



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

### Principal Results:

Consolidated Volcan	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Sales Prices<sup>1</sup></b>							
Zinc (USD/MT)	2,183	2,015	2,760	-27.0	2,140	2,728	-21.5
Lead (USD/MT)	1,834	1,736	1,873	-7.3	1,809	1,934	-6.5
Copper (USD/MT)	5,393	5,420	6,128	-11.6	5,402	6,220	-13.1
Silver (USD/Oz)	17.0	17.3	14.8	16.3	17.0	15.1	12.9
Gold (USD/Oz)	1,575	1,737	1,305	33.1	1,630	1,305	24.9
<b>Operating Results</b>							
Mineral treatment <sup>2</sup> (thousands MT)	1,683	690	2,202	-68.7	2,373	4,171	-43.1
Zinc Production (thousands FMT)	47.4	18.6	60.3	-69.1	66.0	114.2	-42.2
Lead Production (thousands FMT)	11.4	4.8	11.8	-59.7	16.2	23.3	-30.6
Copper Production (thousands FMT)	0.8	0.5	1.2	-59.2	1.3	2.2	-42.9
Silver Production (millions Oz)	3.3	1.4	3.8	-64.1	4.7	7.2	-34.8
Gold Production (thousands Oz)	2.8	1.2	6.4	-81.3	4.0	11.1	-64.0
Unit Cost (USD/MT)	51.6	41.3	45.3	-8.8	48.7	45.7	6.6
Total Investments (MM USD)	28.9	6.4	47.2	-86.4	35.3	84.5	-58.2
<b>Financial Results (MM USD)</b>							
<b>Sales before adjustments</b>	<b>143.2</b>	<b>47.1</b>	<b>205.2</b>	<b>-77.0</b>	<b>190.3</b>	<b>374.3</b>	<b>-49.2</b>
<b>Sales Adjustments</b>	<b>-12.1</b>	<b>3.8</b>	<b>-19.8</b>		<b>-8.2</b>	<b>-7.3</b>	<b>12.8</b>
Settlement of prior period adjustments	-11.5	-12.5	6.0		-24.1	5.8	
Adjustments for open positions <sup>3</sup>	-9.5	15.3	-25.8		5.8	-13.1	
Hedging results	9.0	1.1	0.0		10.1	0.0	
<b>Sales after adjustments</b>	<b>131.1</b>	<b>51.0</b>	<b>185.4</b>	<b>-72.5</b>	<b>182.1</b>	<b>367.0</b>	<b>-50.4</b>
<b>Net profit before exceptionals</b>	<b>-24.1</b>	<b>-22.1</b>	<b>-11.5</b>	<b>92.8</b>	<b>-46.2</b>	<b>-3.1</b>	
Exceptionals items	-7.3	-24.0	6.6		-31.3	6.6	
<b>Net profit after exceptionals</b>	<b>-31.5</b>	<b>-46.0</b>	<b>-4.9</b>	<b>843.8</b>	<b>-77.5</b>	<b>3.5</b>	
<b>EBITDA<sup>4</sup></b>	<b>27.3</b>	<b>14.8</b>	<b>47.3</b>	<b>-68.8</b>	<b>42.1</b>	<b>121.0</b>	<b>-65.2</b>

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

<sup>2</sup> Includes treated tons at Oxides Plant

<sup>3</sup> 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.

<sup>4</sup> Does not consider exceptional items

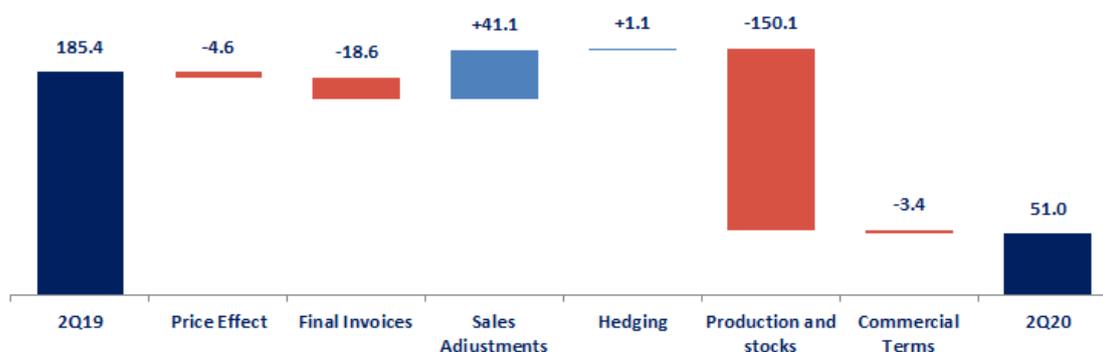
Source: Volcan Cia. Minera

## 1. Executive Summary

- In 2Q20, the Company's results were influenced by the situation caused by the national state of emergency and mandatory social lockdown ordered by the Government as a preventive measure against the COVID-19 pandemic. All operating units were suspended since March 17, 2020. Only care and maintenance works were carried out until the second half of May. Since May 18, all units gradually restarted operations, reaching full operating capacity in late June. Currently, all units are operating normally, although certain limitations are in place to observe health and social distancing protocols implemented to protect the health of our employees.
- The Company has taken the following actions to minimize the risk of virus spread:
  - Online training on new safety protocols and the processes carried out by each job position to observe the minimum social distancing.
  - Molecular tests taken three days before entering the operations, followed by home isolation until the results are obtained.
  - Transportation to the mining units in buses at 50% passenger capacity.
  - Adaptation of facilities to ensure social distancing (campsites, mess halls, etc.)
  - Mandatory use of personal protective items against the virus at all facilities (mask, safety glasses, etc.)
  - Daily symptomatology verification and additional testing across the units.
  - Workers who test positive for COVID-19 are isolated at centers set up for such purpose, or transferred to health centers, if necessary.
  - Emotional support to workers and their families.
- As a result of the situation described above, treated consolidated volumes decreased by 68.7%, from 2.2 MM MT in 2Q19 to 0.7 MM MT in 2Q20. Similarly, zinc production decreased by 69.1%, from 60.3 thousand FMT in 2Q19 to 18.6 thousand FMT in 2Q20; lead production decreased by 59.7%, from 11.8 thousand FMT in 2Q19 to 4.8 thousand FMT in 2Q20, silver production decreased by 64.1%, from 3.8 MM Oz in 2Q19 to 1.4 MM Oz in 2Q20, and gold decreased by 81.3% from 6.4 thousand Oz in 2Q19 to 1.2 thousand Oz in 2Q20.
- The price of zinc decreased by 27.0% (-745 USD/MT), from 2,760 USD/MT in 2Q19 to 2,015 USD/MT in 2Q20; lead decreased by 7.3% (-137 USD/MT), from 1,873 USD/MT to 1,736 USD/MT; copper decreased by 11.6% (-708 USD/MT), from 6,128 USD/MT to 5,420 USD/MT; silver increased by 16.3% (+2.5 USD/Oz), from 14.8 USD/Oz to 17.3 USD/Oz; and gold increased by 33.1% (+432 USD/Oz), from 1,305 USD/Oz in 2Q19 to 1,737 USD/Oz in 2Q20.
- However, the reduced production volumes resulted in a 77.0% decrease of sales before adjustments, from USD 205.2 MM in 2Q19 to USD 47.1 MM in 2Q20. In 2Q20, sales adjustments totaled USD +3.8 MM, and included final settlements of USD -12.5 MM, open provisions of USD +15.3 MM, and positive hedge results of USD +1.1 MM. Total sales after adjustments decreased by 72.5%, from USD 185.4 MM in 2Q19 to USD 51.0 MM in 2Q20.



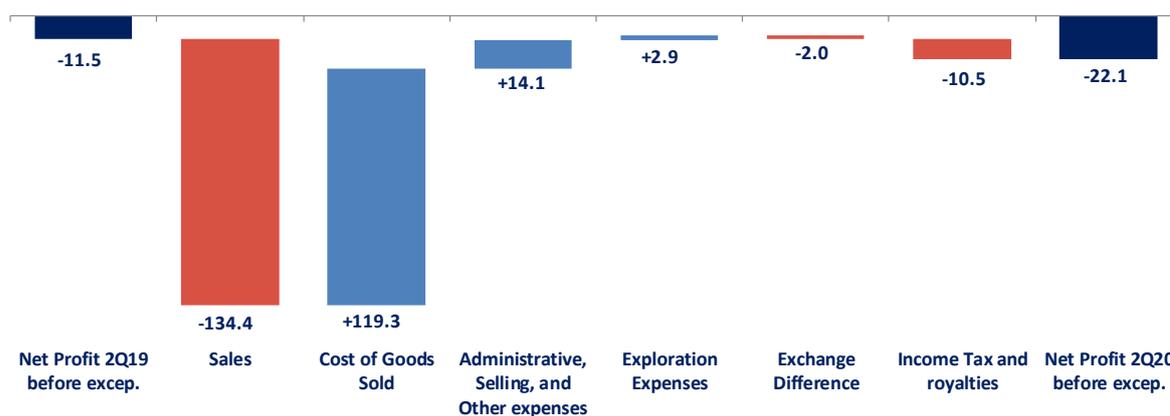
**Figure 1: 2Q20 vs 2Q19 variations impact on net sales (USD MM)**



Source: Volcan Cía. Minera

- Consolidated unit cost fell by 8.8%, from 45.3 USD/MT in 2Q19 to 41.3 USD/MT in 2Q20. It is important to note that the unit cost in 2Q20 is not representative due to the distortions resulting from exceptional variations in volumes and the units' fixed costs due to the suspension caused by the pandemic.
- Net profit before exceptional items decreased from USD -11.5 MM in 2Q19 to USD -22.1 MM in 2Q20, mainly due to reduced gross profit as a result of the sales decrease caused by lower production. The variations that had an impact on net profit before exceptional items are shown in detail in the figure below.

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



Source: Volcan Cía. Minera

- It should be noted that in 2Q20, exceptional items net of taxes totaled USD -24.0 MM. These expenses are the fixed costs of care and maintenance during the suspension of operations resulting from COVID-19, as well as testing and other related expenses to ensure the safety and health of our employees.

- The reduction of sales also had an impact on EBITDA, which decreased by 68.8%, from USD 47.3 MM in 2Q19 to USD 14.8 MM in 2Q20.
- Year-to-date (Jan-Jun), sales after adjustments decreased from USD 367.0 MM in 1H19 to USD 182.1 MM in 1H20, net profit after exceptional items decreased from USD -3.1 MM in 1H19 to USD -46.2 MM in 1H20, while EBITDA decreased from USD 121.0 MM in 1H19 to USD 42.1 MM in 1H20.
- Total investments decreased from USD 47.2 MM in 2Q19 to USD 6.4 MM in 2Q20. Year-to-date, total investments decreased from USD 84.5 MM in 1H19 to USD 35.3 MM in 1H20.

## 2. Consolidated Results

### 2.1 Production

**Table 1: Consolidated Production**

Consolidated Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Mineral extraction (thousands MT)</b>	<b>1,646</b>	<b>626</b>	<b>2,201</b>	<b>-71.6</b>	<b>2,272</b>	<b>4,157</b>	<b>-45.4</b>
Polymetallic ore	1,491	566	1,963	-71.1	2,058	3,722	-44.7
Oxides ore	155	59	237	-75.1	214	436	-50.8
<b>Mineral treatment (thousands MT)</b>	<b>1,683</b>	<b>690</b>	<b>2,202</b>	<b>-68.7</b>	<b>2,373</b>	<b>4,171</b>	<b>-43.1</b>
Concentrator Plants	1,528	631	1,965	-67.9	2,159	3,735	-42.2
Silver Oxides Plant	155	59	237	-75.1	214	436	-50.8
<b>Fine Content</b>							
Zinc (thousands FMT)	47.4	18.6	60.3	-69.1	66.0	114.2	-42.2
Lead (thousands FMT)	11.4	4.8	11.8	-59.7	16.2	23.3	-30.6
Copper (thousands FMT)	0.8	0.5	1.2	-59.2	1.3	2.2	-42.9
Silver (millions Oz)	3.3	1.4	3.8	-64.1	4.7	7.2	-34.8
Gold (thousands Oz)	2.8	1.2	6.4	-81.3	4.0	11.1	-64.0

Source: Volcan Cia. Minera

Production in 2Q20 was affected by the suspension of operations since March 17, resulting from the national emergency and mandatory social lockdown ordered by the Government as a preventive measure against the spread of COVID-19. The operating units were under care and maintenance until the second half of May, when production was gradually restarted until it reached its full operating capacity at the end of June. As a result, in the second quarter, extracted ore volumes decreased by 71.6% compared to the same quarter of the previous year, from 2.201 MM MT in 2Q19 to 0.626 MM MT in 2Q20. Similarly, treated volumes decreased by 68.7%, from 2.202 MM MT in 2Q19 to 0.690 MM MT in 2Q20.

Zinc production decreased by 69.1%, from 60.3 thousand FMT in 2Q19 to 18.6 thousand FMT in 2Q20; lead production decreased by 59.7%, from 11.8 thousand FMT in 2Q19 to 4.8 thousand FMT in 2Q20, silver production decreased by 64.1%, from 3.8 MM Oz in 2Q19 to 1.4 MM Oz in 2Q20, and gold decreased by 81.3% from 6.4 thousand Oz in 2Q19 to 1.2 thousand Oz in 2Q20.



Year-to-date (Jan-Jun), the extraction volume decreased by 45.4% as compared to the same period in the previous year, while treated volume decreased by 43.1%, from 4.171 MM MT in 2019 to 2.373 MM MT in 2020.

## 2.2 Cost of Production

**Table 2: Consolidated Cost of Production**

Consolidated Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)<sup>1</sup></b>	<b>85.9</b>	<b>27.1</b>	<b>99.7</b>	<b>-72.8</b>	<b>113.0</b>	<b>190.2</b>	<b>-40.6</b>
Mine Cost	44.2	13.0	49.1	-73.6	57.2	93.7	-39.0
Plant and Other Cost	41.7	14.2	50.5	-71.9	55.9	96.4	-42.1
<b>Unit Cost (USD/MT)<sup>1</sup></b>	<b>51.6</b>	<b>41.3</b>	<b>45.3</b>	<b>-8.8</b>	<b>48.7</b>	<b>45.7</b>	<b>6.6</b>
Mine Cost	26.8	20.7	22.3	-7.2	25.2	22.5	11.6
Plant and Other Cost	24.8	20.5	22.9	-10.5	23.5	23.1	1.8

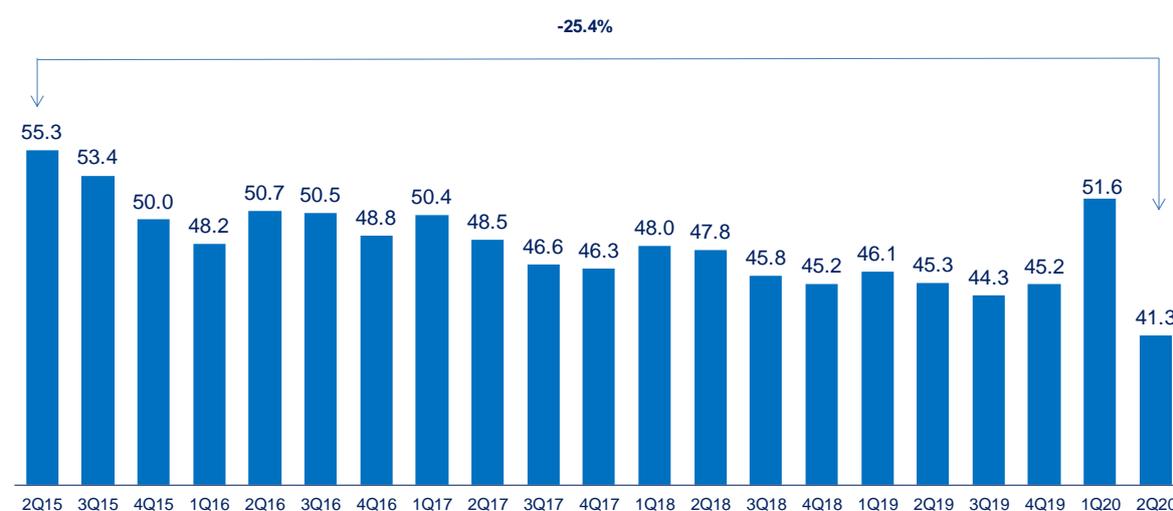
Source: Volcan Cia. Minera

Absolute cost of production decreased by 72.8%, from USD 99.7 MM in 2Q19 to USD 27.1 MM in 2Q20, mainly due to lower extraction volumes. Consolidated unit cost fell by 8.8%, from 45.3 USD/MT in 2Q19 to 41.3 USD/MT in 2Q20. It is important to note that the unit cost in 2Q20 is not representative due to the distortions resulting from exceptional variations in the volumes and fixed costs across the units due to the suspension caused by the pandemic.

Year-to-date, the absolute cost of production decreased by 40.6%, from USD 190.2 MM in 2019 to USD 113.0 MM in 2020, while the unit cost increased by 6.6% from 45.7 USD/MT in 2019 to 48.7 USD/MT in 2020.

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)**



Source: Volcan Cia. Minera

## 2.3 Total Investments

**Table 3: Consolidated Investment**

Consolidated Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Mining</b>	<b>28.7</b>	<b>6.4</b>	<b>46.5</b>	<b>-86.2</b>	<b>35.2</b>	<b>83.0</b>	<b>-57.6</b>
<b>Mining Units</b>	<b>28.2</b>	<b>5.6</b>	<b>44.0</b>	<b>-87.3</b>	<b>33.8</b>	<b>79.2</b>	<b>-57.3</b>
Local Exploration	3.7	0.1	6.4	-98.4	3.8	11.4	-66.9
Development	13.6	1.4	18.7	-92.5	15.0	34.4	-56.5
Plants and Tailings Facilities	2.7	0.8	4.7	-83.3	3.5	9.2	-62.4
Mine and Infrastructure	7.1	2.5	10.1	-75.1	9.6	17.1	-43.6
Electrical Infrastructure in Units	0.5	0.2	1.4	-89.2	0.6	2.3	-73.9
Support and Others	0.7	0.7	2.8	-76.3	1.4	4.8	-71.5
<b>Regional Explorations</b>	<b>0.2</b>	<b>0.2</b>	<b>1.0</b>	<b>-81.7</b>	<b>0.4</b>	<b>1.3</b>	<b>-68.0</b>
<b>Growth and Others</b>	<b>0.3</b>	<b>0.6</b>	<b>1.5</b>	<b>-58.9</b>	<b>0.9</b>	<b>2.5</b>	<b>-62.5</b>
<b>Energy</b>	<b>0.1</b>	<b>0.0</b>	<b>0.7</b>	<b>-96.4</b>	<b>0.2</b>	<b>1.5</b>	<b>-88.7</b>
<b>Total</b>	<b>28.9</b>	<b>6.4</b>	<b>47.2</b>	<b>-86.4</b>	<b>35.3</b>	<b>84.5</b>	<b>-58.2</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 1.5 MM in 2Q20 and USD 5.9 cumulatively.

Source: Volcan Cia. Minera

In the second quarter, total mining investments were reduced by 86.2%, from USD 46.5 MM in 2Q19 to USD 6.4 MM in 2Q20, mainly due to the suspension of operations resulting from COVID-19. Operating unit investments decreased by 87.3%, from USD 44.0 MM in 2Q19 to USD 5.6 MM in 2Q20, and regional explorations decreased from USD 1.0 MM to USD 0.2 MM.

In the energy business, investments decreased by 96.4%.

As a result, total investments decreased by 86.4%, from USD 47.2 MM in 2Q19 to USD 6.4 MM in 2Q20. Year-to-date, total investments decreased by 58.2%, from USD 84.5 MM in 1H19 to USD 35.3 MM in 1H20.

## 2.4 Income Statement

**Table 4: Income Statement**

Income Statement (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Sales before adjust.</b>	<b>143.2</b>	<b>47.1</b>	<b>205.2</b>	<b>-77.0</b>	<b>190.3</b>	<b>374.3</b>	<b>-49.2</b>
<i>Sett. of prior periods adjust.</i>	-11.5	-12.5	6.0		-24.1	5.8	
<i>Adj. open positions</i>	-9.5	15.3	-25.8		5.8	-13.1	
<i>Hedging</i>	9.0	1.1	0.0		10.1	0.0	
<b>Sales after adjust.</b>	<b>131.1</b>	<b>51.0</b>	<b>185.4</b>	<b>-72.5</b>	<b>182.1</b>	<b>367.0</b>	<b>-50.4</b>
<b>Cost of Goods Sold</b>	<b>-125.6</b>	<b>-38.3</b>	<b>-157.6</b>	<b>-75.7</b>	<b>-163.9</b>	<b>-293.8</b>	<b>-44.2</b>
<b>Gross Profit</b>	<b>5.5</b>	<b>12.7</b>	<b>27.8</b>	<b>-54.3</b>	<b>18.2</b>	<b>73.2</b>	<b>-75.2</b>
<i>Gross Margin</i>	4%	25%	15%	10 pp	10%	20%	-10 pp
Administrative Expenses	-7.7	-6.2	-9.3	-33.1	-13.9	-19.1	-27.1
Exploration Expenses	-1.5	-1.1	-4.0	-71.9	-2.6	-6.3	-58.8
Sales Expenses	-4.7	-1.8	-6.5	-72.6	-6.5	-11.2	-42.0
Other Income (Expenses) <sup>1</sup>	0.1	-3.5	-9.8	-64.5	-3.3	-13.7	-75.6
<b>Operating Profit</b>	<b>-8.3</b>	<b>0.1</b>	<b>-1.8</b>		<b>-8.2</b>	<b>22.9</b>	
<i>Operating Margin</i>	-6%	0%	-1%	1 pp	-5%	6%	-11 pp
Financial Income (Expense)	-11.5	-11.0	-11.0	0.0	-22.6	-22.1	2.0
Exchange Difference (net)	-2.3	-1.5	0.4		-3.9	1.1	
Royalties	-1.3	-0.3	-2.7	-89.7	-1.6	-4.8	-67.1
Income Tax	-0.7	-9.3	3.6		-10.0	-0.2	
<b>Net Profit before Exceptionals</b>	<b>-24.1</b>	<b>-22.1</b>	<b>-11.5</b>	<b>92.8</b>	<b>-46.2</b>	<b>-3.1</b>	<b>1,404.9</b>
<i>Net Margin</i>	-18%	-43%	-6%	-37 pp	-25%	-1%	-25 pp
<i>Exceptional adjustments<sup>2</sup></i>	-7.3	-24.0	6.6		-31.3	6.6	
<b>Net Profit after Exceptionals</b>	<b>-31.5</b>	<b>-46.0</b>	<b>-4.9</b>	<b>843.8</b>	<b>-77.5</b>	<b>3.5</b>	
<i>Net Margin</i>	-24%	-90%	-3%	-88 pp	-43%	1%	-44 pp
<b>EBITDA<sup>3</sup></b>	<b>27.3</b>	<b>14.8</b>	<b>47.3</b>	<b>-68.8</b>	<b>42.1</b>	<b>121.0</b>	<b>-65.2</b>
<i>EBITDA Margin</i>	21%	29%	26%	3 pp	23%	33%	-10 pp

<sup>1</sup> Includes the sales and cost of sales of the energy division.

<sup>2</sup> Exceptional adjustments reached USD -24.0 MM in 2Q20, USD -34.0 MM in other income (Expenses) and USD +10.0 MM in income tax. In the accumulated sum, they reached USD -31.3 MM, USD -44.4 MM in other income (Expenses) and USD +13.1 MM in income tax.

<sup>3</sup> Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

### • Sales Analysis

**Table 5: Average Sales Prices**

Sales Prices	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Zinc (USD/MT)	2,183	2,015	2,760	-27.0	2,140	2,728	-21.5
Lead (USD/MT)	1,834	1,736	1,873	-7.3	1,809	1,934	-6.5
Copper (USD/MT)	5,393	5,420	6,128	-11.6	5,402	6,220	-13.1
Silver (USD/Oz)	17.0	17.3	14.8	16.3	17.0	15.1	12.9
Gold (USD/Oz)	1,575	1,737	1,305	33.1	1,630	1,305	24.9

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**

Venta de Finos	Ene-Mar 2020	Abr-Jun 2020	Abr-Jun 2019	var %	Ene-Jun 2020	Ene-Jun 2019	var %
Zinc (miles TMF)	51.3	17.4	59.4	-70.7	68.7	116.2	-40.9
Plomo (miles TMF)	13.2	4.4	16.1	-72.4	17.6	25.3	-30.4
Cobre (miles TMF)	0.8	0.4	1.4	-69.6	1.2	2.2	-45.0
Plata (millones Oz) <sup>1</sup>	3.5	1.3	4.3	-69.7	4.9	7.3	-33.8
Oro (miles Oz) <sup>1</sup>	2.9	1.5	7.7	-80.5	4.4	12.6	-64.9

<sup>1</sup> Incluye la venta de la producción de plata y oro de la planta de Óxidos  
Fuente: Volcan Cía. Minera

**Table 7: Sales in USD**

Sales (millions USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Zinc	71.1	20.0	114.5	-82.5	91.2	221.7	-58.9
Lead	18.8	5.3	25.2	-78.9	24.1	41.1	-41.4
Copper	2.2	1.8	4.0	-54.6	4.0	7.4	-45.1
Silver	47.9	18.0	53.0	-66.1	65.8	90.3	-27.1
Gold	3.2	2.0	8.5	-76.4	5.2	13.9	-62.4
<b>Sales before adjust.</b>	<b>143.2</b>	<b>47.1</b>	<b>205.2</b>	<b>-77.0</b>	<b>190.3</b>	<b>374.3</b>	<b>-49.2</b>
Sett. of prior period adjust.	-11.5	-12.5	6.0		-24.1	5.8	
Adjust. for open positions	-9.5	15.3	-25.8		5.8	-13.1	
Hedging results	9.0	1.1	0.0		10.1	0.0	
<b>Sales after adjust.</b>	<b>131.1</b>	<b>51.0</b>	<b>185.4</b>	<b>-72.5</b>	<b>182.1</b>	<b>367.0</b>	<b>-50.4</b>

In 2Q20, total sales before adjustments amounted to USD 47.1 MM, a decrease of 77.0% as compared to the USD 205.2 MM recorded in 2Q19. This is mainly explained by the decrease in sales volume resulting from lower production due to the pandemic.

In the second quarter, sales adjustments increased from USD -19.8 MM in 2Q19 to USD 3.8 MM in 2Q20. In 2Q20, sales adjustments included final settlements of USD -12.5 MM, and positive provisions related to open shipments of USD 15.3 MM, and positive hedge results of USD 1.1 MM. Positive provisions are explained by the positive trend of the forward metals prices curve at the end of the quarter. Total sales after adjustments decreased by 72.5%, from USD 185.4 MM in 2Q19 to USD 51.0 MM in 2Q20.

Year-to-date (Jan-Jun), sales before adjustments decreased by 49.2%, from USD 374.3 MM in 1H19 to USD 190.3 MM in 1H20, while sales after adjustments decreased by 50.4%, from USD 367.0 MM in 1H19 to USD 182.1 MM in 1H20.

- **Cost of Goods Sold**

**Table 8: Cost of Goods Sold**

Cost of Goods Sold (millions USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Volcan Production</b>	<b>125.6</b>	<b>38.3</b>	<b>156.2</b>	<b>-75.5</b>	<b>163.9</b>	<b>291.1</b>	<b>-43.7</b>
Volcan Production Cost	85.9	27.1	99.7	-72.8	113.0	190.2	-40.6
D&A from Production Cost	33.4	12.1	46.5	-74.1	45.5	93.2	-51.2
Ore Purchase	0.0	0.0	1.0	-100.0	0.0	1.0	-100.0
Extraordinary Costs	0.0	0.0	0.6	-100.0	0.0	1.0	-100.0
Variation of Inventories	6.4	-0.9	8.4		5.5	5.7	-4.8
<b>Workers Participation</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>-100.0</b>	<b>0.0</b>	<b>2.7</b>	<b>-100.0</b>
<b>Total</b>	<b>125.6</b>	<b>38.3</b>	<b>157.6</b>	<b>-75.7</b>	<b>163.9</b>	<b>293.8</b>	<b>-44.2</b>

Source: Volcan Cia. Minera

The total cost of goods sold decreased by 75.7%, from USD 157.6 MM in 2Q19 to USD 38.3 MM in 2Q20, mainly due to a lower cost of production, and reduced depreciation and amortization, explained by reduced extracted and processed volumes as a result of the suspension caused by the pandemic.

Year-to-date (Jan-Jun), the total cost of goods sold decreased from USD 293.8 MM in 1H19 to USD 163.9 MM in 1H20.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 15% in 2Q19 to 25% in 2Q20, mainly explained by the variation in sales adjustments resulting from lower total sales (USD -19.8 MM in 2Q19 vs USD +3.8 MM in 2Q20). However, gross profit decreased from USD 27.8 MM in 2Q19 to USD 12.7 MM in 2Q20, due to lower production volumes of all metals.

Year-to-date (Jan-Jun), gross margin decreased from 20% in 1H19 to 10% in 1H20. Gross profit decreased from USD 73.2 MM in 1H19 to USD 18.2 MM in 1H20, mainly due to lower base metals prices and reduced production.

- **Administrative Expenses**

Administrative expenses decreased by 33.1%, from USD 9.3 MM in 2Q19 to USD 6.2 MM in 2Q20, mainly due to lower direct expenses and workers' participation provisions in line with the Company's lower profits. Year-to-date (Jan-Jun), administrative expenses decreased from USD 19.1 MM in 1H19 to USD 13.9 MM in 1H20.

- **Exploration Expenses**

Exploration expenses decreased from USD 4.0 MM in 2Q19 to USD 1.1 MM in 2Q20, as a result of the reduced execution of exploration projects. Year-to-date (Jan-Jun), exploration expenses decreased from USD 6.3 MM in 1H19 to USD 2.6 MM in 1H20.

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- **Sale expenses**

Sale expenses decreased by 72.6% from USD 6.5 MM in 2Q19 to USD 1.8 MM in 2Q20 due to reduced sales resulting from lower production. Year-to-date (Jan-Jun), sales expenses decreased from USD 11.2 MM in 1H19 to USD 6.5 MM in 1H20.

- **Other Income and Expenses**

In 2Q20, the net amount of other income and expenses was USD -3.5 MM versus USD -9.8 MM in 2Q19. Year-to-date (Jan-Jun), the net amount of other income and expenses was negative, USD -3.3 MM in 1H20 versus a negative amount of USD -13.7 MM in 1H19. 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, and contributions to OEFA and OSINERGMIN.

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

Net financial expenses totaled USD 11.0 MM in 2Q20, compared to similar results in 2Q19. Year-to-date (Jan-Jun), net financial expenses totaled USD 22.6 MM in 1H20, as compared to the USD 22.1 MM reported in 1H19.

Exchange-rate losses totaling USD -1.5 MM were registered in 2Q20, as compared to the exchange-rate gain worth USD 0.4 MM reported in 2Q19. Year-to-date (Jan-Jun), a loss totaling USD -3.9 MM was registered in 1H20, as compared to the exchange-rate gain worth USD 1.1 MM reported in 1H19.

- **Income Tax and Royalties**

Royalties decreased from USD -2.7 MM in 2Q19 to USD -0.3 MM in 2Q20, while income tax before exceptional items decreased from USD 3.6 MM in 2Q19 to USD -9.3 MM in 2Q20, due to their reclassification as exceptional expenses under the tax shield related to expenses caused by the suspension resulting from the pandemic.

Year-to-date (Jan-Jun), royalties decreased from USD -4.8 MM in 1H19 to USD -1.6 MM in 1H20, while income tax increased from USD -0.2 MM in 1H19 to USD -10.0 MM in 1H20.

- **Net Profit and EBITDA**

Net profit before exceptional items decreased from USD -11.5 MM in 2Q19 to USD -22.1 MM in 2Q20, mainly due to reduced sales caused by lower production.

During 2Q20, exceptional items net of taxes totaled USD -24.0 MM. These expenses are the fixed costs of care and maintenance during the suspension of operations caused by the pandemic, as well as testing and other related expenses to ensure the safety and health of our employees.

EBITDA decreased from USD 47.3 MM in 2Q19 to USD 14.8 MM in 2Q20, mainly explained by lower gross profit resulting from lower sales.

Year-to-date (Jan-Jun), net profit before exceptional items increased from USD -3.1 MM in 1H19 to USD -46.2 MM in 1H20. Net profit after exceptional items decreased from USD 3.5 MM in 1H19 to USD -77.5 MM in 1H20.

Cumulative EBITDA decreased from USD 121.0 MM in 1H19 to USD 42.1 MM in 1H20.

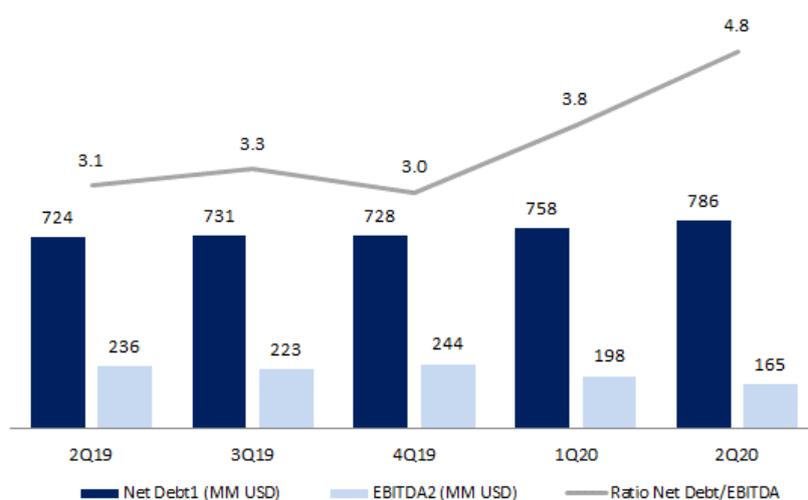
## 2.5 Liquidity and Creditworthiness

In 2Q20, cash generated by mining operations after investments totaled USD -23.5 MM. Growth investments in the mining business and others totaled USD -0.3 MM. Interests paid amounted to USD -3.2 MM and the net flow of financial obligations for the period totaled USD +34.0 MM. Therefore, during 2Q20, the resulting total cash flow was USD 7.0 MM, and the total cash balance as of June 30, 2020, was USD 63.7 MM.

As of June 30, 2020, the net debt/EBITDA ratio was 4.8, higher than at the end of the previous quarter, mainly due to the lower EBITDA accumulated in the last 12 months, and the increased debt to guarantee the Company's liquidity during the exceptional circumstances caused by the pandemic.

It is important to note that the Company is currently refinancing the short-term debt and assessing alternatives for restructuring its total debt in the future.

**Figure 4: Net Debt / EBITDA Ratio Evolution**



1 Debt doesnot include the operating leases fee according to NIIF16 or the current interest

2 EBITDA for the last 12 months.

Source: Volcan Cia. Minera

### 3. Results by Operating Unit

#### 3.1 Yauli Unit Operating Results

Table 10: Yauli Production

Yauli Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Mineral extraction (thousands MT)	603	225	798	-71.9	827	1,541	-46.3
Mineral treatment (thousands MT)	597	232	803	-71.1	829	1,540	-46.2
<b>Fines Content</b>							
Zinc (thousands FMT)	27.7	11.8	35.1	-66.4	39.5	66.1	-40.2
Lead (thousands FMT)	4.6	2.0	5.0	-59.7	6.6	10.2	-35.0
Copper (thousands FMT)	0.4	0.4	0.8	-57.4	0.8	1.5	-46.8
Silver (million Oz)	1.6	0.7	1.8	-58.6	2.4	3.4	-30.5
Gold (thousands Oz)	1.3	0.5	1.6	-69.0	1.8	3.0	-38.7

Source: Volcan Cia. Minera

In the second quarter, ore extracted at the Yauli Unit decreased by 71.9% as compared to the same quarter of the previous year, mainly explained by suspended operations since March 17 due to COVID-19. In line with this, the ore treated at the Yauli Unit concentrator plants decreased by 71.1% in 2Q20, as compared to the same period of the previous year.

With regard to fines, in 2Q20, zinc, lead, copper, silver and gold production decreased by 66.4%, 59.7%, 57.4%, 58.6% and 69.0%, respectively, as compared to 2Q19.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)</b>	<b>45.0</b>	<b>14.0</b>	<b>52.2</b>	<b>-73.1</b>	<b>59.0</b>	<b>100.0</b>	<b>-41.0</b>
Extraction Cost	26.5	7.8	30.6	-74.4	34.4	58.3	-41.0
Treatment Cost	18.5	6.2	21.6	-71.3	24.7	41.7	-40.9
<b>Unit Cost (USD/MT)</b>	<b>75.0</b>	<b>61.7</b>	<b>65.3</b>	<b>-5.5</b>	<b>71.3</b>	<b>64.9</b>	<b>9.9</b>
Extraction Cost	44.0	34.9	38.4	-9.0	41.6	37.8	9.9
Treatment Cost	30.9	26.7	26.9	-0.6	29.8	27.1	9.8

Source: Volcan Cia. Minera

In 2Q20, the cost of production in absolute terms decreased by 73.1%, from USD 52.2 MM in 2Q19 to USD 14.0 MM in 2Q20. This is mainly explained by lower extracted and processed volumes. The unit cost of production decreased by 5.5%, from 65.3 USD/MT in 2Q19 to 61.7 USD/MT in 2Q20.

Year-to-date (Jan-Jun), the cost of production in absolute terms decreased by 41.0%, from USD 100.0 MM in 1H19 to USD 59.0 MM in 1H20. The unit cost of production increased by 9.9%, from 64.9 USD/MT in 1H19 to 71.3 USD/MT in 1H20.

**Table 12: Yauli Operating Investments**

Yauli Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Local Exploration	2.1	0.1	3.7	-97.3	2.2	6.9	-68.5
Mine Development	9.9	1.0	12.2	-92.1	10.8	22.7	-52.2
Plants and Tailings Dams	2.2	0.4	1.9	-81.3	2.6	2.9	-10.3
Mine and Infrastructure	4.3	1.4	4.0	-66.0	5.6	9.0	-37.8
Electrical Infrastructure	0.2	0.2	1.1	-86.6	0.4	1.4	-72.5
Support and Others	0.4	0.1	1.2	-88.8	0.6	2.2	-74.2
<b>Total<sup>1</sup></b>	<b>19.1</b>	<b>3.1</b>	<b>24.2</b>	<b>-87.3</b>	<b>22.2</b>	<b>45.1</b>	<b>-50.8</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.9 MM in 2Q20 and USD 3.9 cumulatively.

Source: Volcan Cia. Minera

As a result of the suspension due to the pandemic, operating investments at the Yauli Unit during 2Q20 totaled USD 3.1 MM, 87.3% lower than the USD 24.2 MM figure for 2Q19.

Year-to-date (Jan-Jun), operating investments decreased by 50.8%, from USD 45.1 MM in 1H19 to USD 22.2 MM in 1H20.

### 3.2 Chungar Unit Operating Results

**Table 13: Chungar Production**

Chungar Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Mineral extraction (thousands MT)</b>	<b>387</b>	<b>73</b>	<b>413</b>	<b>-82.4</b>	<b>459</b>	<b>826</b>	<b>-44.3</b>
<b>Mineral treatment (thousands MT)</b>	<b>351</b>	<b>98</b>	<b>449</b>	<b>-78.2</b>	<b>449</b>	<b>884</b>	<b>-49.2</b>
<b>Fines Content</b>							
Zinc (thousands FMT)	14.8	4.4	19.6	-77.6	19.2	38.2	-49.7
Lead (thousands FMT)	4.4	1.5	4.3	-64.1	5.9	8.7	-32.0
Copper (thousands FMT)	0.3	0.1	0.3	-67.6	0.4	0.5	-35.3
Silver (million Oz)	0.8	0.2	0.7	-74.9	0.9	1.5	-39.2

Source: Volcan Cia. Minera

In 2Q20, ore extracted at Chungar decreased by 82.4% as compared to 2Q19, explained by the lower production resulting from fewer days of operation due to the pandemic. Similarly, ore volumes treated in 2Q20 decreased by 78.2%, as compared to the same quarter in the previous year.

In line with this, zinc, lead, copper and silver production in 2Q20 decreased by 77.6%, 64.1%, 67.6% and 74.9%, respectively, as compared to 2Q19.

**Table 14: Chungar Cost of Production**

Chungar Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)</b>	<b>22.9</b>	<b>6.9</b>	<b>24.8</b>	<b>-72.2</b>	<b>29.8</b>	<b>48.7</b>	<b>-38.8</b>
Extraction Cost	12.8	3.6	13.7	-73.8	16.3	27.3	-40.2
Treatment Cost	10.1	3.3	11.2	-70.3	13.4	21.3	-37.0
<b>Unit Cost (USD/MT)</b>	<b>61.9</b>	<b>83.1</b>	<b>58.0</b>	<b>43.3</b>	<b>65.5</b>	<b>57.2</b>	<b>14.5</b>
Extraction Cost	33.0	49.3	33.1	48.8	35.6	33.1	7.5
Treatment Cost	28.9	33.8	24.9	35.9	29.9	24.2	23.9

Source: Volcan Cia. Minera

In 2Q20, the cost of production in absolute terms decreased by 72.2%, from USD 24.8 MM in 2Q19 to USD 6.9 MM in 2Q20, while the unit cost of production increased by 43.3%, from 58.0 USD/MT in 2Q19 to 83.1 USD/MT in 2Q20.

Year-to-date (Jan-Jun), the cost of production in absolute terms decreased by 38.8%, from USD 48.7 MM in 1H19 to USD 29.8 MM in 1H20. The unit cost of production increased by 14.5%, from 57.2 USD/MT in 1H19 to 65.5 USD/MT in 1H20.

**Table 15: Chungar Operating Investments**

Chungar Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Local Exploration	1.5	0.0	2.1	-99.8	1.5	3.7	-60.9
Mine Development	3.7	0.4	6.5	-93.2	4.1	11.7	-64.9
Plants and Tailings Dams	0.2	0.2	1.4	-84.0	0.4	2.1	-80.9
Mine and Infrastructure	2.3	0.8	3.0	-74.0	3.1	5.0	-37.6
Electrical Infrastructure	0.2	0.0	0.3	-100.0	0.2	0.5	-58.2
Support and Others	0.3	0.4	0.9	-52.3	0.7	1.8	-61.2
<b>Total<sup>1</sup></b>	<b>8.1</b>	<b>1.9</b>	<b>14.2</b>	<b>-86.7</b>	<b>10.0</b>	<b>24.9</b>	<b>-59.7</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.3 MM in 2Q20 and USD 1.6 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased by 86.7%, from USD 14.2 MM in 2Q19 to USD 1.9 MM in 2Q20.

Year-to-date (Jan-Jun), operating investments decreased by 59.7%, from USD 24.9 MM in 1H19 to USD 10.0 MM in 1H20.

### 3.3 Alparmarca Unit Operating Results

**Table 16: Alparmarca Production**

Alparmarca Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Mineral extraction (thousands MT)	120	74	278	-73.5	193	505	-61.8
Mineral treatment (thousands MT)	198	105	238	-55.7	303	461	-34.3
<b>Fines Content</b>							
Zinc (thousands FMT)	1.5	0.9	1.5	-41.8	2.4	2.7	-12.8
Lead (thousands FMT)	1.0	0.6	1.1	-42.1	1.7	2.0	-17.3
Copper (thousands FMT)	0.1	0.0	0.1	-50.9	0.1	0.2	-33.9
Silver (million Oz)	0.2	0.1	0.3	-53.8	0.4	0.6	-35.1

Source: Volcan Cia. Minera

In 2Q20, ore volumes extracted at the Alparmarca Unit decreased by 73.5% compared to the same quarter of the previous year, due to the reduced production resulting from the suspension caused by COVID-19. Treated ore volumes decreased by 55.7% compared to the same quarter of the previous year.

With regard to zinc, lead, copper and silver, in 2Q20, production decreased by 41.8%, 42.1%, 50.9%, and 53.8%, respectively, as compared to 2Q19.

**Table 17: Alparmarca Cost of Production**

Alparmarca Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)</b>	<b>5.0</b>	<b>2.1</b>	<b>5.7</b>	<b>-63.6</b>	<b>7.0</b>	<b>10.5</b>	<b>-32.8</b>
Extraction Cost	2.5	0.9	2.7	-65.6	3.4	4.8	-27.9
Treatment Cost	2.5	1.1	3.0	-61.8	3.6	5.7	-36.9
<b>Unit Cost (USD/MT)</b>	<b>33.3</b>	<b>23.5</b>	<b>22.3</b>	<b>5.6</b>	<b>29.7</b>	<b>21.8</b>	<b>35.9</b>
Extraction Cost	20.7	12.8	9.9	30.0	17.7	9.4	88.5
Treatment Cost	12.6	10.7	12.4	-13.7	11.9	12.4	-4.0

Source: Volcan Cia. Minera

In 2Q20, the cost of production in absolute terms reached USD 2.1 MM, 63.6% lower than the USD 5.8 MM figure for the same quarter of the previous year, due to the reduced production as a result of the pandemic. The unit cost increased by 5.6%, from 22.3 USD/MT in 2Q19 to 23.5 USD/MT in 2Q20.

Year-to-date (Jan-Jun), the cost of production in absolute terms decreased by 32.8%, from USD 10.5 MM in 1H19 to USD 7.0 MM in 1H20, while the unit cost of production increased by 35.9%, from 21.8 USD/MT in 1H19 to 29.7 USD/MT in 1H20.

**Table 18: Alpacamarca Operating Investments**

Alpacamarca Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Local Exploration	0.1	0.0	0.4	-99.8	0.1	0.4	-73.1
Plants and Tailings Dams	0.0	0.1	0.2	-17.0	0.2	0.5	-71.4
Mine and Infrastructure	0.2	0.1	2.1	-93.6	0.3	2.1	-84.9
Support and Others	0.0	0.0	0.1	-68.7	0.0	0.2	-68.3
<b>Total<sup>1</sup></b>	<b>0.3</b>	<b>0.3</b>	<b>2.8</b>	<b>-88.7</b>	<b>0.6</b>	<b>3.2</b>	<b>-80.3</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.10 MM in 2Q20 and USD 0.18 cumulatively.

Source: Volcan Cia. Minera

Operating investments fell by 88.7% in 2Q20 as compared to the same quarter of the previous year. Year-to-date (Jan-Jun), operating investments decreased from USD 3.2 MM in 1H19 to USD 0.6 MM in 1H20.

### 3.4 Cerro de Pasco Unit Operating Results

**Table 19: Cerro de Pasco Production**

Cerro de Pasco Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Mineral extraction (thousands MT)</b>	<b>382</b>	<b>196</b>	<b>475</b>	<b>-58.8</b>	<b>578</b>	<b>850</b>	<b>-32.0</b>
<b>Mineral treatment (thousands MT)</b>	<b>382</b>	<b>196</b>	<b>475</b>	<b>-58.8</b>	<b>578</b>	<b>850</b>	<b>-32.0</b>
<b>Fines Content</b>							
Zinc (thousands FMT)	3.3	1.6	4.0	-61.5	4.9	7.2	-31.8
Lead (thousands FMT)	1.4	0.6	1.4	-60.3	1.9	2.3	-17.2
Silver (million Oz)	0.1	0.1	0.2	-68.4	0.2	0.3	-34.9

Source: Volcan Cia. Minera

In 2Q20, ore volumes from stockpiles processed at Cerro de Pasco decreased by 58.8% compared to the same quarter of the previous year, from 475 thousand MT in 2Q19 to 196 thousand MT in 2Q20 due to the suspension resulting from COVID-19.

With regard to zinc, lead and silver, in 2Q20, production decreased by 61.5%, 60.3% and 68.4%, respectively, as compared to 2Q19.

**Table 20: Cerro de Pasco Cost of Production**

Cerro de Pasco Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)</b>	<b>5.6</b>	<b>2.0</b>	<b>7.2</b>	<b>-72.4</b>	<b>7.6</b>	<b>13.2</b>	<b>-42.4</b>
Extraction Cost	0.9	0.3	0.9		1.2	0.9	
Treatment Cost	4.7	1.7	6.4	-73.3	6.4	12.4	-47.9
<b>Unit Cost (USD/MT)</b>	<b>14.7</b>	<b>10.2</b>	<b>15.2</b>	<b>-33.1</b>	<b>13.2</b>	<b>15.6</b>	<b>-15.3</b>
Extraction Cost	2.3	1.5	1.8		2.0	1.0	
Treatment Cost	12.4	8.7	13.4	-35.3	11.2	14.5	-23.3

Source: Volcan Cia. Minera

Absolute cost decreased by 72.4%, from USD 7.2 MM in 2Q19 to USD 2.0 MM in 2Q20 due to lower treated volumes. Unit cost fell by 33.1%, from 15.2 USD/MT in 2Q19 to 10.2 USD/MT.

Year-to-date (Jan-Jun), the cost of production in absolute terms decreased by 42.4%, from USD 13.2 MM in 1H19 to USD 7.6 MM in 1H20. The unit cost of production decreased by 15.3%, from 15.6 USD/MT in 1H19 to 13.2 USD/MT in 1H20.

**Table 21: Cerro de Pasco Operating Investments**

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Local Exploration	0.0	0.0	0.1	-100.0	0.0	0.3	-100.0
Plants and Tailings Dams	0.0	0.0	0.6	-100.0	0.0	1.8	-98.2
Mine and Infrastructure	0.1	0.0	0.3	-83.6	0.1	0.3	
Support and Others	0.0	0.0	0.3	-94.6	0.0	0.7	-97.1
<b>Total<sup>1</sup></b>	<b>0.1</b>	<b>0.1</b>	<b>1.3</b>	<b>-95.3</b>	<b>0.2</b>	<b>3.0</b>	<b>-95.0</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.05 MM in 2Q20 and USD 0.10 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased from USD 1.3 MM in 2Q19 to USD 0.1 MM in 2Q20. Year-to-date (Jan-Jun), operating investments decreased from USD 3.0 MM in 1H19 to USD 0.2 MM in 1H20.

### 3.5 Oxides Plant Operating Results

**Table 22: Oxides Plant Production**

Oxides Plant Production	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Mineral extraction (thousands MT)	155	59	237	-75.1	214	436	-50.8
Mineral treatment (thousands MT)	155	59	237	-75.1	214	436	-50.8
<b>Fines Content</b>							
Silver (million Oz)	0.6	0.2	0.8	-69.2	0.8	1.4	-40.4
Gold (Oz)	1,129	582	4,810	-87.9	1,711	8,145	-79.0

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant decreased by 75.1%, from 237 thousand MT in 2Q19 to 59 thousand MT in 2Q20. As a result, silver and gold production decreased by 69.2% and 87.9%, respectively.

**Table 23: Oxides Plant Cost of Production**

Oxides Plant Production Cost	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Production Cost (MM USD)</b>	<b>7.4</b>	<b>2.1</b>	<b>9.1</b>	<b>-76.5</b>	<b>9.5</b>	<b>17.2</b>	<b>-44.8</b>
Extraction Cost	1.5	0.3	1.2	-75.3	1.8	2.5	-26.7
Treatment Cost	5.8	1.8	7.9	-76.7	7.7	14.7	-47.8
<b>Unit Cost (USD/MT)</b>	<b>47.5</b>	<b>36.1</b>	<b>38.3</b>	<b>-5.8</b>	<b>44.4</b>	<b>39.5</b>	<b>12.3</b>
Extraction Cost	9.8	5.2	5.2	-1.0	8.5	5.7	49.1
Treatment Cost	37.7	30.9	33.1	-6.6	35.8	33.8	6.1

Source: Volcan Cia. Minera

In 2Q20, the cost of production in absolute terms totaled USD 2.1 MM, 76.5% lower than the USD 9.4 MM figure for the same quarter of the previous year, due to the reduced production

as a result of the suspension caused by COVID-19. Unit cost fell by 5.8%, from 38.3 USD/MT in 2Q19 to 36.1 USD/MT in 2Q20.

Year-to-date (Jan-Jun), the cost of production in absolute terms decreased by 44.8%, from USD 17.2 MM in 1H19 to USD 9.5 MM in 1H20. The operation's unit cost increased by 12.3%, from 39.5 USD/MT in 1H19 to 44.4 USD/MT in 1H20.

**Table 24: Oxides Plant Operating Investments**

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Plants and Tailings Dams	0.2	0.0	0.6	-91.6	0.3	1.9	-85.7
Mine and Infrastructure	0.3	0.2	0.7	-70.3	0.5	0.7	-28.1
Support and Others	0.0	0.0	0.3	-89.2	0.0	0.4	-92.2
<b>Total<sup>1</sup></b>	<b>0.5</b>	<b>0.3</b>	<b>1.5</b>	<b>-81.9</b>	<b>0.8</b>	<b>2.9</b>	<b>-72.9</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.03 MM in 2Q20 and USD 0.06 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased by 81.9%, from USD 1.5 MM in 2Q19 to USD 0.3 MM in 2Q20. Year-to-date (Jan-Jun), operating investments decreased by 72.9%, from USD 2.9 MM in 1H19 to USD 0.8 MM in 1H20.

### 3. Energy

**Table 25: Volcan's Electric Power Balance**

Electric Balance (GWh)	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
<b>Energy generation</b>	<b>119.6</b>	<b>112.9</b>	<b>91.2</b>	<b>23.9</b>	<b>232.5</b>	<b>177.1</b>	<b>31.3</b>
Chungar	36.6	40.3	38.5	4.5	76.9	81.1	-5.1
Tingo	0.0	0.0	2.3	-100.0	0.0	4.6	-100.0
Huanchor	42.3	34.0	40.2	-15.5	76.3	81.4	-6.2
Rucuy	40.7	38.5	10.1	281.9	79.2	10.1	685.3
<b>Energy consumption</b>	<b>171.9</b>	<b>127.4</b>	<b>192.7</b>	<b>-33.9</b>	<b>299.3</b>	<b>374.1</b>	<b>-20.0</b>
<b>Energy purchase</b>	<b>135.3</b>	<b>87.1</b>	<b>151.9</b>	<b>-42.7</b>	<b>222.4</b>	<b>288.5</b>	<b>-22.9</b>

Source: Volcan Cia. Minera

During 2Q19, Volcan's total consumption of electric power reached 127.4 GWh, with a maximum demand of 90.7 MW.

The 10 hydroelectric plants that belong to the Chungar Unit generated 40.3 GWh. This accounted for 32% of the Company's total consolidated consumption, at an average cost of 14.4 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 87.1 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 61.4 USD/MWh.

In 2Q20, the Huanchor Hydroelectric Plant produced 34.0 GWh, a 15.5% reduction as compared to the same period of the previous year, resulting from maintenance works on a transformer. The power of Huanchor Hydroelectric Plant was entirely sold to third parties.

The Rucuy Hydroelectric Plant produced 38.5 GWh in 2Q20, and the power was used to meet the commitments set forth in its renewable energy agreement (RER).

The Tingo Hydroelectric Plant is under maintenance and it will resume operations in 3Q20.

#### 4. Final Comments

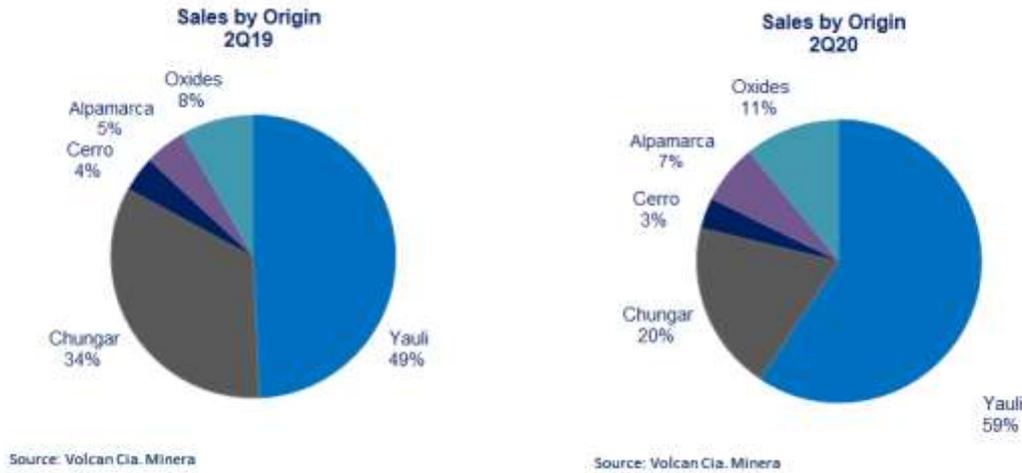
- In 2Q20, the Company's results were affected by the national state of emergency and mandatory social lockdown ordered by the Government as a preventive measure against the COVID-19 pandemic. All operating units were suspended since March 17, 2020. Only care and maintenance works were carried out until the second half of May. Since May 18, all units gradually restarted operations, reaching full operating capacity at the end of June.
- Volcan has developed and implemented strict measures and protocols to protect the health of its employees and minimize the risk of spreading the virus. These include molecular tests for workers before they enter the operations and three days of isolation until the test results are received. Similarly, the facilities at all operating units have been adapted to ensure that social distance is observed, and that all guidelines and measures stipulated by the Government are complied with.
- Volcan is assessing and analyzing several scenarios to reduce the impact on production across its operations and to facilitate the generation of greater profit prioritizing the Company's safety and sustainability at all times. The state of emergency has tested the Company's capacity to face a critical situation while also reaffirming its Safety, Integrity, Commitment, Excellence and Respect values.
- Currently, all mining units are operating normally under some restrictions enforced by the policies and protocols implemented to guarantee the health of our employees. In the second half of the year, the production is expected to reach the volumes projected prior to the pandemic.
- With regard to financial matters, to preserve the liquidity needed to face the situation created by COVID-19, the Company secured the credit lines maintained with local banks and took a series of measures to optimize costs, investments and working capital. The Company is currently refinancing the short-term debt and assessing alternatives for restructuring its total debt in the future.



• Annexes

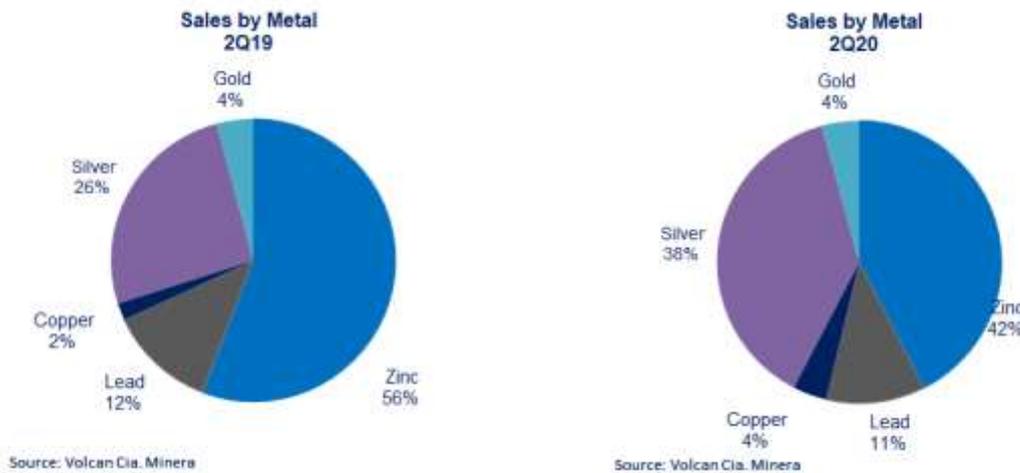
Annex 1: Sales Breakdown

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



The distribution of sales by origin reflects an increase in the contribution of Yauli, the Oxides Plant and Alpamarca in total sales, as compared to a reduced contribution by Chungar and Cerro.

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



The distribution of sales by metal in 2Q20 reflects a decrease in the contribution of zinc and lead as compared to 2Q19, while the contribution of silver increased, due to higher prices and the reduction of zinc and lead prices.



## Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Zinc (USD/MT)	2,128	1,959	2,763	-29.1	2,044	2,734	-25.2
Lead (USD/MT)	1,847	1,670	1,886	-11.5	1,759	1,961	-10.3
Copper (USD/MT)	5,635	5,341	6,114	-12.6	5,488	6,167	-11.0
Silver (USD/Oz)	16.9	16.3	14.9	9.7	16.6	15.2	9.2
Gold (USD/Oz)	1,584	1,710	1,310	30.6	1,647	1,307	26.0

Source: London Metal Exchange

## Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2020	Apr-Jun 2020	Apr-Jun 2019	var %	Jan-Jun 2020	Jan-Jun 2019	var %
Exchange Rate (S/ x USD)	3.40	3.43	3.32	3.3	3.42	3.32	2.9
Inflation	1.82	1.60	2.29	-30.3	1.60	2.29	-30.3

<sup>1</sup> Inflation of the last 12 months

Source: Central Reserve Bank of Peru