Volcan Compañia Minera S.A.A. and Subsidiaries
Management Discussion and Analysis
Third Quarter 2014

Principal Results:

	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Operating Results								
Mineral treatment (thousand MT)	1,565	1,832	1,844	1,687	9.3	5,241	4,738	10.6
Zinc Production (thousand FMT)	65.0	68.2	74.4	76.3	-2.5	207.6	206.3	0.6
Lead Production (thousand FMT)	13.1	15.1	14.4	17.9	-19.8	42.6	50.9	-16.2
Silver Production (thousand Oz)	4,571	5,820	6,010	5,262	14.2	16,401	15,337	6.9
Unit Cost (USD/MT)	66.1	63.5	63.5	59.7	6.3	64.2	68.4	-6.0
Total Investments (MM USD)	103.8	92.0	80.2	153.6	-47.8	275.9	353.8	-22.0
Financial Results (MM USD)								
Sales before adjustments[1]	243.5	274.8	284.2	268.5	5.8	802.4	780.9	2.8
Net sales[2]	244.4	278.9	271.4	268.9	0.9	794.8	875.8	-9.2
EBITDA	56.4	73.5	70.7	82.5	-14.3	200.6	315.9	-36.5
Net profit	10.1	20.4	16.0	33.3	-51.8	46.5	149.6	-68.9

[1] Adjustments: i) settlement of prior period adjustments , ii) adjustments for open positions (embedded derivative and sales adjustments), iii) hedging results

[2] For January to September 2013 period includes income from hedging for $ 119.9 MM

Source: Volcan Cia. Minera

1. Executive Summary

1.1. Production

Volcan's consolidated production during 2014 shows a positive evolution. The volume of ore treated in our concentrating plants and the production of zinc and silver has increased quarter over quarter.

During 3Q14, treatment volumes increased by 9.3% compared to the same period from the previous year, mainly explained by the contribution of the new Alpamarca mining unit, which partially offsets the expected decline in production from the Cerro de Pasco unit.

The additional production from Alpamarca, the increased production from the Yauli unit and the contribution from the Oxides Plant, in its operational-adjustment stage, resulted in silver production growth of 14.2%, compared to 3Q13. The production of fine zinc and lead declined by 2.5% and 19.8%, respectively when compared to 3Q13, mainly due to lower production from the Cerro de Pasco unit and reduced treatment of lead-rich third-party ore treated at the Yauli unit.

1.2. Cost of production

Continuous improvement initiatives adopted at all mining units enabled the Company to maintain unit costs between 3Q14 and 2Q14 at 63.5 USD/MT, despite the higher unit cost reported at Cerro de Pasco on account of its lower production volumes, and the higher costs from preparation works at Yauli´s underground mines (5,261 meters in 3Q14 versus 3,220 meters in 3Q13, which represents an additional cost of USD 2.5 MM). Extending preparation works results in increased ore production and operational flexibility in our mines.

In 3Q14, production cost amounted to 63.5 USD/MT, a 6.3% increase when compared to the 59.7 USD/MT reported in 3Q13. For a better analysis, 3Q14 production cost should be compared to the average cost reported in the second half of 2013 (62.6 USD/MT).

Because of the fall in the price of silver, it is important to mention that additional cost reductions will be implemented in the coming months.

1.3. Investments

During 3Q14, total investment declined compared to previous periods due to the completion of the construction of the Alpamarca unit, and the Oxides Plant at Cerro de Pasco being in its final stage of operational adjustments. Investments during this quarter totaled USD 80.2 MM, a 47.8% decline when compared to the USD 153.6 MM reported in 3Q13. It is worth noting that the investments in all mining units also decreased, from USD 57.9 MM in 3Q13 to USD 54.1 MM in 3Q14.

It is important to mention that investment across all operating units was reduced from USD 57.9 MM in 3Q13 to USD 54.1 MM in 3Q14.

The Company continues to realize a number of initiatives that will result in further reductions in growth and sustaining investments.

1.4. Financial results

Sales before adjustments for 3Q14 totaled USD 284.2 MM, 5.8% higher than the figure reported in 3Q13 (USD 268.5 MM). This increase is mainly explained by greater third-party concentrate volumes sold and higher zinc prices during 3Q14 (2,281 USD/MT) when compared to zinc prices for 3Q13 (1,852 USD/MT). However, the benefit of higher zinc prices were partially offset by lower silver prices during 3Q14 (19.6 USD/Oz) when compared to 3Q13 (22.7 USD/Oz).

In 3Q14, the Company recorded negative sales adjustments of USD -12.8 MM, as compared to the positive sales adjustments reported in 3Q13 (USD 0.4 MM). Negative adjustments are mainly explained by the downward trend in silver prices during the third quarter. Accordingly, net sales for 3Q14 were USD 271.4 MM, 0.9% higher than the USD 268.9 MM figure for 3Q13 .

Volcan recorded a 20% gross margin for 3Q14, higher than the 18% gross margin reported for 2Q14 but lower than the 31% gross margin for 3Q13. The decline in gross margin is attributed to: i) depreciation increasing from USD 23.2 MM in 3Q13 to USD 38.3 MM in 3Q14, due to the startup of the new Alpamarca unit and other significant infrastructure projects, and ii) a greater share of third-party concentrate in the total sales, which represented 21% in 3Q14, compared with 15% in 3Q13.

The margin obtained from the commercialization of third-party concentrate is significantly lower than the margin from the sale of the Company's own concentrate. The profitability from the commercialization business should be analyzed over longer periods. Gross profit for 2013 amounted to USD 23.2 MM, and the gross profit for the period from January to September, 2014 was USD 7.1 MM, These results include the impact of adjustments on final settlements, adjustments to open positions and hedging related to the commercialization business.

As a consequence of a lower gross margin, net profit for 3Q14 fell by 51.8%, from USD 33.3 MM in 3Q13 to USD 16.0 MM in 3Q14.

On the other hand, 3Q14 EBITDA reached USD 70.7 MM, a 14.3% decline when compared to the USD 82.5 MM reported in 3Q13. It should be highlighted that EBITDA is improving quarter-over-quarter during 2014: from USD 56.4 MM in 1Q14, to USD 73.5 MM in 2Q14 (including the extraordinary gain of USD 11.7 MM from the sale of Belo Horizonte hydroelectric project), and USD 70.7 MM in 3Q14.

1.5. Other relevant aspects

Geology: As part of a systematic program to define mineral potential and delineate resources in Volcan´s mining units, during 3Q14, 6,080 meters of diamond drilling was completed in Yauli and 9,704 meters were perforated in Chungar. In both mining units, significant polymetallic mineralization was intercepted. In general terms, the results support the assumption that the principal mineralized structures continue at depth and project laterally.

Energy: In September, the Ministry of Energy and Mines granted the final power-generation concession at the 20 MW Rucuy Hydroelectric Power Plant, where development continues to progress as planned. In addition, it is important to note that the Energy Efficiency Program that began in July as part of the strategic objective of cost reduction aims to optimize the use of power at all mining units in the short-and medium-term.

A detailed analysis of the Company's consolidated results follows. This analysis includes consolidated results of each mining unit.

2. Analysis of Consolidated Results

2.1. Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral extraction (thousand MT)	**1,418**	**1,748**	**1,794**	**1,546**	**16.1**	**4,959**	**4,324**	**14.7**
Mineral treatment (thousand MT)	**1,565**	**1,893**	**1,903**	**1,687**	**12.8**	**5,361**	**4,738**	**13.1**
In Concentrator Plants	1,565	1,832	1,844	1,687	9.3	5,241	4,738	10.6
In Silver Oxides Plant*	0	62	59	0		121	0	
Fines Content								
Zinc (thousand FMT)	65.0	68.2	74.4	76.3	-2.5	207.6	206.3	0.6
Lead (thousand FMT)	13.1	15.1	14.4	17.9	-19.8	42.6	50.9	-16.2
Copper (thousand FMT)	0.9	0.9	0.8	0.8	5.9	2.6	2.2	17.0
Silver (thousand Oz)*	4,571	5,820	6,010	5,262	14.2	16,401	15,337	6.9

* Production in operational-adjustment stage
Source: Volcan Cia. Minera

As compared to the same period of 2013, during 3Q14, Volcan registered a 16.1% increase in the ore volume extracted from its mines and a 9.3% increase in the volume treated at its concentrating plants. This is mainly attributed to the startup of the new Alpamarca unit and increased extraction volumes at the Yauli unit.

The production of silver ounces grew by 14.2% mainly as a result of the startup of the Alpamarca unit, as well as the additional production from the Oxides Plant during its operational-adjustment stage, and increased metallurgical recoveries at the Yauli unit. Nonetheless, the production of zinc fines declined by 2.5%, given somewhat lower production from Cerro de Pasco and Yauli units, which could not be offset completely by the additional production of Alpamarca unit. In addition, the production of lead fines declined by 19.8% due to the reduced treatment of third-party high-grade lead ore in Yauli unit, as well as lower production from the Cerro de Pasco unit. Finally, the production of fine copper increased by 5.9% due to improved recoveries in Yauli unit.

2.2. Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Cost of Production*	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Cost of Production (MM USD)	**97.6**	**113.2**	**115.2**	**95.7**	**20.4**	**326.0**	**306.9**	**6.2**
Extraction Cost	56.1	64.4	67.0	55.8	20.0	187.4	177.6	5.5
Treatment Cost	41.5	48.8	48.2	39.9	21.0	138.6	129.3	7.2
Unit Cost (USD/MT)	**66.1**	**63.5**	**63.5**	**59.7**	**6.3**	**64.2**	**68.4**	**-6.0**
Extraction Cost	39.5	36.8	37.3	36.1	3.4	37.8	41.1	-8.0
Treatment Cost	26.5	26.7	26.2	23.6	10.7	26.4	27.3	-3.1

Source: Volcan Cia. Minera

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

In absolute terms, the cost of Volcan's own production grew by 20.4%, from USD 95.7 MM in 3Q13 to USD 115.2 MM in 3Q14, primarily due to the startup of the Alpamarca unit and greater extraction volumes in the Yauli unit.

Consolidated unit cost grew by 6.3%, from 59.7 USD/MT in 3Q13 to 63.5 USD/MT in 3Q14, as a result of the higher unit cost at the Cerro de Pasco unit and additional preparation works at the Yauli underground mines.

It is important to mention that the additional cost-reduction measures that are being implemented at all mining units are expected to counterbalance the fall in silver prices.

2.3. Total Investments

Table 3: Consolidated Investment

Consolidated Investments* (MM USD)	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mining Units	**36.2**	**45.8**	**54.1**	**57.9**	**-6.7**	**136.0**	**147.3**	**-7.7**
Local Exploration	2.9	3.0	3.3	2.7	24.3	9.2	9.8	-6.2
Development	10.7	15.7	16.3	13.3	21.9	42.6	40.3	5.9
Plants and Tailings Facilities	9.9	14.2	19.0	16.5	15.3	43.2	39.5	9.3
Mine and Infrastructure	9.9	9.5	10.1	19.1	-47.3	29.4	41.6	-29.2
Energy	1.7	1.3	2.1	1.6	29.3	5.1	6.4	-21.0
Support and Others	1.2	2.1	3.3	4.7	-29.5	6.6	9.8	-32.6
Regional Explorations	**1.1**	**1.6**	**2.6**	**1.8**	**44.6**	**5.3**	**6.0**	**-12.4**
Growth and Others	**66.5**	**44.6**	**23.5**	**93.9**	**-75.0**	**134.6**	**200.5**	**-32.8**
Total	**103.8**	**92.0**	**80.2**	**153.6**	**-47.8**	**275.9**	**353.8**	**-22.0**

Source: Volcan Cia. Minera

* Total investments as shown in this table do not reflect the same amount reported in the Cash Flow Statement of the quarterly financial statements. The Statement of Cash Flow presented in the quarterly financial statements includes other items such as advances, Goodwill, municipal agreements and other itemsbut excludes investments made in Vichaycocha.

During 3Q14, total investments reached USD 80.2 MM, 47.8% lower than the USD 153.6 MM reported in 3Q13.

Operating investments declined by 6.7%, from USD 57.9 MM in 3Q13 to USD 54.1 MM in 3Q14, mainly due to lower investments in mine and infrastructure (USD 9.0 MM) and supporting areas (USD 1.4 MM). Such declines were partially offset by higher investments in development (USD 3.0 MM), as well as plants and tailing management facilities (USD 2.5 MM). Investments in regional exploration (greenfields) increased from USD 1.8 MM in 3Q13 to USD 2.6 MM in 3Q14.

On the other hand, growth investments fell by 75.0%, from USD 93.9 MM in 3Q13 to USD 23.5 MM in 3Q14. This reduction is explained by reduced investments in the Oxides Plant project and the new Alpamarca unit, which, in turn were partially offset by investment in the construction of the 20 MW Rucuy Hydroelectric plant (USD 4.8 MM in 3Q14).

Investments during the period January to September 2015 totaled USD 275.9 MM or 22.0% lower than the USD 353.8 MM invested for same period in 2013.

2.4. Financial Results

2.4.1. Income Statement

Table 4: Sales Prices

Sales Prices	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Zinc (USD/MT)	2,281	1,852	23.1	2,119	1,932	9.7
Lead (USD/MT)	2,182	2,107	3.6	2,126	2,202	-3.5
Copper (USD/MT)	6,992	7,105	-1.6	6,923	7,345	-5.7
Silver (USD/Oz)	19.6	22.7	-13.8	19.9	25.9	-23.1

Source: Volcan Cia. Minera

The following tables show Company results, separating mining and commercialization businesses.

Table 5: Third Quarter Income Statement as per Line of Business

Income Statement (MM USD)	Mining Business			Third-party Concentrates Commercilization Business			Consolidated		
	Jul-Sep 2014	Jul-Sep 2013	Var %	Jul-Sep 2014	Jul-Sep 2013	Var %	Jul-Sep 2014	Jul-Sep 2013	Var %
Sales	**227.5**	**222.5**	**2%**	**44.0**	**46.4**	**-5%**	**271.4**	**268.9**	**1%**
Net sales	*225.1*	*229.1*	*-2%*	*59.1*	*39.4*	*50%*	*284.2*	*268.5*	*6%*
Settlements of prior periods adj.	*0.2*	*-17.5*	*-101%*	*-0.5*	*0.0*		*-0.3*	*-17.5*	*-98%*
Adj. open positions and emb.deriv.	*-4.1*	*13.7*	*-130%*	*-1.2*	*0.0*		*-5.2*	*13.7*	*-138%*
Hedging	*6.3*	*-2.8*	*-323%*	*-13.5*	*7.0*	*-294%*	*-7.2*	*4.2*	*-274%*
Cost of Goods Sold	**-156.0**	**-134.9**	**16%**	**-62.1**	**-51.0**	**22%**	**-218.1**	**-185.9**	**17%**
Direct Cost of Goods Sold	*-152.9*	*-130.7*	*17%*	*-62.5*	*-51.8*	*21%*	*-215.4*	*-182.5*	*18%*
Extraordinary Costs	*-0.7*	*-0.4*	*54%*	*0.0*	*0.0*		*-0.7*	*-0.4*	*54%*
Workers Participation	*-2.5*	*-3.7*	*-33%*	*0.4*	*0.8*	*-42%*	*-2.1*	*-2.9*	*-30%*
Gross Profit	**71.4**	**87.7**	**-19%**	**-18.1**	**-4.6**	**290%**	**53.3**	**83.0**	**-36%**
Gross Margin	*31%*	*39%*	*-8 pp*	*-41%*	*-10%*	*-31 pp*	*20%*	*31%*	*-11 pp*
Administrative Expenses	-13.6	-13.2	4%	0.0	0.0		-13.6	-13.2	4%
Sales Expenses	-8.8	-9.9	-11%	-3.9	-1.8	112%	-12.7	-11.7	8%
Other Income (Expenses)	0.3	-0.3	-211%	0.0	0.0		0.3	-0.3	-211%
Operating Profit	**49.4**	**64.4**	**-23%**	**-22.0**	**-6.5**	**240%**	**27.4**	**57.9**	**-53%**
Operating Margin	*22%*	*29%*	*-7 pp*	*-50%*	*-14%*	*-36 pp*	*10%*	*22%*	*-11 pp*
Financial Income (Expenses)	-3.3	-5.4	-39%	-0.1	0.0		-3.4	-5.4	-37%
Royalties	-5.3	-3.3	61%	-0.3	-0.4	-19%	-5.6	-3.7	53%
Income Tax	-9.1	-17.6	-49%	6.7	2.1	227%	-2.3	-15.6	-85%
Net Profit	**31.7**	**38.1**	**-17%**	**-15.7**	**-4.8**	**227%**	**16.0**	**33.3**	**-52%**
Net Margin	*14%*	*17%*	*-3 pp*	*-36%*	*-10%*	*-25 pp*	*6%*	*12%*	*-6 pp*
EBITDA	**92.7**	**89.0**	**4%**	**-22.0**	**-6.5**	**240%**	**70.7**	**82.5**	**-14%**

Source: Volcan Cia. Minera

Table 6: Accumulated Income Statement as per Line of Business

Income Statement (MM USD)	Mining Business Jan-Sep 2014	Mining Business Jan-Sep 2013	Mining Business Var %	Third-party Concentrates Commercilization Business Jan-Sep 2014	Third-party Concentrates Commercilization Business Jan-Sep 2013	Third-party Concentrates Commercilization Business Var %	Consolidated Jan-Sep 2014	Consolidated Jan-Sep 2013	Consolidated Var %
Sales	**586.7**	**744.4**	**-21%**	**208.2**	**131.4**	**58%**	**794.8**	**875.8**	**-9%**
Net sales	*598.9*	*669.3*	*-11%*	*203.5*	*111.6*	*82%*	*802.4*	*780.9*	*3%*
Settlements of prior periods adj.	*-17.5*	*-24.3*	*-28%*	*-2.7*	*0.0*		*-20.2*	*-24.3*	*-17%*
Adj. open positions and emb.deriv.	*5.6*	*-0.7*	*-954%*	*1.4*	*0.0*		*7.0*	*-0.7*	*-1170%*
Hedging	*-0.4*	*100.1*	*-100%*	*5.9*	*19.8*	*-70%*	*5.5*	*119.9*	*-95%*
Cost of Goods Sold	**-446.5**	**-456.6**	**-2%**	**-201.1**	**-117.4**	**71%**	**-647.5**	**-574.0**	**13%**
Direct Cost of Goods Sold	*-439.0*	*-433.4*	*1%*	*-201.1*	*-116.3*	*73%*	*-640.1*	*-549.7*	*16%*
Extraordinary Costs	*-1.7*	*-13.9*	*-88%*	*0.0*	*0.0*		*-1.7*	*-13.9*	*-88%*
Workers Participation	*-5.8*	*-9.3*	*-38%*	*0.0*	*-1.1*	*-100%*	*-5.8*	*-10.4*	*-45%*
Gross Profit	**140.2**	**287.8**	**-51%**	**7.1**	**14.0**	**-49%**	**147.3**	**301.8**	**-51%**
Gross Margin	*24%*	*39%*	*-15 pp*	*3%*	*11%*	*-7 pp*	*19%*	*34%*	*-16 pp*
Administrative Expenses	-39.5	-43.7	-10%	0.0	0.0		-39.5	-43.7	-10%
Sales Expenses	-24.8	-26.9	-8%	-10.4	-4.4	136%	-35.2	-31.3	12%
Other Income (Expenses)	14.2	1.0	1266%	0.0	0.0		14.2	1.0	1266%
Operating Profit	**90.1**	**218.2**	**-59%**	**-3.3**	**9.5**	**-135%**	**86.7**	**227.8**	**-62%**
Operating Margin	*15%*	*29%*	*-14 pp*	*-2%*	*7%*	*-9 pp*	*11%*	*26%*	*-15 pp*
Financial Income (Expenses)	-17.2	-11.0	57%	-0.2	0.0		-17.4	-11.0	58%
Royalties	-11.1	-12.7	-13%	-1.8	-1.1	60%	-12.8	-13.8	-7%
Income Tax	-11.7	-50.9	-77%	1.6	-2.5	-162%	-10.1	-53.4	-81%
Net Profit	**50.2**	**143.7**	**-65%**	**-3.7**	**5.9**	**-162%**	**46.5**	**149.6**	**-69%**
Net Margin	*9%*	*19%*	*-11 pp*	*-2%*	*4%*	*-6 pp*	*6%*	*17%*	*-11 pp*
EBITDA	**203.9**	**306.3**	**-33%**	**-3.3**	**9.5**	**-135%**	**200.6**	**315.9**	**-37%**

Source: Volcan Cia. Minera

The following sections present a detailed discussion and analysis of the principal items of the Income Statement.

2.4.2. Sales

Table 7: Fine Content Sales Volumes

Fines Sales		Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Volcan Fines	Zinc (thousands FMT)	69.4	66.6	74.9	82.5	-9.2	210.9	208.6	1.1
	Lead (thousands FMT)	10.6	16.6	14.1	17.9	-21.1	41.3	51.9	-20.4
	Copper (thousands FMT)	0.7	0.9	0.6	0.7	-4.9	2.3	2.4	-5.1
	Silver (thousands Oz)	3,808	5,826	6,000	5,476	9.6	15,634	15,081	3.7
	Gold (thousands Oz)	2.2	4.6	3.7	2.4	57.2	10.6	6.9	53.9
Third-party Fines	Zinc (thousands FMT)	24.2	28.2	22.7	13.4	70.1	75.2	25.6	194.0
	Lead (thousands FMT)	5.0	1.8	1.1	1.7	-36.6	7.8	3.5	123.8
	Copper (thousands FMT)	1.7	1.5	1.7	1.5	13.8	4.9	5.8	-16.2
	Silver (thousands Oz)	1,523	1,128	899	765	17.5	3,550	2,341	51.6
Total	Zinc (thousands FMT)	93.6	94.9	97.6	95.9	1.8	286.1	234.1	22.2
	Lead (thousands FMT)	15.5	18.4	15.2	19.6	-22.5	49.1	55.4	-11.3
	Copper (thousands FMT)	2.4	2.4	2.4	2.2	8.0	7.2	8.2	-12.9
	Silver (thousands Oz)	5,332	6,954	6,899	6,241	10.5	19,184	17,422	10.1
	Gold (thousands Oz)	2.2	4.6	3.6	2.4	51.9	10.5	6.9	52.1

Source: Volcan Cia. Minera

In 3Q14, the sale of Volcan's own production of fine silver contents reached 6.0 MM ounces, a 9.6% increase as compared to the 5.5 MM ounces sold in 3Q13. This increase is primarily due to the additional production from the new Alpamarca unit.

The sale of fine zinc and lead during 3Q14 declined by 9.2% and 21.1%, respectively, mainly as a result of the lower production at the Cerro de Pasco unit and reduced third-party high-grade lead ore volumes treated in Yauli.

The sale of third-party concentrates during 3Q14 increased when compared to the same period of the previous year, with zinc increasing by 9.3 thousand FMT, and silver increasing by 134 thousand ounces.

Table 8: Sales in USD

Sales (millions USD)		Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mining Business	Zinc	91.0	86.7	110.3	102.9	7.2	288.0	272.6	5.6
	Lead	14.3	23.2	20.9	27.5	-23.9	58.4	82.6	-29.2
	Copper	1.9	3.2	1.9	1.2	57.2	6.9	5.2	32.5
	Silver	57.4	91.0	89.3	96.4	-7.4	237.7	305.4	-22.2
	Total	**166.1**	**207.7**	**225.1**	**229.1**	**-1.7**	**598.9**	**669.4**	**-10.5**
	Adjustments[1]	-2.7	-12.0	2.4	-6.6	-136.4	-12.2	75.1	-116.3
	Net Sales	**163.4**	**195.8**	**227.5**	**222.5**	**2.2**	**586.7**	**744.5**	**-21.2**
Commercialization Business	Zinc	36.3	41.7	37.0	16.9	118.3	115.0	33.2	246.5
	Lead	9.7	3.3	2.6	2.5	2.9	15.5	4.8	223.0
	Copper	7.1	6.5	7.4	6.0	23.0	21.0	24.1	-13.1
	Silver	24.3	15.6	12.3	14.0	-12.6	52.2	49.4	5.5
	Total	**77.4**	**67.0**	**59.1**	**39.4**	**49.9**	**203.5**	**111.5**	**82.5**
	Adjustments[1]	3.6	16.1	-15.1	7.0	-317.1	4.6	19.8	-76.6
	Net Sales	**81.0**	**83.2**	**44.0**	**46.4**	**-5.3**	**208.2**	**131.3**	**58.5**
Total	Zinc	127.3	128.4	147.2	119.8	22.9	402.9	305.8	31.8
	Lead	24.0	26.5	23.5	30.0	-21.7	73.9	87.4	-15.4
	Copper	8.9	9.7	9.2	7.2	28.6	27.9	29.4	-4.9
	Silver	81.8	106.6	101.5	110.4	-8.1	289.9	354.8	-18.3
	Gold	1.4	3.7	2.7	1.1	137.8	7.8	3.6	114.8
	Total	**243.5**	**274.8**	**284.2**	**268.5**	**5.8**	**802.4**	**780.9**	**2.8**
	Adjustments[1]	1.0	4.2	-12.8	0.4	-3209.0	-7.6	94.9	-108.0
	Net Sales	**244.4**	**278.9**	**271.4**	**268.9**	**0.9**	**794.8**	**875.8**	**-9.2**

[1] 1 Adjustments: i) settlement of prior period adjustments , ii) adjustments for open positions (embedded derivative and sales adjustments) iii) hedging results

Source: Volcan Cia. Minera

In absolute terms, sales before adjustments during 3Q14 totaled USD 284.2 MM, 5.8% higher than the USD 268.5 MM figure reported in 3Q13. This increase is mainly attributed to increased sales of third-party concentrate, from USD 39.4 MM to USD 59.1 MM, in addition to higher zinc prices which went from 1,852 USD/MT in 3Q13 to 2,281 USD/MT in 3Q14. This positive price effect was offset by falling silver prices, which declined by 13.8% from 22.7 USD/Oz in 3Q13 to 19.6 USD/Oz in 3Q14.

The increase in the sale of third-party concentrate resulted in the share of sales for this line of business reaching 21% of total sales before adjustments in 3Q14, as compared to 15% for the same period in 2013.

For the period January to September, 2014, sales before adjustments amounted to USD 802.4 MM, 2.8% higher than the USD 780.9 MM figure reported for the same period in 2013 .

In 3Q14, the Company recorded negative adjustments of USD 12.8 MM, as compared to USD 0.4 MM of positive adjustments for 3Q13. As a result, net sales for 3Q14 totaled USD 271.4 MM, an increase of 0.9% when compared to the USD 268.8 MM figure for 3Q13.

For the period January to September, 2014 net sales totaled USD 794.8 MM, a 9.2% decrease if compared to the USD 875.8 MM figure reported for the same period in 2013. The principal explanation of this reduction is the USD 119.9 of hedging income registered for the same period from one year ago, as well as the lower price of silver.

2.4.3. Cost of Goods Sold

Table 9: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Volcan's Cost of Goods Sold	**128.1**	**159.0**	**153.5**	**131.1**	**17.1**	**440.7**	**447.3**	**-1.5**
Own Cost of Production	97.6	113.2	115.2	95.7	20.4	326.0	306.9	6.2
D&A of Cost of Production	31.1	36.4	38.3	23.2	64.8	105.8	83.2	27.2
Ore Purchase	2.8	2.3	0.1	6.5	-97.9	5.3	32.9	-83.8
Extraordinary Costs	0.4	0.7	0.7	0.4	53.6	1.7	13.9	-87.8
Own Inventories Change	-3.7	6.4	-0.8	5.3	-114.4	1.9	10.4	-81.9
Third-party Cost of Goods Sold	**69.9**	**68.7**	**62.5**	**51.8**	**20.7**	**201.1**	**116.3**	**72.9**
Concentrates Purchase	68.5	65.3	61.8	45.1	37.1	195.5	115.2	69.7
Thirds Inventories Change	1.4	3.4	0.8	6.7	-88.4	5.5	1.1	416.5
Workers Participation	**1.6**	**2.1**	**2.1**	**2.9**	**-30.2**	**5.8**	**10.4**	**-44.7**
Total	**199.6**	**229.8**	**218.1**	**185.9**	**17.3**	**647.5**	**574.0**	**12.8**

Source: Volcan Cia. Minera

Cost of goods sold increased by 17.3%, from USD 185.9 MM in 3Q13 to USD 218.1 MM in 3Q14. This USD 32.2 MM increase is due to: i) the USD 19.5 MM increase in the Company's own cost of production, related to the operation of the new Alpamarca unit and to increased ore extraction volumes in Yauli unit. ii) a USD 15.1 MM increase in depreciation and amortization, and iii) a USD 10.7 MM increase in the cost of third-party concentrate sales, These increases were partially offset by reduced purchases of third-party ore by USD 6.4 MM and the reduction of accumulated inventories of Volcan´s own stock by USD 6.1 MM.

2.4.4. Gross Profit

Gross profit was reduced from USD 83.0 MM in 3Q13 to USD 53.3 MM in 3Q14, as a consequence, the Company's total gross margin was reduced from 31% in 3Q13 to 20% in 3Q14.

The gross margin from the mining business in 3Q14 reached 31% versus the 39% reported in 3Q13, primarily due to the increase in depreciation from USD 23.2 MM in 3Q13 to USD 38.3 MM in 3Q14. The increase in depreciation is related to the new Alpamarca unit and to the startup of significant infrastructure projects such as the Jacob Timmers shaft at Chungar unit. It is worth noting that gross margin from the mining business in 3Q14 is 18% higher than reported in 2Q14.

In cumulative terms, and as of September 30th, gross margin from the mining business in 2014 reached 24% compared to the 39% margin reported for the same period one year ago. The change is due to the positive impact on the Company's margins from the extraordinary hedging results reported in the first half of 2013.

With regard to the commercialization of third-party concentrate, it should be clarified that the profitability of this business segment should be analyzed over longer periods of time given that quotation periods and hedging results do not necessarily match sales realized each month. While gross profit for 2013 reached USD 23.2 MM, the accumulated gross profit from January to September 2014 totaled USD 7.1 MM. These results include the impact of adjustments on final settlements and open positions, in addition to hedges related to the commercialization of third-party concentrate.

The following table includes a detailed breakdown of the results from the commercialization business segment:

Table 10: Third-Party Concentrate Commercialization Business Results

IS Third-party Concentrates Commercilization Business (MM USD)	2013	1Q 14	2Q 14	3Q 14	Jan.-Sep. 2014
Sales	**213.3**	**81.0**	**83.2**	**44.0**	**208.2**
Concentrates	*188.9*	*77.4*	*67.0*	*59.1*	*203.5*
Settlements of prior periods adj.	*0.0*	*-1.3*	*-0.9*	*-0.5*	*-2.7*
Adj. open positions and emb.deriv.	*0.0*	*1.7*	*0.9*	*-1.2*	*1.4*
Hedging	*24.4*	*3.2*	*16.2*	*-13.5*	*5.9*
Cost of Goods Sold	**-190.2**	**-70.4**	**-68.5**	**-62.1**	**-201.1**
Concentrates Purchase	*-188.4*	*-68.5*	*-65.3*	*-61.8*	*-195.5*
Inventories Change	*-0.2*	*-1.4*	*-3.4*	*-0.8*	*-5.5*
Workers Participation	*-1.6*	*-0.6*	*0.1*	*0.4*	*0.0*
Gross Profit	**23.2**	**10.6**	**14.6**	**-18.1**	**7.1**
Margin	*11%*	*13%*	*18%*	*-41%*	*3%*
Sales Expenses	-8.6	-3.2	-3.3	-3.9	-10.4
Operating Profit	**14.6**	**7.4**	**11.3**	**-22.0**	**-3.3**
Margin	*7%*	*9%*	*14%*	*-50%*	*-2%*
Financial Expenses	0.0	0.0	-0.1	-0.1	-0.2
Income Tax	-3.8	-2.0	-3.2	6.7	1.6
Royalties	-1.9	-0.8	-0.7	-0.3	-1.8
Net Profit	**8.9**	**4.6**	**7.4**	**-15.7**	**-3.7**
Margin	*4%*	*6%*	*9%*	*-36%*	*-2%*

Source: Volcan Cia. Minera

2.4.5. Operating Expenses

Administrative expenses increased by 3.5% during the period, from USD 13.2 MM in 3Q13 to USD 13.6 MM in 3Q14, explained by staff termination benefits.

Selling expenses increased by 8.3%, from USD 11.7 MM in 3Q13 to USD 12.7 MM in 3Q14, primarily due to the increase in freights and shipping costs related to higher concentrate volumes sold.

2.4.6. Net Financial Expenses

Net financial expenses for 3Q14 totaled USD 3.4 MM, a figure lower than the USD 5.4 MM reported in 3Q13. This is explained by: i) gains from exchange-rate differences from USD – 3.4 MM in 3Q13 to USD 3.3 MM that resulted from the depreciation of the *Nuevo Sol*, ii) a decrease in financial income, and iii) lower capitalization of interest, given the startup of the Alpamarca unit.

2.4.7. Royalties and Income Tax

In 3Q14, royalty expenses amounted to USD 5.6 MM, 52.9% higher compared to the USD 3.7 MM reported in 3Q13. Income tax totaled USD 2.3 MM, 85.0% lower than the USD 15.6 MM reported in 3Q13 due to the lower profit for the period.

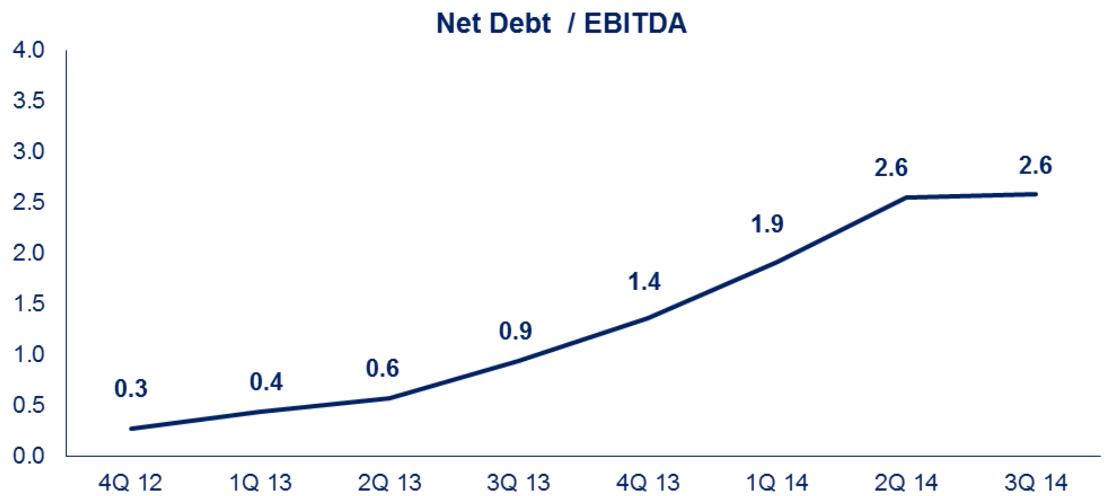
2.5. Liquidity and Creditworthiness

In 3Q14, the operating cash flow generated by the Company totaled USD 123.1 MM, while the disbursements on operating and exploration investments totaled USD 56.0 MM, which resulted in a positive USD 67.1 MM operating cash flow. Growth investments, mainly in the Alpamarca unit, the Oxides Plant and the energy projects, accounted for a disbursement of USD 35.7 MM, thus resulting in a cash flow before financing of USD 31.4 MM.

The net financing for the period amounted to USD -13.0 MM, which includes the payment of interest on bonds for USD 16.1 MM. As a result, the cash balance as of September 30 totaled USD 115.5 MM.

Taking into account current debt levels and taking total EBITDA for the last 12 months, Volcan's leverage ratio (Net Financial Debt/ EBITDA) as of 3Q14 is 2.6x.

Chart 1: Net Debt / EBITDA Ratio



Source: Volcan Cia. Minera

3. Results by Operating Unit

3.1. Yauli Unit Operating Results

Table 11: Yauli Production

Yauli Production	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral extraction (thousands MT)	**897**	**917**	**967**	**880**	**9.8**	**2,780**	**2,553**	**8.9**
Mineral treatment (thousands MT)	**917**	**949**	**976**	**966**	**1.0**	**2,843**	**2,786**	**2.1**
Fines Content								
Zinc (thousands FMT)	36.7	37.8	41.4	43.0	-3.7	115.9	117.7	-1.5
Lead (thousands FMT)	5.1	5.6	5.5	8.4	-34.0	16.2	23.9	-32.0
Copper (thousands FMT)	0.6	0.5	0.5	0.4	12.5	1.6	1.3	20.9
Silver (thousands Oz)	2,872	2,779	2,887	2,705	6.8	8,538	8,070	5.8

Source: Volcan Cia. Minera

Treated ore at Yauli grew by 1.0%, from 966 thousand MT in 3Q13 to 976 thousand MT in 3Q14. It is noteworthy to mention the increase in ore tonnage came from 49 thousand MT from the Andaychagua underground mine, 45 thousand MT from the Carahuacra Norte open pit and 22 thousand MT from the Carahuacra underground mines, which compensated for the reduction of the treatment of 71 thousand MT of third-party mineral and 35 thousand MT from Toldorrumi.

The production of fine silver contents increased by 6.8% (+183 thousand ounces) due to greater contribution from the Andaychagua mine´s higher silver grades and improved recoveries. The production of copper increased by 12.5% (+55 FMT), mainly due to greater recoveries resulting from the installation of a new lead-copper separation circuit at the Victoria Plant. Conversely, the production of fine lead decreased by 34.0% (-2,853 FMT) due to a lower average grade on account of a reduced contribution from third-party ore. The production of fine zinc decreased by 3.7% (-1,581 FMT) due to a lower head grades.

Table 12: Yauli Cost of Production

Yauli Cost of Production*	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Ene-Sep 2014	Ene-Sep 2013	var %
Cost of Production (MM USD)	**57.9**	**62.2**	**64.2**	**54.3**	**18.2**	**184.3**	**176.1**	**4.6**
Extraction Cost	35.1	36.5	39.5	32.6	21.3	111.1	106.7	4.1
Treatment Cost	22.8	25.7	24.7	21.7	13.6	73.2	69.3	5.5
Unit Cost (USD/MT)	**64.0**	**66.8**	**66.1**	**59.5**	**11.2**	**65.7**	**66.7**	**-1.5**
Extraction Cost	39.2	39.8	40.8	37.0	10.5	40.0	41.8	-4.4
Treatment Cost	24.9	27.0	25.3	22.5	12.4	25.7	24.9	3.4

Source: Volcan Cia. Minera

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

In absolute terms, the cost of production increased by 18.2%, from USD 54.3 MM in 3Q13 to USD 64.2 MM in 3Q14 due to increased extraction and additional preparation works in underground mines. In unit terms, cost grew by 11.2%, from 59.5 USD/MT in 3Q13 to 66.1 USD/MT in 3Q14. However, compared to 2Q14, the unit cost decreased because of increased extraction and treatment tonnages and the implementation of cost-reduction initiatives.

Table 13: Yauli Operating Investments

Yauli Operating Investments (MM USD)	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Local Exploration	1.3	0.9	0.9	1.2	-21.9	3.0	4.1	-25.8
Development	7.9	10.4	10.4	9.2	12.7	28.7	29.4	-2.4
Plants and Tailings Facilities	6.3	5.7	4.2	8.2	-48.7	16.2	15.4	4.9
Mine and Infrastructure	5.2	6.1	6.2	10.2	-38.9	17.6	22.8	-23.1
Energy	0.6	0.5	1.0	0.1	635.1	2.1	2.0	5.5
Support and Others	0.6	0.9	1.7	2.8	-39.4	3.2	4.8	-32.8
Total	**21.9**	**24.5**	**24.5**	**31.7**	**-22.9**	**70.8**	**78.6**	**-9.9**

Source: Volcan Cia. Minera

Operating investments decreased by 22.9%, from USD 31.7 MM in 3Q13 to USD 24.5 MM in 3Q14, most notably from the reduction in plant and tailings dam investments and mine and infrastructure investments. This reduction was partially offset by higher investment in mine development and energy.

It is worth noting that progress is being made on the construction of the Roberto Letts Shaft, located at the Andaychagua mine, and the integration tunnel between the San Cristobal and Carahuacra mines.

A summary of the geological advances at Yauli follows:

- San Cristobal: six diamond-drill holes were perforated during the quarter, totaling 1,620 meters, from the interior of the mine and projected to intercept the principle mineralized structures of this mine: Vein 658 and Split 658. The results were favorable intercepting economically significant mineralization. The program will continue until December when a new resource model will be generated.
- Carahuacra: during the quarter, 767 meters were perforated with diamond drilling among three potentially prospective holes. Two holes were drilled from the interior of the mine and one hole was drilled from the surface. The goal is to confirm the mineral potential of the Mary Vein and the Main Mantle. The results were favorable, intercepting important polymetallic mineralization related significant volumes in the Main Mantle. Going forward, our drilling program is oriented to delineate and incorporate inferred resources to the Mary Vein, the principal contributor of mineral to this operation.
- Andaychagua: during the quarter 2,224 meters were perforated from the interior of the mine and projected to intercept the Andaychagua vein. The results were positive and will allow for an increase in inferred resources at the close of December. Going forward, the drilling program will continue delineating the resources of the *Prosperidad* Este Vein.
- Ticlio: during the quarter, 1,470 meters were performated, distributed among ten diamond-drill holes executed from the interior of the mine and projected to intercept the *Ramal Techo Vein*. The results were favorable, intercepting important polymetallic mineralization. The resource delineation program will continue at the *Ramal Techo Vein* with the objective of increasing the resources of the principal structure of this mine.

In 3Q14, the individual company net profit attributed to Volcan from the Yauli unit was USD -1.3 MM as opposed to the USD 13.3 MM reported in 3Q13. This result is explained by the fact that the largest portion of the third-party commercialization business occurs within this unit, and, as previously stated, the gross profit of the commercialization business for 3Q14 was USD -18.1 MM.

3.2. Chungar Unit Operating Results

Table 14: Chungar Production

Chungar Production	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral extraction (thousands MT)	**469**	**530**	**558**	**544**	**2.6**	**1,558**	**1,468**	**6.2**
Mineral treatment (thousands MT)	**482**	**486**	**498**	**484**	**3.0**	**1,466**	**1,336**	**9.7**
Fines Content								
Zinc (thousands FMT)	25.0	24.8	27.6	27.3	1.4	77.5	73.9	4.9
Lead (thousands FMT)	6.8	6.5	6.0	6.7	-10.6	19.3	20.0	-3.6
Copper (thousands FMT)	0.3	0.3	0.3	0.3	-22.2	0.9	0.9	-1.7
Silver (thousands Oz)	1,419	1,511	1,554	1,796	-13.5	4,483	5,203	-13.8

Source: Volcan Cia. Minera

The volume of ore treated at the Chungar unit increased by 3.0%, from 484 thousand MT in 3Q13 to 498 thousand MT in 3Q14. The ore treated from the Animon mine increased by 9.6%, while the ore treated coming from the Islay mine decreased by 12.2%.

The production of fine zinc grew in 3Q14 by 1.4% as a result of greater tonnage treated. Meanwhile, the production of fine silver fell by 13.5% due to a greater contribution from the Animon mine, which has a lower silver grade than the Islay mine. For its part, the production of fine lead fell by 10.6% due to a lower head grade.

Table 15: Chungar Cost of Production

Chungar Cost of Production*	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Ene-Sep 2014	Ene-Sep 2013	var %
Cost of Production (MM USD)	**27.1**	**27.8**	**28.1**	**26.5**	**5.9**	**83.0**	**81.6**	**1.8**
Extraction Cost	18.2	18.6	17.8	18.4	-3.0	54.6	55.9	-2.3
Treatment Cost	8.9	9.2	10.3	8.1	26.1	28.4	25.7	10.6
Unit Cost (USD/MT)	**57.3**	**54.0**	**52.6**	**50.6**	**3.8**	**54.4**	**57.3**	**-5.0**
Extraction Cost	38.8	35.0	31.9	33.8	-5.5	35.0	38.1	-7.9
Treatment Cost	18.5	19.0	20.6	16.8	22.5	19.4	19.2	0.8

Source: Volcan Cia. Minera

The cost of production grew by 5.9% in absolute terms, from USD 26.5 MM in 3Q13 to USD 28.1 MM in 3Q14. In unit terms, the cost increased by 3.8%, from 50.6 USD/MT in 3Q13 to 52.6 USD/MT in 3Q14. However, as compared to 2Q14, the unit cost decreased due to the dilution of fixed costs from greater treatment volumes, the startup of the Jacob Timmers shaft, and productivity improvements implemented at the Animon and Islay mines.

Table 16: Chungar Operating Investments

Chungar Operating Investments (MM USD)	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Local Exploration	1.6	2.0	2.2	1.3	67.2	5.8	5.0	15.4
Development	2.7	4.0	3.8	3.2	19.8	10.5	9.1	15.7
Plants and Tailings Facilities	3.4	7.2	6.8	6.2	9.2	17.3	20.0	-13.4
Mine and Infrastructure	4.6	2.3	3.0	8.8	-65.9	9.9	18.2	-45.7
Energy	0.9	0.7	0.9	1.4	-37.0	2.5	3.9	-36.8
Support and Others	0.4	0.8	1.1	1.0	12.0	2.3	3.3	-29.9
Total	**13.5**	**17.0**	**17.7**	**21.8**	**-18.8**	**48.3**	**59.6**	**-18.9**

Source: Volcan Cia. Minera

Operating investments decreased from USD 21.8 MM in 3Q13 to USD 17.7 MM in 3Q14, mainly due to a lower investment in mine and infrastructure given the completion of the Jacob Timmers Shaft located in the Animon mine, with a total investment of USD 25.0 MM.

A summary of the geological advances at Chungar follows:

- Animon: during the quarter, 7,029 meters were perforated distributed among 43 diamond-drill holes from the interior mine, principally oriented to intercept the veins Andalucia, Carmen, Janeth, Jenny, Principal and Karina. The results were very favorable, demonstrating the continuity of the structure and grades. The results will permit the incorporation of new resources for the principal structures
- Islay: during the quarter, 2,675 meters were perforated in 13 diamond-drill holes from the interior of mine.

In 3Q14, Empresa Administradora Chungar S.A.C. registered a net profit of USD 20.3 MM compared with the USD 22.6 MM reported in 3Q13.

3.3. Cerro de Pasco Unit Operating Results

Table 17: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral extraction (thousands MT)	**51**	**59**	**58**	**78**	**-25.9**	**168**	**188**	**-10.4**
Mineral treatment (thousands MT)	**166**	**213**	**162**	**237**	**-31.6**	**541**	**617**	**-12.3**
Fines Content								
Zinc (thousands FMT)	3.3	3.6	3.1	6.0	-48.6	10.0	14.8	-32.1
Lead (thousands FMT)	1.3	1.8	1.4	2.8	-52.3	4.4	7.0	-37.3
Silver (thousands Oz)	280	442	579	762	-24.0	1,301	2,064	-37.0

Source: Volcan Cia. Minera

The ore treated in the Cerro de Pasco unit decreased by 31.6%, from 237 thousand MT in 3Q13 to 162 thousand MT in 3Q14, due to lower contributions from the Paragsha underground mine the Vinchos mine, as well as the unit´s polymetalic stockpiles. This reduction was offset partially by a greater contribution from the Islay mine located at the Chungar unit.

The production of fine zinc and lead fell at Cerro de Pasco by 48.6% and 52.3% respectively. The production of silver ounces fell by 24.0%. These declines in production are due to reduced tonnage and lower head grades of zinc and lead ores treated at the *San Expedito* plant.

Table 18: Cerro de Pasco Cost of Production

Cerro de Pasco Cost of Production*	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Ene-Sep 2014	Ene-Sep 2013	var %
Cost of Production (MM USD)	**12.0**	**12.1**	**11.4**	**12.2**	**-6.0**	**35.5**	**41.4**	**-14.5**
Extraction Cost	2.3	2.8	3.2	2.8	13.5	8.3	9.3	-10.0
Treatment Cost	9.6	9.3	8.2	9.3	-12.0	27.1	32.2	-15.7
Unit Cost (USD/MT)	**103.5**	**90.4**	**106.3**	**75.7**	**40.5**	**99.6**	**101.4**	**-1.8**
Extraction Cost	45.5	46.8	55.7	36.4	53.2	49.5	49.3	0.4
Treatment Cost	58.0	43.5	50.6	39.3	28.7	50.1	52.2	-4.0

Source: Volcan Cia. Minera

* The production cost reported excludes the intercompany purchase of ore from Vinchos and Islay.

In absolute terms, the cost of production decreased by 6.0%, from USD 12.2 MM in 3Q13 to USD 11.4 MM in 3Q14. In unit terms, the cost increased by 40.5%, from 75.7 USD/MT in 3Q13 to 106.3 USD/MT in 3Q14, mainly due to lower volumes of ore mined and treated.

Table 19: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Local Exploration	0.0	0.0	0.0	0.2	-76.4	0.0	0.2	-82.9
Development	0.1	0.0	0.0	0.7	-97.6	0.1	1.4	-90.1
Plants and Tailings Facilities	0.1	0.1	0.0	2.1	-100.0	0.2	4.1	-94.7
Mine and Infrastructure	0.1	0.1	0.0	0.1	-83.8	0.1	0.4	-62.2
Energy	0.0	0.0	0.0	0.1	-100.0	0.0	0.1	-100.0
Support and Others	0.1	0.1	0.2	0.8	-78.8	0.4	1.5	-71.7
Total	**0.4**	**0.3**	**0.3**	**4.0**	**-93.7**	**1.0**	**7.7**	**-87.5**

Source: Volcan Cia. Minera

Operating investments in the Cerro de Pasco mining unit were kept at minimum levels. Investments made in 3Q13 totaled USD 4.0 MM while only USD 300 thousand were invested in 3Q14.

In 3Q14, Empresa Administradora Cerro S.A.C. registered a net profit of USD 0.9 MM against the loss of USD -0.8 MM reported in 3Q13.

3.4. Alpamarca Unit Operating Results

Table 20: Alpamarca Production

Alpamarca-Rio Pallanga Production	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral extraction (thousands MT)	**200**	**187**	**0**		**388**	**0**	
Mineral treatment (thousands MT)	**182**	**208**	**0**		**390**	**0**	
Fines Content*							
Zinc (thousands FMT)	1.9	2.2	0		4.1	0	
Lead (thousands FMT)	1.2	1.5	0		2.7	0	
Copper (thousands FMT)	0.1	0.1	0		0.1		
Silver (thousands Oz)	821	744	0		1,565	0	

* Includes production of fines in the pre-operating phase
Source: Volcan Cia. Minera

During 3Q14, the Alpamarca concentrating plant treated 208 thousand MT. The Alpamarca pit contributed 155 thousand MT and the Rio Pallanga underground mine contributed 53 thousand MT.

Quarterly production totaled 744 thousand silver ounces, 2,237 FMT of zinc and 1,503 FMT of lead. Currently, treatment rate at the Alpamarca plant is 2,300 TPD, producing approximately 250 thousand silver ounces per month.

Table 21: Alpamarca Cost of Production

Alpamarca-Río Pallanga Cost of Production	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Ene-Sep 2014	Ene-Sep 2013	var %
Cost of Production (MM USD)	**8.6**	**9.6**	**0.0**		**18.2**	**0.0**	
Extraction Cost	4.8	5.1	0.0		9.9	0.0	
Treatment Cost	3.7	4.5	0.0		8.3	0.0	
Unit Cost (USD/MT)	**44.6**	**49.0**	**0.0**		**46.8**	**0.0**	
Extraction Cost	24.2	27.1	0.0		25.6	0.0	
Treatment Cost	20.5	21.8	0.0		21.2	0.0	

Source: Volcan Cia. Minera

In absolute terms, 3Q14 production cost totaled USD 9.6 MM, while unit cost amounted to 49.0 USD/MT.

Table 22: Alpamarca Operating Investment

Alpamarca-Rio Pallanga Operating Inv. (MM USD)	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Local Exploration	0.0	0.0	0.0		0.0	0.0	
Development	1.1	1.8	0.0		2.9	0.0	
Plants and Tailings Facilities	0.5	1.8	0.0		2.3	0.0	
Mine and Infrastructure	1.0	0.8	0.0		1.8	0.0	
Energy	0.0	0.2	0.0		0.2	0.0	
Support and Others	0.2	0.3	0.0		0.5	0.0	
Total	**2.9**	**4.9**	**0.0**		**7.8**	**0.0**	

Source: Volcan Cia. Minera

Operating investments made at the Alpamarca Unit during 3Q14 totaled USD 4.9 MM. Investments in development reached USD 1.8 MM, while investments in mine and infrastructure reached USD 0.8 MM.

In 3Q14, Compañia Minera Alpamarca S.A.C. registered a net loss of USD -0.1 MM due to the regularization of intercompany financial expenses related to project development financing.

3.5. Oxides Plant Operational Adjustment Stage Results

Table 23: Oxides Plant Production

Oxides Plant Production*	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Mineral treatment (thousands MT)	**62**	**59**	**0**		**121**	**0**	
Fines Content							
Silver (thousands Oz)	268	246	0		514	0	
Gold (Oz)	34	132	0		166	0	

* Production in operational-adjustment stage
Source: Volcan Cia. Minera

During 3Q14, the Silver Oxides Plant at the Cerro de Pasco unit continued its operational-adjustment stage, treating 59 thousand MT of ore coming from the stockpiles, obtaining 90 bars of dore containing 246 thousand silver ounces and 132 gold ounces.

The Oxides Plant is undergoing a number of adjustments through its different processing stages. Nevertheless, during September 1,150 TPD were processed and 157 thousand ounces of silver was produced.

The operational adjustment stage will continue over the following months of 2014, gradually increasing its production until it achieves nominal capacity of 2,500 TPD.

4. Energy

Table 24: Volcan's Electric Power Balance

Electric Balance (GWh)	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Energy Consumption	**165**	**143**	**15.3**	**476**	**427**	**11.3**
Energy Production	**73**	**73**	**-0.1**	**235**	**227**	**3.5**
Chungar	36	35	2.5	121	111	8.1
Huanchor	37	38	-2.5	115	116	-0.9
Energy Purchase	**129**	**108**	**19.5**	**355**	**316**	**12.4**

Source: Volcan Cia. Minera

The Company's total power consumption in 3Q14 reached 165 GWh, 15.3 % higher than the total consumption reported in 3Q13. This is mainly explained by the additional demand of electricity from the new Alpamarca unit and the new Silver Oxides Plant located in Cerro de Pasco.

The 10 hydroelectric power plants that form part of the Chungar unit have an installed capacity of 22 MW and generated 36 GWh of power at a cost of 25 USD/MWh, which accounted for 22% of the Company's total consumption. The remaining 129 GWh were contracted from the National Interconnected Electrical System (SEIN) at an average unit cost of 74 USD/MWh. It must be noted that in 3Q14, the 20 MW Huanchor HPP generated 37 GWh, which was supplied to large industrial customers regulated by SEIN a an average price of 76.3 USD/MWh.

Moreover, since August 2014, the Tingo HPP is billing Trevali Peru S.A.C. for the supplementary transmission system toll. In annual terms, this fee is approximately USD 1.1 MM. This agreement was defined during the purchase of the 1.25 MW Tingo HPP and the 82 km transmission line.

It is important to mention that the Energy Efficiency Program that was started in July is part of the strategic goal of the Company to reduce operating costs. This program seeks to reduce energy-related costs by approximately USD 4 MM a year over a period of 18 to 24 months.

Finally, on September 20, 2014, Ministerial Resolution No. 397-204-MEM/DM was published in *El Peruano* official newspaper, whereby the final power-generation concession was granted to the 20 MW Rucuy HPP. This project continues to progress as planned. The Rucuy HPP is expected to be initiate operations in 2016 with a total estimated investment of USD 45 MM.

5. Final Comments

- The current metals price environment remains unfavorable and Volcan continues its efforts to improve margins and productivity at its mining units by maintaining strict control over costs, expenses and investments across the Company.

- Volcan is a polymetallic mining company where zinc represented 52% of its 3Q14 revenues, followed by silver with 36%, lead with 8%, copper with 3%, and gold with 1%. This mix of metals enables the Company to better confront the dramatic fall in silver prices. However, the fall in prices has a significant impact on our results, and for this reason the Company deems it necessary to implement important additional measures to reduce costs, expenses and investments, which it will implement in the short term.

- In September, the Silver Oxides Plant located at Cerro de Pasco produced 157 thousand ounces of silver during its operational adjustment stage. Such adjustments will continue through the rest of 2014, gradually increasing its production rate. Upon operating at its nominal capacity of 2,500 TPD, the annual production of the Oxides Plant is expected to be about 4 million ounces of silver.

- The Geology division is implementing systematic exploration programs with the objective of increasing mineral resources and defining the potential of our operating units. Initial results are promising, having significant polymetallic mineralization at all of the mines at the Yauli and Chungar units. These results permit the assumption of the continuity at depth of our principal mineralized structures and confirm the important geological potential of our operating units.

- It is important to report that the granting of the final power-generation concession to the 20 MW Rucuy HPP occurred in September and construction continues to progress as planned. This hydroelectric power plant is expected to initiate operations in 2016.

Annexes

Annex 1: Spot Prices

Spot Prices	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Zinc (USD/MT)	2,029	2,073	2,311	1,860	24.3	2,138	1,911	11.9
Lead (USD/MT)	2,105	2,095	2,183	2,103	3.8	2,128	2,152	-1.1
Copper (USD/MT)	7,038	6,787	6,992	7,079	-1.2	6,939	7,384	-6.0
Silver (USD/Oz)	20.5	19.6	19.7	21.4	-7.9	20.0	24.9	-19.8
Gold (USD/Oz)	1,294	1,289	1,284	1,328	-3.3	1,289	1,458	-11.6

Source: London Metal Exchange

Annex 2: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2014	Apr-Jun 2014	Jul-Sep 2014	Jul-Sep 2013	var %	Jan-Sep 2014	Jan-Sep 2013	var %
Exchange Rate (S/. x USD)	2.81	2.79	2.82	2.79	1.3	2.81	2.67	5.0
Inflation	3.38	3.45	2.74	2.83		2.74	2.83	

Source: Central Reserve Bank of Peru

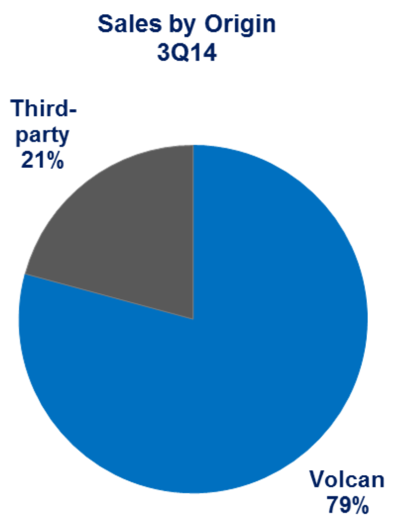
Annex 3: Domestic Production of Main Metals

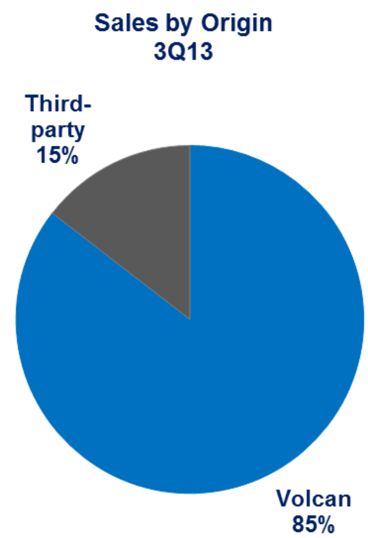
National Production	Jan - Aug 2014	Jan - Aug 2013	var %
Silver (Thousand Oz)	79,741	75,874	5.1
Zinc (FMT)	859,469	918,919	-6.5
Lead (FMT)	177,828	171,087	3.9
Copper (FMT)	924,614	882,497	4.8
Gold (Thousand Oz)	2,847	3,412	-16.6

Source: Ministry of Energy and Mines

Annex 4: Sales Breakdown

Chart 2: Sales by Origin (% of Value in USD)

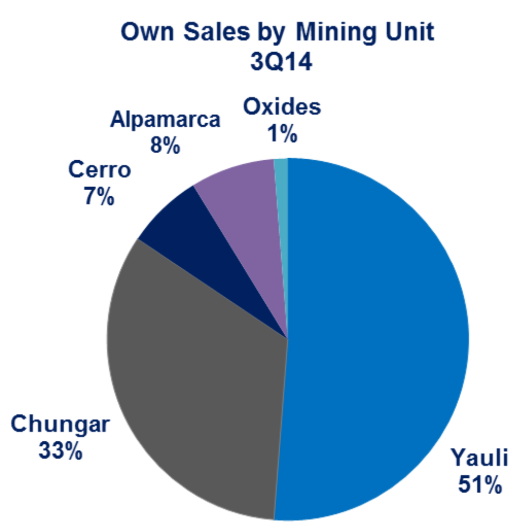


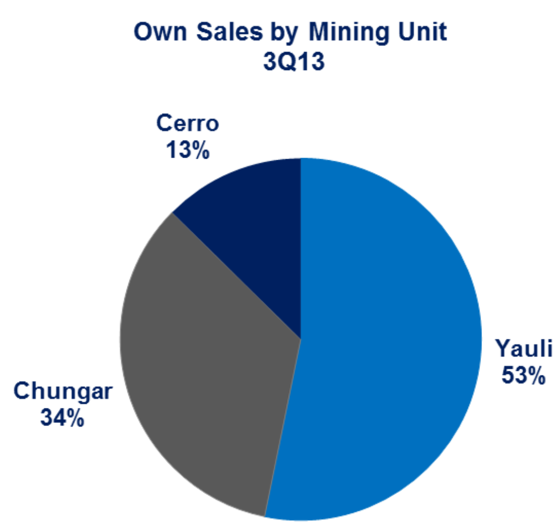


Source: Volcan Cia. Minera

The distribution of sales by origin shows a significant increase in the share of third-party concentrates in the total sales, growing from 15% in 3Q13 to 21% in 3Q14.

Chart 3: Volcan's Own Sales by Unit (% of Value in USD)

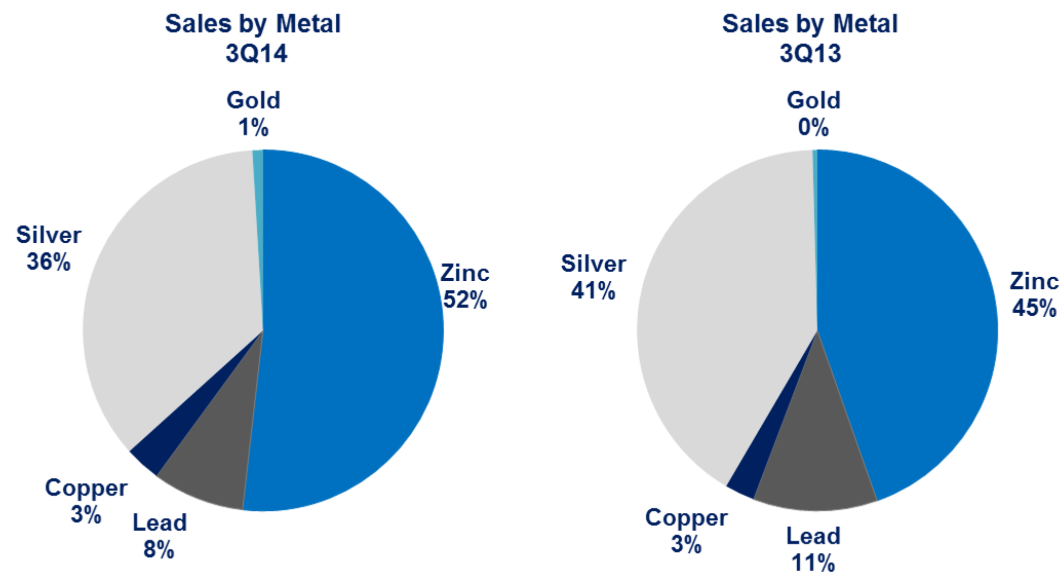




Source: Volcan Cia. Minera

The distribution of Volcan's own sales by mining unit shows a reduction in the share of Cerro de Pasco resulting from the lower production at this unit. It should be noted that the sales of Alpamarca unit accounted for 8% of the Company's own sales during 3Q14, while the sales of silver dore bars during the operational-adjustment stage at the Oxides Plant accounted for 1% of its own sales.

Chart 4: Sales by Metal (% of Value in USD)



Source: Volcan Cia. Minera

The distribution of sales by metal shows a reduction in the share of silver and an increase in the share of zinc, mainly explained by the year on year 13.8% decrease in the silver price and the 23.1% increase in the zinc price for the same period.