

Volcan Compañía Minera S.A.A. and Subsidiaries Management Discussion and Analysis First Quarter 2021

Principal Results:

Consolidated Volcan	Jan-Mar 2021	Jan-Mar 2020	var %
Sales Prices¹			
Zinc (USD/MT)	2,749	2,183	25.9
Lead (USD/MT)	2,056	1,834	12.1
Copper (USD/MT)	7,159	5,393	32.8
Silver (USD/Oz)	26.7	17.0	57.1
Gold (USD/Oz)	1,804	1,575	14.5
Operating Results			
Mineral treatment ² (thousands MT)	1,997	1,683	18.7
Zinc Production (thousands FMT)	51.2	47.4	8.2
Lead Production (thousands FMT)	12.8	11.4	12.7
Copper Production (thousands FMT)	1.1	0.8	37.4
Silver Production (millions Oz)	3.8	3.3	14.9
Gold Production (thousands Oz)	5.4	2.8	93.6
Unit Cost (USD/MT)	50.8	51.6	-1.5
Total Investments (MM USD)	28.0	28.9	-2.9
Financial Results (MM USD)			
Sales before adjustments	211.2	143.2	47.5
Sales Adjustments	-1.8	-12.1	-84.8
Settlement of prior period adjustments	3.1	-11.5	
Adjustments for open positions ³	-3.4	-9.5	-64.7
Hedging results	-1.6	9.0	
Sales after adjustments	209.4	131.1	59.7
Net profit before exceptionals	1.3	-24.1	
Exceptional adjustments	0.0	-7.3	
Net profit after exceptionals	1.3	-31.5	
EBITDA⁴	89.0	27.3	225.9

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.

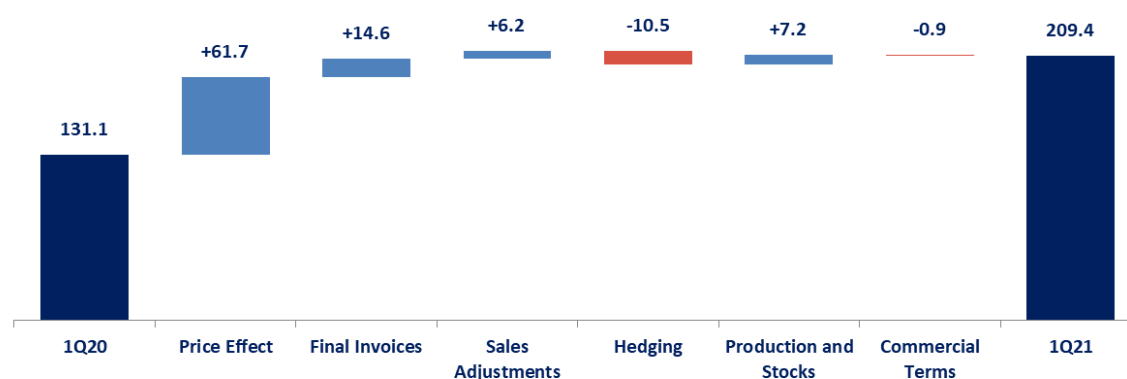
⁴ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

1. Executive Summary

- The Company's operating and financial results in 1Q21 improved, as compared to 1Q20, due to higher metal prices and increased production at the mining units, which continue operating while observing strict protocols to guarantee our employees' health and safety amidst the COVID-19 pandemic. However, the operations were unable to reach their full production capacity mainly due to personnel limitations as a result of the national emergency caused by COVID-19.
- The price of zinc increased by 25.9% (566 USD/MT), from 2,183 USD/MT in 1Q20 to 2,749 USD/MT in 1Q21; lead increased by 12.1% (+222 USD/MT), from 1,834 USD/MT to 2,056 USD/MT; copper increased by 32.8% (+1,766 USD/MT), from 5,393 USD/MT to 7,159 USD/MT; silver increased by 57.1% (+9.7 USD/Oz), from 17.0 USD/Oz to 26.7 USD/Oz; and gold increased by 14.5% (+229 USD/Oz), from 1,575 USD/Oz in 1Q20 to 1,804 USD/Oz in 1Q21.
- As a result, in 1Q21, treated consolidated volumes increased by 18.7%, as compared to the same period of the previous year, from 1.7 MM MT in 1Q20 to 2.0 MM MT in 1Q21, mainly explained by the suspension of all operations for over two months since March 16 last year as a result of the pandemic. Accordingly, fine production also increased across all metals: zinc production grew by 8.2%, from 47.4 thousand FMT in 1Q20 to 51.2 thousand FMT in 1Q21, lead production by 12.7%, from 11.4 thousand FMT to 12.8 thousand FMT, copper production by 37.4%, from 0.8 thousand FMT to 1.1 thousand FMT, silver by 14.9% from 3.3 MM Oz to 3.8 MM Oz, and gold production by 93.6%, from 2.8 thousand Oz to 5.4 thousand Oz.
- As a result of better prices and increased production, total sales before adjustments increased by 47.5%, from USD 143.2 MM in 1Q20 to USD 211.2 MM in 1Q21. Sales adjustments totaled USD -1.8 MM in 1Q21 as compared to USD -12.1 MM in 1Q20, and as a result sales after adjustments increased by 59.7%, from USD 131.1 MM in 1Q20 to USD 209.4 MM in 1Q21.

Figure 1: 1Q21 vs 1Q20 variations impact on net sales (USD MM)

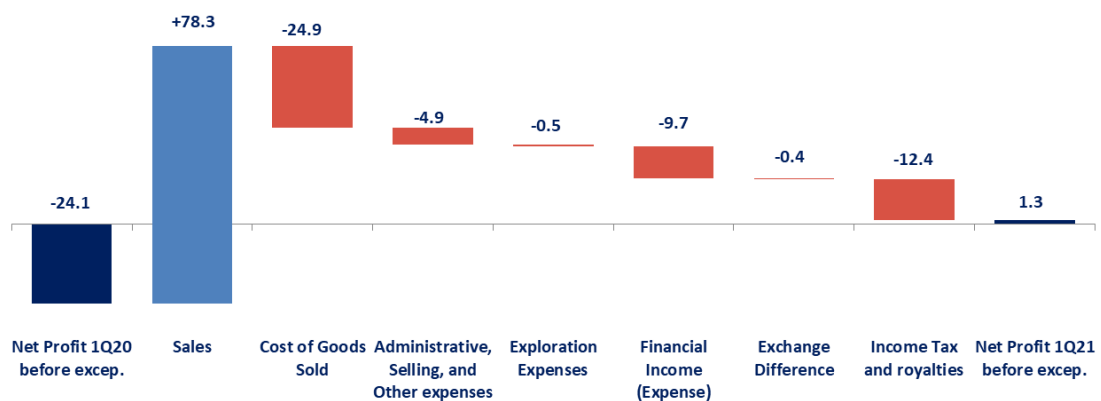


Source: Volcan Cía. Minera

- Consolidated unit cost fell by 1.5%, from 51.6 USD/MT in 1Q20 to 50.8 USD/MT in 1Q21, mainly due to the dilution of fixed cost as a result of greater treated volumes.
- Net profit before exceptional items grew from a USD -24.1 MM loss in 1Q20 to a USD 1.3 MM gain in 1Q21. Net profit in 1Q21 should have been higher, but it was affected by financial expenses related to the partial buyback of bonds maturing in 2022 and the advance payment of the syndicated loan (USD 7.9 MM), and by the deferred income tax translation effect resulting from the devaluation of the national currency (USD 5.4 MM). The latter has only an accounting effect.

The variations that had an impact on net profit before exceptional items are shown in detail in the figure below.

Figure 2: 1Q21 vs 1Q20 variations impact on net profit before exceptional items (USD MM)



Source: Volcan Cía. Minera

- EBITDA increased by 225.9%, from USD 27.3 MM in 1Q20 to USD 89.0 MM in 1Q21.
- Total investments decreased from USD 28.9 MM in 1Q20 to USD 28.0 MM in 1Q21, due to limitations on the transportation of personnel as a result of the pandemic and their impact on project execution, explorations and developments.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	1,974	1,646	19.9
Polymetallic ore	1,756	1,491	17.8
Oxides ore	218	155	40.3
Mineral treatment (thousands MT)	1,997	1,683	18.7
Concentrator Plants	1,779	1,528	16.5
Silver Oxides Plant	218	155	40.3
Fine Content			
Zinc (thousands FMT)	51.2	47.4	8.2
Lead (thousands FMT)	12.8	11.4	12.7
Copper (thousands FMT)	1.1	0.8	37.4
Silver (millions Oz)	3.8	3.3	14.9
Gold (thousands Oz)	5.4	2.8	93.6

Source: Volcan Cia. Minera

In the first quarter, extracted ore volumes increased by 19.9%, from 1.646 MM MT in 1Q20 to 1.974 MM MT in 1Q21, mainly due to the suspension of mining operations for over two months since the second half of March last year as a result of the state of emergency caused by COVID-19. Similarly, treated volumes increased by 18.7%, from 1.683 MM MT in 1Q20 to 1.997 MM MT in 1Q21.

Accordingly, zinc production grew by 8.2%, from 47.4 thousand FMT in 1Q20 to 51.2 thousand FMT in 1Q21, lead production by 12.7%, from 11.4 thousand FMT to 12.8 thousand FMT, copper production by 37.4%, from 0.8 thousand FMT to 1.1 thousand FMT, silver by 14.9% from 3.3 MM Oz to 3.8 MM Oz, and gold production by 93.6%, from 2.8 thousand Oz to 5.4 thousand Oz.

It is important to note that the mining units cannot operate at full capacity yet due to the limitations caused by the COVID-19 pandemic, especially in matters related to personnel availability.

2.2 Cost of Production

Table 2: Consolidated Cost of Production

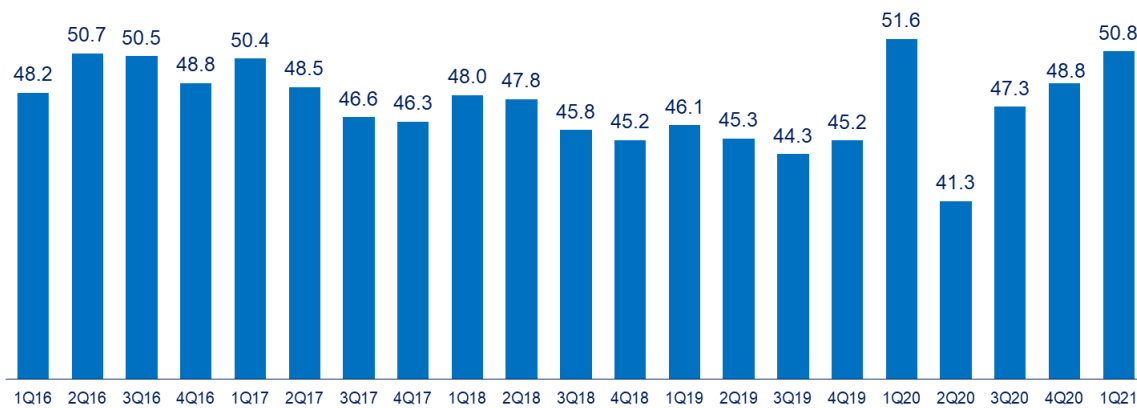
Consolidated Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	100.9	85.9	17.5
Mine Cost	48.1	44.2	8.9
Plant and Other Cost	52.8	41.7	26.6
Unit Cost (USD/MT)	50.8	51.6	-1.5
Mine Cost	24.4	26.8	-9.1
Plant and Other Cost	26.4	24.8	6.7

Source: Volcan Cia. Minera

The absolute cost of production increased by 17.5%, from USD 85.9 MM in 1Q20 to USD 100.9 MM in 1Q21, while unit cost fell by 1.5%, from 51.6 USD/MT in 1Q20 to 50.8 USD/MT in 1Q21, mainly due to greater production volumes.

The Company is heightening its efforts to keep control of the costs, despite incurring in costs related to observing protocols and carrying out tests against COVID-19.

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



Source: Volcan Cia. Minera

2.3 Total Investments

Table 3: Consolidated Investment

Consolidated Investment (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Mining	28.0	28.7	-2.6
Mining Units	27.6	28.2	-2.2
Local Exploration	2.9	3.7	-20.8
Development	11.5	13.6	-15.1
Plants and Tailings Facilities	6.4	2.7	141.1
Mine and Infrastructure ¹	6.0	7.1	-16.1
Electrical Infrastructure in Units	0.2	0.5	-63.8
Support and Others	0.6	0.7	-18.5
Regional Explorations	0.1	0.2	-66.0
Growth and Others	0.3	0.3	1.9
Energy	0.1	0.1	-56.8
Total	28.0	28.9	-2.9

¹ The investments include the operating leases fee according to NIIF 16: USD 3.5 MM in 1Q21.

Source: Volcan Cia. Minera

In the first quarter, total mining investments decreased by 2.6%, from USD 28.7 MM in 1Q20 to USD 28.0 MM in 1Q21. Operating unit investments decreased by 2.2%, from USD 28.2 MM in 1Q20 to USD 27.6 MM in 1Q21, regional explorations decreased from USD 0.2 MM to USD 0.1 MM, and growth investments remained similar at USD 0.3 MM. Investments in the energy business decreased from USD 0.15 MM to USD 0.06 MM.

Total investments decreased by 2.9%, from USD 28.9 MM in 1Q20 to USD 28.0 MM in 1Q21, mainly due to limitations on project execution resulting from difficulties to have full personnel during the pandemic.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Sales before adjust.	211.2	143.2	47.6
<i>Sett. of prior periods adjust.</i>	3.1	-11.5	
<i>Adj. open positions</i>	-3.4	-9.5	-64.7
<i>Hedging</i>	-1.6	9.0	
Sales after adjust.	209.4	131.1	59.7
Cost of Goods Sold	-155.8	-130.9	19.0
Gross Profit	53.6	0.2	25,263.3
<i>Gross Margin</i>	26%	0%	25 pp
Administrative Expenses	-8.9	-7.7	16.0
Exploration Expenses	-2.0	-1.5	36.8
Sales Expenses	-4.6	-4.7	-2.2
Other Income (Expenses) ¹	1.6	5.4	-69.6
Operating Profit	39.7	-8.3	
<i>Operating Margin</i>	19%	-6%	25 pp
Financial Income (Expense)	-21.2	-11.5	84.2
Exchange Difference (net)	-2.7	-2.3	15.4
Royalties	-3.1	-1.3	139.6
Income Tax	-11.3	-0.7	
Net Profit before Exceptionals	1.3	-24.1	
<i>Net Margin</i>	1%	-18%	19 pp
Exceptional adjustments	0.0	-7.3	-100.0
Net Profit after Exceptionals	1.3	-31.5	
<i>Net Margin</i>	1%	-24%	25 pp
EBITDA³	89.0	27.3	225.9
<i>EBITDA Margin</i>	43%	21%	22 pp

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

² Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

• Sales Analysis

During 1Q21, the prices of all metals produced by the Company were better than those recorded during the same period of the previous year, as shown in the table below:

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2021	Jan-Mar 2020	var %
Zinc (USD/MT)	2,749	2,183	25.9
Lead (USD/MT)	2,056	1,834	12.1
Copper (USD/MT)	7,159	5,393	32.8
Silver (USD/Oz)	26.7	17.0	57.1
Gold (USD/Oz)	1,804	1,575	14.5

Source: Volcan Cia. Minera

The prices shown in the table above 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 2021	Jan-Mar 2020	var %
Zinc (thousands FMT)	52.1	51.3	1.4
Lead (thousands FMT)	13.5	13.2	2.6
Copper (thousands FMT)	1.0	0.8	34.8
Silver (millions Oz)	3.8	3.5	7.4
Gold (thousands Oz)	4.8	2.9	65.3

Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Zinc	92.2	71.1	29.6
Lead	22.7	18.8	21.1
Copper	5.0	2.2	126.2
Silver	83.9	47.9	75.4
Gold	7.2	3.2	124.8
Sales before adjust.	211.2	143.2	47.5
Sett. of prior period adjust.	3.1	-11.5	
Adjust. for open positions	-3.4	-9.5	-64.7
Hedging results	-1.6	9.0	
Sales after adjust.	209.4	131.1	59.7

Source: Volcan Cia. Minera

In 1Q21, total sales before adjustments amounted to USD 211.2 MM, 47.5% higher as compared to the USD 143.2 MM recorded in 1Q20. This was mainly due to improved metals prices and increased production.

Sales adjustments amounted to USD -12.1 MM in 1Q20 and USD -1.8 MM in 1Q21. In 1Q21, the adjustments included final settlements of USD 3.1 MM, negative provisions related to open shipments of USD -3.4 MM, and negative hedge results of USD -1.6 MM. As a result, total sales after adjustments increased by 59.7%, from USD 131.1 MM in 1Q20 to USD 209.4 MM in 1Q21.

- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Volcan Production¹	154.8	130.9	18.3
Volcan Production Cost	100.9	85.9	17.5
D&A from Production Cost	47.5	34.0	39.7
Other expenses	4.4	4.7	-6.5
Variation of Inventories	2.1	6.4	-67.2
Workers Participation	1.0	0.0	
Total	155.8	130.9	19.0

¹ Paralyzation expenses and related depreciation have been reclassified to cost of sales, being USD 5.3 MM in 1Q20 (USD 4.7 MM for paralyzation expenses and USD 0.6 MM for related depreciation)

Source: Volcan Cia. Minera

The total cost of goods sold increased by 19.0%, from USD 130.9 MM in 1Q20 to USD 155.8 MM in 1Q21, mainly due to a higher cost related to greater production volumes, and higher depreciation and amortization resulting from the Oxides Plant depreciation not being considered in 1Q20, because it was recorded in the books as an asset available for sale.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 0% in 1Q20 to 26% in 1Q21, due to higher prices of all metals sold by the Company. Gross profit increased from USD 0.2 MM in 1Q20 to USD 53.6 MM in 1Q21 due to an improved margin and increased physical sales resulting from greater production.

- **Administrative Expenses**

Administrative expenses increased by 16%, from USD 7.7 MM in 1Q20 to USD 8.9 MM in 1Q21, mainly explained by higher personnel expenses provisions and profit sharing.

- **Exploration Expenses**

Exploration expenses increased from USD 1.5 MM in 1Q20 to USD 2.0 MM in 1Q21, as a result of the increased execution of early stage exploration projects.

- **Sale expenses**

Notwithstanding the increased sales volume, sale expenses decreased by 2.2%, from USD 4.7 MM in 1Q20 to USD 4.6 MM in 1Q21, mainly explained by an increased participation in sale contracts wherein the buyer bears these expenses and includes them in trade discounts applied to net sales.

- **Other Income and Expenses**

In 1Q21, the net amount of other income and expenses was USD +1.6 MM versus USD +5.4 MM in 1Q20, mainly explained by lower income in other items.

It is important to note that the main items reported under this category of the income statement were the energy business, unconventional income and expenses, non-deductible expenses from previous years, and contributions to OEFA and OSINERGMIN.

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

Financial expenses increased by 84.2%, from USD 11.5 MM in 1Q20 to 21.2 MM in 1Q21, mainly explained by extraordinary expenses worth USD 7.9 MM related to the partial buyback of bonds maturing in 2022 and the payment of the syndicated loan in February 2021.

Exchange-rate losses totaling USD -2.7 MM were registered in 1Q21, as compared to the USD -2.3 MM reported in 1Q20.

- **Royalties and Income Tax**

Royalties grew from USD 1.3 MM in 1Q20 to USD 3.1 MM in 1Q21 due to better operating results. Income tax, not taking into account exceptional items, increased from USD 0.7 MM in 1Q20 to USD 11.3 MM in 1Q21, mainly due to higher profit before taxes and the deferred tax translation effect resulting from the devaluation of the national currency (USD 5.4 MM).

- **Net Profit and EBITDA**

Net profit before exceptional items increased from USD -24.1 MM in 1Q20 to USD 1.3 MM in 1Q21, mainly due to greater gross profit as a result of increased sales and improved margin. This result should have been higher by USD 11 MM, but it was affected by extraordinary financial expenses related to the payment of the syndicated loan and the partial buyback of bonds maturing in 2022, and by higher income taxes resulting from the deferred tax translation effect.

EBITDA increased from USD 27.3 MM in 1Q20 to USD 89.0 MM in 1Q21, mainly explained by improved margin and higher sales.

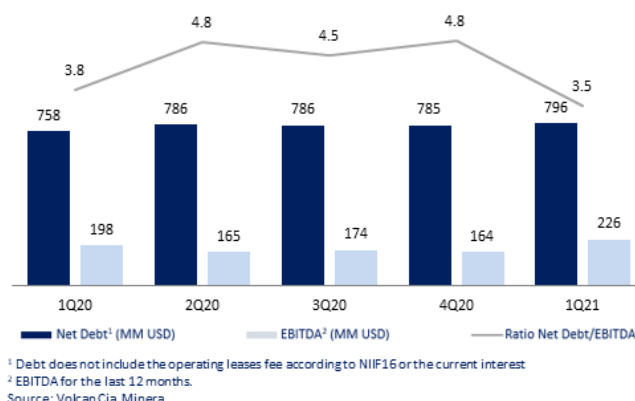
2.5 Liquidity and Creditworthiness

In 1Q21, cash generated by mining operations after investments totaled USD 35.4 MM, while the payment of financial obligations and interests amounted to USD -29.3 MM. In 2021, the cash balance at the end of the first quarter amounted to USD 120.8 MM.

It is important to mention that at the end of February 2021, international bonds worth USD 475 MM were issued, with maturity in 2026 at a 4.375% rate. These proceeds were used to pay the syndicated loan and other loans, including accrued interests worth USD 337 MM, to buy back bonds with maturity in 2022 worth USD 125 MM, and to pay for premiums, expenses and commissions of all transactions.

As of March 31, 2021, the Net Debt/EBITDA ratio was 3.5, a decrease over the previous quarter, mainly due to the greater EBITDA accumulated in the last 12 months.

Figure 4: Net Debt / EBITDA Ratio Evolution



3. Results by Operating Unit

3.1 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	652	603	8.3
Mineral treatment (thousands MT)	647	597	8.4
Fines Content			
Zinc (thousaned FMT)	30.9	27.7	11.4
Lead (thousaned FMT)	5.2	4.6	12.1
Copper (thousaned FMT)	0.6	0.4	34.7
Silver (million Oz)	1.8	1.6	7.0
Gold (thousaned Oz)	1.3	1.3	-6.0

Source: Volcan Cia. Minera

In the first quarter, ore extracted at the Yauli Unit increased by 8.3% as compared to the same quarter of the previous year, mainly explained by suspended operations since the second half of March 2020 due to the pandemic. The ore treated at the Yauli Unit concentrator plants increased by 8.4% in 1Q21, as compared to the same period of the previous year, in line with the increased extraction.

Compared to 1Q20, in 1Q21, the production of zinc, lead, copper and silver fines increased by 11.4%, 12.1%, 34.7%, and 7.0%, respectively, while gold production decreased by 6.0%.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	53.0	45.0	17.8
Extraction Cost	28.4	26.5	7.0
Treatment Cost	24.6	18.5	33.3
Unit Cost (USD/MT)	81.6	75.0	8.8
Extraction Cost	43.5	44.0	-1.2
Treatment Cost	38.0	30.9	22.9

Source: Volcan Cia. Minera

In 1Q21, the absolute cost of production increased by 17.8%, from USD 45.0 MM in 1Q20 to USD 53.0 MM in 1Q21. This is mainly explained by greater extracted and processed volumes. The unit cost of production increased by 8.8%, from 75.0 USD/MT in 1Q20 to 81.6 USD/MT in 1Q21, explained by higher costs related to the protocols and tests implemented to face COVID-19.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Local Exploration	2.0	2.1	-6.4
Mine Development	8.8	9.9	-11.3
Plants and Tailings Dams	3.2	2.2	44.8
Mine and Infrastructure	4.2	4.3	-1.8
Electrical Infrastructure	0.2	0.2	-26.6
Support and Others	0.5	0.4	24.9
Total¹	18.9	19.1	-1.4

¹ The investments include the operating leases fee according to NIIF 16: USD 2.4 MM in 1Q21.

Source: Volcan Cia. Minera

In 1Q21, operating investments at Yauli amounted to USD 18.9 MM, 1.4% lower than the USD 19.1 MM for 1Q20.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	299	387	-22.7
Mineral treatment (thousands MT)	311	351	-11.4
Fines Content			
Zinc (thousand FMT)	13.6	14.8	-8.0
Lead (thousand FMT)	4.6	4.4	4.5
Copper (thousand FMT)	0.3	0.3	27.1
Silver (million Oz)	0.6	0.8	-21.0

Source: Volcan Cia. Minera

In 1Q21, the ore volumes extracted at Chungar decreased by 22.7% as compared to 1Q20, and the volume of treated ore declined by 11.4% as compared to the same quarter of the previous year, mainly explained by the limitations to personnel availability due to the state of emergency caused by the pandemic, the suspension of some activities to guarantee safety standards, and the review of short-time geological models.

During 1Q21, the production of zinc and silver decreased by 8.0% and 21.0%, respectively, while lead and copper increased by 4.5% and 27.1%, respectively, compared to 1Q20.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	25.4	22.9	10.7
Extraction Cost	14.6	12.8	14.0
Treatment Cost	10.8	10.1	6.6
Unit Cost (USD/MT)	83.4	61.9	34.8
Extraction Cost	48.7	33.0	47.4
Treatment Cost	34.7	28.9	20.3

Source: Volcan Cia. Minera

In 1Q21, the absolute cost of production increased by 10.7%, from USD 22.9 MM in 1Q20 to USD 25.4 MM in 1Q21. This is mainly explained by higher preparation and shotcrete costs and costs related to protocols to face COVID-19. The unit cost of production increased by 34.8%, from 61.9 USD/MT in 1Q20 to 83.4 USD/MT in 1Q21, explained by higher absolute costs and lower treated volumes.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Local Exploration	0.8	1.5	-46.6
Mine Development	2.7	3.7	-25.6
Plants and Tailings Dams	2.5	0.2	1385.3
Mine and Infrastructure	1.5	2.3	-34.2
Electrical Infrastructure	0.0	0.2	0.0
Support and Others	0.0	0.3	-97.4
Total¹	7.6	8.1	-6.7

¹ The investments include the operating leases fee according to NIIF 16: USD 0.9 MM in 1Q21.

Source: Volcan Cia. Minera

Operating investments decreased by 6.7%, from USD 8.1 MM in 1Q20 to USD 7.6 MM in 1Q21. It should be noted that the tailings dam investment increased from USD 0.2 MM in 1Q20 to USD 2.5 MM in 1Q21.

3.3 Alpamarca Unit Operating Results

Table 16: Alpamarca Production

Alpamarca Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	213	120	77.7
Mineral treatment (thousands MT)	230	198	15.9
Fines Content			
Zinc (thousand FMT)	2.1	1.5	40.4
Lead (thousand FMT)	1.7	1.0	60.4
Copper (thousand FMT)	0.1	0.1	97.9
Silver (million Oz)	0.4	0.2	83.3

Source: Volcan Cia. Minera

In 1Q21, ore volumes extracted at the Alpamarca Unit increased by 77.7% compared to the same quarter of the previous year. Treated ore volumes increased just by 15.9% compared to the same quarter of the previous year, due to the significant volume from stockpiles treated in 1Q20.

In 1Q21, zinc, lead, copper and silver fines production increased by 40.4%, 60.4%, 97.9%, and 83.3%, respectively, as compared to 1Q20, due to greater volumes and better head grades of the treated ore.

Table 17: Alpamarca Cost of Production

Alpamarca Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	5.4	5.0	7.7
Extraction Cost	2.1	2.5	-17.2
Treatment Cost	3.3	2.5	32.6
Unit Cost (USD/MT)	24.0	33.3	-27.8
Extraction Cost	9.7	20.7	-53.4
Treatment Cost	14.4	12.6	14.4

Source: Volcan Cia. Minera

In 1Q21, the absolute cost of production reached USD 5.4 MM, 7.7% higher than the USD 5.0 MM figure for the same quarter of the previous year. The unit cost decreased by 27.8%, from 33.3 USD/MT in 1Q20 to 24.0 USD/MT in 1Q21, mainly due to greater extracted volumes.

Table 18: Alpamarca Operating Investments

Alpamarca Operating Inv. (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Local Exploration	0.2	0.1	36.5
Plants and Tailings Dams	0.4	0.0	12677.1
Mine and Infrastructure	0.2	0.2	4.7
Support and Others	0.0	0.0	40.1
Total¹	0.8	0.3	155.8

¹ The investments include the operating leases fee according to NIIF 16: USD 0.09 MM in 1Q21.

Source: Volcan Cia. Minera

Operating investments increased from USD 0.3 MM in 1Q20 to USD 0.8 MM in 1Q21 mainly due to increased investments to expand the tailings dam.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	592	382	54.9
Mineral treatment (thousands MT)	592	382	54.9
Fines Content			
Zinc (thousaned FMT)	4.6	3.3	39.2
Lead (thousaned FMT)	1.4	1.4	4.5
Silver (million Oz)	0.2	0.1	38.3

Source: Volcan Cia. Minera

In 1Q21, ore volumes from stockpiles processed at Cerro de Pasco increased by 54.9% compared to the same quarter of the previous year, from 382 thousand MT in 1Q20 to 592 thousand MT in 1Q21.

Accordingly, in 1Q21, zinc, lead and silver fines production grew by 39.2%, 4.5% and 38.3%, respectively, as compared to 1Q20.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	7.7	5.6	36.2
Extraction Cost	1.4	0.9	
Treatment Cost	6.2	4.7	30.8
Unit Cost (USD/MT)	12.9	14.7	-12.1
Extraction Cost	2.4	2.3	
Treatment Cost	10.5	12.4	-15.6

Source: Volcan Cia. Minera

Absolute cost increased by 36.2%, from USD 5.6 MM in 1Q20 to USD 7.7 MM during 1Q21, while unit cost fell by 12.1%, from 14.7 USD/MT in 1Q20 to 12.9 USD/MT in 1Q21, due to the dilution of fixed costs as a result of greater processed volumes.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Local Exploration	0.0	0.0	19292.4
Plants and Tailings Dams	0.1	0.0	129.9
Mine and Infrastructure	0.0	0.1	-10.2
Support and Others	0.0	0.0	
Total¹	0.2	0.1	71.1

¹ The investments include the operating leases fee according to NIIF 16: USD 0.05 MM in 1Q21.

Source: Volcan Cia. Minera

Operating investments increased from USD 0.1 MM in 1Q20 to USD 0.2 MM in 1Q21.

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2021	Jan-Mar 2020	var %
Mineral extraction (thousands MT)	218	155	40.3
Mineral treatment (thousands MT)	218	155	40.3
Fines Content			
Silver (million Oz)	0.9	0.6	52.2
Gold (Oz)	3,791	1,129	235.8

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant increased by 40.3%, from 155 thousand MT in 1Q20 to 218 thousand MT in 1Q21. Silver and gold ounces production increased by 52.2% and 235.8%, respectively, mainly explained by greater treated volumes and better head grades of the processed ore.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2021	Jan-Mar 2020	var %
Production Cost (MM USD)	9.5	7.4	29.2
Extraction Cost	1.7	1.5	10.6
Treatment Cost	7.8	5.8	34.0
Unit Cost (USD/MT)	43.7	47.5	-8.0
Extraction Cost	7.7	9.8	-21.2
Treatment Cost	36.0	37.7	-4.5

Source: Volcan Cia. Minera

In 1Q21, the absolute cost of production totaled USD 9.5 MM, 29.2% higher than the USD 7.4 MM figure in 1Q20. The unit cost decreased by 8.0%, from 47.5 USD/MT in 1Q20 to 43.7 USD/MT in 1Q21, mainly due to greater treated volumes and improved consumption and costs of reagents and supplies at the Oxides Plant.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2021	Jan-Mar 2020	var %
Local Exploration	0.0	0.0	
Plants and Tailings Dams	0.1	0.2	-43.3
Mine and Infrastructure	0.0	0.3	-91.0
Support and Others	0.0	0.0	
Total¹	0.2	0.5	-68.2

¹ The investments include the operating leases fee according to NIIF 16: USD 0.03 MM in 1Q21.

Source: Volcan Cia. Minera

Operating investments decreased from USD 0.5 MM in 1Q20 to USD 0.2 MM in 1Q21.

3. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2021	Jan-Mar 2020	var %
Energy generation	122.4	119.6	2%
Chungar	41.9	36.6	14%
Tingo	1.7	0.0	
Huanchor	36.4	42.3	-14%
Rucuy	42.4	40.7	4%
Energy consumption	183.9	171.9	7%
Energy purchase	140.4	135.3	4%

Source: Volcan Cia. Minera

During 1Q21, Volcan's total consumption of electric power reached 183.9 GWh, 7% higher than in 1Q20, with a maximum demand of 98.2 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 41.9 GWh. This accounted for 23% of the Company's total consolidated consumption, at an average cost of 15 USD/MWh, including operating, maintenance and transmission costs. Volcan purchased 140.4 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 61.9 USD/MWh.

In 1Q21, Huanchor Hydroelectric Plant produced 36.4 GWh, 14% less than in 1Q20 due to an issue with transformer N2 which was solved in February. The power of Huanchor Hydroelectric Plant was sold entirely to third parties.

The Rucuy Hydroelectric Plant produced 42.4 GWh in 1Q21, an increase of 4% as compared to 1Q20, and the power was used to meet the commitments set forth in its renewable energy agreement (RER).

The Tingo Hydroelectric Plant produced 1.7 GWh. All of this power was sold to the Chungar mining operation.

4. Final Comments

- The operating and financial results obtained by the Company during 1Q21 improved over those obtained during 1Q20. All the Company's mining units are operating in line with strict protocols to guarantee our employees' health and safety amidst the COVID-19 pandemic. However, it is important to mention that the operations were unable to reach their full production capacity due to persistent personnel limitations as a result of the national emergency caused by the pandemic.
- The increased production and better metals prices resulted in a 59.7% growth of the Company's net sales, from USD 131.1 MM in 1Q20 to USD 209.4 MM in 1Q21. Net profit for the quarter was USD 1.3 MM, compared to a USD -31.5 loss during the same quarter of the previous year. The profit could have been higher, but it was affected by extraordinary financial expenses related to the payment of the syndicated loan and the partial buyback of bonds maturing in 2022, and by higher deferred income taxes resulting from the translation effect caused by the devaluation of the national currency.
- The prices of metals produced by the Company have a favorable outlook for the following months. Particularly, the incentives for economic recovery in the largest markets, and the delayed recovery of global production due to the pandemic, result in positive expectations for base metals.
- Volcan remains firm in developing initiatives to improve productivity and to lower production costs across all operating units, in order to widen its margins and offset personnel availability limitations and additional costs resulting from the strict protocols implemented to protect our employees' health and minimize the risk of spreading the virus.
- The Company continues to execute a financial restructuring plan with the objective of extending the maturity of its total debt and reduce it. In February 2021, the Company successfully issued international bonds worth USD 475 MM with a 5-year maturity at a 4.375% annual rate. The amount earned through these instruments was used to pay the existing commercial debts and partially buy back bonds with maturity on February 2022; accordingly, the due date of a significant portion of the Company's debt was extended considerably. Furthermore, the Annual Shareholders' Meeting held on March 31, 2021, approved a capital increase worth USD 400 MM to be carried out in 3Q21, and the Board of Directors was entrusted with holding a new Meeting in 3Q21 to approve the terms and conditions of such capital increase.
- Cosco Shipping Ports Chancay Peru S.A. (CSPCP), the company that manages the Chancay Port project, and where Volcan holds a participation of 40% of shares, continues the construction of the first stage of the Chancay multi-purpose terminal, which has three components: 1) the entrance complex, 2) the underground viaduct tunnel, which includes the access road system, and 3) the port operating zone (2 multi-purpose docks and 2 container docks).

After receiving the Port Authorization issued by the National Port Authority on February 11, 2021, the construction of the underground viaduct tunnel was awarded to China

Railway N° 10 Engineering Group Co. Ltd., Peruvian Branch (CREC), to be executed over a 24-month period starting on March 2021. The process to award the construction of the other two components of the first stage is currently underway, and it is expected to be completed by the end of April 2021.

The camp built with an investment of USD 7.5 MM and a capacity for 1500 people started operations in March. In April 2021, Consorcio Transmantaro S.A. (ISA-REP) was awarded the construction of the electric power transmission line, which will be approximately 7 km in length and supply power to the port, to be executed over a 24-month period starting on May 2021.

- Finally, Volcan is promoting the development of an industrial logistic complex in Chancay, on a property of over 800 ha owned by the Company, adjacent to the Chancay Port. The project includes logistic, industrial, commercial, residential and green areas, and it could become one of the most relevant projects of its kind in Latin America.

Annexes

Annex 1: Sales Breakdown

Figure 5: Sales by Operating Unit (percentage of total sales)

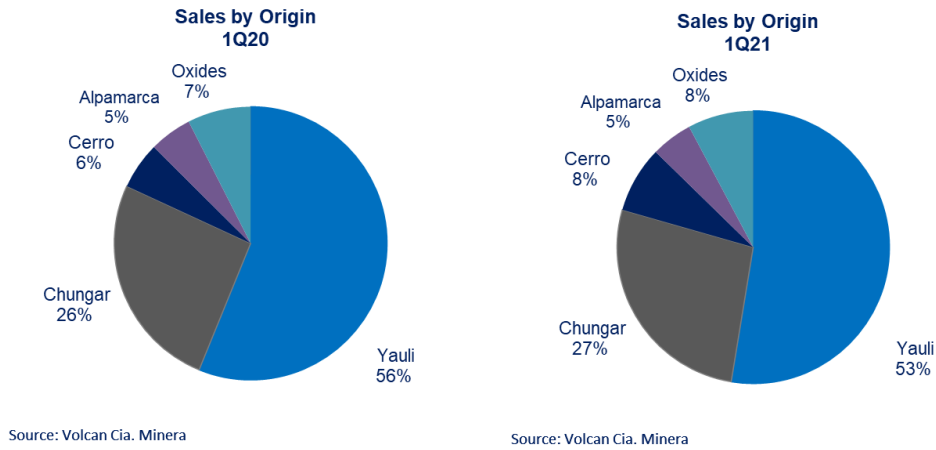
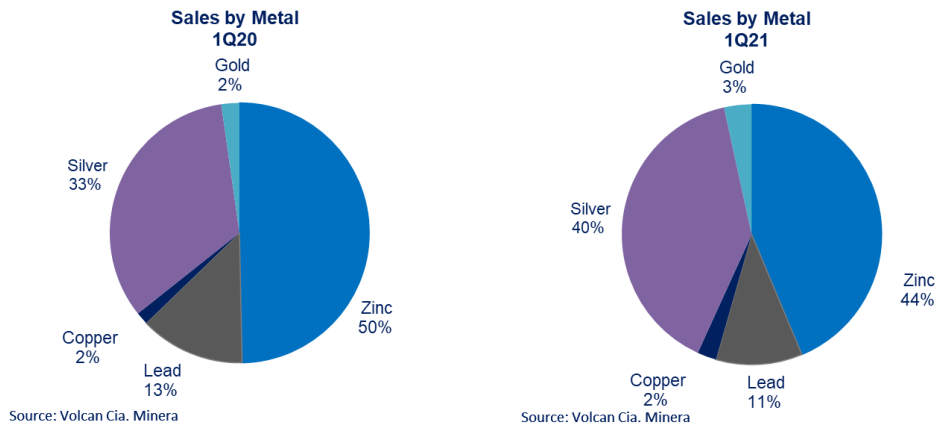


Figure 6: Sales by Metal (percentage of total sales)



The distribution of sales by metal in 1Q21 reflects the growth in the contribution of silver to total sales, as a result of the increase in its price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2021	Jan-Mar 2020	var %
Zinc (USD/MT)	2,748	2,128	29.1
Lead (USD/MT)	2,020	1,847	9.4
Copper (USD/MT)	8,478	5,635	50.4
Silver (USD/Oz)	26.3	16.9	55.2
Gold (USD/Oz)	1,802	1,584	13.8

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2021	Jan-Mar 2020	var %
Exchange Rate (S/ x USD)	3.65	3.40	7.4
Inflation	2.40	1.82	31.8

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan-Feb 2021	Jan-Feb 2020	var %
Zinc (FMT)	254,801	241,642	5.4
Lead (FMT)	42,173	47,689	-11.6
Copper (FMT)	347,391	360,753	-3.7
Silver (Thousands Oz)	17,234	19,974	-13.7
Gold (Thousands Oz)	463	630	-26.5

Source: Ministry of Energy and Mines