

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

Principal Results:

Consolidated Volcan	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Sales Prices¹									
Zinc (USD/MT)	2,183	2,015	2,208	2,569	2,378	8.0	2,280	2,539	-10.2
Lead (USD/MT)	1,834	1,736	1,882	1,896	2,040	-7.1	1,855	1,978	-6.2
Copper (USD/MT)	5,393	5,420	6,493	6,466	5,851	10.5	6,074	6,022	0.9
Silver (USD/Oz)	17.0	17.3	23.9	24.7	17.4	42.1	21.4	16.1	32.8
Gold (USD/Oz)	1,575	1,737	1,891	1,868	1,481	26.1	1,773	1,387	27.8
Operating Results									
Mineral treatment ² (thousands MT)	1,683	690	2,041	2,164	2,384	-9.2	6,578	8,809	-25.3
Zinc Production (thousands FMT)	47.4	18.6	51.5	49.1	64.9	-24.3	166.6	239.0	-30.3
Lead Production (thousands FMT)	11.4	4.8	12.9	11.9	13.8	-13.5	41.0	49.4	-16.9
Copper Production (thousands FMT)	0.8	0.5	1.0	1.2	1.1	7.0	3.5	4.5	-22.6
Silver Production (millions Oz)	3.3	1.4	3.6	3.7	4.4	-14.7	12.1	15.6	-22.4
Gold Production (thousands Oz)	2.8	1.2	2.9	3.7	5.6	-33.9	10.6	21.6	-50.8
Unit Cost (USD/MT)	51.6	41.3	47.3	48.8	45.2	8.0	48.3	45.2	6.8
Total Investments (MM USD)	28.9	6.4	30.3	52.8	62.9	-16.1	118.4	194.0	-38.9
Financial Results (MM USD)									
Sales before adjustments	143.2	47.1	167.6	173.8	205.5	-15.4	531.8	754.1	-29.5
Sales Adjustments	-12.1	3.8	5.8	6.1	1.8	229.6	3.7	-10.5	
Settlement of prior period adjustments	-11.5	-12.5	7.6	4.7	-10.4		-11.8	-15.7	-24.8
Adjustments for open positions ³	-9.5	15.3	-1.8	3.8	4.8	-21.2	11.1	-2.4	
Hedging results	9.0	1.1	-3.2	-2.4	7.5		4.4	7.5	-41.1
Sales after adjustments	131.1	51.0	173.5	179.9	207.3	-13.2	535.5	743.6	-28.0
Net profit before exceptionals	-24.1	-22.1	7.8	-20.4	1.9		-58.8	-21.9	168.0
Exceptional adjustments ⁴	-7.3	-24.0	0.0	-60.3	-45.0	9.7	-91.6	-48.4	89.5
Net profit after exceptionals	-31.5	-46.0	7.8	-80.8	-53.1	52.3	-150.4	-70.3	114.0
EBITDA⁵	27.3	14.8	60.6	61.5	71.6	-14.2	164.1	244.1	-32.8

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 Exceptional adjustments were USD -91.6 MM in 2020, these included i) USD -31.3 MM paralyzation expenses by COVID-19, ii) USD -48.9 MM due to the reversal of the accounting record of assets available for sale related to the purchase-sale agreement not executed with Cerro de Pasco Resources (non cash), iii) USD -11.4 MM impairment and other provisions non cash.

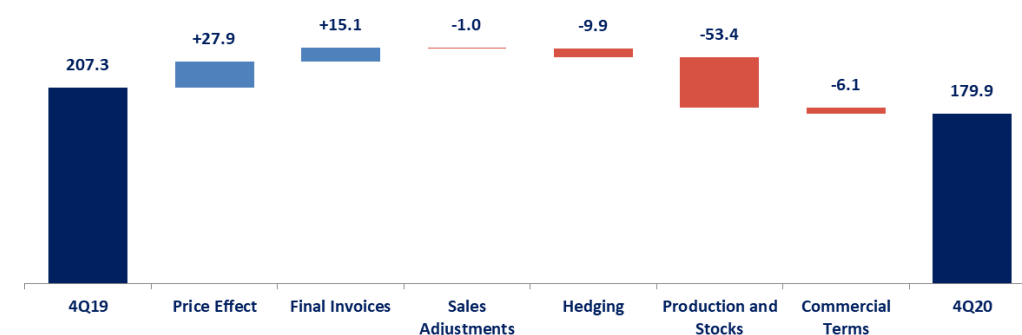
⁵ Does not consider exceptional adjustments

Source: Volcan Cia. Minera

1. Executive Summary

- The average sale prices of the two most relevant metals in the Company's sales portfolio, zinc and silver, showed a favorable behavior. The price of zinc increased by 8.0% (191 USD/MT), from 2,378 USD/MT in 4Q19 to 2,569 USD/MT in 4Q20; silver increased by 42.1% (+7.3 USD/Oz), from 17.4 USD/Oz to 24.7 USD/Oz. The price of lead decreased by 7.1% (-144 USD/MT), from 2,040 USD/MT to 1,896 USD/MT; copper increased by 10.5% (615 USD/MT), from 5,851 USD/MT to 6,466 USD/MT; and gold increased by 26.1% (+386 USD/Oz), from 1,481 USD/Oz in 4Q19 to 1,868 USD/Oz in 4Q20.
- All mining units are currently operating, observing strict protocols to guarantee our employees' health and safety amidst the COVID-19 pandemic. In 4Q20, the operations were unable to reach their full production capacity mainly due to personnel limitations as a result of the national emergency caused by the pandemic.
- As a result, in 4Q20, treated consolidated volumes decreased by 9.2%, as compared to the same period of the previous year, from 2.4 MM MT in 4Q19 to 2.2 MM MT in 4Q20. Zinc production decreased by 24.3%, from 64.9 thousand FMT in 4Q19 to 49.1 thousand FMT in 4Q20, lead production decreased by 13.5%, from 13.8 thousand FMT to 11.9 thousand FMT, copper production increased by 7.0%, from 1.1 thousand FMT to 1.2 thousand FMT, silver decreased by 14.7% from 4.4 MM Oz to 3.7 MM Oz, and gold production decreased by 33.9%, from 5.6 thousand Oz to 3.7 thousand Oz. However, it is important to mention that production in 4Q20 was similar to 3Q20, and remained stable despite the abovementioned limitations related to the pandemic.
- Total sales before adjustments decreased by 15.4%, from USD 205.5 MM in 4Q19 to USD 173.8 MM in 4Q20, mainly explained by lower production, partially offset by improved prices of main metals. Considering positive sales adjustments of USD 6.1 MM in 4Q20, and positive sales adjustments of USD 1.8 MM in 4Q19, sales after adjustments decreased by 13.2%, from USD 207.3 MM in 4Q19 to USD 179.9 MM in 4Q20. Moreover, in 4Q20, difficulties to transport concentrates from the plants in late December had an impact of approximately USD 7 MM on sales. However, sales in 4Q20 were higher than sales in the same period of the previous year.

Figure 1: 4Q20 vs 4Q19 variations impact on net sales (USD MM)

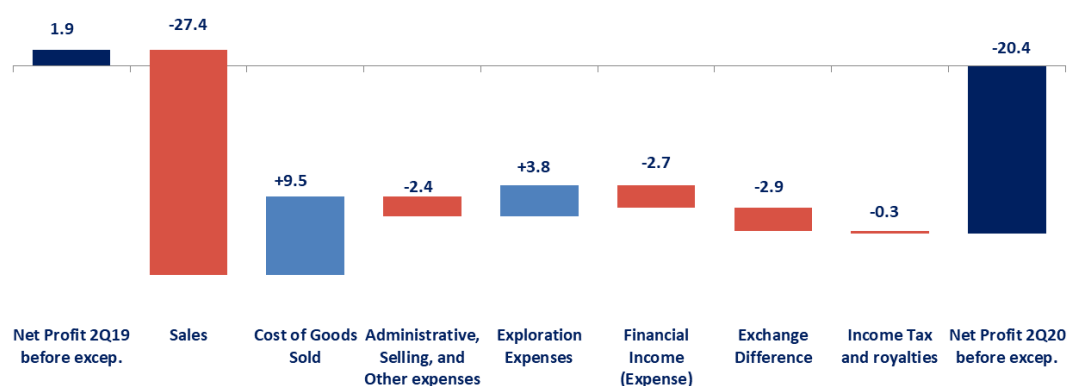


Source: Volcan Cía. Minera

- Consolidated unit cost increased by 8%, from 45.2 USD/MT in 4Q19 to 48.8 USD/MT in 4Q20, mainly due to lower treated volumes, the recovery of mine preparations affected in previous months due to the pandemic, and additional costs to implement and observe strict protocols to protect our employees' health against COVID-19.
- Net profit before exceptional items decreased from USD 1.9 MM in 4Q19 to USD -20.4 MM in 4Q20, mainly due to lower sales after adjustments. It is important to note that the regularization of depreciation of the Oxides Plant had an impact of approximately USD 24 MM¹, without this impact, the net loss would have been less by approximately USD 17 MM. In addition, EBITDA decreased by 14.2%, from USD 71.6 MM in 4Q19 to USD 61.5 MM in 4Q20.

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

Figure 2: 4Q20 vs 4Q19 variations impact on net profit before exceptional items (USD MM)



Source: Volcan Cía. Minera

- Year-to-date (Jan-Dec), sales after adjustments decreased from USD 743.6 MM in 2019 to USD 534.9 MM in 2020, net profit before exceptional items decreased from USD -21.9 MM in 2019 to USD -58.8 MM in 2020, while EBITDA decreased from USD 244.1 MM in 2019 to USD 164.1 MM in 2020, mainly explained by suspended operations for over two months between March and June as a result of the mandatory social lockdown, and personnel limitations in the subsequent months caused by COVID-19.
- Total investments decreased from USD 62.9 MM in 4Q19 to USD 54.4 MM in 4Q20, due to limitations on the transportation of personnel for project execution, development and preparations as a result of the pandemic. Year-to-date, total investments decreased from USD 194.0 MM in 2019 to USD 118.4 MM in 2020.

2. Consolidated Results

2.1 Production

Table 1: Consolidated Production

Consolidated Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	1,646	626	2,026	2,152	2,357	-8.7	6,450	8,752	-26.3
Polymetallic ore	1,491	566	1,799	1,917	2,116	-9.4	5,774	7,841	-26.4
Oxides ore	155	59	226	235	241	-2.3	676	911	-25.8
Mineral treatment (thousands MT)	1,683	690	2,041	2,164	2,384	-9.2	6,578	8,809	-25.3
Concentrator Plants	1,528	631	1,815	1,929	2,144	-10.0	5,902	7,898	-25.3
Silver Oxides Plant	155	59	226	235	241	-2.3	676	911	-25.8
Fine Content									
Zinc (thousands FMT)	47.4	18.6	51.5	49.1	64.9	-24.3	166.6	239.0	-30.3
Lead (thousands FMT)	11.4	4.8	12.9	11.9	13.8	-13.5	41.0	49.4	-16.9
Copper (thousands FMT)	0.8	0.5	1.0	1.2	1.1	7.0	3.5	4.5	-22.6
Silver (millions Oz)	3.3	1.4	3.6	3.7	4.4	-14.7	12.1	15.6	-22.4
Gold (thousands Oz)	2.8	1.2	2.9	3.7	5.6	-33.9	10.6	21.6	-50.8

Source: Volcan Cia. Minera

All mining units are currently operating, observing strict protocols to guarantee our employees' health and safety. Camps, mess halls, vehicles, etc., have been adapted to maintain the necessary social distance. However, extracted ore volumes decreased by 8.7%, from 2.357 MM MT in 4Q19 to 2.152 MM MT in 4Q20, explained by limitations resulting from the COVID-19 pandemic, particularly with regard to specialized personnel availability. In consequence, treated volumes decreased by 9.2%, from 2.384 MM MT in 4Q19 to 2.164 MM MT in 4Q20.

Zinc production decreased by 24.3%, from 64.9 thousand FMT in 4Q19 to 49.1 thousand FMT in 4Q20, lead production decreased by 13.5%, from 13.8 thousand FMT to 11.9 thousand FMT, copper production increased by 7.0%, from 1.1 thousand FMT to 1.0 thousand FMT, silver decreased by 14.7% from 4.4 MM Oz to 3.7 MM Oz, and gold production decreased by 33.9%, from 5.6 thousand Oz to 3.7 thousand Oz. The decrease in gold production is explained by the reduction of run-of-mine ore from the open pit processed at the Oxides Plant.

Year-to-date (Jan-Dec), extracted volumes decreased by 26.3% 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, the gradual restart of operations, and the subsequent limitations related to personnel availability also caused by the pandemic. The treated volume decreased by 25.3%, from 8.809 MM MT in 2019 to 6.578 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	85.9	27.1	96.2	105.2	107.1	-1.7	314.4	396.7	-20.7
Mine Cost	44.2	13.0	47.4	52.6	53.7	-2.2	157.1	197.9	-20.6
Plant and Other Cost	41.7	14.2	48.8	52.7	53.3	-1.2	157.4	198.8	-20.8
Unit Cost (USD/MT)	51.6	41.3	47.3	48.8	45.2	8.0	48.3	45.2	6.8
Mine Cost	26.8	20.7	23.4	24.4	22.8	7.1	24.4	22.6	7.7
Plant and Other Cost	24.8	20.5	23.9	24.3	22.4	8.9	23.9	22.6	6.0

Source: Volcan Cia. Minera

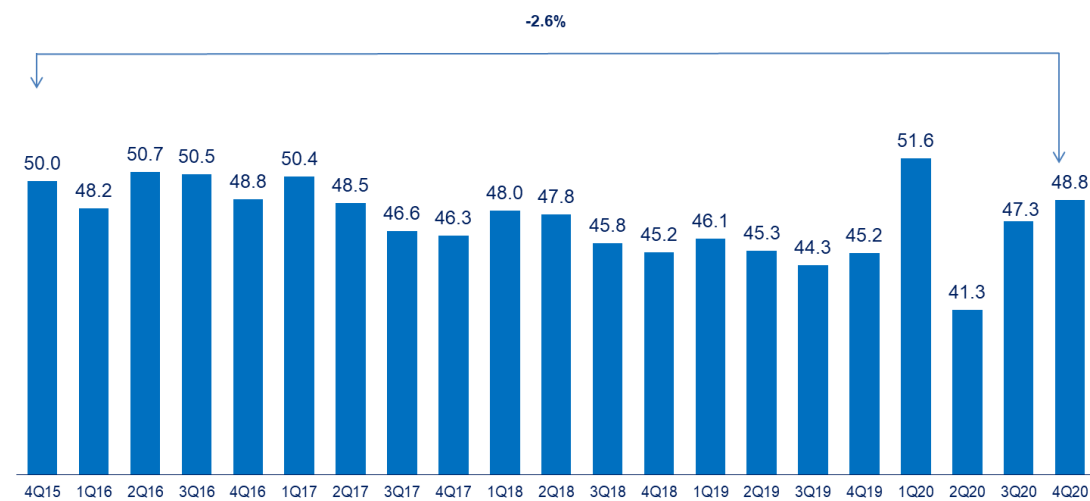
The cost of production in absolute terms decreased by 1.7%, from USD 107.1 MM in 4Q19 to USD 105.2 MM in 4Q20, while the consolidated unit cost increased by 8.1%, from 45.2 USD/MT in 4Q19 to 48.8 USD/MT in 4Q20, mainly due to lower production volumes and additional costs incurred to implement and observe strict protocols against COVID-19, and increased works at the mines to bring the mining cycles back to optimal levels, after they were affected by the suspension of operations and personnel limitations caused by the pandemic.

Year-to-date (Jan-Dec), the absolute cost of production decreased by 20.7%, from USD 396.7 MM in 2019 to USD 314.4 MM in 2020, while the unit cost increased by 6.8% from 45.2 USD/MT in 2019 to 48.3 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. In 2020, these costs amounted to over USD 10 MM, not taking into account the USD 5 MM invested to implement the protocols.

The production costs are expected to stabilize and gradually decrease to pre-COVID levels as the pandemic situation improves at the national and international level.

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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mining	28.7	6.4	30.2	52.6	62.6	-16.0	117.9	191.5	-38.4
Mining Units	28.2	5.6	29.6	50.9	56.8	-10.5	114.3	179.5	-36.3
Local Exploration	3.7	0.1	1.6	3.2	6.1	-47.2	8.6	23.1	-62.9
Development	13.6	1.4	10.6	13.2	17.3	-23.6	38.7	70.8	-45.3
Plants and Tailings Facilities	2.7	0.8	7.2	19.5	14.5	34.0	30.1	30.8	-2.4
Mine and Infrastructure	7.1	2.5	6.4	8.6	10.2	-15.3	24.7	34.3	-28.0
Electrical Infrastructure in Units	0.5	0.2	0.7	1.6	2.9	-43.3	2.9	6.3	-53.4
Support and Others	0.7	0.7	3.1	4.8	5.9	-19.3	9.3	14.2	-34.6
Regional Explorations	0.2	0.2	0.2	0.1	1.1	-87.2	0.8	4.2	-81.9
Growth and Others	0.3	0.6	0.4	1.6	4.7	-66.4	2.9	7.8	-62.4
Energy	0.1	0.0	0.1	0.2	0.3	-31.7	0.5	2.5	-80.1
Total	28.9	6.4	30.3	52.8	62.9	-16.1	118.4	194.0	-38.9

¹ The investments include the operating leases fee according to NIIF 16: USD 4.4 MM in 1Q20, USD 1.5 MM in 2Q20, USD 3.5 MM in 3Q20, USD 3.8 MM in 4Q20, and USD 13.3 cumulatively.

Source: Volcan Cia. Minera

In the fourth quarter, total mining investments decreased by 16.0%, from USD 62.6 MM in 4Q19 to USD 52.6 MM in 4Q20, mainly due to personnel limitations as a result of the COVID-19 pandemic, which hinder the projects' normal execution of the projects, development and preparations. Operating unit investments decreased by 10.5%, from USD 56.8 MM in 4Q19 to USD 50.9 MM in 4Q20, and regional explorations and growth investments decreased from USD 1.1 MM to USD 0.1 MM and USD 4.7 MM to USD 1.6 MM, respectively. Investments in the energy business decreased from USD 0.3 MM to USD 0.2 MM.

As a result, total investments decreased by 16.1%, from USD 62.9 MM in 4Q19 to USD 52.8 MM in 4Q20.

Year-to-date (Jan-Dec), total operating investments declined by 38.9%, from USD 194.0 MM in 2019 to USD 118.4 MM in 2020.

The investment execution capacity is expected to be fully recovered across all mining units in the following quarters.

2.4 Income Statement

Table 4: Income Statement

Income Statement (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Sales before adjust.	143.2	47.1	167.6	173.8	205.5	-15.4	531.8	754.1	-29.5
<i>Sett. of prior periods adjust.</i>	-11.5	-12.5	7.6	4.7	-10.4		-11.8	-15.7	-24.8
<i>Adj. open positions</i>	-9.5	15.3	1.5	3.8	4.8	-21.2	11.1	-2.4	
<i>Hedging</i>	9.0	1.1	-3.2	-2.4	7.5		4.4	7.5	-41.1
Sales after adjust.	131.1	51.0	173.5	179.9	207.3	-13.2	535.5	743.6	-28.0
Cost of Goods Sold¹	-125.6	-38.3	-130.2	-152.1	-161.7	-5.9	-446.3	-596.4	-25.2
Gross Profit	5.5	12.7	43.2	27.8	45.6	-39.1	89.2	147.2	-39.4
<i>Gross Margin</i>	4%	25%	25%	15%	22%	-7 pp	17%	20%	-3 pp
Administrative Expenses	-7.7	-6.2	-9.2	-11.2	-13.3	-15.5	-34.3	-38.3	-10.3
Exploration Expenses	-1.5	-1.1	-1.1	-2.7	-6.6	-58.6	-6.4	-18.9	-66.1
Sales Expenses	-4.7	-1.8	-4.3	-4.6	-6.5	-28.5	-15.4	-23.2	-33.5
Other Income (Expenses) ²	0.1	-3.5	-4.6	-6.6	-0.3		-14.6	-24.0	-39.3
Operating Profit	-8.3	0.1	24.0	2.6	19.0	-86.4	18.4	42.8	-56.9
<i>Operating Margin</i>	-6%	0%	14%	1%	9%	-8 pp	3%	6%	-2 pp
Financial Income (Expense)	-11.5	-11.0	-11.7	-15.7	-13.0	21.0	-49.9	-47.7	4.7
Exchange Difference (net)	-2.3	-1.5	-1.3	-0.4	2.4		-5.6	1.1	
Royalties	-1.3	-0.3	-2.1	-2.1	-2.1	1.2	-5.8	-8.6	-32.8
Income Tax	-0.7	-9.3	-1.1	-4.7	-4.5	6.0	-15.9	-9.5	67.1
Net Profit before Exceptionals	-24.1	-22.1	7.8	-20.4	1.9		-58.8	-21.9	168.0
<i>Net Margin</i>	-18%	-43%	5%	-11%	1%	-12 pp	-11%	-3%	-8 pp
Exceptional adjustments ³	-7.3	-24.0	0.0	-60.3	-55.0	9.7	-91.6	-48.4	
Net Profit after Exceptionals	-31.5	-46.0	7.8	-80.8	-53.0	52.3	-150.4	-70.3	114.0
<i>Net Margin</i>	-24%	-90%	5%	-45%	-26%	-19 pp	-28%	-9%	-19 pp
EBITDA⁴	27.3	14.8	60.6	61.5	71.6	-14.2	164.1	244.1	-32.8
<i>EBITDA Margin</i>	21%	29%	35%	34%	35%	0 pp	31%	33%	-2 pp

¹ The accounting income statement as of 4Q20 shows all the paralyzation expenses on the cost of goods sold and no longer on the other expenses line. This management report does not consider this change to facilitate comparison with previous periods.

² Includes the sales and cost of sales of the energy division.

³ Exceptional adjustments were USD -91.6 MM in 2020, these included i) USD -31.3 MM paralyzation expenses by COVID-19, ii) USD -48.9 MM due to the reversal of the accounting record of assets available for sale related to the purchase-sale agreement not executed with Cerro de Pasco Resources (non cash), iii) USD -11.4 MM impairment and other provisions non cash.

⁴ 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Zinc (USD/MT)	2,183	2,015	2,208	2,569	2,378	8.0	2,280	2,539	-10.2
Lead (USD/MT)	1,834	1,736	1,882	1,896	2,040	-7.1	1,855	1,978	-6.2
Copper (USD/MT)	5,393	5,420	6,493	6,466	5,851	10.5	6,074	6,022	0.9
Silver (USD/Oz)	17.0	17.3	23.9	24.7	17.4	42.1	21.4	16.1	32.8
Gold (USD/Oz)	1,575	1,737	1,891	1,868	1,481	26.1	1,773	1,387	27.8

Source: Volcan Cia. Minera

In 4Q20, except for lead, metals prices, especially precious metals, showed a positive trend.

The prices shown in table 5 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Zinc (thousands FMT)	51.3	17.4	51.6	46.2	66.3	-30.4	166.5	241.3	-31.0
Lead (thousands FMT)	13.2	4.4	13.5	10.7	14.0	-23.7	41.8	50.5	-17.3
Copper (thousands FMT)	0.8	0.4	0.9	1.1	1.0	2.6	3.2	4.3	-26.7
Silver (millions Oz)	3.5	1.3	3.7	3.6	4.5	-20.0	12.1	15.6	-22.6
Gold (thousands Oz)	2.9	1.5	3.0	3.0	6.4	-53.7	10.4	24.4	-57.4

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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Zinc	71.1	20.0	67.8	75.7	107.0	-29.2	234.7	421.4	-44.3
Lead	18.8	5.3	19.3	15.7	23.9	-34.3	59.1	83.8	-29.5
Copper	2.2	1.8	3.3	4.8	3.2	52.6	12.1	13.9	-13.1
Silver	47.9	18.0	73.1	73.2	63.4	15.4	212.1	206.5	2.7
Gold	3.2	2.0	4.1	4.3	8.0	-46.3	13.6	28.5	-52.3
Sales before adjust.	143.2	47.1	167.6	173.8	205.5	-15.4	531.8	754.1	-29.5
Sett. of prior period adjust.	-11.5	-12.5	7.6	4.7	-10.4		-11.8	-15.7	-24.8
Adjust. for open positions	-9.5	15.3	1.5	3.8	4.8	-21.2	11.1	-2.4	
Hedging results	9.0	1.1	-3.2	-2.4	7.5		4.4	7.5	-41.1
Sales after adjust.	131.1	51.0	173.5	179.9	207.3	-13.2	535.5	743.6	-28.0

Source: Volcan Cia. Minera

In 4Q20, total sales before adjustments amounted to USD 173.8 MM, a decrease of 15.4% as compared to the USD 205.5 MM recorded in 4Q19. This was mainly due to the reduced production, partially offset by improved prices of metals produced by the Company. Moreover, in 4Q20, difficulties to transport concentrates from the plants in late December had an impact of approximately USD 7 MM on sales and resulted in increased inventories. However, sales in 4Q20 were higher than sales in the same period of the previous year.

Sales adjustments increased from USD 1.8 MM in 4Q19 to USD 6.1 MM in 4Q20. In 4Q20, the adjustments included final settlements of USD 4.7 MM, positive provisions related to open shipments of USD 3.8 MM, and negative hedge results of USD 2.4 MM. Total sales after adjustments decreased by 13.2%, from USD 207.3 MM in 4Q19 to USD 179.9 MM in 4Q20.

Year-to-date (Jan-Dec), sales before adjustments decreased by 29.5%, from USD 754.1 MM in 2019 to USD 531.8 MM in 2020, while sales after adjustments decreased by 28.0%, from USD 743.6 MM in 2019 to USD 535.5 MM in 2020, mainly due to reduced production as explained above.

- **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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Volcan Production	125.6	38.3	130.1	151.7	160.8	-5.7	445.6	594.7	-25.1
Volcan Production Cost	85.9	27.1	96.2	105.2	107.1	-1.7	314.4	396.7	-20.7
D&A from Production Cost	33.4	12.1	33.0	53.7	49.9	7.7	132.1	190.0	-30.5
Ore Purchase	0.0	0.0	0.0	0.0	0.0		0.0	1.0	-100.0
Extraordinary Costs	0.0	0.0	0.0	0.0	0.3	-100.0	0.0	2.2	-100.0
Variation of Inventories	6.4	-0.9	0.9	-7.3	3.5		-0.9	4.7	
Workers Participation	0.0	0.0	0.2	0.5	0.8	-42.6	0.6	1.7	-62.1
Total	125.6	38.3	130.2	152.1	161.7	-5.9	446.3	596.4	-25.2

Source: Volcan Cia. Minera

Total cost of goods sold decreased by 5.9%, from USD 161.7 MM in 4Q19 to USD 152.1 MM in 4Q20, mainly due to greater concentrate inventories that could not be sold due to transportation limitations affecting concentrator plants at the end of December. It is important to note that the regularization of the Oxides Plant depreciation had an impact of approximately USD 24 MM on the cost of goods sold in 4Q20. From January to October 2020, the depreciation of the Oxides Plant was not recorded in the Income Statement as it was categorized as an asset held for sale, as was Cerro de Pasco, under the purchase agreement executed with the Canadian company Cerro de Pasco Resources. At the end of October 2020, the deadline to close the negotiations expired and no agreement was reached. Consequently, Cerro de Pasco and the Oxides Plant are not considered as held for sale anymore, and the corresponding accounting adjustments were carried out, including the regularization of the Oxides Plant depreciation. Without this impact, the net loss would have been less by approximately USD 17 MM.

Year-to-date (Jan-Dec), the total cost of goods sold declined from USD 596.4 MM in 2019 to USD 446.3 MM in 2020.

- **Gross Margin and Gross Profit**

The Company's gross margin decreased from 22% in 4Q19 to 15% in 4Q20, mainly due to the impact on the cost of goods sold resulting from the regularization of the Oxides Plant depreciation. Gross profit decreased from USD 45.6 MM in 4Q19 to USD 27.8 MM in 4Q20, due to lower sales and reduced gross margin.

Year-to-date (Jan-Dec), gross margin decreased from 20% in 2019 to 17% in 2020. Gross profit decreased from USD 147.2 MM in 2019 to USD 89.2 MM in 2020, mainly due to lower sales arising from the reduced production resulting from the suspensions and limitations caused by the COVID-19 pandemic.

- **Administrative Expenses**

Administrative expenses decreased by 15.5%, from USD 13.3 MM in 4Q19 to USD 11.2 MM in 4Q20, mainly explained by the lower personnel and consultancy expenses. Year-to-date (Jan-Dec), the administrative expenses decreased from USD 38.3 MM in 2019 to USD 34.3 MM in 2020.

- **Exploration Expenses**

Exploration expenses decreased from USD 6.6 MM in 4Q19 to USD 2.7 MM in 4Q20, as a result of the reduced execution of exploration projects due to personnel restrictions caused by the pandemic. Year-to-date (Jan-Dec), the exploration expenses decreased from USD 18.9 MM in 2019 to USD 6.4 MM in 2020 as a result of the suspensions and limitations related to COVID-19.

- **Sale expenses**

Sale expenses decreased by 28.5%, from USD 6.5 MM in 4Q19 to USD 4.6 MM in 4Q20, mainly explained by the lower sales volume. Year-to-date (Jan-Dec), the sale expenses decreased from USD 23.2 MM in 2019 to USD 15.4 MM in 2020.

- **Other Income and Expenses**

In 4Q20, the net amount of other income and expenses was USD -6.6 MM versus USD -0.3 MM in 4Q19, mainly explained by higher expenses from previous years and the regularization of several provisions. Year-to-date (Jan-Dec), the net amount of other income and expenses was USD -14.6 MM in 2020 versus USD -24.0 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**

Net financial expenses increased by 21%, from USD 13.0 MM in 4Q19 to USD 15.7 MM in 4Q20. Year-to-date (Jan-Dec), net financial expenses totaled USD 47.7 MM in 2020, as compared to the USD 49.9 MM reported in 2019.

Exchange-rate losses totaling USD -0.4 MM were registered in 4Q20, as compared to the exchange-rate gain worth USD 2.4 MM reported in 4Q19. Year-to-date (Jan-Dec), an exchange-rate loss totaling USD -5.6 MM was registered in 2020, as compared to the positive exchange-rate result reported in 2019 (USD 1.1 MM).

- **Income Tax and Royalties**

Royalties increased from USD 2.11 MM in 4Q19 to USD 2.14 MM in 4Q20, while income tax without exceptional items went from USD 4.5 MM in 4Q19 to USD 4.7 MM in 4Q20.

Year-to-date (Jan-Dec), royalties went from USD 8.6 MM in 2019 to USD 5.8 MM in 2020, while income tax without exceptional items went from USD 9.5 MM in 2019 to USD 15.9 MM in 2020, mainly due to the effect of translation related to the devaluation of the Sol in relation to the US Dollar.

- **Net Profit and EBITDA**

Net profit before exceptional items decreased from USD 1.9 MM in 4Q19 to USD -20.4 MM in 4Q20, mainly due to lower gross profit resulting from reduced sales and the impact of depreciation regularization at the Oxides Plant, and increased other expenses.

EBITDA decreased from USD 71.6 MM in 4Q19 to USD 61.5 MM in 4Q20, mainly due to lower sales and increased other expenses.

Year-to-date (Jan-Dec), net profit before exceptional items went from USD -21.9 MM in 2019 to USD -58.8 MM in 2020.

In 2020, the adjustments for exceptional items amounted to USD -91.6 MM, and included: (i) COVID-19 suspension expenses worth USD -31.3 MM, (ii) USD -48.9 MM non-cash charge resulting from the application of accounting standards that resulted in the reversal of assets held for sale related to the purchase agreement with Cerro de Pasco Resources, which was not executed, and (iii) impairment and other non-cash provisions worth USD -11.4 MM. Therefore, net profit after exceptional items went from USD -70.3 MM in 2019 to USD -150.4 MM in 2020.

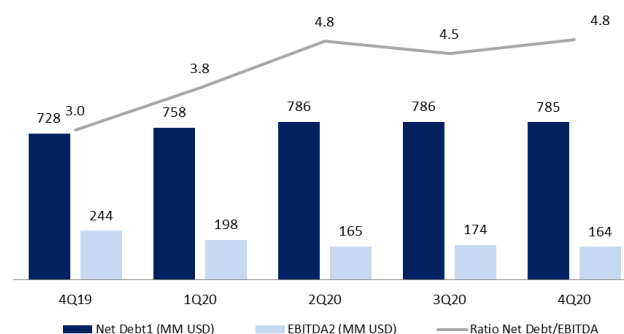
Cumulative EBITDA decreased from USD 244.1 MM in 2019 to USD 164.1 MM in 2020, mainly due to lower sales as a result of the suspensions and limitations related to the pandemic.

2.5 Liquidity and Creditworthiness

In 4Q20, cash generated by mining operations after investments totaled USD 59.1 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. In 2020, the cash balance at the end of the quarter and at year-end amounted to USD 114.6 MM.

As of December 31, 2020, the net debt/EBITDA ratio was 4.8, an increase over the previous quarter, mainly due to the lower EBITDA accumulated in the last 12 months. EBITDA is expected to recover in the following quarters following the recovery of production and the favorable situation of metals prices.

It is worth mentioning that the Company continues to execute a plan to refinance and reduce its debt through: i) new issuance of 5-year international bonds worth USD 475 MM carried out in February 2021, which will be used to reprofile the existing debt and extend its maturity, and, ii) issuance of capital worth USD 400 MM to be carried out in 2021, which will significantly reduce the debt.

Figure 4: Net Debt / EBITDA Ratio Evolution


1 Debt does not 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	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	603	225	627	634	835	-24.1	2,088	3,199	-34.7
Mineral treatment (thousands MT)	597	232	617	646	813	-20.5	2,093	3,170	-34.0
Fines Content									
Zinc (thousands FMT)	27.7	11.8	29.4	28.2	38.2	-26.2	97.2	140.9	-31.0
Lead (thousands FMT)	4.6	2.0	5.2	4.3	4.9	-13.9	16.1	20.0	-19.5
Copper (thousands FMT)	0.4	0.4	0.6	0.8	0.7	12.6	2.1	2.9	-27.3
Silver (million Oz)	1.6	0.7	1.4	1.5	1.9	-21.2	5.3	7.0	-23.9
Gold (thousands Oz)	1.3	0.5	1.1	1.4	1.4	-2.5	4.3	5.9	-26.7

Source: Volcan Cia. Minera

In the fourth quarter, ore extracted at the Yauli Unit decreased by 24.1% 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 20.5% in 4Q20, as compared to the same period of the previous year.

Compared to 4Q19, in 4Q20, the production of zinc, copper, silver and gold fines decreased by 26.2%, 13.9%, 21.2%, and 2.5%, respectively, while copper production increased by 12.6%, due to better head grades.

Table 11: Yauli Cost of Production

Yauli Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	45.0	14.0	49.5	55.0	55.6	-1.0	163.6	210.1	-22.1
Extraction Cost	26.5	7.8	27.8	30.7	32.2	-4.7	92.8	122.2	-24.1
Treatment Cost	18.5	6.2	21.8	24.4	23.4	4.1	70.8	87.9	-19.4
Unit Cost (USD/MT)	75.0	61.7	79.6	86.1	67.3	27.9	78.3	65.9	18.7
Extraction Cost	44.0	34.9	44.3	48.3	38.5	25.5	44.4	38.2	16.3
Treatment Cost	30.9	26.7	35.3	37.7	28.8	30.8	33.9	27.7	22.1

Source: Volcan Cia. Minera

In 4Q20, the absolute cost of production decreased by 1.0%, from USD 55.6 MM in 4Q19 to USD 55.0 MM in 4Q20. This is mainly explained by lower extracted and processed volumes. The unit cost of production increased by 27.8%, from 67.3 USD/MT in 4Q19 to 86.1 USD/MT in 4Q20, 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-Dec), the absolute cost of production declined by 22.1%, from USD 210.1 MM in 2019 to USD 163.6 MM in 2020. The unit cost of production increased by 18.7%, from 65.9 USD/MT in 2019 to 78.3 USD/MT in 2020.

Table 12: Yauli Operating Investments

Yauli Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Local Exploration	2.1	0.1	1.2	2.1	3.3	-34.1	5.5	13.9	-60.1
Mine Development	9.9	1.0	6.5	8.7	12.2	-28.9	26.0	47.7	-45.4
Plants and Tailings Dams	2.2	0.4	2.0	7.4	6.8	9.2	12.0	13.9	-14.0
Mine and Infrastructure	4.3	1.4	3.9	4.7	4.7	-0.3	14.2	18.8	-24.5
Electrical Infrastructure	0.2	0.2	0.5	1.4	1.7	-15.7	2.2	4.3	-47.6
Support and Others	0.4	0.1	1.7	3.9	2.4	64.0	6.1	6.7	-8.4
Total¹	19.1	3.1	15.6	28.2	31.0	-8.9	66.0	105.1	-37.2

¹ The investments include the operating leases fee according to NIIF 16: USD 2.5 MM in 4Q20 and USD 8.8 cumulatively.

Source: Volcan Cia. Minera

In 4Q20, operating investments at the Yauli Unit totaled USD 28.2 MM, a decrease of 8.9% as compared to USD 31.0 MM of 4Q19, 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-Dec), operating investments decreased by 37.2%, from USD 105.1 MM in 2019 to USD 66.0 MM in 2020.

3.2 Chungar Unit Operating Results

Table 13: Chungar Production

Chungar Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	387	73	379	369	446	-17.2	1,208	1,647	-26.7
Mineral treatment (thousands MT)	351	98	380	373	436	-14.5	1,202	1,705	-29.5
Fines Content									
Zinc (thousands FMT)	14.8	4.4	16.0	13.7	19.5	-29.5	48.9	74.7	-34.6
Lead (thousands FMT)	4.4	1.5	4.7	4.3	5.3	-18.6	14.9	18.4	-18.8
Copper (thousands FMT)	0.3	0.1	0.3	0.3	0.3	-16.1	0.9	1.2	-19.1
Silver (million Oz)	0.8	0.2	0.8	0.7	0.9	-16.8	2.4	3.2	-24.7

Source: Volcan Cia. Minera

In 4Q20, the ore volumes extracted at Chungar decreased by 17.2% as compared to 4Q19, and the volume of treated ore declined by 14.5% as compared to the same quarter of the previous year, mainly explained by the limitations to reach full production capacity resulting from the restrictions imposed during the pandemic.

With regard to zinc, lead, copper and silver, in 4Q20, production decreased by 29.5%, 18.6%, 16.1% and 16.8%, respectively, as compared to 4Q19.

Table 14: Chungar Cost of Production

Chungar Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	22.9	6.9	24.9	27.3	27.5	-0.8	81.9	97.8	-16.2
Extraction Cost	12.8	3.6	14.2	16.3	15.5	4.9	46.8	54.9	-14.7
Treatment Cost	10.1	3.3	10.6	11.0	12.0	-8.1	35.1	42.8	-18.1
Unit Cost (USD/MT)	61.9	83.1	65.5	73.5	62.2	18.2	68.0	58.5	16.3
Extraction Cost	33.0	49.3	37.5	44.1	34.8	26.7	38.8	33.3	16.3
Treatment Cost	28.9	33.8	28.0	29.5	27.4	7.4	29.2	25.1	16.1

Source: Volcan Cia. Minera

In 4Q20, the absolute cost of production decreased by 0.8%, from USD 27.5 MM in 4Q19 to USD 27.3 MM in 4Q20. The unit cost of production increased by 18.2%, from 62.2 USD/MT in 4Q19 to 73.5 USD/MT in 4Q20, 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-Dec), the absolute cost of production declined by 16.2%, from USD 97.8 MM in 2019 to USD 81.9 MM in 2020. The unit cost of production increased by 16.3%, from 58.5 USD/MT in 2019 to 68.0 USD/MT in 2020.

Table 15: Chungar Operating Investments

Chungar Operating Investment (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Local Exploration	1.5	0.0	0.2	0.8	2.6	-66.8	2.5	7.7	-67.2
Mine Development	3.7	0.4	4.1	4.5	5.1	-10.9	12.7	23.2	-45.0
Plants and Tailings Dams	0.2	0.2	4.0	8.1	5.0	61.8	12.5	7.6	64.3
Mine and Infrastructure	2.3	0.8	2.0	3.3	5.0	-35.1	8.4	12.8	-34.4
Electrical Infrastructure	0.2	0.0	0.2	0.2	1.2	-85.2	0.6	2.0	-71.0
Support and Others	0.3	0.4	1.3	0.5	1.8	-75.0	2.5	4.7	-46.7
Total¹	8.1	1.9	11.9	17.3	20.6	-16.0	39.2	57.9	-32.3

¹ The investments include the operating leases fee according to NIIF 16: USD 9.8 MM in 4Q20 and USD 3.6 cumulatively.

Source: Volcan Cia. Minera

Total investments decreased by 16.0%, from USD 20.6 MM in 4Q19 to USD 17.3 MM in 4Q20. It should be noted that the plant and tailings dam investment increased from USD 0.5 MM in 4Q19 to USD 8.1 MM in 4Q20.

Year-to-date (Jan-Dec), operating investments decreased by 32.3%, from USD 57.9 MM in 2019 to USD 39.2 MM in 2020.

3.3 Alparmarca Unit Operating Results

Table 16: Alparmarca Production

Alparmarca Production	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	120	74	215	246	189	30.0	654	921	-29.1
Mineral treatment (thousands MT)	198	105	239	242	249	-2.8	784	950	-17.5
Fines Content									
Zinc (thousands FMT)	1.5	0.9	2.0	1.9	1.7	16.2	6.3	5.9	7.0
Lead (thousands FMT)	1.0	0.6	1.5	1.6	1.3	17.7	4.8	4.7	2.7
Copper (thousands FMT)	0.1	0.0	0.1	0.1	0.1	52.0	0.4	0.4	4.5
Silver (million Oz)	0.2	0.1	0.4	0.4	0.3	23.1	1.2	1.2	-3.9

Source: Volcan Cia. Minera

In 4Q20, ore volumes extracted at the Alparmarca Unit increased by 30.0% compared to the same quarter of the previous year. Treated ore volumes decreased by 2.8% compared to the same period of the previous year, due to reduced ore volume from stockpiles.

In 4Q20, zinc, lead, copper and silver fines production increased by 16.2%, 17.7%, 52.0%, and 23.1%, respectively, as compared to 4Q19, due to better head grades of the treated ore from the open pit.

Table 17: Alparmarca Cost of Production

Alparmarca Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	5.0	2.1	5.8	5.8	6.4	-8.2	18.7	22.7	-17.6
Extraction Cost	2.5	0.9	2.7	2.7	3.0	-11.8	8.8	10.6	-17.2
Treatment Cost	2.5	1.1	3.2	3.2	3.3	-5.0	9.9	12.1	-18.0
Unit Cost (USD/MT)	33.3	23.5	25.7	24.0	29.4	-18.5	26.1	24.2	7.6
Extraction Cost	20.7	12.8	12.5	10.9	16.0	-32.2	13.4	11.5	16.7
Treatment Cost	12.6	10.7	13.2	13.1	13.7	-2.2	12.7	12.8	-0.6

Source: Volcan Cia. Minera

In 4Q20, the cost of production in absolute terms reached USD 5.8 MM, 8.2% lower than the USD 6.4 MM figure for the same quarter of the previous year. The unit cost decreased by 18.5%, from 29.4 USD/MT in 4Q19 to 24.0 USD/MT in 4Q20, mainly due to greater extracted volumes.

Year-to-date (Jan-Dec), the absolute cost of production decreased by 17.6%, from USD 22.7 MM in 2019 to USD 18.7 MM in 2020, while the unit cost of production increased by 8.0%, from 24.2 USD/MT in 2019 to 26.1 USD/MT in 2020.

Table 18: Alparmarca Operating Investments

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Local Exploration	0.1	0.0	0.2	0.0	0.1	-93.0	0.3	1.2	-73.6
Plants and Tailings Dams	0.0	0.1	1.1	2.4	1.5	60.1	3.7	3.1	19.9
Mine and Infrastructure	0.2	0.1	0.1	0.3	0.1	52.4	0.7	0.7	-0.1
Support and Others	0.0	0.0	0.1	0.3	0.4	-32.8	0.4	0.8	-53.1
Total¹	0.3	0.3	1.5	3.0	2.2	34.8	5.1	5.7	-9.9

¹ The investments include the operating leases fee in 2019 according to NIIF 16: USD 0.10 MM in 4Q20 and USD 0.32 cumulatively.

Source: Volcan Cia. Minera

Operating investments increased from USD 2.2 MM in 4Q19 to USD 3.0 MM in 4Q20, mainly due to increased works to expand the tailings dam. Year-to-date (Jan-Dec), operating investments declined from USD 5.7 MM in 2019 to USD 5.1 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	382	196	579	668	646	3.3	1,824	2,073	-12.0
Mineral treatment (thousands MT)	382	196	579	668	646	3.3	1,824	2,073	-12.0
Fines Content									
Zinc (thousands FMT)	3.3	1.6	4.0	5.3	5.5	-4.8	14.2	17.5	-19.0
Lead (thousands FMT)	1.4	0.6	1.5	1.8	2.2	-19.2	5.2	6.3	-17.3
Silver (million Oz)	0.1	0.1	0.2	0.2	0.3	-13.8	0.6	0.8	-23.1

Source: Volcan Cia. Minera

In 4Q20, ore volumes from stockpiles treated at Cerro de Pasco increased by 3.3% compared to the same quarter of the previous year, from 646 thousand MT in 4Q19 to 668 thousand MT in 4Q20.

In 4Q20, zinc, lead and silver fines production decreased by 4.8%, 19.2%, and 13.8%, respectively, as compared to 4Q19, 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	5.6	2.0	6.4	7.4	7.3	2.5	21.5	27.3	-21.4
Extraction Cost	0.9	0.3	1.3	1.4	1.1	1.1	3.8	3.1	22.9
Treatment Cost	4.7	1.7	5.1	6.1	6.2	-1.4	17.6	24.3	-27.3
Unit Cost (USD/MT)	14.7	10.2	11.1	11.2	11.2	-0.8	11.8	13.2	-10.6
Extraction Cost	2.3	1.5	2.3	2.0	1.7	0.3	2.1	1.5	33.3
Treatment Cost	12.4	8.7	8.8	9.1	9.6	-4.6	9.7	11.7	-17.3

Source: Volcan Cia. Minera

Absolute cost increased by 2.5%, from USD 7.3 MM in 4Q19 to USD 7.4 MM during 4Q20, while unit cost fell by 0.8%, from 11.16 USD/MT in 4Q19 to 11.25 USD/MT in 4Q20, due to the dilution of fixed cost as a result of greater processed volumes.

Year-to-date (Jan-Dec), the absolute cost of production declined by 21.4%, from USD 27.3 MM in 2019 to USD 21.5 MM in 2020. The unit cost of production decreased by 10.6%, from 13.2 USD/MT in 2019 to 11.8 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Local Exploration	0.0	0.0	0.0	0.1	0.1	-13.4	0.1	0.5	-71.2
Plants and Tailings Dams	0.0	0.0	0.0	0.2	0.5	-58.1	0.2	2.5	-90.0
Mine and Infrastructure	0.1	0.0	0.1	0.1	0.1	170.0	0.4	0.3	33.3
Support and Others	0.0	0.0	0.0	0.2	0.6	-72.5	0.2	1.5	-86.6
Total¹	0.1	0.1	0.2	0.6	1.3	-50.3	1.0	4.7	-79.4

¹ The investments include the operating leases fee in 2019 according to NIIF 16: USD 0.05 MM in 4Q20 and USD 0.20 cumulatively.

Source: Volcan Cia. Minera

Operating investments decreased from USD 1.3 MM in 4Q19 to USD 0.6 MM in 4Q20. Year-to-date (Jan-Dec), operating investments declined from USD 4.7 MM in 2019 to USD 1.0 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	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Mineral extraction (thousands MT)	155	59	226	235	241	-2.3	676	911	-25.8
Mineral treatment (thousands MT)	155	59	226	235	241	-2.3	676	911	-25.8
Fines Content									
Silver (million Oz)	0.6	0.2	0.9	0.9	1.0	-12.1	2.6	3.4	-23.5
Gold (Oz)	1,129	582	1,439	2,008	3,900	-48.5	5,159	15,380	-66.5

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant decreased by 2.3%, from 241 thousand MT in 4Q19 to 235 thousand MT in 4Q20. As a result, silver and gold ounces production decreased by 12.1% and 48.5%, 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, a situation that should revert in the following months.

Table 23: Oxides Plant Cost of Production

Oxides Plant Production Cost	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Production Cost (MM USD)	7.4	2.1	9.5	9.6	10.3	-6.9	28.7	38.8	-26.1
Extraction Cost	1.5	0.3	1.4	1.6	1.9	-17.6	4.8	7.1	-32.5
Treatment Cost	5.8	1.8	8.1	8.0	8.4	-4.4	23.9	31.6	-24.6
Unit Cost (USD/MT)	47.5	36.1	42.0	41.0	43.0	-4.7	42.4	42.5	-0.3
Extraction Cost	9.8	5.2	6.1	6.8	8.1	-15.7	7.1	7.8	-9.0
Treatment Cost	37.7	30.9	35.9	34.2	34.9	-2.1	35.3	34.7	1.7

Source: Volcan Cia. Minera

In 4Q20, the cost of production in absolute terms totaled USD 9.6 MM, 6.9% lower than the USD 10.3 MM figure in 4Q19. Similarly, unit cost decreased by 4.7%, from 43.0 USD/MT in 4Q19 to 41.0 USD/MT in 4Q20, as a result of improved consumption and reduced reagent and main supplies costs.

Year-to-date (Jan-Dec), the absolute cost of production declined by 26.1%, from USD 38.8 MM in 2019 to USD 28.7 MM in 2020. The operation's unit cost decreased by 0.3%, from 42.5 USD/MT in 2019 to 42.4 USD/MT in 2020.

Table 24: Oxides Plant Operating Investments

Inv. Operativa Planta de Óxidos (MM USD)	Ene-Mar 2020	Abr-Jun 2020	Jul-Sep 2020	Oct-Dic 2020	Oct-Dic 2019	var %	Ene-Dic 2020	Ene-Dic 2019	var %
Exploración Local	0.0	0.0	0.0	0.1	0.0		0.1	0.0	
Plantas y Relaveras	0.2	0.0	0.1	1.4	0.7	84.3	1.7	3.8	-54.8
Mina e Infraestructura	0.3	0.2	0.3	0.2	0.2	-1.4	1.0	1.7	-39.7
Soporte y Otros	0.0	0.0	0.0	0.0	0.0	-82.5	0.1	0.5	-86.6
Total¹	0.5	0.3	0.4	1.7	1.0	66.1	2.9	6.0	-51.7

¹ Se está incluyendo en las inversiones del año 2020 la amortización de los arrendamientos operativos por aplicación de la NIIF 16, siendo USD 0.03 MM en el 1T20, USD 0.02 MM en el 2T20, USD 0.04 MM en el 3T20 y USD 0.30 MM en el 4T20, alcanzando USD 0.13 MM como acumulado.

Fuente: Volcan Cia. Minera

Operating investments increased from USD 1.0 MM in 4Q19 to USD 1.7 MM in 4Q20, mainly due to works at the Ocroyoc tailings dam. Year-to-date (Jan-Dec), operating investments declined from USD 6.0 MM in 2019 to USD 2.9 MM in 2020.

3. Energy

Table 25: Volcan's Electric Power Balance

Electric Balance (GWh)	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Energy generation	119.6	112.9	97.2	100.2	108.4	-7.5	332.7	386.7	-13.9
Chungar	36.6	40.3	37.9	38.2	34.4	10.9	115.1	151.2	-23.9
Tingo	0.0	0.0	0.3	1.7	1.9	-11.4	1.7	8.6	-80.9
Huanchor	42.3	34.0	36.0	31.2	40.7	-23.4	107.5	159.1	-32.4
Rucuy	40.7	38.5	22.9	29.2	31.4	-7.1	108.3	67.7	59.9
Energy consumption	171.9	127.4	180.6	185.2	189.2	-2.1	484.6	755.6	-35.9
Energy purchase	135.3	87.1	142.4	145.4	152.9	-4.9	367.8	595.8	-38.3

Source: Volcan Cia. Minera

During 4Q20, Volcan's total consumption of electric power reached 185.2 GWh, with a maximum demand of 95.0 MW. The 10 hydroelectric plants that belong to the Chungar Unit generated 38.2 GWh. This accounted for 21% of the Company's total consolidated consumption, at an average cost of 21.9 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 145.4 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.

In 4Q20, the Huanchor Hydroelectric Plant produced 31.2 GWh, a 23.4% 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 29.2 GWh in 4Q20, a decrease of 7.1% as compared to 4Q19, and the power was used to meet the commitments set forth in its renewable energy agreement (RER).

The Tingo Hydroelectric Plant produced 1.7 GWh, 11.4% lower than in 4Q19. All of this power was sold to the Chungar mining operation.

4. Final Comments

- All mining units of the Company have adapted their infrastructure (camps, mess halls, vehicles, etc.) and implemented tests and strict protocols to guarantee the health and safety of our employees against the COVID-19 pandemic.
- However, the pandemic's impact on production is still significant as there are still some limitations, mainly related to availability of specialized personnel, as a result of the national COVID-19 emergency.
- It is important to remember during 2020 the operational and financial results of the company were affected by the stoppage of all its operations from the second half of March to the end of May and the beginning of June, when they gradually restarted their activities. With no production or income for more than two months, all the shutdown and maintenance costs had to be supported, which amounted to approximately USD 31 MM net of taxes.
- Volcan remains firm in developing initiatives to improve margins and to offset lower production across all operating units and the cost impact resulting from the strict protocols implemented to protect our employees' health and minimize the risk of spreading the virus. In 2020, the implementation and enforcement of these protocols amounted to over USD 15 MM.
- The recovery in metal prices has contributed to the improvement of the Company's financial results. Base metals prices continue to show a positive trend, which is an indicator of good expectations with regard to economic recovery, and also of delayed recovery of the global production of these metals due to the pandemic. Furthermore, the forecast for precious metals prices is promising, due to their nature as safe-haven assets during uncertain times, and in periods of commercial tensions and low interest rates.
- It is worth mentioning that the Company continues to execute a financial restructuring plan with the objective of extending the maturity and reducing its total debt. In this regard, in February 2021, the Company successfully issued international bonds worth USD 475 MM with a rate of 4.375% annual with a 5-year maturity. The amount earned through these instruments will be used to pay the existing commercial debts and partially buy back bonds with maturity on February 2022. By doing so, a large part of the Company's debt maturity is extended significantly. This new issuance of bonds saw expressions of interest worth over USD 4.2 billion, that is, 9.3 times the amount issued.

The second part of the financial restructuring is an issuance of capital worth USD 400 MM, which has been included in the required 2021 Annual Shareholders' Meeting agenda by the Company's Board of Directors.

- COSCO SHIPPING Ports Chancay PERU S.A. ("CSPCP"), the company that manages the Chancay Port project, and where Volcan holds a participation of 40% of shares, continues the construction of the first stage of the Chancay multi-purpose terminal. In December 2020, the works of the entrance to the Underground Viaduct Tunnel were

completed, with an investment of USD 9 MM, with all necessary protocols, permits, and licenses. Moreover, the construction of the Camp with capacity for 1500 people and related works are finalized with an investment of USD 7.5 MM.

It is important to mention that on December 22, 2020, CSPCP received the approval of the Modification to the Environmental Impact Assessment (MEIA) for the operating area, 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. The works of the Underground Viaduct Tunnel and Access Roads are expected to start in the first quarter of 2021. The construction of the port will start during the first half of 2021, with the necessary protocols, permits and licenses.

Finally, it is important to mention that the National Port Authority granted the Port Qualification on February 11, 2021.



Annexes

Annex 1: Sales Breakdown

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

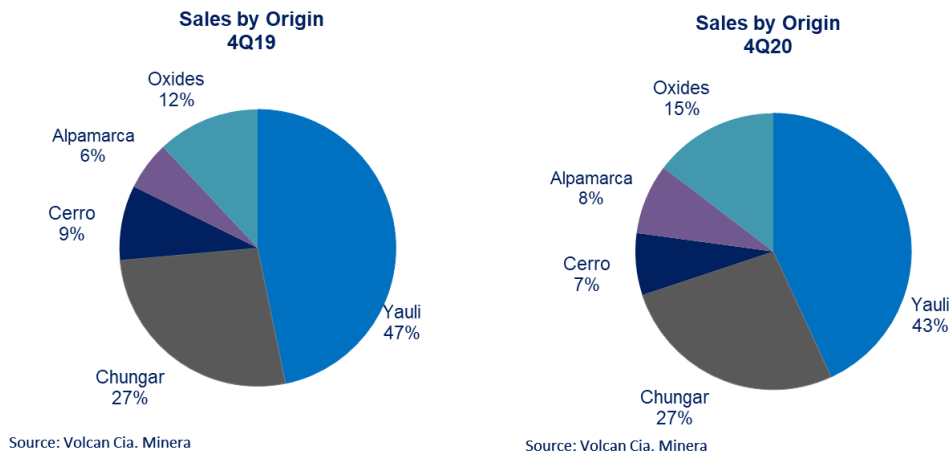
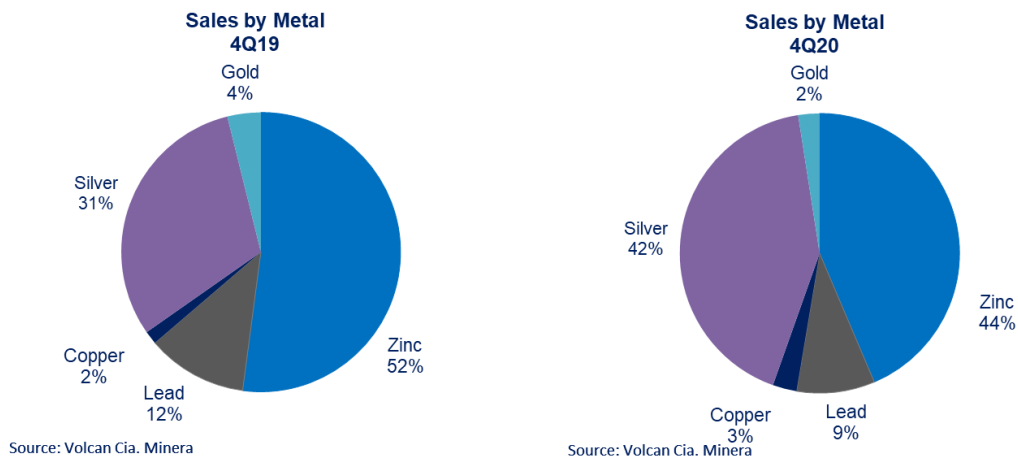


Figure 6: Sales by Metal (percentage of total sales)



The distribution of sales by metal in 4Q20 reflects the growth in the contribution of silver to total sales, as a result of the increase in its price.

Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Zinc (USD/MT)	2,128	1,959	2,340	2,631	2,384	10.4	2,265	2,549	-11.2
Lead (USD/MT)	1,847	1,670	1,876	1,903	2,038	-6.6	1,824	1,998	-8.7
Copper (USD/MT)	5,635	5,341	6,521	7,171	5,888	21.8	6,167	6,005	2.7
Silver (USD/Oz)	16.9	16.3	24.4	24.4	17.3	40.9	20.5	16.2	26.7
Gold (USD/Oz)	1,584	1,710	1,912	1,875	1,482	26.5	1,770	1,393	27.1

Source: London Metal Exchange

Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2020	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Exchange Rate (S/ x USD)	3.40	3.43	3.55	3.60	3.36	7.0	3.49	3.34	4.7
Inflation	1.82	1.60	1.82	1.97	1.90	3.8	1.97	1.90	3.8

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-Sep 2020	Oct-Dec 2020	Oct-Dec 2019	var %	Jan-Dec 2020	Jan-Dec 2019	var %
Zinc (FMT)	353,498	163,934	380,333	434,911	377,521	15.2	1,332,676	1,404,382	-5.1
Lead (FMT)	70,649	33,594	65,876	70,838	80,192	-11.7	240,957	308,116	-21.8
Copper (FMT)	514,793	434,424	564,438	635,401	640,871	-0.9	2,149,056	2,455,440	-12.5
Silver (Thousands Oz)	27,126	14,985	25,219	28,975	32,769	-11.6	96,305	124,112	-22.4
Gold (Thousands Oz)	880	478	641	782	1,001	-21.9	2,782	4,129	-32.6

Source: Ministry of Energy and Mines