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

US$ Millions	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Sales	287.0	359.5	-20.2%	1,162.8	1,178.4	-1.3%
EBITDA	69.9	119.4	-41.5%	385.8	477.1	-19.2%
Net Profit	23.7	54.4	-56.4%	173.4	211.0	-17.8%

I. Executive Summary

During Q4 2013, metal prices in the international markets remained low and showed no sign of an upturn. Instead, the average price of silver was 36.4% lower than the price registered in Q4 2012, while zinc, lead, and copper prices also fell by 2.2%, 4.1%, and 9.6%, respectively. The adverse price environment had a strong negative impact on the Company's financial results for Q4 2013, and is the primary driver for the fall in total sales by 20.2%, EBITDA by 41.5%, and net profit by 56.4% compared to the results for the same period during the previous year. In addition, during Q4 2013, the Company registered a US$ 3.2 million extraordinary expenses related to an incentive program to reduce personnel at our Cerro de Pasco unit.

In annual terms, net sales declined by 1.3%, from US$ 1,178.4 million in 2012 to US$ 1,162.8 million in 2013. EBITDA fell in 2013 by 19.2% and net income fell by 17.8% compared to results from 2012. It is important to note that the sales figure for 2013 includes a negative adjustment of US$ 33.8 million due to open positions and liquidations. The 2013 sales figure also reflects a positive adjustment of US$ 127.3 million related to hedging results. Of the total hedging result for 2013, US$ 83.4 million are due to extraordinary income from the early settlement of hedging positions that took place in the second quarter. In addition, during 2013, US$19 million of extraordinary expenses were generated corresponding to incentive programs to reduce personnel mostly in Cerro de Pasco.

As noted in previous reports, in order to mitigate the impact of falling prices on its profitability margins, the Company put in place a cost and investment reduction plan. As a result of these initiatives, the Q4 2013 consolidated unit cost of production was reduced by 7.5% as compared to the consolidated unit cost of production in Q4 2012.

In terms of production, as compared to Q4 2012, consolidated production of fine tons of zinc and copper rose by 7.2% and 49.6%, respectively, while the consolidated production of fine tons of lead and silver ounces decreased by 13.4% and 6.5%, respectively. These results reflect the considerable efforts made by the Company in order to offset the reduced production at our Cerro de Pasco Unit that resulted from the planned stoppage of both the Raul Rojas Pit and silver pyrite flotation during December 2012. These stoppages largely explain the 65% reduction in the tonnage treated at the Cerro de Pasco Unit during Q4 2013 as compared to the tonnage treated during the same period of 2012. Halting these operations caused a significant increase in the unit cost of production at the Cerro de

Pasco unit. These two negative effects were mitigated by the initiatives put in place at all mining units to boost productivity, including the expansion of the Animon Plant (Chungar Unit) and the Andaychagua and Victoria Plants (Yauli Unit).

Regarding the Company's growth projects, it should be highlighted that the silver Oxide Plant at the Cerro de Pasco unit and the new Alpamarca-Río Pallanga unit are in their final stages of construction. Commercial production should begin towards the end of Q1 2014. Both projects will contribute approximately 8 million ounces of silver a year to our current production. The Alpamarca-Río Pallanga unit in particular will also contribute zinc, lead, and copper.

A brief analysis of the most significant operating and financial results for Q4 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 price and macroeconomic variables that impact Company results.

1. Average international prices for precious metals registered a significant decline during Q4 2013 compared to the same period during the previous year. In the case of silver (Ag) and gold (Au), prices fell by 36.4% and 26.0%, respectively, while the prices for base metals such as zinc (Zn), lead (Pb), and copper (Cu) declined by 2.2%, 4.1%, and 9.6%, respectively.

Table 1: Average prices

	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Zn (US$/MT)	1,909	1,951	(2.2)	1,910	1,948	(1.9)
Pb (US$/MT)	2,112	2,203	(4.1)	2,142	2,062	3.9
Cu (US$/MT)	7,153	7,909	(9.6)	7,326	7,949	(7.8)
Ag (US$/Oz)	20.8	32.7	(36.4)	23.9	31.2	(23.5)
Au (US$/Oz)	1,273	1,720	(26.0)	1,412	1,670	(15.5)

Source: Metals Week – Platts

2. The average exchange rate during Q4 2013 was S/. 2.785 per U.S. Dollar, which reflects a 7.7% depreciation of the Nuevo Sol when compared to the average rate during Q4 2012 (S/. 2.585 per U.S. Dollar).

   Source: bcrp.gob.pe

3. Brent Crude oil average price during 2013 reached US$ 108.7 per barrel, a figure that represents a 2.7% decrease when compared to the average quote during 2012 (US$ 111.7 per barrel).

   Source: Bloomberg

4. Inflation, measured based on the variations in the Consumer Price Index and annualized as of December 31, 2013 reached 2.86%. The Wholesale Price Index registered an annual increase of 1.55%.

Source: bcrp.gob.pe

5. From January to December 2013, the domestic production of copper, zinc, silver, and lead rose by 5.9%, 5.5%, 5.6%, and 6.9%, respectively, as compared to the same period during the previous year. Gold production, on the other hand, declined by 6.2% when compared to production in 2012.

Table 2: Peruvian metal production

Production (Fines)	Unit	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Copper	MT	1,375,641	1,298,761	5.9
Gold	Kg	151,486	161,545	(6.2)
Zinc	MT	1,351,273	1,281,282	5.5
Silver	Kg	3,674,283	3,480,857	5.6
Lead	MT	266,472	249,236	6.9

Source: Peru Ministry of Energy and Mines

III. Analysis of Operating Results

1. Production

Table 3: Treated ore (Thousands of MT)

Unit	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Yauli	957	903	6.0	3,743	3,550	5.4
Cerro de Pasco	223	636	(65.0)	840	2,656	(68.4)
Chungar	492	425	15.7	1,827	1,621	12.7
Total Volcan	**1,672**	**1,965**	**(14.9)**	**6,410**	**7,826**	**(18.1)**

Source: Volcan Cía. Minera S.A.A.

During Q4 2013, the volume of ore treated at the Chungar and Yauli Mining units increased by 15.7% and 6.0%, respectively, compared to the volume treated during Q4 2012. These results are explained by a 20% increase in the production capacity of the Animon Plant (Chungar Unit) to 5,200 TPD, completed in January 2013 and by the expansion of Victoria and Andaychagua plants located in Yauli Unit, which allowed the total treatment capacity of the Yauli unit to increase by 9%, surpassing 10,500 TPD.

During Q4 2013 production volume at the Cerro de Pasco Unit registered a 65% decline when compared to the same period during 2012, mainly due to the stoppage of operations at the Raul Rojas open pit and the completion of silver pyrite flotation testing stage during December 2012. The restructuring of the Paragsha underground mine also decreased production at this unit. The Cerro de Pasco unit is undergoing a transformation, the main components of which include the construction a the silver oxide plant, which is expected to start up towards the end of Q1 2014; the metallurgical feasibility studies for the treatment of silver pyrites, and the evaluation of new projects in the West Wall of the Raul Rojas open pit.

The aforementioned increases in treatment volumes at the Chungar and Yauli units partially offset the production decline at Cerro de Pasco. However, the consolidated volume treated during Q4 2013 registered a 14.9% decline when compared to the same period during the previous year, from 1.96 million MT in 2012 to 1.67 million MT in 2013. In annual terms, the volume of treated ore declined by 18.1%, from 7.83 million MT in 2012 to 6.41 million MT in 2013.

Table 4: Production of fines

Unit	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Zinc (FMT)						
Yauli	40,982	40,865	0.3	158,656	153,789	3.2
Cerro de Pasco	4,441	4,566	(2.7)	19,198	45,811	(58.1)
Chungar	27,915	22,983	21.5	101,780	96,908	5.0
Vinchos**	0	0		0	0	
Alpamarca**	0	0		0	0	
Total Volcan	**73,338**	**68,414**	**7.2**	**279,634**	**296,508**	**(5.7)**
Lead (FMT)						
Yauli	7,514	9,440	(20.4)	31,411	30,648	2.5
Cerro de Pasco	2,147	2,881	(25.5)	9,125	18,520	(50.7)
Chungar	6,914	6,814	1.5	26,898	23,325	15.3
Vinchos**	0	0		0	0	
Alpamarca**	0	0		0	0	
Total Volcan	**16,576**	**19,135**	**(13.4)**	**67,434**	**72,494**	**(7.0)**
Silver (000 oz)						
Yauli	2,724	2,917	(6.6)	10,794	11,091	(2.7)
Cerro de Pasco	872	1,425	(38.8)	2,936	5,495	(46.6)
Chungar	1,813	1,445	25.4	7,016	5,443	28.9
Vinchos**	0	0		0	0	
Alpamarca**	0	0		0	0	
Total Volcan	**5,409**	**5,788**	**(6.5)**	**20,746**	**22,029**	**(5.8)**
Copper (FMT)						
Yauli	627	352	77.9	1,943	1,663	16.8
Cerro de Pasco	10	0		10	0	
Chungar	380	327	16.0	1,294	1,141	13.5
Vinchos**	0	0		0	0	
Alpamarca**	0	0		0	0	
Total Volcan	**1,017**	**680**	**49.6**	**3,248**	**2,804**	**15.8**

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

Consolidated production of zinc fines during Q4 2013 increased by 7.2% as compared to the same period of 2012. Higher average grades and greater tonnage resulted in an increase of zinc production at Chungar of 21.5%, while greater tonnage treated at Yauli explains the 0.3% increase in zinc production at this unit. These positive results largely offset the 2.7% decline registered in the production of zinc at the Cerro de Pasco unit.

Meanwhile, the consolidated production of lead fines during Q4 2013 declined by 13.4%, as compared to Q4 2012 production. The decline in the production of lead at Cerro de Pasco was 25.5% due to lower volumes of treated tonnage, whereas the production at Yauli decreased by 20.4% due to lower average treatment grades. On the other hand, the Chungar Unit registered a 1.5% increase in the production of lead as a result of larger volumes of treated tonnage.

Consolidated production of silver ounces during Q4 2013 decreased by 6.5% in comparison to the same period during the previous year. Despite a 25.4% increase at the Chungar unit, mainly due to larger tonnage treated and higher average silver grades, such positive results could not completely offset lower production of silver at the Yauli and Cerro de Pasco units (6.6% and 38.8%, respectively).

The production of copper fines rose by 49.6% during Q4 2013 when compared to Q4 2012. In the case of the Yauli (+77.9%) and Chungar (+16%) units, increased production of copper was mainly due to larger tonnage treated and improved ore recoveries.

In annual terms, production of zinc and lead fines in 2013 decreased by 5.7% and 7.0%, respectively, while production of silver ounces decreased by 5.8%. On the other hand, copper fines produced rose by 15.8%.

It should be noted that the Silver Oxides Plant located in Cerro de Pasco Unit, and the Alpamarca Plant located in the new Alpamarca – Rio Pallanga Unit, will be operational towards the end of Q1 2014. Both projects will increase Volcan's production of silver by approximately 8 million ounces a year. The Alpamarca-Río Pallanga unit will also contribute additional production of zinc, lead, and copper.

2. Operating Costs

From the beginning of Q2 2013, the Company put in place a number of initiatives in order to reduce production costs at all mining units, which partially compensated for the impact of falling metal prices on our profitability margins. Among the initiatives implemented, we highlight the changes and improvements in mining methods to boost productivity, the revision of the number and scope of services provided by specialized contractors, the renegotiation of prices of principle raw materials, the reduction of administrative expenses in mining units, among others. Moreover, the Company implemented an incentive program for the downsizing of our workforce, which was well received.

Table 5: Absolute Cost of Production (US$ million)*

Production Cost (US$ Millions)	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Yauli	60.8	63.2	(3.7)	236.9	226.2	4.7
Cerro de Pasco **	12.7	25.4	(50.0)	54.1	107.3	(49.5)
Chungar	29.1	30.0	(3.2)	111.8	102.8	8.7
Vinchos	2.7	2.6	3.4	9.4	9.0	5.5
Total Volcan	**105.4**	**121.3**	**(13.1)**	**412.3**	**445.2**	**(7.4)**

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

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

Cost per Ton (US$/MT)	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Yauli	64.9	72.7	(10.7)	66.2	65.8	0.7
Cerro de Pasco **	83.1	56.0	48.3	96.3	41.1	134.5
Chungar	55.6	67.1	(17.2)	56.9	59.9	(5.1)
Vinchos	52.3	85.2	(38.6)	50.1	64.4	(22.2)
Total Volcan	**65.4**	**70.7**	**(7.5)**	**67.6**	**57.2**	**18.2**

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

* The production cost reported excludes concentrate and third-party ore purchase costs, as well as extraordinary costs referred to severance payments.

** Cerro de Pasco Unit production cost for 2012 was recalculated so as to include the silver pyrite ore treated at the San Expedito Plant. In addition, Volcan's consolidated production cost for 2012 was recalculated to include the transportation cost of inter-company metal sales.

At our Yauli operation, the Q4 2013 unit cost of production declined by 10.7%, from 72.7 US$/MT in 2012 to 64.9 US$/MT in 2013. The main factors that explain this cost reduction are the expansions of the Andaychagua and Victoria concentrating plants, the increased use of longhole drilling in the mines, and the cost-reduction program implemented because of falling metal prices.

In addition, during Q4 2013, the Chungar unit realized a 17.2% decrease in its unit cost of production, from 67.1 US$/MT in 2012 to 55.6 US$/MT in 2013. Such cost reduction is mainly explained by the greater tonnage treated due to the expansion of the Animon plant – from 4,200 TPD to 5,200 TPD –, the increased ore contribution from our Islay mine, which has a lower mining cost, a lower mining cost at the Animon mine due to greater contribution from the use of longhole drilling, and the cost-reduction steps put in place due to falling metal prices. It should be noted that the Jacob Timmers Shaft should be operating at full capacity during the first quarter of 2014, thus allowing an additional reduction in transportation costs and an overall improvement in efficiency at the Animon mine.

Regarding the Cerro de Pasco unit, the mining stoppage of Raul Rojas Open Pit in addition to the stoppage of the silver pyrites flotation testing in late 2012, led to a significant reduction in the treatment volume at this production unit and caused an increase in its unit cost of production given the extent of its fixed costs. To manage this situation, an aggressive cost-reduction program was implemented during 2013 that involved a successful labor downsizing plan, a reduction in energy cost by implementing temporary power outages and optimizing consumption during off-peak hours when energy is cheaper, and the implementation of the cost-reduction measures applied in all mining units. Such initiatives reduced Q4 2013 absolute production costs by 50.0%, from US$ 25.4 million in 2012 to US$12.7 million in 2013. In unit terms, cost increased by 48.3%, from 56.0 US$/MT in 2012 to 83.1 US$/MT in 2013.

It is worth highlighting the 38.6% decrease in the mining unit cost at the Vinchos unit, from 85.2 US$/MT in 2012 to 52.3 US$/MT in 2013, was mainly the result of higher tonnage mined and shipped to the Cerro de Pasco unit in order to be treated in San Expedito concentrating plant.

Accordingly, the consolidated absolute cost of production during Q4 2013 declined by 13.1%, from US$ 121.3 million in 2012 to US$ 105.4 million in 2013. Meanwhile, the consolidated unit cost of production declined by 7.5%, from 70.7 US$/MT in 2012 to 65.4 US$/MT in 2013.

In annual terms, consolidated absolute cost declined by 7.4%, from US$ 445.2 million in 2012 to US$ 412.3 million in 2013. However, the consolidated unit cost rose by 18.2% given the significant increase in the unit cost at our Cerro de Pasco operation. Note that cost-reduction measures that began in the second quarter, were fully implemented during Q3 2013.

It is also important to note that the unit cost of production at our Silver Oxides and Alpamarca–Rio Pallanga projects is expected to be lower than the consolidated unit cost of our current operations.

3. Investments

Table 7: Investments*

US$ (thousands)	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Investments in Mining Units	57,153	72,541	(21.2)	204,467	231,751	(11.8)
Regional Explorations	2,239	2,632	(14.9)	8,249	12,464	(33.8)
Growth Projects and Others	121,217	33,864	258.0	321,700	81,270	295.8
Total	**180,609**	**109,037**	**65.6**	**534,416**	**325,485**	**64.2**

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

* The total investment 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, and municipal agreements, among others; and excludes investments made at Vichaycocha.

During Q4 2013, total investments made by Volcan in fixed and intangible assets amounted to US$ 180.6 million, a figure that represents a 65.6% increase as compared to the investments made in the same period of the previous year (US$ 109.0 million). Such an increase is explained by large planned disbursements made on growth projects such as the oxides plant in Cerro de Pasco and the new Alpamarca – Rio Pallanga mining unit.

One should consider that investments made in operating units during Q4 2013 decreased by 21.2%, from US$ 72.5 million in 2012 to US$ 57.2 million in 2013, mainly due to the streamlining of operating investments as a preventive measure adopted to preserve the Company's cash flow affected by the fall in metal prices. The main operating investments made during the period were as follows: US$ 17.0 million in local exploration and development, 23.8% lower than the US$ 22.3 million reported in Q412; US$ 19.2 million in plants and tailings storage facilities, 34.5% higher than the US$ 14.3 million reported in Q412; US$ 10.6 million in mine infrastructure and operating projects, 53.5% lower than the US$ 22.9 million reported in Q412 (this includes the construction of the Jacob Timmers Shaft in Chungar and the Roberto Letts Shaft in Andaychagua); US$ 4.9 million in environment and support areas, 32.9% lower than the US$ 7.3 million reported in Q412; US$ 5.5 million in energy projects, 3.5% lower than the US$ 5.7 million reported in Q412.

On the other hand, investments made in regional exploration (early-stage prospects) during Q4 2013 totaled US$ 2.2 million, a 14.9% decline compared with the same period during the previous year. One should note that, with metal prices falling, such explorations were focused on those prospects with the highest potential within the Company's portfolio, such as Zoraida, Palma, and Rio Pallanga Northeast. Diamond drilling during 2013 totaled 30,000 meters.

Investments made in growth and corporate projects during Q4 2013 totaled US$ 121.2 million, a 258% increase compared to the same period during the previous year. This investment is reflected in the progress on projects such as the Silver Oxides Plant in Cerro de Pasco and the new Alpamarca – Rio Pallanga unit.

With regard to investments in energy growth projects, it is worth noting the significant progress in the construction of the 220 kV Paragsha–Francoise Transmission Line and the 50 kv Francoise–Animon Transmission Line. Such projects will allow the Company to meet the growing demand for power at our Chungar and Alpamarca-Rio Pallanga units and represent an investment of approximately US$ 25 million. In addition, Rucuy (20 MW) and Chancay II (30 MW) hydroelectric power plants, located in Chancay river basin, are currently under development. Their startup is expected between 2016 and 2017, respectively.

Total investments made by Volcan during 2013 were US$ 534.4 million, a 64.2% increase with regard to the investments made during 2012 (US$ 325.5 million). A significant decline in investments is expected for 2014 given the imminent completion of growth projects such as Silver Oxides and Alpamarca-Rio Pallanga.

IV. Analysis of Economic and Financial Results

1. Sales

Table 8: Concentrate Sales Volume (Dry MT)

Concentrate Sales (Thousands Dry MT)	Oct - Dec 2013			Oct - Dec 2012			Total Chg. (%)
	Own	Third	Total	Own	Third	Total	
Zinc Concentrate	137.8	43.0	180.8	130.3	35.2	165.5	9%
Lead Concentrate	29.7	10.3	40.0	41.4	5.2	46.7	-14%
Copper Concentrate	5.4	10.6	16.1	3.3	5.2	8.6	87%
Bulk Silver Concentrate	0.1		0.1	3.7		3.7	-98%
Total	**173.0**	**63.9**	**236.9**	**178.8**	**45.7**	**224.5**	**6%**

Concentrate Sales (Thousands Dry MT)	Jan - Dec 2013			Jan - Dec 2012			Total Chg. (%)
	Own	Third	Total	Own	Third	Total	
Zinc Concentrate	524.6	90.7	615.3	554.0	64.5	618.6	-1%
Lead Concentrate	122.1	17.2	139.3	119.8	16.1	135.9	3%
Copper Concentrate	18.3	35.8	54.0	11.8	16.5	28.3	91%
Bulk Silver Concentrate	0.7		0.7	15.0		15.0	-95%
Total	**665.6**	**143.7**	**809.3**	**700.7**	**97.1**	**797.8**	**1%**

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

During Q4 2013, the total volume of concentrate sold increased from 225 thousand Dry MT to 237 thousand Dry MT or 6% when compared to the same period during 2012. In annual terms, the total volume of concentrate sold grew by 1%, from 798 thousand Dry MT in 2012 to 809 thousand Dry MT in 2013. Third-party concentrate sales represented 27% of our total sales volume during Q4 and 18% for calendar year 2013. It must be noted that the margin on the sale of third-party concentrate is lower than the margin obtained from the sale of the Company's own concentrate. Therefore, even though total gross profit increased, gross margin is lower due to the increase in the sale of third-party concentrate.

With regard to total sales by concentrate type during Q4 2013, it should be noted that zinc concentrate volumes sold grew by 9%, from 166 thousand Dry MT in 2012 to 181 thousand Dry MT in 2013. Likewise, copper concentrate volumes sold rose by 87%, from 9 thousand Dry MT in 2012 to 16 thousand Dry MT in 2013. Finally, lead concentrate volumes sold fell by 14%, from 47 thousand Dry MT in 2012 to 40 thousand Dry MT in 2013.

Regarding sales in US Dollars, it is important to mention that, beginning in 2013, the impact of price hedging is included in the sales figures. In the past, the effect of derivatives was reported as options and hedging as part of the financial expenses. The sales figures for 2012 were restated to allow for proper comparison.

Likewise, it is worth noting that, under International Financial Reporting Standards (IFRS), the Company must 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 sold by Volcan for the quotation periods of each sale transaction that remains open.

Table 9: Sales Breakdown in US Dollars

Volcan Sales Millions US$	Oct - Dec 2013	Oct - Dec 2012	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012	Chg. (%)
Prices						
Zinc (US$/MT)	1,909	1,951	-2%	1,910	1,948	-2%
Lead (US$/MT)	2,112	2,203	-4%	2,142	2,062	4%
Copper (US$/MT)	7,153	7,909	-10%	7,326	7,949	-8%
Silver (US$/Oz)	20.8	32.7	-36%	23.9	31.2	-23%
Sales without adjustments	**288.4**	**360.3**	**-20%**	**1,069.3**	**1,148.0**	**-7%**
Invoice adjustments	-9.9	5.0		-34.1	0.0	
Sales adjustments	-4.6	-4.8	-4%	-4.9	3.8	
Implicit Derivate	5.7	-11.5		5.2	9.0	-42%
Sales before hedging	**279.6**	**349.1**	**-20%**	**1,035.6**	**1,160.7**	**-11%**
Hedging	7.4	10.5		127.3	17.6	
Net Sales	**287.0**	**359.5**	**-20%**	**1,162.8**	**1,178.4**	**-1%**

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

Upon analyzing the sales figure before invoice adjustments, sales adjustments, implicit derivative and hedging, it may be observed that concentrate sales during Q4 2013 totaled US$ 288.4 million, a 20% decrease if compared to the sales figure for the same period of 2012 (US$ 360.3 million). Such result is mainly explained by lower metal prices, particularly for silver (-36.4%).

During Q4 2013, invoice adjustments, sales adjustments and the implicit derivative represented a total negative adjustment of US$ 8.8 million compared to the negative adjustment of US$ 11.2 million for Q4 2012.

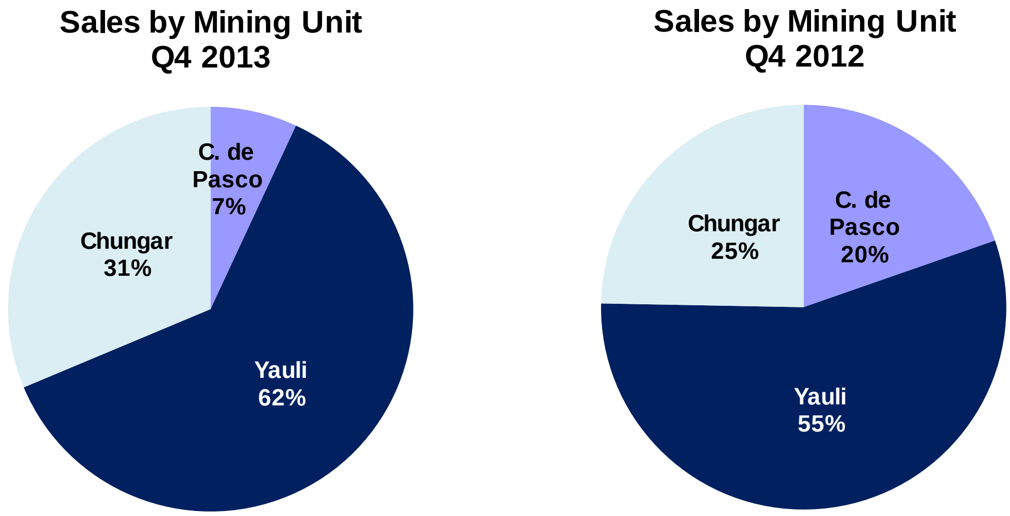
With regard to hedging during Q4 2013, it is possible to observe a positive result of US$ 7.4 million, compared to the positive result of US$ 10.5 million for the same period of the previous year. Hedging during Q4 2013 was mainly related to the sale of third-party concentrate.

Finally, taking into consideration concentrate sales, invoice adjustments, sales adjustments, and hedging results, net sales during Q4 2013 totaled US$ 287.0 million, 20% lower than the net sales figure obtained during the same period of 2012 (US$ 359.5 million).

In annual terms, net sales for 2013 totaled US$ 1,162.8 million, a 1% decline if compared to the sales figure for 2012 (US$ 1,178.4 million). It is worth noting that net sales for 2013 include a negative adjustment of US$ 33.8 million due to open positions and liquidations and a positive adjustment of US$ 127.3 million related to hedging. It should be borne in mind that, out of the total hedging result for 2013, US$ 83.4 million is due to extraordinary income from the early settlement of hedging positions that took place in the second quarter.

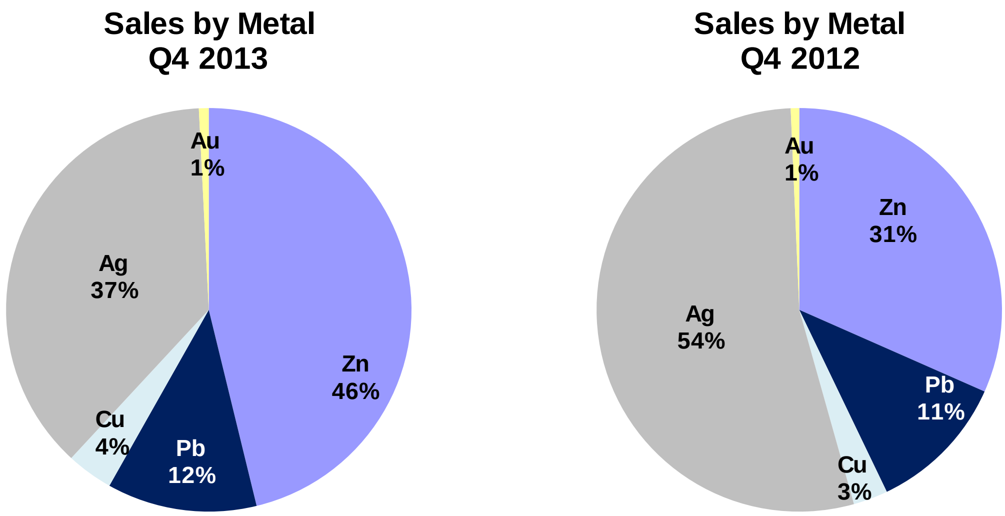
Regarding the breakdown of the Company's sales by Mining Unit, the decline in the share of Cerro de Pasco unit in total sales becomes evident as a consequence of the fall in its production volume. During Q4 2013, the share of the Cerro de Pasco unit accounted for only 7% of the consolidated total sales, while the Yauli unit continued to contribute the largest share of the Company's sales with 62%, followed by Chungar unit with 31%.

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



With regards to the composition of sales by metal, as a result of the dramatic fall in the silver price during Q4 2013, zinc became once again the metal with the largest share of the Company's total sales with 46%. Silver is now ranked second with 37%, followed by lead with 12%, copper with 4%, and gold with 1%.

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



2. Financial Results and Profitability

Table 10: Main items of the Q4 2013 Income Statement

Income Statement Thousands US$	Oct - Dec 2013		Oct - Dec 2012 *		Chg. (%)	Jan - Dec 2013		Jan - Dec 2012 *		Chg. (%)
Sales	287,035	100%	359,516	100%	(20.2)	1,162,823	100%	1,178,403	100%	(1.3)
Cost of Goods Sold	(217,414)	-76%	(248,225)	-69%	(12.4)	(791,433)	-68%	(736,567)	-63%	7.4
Gross Profit	**69,621**	**24%**	**111,291**	**31%**	**(37.4)**	**371,390**	**32%**	**441,836**	**37%**	**(15.9)**
Administrative Expenses	(17,092)	-6%	(18,738)	-5%	(8.8)	(60,813)	-5%	(58,898)	-5%	3.3
Selling Expenses	(14,971)	-5%	(10,471)	-3%	43.0	(46,274)	-4%	(35,876)	-3%	29.0
Other Income/(Expenses)	2,594	1%	5,341	1%	(51.4)	3,630	0%	10,115	1%	(64.1)
Operating Earnings	**40,152**	**14%**	**87,423**	**24%**	**(54.1)**	**267,933**	**23%**	**357,177**	**30%**	**(25.0)**
Financial Income/(Expenses)	(1,134)	0%	169	0%	(771.2)	(12,109)	-1%	(25,479)	-2%	(52.5)
Taxes	(11,972)	-4%	(24,695)	-7%	(51.5)	(65,372)	-6%	(97,475)	-8%	(32.9)
Royalties	(3,332)	-1%	(8,450)	-2%	(60.6)	(17,092)	-1%	(23,273)	-2%	(26.6)
Net Profit	**23,714**	**8%**	**54,447**	**15%**	**(56.4)**	**173,360**	**15%**	**210,950**	**18%**	**(17.8)**

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

* Restated under IFRS.

The Q4 2013 Income Statement reports a 37.4% decline in gross profit from US$ 111.3 million in 2012 to US$ 69.6 million in 2013. Such a decline is mainly explained by lower sales margins due to falling metal prices, particularly the price of silver, which fell by 36.4%. In addition, during Q4 2013, the Company registered a US$ 3.2 million extraordinary expense related to the incentive program to reduce personnel at our Cerro de Pasco unit.

Q4 2013 operating profit reached US$ 40.2 million versus US$ 87.4 million reported in Q4 2012. It is worth noting the decline in administrative expenses by 8.8% as a result of the measures implemented by the Company in order to mitigate the impact of falling metal prices. However, selling expenses rose by 43.0% mainly due to greater sales volumes in addition to higher transportation rates and higher freight and storage costs.

Due to lower profits in Q4 2013, income tax and royalties fell by 51.5% and 60.6%, respectively, as compared to Q4 2012. Net profit for the quarter was US$ 23.7 million, a 56.4% decline when compared to the US$ 54.4 million of net profit in the final quarter of 2012.

For the year, gross profit declined 15.9%, from US$ 441.8 million in 2012 to US$ 371.4 million in 2013. In particular, operating profit fell by 25.0%, from US$ 357.2 million in 2012 to US$ 267.9 million in 2013. Net profit for 2013 was US$ 173.4 million, a 17.8% decline when compared to net profits of US$ 210.9 in 2012. Such declines are mainly explained by the fall in metal prices, particularly the average silver price that fell by 23.5% year–over-year. In addition, during 2013 US$ 19 million of extraordinary expenses were generated corresponding to incentive programs to reduce personnel mostly in Cerro de Pasco.

Table 11: EBITDA*

	Oct - Dec 2013	Oct - Dec 2012 *	Chg. (%)	Jan - Dec 2013	Jan - Dec 2012 *	Chg. (%)
EBITDA (millions US$)	69.9	119.4	-42%	385.8	477.1	-19%
EBITDA / Sales	24%	33%		33%	40%	

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

* EBITDA for 2013, excluding extraordinary items (such as extraordinary settlement of hedges during the second quarter and compensations related to personnel downsizing), totaled US$ 329.5 millions

Q4 2013 EBITDA totaled US$ 69.9 million, a 42% decline compared to EBITDA reported in Q4 2012. The result is mainly explained by the fall in metal prices. EBITDA margin (EBITDA/Sales) declined from 33% during Q4 2012 to 24% during Q4 2013 due to lower prices and a greater share of third-party concentrate volumes in the total sales.

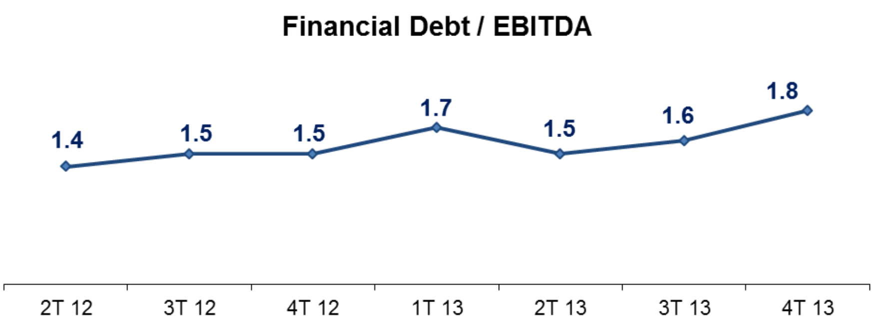
In cumulative terms, EBITDA as of December 2013 reached US$ 385.8 million, a 19% decline with regard to EBITDA as of December 2012 (US$ 477.1 million). In addition, EBITDA margin declined from 40% in 2012 to 33% in 2013.

3. Liquidity and Creditworthiness

During Q4 2013, cash flow generated by Volcan before investments and funding activities totaled US$ 69.1 million[1]. In annual terms, cash flow generated for 2013 totaled US$ 282.2 million[1].

The operating cash flow generated, together with the balance of the proceeds resulting from Company bonds, enabled investments and acquisitions to continue uninterrupted during the period, including meeting all financial obligations and dividend payments, leaving a US$ 182.9 million cash balance at the end of 2013. A significant decline in investments is expected for 2014 given the completion of projects such as the Oxides Plant and the Alpamarca – Rio Pallanga unit. Moreover, the beginning of production from these projects towards the end of Q1 2014 will facilitate the strengthening of cash-flow generation for the Company. Taking into account current debt levels and total EBITDA for the last 12 months ending December 31, 2013, Volcan's leverage ratio (Financial Debt / EBITDA) was 1.8x.

Chart 3: Evolution of Leverage Ratio (Financial Debt / EBITDA)



[1] The operating cash flow generated shown in this document differs from that which is reported in the Statement of Cash Flow as cash from operating activities because the latter includes other items such as advances and investments made in Vichaycocha.

V. Final Comments

- Metal prices continued their unfavorable trend during Q4 2013, particularly the price of silver. Likewise, uncertainty surrounds the international markets as to the behavior of commodity prices during 2014. In this environment, Volcan remains committed to continue searching for and implementing initiatives in order to boost productivity and reduce costs at all levels. Examples of this commitment are the cost-reduction measures implemented in 2013 that fostered a significant reduction in the unit cost of production by 7.5% during Q4 2013 compared to the unit cost reported in Q4 2012.

- Lower production volume at the Cerro de Pasco unit during 2013 caused by the stoppage of production at the open pit and the end of silver pyrite flotation testing since December 2012 was largely offset by greater production achieved at our Yauli and Chungar units. Higher production was achieved from enhanced mine productivity at both units and the expansion of Victoria and Andaychagua concentrating plants in Yauli and the Animon Plant at Chungar. Our Cerro de Pasco Unit is undergoing a transformation that involves future operations that are different than the current ones, among which we highlight the Silver Oxides and Silver Pyrite projects, in addition to other projects in the West Wall of the Raul Rojas open pit.

- There is noteworthy progress with our exploration activities. During 2013, investments made in exploration focused on our highest-potential prospects and entailed the completion of 30,000 meters of diamond-drill holes. As a result, Rio Pallanga and Islay moved to the mine-development stage, while Oyama moved to the feasibility stage. In addition, Zoraida and Palma resources were delimited and exploration began at Carhuacayan.

- With regard to Volcan's strategy of investing in its own energy generation to guarantee supply to its mining operations and to achieve cost efficiency, it is worth noting that development of the Rucuy (20 MW) and Chancay II (30 MW) hydroelectric power plant projects located in Chancay River Basin has begun. Both plants should come on line in 2016 and 2017, respectively. In addition, the 220 kV Paragsha–Francoise Transmission Line and the 50 kv Francoise–Animon Transmission Line projects represent an investment of approximately US$ 25 million and are nearing completion. Both lines will allow the Company to meet the growing power demands of our Chungar and Alpamarca-Rio Pallanga units.

- Finally, it is important to note that the Company's EBITDA and cash flow generation for 2014 will be strengthened due to the startup of the silver Oxides Plant in Cerro de Pasco and the new Alpamarca – Rio Pallanga unit. Both projects are expected to begin commercial operations towards the end of Q1 2014, and are expected to produce approximately 8 million ounces of silver on an annual basis. In addition, Alpamarca – Rio Pallanga will produce additional zinc, lead, and copper concentrates.

Oxides Plant – Cerro de Pasco

Panoramic View

Thickeners

Cyanide Destruction

Alpamarca Plant

Panoramic View

Grinding

Flotation