



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

Principal Results:

Consolidated Volcan	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Sales Prices¹								
Zinc (USD/MT)	2,183	2,015	2,208	2,348	-5.9	2,169	2,600	-16.6
Lead (USD/MT)	1,834	1,736	1,882	1,997	-5.7	1,841	1,953	-5.8
Copper (USD/MT)	5,393	5,420	6,493	5,800	12.0	5,873	6,078	-3.4
Silver (USD/Oz)	17.0	17.3	23.9	16.6	44.5	20.0	15.6	28.3
Gold (USD/Oz)	1,575	1,737	1,891	1,466	28.9	1,736	1,354	28.2
Operating Results								
Mineral treatment ² (thousands MT)	1,683	690	2,041	2,254	-9.5	4,414	6,425	-31.3
Zinc Production (thousands FMT)	47.4	18.6	51.5	60.0	-14.2	117.5	174.2	-32.6
Lead Production (thousands FMT)	11.4	4.8	12.9	12.3	5.2	29.1	35.6	-18.2
Copper Production (thousands FMT)	0.8	0.5	1.0	1.2	-11.4	2.3	3.4	-32.1
Silver Production (millions Oz)	3.3	1.4	3.6	4.0	-8.4	8.3	11.2	-25.5
Gold Production (thousands Oz)	2.8	1.2	2.9	4.8	-39.9	6.9	15.9	-56.8
Unit Cost (USD/MT)	51.6	41.3	47.3	44.3	6.8	48.0	45.2	6.3
Total Investments (MM USD)	28.9	6.4	30.3	46.7	-35.0	65.7	131.1	-49.9
Financial Results (MM USD)								
Sales before adjustments	143.2	47.1	167.6	174.4	-3.9	357.9	548.6	-34.8
Sales Adjustments	-12.1	3.8	5.8	-5.1		-2.4	-12.4	-80.8
Settlement of prior period adjustments	-11.5	-12.5	7.6	-11.1		-16.5	-5.2	215.2
Adjustments for open positions ³	-9.5	15.3	1.5	6.0	-75.0	7.3	-7.1	
Hedging results	9.0	1.1	-3.2	0.0		6.8	0.0	
Sales after adjustments	131.1	51.0	173.5	169.3	2.5	355.6	536.3	-33.7
Net profit before exceptionals	-24.1	-22.1	7.8	-20.8		-38.4	-23.9	61.0
Exceptional adjustments	-7.3	-24.0	0.0	0.0		-31.3	6.6	
Net profit after exceptionals	-31.5	-46.0	7.8	-20.8		-69.7	-17.3	303.0
EBITDA⁴	27.3	14.8	60.6	51.5	17.6	102.7	172.5	-40.5

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.

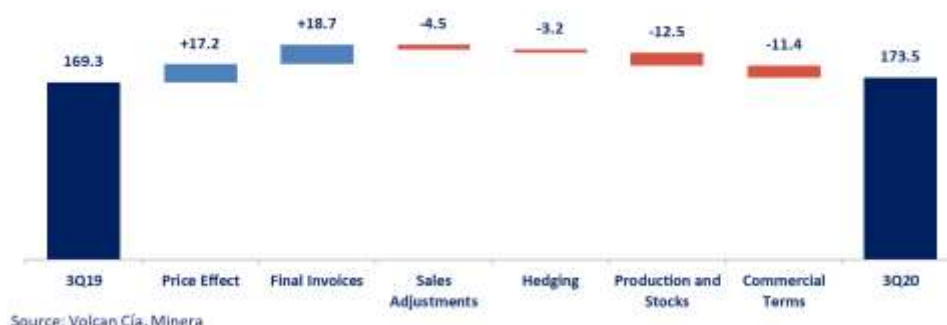
⁴ Does not consider exceptional adjustments or the expenses associated with the closing of the sale of the Chancay port project.

Source: Volcan Cia. Minera

1. Executive Summary

- All mining units are currently operating, observing strict protocols to protect our employees' health against the COVID-19 pandemic. In 3Q20, the operations were unable to reach their full production capacity due to personnel limitations as a result of the national emergency caused by the pandemic. In July and August, difficulties emerged when filling out the personnel rosters, due to the increase of positive COVID cases in the cities of the Peruvian highlands, where a significant number of our employees live.
- As a result, in 3Q20, treated consolidated volumes decreased by 9.5%, as compared to the same period of the previous year, from 2.3 MM MT in 3Q19 to 2.0 MM MT in 3Q20. Zinc production decreased by 14.2%, from 60.0 thousand FMT in 3Q19 to 51.5 thousand FMT in 3Q20, lead production increased by 5.2% mainly due to better head grades, from 12.3 thousand FMT to 12.9 thousand FMT, copper production decreased by 11.4%, from 1.2 thousand FMT to 1.0 thousand FMT, silver decreased by 8.4% from 4.0 MM Oz to 3.6 MM Oz, and gold production decreased by 39.9%, from 4.8 thousand Oz to 2.9 thousand Oz.
- Metals prices showed a mixed behavior. The price of zinc decreased by 5.9% (-140 USD/MT), from 2,348 USD/MT in 3Q19 to 2,208 USD/MT in 3Q20; lead decreased by 5.7% (-115 USD/MT), from 1,997 USD/MT to 1,882 USD/MT; copper increased by 12.0% (693 USD/MT), from 5,800 USD/MT to 6,493 USD/MT; silver increased by 44.5% (+7.3 USD/Oz), from 16.6 USD/Oz to 23.9 USD/Oz; and gold increased by 28.9% (+425 USD/Oz), from 1,466 USD/Oz in 3Q19 to 1,891 USD/Oz in 3Q20.
- Sales were affected by lower zinc and lead prices, less favorable commercial terms, and decreased production, which was partially offset by the increase of silver and gold prices. Total sales before adjustments decreased by 3.9%, from USD 174.4 MM in 3Q19 to USD 167.6 MM in 3Q20. However, in 3Q20, sales adjustments were positive (USD 5.8 MM), as compared to the negative adjustments recorded in 3Q19 (USD -5.1 MM). As a result, total sales after adjustments increased by 2.5%, from USD 169.3 MM in 3Q19 to USD 173.5 MM in 3Q20.

Figure 1: 3Q20 vs 3Q19 variations impact on net sales (USD MM)

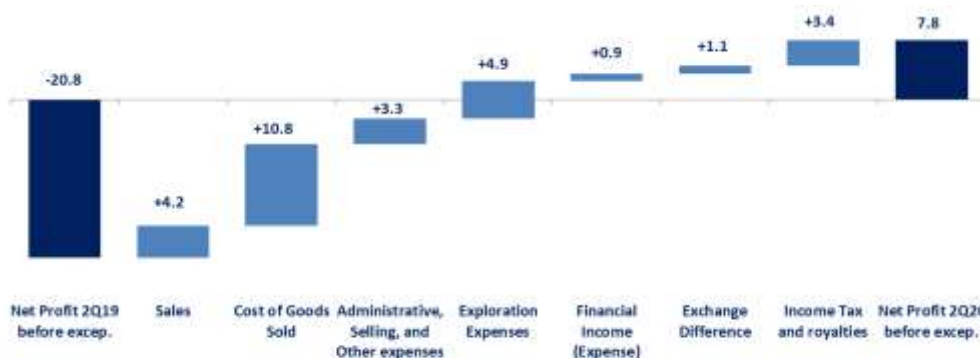


- Consolidated unit cost increased by 6.8%, from 44.3 USD/MT in 3Q19 to 47.3 USD/MT in 3Q20, mainly due to lower treated volumes and additional costs to implement and observe strict protocols to protect our employees' health against COVID-19.



- Net profit before exceptional items increased from USD -20.8 MM in 3Q19 to USD 7.8 MM in 3Q20, mainly due to greater sales after adjustments, lower cost of goods sold, and lower exploration costs, other expenses, and taxes. The variations that had an impact on net profit before exceptional items are shown in detail in the figure below.

Figure 2: 3Q20 vs 3Q19 variations impact on net profit before exceptional items (USD MM)



Source: Volcan Cía. Minera

- Likewise, EBIDTA increased by 17.6%, from USD 51.5 MM in 3Q19 to USD 60.6 MM in 3Q20.
- Year-to-date (Jan-Sept), sales after adjustments decreased from USD 536.3 MM in 2019 to USD 355.6 MM in 2020, net profit before exceptional items decreased from USD -23.9 MM in 2019 to USD -38.4 MM in 2020, while EBITDA decreased from USD 172.5 MM in 2019 to USD 102.7 MM in 2020, mainly explained by suspended operations for over two months as a result of the mandatory social lockdown caused by COVID-19 and the gradual restart of operations.
- Total investments decreased from USD 46.7 MM in 3Q19 to USD 30.3 MM in 3Q20, due to limitations on the transportation of personnel related to project execution as a result of the pandemic. Year-to-date, total investments decreased from USD 131.1 MM in 2019 to USD 65.7 MM in 2020.



2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	1,646	626	2,026	2,238	-9.5	4,298	6,395	-32.8
Polymetallic ore	1,491	566	1,799	2,003	-10.2	3,857	5,724	-32.6
Oxides ore	155	59	226	235	-3.6	441	671	-34.3
Mineral treatment (thousands MT)	1,683	690	2,041	2,254	-9.5	4,414	6,425	-31.3
Concentrator Plants	1,528	631	1,815	2,019	-10.1	3,973	5,754	-30.9
Silver Oxides Plant	155	59	226	235	-3.6	441	671	-34.3
Fine Content								
Zinc (thousands FMT)	47.4	18.6	51.5	60.0	-14.2	117.5	174.2	-32.6
Lead (thousands FMT)	11.4	4.8	12.9	12.3	5.2	29.1	35.6	-18.2
Copper (thousands FMT)	0.8	0.5	1.0	1.2	-11.4	2.3	3.4	-32.1
Silver (millions Oz)	3.3	1.4	3.6	4.0	-8.4	8.3	11.2	-25.5
Gold (thousands Oz)	2.8	1.2	2.9	4.8	-39.9	6.9	15.9	-56.8

Source: Volcan Cia. Minera

Although all mining units are currently operating, extracted ore volumes decreased by 9.5%, from 2.238 MM MT in 3Q19 to 2.026 MM MT in 3Q20, explained by some limitations due to the national emergency resulting from the COVID-19 pandemic, particularly with regard to personnel availability. Similarly, treated volumes decreased by 9.5%, from 2.254 MM MT in 3Q19 to 2.041 MM MT in 3Q20.

Zinc production decreased by 14.2%, from 60.0 thousand FMT in 3Q19 to 51.5 thousand FMT in 3Q20, lead production increased by 5.2% mainly due to better head grades, from 12.3 thousand FMT to 12.9 thousand FMT, copper production decreased by 11.4%, from 1.2 thousand FMT to 1.0 thousand FMT, silver decreased by 8.4% from 4.0 MM Oz to 3.6 MM Oz, and gold production decreased by 39.9%, from 4.8 thousand Oz in 3Q19 to 2.9 thousand Oz in 3Q20. The significant decrease in gold production is explained by the reduction of run-of-mine ore from the open pit processed at the Oxides Plant. The run-of-mine ore contribution is expected to increase from November of this year, and treated gold grades will improve as a result.

Year-to-date (Jan-Sept), extracted volumes decreased by 32.8% as compared to the same period of the previous year, mainly explained by suspended operations for over two months as a result of COVID-19 and the gradual restart of operations. The treated volume decreased by 31.3%, from 6.425 MM MT in 2019 to 4.414 MM MT in 2020.



2.2 Cost of Production

Table 2: Consolidated Cost of Production

Consolidated Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	85.9	27.1	96.2	99.5	-3.3	209.2	289.7	-27.8
Mine Cost	44.2	13.0	47.4	50.6	-6.4	104.5	144.3	-27.6
Plant and Other Cost	41.7	14.2	48.8	49.0	-0.4	104.7	145.4	-28.0
Unit Cost (USD/MT)	51.6	41.3	47.3	44.3	6.8	48.0	45.2	6.3
Mine Cost	26.8	20.7	23.4	22.6	3.4	24.3	22.6	7.8
Plant and Other Cost	24.8	20.5	23.9	21.7	10.0	23.7	22.6	4.8

Source: Volcan Cia. Minera

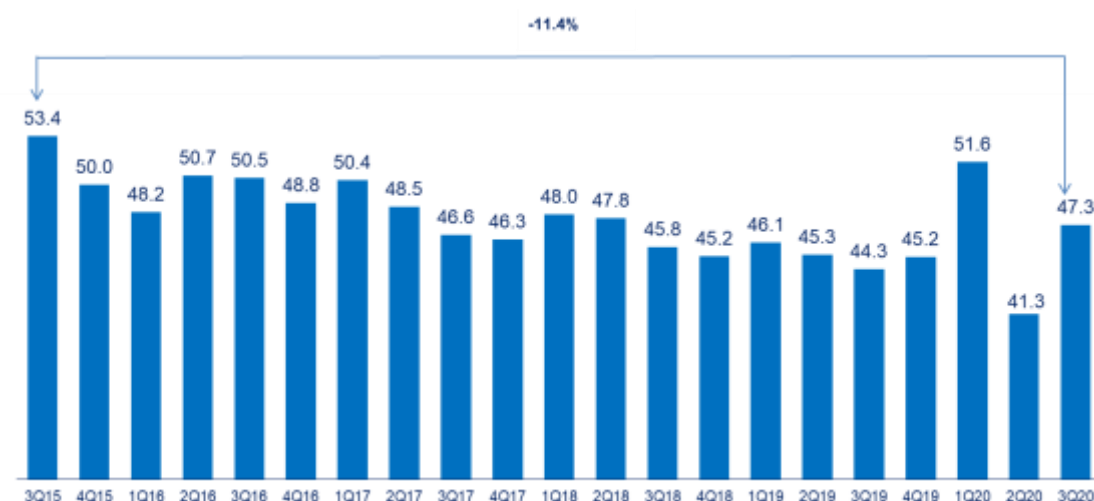
The cost of production in absolute terms decreased by 3.3%, from USD 99.5 MM in 3Q19 to USD 96.2 MM in 3Q20, while the consolidated unit cost increased by 6.8%, from 44.3 USD/MT in 3Q19 to 47.3 USD/MT in 3Q20, mainly due to lower production volumes and additional costs incurred to implement and observe strict protocols to protect our employees' health against COVID-19.

Year-to-date (Jan-Sept), the absolute cost of production decreased by 27.8%, from USD 289.7 MM in 2019 to USD 209.2 MM in 2020, while the unit cost increased by 6.3% from 45.2 USD/MT in 2019 to 48.0 USD/MT in 2020.

The Company is heightening its efforts to keep control of the costs, despite incurring in costs related to observing protocols against COVID-19, which, in one year, could exceed USD 14 MM.

The figure below shows a 11.4% unit cost decrease between 3Q15 and 3Q20.

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	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mining	28.7	6.4	30.2	46.0	-34.3	65.4	128.9	-49.3
Mining Units	28.2	5.6	29.6	43.5	-32.1	63.4	122.7	-48.3
Local Exploration	3.7	0.1	1.6	5.7	-71.9	5.4	17.1	-68.6
Development	13.6	1.4	10.6	19.1	-44.7	25.5	53.5	-52.3
Plants and Tailings Facilities	2.7	0.8	7.2	7.1	0.6	10.6	16.3	-34.8
Mine and Infrastructure	7.1	2.5	6.4	7.0	-8.6	16.1	24.1	-33.2
Electrical Infrastructure in Units	0.5	0.2	0.7	1.5	-53.5	1.3	3.4	-61.9
Support and Others	0.7	0.7	3.1	3.1	0.4	4.5	8.3	-46.1
Regional Explorations	0.2	0.2	0.2	1.9	-88.0	0.6	3.1	-79.9
Growth and Others	0.3	0.6	0.4	0.6	-28.2	1.4	3.1	-56.3
Energy	0.1	0.0	0.1	0.7	-82.3	0.3	2.2	-86.6
Total	28.9	6.4	30.3	46.7	-35.0	65.7	131.1	-49.9

¹ The investments include the operating leases fee according to NIIF 16: USD 4.4 MM in 1Q20, USD 1.5 MM in 2Q20 and USD 3.5 MM in 3Q20.

Source: Volcan Cia. Minera

In the third quarter, total mining investments decreased by 34.3%, from USD 46.0 MM in 3Q19 to USD 30.2 MM in 3Q20, mainly due to personnel limitations as a result of the COVID-19 pandemic, which hinder the projects' normal execution. Operating unit investments decreased by 32.1%, from USD 43.5 MM in 3Q19 to USD 29.6 MM in 3Q20, and regional explorations and growth investments decreased from USD 1.9 MM to USD 0.2 MM and USD 0.6 MM to USD 0.4 MM, respectively. Investments in the energy business decreased from USD 0.7 MM to USD 0.1 MM.

As a result, total investments decreased by 35.0%, from USD 46.7 MM in 3Q19 to USD 30.3 MM in 3Q20.

Year-to-date (Jan-Sept), total operating investments declined by 49.9%, from USD 131.1 MM in 2019 to USD 65.7 MM in 2020.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Sales before adjust.	143.2	47.1	167.6	174.4	-3.9	357.9	548.6	-34.8
Sett. of prior periods adjust.	-11.5	-12.5	7.6	-11.1		-16.5	-5.2	215.2
Adj. open positions	-9.5	15.3	1.5	6.0	-75.0	7.3	-7.1	
Hedging	9.0	1.1	-3.2	0.0		6.8	0.0	
Sales after adjust.	131.1	51.0	173.5	169.3	2.5	355.6	536.3	-33.7
Cost of Goods Sold	-125.6	-38.3	-130.2	-141.0	-7.6	-294.1	-434.7	-32.3
Gross Profit	5.5	12.7	43.2	28.3	52.9	61.4	101.5	-39.5
<i>Gross Margin</i>	<i>4%</i>	<i>25%</i>	<i>25%</i>	<i>17%</i>	<i>8 pp</i>	<i>17%</i>	<i>19%</i>	<i>-2 pp</i>
Administrative Expenses	-7.7	-6.2	-9.2	-5.9	55.8	-23.1	-25.0	-7.6
Exploration Expenses	-1.5	-1.1	-1.1	-6.0	-82.0	-3.7	-12.4	-70.1
Sales Expenses	-4.7	-1.8	-4.3	-5.5	-22.0	-10.8	-16.7	-35.4
Other Income (Expenses) ¹	0.1	-3.5	-4.6	-10.0	-53.8	-8.0	-23.7	-66.4
Operating Profit	-8.3	0.1	24.0	0.8	2,833.2	15.8	23.7	-33.2
<i>Operating Margin</i>	<i>-6%</i>	<i>0%</i>	<i>14%</i>	<i>0%</i>	<i>13 pp</i>	<i>4%</i>	<i>4%</i>	<i>0 pp</i>
Financial Income (Expense)	-11.5	-11.0	-11.7	-12.6	-7.2	-34.2	-34.7	-1.4
Exchange Difference (net)	-2.3	-1.5	-1.3	-2.4	-44.7	-5.2	-1.3	294.8
Royalties	-1.3	-0.3	-2.1	-1.7	21.2	-3.7	-6.5	-43.7
Income Tax	-0.7	-9.3	-1.1	-4.9	-76.7	-11.2	-5.0	121.2
Net Profit before Exceptionals	-24.1	-22.1	7.8	-20.8		-38.4	-23.9	61.0
<i>Net Margin</i>	<i>-18%</i>	<i>-43%</i>	<i>5%</i>	<i>-12%</i>	<i>17 pp</i>	<i>-11%</i>	<i>-4%</i>	<i>-6 pp</i>
Exceptional adjustments ²	-7.3	-24.0	0.0	0.0		-31.3	6.6	
Net Profit after Exceptionals	-31.5	-46.0	7.8	-20.8		-69.7	-17.3	303.0
<i>Net Margin</i>	<i>-24%</i>	<i>-90%</i>	<i>5%</i>	<i>-12%</i>	<i>17 pp</i>	<i>-20%</i>	<i>-3%</i>	<i>-16 pp</i>
EBITDA³	27.3	14.8	60.6	51.5	17.6	102.7	172.5	-40.5
<i>EBITDA Margin</i>	<i>21%</i>	<i>29%</i>	<i>35%</i>	<i>30%</i>	<i>5 pp</i>	<i>29%</i>	<i>32%</i>	<i>-3 pp</i>

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

² 2020 exceptional adjustment are USD -44.4 MM in other income (expenses), USD +13.1 MM in the income tax and -31.3 cumulatively.

³ Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

• Sales Analysis

Table 5: Average Sales Prices

Sales Prices	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Zinc (USD/MT)	2,183	2,015	2,208	2,348	-5.9	2,169	2,600	-16.6
Lead (USD/MT)	1,834	1,736	1,882	1,997	-5.7	1,841	1,953	-5.8
Copper (USD/MT)	5,393	5,420	6,493	5,800	12.0	5,873	6,078	-3.4
Silver (USD/Oz)	17.0	17.3	23.9	16.6	44.5	20.0	15.6	28.3
Gold (USD/Oz)	1,575	1,737	1,891	1,466	28.9	1,736	1,354	28.2

Source: Volcan Cia. Minera

In 3Q20, metals prices, especially precious metals, showed a positive trend as compared to previous quarters.

The prices shown in the table 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	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Zinc (thousands FMT)	51.3	17.4	51.6	58.8	-12.3	120.3	175.0	-31.3
Lead (thousands FMT)	13.2	4.4	13.5	11.2	20.2	31.1	36.5	-14.8
Copper (thousands FMT)	0.8	0.4	0.9	1.1	-18.4	2.1	3.3	-36.0
Silver (millions Oz)	3.5	1.3	3.7	3.8	-4.1	8.5	11.2	-23.6
Gold (thousands Oz)	2.9	1.5	3.0	5.4	-44.2	7.4	18.0	-58.7

¹ Includes Oxides Plant silver and gold sales
Source: Volcan Cia. Minera

Table 7: Sales in USD

Sales (millions USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Zinc	71.1	20.0	67.8	92.6	-26.8	159.0	314.4	-49.4
Lead	18.8	5.3	19.3	18.8	2.5	43.4	59.9	-27.6
Copper	2.2	1.8	3.3	3.4	-5.2	7.3	10.8	-32.4
Silver	47.9	18.0	73.1	52.8	38.5	139.0	143.1	-2.9
Gold	3.2	2.0	4.1	6.7	-38.4	9.3	20.5	-54.6
Sales before adjust.	143.2	47.1	167.6	174.4	-3.9	357.9	548.6	-34.8
Sett. of prior period adjust.	-11.5	-12.5	7.6	-11.1		-16.5	-5.2	215.2
Adjust. for open positions	-9.5	15.3	1.5	6.0	-75.0	7.3	-7.1	
Hedging results	9.0	1.1	-3.2	0.0		6.8	0.0	
Sales after adjust.	131.1	51.0	173.5	169.3	2.5	355.6	536.3	-33.7

Source: Volcan Cia. Minera

In 3Q20, total sales before adjustments amounted to USD 167.6 MM, a decrease of 3.9% as compared to the USD 174.4 MM recorded in 3Q19, mainly due to lower zinc and lead prices, less favorable commercial terms, and decreased production, which was partially offset by the increase of silver and gold prices.

In the third quarter, sales adjustments increased from USD -5.1 MM in 3Q19 to USD 5.9 MM in 3Q20. In this quarter, the adjustments included final settlements of USD 7.6 MM, positive provisions related to open shipments of USD 1.5 MM, and negative hedge results of USD 3.2 MM. As a result, total sales after adjustments increased by 2.5%, from USD 169.3 MM in 3Q19 to USD 173.5 MM in 3Q20.

Year-to-date (Jan-Sept), sales before adjustments decreased by 34.8%, from USD 548.6 MM in 2019 to USD 357.9 MM in 2020, while sales after adjustments decreased by 33.7%, from USD 536.3 MM in 2019 to USD 355.6 MM in 2020, mainly due to reduced production as a result of two months of suspended operations, and their gradual restart.



- **Cost of Goods Sold**

Table 8: Cost of Goods Sold

Cost of Goods Sold (millions USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Volcan Production	125.6	38.3	130.1	142.8	-8.9	294.0	433.9	-32.2
Volcan Production Cost	85.9	27.1	96.2	99.5	-3.4	209.2	289.7	-27.8
D&A from Production Cost	33.4	12.1	33.0	46.9	-29.8	78.4	140.1	-44.0
Extraordinary Costs	0.0	0.0	0.0	0.9	-100.0	0.0	1.9	-100.0
Variation of Inventories	6.4	-0.9	0.9	-4.5		6.4	1.2	429.8
Workers Participation	0.0	0.0	0.2	-1.8		0.2	0.8	-81.5
Total	125.6	38.3	130.2	141.0	-7.6	294.1	434.7	-32.3

Source: Volcan Cia. Minera

The total cost of goods sold decreased by 7.6%, from USD 141.0 MM in 3Q19 to USD 130.2 MM in 3Q20, mainly due to a lower cost of production resulting from decreased production volumes, and, principally, due to the reduced consolidated depreciation and amortization, as a result of not including the Cerro de Pasco and Oxides Plants depreciation in accordance with the accounting standards, which considers them as assets held for sale.¹

Year-to-date (Jan-Sept), the total cost of goods sold declined from USD 434.7 MM in 2019 to USD 294.1 MM in 2020.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 17% in 3Q19 to 25% in 3Q20, mainly explained by the positive effect in sales adjustments (USD -5.1 MM in 3Q19 vs USD +5.8 MM in 3Q20). Gross profit increased from USD 28.3 MM in 3Q19 to USD 43.2 MM in 3Q20, explained by an increased gross margin and lower depreciation.

Year-to-date (Jan-Sept), gross margin decreased from 19% in 2019 to 17% in 2020. Gross profit decreased from USD 101.5 MM in 2019 to USD 61.4 MM in 2020, mainly due to the reduced production resulting from the suspension caused by the COVID-19 pandemic.

- **Administrative Expenses**

Administrative expenses increased by 55.8%, from USD 5.9 MM in 3Q19 to USD 9.2 MM in 3Q20, mainly explained by payment of employees' dismissal compensation, higher consultancy expenses, and reversal of personnel expenses provisions made in 3Q19. Year-to-date (Jan-Sept), the administrative expenses decreased from USD 25.0 MM in 2019 to USD 23.1 MM in 2020.

- **Exploration Expenses**

Exploration expenses decreased from USD 6.0 MM in 3Q19 to USD 1.1 MM in 3Q20, as a result of the reduced execution of exploration projects due to personnel restrictions caused by the COVID-19 pandemic. Year-to-date (Jan-Sept), the exploration expenses decreased from USD 12.4 MM in 2019 to USD 3.7 MM in 2020.

¹In November 2019, Volcan executed an agreement to sell the shares held in Empresa Administradora Cerro S.A.C., Óxidos de Pasco S.A.C. and Remediadora Ambiental S.A.C. to Cerro de Pasco Resources Inc. from Canada. This agreement is still subject to certain conditions precedent to be met.

- **Sale expenses**

Sale expenses decreased by 22.0%, from USD 5.5 MM in 3Q19 to USD 4.3 MM in 3Q20, mainly explained by the lower sales volume. Year-to-date (Jan-Sept), the sale expenses decreased from USD 16.7 MM in 2019 to USD 10.8 MM in 2020.

- **Other Income and Expenses**

In 3Q20, the net amount of other income and expenses was USD -4.6 MM versus USD -10.0 MM in 3Q19, explained by reduced non-deductible expenses, and Chungar's 3Q19 suspension expenses being absent in 3Q20. Year-to-date (Jan-Sept), the net amount of other income and expenses was USD -8.0 MM in 2020 versus USD -23.7 MM in 2019.

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**

In 3Q20, net financial expenses totaled USD 11.7 MM, a figure similar to that reported in 3Q19. Year-to-date (Jan-Sept), net financial expenses totaled USD 34.2 MM in 2020, as compared to the USD 34.7 MM reported in 2019.

Exchange-rate losses totaling USD -1.3 MM were registered in 3Q20, as compared to the exchange-rate loss worth USD -2.4 MM reported in 3Q19. Year-to-date (Jan-Sept), an exchange-rate loss totaling USD -5.2 MM was registered in 2020, as compared to the negative result reported in 2019 (USD -1.3 MM).

- **Income Tax and Royalties**

Royalties increased from USD -1.7 MM in 3Q19 to USD -2.1 MM in 3Q20 explained by higher operating profit, while income tax without exceptional items increased from USD -4.9 MM in 3Q19 to USD -1.1 MM in 3Q20.

Year-to-date (Jan-Sept), royalties decreased from USD -6.5 MM in 2019 to USD -3.7 MM in 2020, while income tax without exceptional items increased from USD -5.0 MM in 2019 to USD -11.2 MM in 2020.

- **Net Profit and EBITDA**

Net profit before exceptional items increased from USD -20.8 MM in 3Q19 to USD 7.8 MM in 3Q20, mainly due to higher gross profit, and lower exploration costs, other expenses, and taxes.

EBITDA increased from USD 51.5 MM in 3Q19 to USD 60.6 MM in 3Q20, mainly explained by the higher gross margin, and lower exploration costs and other expenses.

Year-to-date (Jan-Sept), net profit before exceptional items decreased from USD -23.9 MM in 2019 to USD -38.4 MM in 2020. Net profit after exceptional items decreased from USD -17.3 MM in 2019 to USD -69.7 MM in 2020.

Cumulative EBITDA decreased from USD 172.5 MM in 2019 to USD 102.7 MM in 2020.



2.5 Liquidity and Creditworthiness

In 3Q20, cash generated by mining operations after investments totaled USD 64.7 MM, mainly due to the recovery of working capital, which was reduced during the suspension of operations resulting from the pandemic and their gradual restart.

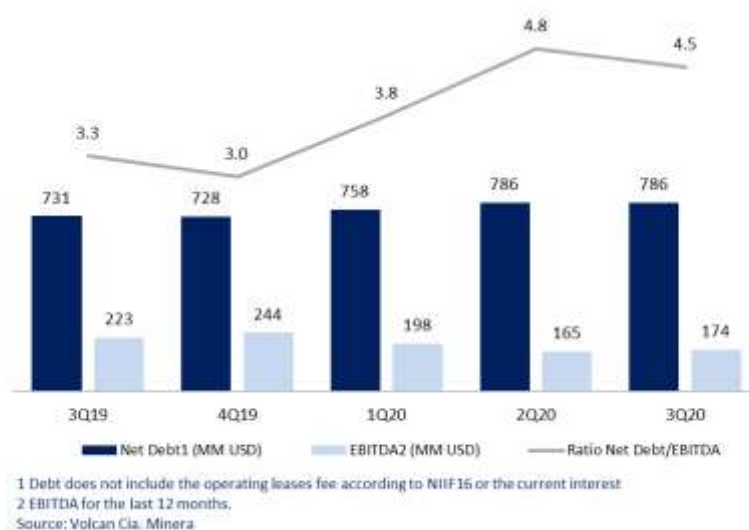
Moreover, in August, the Company obtained a 18-month syndicated loan without collateral worth USD 300 MM, which was used to pay short-term obligations. For this reason, the net flow of financing facilities amounted to USD -1.1 MM and interest paid totaled USD -18.3 MM.

Therefore, during 3Q20, the resulting total cash flow was USD 45.3 MM, and the total cash balance as of September 30, 2020, was USD 109.0 MM.

As of September 30, 2020, the net debt/EBITDA ratio was 4.5, a decrease over the previous quarter, mainly due to the greater EBITDA accumulated in the last 12 months and the higher cash balance.

It is important to note that, in October, the Company also secured a revolving line of credit for the amount of USD 50 MM, available for two years. Moreover, it is currently assessing alternatives for restructuring its total debt in the future, with the advice of up to three international banks.

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 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	603	225	627	823	-23.9	1,454	2,364	-38.5
Mineral treatment (thousands MT)	597	232	617	817	-24.4	1,446	2,357	-38.6
Fines Content								
Zinc (thousands FMT)	27.7	11.8	29.4	36.6	-19.5	69.0	102.7	-32.8
Lead (thousands FMT)	4.6	2.0	5.2	4.8	7.2	11.8	15.1	-21.4
Copper (thousands FMT)	0.4	0.4	0.6	0.8	-23.7	1.4	2.3	-39.0
Silver (million Oz)	1.6	0.7	1.4	1.7	-13.1	3.8	5.1	-24.8
Gold (thousands Oz)	1.3	0.5	1.1	1.5	-25.5	2.9	4.4	-34.4

Source: Volcan Cia. Minera

In the third quarter, ore extracted at the Yauli Unit decreased by 23.9% as compared to the same quarter of the previous year, mainly explained by a lower contribution by the Carahuacra, San Cristóbal and Andaychagua mines as a result of the reformulation of mining plans and a delay in mining operations due to the limitations caused by the COVID-19 national emergency. In line with this, the ore treated at the Yauli Unit concentrator plants decreased by 24.4% in 3Q20, as compared to the same period of the previous year.

Compared to 3Q19, in 3Q20, the production of zinc, copper, silver and gold fines decreased by 19.5%, 23.7%, 13.1%, and 25.5%, respectively, while lead production increased by 7.2%, due to better head grades.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	45.0	14.0	49.5	54.5	-9.1	108.6	154.5	-29.7
Extraction Cost	26.5	7.8	27.8	31.8	-12.6	62.1	90.1	-31.0
Treatment Cost	18.5	6.2	21.8	22.7	-4.2	46.5	64.4	-27.9
Unit Cost (USD/MT)	75.0	61.7	79.6	66.4	19.8	74.9	65.5	14.4
Extraction Cost	44.0	34.9	44.3	38.7	14.6	42.7	38.1	12.2
Treatment Cost	30.9	26.7	35.3	27.8	26.8	32.1	27.3	17.5

Source: Volcan Cia. Minera

In 3Q20, the absolute cost of production decreased by 9.1%, from USD 54.5 MM in 3Q19 to USD 49.5 MM in 3Q20. This is mainly explained by lower extracted and processed volumes. The unit cost of production increased by 19.8%, from 66.4 USD/MT in 3Q19 to 79.6 USD/MT in 3Q20, explained by lower dilution of fixed costs as a result of lower produced volumes and greater costs related to the protocols implemented to face COVID-19.

Year-to-date (Jan-Sept), the absolute cost of production declined by 29.7%, from USD 154.5 MM in 2019 to USD 108.6 MM in 2020. The unit cost of production increased by 14.4%, from 65.5 USD/MT in 2019 to 74.9 USD/MT in 2020.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Local Exploration	2.1	0.1	1.2	3.7	-67.3	3.4	10.6	-68.1
Mine Development	9.9	1.0	6.5	12.8	-49.2	17.3	35.5	-51.1
Plants and Tailings Dams	2.2	0.4	2.0	4.2	-53.5	4.6	7.1	-35.9
Mine and Infrastructure	4.3	1.4	3.9	5.0	-23.3	9.5	14.1	-32.5
Electrical Infrastructure	0.2	0.2	0.5	1.2	-63.5	0.8	2.6	-68.2
Support and Others	0.4	0.1	1.7	1.7	-3.5	2.2	3.9	-43.3
Total¹	19.1	3.1	15.6	28.7	-45.5	37.8	73.8	-48.7

¹ The investments include the operating leases fee according to NIIF 16: USD 2.4 MM in 3Q20 and USD 6.3 cumulatively.

Source: Volcan Cia. Minera

In 3Q20, operating investments at the Yauli Unit totaled USD 15.6 MM, a decrease of 45.5% as compared to USD 28.7 MM of 3Q19, due to the gradual restart of activities after suspending operations and facing certain limitations on project execution as a result of the pandemic.

Year-to-date (Jan-Sept), total operating investments declined by 48.7%, from USD 73.8 MM in 2019 to USD 37.8 MM in 2020.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	387	73	379	376	0.9	839	1,202	-30.2
Mineral treatment (thousands MT)	351	98	380	385	-1.5	829	1,269	-34.7
Fines Content								
Zinc (thousands FMT)	14.8	4.4	16.0	17.1	-6.4	35.2	55.2	-36.3
Lead (thousands FMT)	4.4	1.5	4.7	4.4	7.1	10.6	13.1	-18.9
Copper (thousands FMT)	0.3	0.1	0.3	0.3	7.6	0.7	0.8	-20.3
Silver (million Oz)	0.8	0.2	0.8	0.8	-4.8	1.7	2.3	-27.6

Source: Volcan Cia. Minera

In 3Q20, ore volumes extracted at Chungar increased by 0.9% as compared to 3Q19. Similarly, ore volumes treated in 3Q20 decreased by 1.5%, as compared to the same quarter in the previous year. It is important to note that the contribution of the Animón Mine increased by 2.8%, while the Islay Mine contribution decreased by 24.2% as compared to 3Q19.

During 3Q20, the production of lead and copper rose by 7.1% and 7.6%, respectively, while zinc and silver were reduced by 6.4% and 4.8%, respectively, compared to 3Q19. Variations in fines extraction production are related to greater contributions of the Animón Mine with higher lead and copper grades, and lower contributions of the Islay Mine, with better zinc and silver grades.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	22.9	6.9	24.9	21.6	15.0	54.7	70.3	-22.2
Extraction Cost	12.8	3.6	14.2	12.1	17.7	30.6	39.4	-22.4
Treatment Cost	10.1	3.3	10.6	9.5	11.5	24.1	30.9	-22.0
Unit Cost (USD/MT)	61.9	83.1	65.5	56.9	15.1	65.5	57.1	14.7
Extraction Cost	33.0	49.3	37.5	32.2	16.6	36.5	32.8	11.1
Treatment Cost	28.9	33.8	28.0	24.7	13.2	29.1	24.3	19.4

Source: Volcan Cia. Minera

In 3Q20, the absolute cost of production increased by 15.0%, from USD 21.6 MM in 3Q19 to USD 24.9 MM in 3Q20. This is mainly explained by higher shotcrete costs and costs related to protocols to face COVID-19. The unit cost of production increased by 15.1%, from 56.9 USD/MT in 3Q19 to 65.5 USD/MT in 3Q20.

Year-to-date (Jan-Sept), the absolute cost of production declined by 22.2%, from USD 70.30 MM in 2019 to USD 54.7 MM in 2020. The unit cost of production increased by 14.7%, from 57.1 USD/MT in 2019 to 65.5 USD/MT in 2020.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Local Exploration	1.5	0.0	0.2	1.4	-85.1	1.7	5.1	-67.4
Mine Development	3.7	0.4	4.1	6.3	-35.7	8.2	18.1	-54.6
Plants and Tailings Dams	0.2	0.2	4.0	0.5	646.2	4.4	2.6	69.0
Mine and Infrastructure	2.3	0.8	2.0	2.8	-26.7	5.1	7.8	-34.0
Electrical Infrastructure	0.2	0.0	0.2	0.2	-31.8	0.4	0.8	-49.9
Support and Others	0.3	0.4	1.3	0.8	71.8	2.1	2.6	-20.3
Total¹	8.1	1.9	11.9	12.0	-1.5	21.9	37.0	-40.8

¹ The investments include the operating leases fee according to NIIF 16: USD 1.0 MM in 3Q20 and USD 2.6 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased by 1.5%, from USD 12.0 MM in 3Q19 to USD 11.9 MM in 3Q20. It should be noted that the plant and tailings dam investment increased by 0.5%, from USD 0.5 MM in 3Q19 to USD 4.0 MM in 3Q20.

Year-to-date (Jan-Sept), operating investments declined by 40.8%, from USD 37.0 MM in 2019 to USD 21.9 MM in 1H20.

3.3 Alparmarca Unit Operating Results

Table 16: Alparmarca Production

Alparmarca Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	120	74	215	227	-5.4	408	732	-44.3
Mineral treatment (thousands MT)	198	105	239	240	-0.4	542	701	-22.7
Fines Content								
Zinc (thousands FMT)	1.5	0.9	2.0	1.5	32.7	4.4	4.3	3.5
Lead (thousands FMT)	1.0	0.6	1.5	1.3	18.3	3.2	3.3	-3.4
Copper (thousands FMT)	0.1	0.0	0.1	0.1	29.8	0.2	0.3	-11.0
Silver (million Oz)	0.2	0.1	0.4	0.3	26.7	0.8	0.9	-13.1

Source: Volcan Cia. Minera

In 3Q20, ore volumes extracted at the Alparmarca Unit decreased by 5.4% compared to the same quarter of the previous year. However, treated ore volumes decreased by only 0.4% compared to the same quarter of the previous year.

In 3Q20, zinc, lead, copper and silver fines production increased by 32.7%, 18.3%, 29.8%, and 26.7%, respectively, as compared to 3Q19, due to better head grades of the treated ore.

Table 17: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	5.0	2.1	5.8	5.9	-0.7	12.9	16.4	-21.3
Extraction Cost	2.5	0.9	2.7	2.8	-5.0	6.1	7.6	-19.4
Treatment Cost	2.5	1.1	3.2	3.0	6.7	6.8	8.8	-22.9
Unit Cost (USD/MT)	33.3	23.5	25.7	25.2	2.1	27.5	22.9	20.1
Extraction Cost	20.7	12.8	12.5	12.5	-0.3	15.0	10.4	43.3
Treatment Cost	12.6	10.7	13.2	12.7	4.4	12.5	12.5	-0.3

Source: Volcan Cia. Minera

In 3Q20, the cost of production in absolute terms reached USD 5.8 MM, 0.7% lower than the USD 5.9 MM figure for the same quarter of the previous year. The unit cost increased by 2.1%, from 25.2 USD/MT in 3Q19 to 25.7 USD/MT in 3Q20.

Year-to-date (Jan-Sept), the cost of production in absolute terms decreased by 21.3%, from USD 16.4 MM in 2019 to USD 12.9 MM in 2020, while the unit cost of production increased by 20.1%, from 22.9 USD/MT in 2019 to 27.5 USD/MT in 2020, mainly explained by the reduced dilution of fixed costs resulting from lower extraction volumes.

Table 18: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Local Exploration	0.1	0.0	0.2	0.6	-69.2	0.3	1.0	-70.9
Plants and Tailings Dams	0.0	0.1	1.1	1.0	7.4	1.2	1.5	-19.5
Mine and Infrastructure	0.2	0.1	0.1	-1.6	0.4	0.5	0.5	-17.1
Support and Others	0.0	0.0	0.1	0.3	-81.2	0.1	0.4	-74.6
Total¹	0.3	0.3	1.5	0.3	453.2	2.1	3.5	-38.7

¹ The investments include the operating leases fee in 2019 according to NIIF 16: USD 0.04 MM in 3Q20 and USD 0.22 cumulatively.

Source: Volcan Cia. Minera

Operating investments increased from USD 0.3 MM in 3Q19 to USD 1.5 MM in 3Q20, mainly explained by a reclassification of the purchase of mine equipment carried out in 3Q19. Year-

to-date (Jan-Sept), operating investments declined from USD 3.5 MM in 2019 to USD 2.1 MM in 2020.

3.4 Cerro de Pasco Unit Operating Results

Table 19: Cerro de Pasco Production

Cerro de Pasco Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	382	196	579	577	0.3	1,156	1,427	-18.9
Mineral treatment (thousands MT)	382	196	579	577	0.3	1,156	1,427	-18.9
Fines Content								
Zinc (thousands FMT)	3.3	1.6	4.0	4.8	-16.3	8.9	12.0	-25.5
Lead (thousands FMT)	1.4	0.6	1.5	1.8	-14.9	3.4	4.1	-16.2
Silver (million Oz)	0.1	0.1	0.2	0.2	-17.3	0.4	0.5	-27.5

Source: Volcan Cia. Minera

In 3Q20, ore volumes from stockpiles processed at Cerro de Pasco increased by 0.3% compared to the same quarter of the previous year, from 577 thousand MT in 3Q19 to 579 thousand MT in 3Q20.

In 3Q20, zinc, lead and silver fines production decreased by 16.3%, 14.9%, and 17.3%, respectively, as compared to 3Q19, due to lower head grades of the treated ore.

Table 20: Cerro de Pasco Cost of Production

Cerro de Pasco Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	5.6	2.0	6.4	6.8	-5.9	14.0	20.0	-30.0
Extraction Cost	0.9	0.3	1.3	1.1	2.5	2.5	2.0	-36.1
Treatment Cost	4.7	1.7	5.1	5.7	-10.6	11.6	18.1	-36.1
Unit Cost (USD/MT)	14.7	10.2	11.1	11.8	-6.2	12.1	14.1	-13.6
Extraction Cost	2.3	1.5	2.3	1.9	2.1	2.1	1.4	-21.2
Treatment Cost	12.4	8.7	8.8	9.9	-10.9	10.0	12.7	-21.2

Source: Volcan Cia. Minera

The absolute cost of production decreased by 5.9%, from USD 6.8 MM in 3Q19 to USD 6.4 MM in 3Q20. Unit cost fell by 6.2%, from 11.8 USD/MT in 3Q19 to 11.1 USD/MT.

Year-to-date (Jan-Sept), the absolute cost of production declined by 30.0%, from USD 20.0 MM in 2019 to USD 14.0 MM in 2020. The unit cost of production decreased by 13.6%, from 14.1 USD/MT in 2019 to 12.1 USD/MT in 2020.

Table 21: Cerro de Pasco Operating Investments

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Local Exploration	0.0	0.0	0.0	0.1	-71.6	0.0	0.3	-93.4
Plants and Tailings Dams	0.0	0.0	0.0	0.2	-99.8	0.0	2.0	-98.3
Mine and Infrastructure	0.1	0.0	0.1	0.0	0.2	0.2	0.3	-33.3
Support and Others	0.0	0.0	0.0	0.3	-92.3	0.0	0.9	-95.6
Total¹	0.1	0.1	0.2	0.5	-65.8	0.3	3.5	-90.6

¹ The investments include the operating leases fee in 2019 according to NIIF 16: USD 0.05 MM in 3Q20 and USD 0.15 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased from USD 0.5 MM in 3Q19 to USD 0.2 MM in 3Q20. Year-to-date (Jan-Sept), operating investments declined from USD 3.5 MM in 2019 to USD 0.3 MM in 2020.

3.5 Oxides Plant Operating Results

Table 22: Oxides Plant Production

Oxides Plant Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Mineral extraction (thousands MT)	155	59	226	235	-3.6	441	671	-34.3
Mineral treatment (thousands MT)	155	59	226	235	-3.6	441	671	-34.3
Fines Content								
Silver (million Oz)	0.6	0.2	0.9	1.0	-11.7	1.7	2.3	-28.5
Gold (Oz)	1,129	582	1,439	3,335	-56.8	3,150	11,480	-72.6

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant decreased by 3.6%, from 235 thousand MT in 3Q19 to 226 thousand MT in 3Q20. As a result, silver and gold ounces production decreased by 11.7% and 56.8%, respectively, mainly explained by lower treated volumes and lower head grades of the treated ore. Particularly, the lower gold grade is a result of the reduced processing of run-of-mine ore from the open pit. The run-of-mine ore contribution is expected to increase from November of this year, and treated gold grades will improve as a result.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Production Cost (MM USD)	7.4	2.1	9.5	11.2	-15.1	19.0	28.4	-33.0
Extraction Cost	1.5	0.3	1.4	2.7	-48.7	3.2	5.2	-38.1
Treatment Cost	5.8	1.8	8.1	8.5	-4.4	15.8	23.2	-31.9
Unit Cost (USD/MT)	47.5	36.1	42.0	47.7	-11.9	43.2	42.4	1.9
Extraction Cost	9.8	5.2	6.1	11.5	-46.8	7.3	7.7	-5.8
Treatment Cost	37.7	30.9	35.9	36.2	-0.8	35.9	34.6	3.6

Source: Volcan Cia. Minera

In 3Q20, the cost of production in absolute terms totaled USD 9.5 MM, 15.1% lower than the USD 11.2 MM figure in 3Q19, as a result of reduced reagent and main supplies costs. Unit cost fell by 11.9%, from 47.7 USD/MT in 3Q19 to 42.0 USD/MT in 3Q20.

Year-to-date (Jan-Sept), the absolute cost of production declined by 33.0%, from USD 28.4 MM in 2019 to USD 19.0 MM in 2020. The operation's unit cost increased by 1.9%, from 42.4 USD/MT in 2019 to 43.2 USD/MT in 2020.

Table 24: Oxides Plant Operating Investments

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Plants and Tailings Dams	0.2	0.0	0.1	1.2	-93.9	0.3	3.0	-88.8
Mine and Infrastructure	0.3	0.2	0.3	0.8	-62.4	0.8	1.5	-46.1
Support and Others	0.0	0.0	0.0	0.1	-72.1	0.1	0.5	-87.0
Total¹	0.5	0.3	0.4	2.0	-80.0	1.2	5.0	-76.2

¹ The investments include the operating leases fee in 2019 according to NIIF 16: USD 0.04 MM in 2Q20 and USD 0.96 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased from USD 2.0 MM in 3Q19 to USD 0.4 MM in 3Q20. Year-to-date (Jan-Sept), operating investments declined from USD 5.0 MM in 2019 to USD 1.2 MM in 2020.

3. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2020	Jul-Sep 2019	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Energy generation	119.6	112.9	97.2	101.2	-3.9	329.7	278.3	18.5
Chungar	36.6	40.3	37.9	35.7	6.2	114.8	116.8	-1.7
Tingo	0.0	0.0	0.3	2.2	-86.4	0.3	6.8	-95.6
Huanchor	42.3	34.0	36.0	37.0	-2.8	112.3	118.4	-5.1
Rucuy	40.7	38.5	22.9	26.3	-12.8	102.1	36.3	180.9
Energy consumption	171.9	127.4	180.6	192.3	-6.1	479.9	566.4	-15.3
Energy purchase	135.3	87.1	142.4	154.4	-7.8	364.8	442.9	-17.6

Source: Volcan Cia. Minera

During 3Q20, Volcan's total consumption of electric power reached 180.6 GWh, with a maximum demand of 94.7 MW. The 10 hydroelectric plants that belong to the Chungar Unit generated 37.9 GWh. This accounted for 21% of the Company's total consolidated consumption, at an average cost of 18.6 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 142.4 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 56.8 USD/MWh.

The Tingo Hydroelectric Plant gradually restarted operations in August 15, after undergoing maintenance since the end of last year.

In 3Q20, the Huanchor Hydroelectric Plant produced 36.0 GWh, a 3% reduction as compared to the same period of the previous year, resulting from the reduced availability of water and maintenance works on a transformer. The power of Huanchor Hydroelectric Plant was entirely sold to third parties.

The Rucuy Hydroelectric Plant produced 22.9 GWh in 3Q20, a decrease of 12.8% as compared to 3Q19, and the power was used to meet the commitments set forth in its renewable energy agreement (RER).

4. Final Comments

- All mining units are operating normally, as a result of the prompt fitting-out of the available infrastructure and the effective implementation of strict protocols, in addition to the discipline and the isolation inherent to our operations. However, the pandemic's impact on production has been significant and there are still some limitations resulting from the national emergency that prevent operating at full capacity.
- Initiatives currently executed by Volcan seek to improve the margin and reduce costs across operations, with the objective of offsetting the lower production and the cost impact resulting from the strict protocols implemented to protect our employees' health and minimize the risk of spreading the virus. The costs to maintain these protocols are estimated at USD 14 MM for one year.
- Despite the deceleration in global growth as a result of the pandemic, aggressive stimulus measures taken around the world have allowed the reactivation of the economy, specially China's industrial engine. The increase of base metals prices in recent months is an indicator of the improved expectations for economic recovery. Furthermore, precious metals prices have also improved due to their nature as safe-haven assets during uncertain times, and in periods of commercial tensions and low interest rates. The recovery in metal prices has contributed to the improvement of the Company's financial results.
- In August this year, the Company obtained an 18-month syndicated loan without collateral worth USD 300 MM. Eight banks participated in this transaction, with Banco Santander and Scotiabank at the forefront. The loan was used to reprofile the short-term debt and improve liquidity. Similarly, in October, the Company secured an additional revolving line of credit without collateral worth USD 50 MM, available at any time during the next two years.
- Finally, it is important to mention that strategies and alternatives are under evaluation to restructure the Company's total debt with the advice of up to three international banks.
- COSCO SHIPPING Ports Chancay PERÚ (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. The underground pipeline entrance is almost complete, which has all the necessary permits and licenses.



In addition, the construction of the camp with capacity for 1,500 people and collateral works is in its final phase.



The corresponding permits for the operations area are being processed, in order to expand port capacities to four berths: two for multiple purposes and two for containers. The works for the Chancay Port are within the established schedule. The estimated investment for the first stage amounts to USD 1.3 billion.



• Annexes

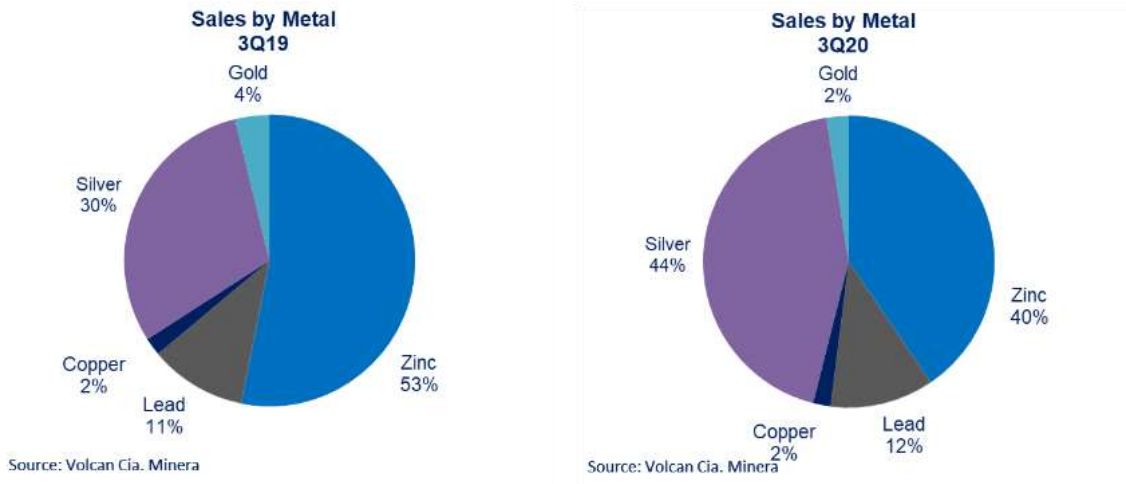
Annex 1: Sales Breakdown

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



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

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



The distribution of sales by metal in 3Q20 reflects an increase in the contribution of silver and lead as compared to 3Q19, while the contribution of zinc and gold decreased, due to the variation in prices and production.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Zinc (USD/MT)	2,128	1,959	2,340	2,345	-0.2	2,142	2,604	-17.7
Lead (USD/MT)	1,847	1,670	1,876	2,029	-7.5	1,798	1,984	-9.4
Copper (USD/MT)	5,635	5,341	6,521	5,798	12.5	5,833	6,044	-3.5
Silver (USD/Oz)	16.9	16.3	24.4	17.0	43.3	19.2	15.8	21.4
Gold (USD/Oz)	1,584	1,710	1,912	1,474	29.7	1,735	1,363	27.3

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Jul-Sep 2019	var %	Jan-Sep 2020	Jan-Sep 2019	var %
Exchange Rate (S/ x USD)	3.40	3.43	3.54	3.34	6.0	3.46	3.33	3.9
Inflation	1.82	1.60	1.69	1.85	-8.8	1.69	1.85	-8.8

¹ Inflation of the last 12 months

Source: Central Reserve Bank of Peru

Annex 4: Domestic Peruvian Metal Production

National Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Aug 2020	Jul-Aug 2019	var %	Jan-Aug 2020	Jan-Aug 2019	var %
Zinc (FMT)	353,498	163,934	246,813	229,145	7.7	764,245	907,736	-15.8
Lead (FMT)	70,649	33,594	42,179	50,740	-16.9	146,422	200,105	-26.8
Copper (FMT)	514,793	434,424	392,649	418,747	-6.2	1,341,866	1,610,806	-16.7
Silver (Thousands Oz)	27,126	14,985	15,825	21,122	-25.1	57,936	80,699	-28.2
Gold (Thousands Oz)	880	478	411	709	-42.0	1,769	4,129	-57.1

Source: Ministry of Energy and Mines