

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis Fourth Quarter 2014

Principal Results:

| | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Operating Results | | | | | | | | | |
| Mineral treatment (thousand MT) | 1,565 | 1,893 | 1,903 | 2,033 | 1,672 | 21.6 | 7,395 | 6,410 | 15.4 |
| Zinc Production (thousand FMT) | 65.0 | 68.2 | 74.4 | 73.1 | 73.3 | -0.3 | 280.7 | 279.6 | 0.4 |
| Lead Production (thousand FMT) | 13.1 | 15.1 | 14.4 | 14.4 | 16.6 | -13.2 | 57.0 | 67.4 | -15.5 |
| Silver Production (million Oz) | 4.6 | 5.8 | 6.0 | 6.1 | 5.4 | 12.7 | 22.5 | 20.7 | 8.4 |
| Unit Cost (USD/MT) | 66.1 | 63.5 | 63.5 | 63.1 | 65.4 | -3.5 | 63.9 | 67.6 | -5.4 |
| Total Investments (MM USD) | 103.8 | 92.0 | 80.2 | 91.9 | 180.6 | -49.1 | 367.8 | 534.4 | -31.2 |
| Financial Results (MM USD) | | | | | | | | | |
| Sales before adjustments ¹ | 243.5 | 274.8 | 284.2 | 254.4 | 288.5 | -11.8 | 1,056.9 | 1,069.3 | -1.2 |
| Net sales ² | 244.4 | 278.9 | 271.4 | 247.5 | 287.0 | -13.8 | 1,042.4 | 1,162.8 | -10.4 |
| EBITDA | 56.4 | 73.5 | 70.7 | 56.3 | 69.9 | -19.4 | 256.9 | 385.8 | -33.4 |
| Net profit | 10.1 | 20.4 | 16.0 | 10.3 | 23.7 | -56.4 | 56.8 | 173.4 | -67.2 |

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

² For 2013 period includes income from hedging for \$ 127.3 MM
Source: Volcan Cia. Minera

1. Executive Summary

1.1. Production

During 2014, Volcan's consolidated production showed a favorable evolution quarter-on-quarter. In the second half of the year, the volume of treated ore and the production of zinc, lead, and silver fines significantly increased with regard to the first half of the year.

With respect to the previous year, the volume treated at the concentrating plants during 4Q14 rose by 14.6%, primarily due to the contribution of the new Alparmarca Unit.

With regard to fine contents, during 4Q14, the production of silver ounces grew by 12.7% versus 4Q13 due to the production from the Alparmarca Unit, the contribution of the Oxides Plant, in its operational adjustment phase, and the increased production from the Yauli Unit. The production of fine zinc contents remained stable in spite of lower production in Cerro de Pasco and Chungar units, which was offset by the production at Alparmarca. The production of fine lead contents declined by 13.2% due to lower grades registered in Yauli,



Chungar and Cerro de Pasco units, and reduced treatment of lead-rich third party ore at Yauli Unit. Finally, the production of copper fines decreased by 19.2% due to lower recoveries in Yauli and Chungar units.

1.2. Cost of Production

The unit cost of production during 4Q14 was 63.1 USD/MT, 3.5% lower than the 65.4 USD/MT reported in 4Q13. In annual terms, the unit cost for 2014 was 63.9 USD/MT, 5.4% lower than the 67.6 USD/MT for 2013.

This decline in the cost of production principally resulted from the launching of a number of initiatives, such as an important personnel reduction program, the review of the number and scope of third-party contractors, the renegotiation of prices of supplies, an energy-efficiency program, and the streamlining of expenses of supporting areas. The unit cost of production was further decreased by increased treatment volumes and the positive impact of the lower cost of production at the new Alparmarca Unit as compared to the other units.

Additional cost reductions are expected during 2015 as a result of the aforementioned initiatives, including an additional reduction of personnel expected in the first quarter of 2015. The decline in fuel prices and the devaluation of the Nuevo Sol with respect to the US Dollar will have a positive effect on costs.

1.3. Investments

In 2014, growth investment in the mining business was reduced significantly because of the lower investment related to the Oxides Plant at the Cerro de Pasco and the culmination of construction of the Alparmarca Unit. As a result, total investment decreased by 49.1%, from USD 180.6 MM in 4Q13 to USD 91.9 MM in 4Q14. Investments during 2014 totaled USD 367.8 MM, a 31.2% decline when compared to the USD 534.4 MM reported in 2013.

1.4. Financial Results

In 4Q14, sales before adjustments¹ reached USD 254.4 MM, 11.8% lower than the USD 288.5 MM reported in 4Q13. The reduction is primarily explained by lower third-party concentrate volumes sold, 63.9 thousand MT in 4Q13 versus 52.7 thousand MT in 4Q14; and the lower price of silver, 16.8 USD/Oz in 4Q14 versus 20.9 USD/Oz in 4Q13. The effect of lower silver prices was partially offset by higher zinc prices, 2,216 USD/MT in 4Q14 versus 1,871 USD/MT in 4Q13.

Sales adjustments were a negative USD 6.9 MM in 4Q14 versus a negative adjustment of USD 1.4 MM reported in 4Q13. Such negative adjustments are explained by falling silver

¹ Adjustments: i) final settlements of shipments from prior periods, ii) adjustments for open positions (embedded derivative and sales adjustments), iii) hedging results.



prices (-19.6%). Net sales after adjustments in 4Q14 totaled USD 247.5 MM, 13.8% lower than the USD 287.0 MM figure reported in 4Q13.

Volcan's gross margin in 4Q14 was 12%, which is lower than the 24% margin registered in 4Q13. The lower gross margin is attributed to

- The increase in depreciation by 67%, from USD 27.9 MM in 4Q13 to USD 46.6 MM in 4Q14, due to the startup of the Alpamarca Unit and important infrastructure projects at Chungar such as the Jacob Timmers Shaft, the expansion of the Animon tailings dam and the Paragsha – Francoise 220 KV transmission line. And at Yauli, the expansion of the Andaychagua Alto and Rumichaca tailings dams, the expansion of the San Antonio electric substation and communication systems for the interior of the mine
- The lower price of silver
- The larger negative sales adjustments
- The lower margin from the concentrate commercialization business, from 11% in 4Q13 to -3% in 4Q14

Net profit fell by 56%, from USD 23.7 MM in 4Q13 to USD 10.3 MM in 4Q14, and 4Q14 EBITDA totaled USD 56.3 MM, 19% lower than the USD 69.9 MM reported in 4Q13.

In annual terms, sales before adjustments for 2014 reached USD 1,056.9 MM, 1.2% lower than the USD 1,069.3 MM reported in 2013.

It is important to recall that Volcan reported positive hedging results during 2013 totaling USD 127.3 MM, which resulted in positive sales adjustments of USD 93.5 MM versus the negative adjustments of USD 14.5 MM reported in 2014, in other words, there was a negative year-on-year impact to sales of USD 108 MM. This is the principal reason that 2014 sales (USD 1,042.4 MM) were 10.4% lower than the figure reported in 2013 (USD 1,162.8 MM). For the same reason, EBITDA in 2014 was USD 256.9 MM, 33% lower than the USD 385.8 MM reported in 2013.

In addition, the increase in depreciation in 2014 by USD 43.7 MM with respect to the previous year was another important factor that explains the reduction of net profit by 67%, from USD 173.4 MM in 2013 to USD 56.8 MM in 2014.

1.5. Other Significant Aspects

Geology: During the second half of 2014, a systematic exploration program was initiated at the mining units in order to realize their potential and increase mineral resources at the most important mines. A total of 78,598 meters of diamond drilling, allowing the Company to estimate additional inferred resources and confirm the continuity of the lateral extension and the extension at depth of the main mineralized structures, ensuring a sound resource base for a longer mine life and for future growth. In addition, this program allowed for the delineation of additional resource potential in areas surrounding current operations. These systematic exploration programs will continue during 2015.

Energy: As of December 2014, progress in the construction of the 20 MW Rucuy hydroelectric power plant was at 40%. Production is expected during 1Q16. Total investment in this project amounts to be approximately USD 45 MM. To date, USD 18 MM has been invested.

It is worth mentioning the implementation of the Energy Efficiency Program that began in July 2014 as part of an ongoing cost-reduction initiative. This program seeks to optimize the use of power at the mining units of the Company in the short- and medium-term.

A detailed analysis of Volcan's consolidated results is presented as follows, including the 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 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousand MT) | 1,418 | 1,748 | 1,794 | 1,816 | 1,569 | 15.7 | 6,776 | 5,894 | 15.0 |
| Mineral treatment (thousand MT) | 1,565 | 1,893 | 1,903 | 2,033 | 1,672 | 21.6 | 7,395 | 6,410 | 15.4 |
| In Concentrator Plants | 1,565 | 1,832 | 1,844 | 1,915 | 1,672 | 14.6 | 7,156 | 6,410 | 11.6 |
| In Silver Oxides Plant* | 0 | 62 | 59 | 119 | 0 | | 239 | 0 | |
| Fines Content | | | | | | | | | |
| Zinc (thousand FMT) | 65.0 | 68.2 | 74.4 | 73.1 | 73.3 | -0.3 | 280.7 | 279.6 | 0.4 |
| Lead (thousand FMT) | 13.1 | 15.1 | 14.4 | 14.4 | 16.6 | -13.2 | 57.0 | 67.4 | -15.5 |
| Copper (thousand FMT) | 0.9 | 0.9 | 0.8 | 0.8 | 1.0 | -19.2 | 3.4 | 3.2 | 5.7 |
| Silver (million Oz)* | 4.6 | 5.8 | 6.0 | 6.1 | 5.4 | 12.7 | 22.5 | 20.7 | 8.4 |

* Includes Oxides production in operational-adjustment stage
Source: Volcan Cia. Minera

During 4Q14, Volcan increased extraction volumes by 15.7%, and the volume of treated ore grew by 14.6% compared to the same period of the previous year. This increase is primarily explained by the initiation of production at the new Alpamarca Unit, as well as greater extraction volumes at the Yauli Unit.

The production of silver ounces increased by 12.7%, from 5.4 MM ounces in 4Q13 to 6.1 MM ounces in 4Q14, mainly due to the startup of the Alpamarca Unit, production from the new Oxides Plant during its operational-adjustment stage, and improved metallurgical recoveries at the Yauli Unit. The production of fine zinc remained stable in spite of the lower production from the Cerro de Pasco and Chungar units, which was offset by the production from the Alpamarca Unit. The production of fine lead contents fell by 13.2% due to lower grades in Yauli, Chungar and Cerro de Pasco units, and reduced treatment from third-party high-grade lead ore in Yauli Unit. Finally, the production of fine copper contents fell by 19.2% due to lower recoveries in Yauli and Chungar units.

It is noteworthy to highlight the 8.4% annual increase in the production of silver, from 20.7 MM ounces in 2013 to 22.5 MM ounces in 2014. In addition, annual zinc production grew by 0.4%, from 279.6 thousand FMT in 2013 to 280.7 thousand FMT in 2014; while lead production fell by 15.5%, from 67.4 thousand FMT in 2013 to 57 thousand FMT in 2014.

2.2. Cost of Production

Table 2: Consolidated Cost of Production

| Consolidated Cost of Production* | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| Cost of Production (MM USD) | 97.6 | 113.2 | 115.2 | 117.1 | 105.4 | 11.2 | 443.1 | 412.3 | 7.5 |
| Extraction Cost | 56.1 | 64.4 | 67.0 | 67.8 | 60.5 | 12.1 | 255.2 | 238.0 | 7.2 |
| Treatment Cost | 41.5 | 48.8 | 48.2 | 49.3 | 44.9 | 9.9 | 187.9 | 174.2 | 7.9 |
| Unit Cost (USD/MT) | 66.1 | 63.5 | 63.5 | 63.1 | 65.4 | -3.5 | 63.9 | 67.6 | -5.4 |
| Extraction Cost | 39.5 | 36.8 | 37.3 | 37.3 | 38.5 | -3.1 | 37.7 | 40.4 | -6.7 |
| Treatment Cost | 26.5 | 26.7 | 26.2 | 25.8 | 26.9 | -4.1 | 26.3 | 27.2 | -3.4 |

Source: Volcan Cia. Minera

* The consolidated production cost reported excludes: i) the cost of the Oxides Plant during its operational adjustment stage, ii) third-party ore and concentrate purchase costs, iii) extraordinary costs referred to severance payments.

Consolidated unit cost decreased by 3.5%, from 65.4 USD/MT in 4Q13 to 63.1 USD/MT in 4Q14, as a result of the implementation of the cost-cutting initiatives, lower mining costs at the Chungar Unit, and the startup of the Alpamarca Unit, the operation with the lowest unit cost at the Company. The abovementioned cost reduction offset the higher cost reported at the Yauli Unit that resulted from additional preparation works in its underground mines, which will allow for greater ore production and operational flexibility in the future.

In absolute terms, the cost of Volcan's concentrate production grew by 11.2%, from USD 105.4 MM in 4Q13 to USD 117.1 MM in 4Q14, primarily due to the startup of the Alpamarca Unit and greater ore extraction volumes at the Yauli Unit.

Although the annual absolute cost of production increased by 7.5%, from USD 412.3 MM in 2013 to USD 443.1 MM in 2014, the annual consolidated unit cost declined by 5.4%, from 67.6 USD/MT in 2013 to 63.9 USD/MT in 2014.

It is important to emphasize the Company remains focused on cost control and cost-cutting. In 2015, an additional cost reduction of more than 5% is expected.

2.3. Total Investments

Table 3: Consolidated Investment

| Consolidated Investments* (MM USD) | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Mining Business | 102.6 | 85.7 | 74.5 | 81.6 | 169.5 | -51.9 | 344.4 | 521.7 | -34.0 |
| Mining Units | 36.1 | 45.0 | 47.8 | 50.9 | 56.6 | -10.2 | 179.7 | 203.6 | -11.7 |
| Local Exploration | 2.9 | 3.0 | 3.3 | 3.8 | 3.3 | 16.7 | 13.0 | 13.1 | -0.5 |
| Development | 10.7 | 15.7 | 16.3 | 15.2 | 13.8 | 10.7 | 57.8 | 54.0 | 7.1 |
| Plants and Tailings Facilities | 9.8 | 13.5 | 12.8 | 14.0 | 19.2 | -26.7 | 50.1 | 58.7 | -14.6 |
| Mine and Infrastructure | 9.9 | 9.5 | 10.1 | 8.3 | 10.6 | -21.7 | 37.8 | 52.2 | -27.7 |
| Energy in Units | 1.7 | 1.2 | 2.1 | 2.0 | 4.8 | -59.3 | 6.9 | 10.9 | -36.2 |
| Support and Others | 1.1 | 2.1 | 3.3 | 7.5 | 5.0 | 50.1 | 14.0 | 14.7 | -4.9 |
| Regional Explorations | 1.1 | 1.6 | 2.6 | 2.4 | 2.2 | 7.8 | 7.7 | 8.2 | -6.9 |
| Growth and Others | 65.5 | 39.1 | 24.1 | 28.3 | 110.7 | -74.4 | 157.0 | 309.9 | -49.3 |
| Energy Business | 1.1 | 6.3 | 5.7 | 10.3 | 11.1 | -7.1 | 23.4 | 12.7 | 84.3 |
| Total | 103.8 | 92.0 | 80.2 | 91.9 | 180.6 | -49.1 | 367.8 | 534.4 | -31.2 |

Source: Volcan Cia. Minera

* Total investment as shown in this table do 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, etc., and excludes investments made in Vichaycocha.

Total investment in 4Q14 was USD 91.9 MM, 49.1% lower than the USD 180.6 MM reported in 4Q13.

Investment in the Company's mining business during 4Q14 reached USD 81.6 MM, 51.9% lower than the figure reported in 4Q13 (USD 169.5 MM). In addition, operating investments declined by 10.2%, from USD 56.6 MM in 4Q13 to USD 50.9 MM in 4Q14. This decline is attributed to reduced investment in plants and tailings management facilities (USD 5.2 MM), explained by the completion of the expansion of the Victoria Plant in Yauli Unit, and the upgrade of the tailings management facilities of Chungar Unit. Moreover, power infrastructure investments at the mining units declined by USD 2.8 MM, as well as mine and infrastructure investments by USD 2.3 MM. Such reductions were partially offset by increased investments in supporting areas (USD 2.5 MM) and development (USD 1.4 MM).

Regional exploration investments (*greenfield*) increased from USD 2.2 MM in 4Q13 to USD 2.4 MM in 4Q14, while growth investments fell by 74.4%, from USD 110.7 MM in 4Q13 to USD 28.3 MM in 4Q14. This decline is explained by reduced investments related to the Oxides Plant project and the completion of the new Alparmarca Unit.

Energy investments made in 4Q14 totaled USD 10.3 MM, 7.1% lower than the figure reported in 4Q13 (USD 11.1 MM). In 4Q14, the principal energy investments were focused on the Paragsha – Francoise transmission line (USD 4.1 MM) and the Rucuy hydroelectric plant (USD 5.4 MM).

In annual terms, total investments for 2014 amounted to USD 367.8 MM, 31.2% lower than the USD 534.4 MM reported in 2013, which reflects the end of a cycle of significant growth investments. This investment reduction will be accentuated with a 30% to 40% decline in investment projected for 2015 as compared to 2014.

2.4. Financial Results

2.4.1. Income Statement

Table 4: Sales Prices

| Sales Prices | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Zinc (USD/MT) | 2,012 | 2,057 | 2,281 | 2,216 | 1,871 | 18.4 | 2,143 | 1,914 | 12.0 |
| Lead (USD/MT) | 2,106 | 2,096 | 2,182 | 2,025 | 2,097 | -3.4 | 2,103 | 2,172 | -3.2 |
| Copper (USD/MT) | 6,945 | 6,832 | 6,992 | 6,604 | 7,172 | -7.9 | 6,837 | 7,295 | -6.3 |
| Silver (USD/Oz) | 20.5 | 19.7 | 19.6 | 16.8 | 20.9 | -19.7 | 19.1 | 24.4 | -21.7 |

Source: Volcan Compañía Minera

The following tables show Company results, separating mining and third-party concentrate commercialization businesses.

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

| Income Statement (MM USD) | Mining Business | | | Third-party Concentrates Commercialization Business | | | Consolidated | | |
|---|-----------------|-----------------|---------------|--|-----------------|---------------|-----------------|-----------------|---------------|
| | Oct-Dec 2014 | Oct-Dec 2013 | var % | Oct-Dec 2014 | Oct-Dec 2013 | var % | Oct-Dec 2014 | Oct-Dec 2013 | var % |
| Sales | 195.1 | 205.1 | -4.9 | 52.4 | 82.0 | -36.0 | 247.5 | 287.0 | -13.8 |
| <i>Net sales</i> | 205.0 | 211.1 | -2.9 | 49.5 | 77.4 | -36.1 | 254.4 | 288.5 | -11.8 |
| <i>Settlements of prior periods adj.</i> | -4.6 | -9.9 | | -2.1 | 0.0 | | -6.7 | -9.9 | |
| <i>Adj. open positions and emb.deriv.</i> | -8.0 | 1.1 | | -1.7 | 0.0 | | -9.7 | 1.1 | |
| <i>Hedging</i> | 2.8 | 2.8 | | 6.8 | 4.6 | | 9.6 | 7.4 | |
| Cost of Goods Sold | -164.2 | -144.7 | 13.5 | -54.0 | -72.8 | -25.8 | -218.2 | -217.4 | 0.4 |
| <i>Direct Cost of Goods Sold</i> | -163.1 | -139.5 | 17.0 | -53.6 | -72.3 | -25.8 | -216.8 | -211.8 | 2.3 |
| <i>Extraordinary Costs</i> | -0.4 | -3.2 | -86.6 | | | | -0.4 | -3.2 | -86.6 |
| <i>Workers Participation</i> | -0.6 | -2.0 | -67.2 | -0.4 | -0.5 | -21.4 | -1.0 | -2.4 | -58.6 |
| Gross Profit | 30.9 | 60.4 | -48.9 | -1.5 | 9.2 | -116.7 | 29.3 | 69.6 | -57.9 |
| Gross Margin | 16% | 29% | -14 pp | -3% | 11% | -14 pp | 12% | 24% | -12 pp |
| Administrative Expenses | -12.9 | -16.5 | -22.2 | -2.1 | -0.6 | 288.1 | -15.0 | -17.1 | -12.1 |
| Sales Expenses | -15.9 | -12.5 | 28.0 | 2.1 | -2.5 | -181.8 | -13.9 | -15.0 | -7.2 |
| Other Income (Expenses) | 8.2 | 2.6 | 217.2 | | | | 8.2 | 2.6 | 217.2 |
| Operating Profit | 10.3 | 34.0 | -69.8 | -1.6 | 6.1 | -126.4 | 8.6 | 40.2 | -78.5 |
| Operating Margin | 5% | 17% | -11 pp | -3% | 7% | -11 pp | 3% | 14% | -10 pp |
| Financial Income (Expenses) | -3.4 | -1.1 | 196.3 | -0.1 | 0.0 | | -3.5 | -1.1 | 205.9 |
| Royalties | -1.8 | -2.6 | -28.1 | 0.0 | -0.8 | -100.4 | -1.8 | -3.3 | -44.9 |
| Income Tax | 6.5 | -10.7 | -160.8 | 0.5 | -1.3 | -140.2 | 7.0 | -12.0 | -158.6 |
| Net Profit | 11.6 | 19.6 | -41.2 | -1.2 | 4.1 | -129.6 | 10.3 | 23.7 | -56.4 |
| Net Margin | 6% | 10% | -4 pp | -2% | 5% | -7 pp | 4% | 8% | -4 pp |
| EBITDA | 57.9 | 63.7 | -9.1 | -1.6 | 6.1 | -126.4 | 56.3 | 69.9 | -19.4 |

Source: Volcan Cia. Minera

Table 6: Accumulated Income Statement as per Line of Business

| Income Statement (MM USD) | Mining Business | | | Third-party Concentrates Commercialization Business | | | Consolidated | | |
|------------------------------------|-----------------|-----------------|---------------|--|-----------------|---------------|-----------------|-----------------|---------------|
| | Jan-Dec 2014 | Jan-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
| Sales | 781.7 | 949.5 | -17.7 | 260.6 | 213.3 | 22.2 | 1,042.4 | 1,162.8 | -10.4 |
| Net sales | 803.8 | 880.4 | -8.7 | 253.0 | 188.9 | 33.9 | 1,056.9 | 1,069.3 | -1.2 |
| Settlements of prior periods adj. | -22.1 | -34.1 | | -4.8 | 0.0 | | -26.9 | -34.1 | |
| Adj. open positions and emb.deriv. | -2.4 | 0.3 | | -0.3 | 0.0 | | -2.7 | 0.3 | |
| Hedging | 2.4 | 102.9 | | 12.7 | 24.4 | | 15.1 | 127.3 | |
| Cost of Goods Sold | -610.7 | -601.3 | 1.6 | -255.0 | -190.2 | 34.1 | -865.7 | -791.4 | 9.4 |
| Direct Cost of Goods Sold | -602.2 | -572.9 | 5.1 | -254.7 | -188.6 | 35.1 | -856.8 | -761.5 | 12.5 |
| Extraordinary Costs | -2.1 | -17.1 | -87.6 | | | | -2.1 | -17.1 | -87.6 |
| Workers Participation | -6.4 | -11.3 | -43.1 | -0.4 | -1.6 | -77.1 | -6.8 | -12.9 | -47.3 |
| Gross Profit | 171.0 | 348.2 | -50.9 | 5.6 | 23.2 | -75.8 | 176.6 | 371.4 | -52.4 |
| Gross Margin | 22% | 37% | -15 pp | 2% | 11% | -9 pp | 17% | 32% | -15 pp |
| Administrative Expenses | -52.4 | -58.9 | -11.1 | -2.1 | -1.9 | 14.0 | -54.6 | -60.8 | -10.3 |
| Sales Expenses | -40.7 | -41.2 | -1.3 | -8.4 | -5.1 | 65.1 | -49.0 | -46.3 | 6.0 |
| Other Income (Expenses) | 22.4 | 3.6 | 516.9 | | | | 22.4 | 3.6 | 516.9 |
| Operating Profit | 100.3 | 251.7 | -60.2 | -4.9 | 16.2 | -130.1 | 95.4 | 267.9 | -64.4 |
| Operating Margin | 13% | 27% | -14 pp | -2% | 8% | -9 pp | 9% | 23% | -14 pp |
| Financial Income (Expenses) | -20.5 | -12.1 | 69.7 | -0.3 | 0.0 | | -20.8 | -12.1 | 72.2 |
| Royalties | -12.9 | -15.2 | -15.3 | -1.8 | -1.9 | -6.1 | -14.7 | -17.1 | -14.3 |
| Income Tax | -5.1 | -61.6 | -91.6 | 2.1 | -3.8 | -154.5 | -3.1 | -65.4 | -95.3 |
| Net Profit | 61.7 | 162.8 | -62.1 | -4.9 | 10.5 | -146.1 | 56.8 | 173.4 | -67.2 |
| Net Margin | 8% | 17% | -9 pp | -2% | 5% | -7 pp | 5% | 15% | -9 pp |
| EBITDA | 261.8 | 369.5 | -29.2 | -4.9 | 16.2 | -130.1 | 256.9 | 385.8 | -33.4 |

Source: Volcan Cia. Minera

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

2.4.2. Sales

Table 7: Concentrate Sales Volumes

| Concentrates Sales (thousands DMT)* | | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|--|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|-------------|
| Volcan | Zinc | 127.2 | 122.7 | 138.2 | 131.7 | 138.3 | -4.8 | 519.8 | 527.3 | -1.4 |
| | Lead | 21.7 | 30.1 | 26.3 | 23.4 | 29.9 | -21.9 | 101.5 | 121.4 | -16.4 |
| | Copper | 3.3 | 4.4 | 2.7 | 4.5 | 5.4 | -16.5 | 14.9 | 18.2 | -18.2 |
| | Silver Bulk | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.7 | -95.9 |
| | | 152.3 | 157.2 | 167.2 | 159.6 | 173.6 | -8.1 | 636.3 | 667.6 | -4.7 |
| Third-party | Zinc | 46.2 | 53.2 | 42.5 | 42.8 | 43.0 | -0.5 | 184.7 | 90.7 | 103.5 |
| | Lead | 6.5 | 4.4 | 1.9 | 3.0 | 10.3 | -70.6 | 15.9 | 17.2 | -7.6 |
| | Copper | 7.6 | 6.8 | 7.9 | 6.9 | 10.6 | -35.2 | 29.2 | 35.8 | -18.4 |
| | | 60.3 | 64.5 | 52.3 | 52.7 | 63.9 | -17.6 | 229.8 | 143.7 | 59.9 |
| Total | Zinc | 173.4 | 175.9 | 180.6 | 174.5 | 181.3 | -3.8 | 704.5 | 618.0 | 14.0 |
| | Lead | 28.3 | 34.5 | 28.2 | 26.4 | 40.2 | -34.4 | 117.4 | 138.6 | -15.3 |
| | Copper | 10.9 | 11.2 | 10.6 | 11.4 | 16.0 | -28.9 | 44.1 | 54.0 | -18.3 |
| | Silver Bulk | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.7 | -95.9 |
| | | 212.6 | 221.7 | 219.4 | 212.3 | 237.6 | -10.6 | 866.0 | 811.3 | 6.7 |

*Consider concentrates volumes billed, excluding those associated with settlements of prior periods

Source: Volcan Cia. Minera

In 4Q14, the total volume of concentrate sold decreased by 10.6%. The sale of Volcan's own concentrate declined by 8.1%, while the sale of third-party concentrate declined by

17.6%, mainly due to the optimization of the third-party concentrate commercialization business, which will accentuate in 2015.

In annual terms, concentrate sales volumes increased by 6.7% in 2014, due principally to the 59.9% increase in third-party concentrate volumes sold as compared to 2013. On the other hand, Volcan's own concentrate volumes sales decreased by 4.7%, primarily explained by lower lead and copper concentrate volumes sold.

The table below shows the total volumes of fine contents sold contained in Volcan's own concentrate, in third-party concentrate, and from the dore bars obtained from the oxides plant that is in its operational adjustment phase.

Table 8: Fine Content Sales Volumes

| Fines Sales | | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|----------------------|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Volcan Fines | Zinc (thousands FMT) | 69.4 | 66.6 | 74.9 | 71.4 | 74.9 | -4.7 | 282.4 | 283.5 | -0.4 |
| | Lead (thousands FMT) | 10.6 | 16.6 | 14.1 | 13.3 | 16.8 | -20.8 | 54.6 | 68.7 | -20.5 |
| | Copper (thousands FMT) | 0.7 | 0.9 | 0.6 | 1.0 | 1.1 | -8.5 | 3.3 | 3.5 | -6.2 |
| | Silver (million Oz) | 3.8 | 5.8 | 6.0 | 5.7 | 4.9 | 14.9 | 21.3 | 20.0 | 6.4 |
| | Gold (thousands Oz) | 2.2 | 4.6 | 3.6 | 2.7 | 3.8 | -29.1 | 13.1 | 10.6 | 23.2 |
| Third-party Fines | Zinc (thousands FMT) | 24.2 | 28.2 | 22.7 | 23.1 | 22.8 | 1.3 | 98.3 | 48.4 | 103.1 |
| | Lead (thousands FMT) | 5.0 | 1.8 | 1.1 | 1.4 | 5.4 | -74.6 | 9.2 | 8.9 | 3.4 |
| | Copper (thousands FMT) | 1.7 | 1.5 | 1.7 | 1.6 | 2.3 | -28.5 | 6.5 | 8.1 | -19.6 |
| | Silver (million Oz) | 1.5 | 1.1 | 0.9 | 1.0 | 1.8 | -45.8 | 4.5 | 4.2 | 9.2 |
| | Gold (thousands Oz) | 0 | 0 | 0 | 0.1 | 0 | | 0 | 0 | |
| Total | Zinc (thousands FMT) | 93.6 | 94.9 | 97.6 | 94.5 | 97.7 | -3.3 | 380.6 | 331.9 | 14.7 |
| | Lead (thousands FMT) | 15.5 | 18.4 | 15.2 | 14.7 | 22.2 | -33.8 | 63.8 | 77.5 | -17.8 |
| | Copper (thousands FMT) | 2.4 | 2.4 | 2.4 | 2.6 | 3.4 | -22.0 | 9.8 | 11.6 | -15.5 |
| | Silver (million Oz) | 5.3 | 7.0 | 6.9 | 6.7 | 6.8 | -1.4 | 25.8 | 24.2 | 6.9 |
| | Gold (thousands Oz) | 2.2 | 4.6 | 3.6 | 2.8 | 3.8 | -26.0 | 13.3 | 10.6 | 24.4 |

Source: Volcan Cia. Minera

Table 9: Sales in USD

| Sales (millions USD) | | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|----------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|-------------|
| Mining Business | Zinc | 91.0 | 86.7 | 110.3 | 107.8 | 98.7 | 9.2 | 395.8 | 371.3 | 6.6 |
| | Lead | 14.3 | 23.2 | 20.9 | 21.5 | 25.6 | -16.0 | 79.9 | 108.1 | -26.1 |
| | Copper | 1.9 | 3.2 | 1.9 | 1.9 | 3.0 | -37.2 | 8.8 | 8.3 | 7.0 |
| | Silver | 57.4 | 91.0 | 89.3 | 72.0 | 81.2 | -11.3 | 309.7 | 386.5 | -19.9 |
| | Total | 166.1 | 207.7 | 225.0 | 205.0 | 211.1 | -2.9 | 803.8 | 880.4 | -8.7 |
| | Adjustments ¹ | -2.7 | -12.0 | 2.4 | -9.9 | -6.1 | 63.3 | -22.1 | 69.1 | |
| Net Sales | 163.4 | 195.8 | 227.4 | 195.1 | 205.1 | -4.9 | 781.7 | 949.5 | -17.7 | |
| Commercialization Business | Zinc | 36.3 | 41.7 | 37.0 | 29.8 | 30.1 | -1.2 | 144.8 | 63.3 | 128.6 |
| | Lead | 9.7 | 3.3 | 2.6 | -0.2 | 8.1 | -102.9 | 15.3 | 12.9 | 18.1 |
| | Copper | 7.1 | 6.5 | 7.4 | 7.6 | 8.2 | -6.9 | 28.6 | 32.3 | -11.5 |
| | Silver | 24.3 | 15.6 | 12.3 | 12.2 | 30.9 | -60.5 | 64.4 | 80.3 | -19.9 |
| | Gold | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | | 0.0 | 0.0 | |
| | Total | 77.4 | 67.0 | 59.2 | 49.5 | 77.4 | -36.1 | 253.0 | 188.9 | 34.0 |
| Adjustments ¹ | 3.6 | 16.1 | -15.1 | 3.0 | 4.6 | | 7.6 | 24.4 | | |
| Net Sales | 81.0 | 83.2 | 44.0 | 52.4 | 82.0 | -36.0 | 260.6 | 213.3 | 22.2 | |
| Total | Zinc | 127.3 | 128.4 | 147.2 | 137.6 | 128.9 | 6.8 | 540.6 | 434.6 | 24.4 |
| | Lead | 24.0 | 26.5 | 23.5 | 21.2 | 33.7 | -37.0 | 95.2 | 121.1 | -21.4 |
| | Copper | 8.9 | 9.7 | 9.2 | 9.5 | 11.2 | -15.1 | 37.4 | 40.6 | -7.7 |
| | Silver | 81.8 | 106.6 | 101.5 | 84.2 | 112.1 | -24.8 | 374.1 | 466.8 | -19.9 |
| | Gold | 1.4 | 3.7 | 2.7 | 1.8 | 2.6 | -29.8 | 9.6 | 6.2 | 55.0 |
| | Total | 243.5 | 274.8 | 284.2 | 254.4 | 288.5 | -11.8 | 1,056.9 | 1,069.3 | -1.2 |
| Adjustments ¹ | 1.0 | 4.2 | -12.8 | -6.9 | -1.4 | | -14.5 | 93.5 | | |
| Net Sales | 244.4 | 278.9 | 271.4 | 247.5 | 287.0 | -13.8 | 1,042.4 | 1,162.8 | -10.4 | |

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

Total sales before adjustments for 4Q14 reached USD 254.4 MM, 11.8% lower than the USD 288.5 MM reported in 4Q13. This is mainly explained by lower silver prices (-19.7%), as well as the 36.1% decrease in third-party concentrate sales, from USD 77.4 MM in 4Q13 to USD 49.5 MM in 4Q14. This decline in third-party concentrate sales resulted in a 19.4% share of total sales before adjustments in 4Q14, as compared to 26.8% in 4Q13.

In 4Q14, the Company recorded negative adjustments of USD 6.9 MM, as compared to USD 1.4 MM of negative adjustments for 4Q13. As a result, net sales for 4Q14 totaled USD 247.5 MM, a 13.8% decrease when compared to the USD 287.0 MM figure for 4Q13.

For the year 2014, sales before adjustments totaled USD 1,056.9 MM, a 1.2% decrease when compared to the USD 1,069.3 MM reported in 2013. This decrease is attributed to the lower average price of silver (-21.7%). However, net sales for 2014 reached USD 1,042.4 MM, 10.4% lower than the USD 1,162.8 MM figure reported in 2013, which is explained by the positive hedging results of USD 127.3 MM obtained in 2013. Such hedging results led to a total positive adjustment of USD 93.5 MM in 2013, as compared to the negative adjustment of USD -14.5 MM in 2014, in other words, a negative impact on sales of USD 108 MM.

2.4.3. Cost of Goods Sold

Table 10: Cost of Goods Sold

| Cost of Goods Sold (millions USD) | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Volcan's Cost of Goods Sold | 128.1 | 159.0 | 153.5 | 163.6 | 142.7 | 14.7 | 604.3 | 590.0 | 2.4 |
| Own Cost of Production | 97.6 | 113.2 | 115.2 | 117.1 | 105.4 | 11.2 | 443.1 | 412.3 | 7.5 |
| D&A of Cost of Production | 31.1 | 36.4 | 38.3 | 46.6 | 27.9 | 67.1 | 152.4 | 111.1 | 37.3 |
| Ore Purchase | 2.8 | 2.3 | 0.1 | 0.0 | 6.8 | -100.0 | 5.3 | 39.7 | -86.6 |
| Extraordinary Costs | 0.4 | 0.7 | 0.7 | 0.4 | 3.2 | -86.6 | 2.1 | 17.1 | -87.6 |
| Own Inventories Change | -3.7 | 6.4 | -0.8 | -0.6 | -0.5 | 20.8 | 1.2 | 9.9 | -87.4 |
| Third-party Cost of Goods Sold | 69.9 | 68.7 | 62.5 | 53.6 | 72.3 | -25.8 | 254.7 | 188.6 | 35.1 |
| Concentrates Purchase | 68.5 | 65.3 | 61.8 | 53.4 | 73.2 | -27.0 | 248.9 | 188.4 | 32.1 |
| Thirds Inventories Change | 1.4 | 3.4 | 0.8 | 0.2 | -0.9 | 5.7 | 0.2 | 2,987.9 | |
| Workers Participation | 1.6 | 2.1 | 2.1 | 1.0 | 2.4 | -58.6 | 6.8 | 12.9 | -47.3 |
| Total | 199.6 | 229.8 | 218.1 | 218.2 | 217.4 | 0.4 | 865.7 | 791.4 | 9.4 |

Source: Volcan Cia. Minera

Total cost of goods sold in 4Q14 reached USD 218.2 MM, close to the USD 217.4 MM figure for 4Q13. However, the Company's own cost of goods sold grew by 14.7% (USD 20.9 MM) due to the 67.1% increase in depreciation and amortization (USD 18.7 MM), and the 11.2% increase in the Company's own absolute cost of production (USD 11.7 MM), related to the inclusion of the operating costs of the new Alpamarca Unit and the greater production in Yauli Unit. These effects were partially offset by reduced purchases of third-party mineral (USD -6.8 MM) and lower extraordinary costs (USD -2.8 MM). The cost of goods sold related to concentrate commercialization fell by 25.8% (USD -18.7 MM), mainly due to the lower volumes of concentrates sold.

In annual terms, the cost of goods sold totaled USD 865.7 MM, 9.4% higher than the USD 791.4 MM reported in 2013. This is mainly related to the USD 60.5 MM increase in the purchase of third-party concentrate, the USD 28.0 MM increase in the cost of production on account of the new Alpamarca Unit, an increase of USD 30.8 MM in the cost of production at the Yauli on account of increased production, and increased depreciation and amortization by USD 41.4 MM.

2.4.4. Gross Profit and Margin

Gross profit decreased from USD 69.6 MM in 4Q13 to USD 29.3 MM in 4Q14, as a consequence the Company's total gross margin was reduced from 24% in 4Q13 to 12% in 4Q14. The decrease in gross margin is principally explained by the negative margin from the third-party concentrate business (-3%) and the reduced gross margin from the mining business, which decreased from 29% in 4Q13 to 16% in 4Q14, mainly attributed to falling silver prices and increased depreciation in the cost of production cost. The increase in depreciation is related to the new Alpamarca Unit and the startup of significant infrastructure projects, such as the Jacob Timmers shaft at Chungar Unit.

In annual terms, total gross profit declined from USD 371.4 MM in 2013 to USD 176.6 MM in 2014, and the total gross margin declined from 32% in 2013 to 17% in 2014. The gross margin from the mining business was 22% in 2014 versus 37% in the previous year. The

reduction is attributable to the extraordinary hedging results reported in the first half of 2013, which had a positive impact on the Company's margins. With regard to third-party concentrate sales, gross margin decreased from 11% in 2013 to 2% in 2014. It is important to note 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.

The table below shows a detailed breakdown of the results from the third-party concentrate commercialization business segment:

Table 11: Third-Party Concentrate Commercialization Business Results

| IS Third-party Concentrates Commercialization Business (MM USD) | 2013 | 1Q 14 | 2Q 14 | 3Q 14 | 4Q 14 | 2014 |
|---|-------------|-------------|-------------|--------------|-------------|-------------|
| Sales | 213.3 | 81.0 | 83.2 | 44.0 | 52.4 | 260.6 |
| Cost of Goods Sold | -190.2 | -70.4 | -68.5 | -62.1 | -54.0 | -255.0 |
| Gross Profit | 23.2 | 10.6 | 14.6 | -18.1 | -1.5 | 5.6 |
| <i>Margin</i> | <i>11%</i> | <i>13%</i> | <i>18%</i> | <i>-41%</i> | <i>-3%</i> | <i>2%</i> |
| Administratives Expenses | -1.9 | 0.0 | 0.0 | 0.0 | -2.1 | -2.1 |
| Sales Expenses | -5.1 | -3.2 | -3.3 | -3.9 | 2.1 | -8.4 |
| Operating Profit | 16.2 | 7.4 | 11.3 | -21.9 | -1.6 | -4.9 |
| <i>Margin</i> | <i>8%</i> | <i>9%</i> | <i>14%</i> | <i>-50%</i> | <i>-3%</i> | <i>-2%</i> |
| Financial Expenses | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 | -0.3 |
| Royalties | -1.9 | -0.8 | -0.7 | -0.3 | 0.0 | -1.8 |
| Income Tax | -3.8 | -2.0 | -3.2 | 6.7 | 0.5 | 2.1 |
| Net Profit | 10.5 | 4.6 | 7.4 | -15.7 | -1.2 | -4.9 |
| <i>Margin</i> | <i>5%</i> | <i>6%</i> | <i>9%</i> | <i>-36%</i> | <i>-2%</i> | <i>-2%</i> |

Source: Volcan Cia. Minera

2.4.5. Operating Expenses

Administrative expenses declined by 12.1%, from USD 17.1 MM in 4Q13 to USD 15.0 MM in 4Q14, due to the expense reduction measures implemented and reduced profit-sharing as a result of the Company's lower margins.

In annual terms, administrative expenses declined by 10.3%, from USD 60.8 MM in 2013 to USD 54.6 MM in 2014.

For its part, selling expenses declined by 7.2%, from USD 15.0 MM in 4Q13 to USD 13.9 MM in 4Q14, explained by lower concentrate volumes sold when compared to the same quarter of the previous year.

In 2014, selling expenses totaled USD 49 MM, 6% higher than the USD 46.3 MM reported in 2013, explained by increased total concentrate volumes sold.

2.4.6. Net Financial Expenses

Net financial expenses in 4Q14 amounted to USD -3.5 MM, a figure higher than the USD -1.1 MM reported in 4Q13, which is attributed to the lower capitalization of interest related to the bonds as a result of the initiation of operations at the Alpamarca Unit. This increase

was partially offset by a larger positive effect from exchange-rate differences (USD 0.8 MM in 4Q13 versus USD 2.5 MM in 4Q14), and USD 1.9 MM in dividends received from the shares held by the Company in the Polpaico cement company based in Chile.

2.4.7. Royalties and Income Tax

During 4Q14, royalty expenses were USD 1.8 MM, 44.9% lower than the USD 3.3 MM reported in 4Q13, as a consequence of the Company's lower operating profits. In turn, the income tax reported on the income statement was positive USD 7.0 MM due to the effect of deferred taxes, versus an income tax of USD 12.0 MM reported in 4Q13.

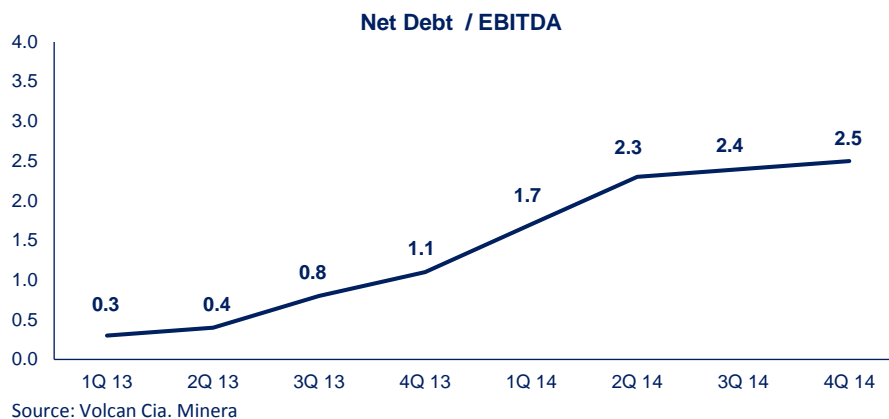
2.5. Liquidity and Creditworthiness

The operating cash flow generated in 4Q14 totaled USD 83.1 MM. The disbursements for operating and exploration investments totaled USD 46.4 MM, while disbursements on growth investments totaled USD 27.9 MM, mainly in the Oxides Plant and certain energy projects. The resulting cash flow after investments was USD 8.8 MM.

The net financing figure for the period was negative USD 11.5 MM and the cash balance as of December 31 2014 was USD 174.4 MM².

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 4Q14 is 2.5x.

Chart 1: Net Debt / EBITDA Ratio



² Includes USD 62.4 MM reclassification from the Financial Investments account.

3. Results by Operating Unit

3.1. Yauli Unit Operating Results

Table 12: Yauli Production

| Yauli Production | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 897 | 917 | 967 | 987 | 924 | 6.7 | 3,767 | 3,477 | 8.3 |
| Mineral treatment (thousands MT) | 917 | 949 | 976 | 994 | 957 | 3.9 | 3,837 | 3,743 | 2.5 |
| Fines Content | | | | | | | | | |
| Zinc (thousands FMT) | 36.7 | 37.8 | 41.4 | 42.3 | 41.0 | 3.2 | 158.2 | 158.7 | -0.3 |
| Lead (thousands FMT) | 5.1 | 5.6 | 5.5 | 5.7 | 7.5 | -24.6 | 21.9 | 31.4 | -30.3 |
| Copper (thousands FMT) | 0.6 | 0.5 | 0.5 | 0.6 | 0.6 | -11.5 | 2.1 | 1.9 | 10.5 |
| Silver (million Oz) | 2.9 | 2.8 | 2.9 | 2.9 | 2.7 | 7.7 | 11.5 | 10.8 | 6.3 |

Source: Volcan Cia. Minera

Treated ore at the Yauli Unit grew by 3.9%, from 957 thousand MT in 4Q13 to 994 thousand MT in 4Q14. The ore tonnage coming from the Carahuacra Norte Open Pit, the Andaychagua Mine, and the Carahuacra Mine increased by 67 thousand MT, 35 thousand MT, and 23 thousand MT, respectively. These increases were partially offset by reduced treatment of third-party ore by 49 thousand MT and by 40 thousand MT at the Toldorrumi Mine.

The production of silver fines increased at Yauli by 7.7% (+211 thousand ounces) due to increased treated volumes and improved recoveries at the concentrating plants. The production of zinc increased by 3.2% (+1.3 thousand FMT), mainly due to higher average grades. However, the production of lead fell by 24.6% (-1.8 thousand FMT) due to lower average grades from the Company's ore and reduced treatment of lead-rich third-party ore. Finally, the production of fine copper contents decreased by 11.5% (- 0.1 thousand FMT).

Table 13: Yauli Cost of Production

| Yauli Cost of Production* | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|-------------|
| Cost of Production (MM USD) | 57.9 | 62.2 | 64.2 | 66.5 | 60.8 | 9.3 | 250.7 | 236.9 | 5.8 |
| Extraction Cost | 35.1 | 36.5 | 39.5 | 40.7 | 36.6 | 11.3 | 151.8 | 143.3 | 5.9 |
| Treatment Cost | 22.8 | 25.7 | 24.7 | 25.8 | 24.3 | 6.3 | 98.9 | 93.6 | 5.7 |
| Unit Cost (USD/MT) | 64.0 | 66.8 | 66.1 | 67.2 | 64.9 | 3.5 | 66.1 | 66.2 | -0.2 |
| Extraction Cost | 39.2 | 39.8 | 40.8 | 41.2 | 39.6 | 4.2 | 40.3 | 41.2 | -2.2 |
| Treatment Cost | 24.9 | 27.0 | 25.3 | 25.9 | 25.4 | 2.3 | 25.8 | 25.0 | 3.1 |

Source: Volcan Cia. Minera

* The cost of production 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 at the Yauli Unit grew by 9.3%, from USD 60.8 MM in 4Q13 to USD 66.5 MM in 4Q14, due to increased production volumes and additional preparation works in the underground mines in order to guarantee greater production in 2015 and boost operational flexibility. In unit-cost terms, the cost of production increased by 3.5%, from 64.9 USD/MT in 4Q13 to 67.2 USD/MT in 4Q14.

Table 14: Yauli Operating Investments

| Yauli Operating Investments (MM USD) | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|-------------|
| Local Exploration | 1.3 | 0.9 | 0.9 | 1.5 | 1.5 | 4.7 | 4.6 | 5.6 | -17.8 |
| Development | 7.9 | 10.4 | 10.4 | 9.9 | 10.2 | -2.5 | 38.6 | 39.6 | -2.4 |
| Plants and Tailings Facilities | 6.3 | 5.7 | 4.2 | 9.4 | 11.9 | -21.3 | 25.6 | 27.4 | -6.5 |
| Mine and Infrastructure | 5.2 | 6.1 | 6.2 | 4.5 | 4.4 | 1.9 | 22.1 | 27.3 | -19.1 |
| Energy | 0.6 | 0.5 | 1.0 | 1.0 | 2.4 | -57.6 | 3.1 | 4.4 | -29.2 |
| Support and Others | 0.6 | 0.9 | 1.7 | 2.6 | 1.8 | 43.7 | 5.9 | 6.6 | -11.6 |
| Total | 21.9 | 24.5 | 24.5 | 29.0 | 32.3 | -10.1 | 99.8 | 110.8 | -9.9 |

Source: Volcan Cia. Minera

At Yauli, operating investments declined by 10.1%, from USD 32.3 MM in 4Q13 to USD 29.0 MM in 4Q14, most importantly due to reduced investments in plants, tailings storage facilities, and energy. This reduction was partially offset by higher investments in support areas. Progress continues on the construction of the Roberto Letts Shaft, located at the Andaychagua mine, and the integration tunnel between the San Cristobal and Carahuacra mines.

- San Cristobal Mine: During 4Q14, 5,789 meters were drilled aimed to intercept the main mineralized structures of this mine, Split 658, Mantos Escondida (A and B), and Ramal Piso 722 veins. Results were favorable. In addition, the drill holes intercepted significant polymetallic mineralization associated to secondary structures, such as Ramal Techo 658, Tensional 1 and 2, Vein 722, Vein 658, and others.
- Carahuacra Mine: During 4Q14, six diamond-drill holes totaling 2,099 meters were drilled from the interior of the mine aimed to intercept the Mary Vein at depth. Results were favorable. The perforations also intercepted significant polymetallic mineralization associated to secondary structures, such as: Ramal Mary, Techo Mary, Tensional 1 and Tensional 2.
- Andaychagua Mine: During 4Q14, nine diamond-drill holes totaling 2,263 meters were drilled from the interior of the mine and intercepted the Prosperidad Vein, adding new inferred resources, as well as confirming the potential of the Melissa, Pucaorco, Esther and Tensional veins. These favorable results will allow for an increase in new inferred resources at the close of December 2014.
- Ticlio: During 4Q14, six diamond-drill holes totaling 1,530 meters were drilled from the interior of the mine and intercepted the Ramal Techo Vein, adding new inferred resources and confirming the potential of mineralization at depth. Significant polymetallic mineralization was intercepted.

3.2. Chungar Unit Operating Results

Table 15: Chungar Production

| Chungar Production | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 469 | 530 | 558 | 554 | 524 | 5.8 | 2,112 | 1,992 | 6.0 |
| Mineral treatment (thousands MT) | 482 | 486 | 498 | 488 | 492 | -0.7 | 1,954 | 1,827 | 6.9 |
| Fines Content | | | | | | | | | |
| Zinc (thousands FMT) | 25.0 | 24.8 | 27.6 | 26.1 | 27.9 | -6.6 | 103.6 | 101.8 | 1.8 |
| Lead (thousands FMT) | 6.8 | 6.5 | 6.0 | 5.9 | 6.9 | -14.2 | 25.2 | 26.9 | -6.3 |
| Copper (thousands FMT) | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | -29.6 | 1.2 | 1.3 | -9.9 |
| Silver (million Oz) | 1.4 | 1.5 | 1.6 | 1.4 | 1.8 | -23.5 | 5.9 | 7.0 | -16.3 |

Source: Volcan Cia. Minera

The volume of ore treated at the Chungar Unit decreased by 0.7%, from 492 thousand MT in 4Q13 to 488 thousand MT in 4Q14. The ore contribution from the Animon mine decreased by 10.6%, while the ore contribution from the Islay mine increased by 41.9%.

The new ore-feed mix processed at the Animón Concentrator Plant and the lower silver grades from the Animon and Islay mines explain the reduced production of fine zinc, lead, copper and silver fines in 4Q14 by 6.6%, 14.2%, 29.6% and 23.5%, respectively, as compared to 4Q13.

Table 16: Chungar Cost of Production

| Chungar Cost of Production* | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Cost of Production (MM USD) | 27.1 | 27.8 | 28.1 | 27.0 | 28.5 | -5.2 | 110.0 | 110.0 | 0.0 |
| Extraction Cost | 18.2 | 18.6 | 17.8 | 16.7 | 18.6 | -9.9 | 71.3 | 74.4 | -4.2 |
| Treatment Cost | 8.9 | 9.2 | 10.3 | 10.3 | 9.9 | 3.6 | 38.7 | 35.6 | 8.7 |
| Unit Cost (USD/MT) | 57.3 | 54.0 | 52.6 | 51.2 | 55.6 | -7.9 | 53.6 | 56.9 | -5.8 |
| Extraction Cost | 38.8 | 35.0 | 31.9 | 30.2 | 35.4 | -14.8 | 33.8 | 37.4 | -9.6 |
| Treatment Cost | 18.5 | 19.0 | 20.6 | 21.0 | 20.2 | 4.3 | 19.8 | 19.5 | 1.6 |

Source: Volcan Cia. Minera

In absolute terms, the cost of production declined by 5.2% in 4Q14, from USD 28.5 MM in 4Q13 to USD 27.0 MM in 4Q14, while the unit-cost declined by 7.9%, from 55.6 USD/MT in 4Q13 to 51.2 USD/MT in 4Q14. The reductions are explained by the greater ore contribution from the Islay Mine, which has lower mining costs; reduced transportation costs at the Animon Mine on account of the startup of the Jacob Timmers Shaft; and the productivity improvements put in place at the Animon and Islay mines.

Table 17: Chungar Operating Investments

| Chungar Operating Investments (MM USD) | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Local Exploration | 1.6 | 2.0 | 2.2 | 2.1 | 1.7 | 28.2 | 7.9 | 6.6 | 18.6 |
| Development | 2.7 | 4.0 | 3.8 | 3.7 | 3.1 | 17.4 | 14.2 | 12.2 | 16.1 |
| Plants and Tailings Facilities | 3.4 | 7.2 | 6.8 | 3.5 | 5.9 | -40.2 | 20.9 | 25.9 | -19.5 |
| Mine and Infrastructure | 4.6 | 2.3 | 3.0 | 2.9 | 5.1 | -43.0 | 12.8 | 23.3 | -45.1 |
| Energy | 0.9 | 0.7 | 0.9 | 0.9 | 2.4 | -64.0 | 3.3 | 6.3 | -47.2 |
| Support and Others | 0.4 | 0.8 | 1.1 | 3.5 | 2.4 | 49.5 | 5.9 | 5.7 | 3.0 |
| Total | 13.5 | 17.0 | 17.7 | 16.6 | 20.6 | -19.1 | 65.0 | 80.1 | -18.9 |

Source: Volcan Cia. Minera

Operating investments at the Chungar Unit decreased by 19.1%, from USD 20.6 MM in 4Q13 to USD 16.6 MM in 4Q14, explained by lower investments in plant and tailings management facilities, as well as 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. Investments in local exploration and mine development increased by 28.2% and 17.4%, respectively.

A summary of the systematic exploration program carried out in Chungar follows:

- Animon Mine: During 4Q14 sixteen drill holes totaling 3,790 meters were executed. Ten holes were aimed at adding new resources to the Andalucia 120 Vein. The results were quite favorable in terms of polymetallic mineralization. These perforations also intercepted Karina 1 Vein and a new structure known as the Melisa Vein, with similar results.
- During 4Q14 Islay Mine: 6,224 meters were drilled. The drilling program focused on the South Vein, where seventeen perforations were executed in order to add new resources and define the mineralized potential. The results were favorable, evidencing economic mineralization of silver

3.3. Cerro de Pasco Unit Operating Results

Table 18: Cerro de Pasco Production

| Cerro de Pasco Production | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 51 | 59 | 58 | 52 | 76 | -31.3 | 221 | 264 | -16.4 |
| Mineral treatment (thousands MT) | 166 | 213 | 162 | 230 | 223 | 3.0 | 771 | 840 | -8.2 |
| Fines Content | | | | | | | | | |
| Zinc (thousands FMT) | 3.3 | 3.6 | 3.1 | 3.0 | 4.4 | -32.1 | 13.0 | 19.2 | -32.1 |
| Lead (thousands FMT) | 1.3 | 1.8 | 1.4 | 1.5 | 2.1 | -29.6 | 5.9 | 9.1 | -35.5 |
| Silver (million Oz) | 0.3 | 0.4 | 0.6 | 0.6 | 0.9 | -36.0 | 1.9 | 2.9 | -36.7 |

Source: Volcan Cia. Minera

The ore treated in the Cerro de Pasco Unit increased by 3%, from 223 thousand MT in 4Q13 to 230 thousand MT in 4Q14, due to greater ore contributions from polymetallic stockpiles, offset by the lower contribution of the Paragsha, Vinchos and Islay mines.

The production of zinc and lead fines fell by 32.1% and 29.6%, respectively, while silver production fell by 36.0%, due to lower average head grades of the ore treated at the San Expedito plant.

Table 19: Cerro de Pasco Cost of Production

| Cerro de Pasco Cost of Production* | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|-----------------|-----------------|--------------|
| Cost of Production (MM USD) | 12.0 | 12.1 | 11.4 | 11.8 | 12.7 | -6.8 | 47.3 | 54.1 | -12.7 |
| Extraction Cost | 2.3 | 2.8 | 3.2 | 3.5 | 3.0 | 15.5 | 11.8 | 12.3 | -3.7 |
| Treatment Cost | 9.6 | 9.3 | 8.2 | 8.3 | 9.7 | -13.8 | 35.5 | 41.9 | -15.3 |
| Unit Cost (USD/MT) | 103.5 | 90.4 | 106.3 | 103.0 | 83.1 | 24.1 | 99.6 | 96.3 | 3.3 |
| Extraction Cost | 45.5 | 46.8 | 55.7 | 66.7 | 39.7 | 68.1 | 53.6 | 46.5 | 15.2 |
| Treatment Cost | 58.0 | 43.5 | 50.6 | 36.3 | 43.4 | -16.3 | 46.0 | 49.8 | -7.7 |

Source: Volcan Cia. Minera

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

In absolute terms, the cost of production decreased by 6.8%, from USD 12.7 MM in 4Q13 to USD 11.8 MM in 4Q14. In unit terms, the cost increased by 24.1%, from 83.1 USD/MT in 4Q13 to 103.0 USD/MT in 4Q14, mainly due to lower volumes of mined ore.

Table 20: Cerro de Pasco Operating Investments

| Cerro de Pasco Operating Inv. (MM USD) | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|
| Local Exploration | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | -59.2 | 0.1 | 0.3 | -76.8 |
| Development | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | -99.1 | 0.1 | 1.5 | -91.0 |
| Plants and Tailings Facilities | 0.1 | 0.1 | 0.0 | 0.0 | 1.3 | -97.8 | 0.2 | 5.4 | -95.5 |
| Mine and Infrastructure | 0.1 | 0.1 | 0.0 | 0.1 | 0.8 | -87.3 | 0.2 | 1.1 | -79.2 |
| Energy | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | -95.6 |
| Support and Others | 0.1 | 0.1 | 0.2 | 0.7 | 0.6 | 21.1 | 1.1 | 2.1 | -46.6 |
| Total | 0.4 | 0.3 | 0.3 | 0.8 | 2.9 | -70.7 | 1.8 | 10.6 | -82.9 |

Source: Volcan Cia. Minera

Operating investments at the Cerro de Pasco Unit were kept at minimum levels. Investments made in 4Q14 totaled USD 0.8 MM, a figure even lower than the USD 2.9 MM invested in 4Q13.

It is necessary to mention that during 4Q14, the stockpiles of oxides at Cerro de Pasco were valued at USD 91.4 MM, and the intangible assets of the Paragsha Underground Mine were devalued by USD 85.4 MM. The net effect of these accounting adjustments was a positive USD 6 MM.

3.4. Oxides Plant Operational-Adjustment Stage Results

Table 24: Oxides Plant Production

| Oxides Plant Production* | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|----------------------------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral treatment (thousands MT) | 62 | 59 | 119 | 0 | | 239 | 0 | |
| Fines Content | | | | | | | | |
| Silver (million Oz) | 0.3 | 0.2 | 0.6 | 0.0 | | 1.1 | 0.0 | |
| Gold (Oz) | 34 | 132 | 486 | 0 | | 651 | 0 | |

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

In 4Q14, the Silver Oxides Plant in Cerro de Pasco treated 119 thousand MT of ore from the stockpiles, obtaining 224 dore bars containing 590 thousand silver ounces and 486 gold ounces.

Even though the Oxides Plant continues to undergo adjustments at different stages of processing, it treated 1,368 TPD and produced 233 thousand ounces of silver during December.

Operational adjustment stage will conclude in the first quarter of 2015, gradually increasing its production until it achieves nominal capacity of 2,500 TPD.

3.5. Alparmarca Unit Operating Results

Table 21: Alparmarca Production

| Alparmarca Production | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------------------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Mineral extraction (thousands MT) | 200 | 187 | 197 | 0 | | 585 | 0 | |
| Mineral treatment (thousands MT) | 182 | 208 | 203 | 0 | | 593 | 0 | |
| Fines Content* | | | | | | | | |
| Zinc (thousands FMT) | 1.9 | 2.2 | 1.8 | 0.0 | | 5.9 | 0.0 | |
| Lead (thousands FMT) | 1.2 | 1.5 | 1.3 | 0.0 | | 4.0 | 0.0 | |
| Copper (thousands FMT) | 0.1 | 0.1 | 0.0 | 0.0 | | 0.1 | | |
| Silver (million Oz) | 0.8 | 0.7 | 0.6 | 0.0 | | 2.2 | 0.0 | |

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

During 4Q14, the Alparmarca Concentrating Plant treated 203 thousand MT. The Alparmarca Open Pit Mine contributed 159 thousand MT and the Rio Pallanga Underground Mine contributed 44 thousand MT. Quarterly production totaled 627 thousand silver ounces, 1.8 thousand FMT of zinc and 1.3 thousand FMT of lead.

Table 22: Alparmarca Cost of Production

| Alparmarca Cost of Production | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Cost of Production (MM USD) | 8.6 | 9.6 | 9.8 | 0.0 | | 28.0 | 0.0 | |
| Extraction Cost | 4.8 | 5.1 | 5.5 | 0.0 | | 15.4 | 0.0 | |
| Treatment Cost | 3.7 | 4.5 | 4.3 | 0.0 | | 12.5 | 0.0 | |
| Unit Cost (USD/MT) | 44.6 | 49.0 | 49.1 | 0.0 | | 47.6 | 0.0 | |
| Extraction Cost | 24.2 | 27.1 | 28.1 | 0.0 | | 26.4 | 0.0 | |
| Treatment Cost | 20.5 | 21.8 | 21.0 | 0.0 | | 21.1 | 0.0 | |

Source: Volcan Cia. Minera

In absolute terms, 4Q14 production cost totaled USD 9.8 MM, and the unit cost of production amounted to 49.1 USD/MT.

Table 23: Alparmarca Operating Investment

| Alparmarca Operating Inv. (MM USD) | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-------|-----------------|-----------------|-------|
| Local Exploration | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Development | 1.1 | 1.8 | 1.5 | 0.0 | | 4.5 | 0.0 | |
| Plants and Tailings Facilities | 0.5 | 1.8 | 1.1 | 0.0 | | 3.4 | 0.0 | |
| Mine and Infrastructure | 1.0 | 0.8 | 0.8 | 0.0 | | 2.6 | 0.0 | |
| Energy | 0.0 | 0.2 | 0.1 | 0.0 | | 0.2 | 0.0 | |
| Support and Others | 0.2 | 0.3 | 0.6 | 0.0 | | 1.2 | 0.0 | |
| Total | 2.9 | 4.9 | 4.1 | 0.0 | | 11.9 | 0.0 | |

Source: Volcan Cia. Minera

Operating investments made at the Alparmarca Unit during 4Q14 totaled USD 4.1 MM. Investments in mine development were USD 1.5 MM, while investments in plants and tailings management facilities totaled USD 1.1 MM.

With regard to the systematic exploration program carried out at the Alparmarca Unit, it is worth noting that eight drill holes were executed at the Rio Pallanga Mine during 4Q14, totaling 2,436 meters. The drilling program was aimed at exploring the mineralization potential of the Tirol Vein and had very favorable results. This vein is close to and has outcrops in parallel with the San Jose vein at Rio Pallanga, converting it into an important option to complement the production of the Alparmarca pit with mineral that has high silver content.

4. Energy

Table 25: Volcan's Electric Power Balance

| Electric Balance (GWh) | Oct-Dec | Oct-Dec | var % | Jan-Dec | Jan-Dec | var % |
|---------------------------|------------|------------|-------------|------------|------------|-------------|
| | 2014 | 2013 | | 2014 | 2013 | |
| Energy Consumption | 168 | 146 | 15.4 | 644 | 573 | 12.3 |
| Energy Production | 81 | 80 | 0.4 | 316 | 308 | 2.7 |
| Chungar | 43 | 42 | 3.5 | 164 | 153 | 6.9 |
| Huanchor | 38 | 39 | -2.9 | 152 | 155 | -1.4 |
| Energy Purchase | 125 | 104 | 20.2 | 480 | 420 | 14.3 |

Source: Volcan Cia. Minera

The Company's total power consumption in 4Q14 reached 168 GWh, 15.4% higher than the 146 GWh reported in 4Q13. This is mainly explained by the additional demand of electricity from the new Alpamarca Unit and the new Silver Oxides Plant at Cerro de Pasco.

The 10 hydroelectric power plants that form part of the Chungar Unit have a total installed capacity of 22 MW and generated 43 GWh of power, which accounted for 26% of the Company's total consumption. The remaining 125 GWh were contracted from the National Interconnected Electrical System (SEIN) at an average unit cost of 72 USD/MWh. It must be noted that in 4Q14, the 20 MW Huanchor hydroelectric plant generated 38 GWh, which supplied customers regulated by the SEIN.

The unit cost of energy, which includes purchases, self-generation, operation and maintenance, totaled 5.6 USD/MT in 2014, accounting for 9% of the total operating cost. During 2014, the total energy cost was USD 40 MM. It is worth noting that an Energy Efficiency Program began in July 2014 as part of the strategic goal of the Company to reduce operating costs.

Finally, the progress of the Rucuy hydroelectric power plant project located in the Chancay-Huaral Basin, Lima Region, reached 40% as of December 2014, with an approximate investment of USD 18 MM. The project is expected to be completed in early 2016, with a total estimated investment of approximately USD 45 MM.

5. Final Comments

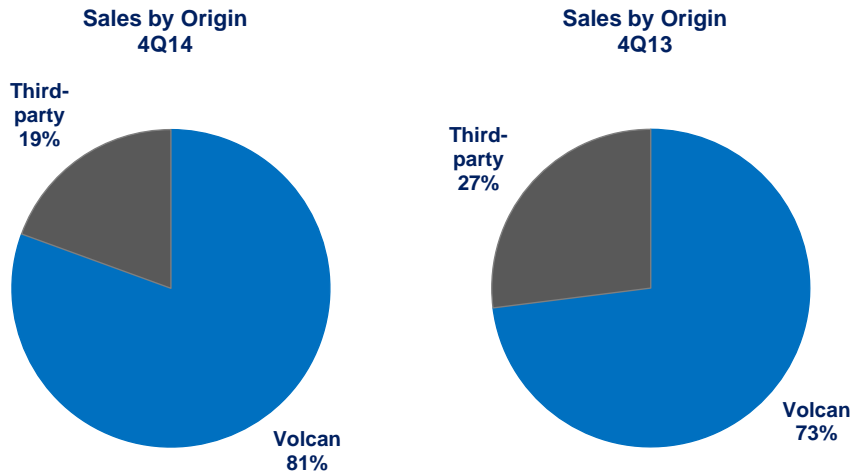
- In 2014, the Company faced significant challenges. In an adverse environment of falling metals prices, cost control and investment rationalization were prioritized in order to preserve cash. Among the actions taken was an important program to reduce the number of personnel, a review of the scope of services rendered by all contractors, the renegotiation of prices with principal suppliers, an energy efficiency program, and the streamlining of expenses in corporate areas.
- In 2014, zinc accounted for 51% of the Company's revenues, followed by silver with 35%, lead with 9%, copper with 4%, and gold with 1%. This diversification of metal production allows the Company to better face unfavorable metals price environments. Notwithstanding, the Company deems necessary the continuation of its initiatives to improve margins and operational productivity, maintaining strict control over costs, expenses and investments.
- During 2015, production is expected to increase in the order of 288 thousand to 295 thousand FMT of zinc, 58 thousand to 62 thousand FMT of lead, and 24.0 MM to 24.3 MM silver ounces. This significant improvement in production should be accompanied by additional unit-cost reductions of more than 5%.
- For 2015, total investments are estimated to be between 30% and 40% less than the amount invested for the year 2014, which will allow the Company to enhance liquidity in a context of lower metals prices. It is important to mention that this reduction in investment will not affect explorations or mine development at the operating units.
- In December, the Oxides Plant at Cerro de Pasco, currently undergoing operational adjustments, treated 1,368 TPD of ore and produced 233 thousand ounces. The adjustment stage will conclude during the first quarter of 2015, and a gradual increase in production is expected. Once operating at its nominal capacity of 2,500 TPD, its annual production will be approximately 4 million silver ounces.
- The geology division is conducting systematic exploration programs with the objective of increasing mineral resources and defining the potential of the operating units. The drilling campaign carried out in 2014 totaled 78,598 meters and the favorable results allow for the assumption of the continuity of the main mineralized structures at depth in Yauli and Chungar, confirming the important geological potential of the mining units. The program will continue during 2015 with a budget for 95,962 meters for all units.
- Progress at the Rucuy hydroelectric power plant project reached 40% as of December 2014, with an approximate disbursement of USD 18 MM. The project is expected to be completed in early 2016 with an estimate total investment of USD 45 MM.



Annexes

Annex 1: Sales Breakdown

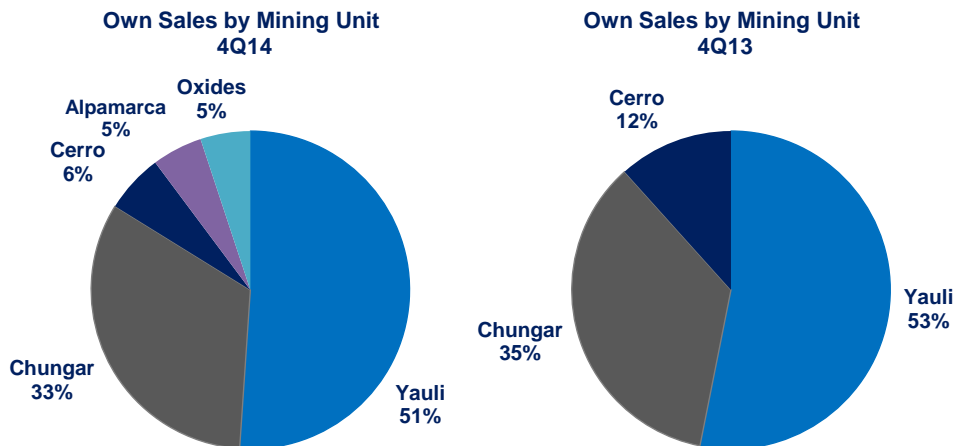
Chart 2: Sales by Origin (% of Value in USD)



Source: Volcan Cia. Minera

The distribution of sales by origin shows a decline in the share of third-party concentrates as a percentage of total sales, from 27% in 4Q13 to 19% in 4Q14.

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

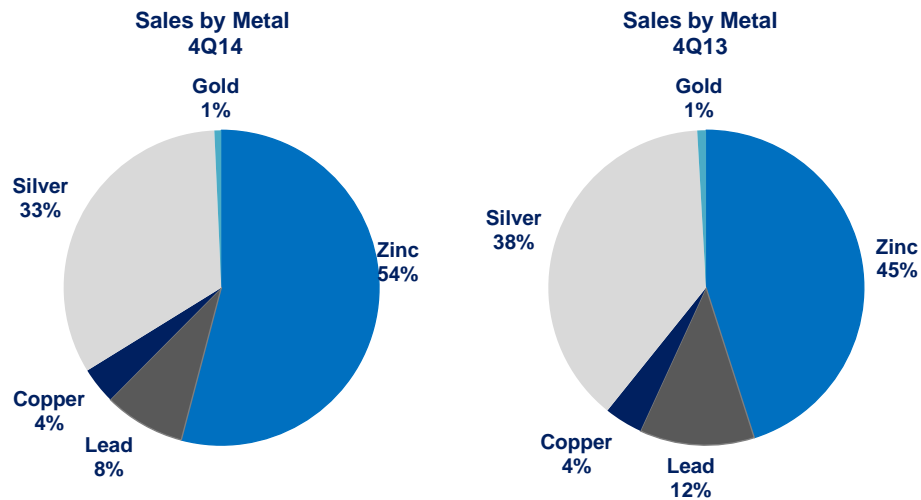


Source: Volcan Cia. Minera

The distribution of Volcan’s own concentrate 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 from the Alparmarca Unit accounted for 5% of the Company's own sales during 4Q14, while the sales of silver dore bars during the operational adjustment stage at the Oxides Plant also accounted for 5% of the Company's own sales.

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



Source: Volcan Cia. Minera

The distribution of sales by metal in 4Q14 reflects a reduction in the share of silver and an increase in the share of zinc, as compared to the same period in 2013, mainly explained by the 20.8% decrease in the silver price and the 17.1% increase in the zinc price.

Annex 2: Spot Prices

| Spot Prices | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|-----------------|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Zinc (USD/MT) | 2,029 | 2,073 | 2,311 | 2,235 | 1,909 | 17.1 | 2,162 | 1,910 | 13.2 |
| Lead (USD/MT) | 2,105 | 2,095 | 2,183 | 1,999 | 2,112 | -5.3 | 2,096 | 2,142 | -2.2 |
| Copper (USD/MT) | 7,038 | 6,787 | 6,992 | 6,621 | 7,153 | -7.4 | 6,860 | 7,326 | -6.4 |
| Silver (USD/Oz) | 20.5 | 19.6 | 19.7 | 16.5 | 20.8 | -20.8 | 19.1 | 23.9 | -20.0 |
| Gold (USD/Oz) | 1,294 | 1,289 | 1,284 | 1,200 | 1,273 | -5.7 | 1,267 | 1,412 | -10.3 |

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

| Macroeconomic Indicators | Jan-Mar 2014 | Apr-Jun 2014 | Jul-Sep 2014 | Oct-Dec 2014 | Oct-Dec 2013 | var % | Jan-Dec 2014 | Jan-Dec 2013 | var % |
|---------------------------|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|-------|
| Exchange Rate (S/. x USD) | 2.81 | 2.79 | 2.82 | 2.93 | 2.78 | 5.3 | 2.84 | 2.70 | 5.0 |
| Inflation | 3.38 | 3.45 | 2.74 | 3.22 | 2.86 | | 3.22 | 2.86 | |

Source: Central Reserve Bank of Peru

Annex 4: Domestic Production of Main Metals

| National Production | Jan - Dec 2014 | Jan - Dec 2013 | var % |
|--------------------------------|---------------------------|---------------------------|--------------|
| Silver (Thousand Oz) | 123,760 | 118,131 | 4.8 |
| Zinc (FMT) | 1,318,660 | 1,351,273 | -2.4 |
| Lead (FMT) | 278,487 | 266,472 | 4.5 |
| Copper (FMT) | 1,379,626 | 1,375,641 | 0.3 |
| Gold (Thousand Oz) | 4,544 | 4,870 | -6.7 |

Source: Ministry of Energy and Mines