transactions that remain open (without final settlement). Such provisions are known as Implicit Derivative and Sales Adjustments and are recorded on the last day of each month based on future prices of each metal, for the quotation periods of each sale transaction that remains open.

Likewise, as from 2013, the impact of price hedging is included in the sales figure. In the past, such impact was reported as options and hedging, below operating profit. The sales figure for 2012 has been restated similarly to allow for proper comparison.

Upon analyzing concentrate sales before hedging and adjustments to open positions, it is possible to observe that such sales totaled US$ 270 MM during Q2 2013, a 7% increase compared to the figure reported in the same period of 2012 (US$ 252 MM). This result is explained by greater concentrate volumes sold and higher lead prices (+4.2%), despite lower prices for zinc (-4.5%), silver (-21.5%), and copper (-9.1%).

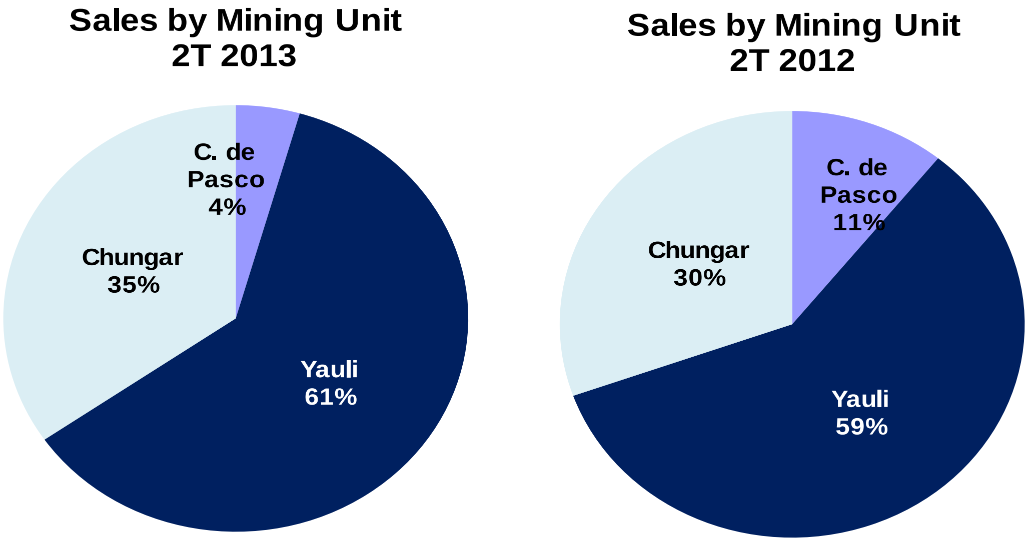
In addition, in Q2 2013, the adjustment required under IFRS for any sale transaction that remains open, is negative by US$ 6.1 MM. This figure is lower than the negative adjustment of US$ 10.9 MM registered at the end of Q2 2012.

With regard to hedging, it is possible to observe a significant positive result of US$ 110 MM during Q2 2013. This result is mainly explained by the Company's decision to settle its hedging positions for silver price, generating extraordinary revenue of US$ 83.4 MM.

Finally, taking into account concentrate sales, IFRS adjustments for open positions and hedging results, net sales during Q2 2013 totaled US$ 374 MM, a 50% increase with regard to the same period of 2012 (US$ 249 MM).

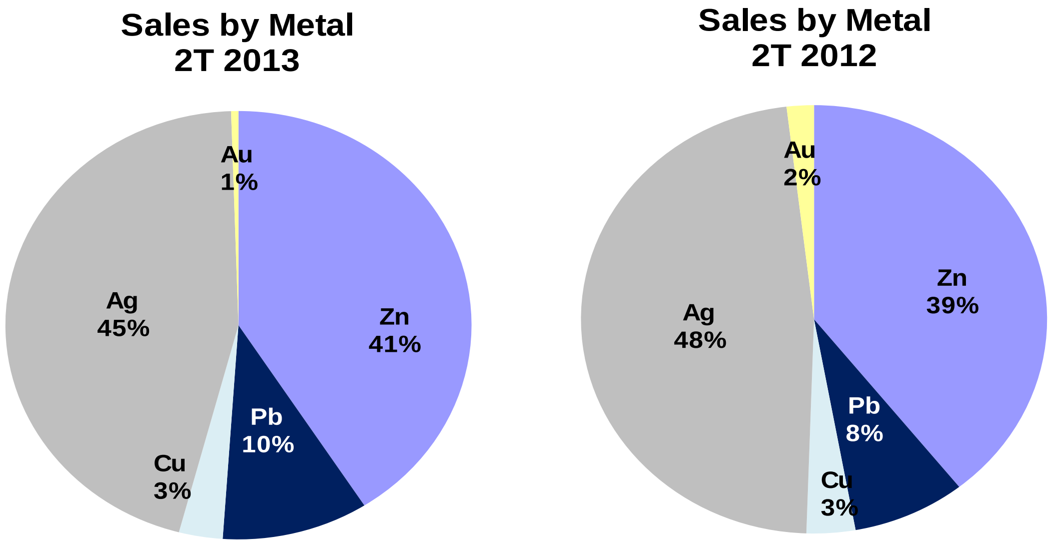
Regarding the share of the Company's sales by Mining Unit, the effect of the decline in the production of the Cerro de Pasco Unit, during Q2 2013, is evident, as it represented just 4% of total sales. On the other hand, our Yauli Unit continued to contribute the largest share, with 61% of the total sales, while the share of the Chungar Unit reached 35% of consolidated sales.

Chart 1: Sales by Mining Unit (% of total sales in US$)



With repect to the the composition of sales by metal during Q2 2013, silver remained the largest contributor to the Company's total sales, with 45%, followed by zinc (41%), lead (10%), copper (3%), and gold (1%). Going forward, it is possible that we might observe a decline in the contribution of silver to the total sales due to the significant fall in the price of this metal as from Q2 2013.

Chart 2: Sales by Metal (% of the total sales in US$)



2. Results and Profitability

Table 10: Main items of Q2 Income Statement

Income Statement Thousands US$	Apr - Jun 2013			Apr - Jun 2012			Var (%) Without extraordina
	Total	Extraordinary	Without extraordinary	Total	Extraordinary	Without extraordinary	
Sales	374,115	83,400	290,715	248,592	-	248,592	16.9
Cost of Goods Sold	(221,028)	(15,619)	(205,409)	(169,027)	(516)	(168,511)	21.9
Gross Profit	**153,087**	**67,781**	**85,306**	**79,565**	**(516)**	**80,081**	**6.5**
Administrative Expenses	(17,052)	(4,382)	(12,669)	(12,261)	16	(12,277)	3.2
Selling Expenses	(11,197)	-	(11,197)	(7,040)	-	(7,040)	59.1
Other Income/(Expenses)	801	(927)	1,727	2,564	-	2,564	(32.6)
Operating Earnings	**125,640**	**62,472**	**63,167**	**62,828**	**(500)**	**63,328**	**(0.3)**
Financial Income / Expenses	(887)	-	(887)	(10,006)	-	(10,006)	(91.1)
Taxes	(26,675)	(16,627)	(10,048)	(12,453)	165	(12,618)	(20.4)
Royalties	(4,111)	926	(5,037)	(5,211)	29	(5,239)	(3.9)
Net Profit	**93,966**	**46,772**	**47,194**	**35,158**	**(306)**	**35,465**	**33.1**

Source: Volcan Cía. Minera S.A.A.
* Restated under IFRS

Q2 2013 results were affected, both positively and negatively, by certain items that are not part of the current operation of the Company. Thus, in order to facilitate the analysis of the Income Statement, such extraordinary items are described separately as follows:

- **Revenue due to the extraordinary settlement of hedging positions (+US$ 83.4 MM).**
- **Severance packages related to personnel downsizing initiatives in Cerro de Pasco and Yauli Units, and Lima (-US$ 14.7MM).**
- **Remaining expenses of Raul Rojas open pit (-US$ 0.9 MM).**
- **Profit-sharing, taxes, and royalties resulting from the impact of extraordinary items on the Income Statement (-US$ 21 MM).**

<u>Accordingly, the final impact of such extraordinary items on the net profit for Q2 2013 is positive: US$ 46.8 MM.</u>

Upon analyzing the results without taking into account the impact of such extraordinary items, it may be observed that Q2 gross profit rose 6.5%, from US$ 80.1 MM in 2012 to US$ 85.3 MM in 2013. This is explained by greater sales volumes and higher lead prices, partially compensated by lower prices for zinc, silver, and copper.

Q2 2013 operating profit reached US$ 63.2 MM, a figure that is close to the US$ 63.3 MM reported in the same period of 2012. Such operating profit was affected by an increase in selling expenses of 59.1%, due to greater sales volumes, in addition to higher transportation rates and higher storage costs at Callao Port.

It is noteworthy that net finance income / expenses shows a significant decline in Q2 2013 Income Statement, as a result of the capitalization of the interest related to the portion of international bonds allocated to growth projects as from March 2013, in addition to a positive effect of exchange-rate differences totaling US$ 1.9 MM during this quarter.

<u>Finally, Q2 2013 net profit without the impact of such extraordinary items reached US$ 47.2 MM, a 33.1% increase with regard to the net profit obtained during Q2 2012 (US$ 35.5 MM).</u>

<u>If the above mentioned extraordinary items were included in the analysis, the net profit for Q2 2013 would reach US$ 94 MM</u>, 167.2% higher than the net profit obtained in the same period of the previous year (US$ 35.2 MM). Likewise, the net profit for the first semester 2013 would grow by 9.8%, from US$ 105.9 MM in 2012 to US$ 116.4 MM in 2013.

Table 11: Main items of the Income Statement for the First Semester

Income Statement Thousands US$	Jan - Jun 2013 Total	Jan - Jun 2013 Extraordinary	Jan - Jun 2013 Without extraordinary	Jan - Jun 2012 Total	Jan - Jun 2012 Extraordinary	Jan - Jun 2012 Without extraordinary	Var (%) Without extraordina
Sales	606,877	83,400	523,477	539,699	-	539,699	(3.0)
Cost of Goods Sold	(388,135)	(16,465)	(371,670)	(322,735)	(678)	(322,057)	15.4
Gross Profit	**218,743**	**66,935**	**151,807**	**216,964**	**(678)**	**217,642**	**(30.2)**
Administrative Expenses	(30,566)	(4,750)	(25,816)	(26,070)	21	(26,091)	(1.1)
Selling Expenses	(19,614)	-	(19,614)	(14,505)	-	(14,505)	35.2
Other Income/(Expenses)	1,330	(1,914)	3,244	2,974	-	2,974	9.1
Operating Earnings	**169,893**	**60,271**	**109,621**	**179,363**	**(657)**	**180,020**	**(39.1)**
Financial Income / Expenses	(5,618)	-	(5,618)	(18,730)	-	(18,730)	(70.0)
Taxes	(37,815)	(16,041)	(21,774)	(45,316)	216	(45,532)	(52.2)
Royalties	(10,084)	1,068	(11,152)	(9,406)	38	(9,444)	18.1
Net Profit	**116,375**	**45,298**	**71,077**	**105,911**	**(403)**	**106,314**	**(33.1)**

Source: Volcan Cía. Minera S.A.A.
* Restated under IFRS

Q2 2013 EBITDA, excluding extraordinary items, totaled US$ 108.4 MM, a 15% increase compared to EBITDA reported in a similar period of 2012. In addition, EBITDA margin (EBITDA excluding Extraordinary Items/Sales) slightly decreased from 38% in Q2 2012 to 37% in the same period of 2013.

EBITDA for the first half of 2013, excluding extraordinary items, totaled US$ 186.6 MM, a 22% decline compared to Q1 2012 EBITDA (US$ 239.3 MM). On the other hand, EBITDA margin declined from 44% in 2012 to 36% in 2013.

Table 12: EBITDA

Thousands US$	Apr - Jun 2013	Apr - Jun 2012	Var (%)	Jan - Jun 2013	Jan - Jun 2012	Var (%)
EBITDA without extraordinary	108,411	94,362	15%	186,575	239,337	-22%
EBITDA w/o ext / Sales	*37%*	*38%*		*36%*	*44%*	
EBITDA	170,883	93,862	82%	246,846	238,679	3%
EBITDA / Sales	46%	38%		41%	44%	

Source: Volcan Cía. Minera S.A.A.

3. Liquidity and Creditworthiness

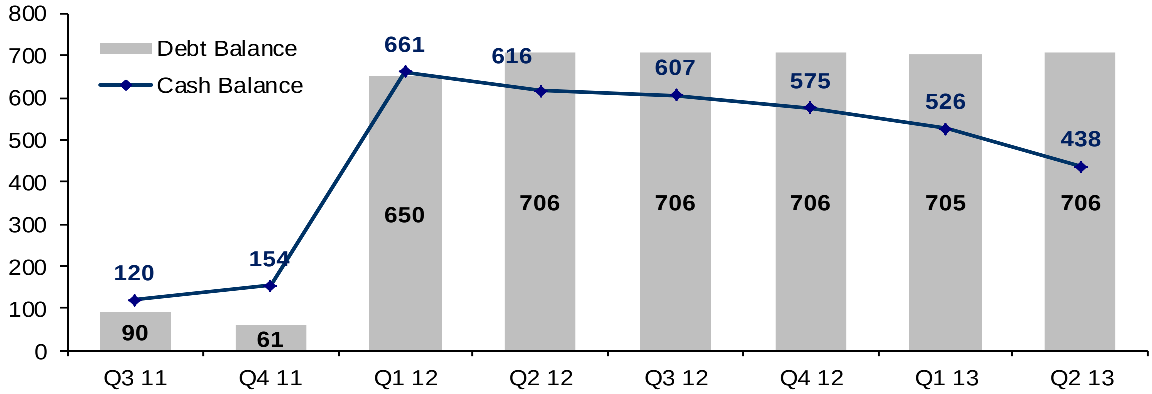
The operating cash flow generated by Volcan during Q2 2013 totaled US$ 74.7 MM[1]. If taking into account the entire period from January to June, the operating cash flow totaled US$ 157.9 MM.

After all disbursements on investments, financial obligations and dividends that took place during the first semester of 2013, the Company's cash balance changed from US$ 575 MM at the end of 2012 to US$ 438 MM at the end of June 2013. The Company's solid net cash position allows it to guarantee the funding needed to complete on schedule its growth projects, such as the Oxides Plant in Cerro de Pasco and the new Alpamarca - Rio Pallanga Unit.

Taking into consideration current debt levels and the EBITDA for the last 12 months, excluding extraordinary items, Volcan's leverage ratio (Financial Debt / EBITDA) at the end of Q2 2013 was 1.7x, similar to the level reported in the previous quarter.

The chart below shows the evolution of the Company's cash position and debt balance.

Chart 3: Cash position and debt balance[2] (US$ million)



[1] The operating cash flow generated shown in this document differs from the one reported in the Cash Flow Statement as cash from operating activities, given that the latter includes other items such as advances and investments made in Vichaycocha.
[2] The financial debt includes loans granted by financial institutions, leasing agreements, and others.

V. Final Comments

1. The current global economic environment poses significant challenges for the mining sector. The prices of a number of major metals fell over the past few months, including prices of metals such as zinc and silver, which are most important for Volcan. These metals fell significantly during the second quarter (-4.5% and -21.5%, respectively, if compared to Q2 2012, and -9.5% and -23.3%, respectively, if compared to Q1 2013). The fall in the prices of these metals reduces dramatically the margins of producers worldwide, particularly of those producers with the highest costs, given that the current crisis finds the mining sector with a high cost base as a result of the significant inflation registered over the previous years. In such a scenario, Volcan took steps to maximize its revenues and streamline its costs and investments, not only to mitigate the impact of the above-mentioned external factors, but also to reduce the impact of the temporary lower-production scenario at Cerro de Pasco Unit, which resulted from suspending operations at the Raul Rojas open pit. In addition, this negative economic environment finds Volcan undergoing a growth process, with significant progress in the development of projects such as Silver Oxides and Alpamarca - Rio Pallanga, which are fully financed by funds obtained during the bond issuance that took place last year. These projects are expected to provide a significant contribution to the Company's results in 2014.

2. In line with the above, Q2 2013 brought significant increases in the treatment volumes of Yauli and Chungar Units, as a result of the expansions carried out in such units and the Company's approach to maximize its production capacity by improving treatment grades and recoveries in its metallurgical processes. As a result, the production of zinc, lead, silver, and copper fines during Q2 2013 exceeded production levels reported in the previous quarter. It is worth noting that the production of silver fines during Q2 2013 reached similar levels to the production reported in the same period of 2012 despite the suspension of the Raul Rojas open pit and lower production of Cerro de Pasco Unit underground mine.

3. In order to minimize the impact of lower metal prices, particularly zinc and silver, Volcan introduced a number of programs to preserve its cash. In broad terms, programs were launched during the second quarter and were focused on streamlining the operating investment plan and reducing costs and expenses. The initial positive effects of such steps, both on costs and operating investments, are already seen in the results for Q2 2013 and are expected to become more apparent in the months to come.

4. Finally, it is noteworthy that despite the current negative economic environment, Volcan continues to move forward as planned with the development of its most important growth projects, such as Silver Oxides at Cerro de Pasco and the new Alpamarca - Rio Pallanga Unit. In addition to the aforementioned steps, approximately 18 months ago, Volcan issued US$ 600 million worth of bonds in the international market. That transaction gave the Company a favorable cash position that allows it to guarantee the funding of its growth projects. Accordingly, the construction of these two projects is expected to be completed by the end of this year and to start contributing to the Company's results in 2014, with a joint production totaling approximately 8 million ounces of silver per year.