

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis First Quarter 2020

Principal Results:

Consolidated Volcan	Jan-Mar 2020	Jan-Mar 2019	var %
Sales Prices¹			
Zinc (USD/MT)	2,183	2,694	-19.0
Lead (USD/MT)	1,834	2,042	-10.2
Copper (USD/MT)	5,393	6,400	-15.7
Silver (USD/Oz)	17.0	15.5	9.8
Gold (USD/Oz)	1,575	1,307	20.6
Operating Results			
Mineral treatment ² (thousands MT)	1,683	1,969	-14.5
Zinc Production (thousands FMT)	47.4	53.9	-12.1
Lead Production (thousands FMT)	11.4	11.5	-0.5
Copper Production (thousands FMT)	0.8	1.0	-23.6
Silver Production (millions Oz)	3.3	3.4	-1.7
Gold Production (thousands Oz)	2.8	4.7	-40.8
Unit Cost (USD/MT)	51.6	46.1	11.9
Total Investments (MM USD)	28.9	37.3	-22.5
Financial Results (MM USD)			
Sales before adjustments	143.2	169.0	-15.3
Sales Adjustments	-12.1	12.6	
Settlement of prior period adjustments	-11.5	-0.2	
Adjustments for open positions ³	-9.5	12.7	
Hedging results	9.0	0.0	
Sales after adjustments	131.1	181.6	-27.8
Net profit before exceptionals	-24.1	8.4	
Exceptional adjustments	-7.3	0.0	
Net profit after exceptionals	-31.5	8.4	
EBITDA⁴	27.3	73.7	-62.9

¹ These prices are the initial billing prices, which are provisional, as the adjustments are made when settlements of prior periods are received from customers.

² Includes treated tons at Oxides Plant

³ Adjustments for open commercial positions refer to shipments without final settlement, which are therefore exposed to possible adjustments from variations of future metals prices. These financial provisions, embedded derivatives and sales adjustments, reflect this exposure according to a forward-price curve.

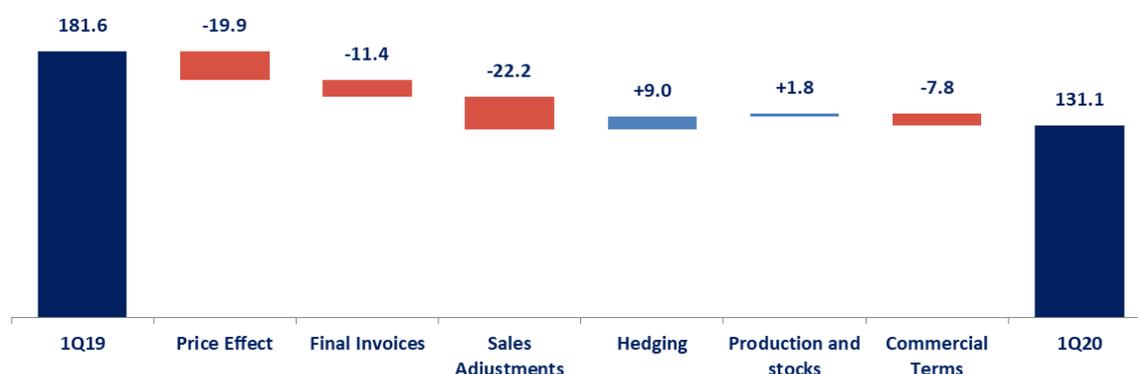
⁴ Does not consider exceptional adjustments or the expenses associated with the closing of the sale of the Chancay port project.

Source: Volcan Cia. Minera

1. Executive Summary

- In 1Q20, the Company's production decreased as compared to 1Q19, mainly due to the suspension of all operations since March 17, resulting from the mandatory social lockdown ordered by the Government as a preventive measure against the spread of the COVID-19 pandemic. Treated consolidated volumes decreased by 14.5%, from 2.0 MM MT in 1Q19 to 1.7 MM MT in 1Q20. Zinc production decreased by 12.1%, from 53.9 thousand FMT in 1Q19 to 47.4 thousand FMT in 1Q20; lead production decreased by 0.5%, from 11.5 thousand FMT in 1Q19 to 11.4 thousand FMT in 1Q20, silver production decreased by 1.7%, from 3.4 MM Oz in 1Q19 to 3.3 MM Oz in 1Q20, and gold decreased by 40.8% from 4.7 thousand Oz in 1Q19 to 2.8 thousand Oz in 1Q20.
- The price of zinc decreased by 19.0% (-511 USD/MT), from 2,694 USD/MT in 1Q19 to 2,183 USD/MT in 1Q20; lead decreased by 10.2% (-208 USD/MT), from 2,042 USD/MT to 1,834 USD/MT; copper decreased by 15.7% (-1,007 USD/MT), from 6,400 USD/MT to 5,393 USD/MT; silver increased by 9.8% (+1.5 USD/Oz), from 15.5 USD/Oz to 17.0 USD/Oz; and gold increased by 20.6% (+268 USD/Oz), from 1,307 USD/Oz in 1Q19 to 1,575 USD/Oz in 1Q20.
- Despite the reduced production, no significant variation was recorded in the volume of fines sold, mainly due to the reduction of concentrate inventories. However, the lower base metals prices resulted in a 15.3% decrease of sales before adjustments, from USD 169.0 MM in 1Q19 to USD 143.2 MM in 1Q20. Similarly, in 1Q20, sales adjustments were USD -12.1 MM, explained by the negative trend of forward price curves at the end of the first quarter, resulting from the uncertainty caused by the COVID-19 pandemic. These adjustments included final settlements of USD -11.5 MM, open provisions of USD -9.5 MM, and positive hedge results of USD +9.0 MM. As in 1Q19, Volcan recorded positive sales adjustments of USD 12.6 MM, while quarter over quarter adjustment variation was USD -24.6 MM. Total sales after adjustments decreased by 27.8%, from USD 181.6 MM in 1Q19 to USD 131.1 MM in 1Q20.

Figure 1: 1Q20 vs 1Q19 variations impact on net sales (USD MM)

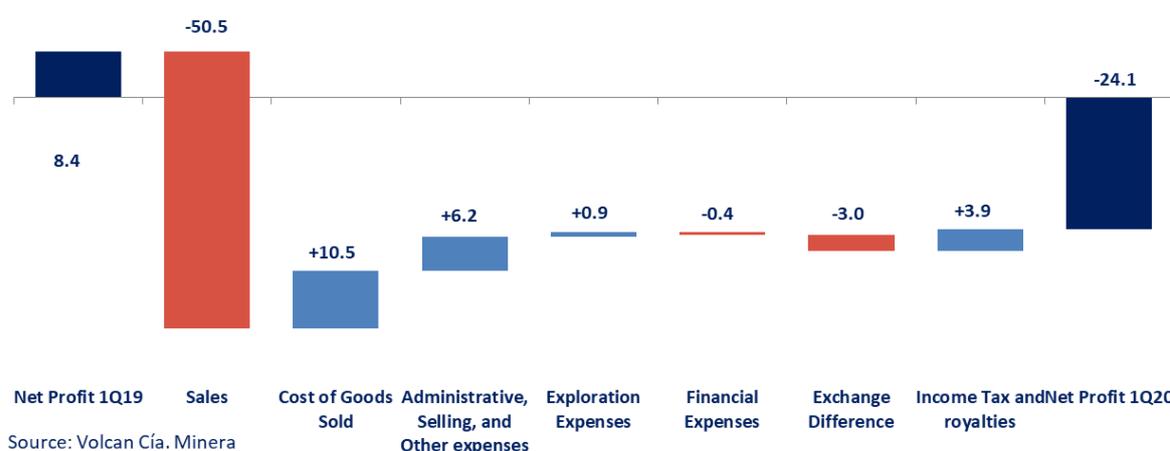


Source: Volcan Cía. Minera



- Consolidated unit cost increased by 11.9%, from 46.1 USD/MT in 1Q19 to 51.6 USD/MT in 1Q20, mainly explained by lower treated volumes, which prevented the dilution of the operations' fixed costs.
- Net profit before exceptional items decreased from USD 8.4 MM in 1Q19 to USD -24.1 MM in 1Q20, mainly due to reduced gross profit as a result of the sales decrease explained above. The variations that had an impact on net profit before exceptional items are shown in detail in the figure below.

Figure 2: 1Q20 vs 1Q19 variations impact on net profit before exceptional items (USD MM)



- The reduction of sales also had an impact on EBITDA, which decreased by 62.9%, from USD 73.7 MM in 1Q19 to USD 27.3 MM in 1Q20.
- Total investments decreased by 22.5%, from USD 37.3 MM in 1Q19 to USD 28.9 MM in 1Q20, due to the suspension of operations resulting from the emergency related to COVID-19.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	1,646	1,957	-15.9
Polymetallic ore	1,491	1,758	-15.2
Oxides ore	155	198	-21.8
Mineral treatment (thousands MT)	1,683	1,969	-14.5
Concentrator Plants	1,528	1,770	-13.7
Silver Oxides Plant	155	198	-21.8
Fine Content			
Zinc (thousands FMT)	47.4	53.9	-12.1
Lead (thousands FMT)	11.4	11.5	-0.5
Copper (thousands FMT)	0.8	1.0	-23.6
Silver (millions Oz)	3.3	3.4	-1.7
Gold (thousands Oz)	2.8	4.7	-40.8

Source: Volcan Cia. Minera

In the first quarter, extracted ore volumes decreased by 15.9% compared to the same quarter of the previous year, from 1.957 MM MT in 1Q19 to 1.646 MM MT in 1Q20. Similarly, treated volumes decreased by 14.5%, from 1.969 MM MT in 1Q19 to 1.683 MM MT in 1Q20. This is mainly explained by the suspension of operations since March 17, resulting from the mandatory social lockdown ordered by the Government as a preventive measure against the spread of COVID-19.

As a result, zinc production decreased by 12.1%, from 53.9 thousand FMT in 1Q19 to 47.4 thousand FMT in 1Q20; lead production decreased by 0.5%, from 11.5 thousand FMT in 1Q19 to 11.4 thousand FMT in 1Q20, silver production decreased by 1.7%, from 3.4 MM Oz in 1Q19 to 3.3 MM Oz in 1Q20, and gold decreased by 40.8% from 4.7 thousand Oz in 1Q19 to 2.8 thousand Oz in 1Q20.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

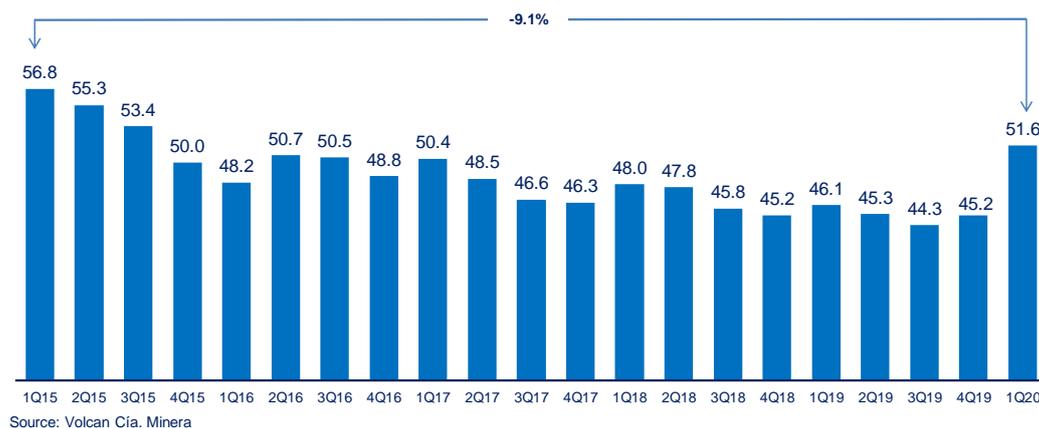
Consolidated Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	85.9	90.5	-5.1
Mine Cost	44.2	44.6	-0.9
Plant and Other Cost	41.7	45.9	-9.3
Unit Cost (USD/MT)	51.6	46.1	11.9
Mine Cost	26.8	22.8	17.8
Plant and Other Cost	24.8	23.3	6.1

Source: Volcan Cia. Minera

Absolute cost of production decreased by 5.1%, from USD 90.5 MM in 1Q19 to USD 85.9 MM in 1Q20, mainly due to lower extraction volumes. Consolidated unit cost increased by 11.9%, from 46.1 USD/MT in 1Q19 to 51.6 USD/MT in 1Q20, mainly explained by the reduced dilution of fixed costs at operations as a result of lower treated volumes, which prevented the dilution of costs.

The evolution of the unit cost of production is shown in the figure below.

Figure 3: Evolution of the Unit Cost of Production (USD/MT)



2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Mining	28.7	36.5	-21.2
Mining Units	28.2	35.2	-19.8
Local Exploration	3.7	5.0	-26.6
Development	13.6	15.7	-13.8
Plants and Tailings Facilities	2.7	4.5	-40.4
Mine and Infrastructure	7.1	7.0	1.2
Electrical Infrastructure in Units	0.5	0.5	-10.8
Support and Others	0.7	2.4	-69.8
Regional Explorations	0.2	0.3	-25.9
Growth and Others	0.3	1.0	-68.1
Energy	0.1	0.8	-81.9
Total¹	28.9	37.3	-22.5

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 4.4 MM in 1Q20.

Source: Volcan Cia. Minera

In the first quarter, total mining investments were reduced by 21.2%, from USD 36.5 MM in 1Q19 to USD 28.7 MM in 1Q20, mainly due to the suspension of operations resulting from COVID-19. Operating unit investments decreased by 19.8%, from USD 35.2 MM in 1Q19 to USD 28.2 MM in 1Q20, and regional explorations decreased from USD 0.3 MM to USD 0.2 MM.

Investments in the energy business decreased by 81.9%, from USD 0.8 MM in 1Q19 to USD 0.1 MM in 1Q20. It is important to note that in 1Q19, an investment was made in connection to the scheduled repair works at the Huanchor Hydroelectric Plant. The repairs were completed in May 2019, and since then the Hydroelectric Plant is operating normally.

Total investments decreased by 22.5%, from USD 37.3 MM in 1Q19 to USD 28.9 MM in 1Q20.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Sales before adjust.	143.2	169.0	-15.3
<i>Sett. of prior periods adjust.</i>	-11.5	-0.2	
<i>Adj. open positions</i>	-9.5	12.7	
<i>Hedging</i>	9.0	0.0	
Sales after adjust.	131.1	181.6	-27.8
Cost of Goods Sold	-125.6	-136.2	-7.7
Gross Profit	5.5	45.4	-88.0
<i>Gross Margin</i>	4%	25%	-21 pp
Administrative Expenses	-7.7	-9.8	-21.4
Exploration Expenses	-1.5	-2.4	-36.7
Sales Expenses	-4.7	-4.7	0.5
Other Income (Expenses) ¹	0.1	-3.9	
Operating Profit	-8.3	24.7	
<i>Operating Margin</i>	-6%	14%	-20 pp
Financial Income (Expense)	-11.5	-11.1	3.9
Exchange Difference (net)	-2.3	0.7	
Royalties	-1.3	-2.1	-37.0
Income Tax	-0.7	-3.8	-82.0
Net Profit before Exceptionals	-24.1	8.4	
<i>Net Margin</i>	-18%	5%	-23 pp
Exceptional adjustments ²	-7.3	0.0	
Net Profit	-31.5	8.4	
<i>Net Margin</i>	-24%	5%	-29 pp
EBITDA³	27.3	73.7	-62.9
<i>EBITDA Margin</i>	21%	41%	-20 pp

¹ Includes the sales and cost of sales of the energy division.

² 2020 exceptional adjustment are USD -10.4 MM in other income (expenses) and USD 3.1 MM in the income tax, which adds USD -7.3 MM in the total.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

- Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2020	Jan-Mar 2019	var %
Zinc (USD/MT)	2,183	2,694	-19.0
Lead (USD/MT)	1,834	2,042	-10.2
Copper (USD/MT)	5,393	6,400	-15.7
Silver (USD/Oz)	17.0	15.5	9.8
Gold (USD/Oz)	1,575	1,307	20.6

Source: Volcan Cia. Minera

These prices are initial invoice prices, provisional in nature, and they are adjusted when the final liquidation is received from the clients. Open commercial provisions at the end of each period estimate adjustments on open shipments resulting from future metals prices variations, using a specific forward price curve.

Table 6: Fine Contents Sales Volumes

Fines Sales	Jan-Mar 2020	Jan-Mar 2019	var %
Zinc (thousands FMT)	51.3	56.8	-9.6
Lead (thousands FMT)	13.2	9.2	43.6
Copper (thousands FMT)	0.8	0.7	3.8
Silver (millions Oz)	3.5	3.0	17.9
Gold (thousands Oz)	2.9	4.9	-40.6

¹ Includes Oxides Plant silver and gold sales

Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Zinc	71.1	107.2	-33.6
Lead	18.8	15.9	18.3
Copper	2.2	3.3	-33.7
Silver	47.9	37.2	28.5
Gold	3.2	5.4	-40.5
Sales before adjust.	143.2	169.0	-15.3
Sett. of prior period adjust.	-11.5	-0.2	
Adjust. for open positions	-9.5	12.7	
Hedging results	9.0	0.0	
Sales after adjust.	131.1	181.6	-27.8

Source: Volcan Cia. Minera

In 1Q20, total sales before adjustments amounted to USD 143.2 MM, a decrease of 15.3% as compared to the USD 169.0 MM recorded in 1Q19. This was mainly due to the lower base

metals prices (zinc, lead, copper) and reduced production, partially offset by the reduced concentrate inventories.

In 1Q20, sales adjustments were negative (USD 12.1 MM), as compared to the positive adjustments recorded in 1Q19 (USD 12.6 MM). In 1Q20, sales adjustments included final settlements of USD -11.5 MM, and negative provisions related to open shipments of USD -9.5 MM explained by the deterioration of the forward price curve at the end of 1Q20, and positive hedge results of USD 9.0 MM. Total sales after adjustments decreased by 27.8%, from USD 181.6 MM in 1Q19 to USD 131.1 MM in 1Q20.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Volcan Production	125.6	134.9	-6.9
Volcan Production Cost	85.9	90.5	-5.1
D&A from Production Cost	33.4	46.7	-28.5
Extraordinary Costs	0.0	0.4	-100.0
Variation of Inventories	6.4	-2.7	
Workers Participation	0.0	1.3	-100.0
Total	125.6	136.2	-7.7

Source: Volcan Cia. Minera

Total cost of goods sold decreased by 7.7%, from USD 136.2 MM in 1Q19 to USD 125.6 MM in 1Q20. This is explained by the USD 13.3 MM reduction of depreciation and amortization, due to the non-depreciation of the Oxides Plant assets which are considered assets held for sale for accounting purposes, as a result of the purchase agreement executed with Cerro de Pasco Resources. Similarly, the cost of production decreased by USD 4.6 MM due to the lower volumes of production resulting from the suspension of operations since March 17 due to COVID-19.

- **Gross Margin and Gross Profit**

The Company's gross margin decreased from 25% in 1Q19 to 4% in 1Q20, mainly due to lower base metals prices and the negative effect of sales adjustments resulting from the negative trend of forward price curves at the end of 1Q20. Gross profit decreased from USD 45.4 MM in 1Q19 to USD 5.5 MM in 1Q20.

- **Administrative Expenses**

Administrative expenses decreased by 21.4%, from USD 9.8 MM in 1Q19 to USD 7.7 MM in 1Q20, mainly due to the lower personnel expenses provisions and workers' participation provisions in line with the Company's lower profits.

- **Exploration Expenses**

Exploration expenses decreased from USD 2.4 MM in 1Q19 to USD 1.5 MM in 1Q20, as a result of the reduced execution of exploration projects due to the suspension caused by COVID-19.

- **Sale expenses**

Sales expenses in 1Q20 totaled USD 4.71 MM, a figure similar to the USD 4.68 MM reported in 1Q19.

- **Other Income and Expenses**

In 1Q20, the net amount of other income and expenses was positive, USD 0.1 MM versus a negative amount of USD -3.9 MM in 1Q19. It is important to note that the main items reported under this category of the income statement are the energy business, expenses resulting from suspended operations at Cerro de Pasco, Vinchos, Río Pallanga, Paragsha and Mahr Túnel, non-deductible expenses, contingency provisions and contributions to OEFA and OSINERGMIN.

- **Financial Expenses and Exchange-Rate Difference**

Net financial expenses totaled USD 11.5 MM in 1Q20, compared to net financial expenses worth USD 11.1 MM in 1Q19, mainly explained by higher overdraft and financial expenses.

Exchange-rate losses totaling USD -2.3 MM were registered in 1Q20, as compared to the exchange-rate gain reported in 1Q19 (USD 0.7 MM).

- **Income Tax and Royalties**

Royalties decreased from USD 2.1 MM in 1Q19 to USD 1.3 MM in 1Q20, while income tax decreased from USD -3.8 MM in 1Q19 to USD -0.7 MM in 1Q20, not taking into account taxes related to exceptional items.

- **Net Profit and EBITDA**

Net profit before exceptional items decreased from USD 8.4 MM in 1Q19 to USD -24.1 MM in 1Q20, mainly due to reduced sales as a result of lower metals prices and sales adjustments resulting from the negative trend of forward price curves at the end of 1Q20.

Moreover, in 1Q20, net exceptional expenses of USD -7.3 MM were recorded in connection of the suspension of operations resulting from COVID-19.

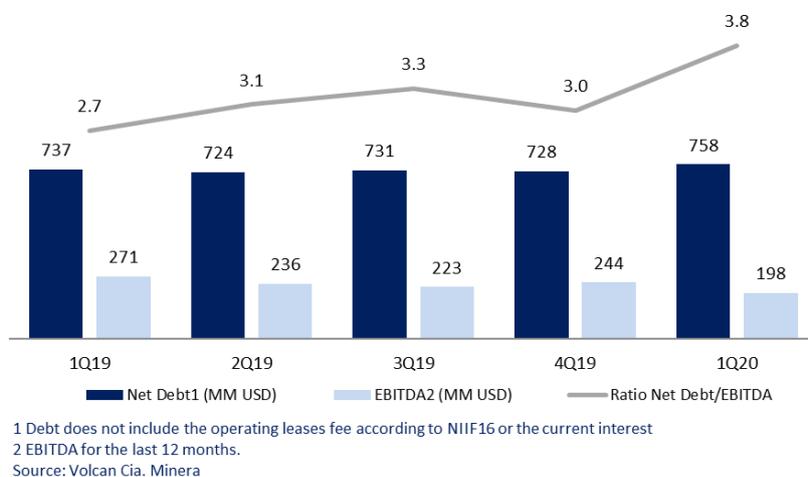
EBITDA decreased from USD 73.7 MM in 1Q19 to USD 27.3 MM in 1Q20, mainly due to a lower gross margin.

2.5 Liquidity and Creditworthiness

In 1Q20, cash generated by mining operations after investments totaled USD -18.2 MM. Interests paid amounted to USD -16.6 MM and net financing cash flow was USD 55.2 MM. This increased financing cash flow ensured the Company's liquidity during the uncertainty caused by COVID-19. Therefore, during 1Q20, the resulting total cash flow was USD 20.4 MM, and the total cash balance as of March 31, 2020, was USD 56.6 MM.

As of March 31, 2020, the net debt/EBITDA ratio was 3.8, higher than in the previous quarter, mainly due to the lower EBITDA accumulated in the last 12 months and a higher net debt.

Figure 4: Net Debt / EBITDA Ratio Evolution



2. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	603	743	-18.9
Mineral treatment (thousands MT)	597	737	-19.0
Fines Content			
Zinc (thousands FMT)	27.7	31.0	-10.6
Lead (thousands FMT)	4.6	5.2	-10.9
Copper (thousands FMT)	0.4	0.7	-33.3
Silver (million Oz)	1.6	1.6	0.0
Gold (thousands Oz)	1.3	1.4	-4.9

Source: Volcan Cia. Minera

In the first quarter, ore extracted at the Yauli Unit decreased by 18.9% as compared to the same quarter of the previous year, mainly explained by suspended operations since March 17 due to COVID-19. The ore treated at the Yauli Unit concentrator plants decreased by 19.0% in 1Q20, as compared to the same period of the previous year.

With regard to fines, in 1Q20, zinc, lead, copper and gold production decreased by 10.6%, 10.9%, 33.3% and 4.9%, respectively, as compared to 1Q19. Silver production remained unchanged as compared to 1Q19.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	45.0	47.8	-5.8
Extraction Cost	26.5	27.7	-4.1
Treatment Cost	18.5	20.1	-8.2
Unit Cost (USD/MT)	75.0	64.6	16.1
Extraction Cost	44.0	37.2	18.3
Treatment Cost	30.9	27.3	13.3

Source: Volcan Cia. Minera

In 1Q20, the absolute cost of production decreased by 5.8%, from USD 47.8 MM in 1Q19 to USD 45.0 MM in 1Q20. This is mainly explained by lower production volumes. For the same reason, the unit cost of production increased by 16.1%, from 64.6 USD/MT in 1Q19 to 75.0 USD/MT in 1Q20.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Local Exploration	2.1	3.3	-36.0
Mine Development	9.9	10.5	-5.6
Plants and Tailings Dams	2.2	1.0	129.1
Mine and Infrastructure	4.3	5.0	-15.4
Electrical Infrastructure	0.2	0.2	-2.5
Support and Others	0.4	1.0	-55.6
Total¹	19.1	20.9	-8.7

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 3.0 MM in 1Q20.

Source: Volcan Cia. Minera

In 1Q20, operating investments at the Yauli Unit totaled USD 19.1 MM, 8.7% lower than the USD 20.9 MM figure for 1Q19, explained by lower investments in exploration, developments, mine infrastructure, and support, partially offset by higher investment in plants and tailings dams.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	387	413	-6.3
Mineral treatment (thousands MT)	351	435	-19.3
Fines Content			
Zinc (thousands FMT)	14.8	18.5	-20.1
Lead (thousands FMT)	4.4	4.4	-0.8
Copper (thousands FMT)	0.3	0.3	-3.1
Silver (million Oz)	0.8	0.8	-7.3

Source: Volcan Cia. Minera

In 1Q20, ore extracted at Chungar decreased by 6.3% as compared to 1Q19, due to fewer days of operation resulting from the COVID-19 situation. Similarly, ore volumes treated in 1Q20 decreased by 19.3%, as compared to the same quarter in the previous year.

With regard to zinc, lead and silver, in 1Q20, production decreased by 20.1%, 0.8%, and 7.3%, respectively.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	22.9	23.8	-3.9
Extraction Cost	12.8	13.6	-6.4
Treatment Cost	10.1	10.2	-0.4
Unit Cost (USD/MT)	61.9	56.5	9.6
Extraction Cost	33.0	33.1	-0.1
Treatment Cost	28.9	23.4	23.3

Source: Volcan Cia. Minera

In 1Q20, the cost of production in absolute terms decreased by 3.9%, from USD 23.8 MM in 1Q19 to USD 22.9 MM in 1Q20, while the unit cost of production increased by 9.6%, from 56.5 USD/MT in 1Q19 to 61.9 USD/MT in 1Q20, due to lower processed volumes.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Local Exploration	1.5	1.6	-9.7
Mine Development	3.7	5.3	-30.1
Plants and Tailings Dams	0.2	0.7	-74.6
Mine and Infrastructure	2.3	2.0	18.1
Electrical Infrastructure	0.2	0.3	-17.7
Support and Others	0.3	0.9	-69.7
Total	8.1	10.7	-24.1

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 1.3 MM in 1Q20.

Source: Volcan Cia. Minera

Operating investments fell by 24.1%, from USD 10.7 MM in 1Q19 to USD 8.1 MM in 1Q20, mainly due to lower investments in developments, plants and tailings dams and support areas, partially offset by greater investments in mine infrastructure.

3.3 Alparmarca Unit Operating Results

Table 16: Alparmarca Production

Alparmarca Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	120	227	-47.4
Mineral treatment (thousands MT)	198	224	-11.5
Fines Content			
Zinc (thousands FMT)	1.5	1.2	22.1
Lead (thousands FMT)	1.0	0.9	12.2
Copper (thousands FMT)	0.1	0.1	-14.0
Silver (million Oz)	0.2	0.3	-12.1

Source: Volcan Cia. Minera

In 1Q20, ore volumes extracted at the Alparmarca Unit decreased by 47.4% compared to the same quarter of the previous year, due to the lower volumes of ore from the open pit during the stripping stage and fewer days of operation. Extracted ore volumes decreased only by 11.5% compared to the same quarter of the previous year, mainly due to the use of ore from stockpiles.

In 1Q20, silver and copper production decreased by 12.1% and 14.0%, respectively, as compared to 1Q19, while zinc and lead production increased by 22% and 12.2%, respectively, explained by higher head grades of the ore from the new extraction zones in the open pit and from stockpiles.

Table 17: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	5.0	4.8	3.9
Extraction Cost	2.5	2.0	23.6
Treatment Cost	2.5	2.8	-10.4
Unit Cost (USD/MT)	33.3	21.2	56.8
Extraction Cost	20.7	8.8	134.8
Treatment Cost	12.6	12.4	1.2

Source: Volcan Cia. Minera

In 1Q20, the absolute cost of production was USD 5.0 MM, 3.9% higher than the USD 4.8 MM figure for the same quarter of the previous year, due to a greater stripping cost at the Alparmarca open pit and the improvement of operating and safety standards. The unit cost increased by 56.8%, from 21.2 USD/MT in 1Q19 to 33.3 USD/MT in 1Q20, additionally affected by lower production volumes.

Table 18: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Local Exploration	0.1	0.0	
Plants and Tailings Dams	0.0	0.3	-99.0
Mine and Infrastructure	0.2	0.0	
Support and Others	0.0	0.0	-67.1
Total¹	0.3	0.4	-19.8

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 0.08 MM in 1Q20.

Source: Volcan Cia. Minera

Operating investments fell by 19.8% in 1Q20 as compared to the same quarter of the previous year, mainly due to lower investments in plants and tailings dams, partially offset by greater investments in explorations and mine infrastructure.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	382	375	1.8
Mineral treatment (thousands MT)	382	375	1.8
Fines Content			
Zinc (thousands FMT)	3.3	3.1	6.9
Lead (thousands FMT)	1.4	0.9	45.7
Silver (million Oz)	0.1	0.1	25.3

Source: Volcan Cia. Minera

In 1Q20, ore volumes from stockpiles processed at Cerro de Pasco increased by 1.8% compared to the same quarter of the previous year, from 375 thousand MT in 1Q19 to 382 thousand MT in 1Q20.

Accordingly, in 1Q20, zinc, lead and silver production grew by 6.9%, 45.7% and 25.3%, respectively, as compared to 1Q19.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	5.6	6.0	-6.2
Extraction Cost	0.9	0.0	
Treatment Cost	4.7	6.0	-20.9
Unit Cost (USD/MT)	14.7	16.0	-7.9
Extraction Cost	2.3	0.0	
Treatment Cost	12.4	16.0	-22.3

Source: Volcan Cia. Minera

Absolute cost declined by 6.2%, from USD 6.0 MM in 1Q19 to USD 5.6 MM during 1Q20, while unit cost fell by 7.9%, from 16.0 USD/MT in 1Q19 to 14.7 USD/MT.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Local Exploration	0.0	0.1	-100.0
Plants and Tailings Dams	0.0	1.2	-97.3
Mine and Infrastructure	0.1	0.0	
Support and Others	0.0	0.4	-99.3
Total¹	0.1	1.7	-94.7

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 0.05 MM in 1Q20.

Source: Volcan Cia. Minera

Operating investments decreased from USD 1.7 MM in 1Q19 to USD 0.1 MM in 1Q20, due to lower investments in the Ocroyoc tailings dam and support areas.

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2020	Jan-Mar 2019	var %
Mineral extraction (thousands MT)	155	198	-21.8
Mineral treatment (thousands MT)	155	198	-21.8
Fines Content			
Silver (million Oz)	0.6	0.6	0.1
Gold (Oz)	1,129	3,335	-66.1

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant decreased by 21.8%, from 198 thousand MT in 1Q19 to 155 thousand MT in 1Q20.

In 1Q20, silver production increased by 0.1% and gold decreased by 66.1% compared to 1Q19, due to variations in the grades of processed ore.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2020	Jan-Mar 2019	var %
Production Cost (MM USD)	7.4	8.1	-9.2
Extraction Cost	1.5	1.3	21.5
Treatment Cost	5.8	6.9	-14.8
Unit Cost (USD/MT)	47.5	40.9	16.2
Extraction Cost	9.8	6.3	55.3
Treatment Cost	37.7	34.6	9.0

Source: Volcan Cia. Minera

In 1Q20, the absolute cost of production totaled USD 7.4 MM, 9.2% lower than in 1Q19, due to the lower treated volume. As a result, unit cost increased by 16.2%, from 40.9 USD/MT in 1Q19 to 47.5 USD/MT in 1Q20.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2020	Jan-Mar 2019	var %
Plants and Tailings Dams	0.2	1.3	-82.9
Mine and Infrastructure	0.3	0.0	1084.9
Support and Others	0.0	0.1	-100.0
Total¹	0.5	1.4	-63.0

¹ The investments include the amortization of operating leases by application of IFRS 16, resulting USD 0.03 MM in 1Q20.

Source: Volcan Cia. Minera

Operating investments decreased by 63.0%, from USD 1.4 MM in 1Q19 to USD 0.5 MM in 1Q20, mainly due to lower investments in the Ocroyoc tailings dam.

3. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2020	Jan-Mar 2019	var %
Energy generation	119.6	86.0	39.2
Chungar	36.6	42.5	-13.9
Tingo	0.0	2.3	-100.0
Huanchor	42.3	41.1	3.0
Rucuy	40.7	0.0	
Energy consumption	171.9	181.4	-5.2
Energy purchase	135.3	136.6	-0.9

Source: Volcan Cia. Minera

During 1Q20, Volcan's total consumption of electric power reached 171.9 GWh, with a maximum demand of 94.3 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 36.6 GWh. This accounted for 30.6% of the Company's total consolidated consumption, at an average cost of 15.7 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 135.3 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 59.8 USD/MWh.

In 1Q20, the Huanchor Hydroelectric Plant produced 42.3 GWh, a 3% increase as compared to the same period of the previous year. The power of Huanchor Hydroelectric Plant was entirely sold to third parties.

The Rucuy Hydroelectric Plant produced 40.7 GWh in 1Q20, and the power was used to meet the commitments set forth in its renewable energy agreement (RER).

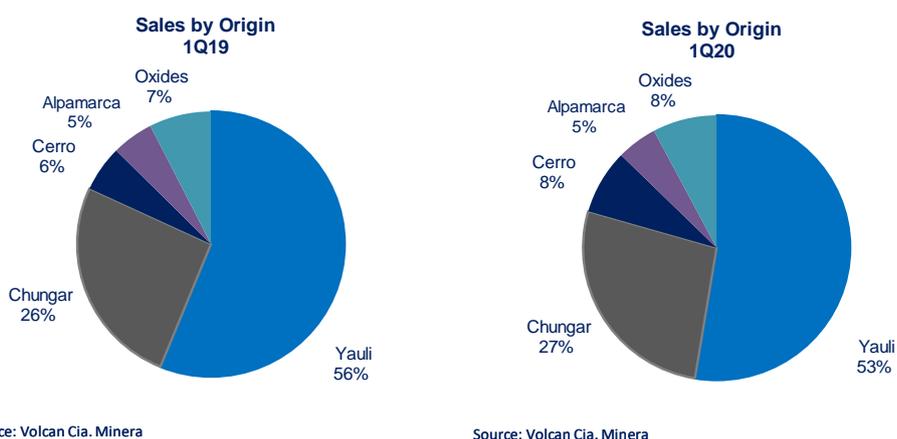
4. Final Comments

- In 1Q20, the Company's results were affected by the suspension of operations since March 17, resulting from the mandatory social lockdown ordered by the Government as a preventive measure against the COVID-19 pandemic. In addition to the reduced production, the uncertainty generated by this situation around the world caused a significant drop of metals prices at the end of the quarter, resulting in negative settlements and sales adjustment provisions.
- To preserve the liquidity needed to face the situation created by COVID-19, the Company secured the credit lines maintained with local banks. Moreover, a series of measures were taken to optimize costs and working capital while normal operations remain restricted.
- During the suspension of operations, the Company ensured the adequate maintenance of its mines and facilities, guaranteeing the safety of its personnel and environment protection.
- The necessary protocols have been developed, and the facilities have been adapted at all the operating units to ensure the safe return of the workers, respecting social distance and observing all guidelines and measures stipulated by the Government.

• Annexes

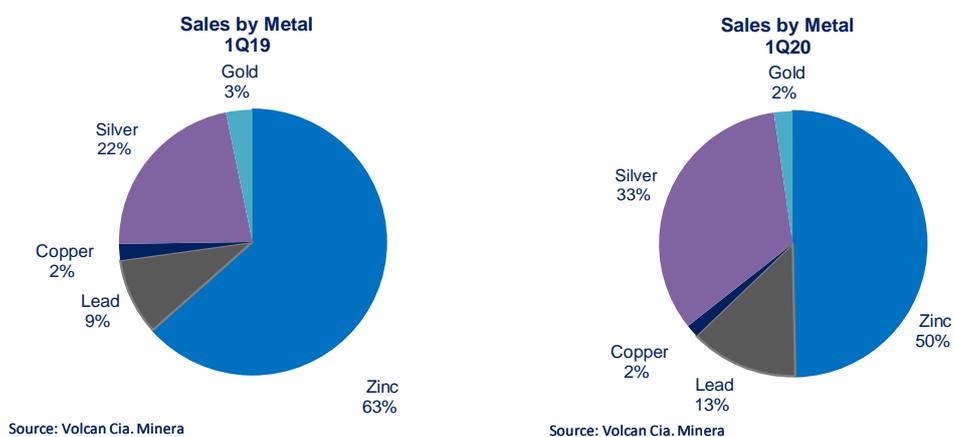
Annex 1: Sales Breakdown

Figure 5: Sales by Origin (percentage of value in USD)



The distribution of sales by origin reflects an increase in the contribution of the Oxides Plant and Cerro de Pasco in total sales, while the contribution by Yauli and Chungar decreased due to lower production volumes.

Figure 6: Sales by Metal (percentage of value in USD)



The distribution of sales by metal in 1Q20 reflects a decrease in the participation of zinc as compared to 1Q19, while the contribution of silver increased, due to higher prices. Lead contribution also grew, resulting from higher sales of lead concentrates from inventories.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2020	Jan-Mar 2019	var %
Zinc (USD/MT)	2,128	2,704	-21.3
Lead (USD/MT)	1,847	2,037	-9.3
Copper (USD/MT)	5,635	6,220	-9.4
Silver (USD/Oz)	16.9	15.6	8.8
Gold (USD/Oz)	1,584	1,305	21.4

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2020	Jan-Mar 2019	var %
Exchange Rate (S/ x USD)	3.40	3.32	2.4
Inflation	1.82	2.25	-19.0

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru