



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

| US\$ Millions | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|---------------|-------------------|-------------------|---------|-------------------|-------------------|---------|
| SALES | 268.9 | 279.2 | -3.7% | 875.8 | 818.9 | 6.9% |
| EBITDA | 82.5 | 119.7 | -31.1% | 315.9 | 357.7 | -11.7% |
| NET PROFIT | 33.3 | 50.6 | -34.2% | 149.6 | 156.5 | -4.4% |

I. Executive Summary

Throughout Q3 2013 the difficult international situation, reflected in lower metal prices, has had a negative impact on the Company's financial results. In particular, the dramatic 28.3% fall in the average price of Silver during Q3 2013 with regard to Q3 2012 average price, is the main explanation for the 34.2% decline in the Company's net profit from US\$ 50.6 million in Q312 to US\$ 33.3 million in Q313.

Faced with such a fall in the international prices, the Company implemented since April cost reduction and investment initiatives in order to preserve its cash flow and mitigate its impact on its profitability margins. As a result of implementing such initiatives the consolidated unit cost of production for Q3 2013 declined by 20.9% if compared to the unit cost registered in Q1 2013.

With regards to the consolidated production of fine content during Q3 2013, the noteworthy expansion of Animon plant (Chungar Unit) and Andaychagua and Victoria plants (Yauli Unit) contributed to largely offset the production decline in Cerro de Pasco Unit caused by the planned stoppage of Raul Rojas pit and the Ag Pyrite flotation process since December 2012. As a result, the consolidated production of fine Zinc, Lead and Silver content decreased by 0.7%, 2.6% and 7.9%, respectively, if compared to Q3 2012, while the production of the Copper content increased by 8.4%.

Meanwhile, progress of our main growth projects, Silver Oxides Plant and Alparmarca – Rio Pallanga Unit is above 75%. Their completion is expected by the beginning of the next year and commercial production should begin during Q1 2014. Both projects will add Zinc and Lead concentrates and approximately 8 million ounces per year of Silver to our current production.

A brief analysis of the most significant operating and financial results for Q3 2013 is presented as follows.

II. General Aspects:

For a proper analysis of the Company's results, it is important to describe the behavior of certain quotes and macroeconomic variables that have had an impact on such results.

1. Average international prices for precious metals registered a significant decline during Q3 2013 compared to the same period during previous year. That is the case for Silver (Ag) and Gold (Au), which fell by 28.3% and 19.8%, respectively. Base metals such as Zinc (Zn) and Copper (Cu) decreased by 1.6% and 8.3%, respectively. The exception was Lead (Pb), which price grew by 6.2%.

Table 1: Average prices

| | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|--------------|-------------------|-------------------|---------|-------------------|-------------------|---------|
| Zn (US\$/MT) | 1,860 | 1,889 | (1.6) | 1,911 | 1,947 | (1.8) |
| Pb (US\$/MT) | 2,103 | 1,980 | 6.2 | 2,152 | 2,015 | 6.8 |
| Cu (US\$/MT) | 7,079 | 7,718 | (8.3) | 7,384 | 7,962 | (7.3) |
| Ag (US\$/Oz) | 21.4 | 29.9 | (28.3) | 24.9 | 30.7 | (18.9) |
| Au (US\$/Oz) | 1,328 | 1,656 | (19.8) | 1,458 | 1,653 | (11.8) |

Source: Metals Week – Platts

2. Average exchange rate during Q3 2013 was S/. 2.787 per U.S. Dollar, which reflects a 6.4% appreciation of the Nuevo Sol compared to the average rate during Q3 2012 (S/. 2.619 per U.S. Dollar).

Source: bcrp.gob.pe

3. At the end of Q3 2013, Brent Crude oil price reached US\$ 107.43 per barrel, a figure which represents a 4.2% decrease compared to the quote at the end of Q3 2012 (US\$ 112.13 per barrel).

Source: Investis

4. Inflation, measured based on the variations in the Consumer Price Index, and annualized as of September 30, 2013, reached 2.83%. On the other hand, the Wholesale Price Index registered an annual variation of 2.17%.

Source: bcrp.gob.pe

5. During the first eight months of 2013, domestic production of Copper, Zinc, Silver, and Lead increased by 6.0%, 5.9%, 2.0%, and 0.9%, respectively, compared to the same period during the previous year. On the other hand, Gold production declined by 8.0%.

Table 2: Peru's metal production

| Production (Fines) | Unit | Jan - Aug 2013 | Jan - Aug 2012 | Var (%) |
|--------------------|------|----------------|----------------|---------|
| Copper | MT | 882,510 | 832,667 | 6.0 |
| Gold | Kg | 103,208 | 112,190 | (8.0) |
| Zinc | MT | 917,659 | 866,315 | 5.9 |
| Silver | Kg | 2,343,042 | 2,296,573 | 2.0 |
| Lead | MT | 169,394 | 167,946 | 0.9 |

Source: Ministry of Energy and Mines

III. Operating Results Analysis

1. Production

Table 3: Treated ore (Thousand MT)

| Unit | Jul - Sep | | | Jan - Sep | | |
|---------------------|--------------|--------------|---------------|--------------|--------------|---------------|
| | 2013 | 2012 | Var (%) | 2013 | 2012 | Var (%) |
| Yauli | 966 | 903 | 7.1 | 2,786 | 2,647 | 5.3 |
| Cerro de Pasco | 237 | 745 | (68.2) | 617 | 2,019 | (69.4) |
| Chungar | 484 | 407 | 18.7 | 1,336 | 1,196 | 11.7 |
| Total Volcan | 1,687 | 2,055 | (17.9) | 4,738 | 5,862 | (19.2) |

Source: Volcan Cia. Minera S.A.A.

During Q3 2013, the volume of ore treated in Chungar and Yauli Mining Units grew by 18.7% and 7.1%, respectively, compared to the volume treated during Q3 2012. Such increases are explained by the increase in 20% of the capacity upgrade to 5,200 TPD of the Animon Plant located in Chungar Unit completed this January, and by the expansion of Victoria and Andaychagua plants located in Yauli Unit. These allowed the total treatment capacity of this unit to grow by 9%, thus exceeding 10,500 TPD.

As noted in previous reports, the extraction and treatment volume of Cerro de Pasco Unit registered a significant decrease due to the stoppage of operations at Raul Rojas open pit in December 2012, the completion of the Silver Pyrite flotation testing stage also in December 2012, and the mining plan actualization of Paragsha underground mine. During Q3 2013 the treatment volume decline reached 68.2% compared to the same period of 2012. Even though the increase in ore treated volumes at Chungar and Yauli Units partially offset the production decline in Cerro de Pasco Unit, the consolidated ore treated volume declined by 17.9% during Q3 2013 compared to the same period during the previous year.

It must be considered that the Company continues making significant efforts in order to reduce the fixed costs of Cerro de Pasco Unit, showing successful results particularly in personnel reduction, as detailed in the operating cost section. This Unit is undergoing a transformation process that includes the construction of the Oxides Plant, the metallurgical feasibility studies for the treatment of Silver Pyrites, and the evaluation of new projects in the west face of Raul Rojas pit.

Table 4: Production of fines

| Unit | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|----------------------------|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
| Zinc (MT) | | | | | | |
| Yauli | 43,012 | 40,036 | 7.4 | 117,675 | 112,924 | 4.2 |
| Cerro de Pasco | 6,048 | 11,500 | (47.4) | 14,756 | 41,246 | (64.2) |
| Chungar | 27,255 | 25,294 | 7.8 | 73,864 | 73,925 | (0.1) |
| Total Volcan | 76,315 | 76,831 | (0.7) | 206,295 | 228,095 | (9.6) |
| Lead (MT) | | | | | | |
| Yauli | 8,393 | 7,494 | 12.0 | 23,897 | 21,209 | 12.7 |
| Cerro de Pasco | 2,838 | 5,149 | (44.9) | 6,983 | 16,709 | (58.2) |
| Chungar | 6,700 | 5,773 | 16.1 | 19,984 | 16,511 | 21.0 |
| Total Volcan | 17,932 | 18,416 | (2.6) | 50,864 | 54,429 | (6.5) |
| Silver (Ounces 000) | | | | | | |
| Yauli | 2,705 | 2,915 | (7.2) | 8,070 | 8,173 | (1.3) |
| Cerro de Pasco | 762 | 1,443 | (47.2) | 2,059 | 4,178 | (50.7) |
| Chungar | 1,796 | 1,356 | 32.4 | 5,203 | 3,998 | 30.2 |
| Total Volcan | 5,262 | 5,714 | (7.9) | 15,332 | 16,348 | (6.2) |
| Copper (MT) | | | | | | |
| Yauli | 444 | 430 | 3.3 | 1,316 | 1,311 | 0.4 |
| Chungar | 338 | 292 | 15.8 | 915 | 813 | 12.5 |
| Total Volcan | 782 | 722 | 8.4 | 2,231 | 2,124 | 5.0 |

Source: Volcan Cia. Minera S.A.A.

During Q3 2013, the consolidated production of fine Zinc content decreased by 0.7% if compared to the same period of 2012. It is noteworthy that the 7.4% and 7.8% increases registered in Yauli and Chungar Units, respectively, nearly offset in its entirety the 47.4% decline registered in Cerro de Pasco Unit.

Meanwhile, the consolidated production of fine Lead content during Q3 2013 declined 2.6% compared to Q3 2012, given that the 12% and 16% increases registered in Yauli and Chungar Units, respectively, partially offset the 44.9% decline in the production of fine Lead content in Cerro de Pasco Unit.

Even though the production of fine Silver content in Chungar Unit during Q3 2013 registered a 32.4% increase compared to Q3 2012, it was not sufficient to offset the 7.2% and 47.2% declines registered in Yauli and Cerro de Pasco Units, respectively. As a result, the consolidated production of fine Silver content decreased by 7.9%.

Finally, the production of fine Copper content increased by 8.4% during Q3 2013 compared to the same period during the previous year. In Yauli Unit, such increase reached 3.3% while Chungar registered a 15.8% increase.

As aforementioned, the construction of the Oxides Plant located in Cerro de Pasco Unit and the Alpamarca plant located in the new Alpamarca – Rio Pallanga Unit will be completed by the beginning of the next year, and will enable Volcan to obtain additional production of Zinc and Lead concentrates and approximately 8 million ounces of Silver per year.

2. Operating Costs

Table 5: Unit Cost of Production (US\$/MT)

| Cost per Ton (US\$/MT) | Jan - Mar 2013 | Apr - Jun 2013 | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|------------------------|----------------|----------------|----------------|----------------|------------|----------------|----------------|-------------|
| Yauli | 71.2 | 69.9 | 59.5 | 66.0 | (9.8) | 66.7 | 63.4 | 5.2 |
| Cerro de Pasco * | 165.4 | 93.5 | 75.7 | 35.8 | 111.3 | 101.4 | 38.8 | 161.4 |
| Chungar | 63.7 | 58.9 | 50.6 | 59.5 | (15.0) | 57.3 | 57.4 | (0.1) |
| Vinchos | 53.7 | 51.4 | 43.5 | 50.1 | (13.1) | 49.2 | 58.2 | (15.4) |
| Total Volcan* | 75.5 | 70.5 | 59.7 | 54.4 | 9.7 | 68.3 | 53.5 | 27.6 |

Source: Volcan Cia. Minera S.A.A.

Table 6: Absolute Cost of Production (US\$ million)

| Production Cost (US\$ millions) | Jan - Mar 2013 | Apr - Jun 2013 | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|---------------------------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|--------------|
| Yauli | 60.3 | 61.5 | 54.3 | 57.7 | (5.9) | 176.1 | 163.0 | 8.0 |
| Cerro de Pasco * | 15.0 | 14.3 | 12.2 | 22.4 | (45.8) | 41.4 | 71.9 | (42.4) |
| Chungar | 27.6 | 28.2 | 27.0 | 25.8 | 4.3 | 82.7 | 72.7 | 13.7 |
| Vinchos | 2.2 | 2.3 | 2.3 | 2.1 | 8.2 | 6.7 | 6.3 | 6.4 |
| Total Volcan | 104.9 | 106.3 | 95.7 | 108.1 | (11.5) | 306.9 | 314.0 | (2.2) |

Source: Volcan Cia. 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. In addition, Volcan's consolidated production cost for 2012 and for Q1 2013 has been recalculated so as to include the transportation cost of inter-company metal sales.

During Q3 2013 the decline in the production cost of all our mining units reflected the positive impact of the initiatives taken by the Company in order to mitigate the effect of falling metal prices such as the optimization of the services provided by contractors, the stoppage of minor civil works, the dramatic reduction of administrative expenses, the renegotiation of prices of principal supplies, the streamlining of expenses in areas such as IT, civil safety, and HR, and the cutting down of exploration works in early stages, among others. Such initiatives, in addition to the increase in treated tonnage at Yauli and Chungar Units, which allow for a dilution of their fixed costs, enabled the consolidated unit cost for this quarter to reach 59.7 US\$/MT, a figure which is 15.3% lower than the 70.5 US\$/MT cost reported in Q2 2013 and 20.9% lower than the US\$ 75.5 US\$/MT cost reported in Q1 2013.

Given the decline in treatment volume of Cerro de Pasco, Volcan's consolidated unit cost of production for Q3 2013 increased by 9.7% compared to the cost reported in Q3 2012. However, the total cost of production for Q3 2013 was US\$ 95.7 million, a figure which represents an 11.5% decrease compared to US\$ 108.1 million reported for the same period of 2012.

In the case of Yauli Unit the unit cost for Q3 2013 declined by 9.8%, from 66.0 US\$/MT in 2012 to 59.5 US\$/MT in 2013. The main factors that explain such cost decline are the expansion of Andaychagua and Victoria concentrator plants, the change of mining methods, and the reduction initiatives implemented in order to face the falling metal prices.

In Cerro de Pasco Unit, the efforts made in order to reduce its fixed costs have had successful results, particularly in personnel reduction, and enabled the unit to reduce its

Q3 2013 absolute production costs by 45.8%, from US\$ 22.4 million in 2012 to US\$ 12.2 million in 2013. However, the significant decline in the treatment volume of Cerro de Pasco results in an 111.3% increase of its unit cost, from 35.8 US\$/MT in 2012 to 75.7 US\$/MT in 2013. Nevertheless, it is noteworthy that the reduction of fixed costs throughout the year have allowed Cerro de Pasco's unit cost of production for Q3 2013 to be 19.0% lower than the one reported in Q2 2013 and 54.2% lower than the one reported in Q1 2013.

On the other hand, Q3 2013 unit cost for Chungar Unit declined by 15.0%, from 59.5 US\$/MT in 2012 to 50.6 US\$/MT in 2013. The main factors explaining such cost decline are the greater treatment volume resulting from the expansion of the Animon plant, the increased ore contribution from Islay mine (which has lower mining costs), the lower cost of power related to additional self-generation coming from Baños V Hydroelectric Power Plant, and the reduction initiatives that were implemented in order to face the fall in metal prices. It should be noted that the Jacob Timmers shaft will be operating by November, thus aiding an additional decline in transportation costs, as well as a general improvement in the efficiency of Animon mine.

Finally, it is worth noting the 13.1% decline in the mining unit cost of Vinchos Unit, from 50.1 US\$/MT in 2012 to 43.5 US\$/MT in 2013, mainly as a result of greater tonnage mined and shipped to Cerro de Pasco Unit in order to be treated in the San Expedito concentrator plant.

3. Investments

Table 7: Investments*

| US\$ (Thousands) | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|-----------------------------|-------------------|-------------------|-------------|-------------------|-------------------|-------------|
| Investments in Mining Units | 61,733 | 64,616 | (4.5) | 155,303 | 158,283 | (1.9) |
| Regional Explorations | 978 | 3,757 | (74.0) | 5,643 | 9,832 | (42.6) |
| Growth Projects and Others | 90,720 | 22,140 | 309.8 | 192,862 | 48,333 | 299.0 |
| Total | 153,432 | 90,513 | 69.5 | 353,807 | 216,449 | 63.5 |

Source: Volcan Cia. 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.

During Q3 2013, the total investments made by Volcan on fixed and intangible assets amounted to US\$ 153.4 million, a figure which represents a 69.5% increase compared to the investments made in the same period during the previous year (US\$ 90.5 million). Such increase is explained by greater investments made on growth projects such as the Oxides Plant in Cerro de Pasco and the new Alpamarca – Rio Pallanga Mining Unit, given that both are now entering their final construction stage.

Investments in mining units during Q3 2013 decreased by 4.5%, from US\$ 64.6 million in 2012 to US\$ 61.7 million in 2013, mainly due to the streamlining of operating investments as a preventive measure adopted in order to preserve the Company's cash flow given the fall in metal prices. The main operating investments made during the period were as follows: US\$ 20.4 million in local exploration and development, 5.7% higher than the US\$ 19.3 million reported in Q312; US\$ 16.6 million in plants and tailing storage facilities, 8.3% lower than the US\$ 18.1 million reported in Q312; US\$ 19.0

million in operating and mine projects, 1.6% higher than the US\$ 18.7 million reported in Q312 (includes the construction of the Jacob Timmers shaft in Chungar and the Roberto Letts shaft in Andaychagua), and US\$ 5.7 million in operating energy, camps, environment, safety, IT and communications, 32.9% lower than the US\$ 8.5 million reported in Q312.

On the other hand, during Q3 2013, investments made in regional exploration (early-stage prospects) totaled US\$ 1.0 million, a 74% decline compared to the same period during the previous year. Facing the fall in metal prices such explorations were focused on those prospects with the highest potential within the Company's portfolio, such as Zoraida, Palma, and Rio Pallanga Noreste.

Finally, investments made in growth and corporate projects during Q3 2013 totaled US\$ 90.7 million, a 309.8% increase if compared to the same period of the previous year. This is mainly due to the progress on projects such as the Silver Oxides Plant in Cerro de Pasco and the new Alparmarca – Rio Pallanga Unit.

IV. Analysis of Economic and Financial Results

1. Sales

For a proper understanding of the sales figure in the Company's Income Statement, it is worth noting 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 the metals that will be sold by Volcan, for the quotation periods of each sale transaction that remains open.

Likewise, from 2013 onward the impact of price hedging is reflected in sales figures. In the past, this impact was reported as options and hedging as part of the financial expenses figure. The sales figure for 2012 has been restated to allow a proper comparison.

Table 8: Concentrate Sales Volume (Dry MT)

| Concentrate Sales (Thousands Dry MT) | Jul - Sep 2013 | | | Jul - Sep 2012 | | | Var (%) Total |
|---|----------------|-------------|--------------|----------------|-------------|--------------|------------------|
| | Own | Third | Total | Own | Third | Total | |
| Zinc Concentrate | 154.4 | 24.9 | 179.2 | 137.7 | 8.6 | 146.3 | 23% |
| Lead Concentrate | 32.6 | 3.2 | 35.8 | 29.8 | 3.4 | 33.2 | 8% |
| Copper Concentrate | 3.1 | 6.8 | 9.9 | 2.1 | 5.1 | 7.2 | 37% |
| Bulk Silver Concentrate | 0.0 | | 0.0 | 3.8 | | 3.8 | -100% |
| Total | 190.1 | 34.8 | 225.0 | 173.4 | 17.1 | 190.5 | 18% |

| Concentrate Sales (Thousands Dry MT) | Jan - Sep 2013 | | | Jan - Sep 2012 | | | Var (%) Total |
|---|----------------|-------------|--------------|----------------|-------------|--------------|------------------|
| | Own | Third | Total | Own | Third | Total | |
| Zinc Concentrate | 386.7 | 47.8 | 434.5 | 423.7 | 29.4 | 453.0 | -4% |
| Lead Concentrate | 92.1 | 7.3 | 99.3 | 78.4 | 10.8 | 89.2 | 11% |
| Copper Concentrate | 12.8 | 25.1 | 38.0 | 8.4 | 11.3 | 19.7 | 93% |
| Bulk Silver Concentrate | 0.6 | | 0.6 | 11.3 | | 11.3 | -94% |
| Total | 492.3 | 80.1 | 572.4 | 521.8 | 51.5 | 573.3 | 0% |

Source: Volcan Cia. Minera S.A.A.

During Q3 2013, the consolidated concentrate volume sold increased by 18% if compared to the same period of 2012. Such an increase is mainly explained by the reduction in the Company's concentrate inventories, particularly Zinc concentrate, and 104% increase in third-party concentrate sales.

Zinc concentrate volumes sold increased by 23% in Q3 2013, from 146 thousand Dry MT in 2012 to 179 thousand Dry MT in 2013. On the other hand, Lead concentrate volumes sold increased by 8%, from 33 thousand Dry MT in 2012 to 36 thousand Dry MT in 2013. Likewise, Copper concentrate volumes sold increased by 37%, from 7 thousand Dry MT in 2012 to 10 thousand Dry MT in 2013.

The sale of third-party concentrate during Q3 2013 accounted for approximately 15.5% of the Company's total sales volume. Particularly with regard to Copper concentrate, third-party concentrate volumes sold represented 69% of the total volume. It should be highlighted that the margin on the sale of third-party concentrate is lower than the one obtained from the sale of the Company's own concentrate.

Table 9: Sales Breakdown in US Dollars

| Volcan Sales Millions US\$ | Jul - Sep 2013 | Jul - Sep 2012 | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 | Var (%) |
|----------------------------------|-------------------|-------------------|------------|-------------------|-------------------|------------|
| Prices | | | | | | |
| Zinc (US\$/TM) | 1,860 | 1,889 | -2% | 1,911 | 1,947 | -2% |
| Lead (US\$/TM) | 2,103 | 1,980 | 6% | 2,152 | 2,015 | 7% |
| Copper (US\$/TM) | 7,079 | 7,718 | -8% | 7,384 | 7,962 | -7% |
| Silver (US\$/Oz) | 21.4 | 29.9 | -28% | 24.9 | 30.7 | -19% |
| Sales without adjustments | 269.3 | 261.0 | 3% | 780.9 | 787.9 | -1% |
| Invoice adjustments | -18.1 | 4.6 | -492% | -24.1 | -5.2 | 367% |
| Sales adjustments | 7.6 | -1.1 | -786% | -0.3 | 8.6 | -103% |
| Implicit Derivate | 6.0 | 16.2 | -63% | -0.5 | 20.5 | -102% |
| Sales before Hedging | 264.8 | 280.7 | -6% | 756.0 | 811.8 | -7% |
| Hedging | 4.2 | -1.5 | 0% | 119.9 | 7.2 | 0% |
| Net Sales | 268.9 | 279.2 | -4% | 875.8 | 818.9 | 7% |

Source: Volcan Cia. Minera S.A.A.

Upon analyzing the sales figure before invoice adjustments, sales adjustments, implicit derivate and hedging, it is possible to observe that concentrate sales during Q3 2013 totaled US\$ 269.3 million, a 3% increase if compared to the sales of the same period in 2012 (US\$ 261.0 million). Such result may be explained by greater concentrate volumes sold and higher Lead prices (+6.2%), despite lower prices of Zinc (-1.6%), Silver (-28.3%), and Copper (-8.3%).

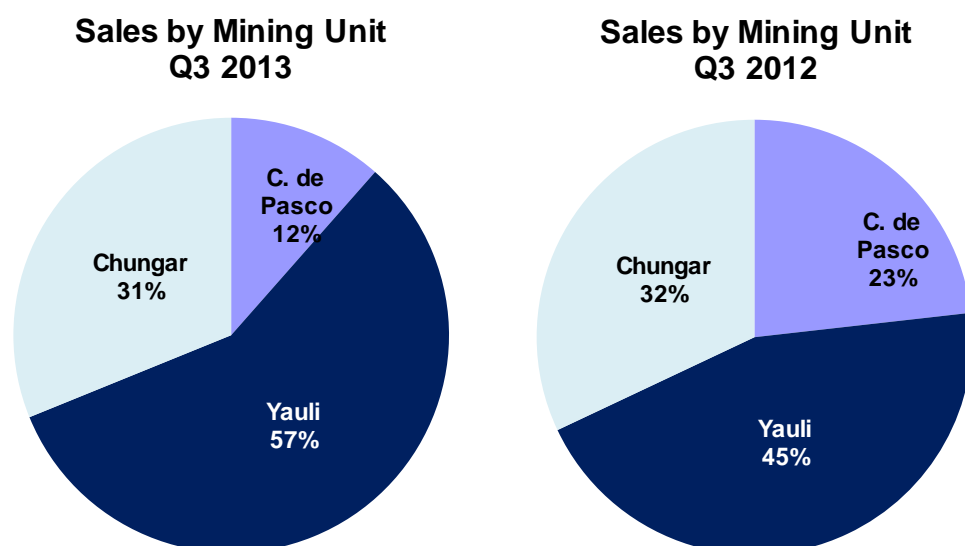
During Q3 2013, invoice adjustments, sales adjustments and implicit derivate represented a total negative adjustment of US\$ 4.5 million against the positive adjustment of US\$ 19.7 million for Q3 2012.

With regards to hedging during Q3 2013, it is possible to see a positive result of US\$ 4.2 million compared to the negative result of US\$ 1.5 million for the same period during 2012. Hedging during the third quarter of 2013 was mainly related to the sale of third-party concentrate.

Finally, taking into consideration concentrate sales, invoice adjustments, sales adjustments, implicit derivate and hedging results, net sales during Q3 2013 totaled US\$ 268.9 million, 4% lower than the net sales figure obtained during the same period in 2012 (US\$ 279.2 million).

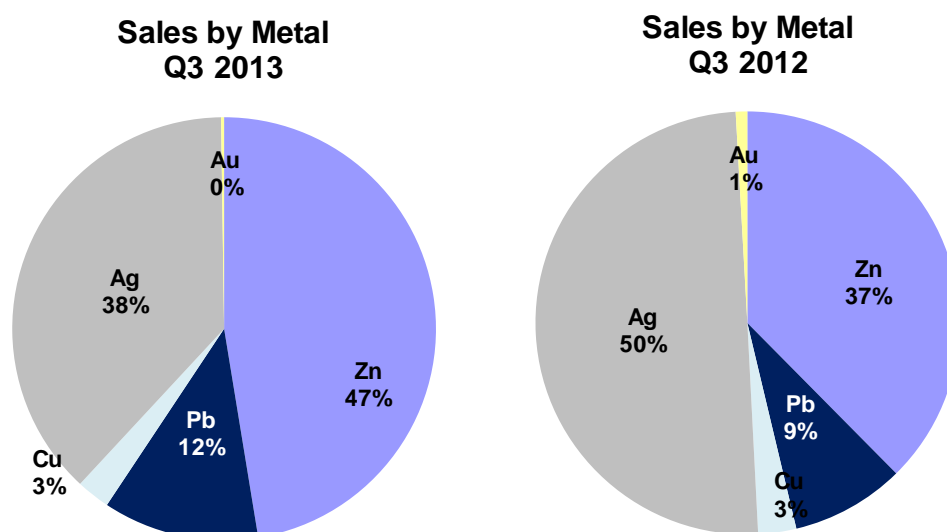
Regarding the breakdown in Company sales by Mining Unit, the decline in the share of Cerro de Pasco Unit as a consequence of reduced production is evident. During Q3 2013, the share of Cerro de Pasco Unit accounted for only 12% of consolidated total sales, while Yauli Unit continued having the largest share of the Company's sales with 57%, followed by Chungar Unit with 31%.

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



Considering the composition of sales by metal, as a result of the dramatic fall in the Silver price during Q3 2013, Zinc became once again the metal with the largest share of the Company's total sales with 47%. Silver is now ranked second with 38%, followed by Lead with 12%, Copper with 3%, and Gold with 0.2%.

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



2. Financial Results and Profitability

Table 10: Main items of Q3 Income Statement

| Income Statement Thousands US\$ | Jul - Sep 2013 | | Jul - Sep 2012 * | | Var (%) | Jan - Sep 2013 | | Jan - Sep 2012 * | | Var (%) |
|------------------------------------|-------------------|------------|---------------------|--------------|---------------|-------------------|------------|---------------------|------------|---------------|
| Sales | 268,910 | 100% | 279,185 | 100% | (3.7) | 875,787 | 100% | 818,885 | 100% | 6.9 |
| Cost of Goods Sold | (185,884) | -69% | (165,607) | -59% | 12.2 | (574,019) | -66% | (488,342) | -60% | 17.5 |
| Gross Profit | 83,026 | 31% | 113,578 | 40.7% | (26.9) | 301,768 | 34% | 330,543 | 40% | (8.7) |
| Administrative Expenses | (13,156) | -5% | (14,092) | -5% | (6.6) | (43,722) | -5% | (40,161) | -5% | 8.9 |
| Selling Expenses | (11,689) | -4% | (10,900) | -4% | 7.2 | (31,303) | -4% | (25,405) | -3% | 23.2 |
| Other Income/(Expenses) | (294) | 0% | 1,802 | 1% | (116.3) | 1,036 | 0% | 4,775 | 1% | (78.3) |
| Operating Earnings | 57,887 | 22% | 90,388 | 32% | (36.0) | 227,779 | 26% | 269,751 | 33% | (15.6) |
| Financial Income / Expenses | (5,356) | -2% | (6,916) | -2% | (22.6) | (10,974) | -1% | (25,646) | -3% | (57.2) |
| Taxes | (15,585) | -6% | (27,465) | -10% | (43.3) | (53,400) | -6% | (72,781) | -9% | (26.6) |
| Royalties | (3,676) | -1% | (5,417) | -2% | (32.1) | (13,759) | -2% | (14,823) | -2% | (7.2) |
| Net Profit | 33,270 | 12% | 50,590 | 18% | (34.2) | 149,646 | 17% | 156,501 | 19% | (4.4) |

Source: Volcan Cia. Minera S.A.A.

* Restated under IFRS

It may be observed that the gross profit in Q3 Income Statement declined by 26.9%, from US\$ 113.6 million in 2012 to US\$ 83.0 million in 2013. This is explained by lower sales margins due to the fall in the Silver price by 28.3% and by the negative effect of invoice adjustments from previous periods. It should be noted that no significant extraordinary items were recorded in the Income Statement during Q3 2013.

Operating profit for Q3 2013 reached US\$ 57.9 million against the US\$ 90.4 million reported in Q3 2012. Operating profit was affected by the 7.2% increase in selling expenses, due to greater sales volumes, higher transportation rates and higher storage costs at Callao Port. However, there was a noteworthy decline in administrative expenses by 6.6% as a result of the steps taken by the Company in order to mitigate the impact of falling metal prices.

It is worth noting that net finance expenses registered a decline during Q3 2013 as a result of the capitalization of the interest related to the portion of international bonds allocated to growth projects as from March 2013. This was partially offset given the negative effect of exchange-rate differences totaling US\$ 3.4 million during this quarter.

Finally, Q3 2013 net profit reached US\$ 33.3 million, a 34.2% decline with regards to the US\$ 50.6 million net profit obtained during Q3 2012.

Table 11: EBITDA*

| | Jul - Sep 2013 | Jul - Sep 2012 * | Var (%) | Jan - Sep 2013 | Jan - Sep 2012 * | Var (%) |
|-------------------------|-------------------|---------------------|---------|-------------------|---------------------|---------|
| EBITDA (Thousands US\$) | 82,514 | 119,718 | -31% | 315,886 | 357,676 | -12% |
| <i>EBITDA/Sales</i> | 31% | 43% | | 36% | 44% | |

Source: Volcan Cia. Minera S.A.A.

* EBITDA accumulated as of September 2013, excluding extraordinary items (such as extraordinary settlement of hedges during the second quarter and compensations related to personnel downsizing), totaled US\$ 256.3 million.

Q3 2013 EBITDA totaled US\$ 82.5 MM, a 31% decline if compared to EBITDA reported in a similar period of 2012. In addition, EBITDA margin (EBITDA/Sales) declined from 43% during Q3 2012 to 31% during Q3 2013.

In cumulative terms, EBITDA as of September 2013 reached US\$ 315.9 MM, a 12% decline with regard to EBITDA as of September 2012 (US\$ 357.7 MM). On the other hand, EBITDA margin declined from 44% in 2012 to 36% in 2013.

3. Liquidity and Creditworthiness

The operating cash flow generated by Volcan during Q3 2013 totaled US\$ 55.3 MM¹. In cumulative terms the operating cash flow generated from January to September totaled US\$ 213.2 MM.

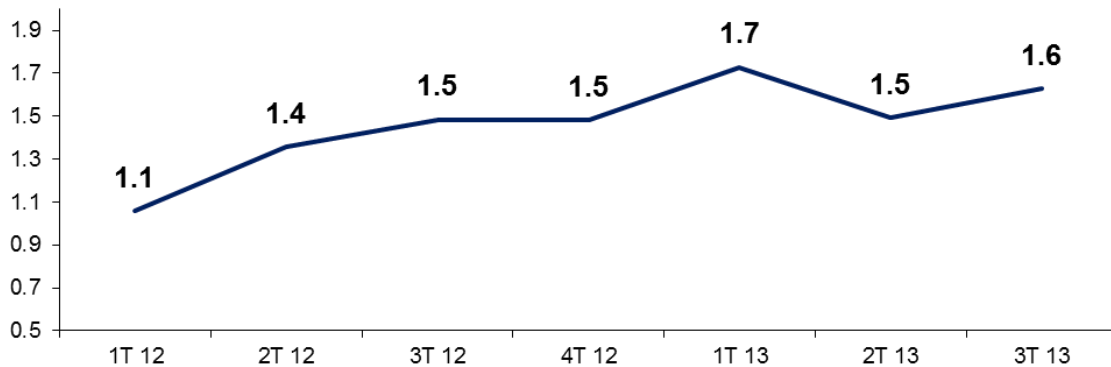
After all disbursements on investments, acquisitions, financial obligations and dividends accumulated from January to September 2013 the Company's cash balance changed from US\$ 575 MM at the end of 2012 to US\$ 300 MM at the end of September 2013. Such foreseen decline in the cash balance is related to the progress on growth projects such as the Oxides Plant in Cerro de Pasco and the new Alparmarca – Rio Pallanga Unit which will begin commercial production by Q1 2014.

Taking into account current debt levels and EBITDA for the last 12 months, excluding extraordinary items, Volcan's leverage ratio (Financial Debt / EBITDA) at the end of Q3 2013 was 1.6x.

The chart below shows the evolution of Financial Debt/EBITDA ratio.

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.

Chart 3: Financial Debt / EBITDA



V. Final Comments

1. There is no broad consensus among the international markets about the evolution of prices for the main metals produced by Volcan in the months to come. Accordingly, austerity in expenses and investments is essential for the Company in order to preserve its cash flow and continue bringing down its costs.
2. In this sense, during Q3 2013, the steps taken by Management in order to face the impact of falling metal prices produced significant positive results. As a result of such initiatives the consolidated unit cost of production for the third quarter declined by 15.3% and 20.9% if compared to Q2 and Q1 2013, respectively.
3. On the other hand, despite a 28.3% decline in the price of Silver, the Company's sales during Q3 2013 (before invoice adjustments, sales adjustments, implicit derivate and hedging) were higher than the sales reported in Q3 2012. This is explained by greater volume of concentrate sold due to the reduction in the Company's concentrate inventories and increased third-party concentrate.
4. Finally, it is worth noting that our most significant growth projects, the Silver Oxides Plant at Cerro de Pasco Unit and the new Alpamarca - Rio Pallanga Mining Unit will be completed by the beginning of the next year and the start of commercial production is expected by Q1 2014. Together these projects will produce approximately 8 MM ounces of Silver and additional Zinc and Lead concentrates.

Oxides Plant – Cerro de Pasco



Alpamarca Plant

