

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

### Principal Results:

Consolidated Volcan	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Sales Prices<sup>1</sup></b>							
Zinc (USD/MT)	2,749	2,884	2,015	43.2	2,817	2,140	31.6
Lead (USD/MT)	2,056	2,112	1,736	21.7	2,082	1,809	15.1
Copper (USD/MT)	7,159	8,536	5,420	57.5	7,824	5,402	44.8
Silver (USD/Oz)	26.7	27.2	17.3	57.3	26.9	17.0	57.9
Gold (USD/Oz)	1,804	1,849	1,737	6.4	1,830	1,630	12.3
<b>Operating Results</b>							
Mineral treatment <sup>2</sup> (thousands MT)	1,997	2,075	690	201	4,072	2,373	71.6
Zinc Production (thousands FMT)	51.2	53.1	18.6	184.5	104.3	66.0	58.0
Lead Production (thousands FMT)	12.8	12.7	4.8	167.6	25.6	16.2	58.3
Copper Production (thousands FMT)	1.1	1.0	0.5	112.6	2.1	1.3	66.5
Silver Production (millions Oz)	3.8	4.0	1.4	192.2	7.9	4.7	66.7
Gold Production (thousands Oz)	5.4	6.6	1.2	450.5	12.0	4.0	199.8
Unit Cost (USD/MT)	50.8	51.9	41.3	25.8	51.4	48.7	5.5
Total Investments (MM USD)	28.0	36.9	6.4	473.4	65.0	35.3	83.9
<b>Financial Results (MM USD)</b>							
<b>Sales before adjustments</b>	<b>211.2</b>	<b>228.5</b>	<b>47.1</b>	<b>384.6</b>	<b>439.7</b>	<b>190.3</b>	<b>131.0</b>
<b>Sales Adjustments</b>	<b>-1.8</b>	<b>3.1</b>	<b>3.8</b>	<b>-20.6</b>	<b>1.2</b>	<b>-8.2</b>	
Settlement of prior period adjustments	3.1	3.1	-12.5		6.2	-24.1	
Adjustments for open positions <sup>3</sup>	-3.4	3.3	15.3	-78.5	-0.1	5.8	
Hedging results	-1.6	-3.4	1.1		-4.9	10.1	
<b>Sales after adjustments</b>	<b>209.4</b>	<b>231.5</b>	<b>51.0</b>	<b>354.0</b>	<b>440.9</b>	<b>182.1</b>	<b>142.1</b>
<b>Net profit before exceptionals</b>	<b>1.3</b>	<b>16.6</b>	<b>-22.1</b>		<b>17.9</b>	<b>-46.2</b>	
Exceptional adjustments	0.0	0.0	-24.0	0.0	0.0	-31.3	-100.0
<b>Net profit after exceptionals</b>	<b>1.3</b>	<b>16.6</b>	<b>-46.0</b>		<b>17.9</b>	<b>-77.5</b>	
<b>EBITDA<sup>4</sup></b>	<b>89.0</b>	<b>97.7</b>	<b>14.8</b>	<b>562.0</b>	<b>186.8</b>	<b>42.1</b>	<b>343.8</b>

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

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

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

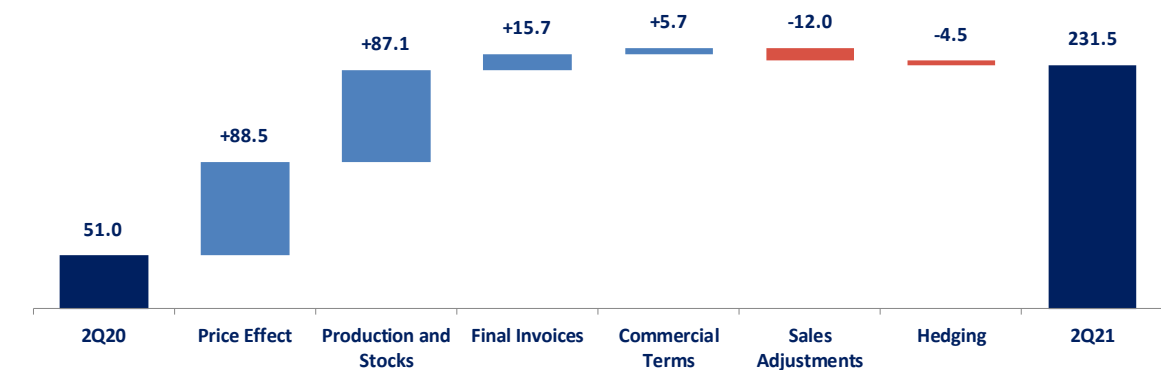
<sup>4</sup> Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

## 1. Executive Summary

- The Company's operating and financial results in 2Q21 improved, as compared to 2Q20, due to higher metal prices and increased production. It is important to note that all mining units were suspended since March 17, 2020, until the second half of May 2020, due to the national state of emergency and mandatory social lockdown ordered by the Government as a preventive measure against the COVID-19 pandemic. Since then, all mining units are currently operating, observing strict protocols to guarantee our employees' health and safety.
- In 2Q21, treated consolidated volumes increased by 200.6%, as compared to the same period of the previous year, from 0.7 MM MT in 2Q20 to 2.1 MM MT in 2Q21. Accordingly, fine production also increased across all metals: zinc production grew by 184.5%, from 18.6 thousand FMT in 2Q20 to 53.1 thousand FMT in 2Q21, lead production by 167.6%, from 4.8 thousand FMT to 12.7 thousand FMT, copper production by 112.6%, from 0.5 thousand FMT to 1.0 thousand FMT, silver by 192.2% from 1.4 MM Oz to 4.0 MM Oz, and gold production by 450.5%, from 1.2 thousand Oz to 6.6 thousand Oz.
- Metals prices also showed a significant increase in 2Q21, as compared to 2Q20. The price of zinc increased by 43.2% (870 USD/MT), from 2,015 USD/MT in 2Q20 to 2,884 USD/MT in 2Q21; lead increased by 21.7% (+376 USD/MT), from 1,736 USD/MT to 2,112 USD/MT; copper increased by 57.5% (+3,117 USD/MT), from 5,420 USD/MT to 8,536 USD/MT; silver increased by 57.3% (+9.9 USD/Oz), from 17.3 USD/Oz to 27.2 USD/Oz; and gold increased by 6.4% (+112 USD/Oz), from 1,737 USD/Oz to 1,849 USD/Oz.
- As a result of increased production and better prices, total sales before adjustments increased by 384.6%, from USD 47.1 MM in 2Q20 to USD 228.5 MM in 2Q21. Sales adjustments totaled USD 3.1 MM in 2Q21 as compared to USD 3.8 MM in 2Q20, and as a result sales after adjustments increased by 354.0%, from USD 51.0 MM in 2Q20 to USD 231.5 MM in 2Q21.

**Figure 1: 2Q21 vs 2Q20 variations impact on net sales (USD MM)**



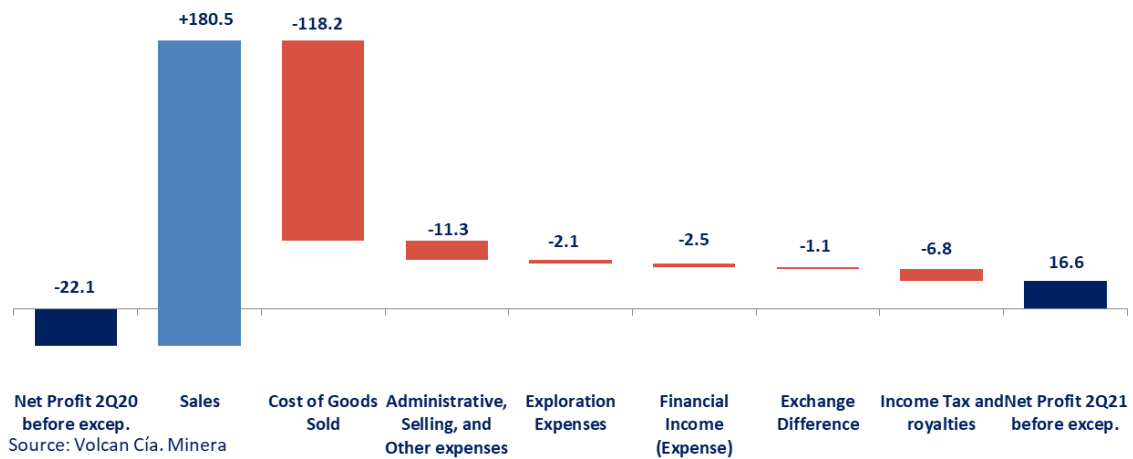
- Consolidated unit cost increased by 25.8%, from 41.3 USD/MT in 2Q20 to 51.9 USD/MT in 2Q21. This is mainly explained by the increased fixed costs resulting from observing the

operating restrictions and maintaining the biosafety protocols required by the pandemic, and from the improved shotcrete standards in underground mines, which entail strengthening areas where shotcrete was previously applied, particularly at Yauli and Chungar.

- Net profit before exceptional items grew from a USD -22.1 MM loss in 2Q20 to a USD 16.6 MM gain in 2Q21. It should be noted that net profit in 2Q21 was affected by the devaluation of the national currency in USD -8.6 MM. The latter has only an accounting effect.

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

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



- EBITDA increased by 562.0%, from USD 14.8 MM in 2Q20 to USD 97.7 MM in 2Q21.
- Total investments increased from USD 6.4 MM in 2Q20 to USD 36.9 MM in 2Q21, due to the recovery of production and the lifting of limitations on the transportation of personnel as a result of the pandemic, which had an impact on project execution, explorations and developments at the mining operations.

## 2. Consolidated Results

### 2.1 Production

**Table 1: Consolidated Production**

Consolidated Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Mineral extraction (thousands MT)</b>	<b>1,974</b>	<b>2,153</b>	<b>626</b>	<b>244.2</b>	<b>4,127</b>	<b>2,272</b>	<b>81.7</b>
Polymetallic ore	1,756	1,924	566	239.7	3,680	2,058	78.9
Oxides ore	218	229	59	286.8	447	214	108.4
<b>Mineral treatment (thousands MT)</b>	<b>1,997</b>	<b>2,075</b>	<b>690</b>	<b>200.6</b>	<b>4,072</b>	<b>2,373</b>	<b>71.6</b>
Concentrator Plants	1,779	1,846	631	192.6	3,626	2,159	67.9
Silver Oxides Plant	218	229	59	286.8	447	214	108.4
<b>Fine Content</b>							
Zinc (thousands FMT)	51.2	53.1	18.6	184.5	104.3	66.0	58.0
Lead (thousands FMT)	12.8	12.7	4.8	167.6	25.6	16.2	58.3
Copper (thousands FMT)	1.1	1.0	0.5	112.6	2.1	1.3	66.5
Silver (millions Oz)	3.8	4.0	1.4	192.2	7.9	4.7	66.7
Gold (thousands Oz)	5.4	6.6	1.2	450.5	12.0	4.0	199.8

Source: Volcan Cia. Minera

In 2Q21, extracted ore volumes increased by 244.2%, from 626 thousand MT in 2Q20 to 2.153 MM MT in 2Q21. This increase is mainly explained by the significant impact of the suspension of operations that took place since March 17 last year, resulting from the national emergency and mandatory social lockdown ordered by the Government as a preventive measure against the spread of COVID-19, until the second half of May, when production was gradually restarted. Similarly, in 2Q21, treated ore volumes increased by 200.6%, from 690 thousand MT in 2Q20 to 2.075 MM MT in 2Q21.

Accordingly, zinc production grew by 184.5%, from 18.6 thousand FMT in 2Q20 to 53.1 thousand FMT in 2Q21, lead production by 167.6%, from 4.8 thousand FMT to 12.7 thousand FMT, copper production by 112.6%, from 0.5 thousand FMT to 1.0 thousand FMT, silver by 192.2% from 1.4 MM Oz to 4.0 MM Oz, and gold production by 450.5%, from 1.2 thousand Oz in 2Q20 to 6.6 thousand Oz in 2Q21.

Year-to-date (Jan-Jun), the extraction volume increased by 81.7% as compared to the same period in the previous year, from 2.272 MM MT in 1H20 to 4.127 MM MT in 1H21. The treated volume increased by 71.6%, from 2.373 MM MT in 1H20 to 4.072 MM MT in 1H21. With regard to fines, zinc production grew by 58.0%, from 66.0 thousand FMT in 1H20 to 104.3 thousand FMT in 1H21, lead production by 58.3%, from 16.2 thousand FMT to 25.6 thousand FMT, copper production by 66.5%, from 1.3 thousand FMT to 2.1 thousand FMT, silver by 66.7% from 4.7 MM Oz to 7.9 MM Oz, and gold production by 199.8%, from 4.0 thousand Oz in 1H20 to 12.0 thousand Oz in 1H21.

## 2.2 Cost of Production

**Table 2: Consolidated Cost of Production**

Consolidated Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>100.9</b>	<b>109.6</b>	<b>27.1</b>	<b>303.8</b>	<b>210.5</b>	<b>113.0</b>	<b>86.3</b>
Mine Cost	48.1	51.8	13.0	299.5	99.9	57.2	74.9
Plant and Other Cost	52.8	57.8	14.2	307.8	110.6	55.9	98.0
<b>Unit Cost (USD/MT)</b>	<b>50.8</b>	<b>51.9</b>	<b>41.3</b>	<b>25.8</b>	<b>51.4</b>	<b>48.7</b>	<b>5.5</b>
Mine Cost	24.4	24.1	20.7	16.1	24.2	25.2	-3.7
Plant and Other Cost	26.4	27.9	20.5	35.6	27.2	23.5	15.4

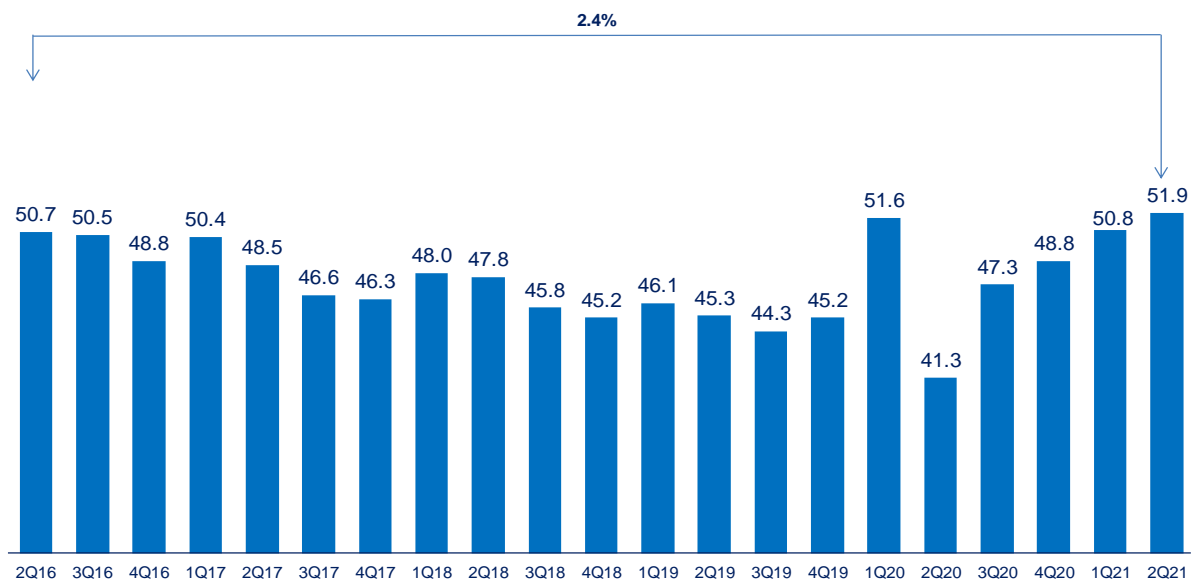
Source: Volcan Cia. Minera

The absolute cost of production increased by 303.8%, from USD 27.1 MM in 2Q20 to USD 109.6 MM in 2Q21, while unit cost grew by 25.8%, from 41.3 USD/MT in 2Q20 to 51.9 USD/MT in 2Q21. The absolute cost increase is mainly explained by greater production, while unit cost grew due to the fixed costs resulting from observing the operating restrictions and maintaining the biosafety protocols required by the pandemic, and from the improved shotcrete standards at Yauli and Chungar underground mines, which entail strengthening areas where shotcrete was previously applied. Amidst, and despite, this situation, the Company is heightening its efforts to keep control of the costs.

Year-to-date, the absolute cost of production increased by 86.3%, from USD 113.0 MM in 1H20 to USD 210.5 MM in 1H21, while the unit cost increased by 5.5% from 48.7 USD/MT in 1H20 to 51.4 USD/MT in 1H21.

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

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



Source: Volcan Cia. Minera

## 2.3 Total Investments

**Table 3: Consolidated Investment**

Consolidated Investment (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Mining</b>	<b>28.0</b>	<b>36.8</b>	<b>6.4</b>	<b>696.7</b>	<b>64.7</b>	<b>35.2</b>	<b>182.2</b>
<b>Mining Units</b>	<b>27.6</b>	<b>34.5</b>	<b>5.6</b>	<b>513.3</b>	<b>62.1</b>	<b>33.8</b>	<b>83.5</b>
Local Exploration	2.9	4.8	0.1	4,506.6	7.7	3.8	104.7
Development	11.5	13.2	1.4	838.7	24.7	15.0	64.9
Plants and Tailings Facilities	6.4	6.8	0.8	769.8	13.2	3.5	283.5
Mine and Infrastructure <sup>1</sup>	6.0	6.9	2.5	173.3	12.9	9.6	33.4
Electrical Infrastructure in Units	0.2	0.8	0.2	429.1	1.0	0.6	60.6
Support and Others	0.6	2.0	0.7	202.4	2.6	1.4	88.0
<b>Growth and Others</b>	<b>0.4</b>	<b>2.3</b>	<b>0.8</b>	<b>183.4</b>	<b>2.7</b>	<b>1.4</b>	<b>98.6</b>
<b>Energy</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>	<b>624.1</b>	<b>0.2</b>	<b>0.2</b>	<b>44.0</b>
<b>Total</b>	<b>28.0</b>	<b>36.9</b>	<b>6.4</b>	<b>473.4</b>	<b>65.0</b>	<b>35.3</b>	<b>83.9</b>

<sup>1</sup> The investments include the operating leases fee according to NIFF 16: USD 3.4 MM in 2Q21 and USD 7.0 MM in cumulative amount.

Source: Volcan Cia. Minera

In 2Q21, total mining investments increased by 471.9%, from USD 6.4 MM in 2020 to USD 36.8 MM in 2021. Operating unit total investments increased by 513.3%, from USD 5.6 MM in 2Q20 to USD 34.5 MM in 2021, due to the normalization of operations after the suspension resulting from the pandemic, which had an impact on explorations, developments and projects execution at the mining operations. Growth investments increased from USD 0.8 MM to USD 2.3 MM in 2021, due to the advancement made in the Romina project execution. Similarly, the energy business grew from USD 0.03 MM to USD 0.2 MM, explained by greater investments in the acquisition of spare parts that are critical to hydroelectric plants and transmission lines.

Total investments increased by 473.4%, from USD 6.4 MM in 2Q20 to USD 36.9 MM in 2Q21. Year-to-date (Jan-Jun), total investments increased by 83.9%, from USD 35.3 MM in 1H20 to USD 65.0 MM in 1H21.

## 2.4 Income Statement

**Table 4: Income Statement**

Income Statement (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Sales before adjust.</b>	<b>211.2</b>	<b>228.5</b>	<b>47.1</b>	<b>384.6</b>	<b>439.7</b>	<b>190.3</b>	<b>131.1</b>
<i>Sett. of prior periods adjust.</i>	3.1	3.1	-12.5		6.2	-24.1	
<i>Adj. open positions</i>	-3.4	3.3	15.3	-78.5	-0.1	5.8	
<i>Hedging</i>	-1.6	-3.4	1.1		-4.9	10.1	
<b>Sales after adjust.</b>	<b>209.4</b>	<b>231.5</b>	<b>51.0</b>	<b>354.0</b>	<b>440.9</b>	<b>182.1</b>	<b>142.1</b>
<b>Cost of Goods Sold</b>	<b>-155.8</b>	<b>-161.2</b>	<b>-42.9</b>	<b>275.9</b>	<b>-317.0</b>	<b>-173.7</b>	<b>82.4</b>
<b>Gross Profit</b>	<b>53.6</b>	<b>70.3</b>	<b>8.1</b>	<b>766.4</b>	<b>123.9</b>	<b>8.4</b>	<b>1,382.7</b>
<i>Gross Margin</i>	26%	30%	16%	14 pp	28%	5%	24 pp
Administrative Expenses	-8.9	-10.9	-6.2	75.4	-19.9	-13.9	42.6
Exploration Expenses	-2.0	-3.2	-1.1	184.7	-5.2	-2.6	100.2
Sales Expenses	-4.6	-4.3	-1.8	138.9	-8.9	-6.5	36.7
Other Income (Expenses) <sup>1</sup>	1.6	-2.9	1.1		-1.3	6.5	
<b>Operating Profit</b>	<b>39.7</b>	<b>49.0</b>	<b>0.1</b>		<b>88.7</b>	<b>-8.2</b>	
<i>Operating Margin</i>	19%	21%	0%	21 pp	20%	-5%	25 pp
Financial Income (Expense)	-21.2	-13.5	-11.0	22.5	-34.7	-22.6	54.0
Exchange Difference (net)	-2.7	-2.6	-1.5	70.3	-5.3	-3.9	36.9
Royalties	-3.1	-3.5	-0.3		-6.6	-1.6	320.5
Income Tax	-11.3	-12.9	-9.3	37.5	-24.1	-10.0	140.8
<b>Net Profit before Exceptionals</b>	<b>1.3</b>	<b>16.6</b>	<b>-22.1</b>		<b>17.9</b>	<b>-46.2</b>	
<i>Net Margin</i>	1%	7%	-43%	50 pp	4%	-25%	29 pp
Exceptional adjustments	0.0	0.0	-24.0	-100.0	0.0	-31.3	-100.0
<b>Net Profit after Exceptionals</b>	<b>1.3</b>	<b>16.6</b>	<b>-46.0</b>		<b>17.9</b>	<b>-77.5</b>	
<i>Net Margin</i>	<b>0.0</b>	<b>0.1</b>	<b>-0.9</b>	<b>97.4</b>	<b>0.0</b>	<b>-0.4</b>	<b>47 pp</b>
<b>EBITDA<sup>2</sup></b>	<b>89.0</b>	<b>97.7</b>	<b>14.8</b>	<b>562.0</b>	<b>186.8</b>	<b>42.1</b>	<b>343.8</b>
<i>EBITDA Margin</i>	43%	42%	29%	13 pp	42%	23%	19 pp

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

<sup>2</sup> Does not consider exceptional adjustments.

Source: Volcan Cia. Minera

### • Sales Analysis

During 2021, the prices of all metals produced by the Company were better than those recorded during the same period of the previous year, as shown in the table below:

**Table 5: Average Sales Prices**

Sales Prices	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Zinc (USD/MT)	2,749	2,884	2,015	43.2	2,817	2,140	31.6
Lead (USD/MT)	2,056	2,112	1,736	21.7	2,082	1,809	15.1
Copper (USD/MT)	7,159	8,536	5,420	57.5	7,824	5,402	44.8
Silver (USD/Oz)	26.7	27.2	17.3	57.3	26.9	17.0	57.9
Gold (USD/Oz)	1,804	1,849	1,737	6.4	1,830	1,630	12.3

Source: Volcan Cia. Minera

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

**Table 6: Fine Contents Sales Volumes**

Fines Sales	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Zinc (thousands FMT)	52.1	52.5	17.4	202.0	104.6	68.7	52.2
Lead (thousands FMT)	13.5	12.4	4.4	179.0	25.9	17.6	47.1
Copper (thousands FMT)	1.0	0.9	0.4	117.3	2.0	1.2	65.1
Silver (millions Oz)	3.8	4.0	1.3	201.6	7.8	4.9	59.8
Gold (thousands Oz)	4.8	6.6	1.5	343.0	11.5	4.4	159.4

**Table 7: Sales in USD**

Sales (millions USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Zinc	92.2	100.3	20.0	400.9	192.5	91.2	111.2
Lead	22.7	22.1	5.3	315.7	44.8	24.1	86.1
Copper	5.0	5.9	1.8	226.0	11.0	4.0	171.3
Silver	83.9	89.2	18.0	395.9	173.1	65.8	162.9
Gold	7.2	10.8	2.0	438.9	18.0	5.2	245.3
Antimony	0.2	0.2	0.0		0.3	0.0	
<b>Sales before adjust.</b>	<b>211.2</b>	<b>228.5</b>	<b>47.1</b>	<b>384.6</b>	<b>439.7</b>	<b>190.3</b>	<b>131.0</b>
Sett. of prior period adjust.	3.1	3.1	-12.5		6.2	-24.1	
Adjust. for open positions	-3.4	3.3	15.3	-78.5	-0.1	5.8	
Hedging results	-1.6	-3.4	1.1		-4.9	10.1	
<b>Sales after adjust.</b>	<b>209.4</b>	<b>231.5</b>	<b>51.0</b>	<b>354.0</b>	<b>440.9</b>	<b>182.1</b>	<b>142.1</b>

Source: Volcan Cia. Minera

In 2Q21, total sales before adjustments amounted to USD 228.5 MM, 384.6% higher as compared to the USD 47.1 MM recorded in 2Q20. This was mainly due to increased production and improved metals prices.

Sales adjustments decreased from USD 3.8 MM in 2Q20 to USD 3.1 MM in 2Q21. In 2Q21, the adjustments included final settlements of USD 3.1 MM, positive provisions related to open shipments of USD 3.3 MM, and negative hedge results of USD -3.4 MM. As a result, sales after adjustments increased by 354.0%, from USD 51.0 MM in 2Q20 to USD 231.5 MM in 2Q21.



- **Cost of Goods Sold**

**Table 8: Cost of Goods Sold**

Cost of Goods Sold (millions USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Volcan Production</b>	<b>154.8</b>	<b>160.1</b>	<b>42.9</b>	<b>273.5</b>	<b>314.9</b>	<b>173.7</b>	<b>81.3</b>
Volcan Production Cost <sup>1</sup>	100.9	109.6	27.1	303.8	210.5	113.0	86.3
D&A from Production Cost <sup>1</sup>	47.5	46.9	13.0	260.5	94.4	47.0	100.7
Other expenses	4.8	7.1	3.7	93.1	12.0	9.5	26.5
Variation of Inventories	1.6	-3.5	-1.0	260.7	-1.9	4.2	
<b>Workers Participation</b>	<b>1.0</b>	<b>1.1</b>	<b>0.0</b>		<b>2.0</b>	<b>0.0</b>	
<b>Total</b>	<b>155.8</b>	<b>161.2</b>	<b>42.9</b>	<b>275.9</b>	<b>317.0</b>	<b>173.7</b>	<b>82.4</b>

<sup>1</sup> Includes reclassification of non-operating units permanent expenses from the other expenses line to cost of sales in 2020 (2Q20 USD 3.7 MM other expenses and USD 1.0 MM for depreciation; 1H20 USD 8.5 MM other expenses and USD 1.6 MM for depreciation).

Source: Volcan Cia. Minera

The total cost of goods sold increased by 275.9%, from USD 42.9 MM in 2Q20 to USD 161.2 MM in 2Q21, mainly due to greater cost of production, and depreciation and amortization, explained by the increased extracted and processed volumes, as well as the increased fixed costs resulting from observing the operating restrictions and maintaining the biosafety protocols required by the pandemic, and the shotcrete activities carried out at Yauli and Chungar.

- **Gross Margin and Gross Profit**

The Company's gross margin increased from 16% in 2Q20 to 30% in 2Q21, mainly due to higher prices of all metals sold by the Company. Gross profit increased from USD 8.1 MM in 2Q20 to USD 70.3 MM in 2Q21 due to an improved margin and increased physical sales resulting from greater production.

Year-to-date (Jan-Jun), gross margin increased from 5% in 1H20 to 28% in 1H21. Gross profit increased from USD 8.4 MM in 1H20 to USD 123.9 MM in 1H21, mainly due to higher base metals prices and greater production.

- **Administrative Expenses**

Administrative expenses increased by 75.4%, from USD 6.2 MM in 2020 to USD 10.9 MM in 2021, mainly explained by higher personnel expenses provisions and donations related to the pandemic. Year-to-date (Jan-Jun), administrative expenses increased from USD 13.9 MM in 1H20 to USD 19.9 MM in 1H21.

- **Exploration Expenses**

Regional or greenfield exploration expenses increased from USD 1.1 MM in 2Q20 to USD 3.2 MM in 2Q21, as a result of the increased execution of early stage exploration projects. Year-to-date (Jan-Jun), regional exploration expenses increased from USD 2.6 MM in 1H20 to USD 5.2 MM in 1H21.

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- **Sale expenses**

Sale expenses increased by 138.9%, from USD 1.8 MM in 2020 to USD 4.3 MM in 2021, mainly due to an increased sales volume. Year-to-date (Jan-Jun), sale expenses increased from USD 6.5 MM in 1H20 to USD 8.9 MM in 1H21.

- **Other Income and Expenses**

In 2Q21, the net amount of other income and expenses was USD -2.9 MM versus USD +1.1 MM in 2Q20, mainly explained by the provision for expenses related to agreements from previous years. Year-to-date (Jan-Jun), the net amount of other income and expenses was negative, USD -1.3 MM in 1H21 versus a positive amount of USD 6.5 MM in 1H20.

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

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

Financial expenses increased by 22.5%, from USD 11.0 MM in 2020 to USD 13.5 MM in 2021, mainly explained by the Company's increased debt. Year-to-date (Jan-Jun), net financial expenses totaled USD 34.7 MM in 1H21 as compared to 22.6 MM in 1H20. This increase is mainly explained by extraordinary expenses related to the partial buyback of bonds maturing in 2022 and the payment of the syndicated loan in February 2021.

Exchange-rate losses totaling USD -2.6 MM were registered in 2Q21, as compared to the USD -1.5 MM reported in 2Q20. Year-to-date (Jan-Jun), a loss totaling USD -5.3 MM was registered in 1H21, as compared to the exchange-rate loss worth USD -3.9 MM reported in 1H20.

- **Royalties and Income Tax**

Royalties grew from USD 0.3 MM in 2Q20 to USD 3.5 MM in 2Q21 due to better operating results. Income tax, not taking into account exceptional items, increased from USD 9.3 MM in 2Q20 to USD 12.9 MM in 2Q21, mainly due to higher profit before taxes and the deferred tax translation effect resulting from the devaluation of the national currency.

Year-to-date (Jan-Jun), royalties increased from USD 1.6 MM in 1H20 to USD 6.6 MM in 1H21, while income tax increased from USD 10.0 MM in 1H20 to USD 24.1 MM in 1H21.

- **Net Profit and EBITDA**

Net profit before exceptional items increased from USD -22.1 MM in 2Q20 to USD 16.6 MM in 2Q21, and EBITDA increased from USD 14.8 MM in 2Q20 to USD 97.7 MM in 2Q21, mainly due to increased sales and improved margin.

Year-to-date (Jan-Jun), net profit before exceptional items increased from USD -46.2 MM in 1H20 to USD 17.9 MM in 1H21, while EBITDA increased from USD 42.1 MM in 1H20 to USD 186.8 MM in 1H21.

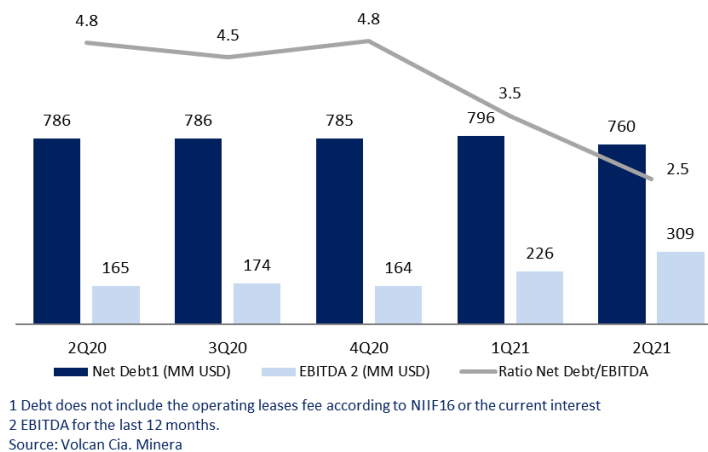
## **2.5 Liquidity and Creditworthiness**

In 2Q21, cash generated by mining operations after operating investments totaled USD 47.4 MM. Growth investments in the mining business and others totaled USD -0.5 MM

and the payment of financial obligations and interests amounted to USD -10.0 MM. Therefore, during 2Q21, the cash flow was USD 36.9 MM, and the cash balance at the end of 2Q21 totaled USD 157.7 MM.

As of June 30, 2021, the net debt/EBITDA ratio was 2.5, a significant reduction from the 4.8 ratio recorded at the end of 2020, mainly due to the greater EBITDA accumulated in the last 12 months and a lower net debt.

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



### 3. Results by Operating Unit

#### 3.1 Yauli Unit Operating Results

**Table 10: Yauli Production**

Yauli Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Mineral extraction (thousands MT)	652	728	225	224.0	1,380	827	66.8
Mineral treatment (thousands MT)	647	714	232	207.6	1,361	829	64.2
<b>Fines Content</b>							
Zinc (thousaned FMT)	30.9	34.1	11.8	188.3	64.9	39.5	64.2
Lead (thousaned FMT)	5.2	5.6	2.0	173.9	10.7	6.6	61.6
Copper (thousaned FMT)	0.6	0.6	0.4	72.8	1.2	0.8	51.6
Silver (million Oz)	1.8	1.9	0.7	157.6	3.7	2.4	53.7
Gold (thousaned Oz)	1.3	1.4	0.5	177.7	2.6	1.8	43.0

Source: Volcan Cia. Minera

In 2Q21, ore extracted at the Yauli Unit increased by 224.0% as compared to the same quarter of the previous year, mainly explained by increased operations at all mines as a result of removing the limitations that existed in the same period of the previous year due to the emergency caused by the pandemic. The ore treated at the Yauli Unit concentrator plants increased by 207.6% in 2Q21, as compared to the same period of the previous year, in line with the increased extraction.

With regard to fines, in 2Q21, zinc, lead, copper, silver and gold production increased by 188.3%, 173.9%, 72.8%, 157.6% and 177.7%, respectively, as compared to 2Q20.

Year-to-date (Jan-Jun), ore extraction grew by 66.8%, as compared to the same period in the previous year, while the volume of treated ore grew by 64.2%. With regard to zinc, lead, copper, silver and gold fines, production increased by 64.2%, 61.6%, 51.6%, 53.7% and 43.0%, respectively.

**Table 11: Yauli Cost of Production**

Yauli Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>53.0</b>	<b>57.6</b>	<b>14.0</b>	<b>309.8</b>	<b>110.6</b>	<b>59.0</b>	<b>87.3</b>
Extraction Cost	28.4	30.8	7.8	293.1	59.2	34.4	72.3
Treatment Cost	24.6	26.7	6.2	330.9	51.4	24.7	108.2
<b>Unit Cost (USD/MT)</b>	<b>81.6</b>	<b>79.8</b>	<b>61.7</b>	<b>29.5</b>	<b>80.7</b>	<b>71.3</b>	<b>13.1</b>
Extraction Cost	43.5	42.4	34.9	21.3	42.9	41.6	3.3
Treatment Cost	38.0	37.5	26.7	40.1	37.7	29.8	26.8

Source: Volcan Cia. Minera

In 2Q21, the absolute cost of production increased by 309.8%, from USD 14.0 MM in 2020 to USD 57.6 MM in 2021. This is mainly explained by greater production. The unit cost of production increased by 29.5%, from 61.7 USD/MT in 2Q20 to 79.8 USD/MT in 2Q21, due to increased fixed costs related to observing the operating restrictions and maintaining biosafety protocols, and from the improvement to the shotcrete standards at the mines.

Year-to-date (Jan-Jun), the absolute cost of production increased by 87.3%, from USD 59.0 MM in 1H20 to USD 110.6 MM in 1H21. The unit cost of production increased by 13.1%, from 71.3 USD/MT in 1H20 to 80.7 USD/MT in 1H21.

**Table 12: Yauli Operating Investments**

Yauli Operating Investment (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Local Exploration	2.0	3.4	0.1	3296.3	5.3	2.2	143.7
Mine Development	8.8	10.0	1.0	937.8	18.7	10.8	72.8
Plants and Tailings Dams	3.2	4.0	0.4	1013.7	7.2	2.6	178.4
Mine and Infrastructure	4.2	4.4	1.4	227.5	8.6	5.6	53.5
Electrical Infrastructure	0.2	0.8	0.2	426.4	1.0	0.4	157.0
Support and Others	0.5	1.7	0.1	1168.8	2.2	0.6	301.2
<b>Total<sup>1</sup></b>	<b>18.9</b>	<b>24.3</b>	<b>3.1</b>	<b>693.9</b>	<b>43.2</b>	<b>22.2</b>	<b>94.5</b>

<sup>1</sup> The investments include the operating leases fee according to NIFF 16: USD 2.3 MM in 2Q21 and USD 4.7 MM in cumulative amount.

Source: Volcan Cia. Minera

In 2Q21, operating investments at Yauli totaled USD 24.3 MM, 693.9% higher than the USD 3.1 MM recorded in 2020, mainly due to the increased execution of explorations, developments and infrastructure as a result of the removal of limitations due to the pandemic.

Year-to-date (Jan-Jun), total operating investments increased by 94.5%, from USD 22.2 MM in 1H20 to USD 43.2 MM in 1H21.

## 3.2 Chungar Unit Operating Results

**Table 13: Chungar Production**

Chungar Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Mineral extraction (thousands MT)	299	257	73	254.3	556	459	21.1
Mineral treatment (thousands MT)	311	268	98	173.3	579	449	28.9
<b>Fines Content</b>							
Zinc (thousaned FMT)	13.6	10.7	4.4	142.6	24.3	19.2	26.5
Lead (thousaned FMT)	4.6	3.7	1.5	137.8	8.2	5.9	39.2
Copper (thousaned FMT)	0.3	0.3	0.1	238.4	0.6	0.4	79.8
Silver (million Oz)	0.6	0.6	0.2	228.2	1.2	0.9	27.7

Source: Volcan Cia. Minera

In 2Q21, the ore volumes extracted at Chungar increased by 254.3% as compared to 2Q20, and the volume of treated ore increased by 173.3% as compared to the same quarter of the previous year, mainly explained by the suspension of operations that took place during that period as a result of the pandemic.

In line with this, zinc, lead, copper and silver production in 2Q21 increased by 142.6%, 137.8%, 238.4% and 228.2%, respectively, as compared to 2Q20.

Year-to-date (Jan-Jun), ore extraction grew by 21.1%, as compared to the same period in the previous year, while the volume of treated ore grew by 28.9%. With regard to zinc, lead, copper and silver fines, production increased by 26.5%, 39.2%, 79.8% and 27.7%, respectively.

**Table 14: Chungar Cost of Production**

Chungar Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>25.4</b>	<b>26.8</b>	<b>6.9</b>	<b>288.0</b>	<b>52.1</b>	<b>29.8</b>	<b>74.9</b>
Extraction Cost	14.6	14.8	3.6	313.4	29.3	16.3	79.5
Treatment Cost	10.8	12.0	3.3	260.6	22.8	13.4	69.3
<b>Unit Cost (USD/MT)</b>	<b>83.4</b>	<b>102.2</b>	<b>83.1</b>	<b>22.9</b>	<b>92.1</b>	<b>65.5</b>	<b>40.5</b>
Extraction Cost	48.7	57.5	49.3	16.7	52.7	35.6	48.3
Treatment Cost	34.7	44.7	33.8	32.0	39.3	29.9	31.3

Source: Volcan Cia. Minera

In 2021, the absolute cost of production increased by 288.0%, from USD 6.9 MM in 2020 to USD 26.8 MM in 2021. This is mainly explained by greater production. The unit cost increased by 22.9%, from 83.1 USD/MT in 2020 to 102.2 USD/MT in 2021, as a result of higher preparation and shotcrete costs, and fixed costs due to the COVID-19 protocols.

Year-to-date (Jan-Jun), the absolute cost of production increased by 74.9%, from USD 29.8 MM in 1H20 to USD 52.1 MM in 1H21. The unit cost of production increased by 40.5%, from 65.5 USD/MT in 1H20 to 92.1 USD/MT in 1H21.

**Table 15: Chungar Operating Investments**

Chungar Operating Investment (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Local Exploration	0.8	0.9	0.0	22195.9	1.7	1.5	13.2
Mine Development	2.7	3.2	0.4	623.8	5.9	4.1	44.2
Plants and Tailings Dams	2.5	2.6	0.2	1040.4	5.1	0.4	1189.0
Mine and Infrastructure	1.5	2.2	0.8	178.5	3.7	3.1	19.5
Electrical Infrastructure	0.0	0.0	0.0	0.0	0.0	0.2	-98.4
Support and Others	0.0	0.1	0.4	-87.2	0.1	0.7	-91.3
<b>Total<sup>1</sup></b>	<b>7.6</b>	<b>8.9</b>	<b>1.9</b>	<b>371.3</b>	<b>16.5</b>	<b>10.0</b>	<b>64.5</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.9 MM in 2Q21 and USD 1.9 MM in cumulative amount.

Source: Volcan Cia. Minera

Operating investments increased by 371.3%, from USD 1.9 MM in 2020 to USD 8.9 MM in 2021, mainly due to higher investments in development, plants and tailings dams and infrastructure, resulting from the removal of limitations related to the pandemic.

Year-to-date (Jan-Jun), total operating investments increased by 64.5%, from USD 10.0 MM in 1H20 to USD 16.5 MM in 1H21.

### 3.3 Alparmarca Unit Operating Results

**Table 16: Alparmarca Production**

Alparmarca Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Mineral extraction (thousands MT)</b>	<b>213</b>	<b>304</b>	<b>74</b>	<b>312.8</b>	<b>516</b>	<b>193</b>	<b>167.2</b>
<b>Mineral treatment (thousands MT)</b>	<b>230</b>	<b>229</b>	<b>105</b>	<b>117.2</b>	<b>458</b>	<b>303</b>	<b>51.1</b>
<b>Fines Content</b>							
Zinc (thousaned FMT)	2.1	2.3	0.9	169.0	4.5	2.4	87.4
Lead (thousaned FMT)	1.7	1.9	0.6	192.4	3.5	1.7	110.6
Copper (thousaned FMT)	0.1	0.1	0.0	183.5	0.3	0.1	132.1
Silver (million Oz)	0.4	0.4	0.1	203.1	0.9	0.4	130.2

Source: Volcan Cia. Minera

In 2Q21, ore volumes extracted at the Alparmarca Unit increased by 312.8% compared to the same quarter of the previous year. Similarly, treated ore volumes increased by 117.2% compared to the same quarter of the previous year.

Accordingly, in 2021, zinc, lead, copper and silver fines production increased by 169.0%, 192.4%, 183.5%, and 203.1%, respectively, as compared to 2Q20, due to greater volumes and better head grades of the treated ore.

Year-to-date (Jan-Jun), ore extraction grew by 167.2%, as compared to the same period in the previous year, while the volume of treated ore grew by 51.1%. With regard to zinc, lead, copper and silver fines, production increased by 87.4%, 110.6%, 132.1% and 130.2%, respectively.

**Table 17: Alparmarca Cost of Production**

Alparmarca Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>5.4</b>	<b>6.7</b>	<b>2.1</b>	<b>221.2</b>	<b>12.0</b>	<b>7.0</b>	<b>70.6</b>
Extraction Cost	2.1	2.7	0.9	180.9	4.7	3.4	37.4
Treatment Cost	3.3	4.0	1.1	254.9	7.3	3.6	102.0
<b>Unit Cost (USD/MT)</b>	<b>24.0</b>	<b>26.2</b>	<b>23.5</b>	<b>11.4</b>	<b>25.0</b>	<b>29.7</b>	<b>-15.5</b>
Extraction Cost	9.7	8.7	12.8	-32.0	9.1	17.7	-48.6
Treatment Cost	14.4	17.5	10.7	63.4	15.9	11.9	33.7

Source: Volcan Cia. Minera

In 2Q21, the absolute cost of production totaled USD 6.7 MM, 221.2% higher than the USD 2.1 MM figure for the same quarter of the previous year. The unit cost increased by 11.4%, from 23.5 USD/MT in 2020 to 26.2 USD/MT in 2021, mainly due to higher costs incurred for the implementation of a drainage ramp at the open pit.

Year-to-date (Jan-Jun), the cost of production in absolute terms increased by 70.6%, from USD 7.0 MM in 1H20 to USD 12.0 MM in 1H21, while the unit cost of production decreased by 15.5%, from 29.7 USD/MT in 1H20 to 25.0 USD/MT in 1H21.

**Table 18: Alparmarca Operating Investments**

Alparmarca Operating Inv. (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Local Exploration	0.2	0.4	0.0	40476.1	0.5	0.1	363.9
Plants and Tailings Dams	0.4	0.2	0.1	7.3	0.6	0.2	297.9
Mine and Infrastructure	0.2	0.2	0.1	28.1	0.4	0.3	14.6
Support and Others	0.0	0.1	0.0	97.7	0.1	0.0	83.0
<b>Total<sup>1</sup></b>	<b>0.8</b>	<b>0.8</b>	<b>0.3</b>	<b>147.8</b>	<b>1.6</b>	<b>0.6</b>	<b>151.8</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.1 MM in 2Q21 and USD 0.2 MM in cumulative amount.

Source: Volcan Cia. Minera

Operating investments increased from USD 0.3 MM in 2Q20 to USD 0.8 MM in 2Q21, mainly due to increased investments to expand the tailings dam, and execution of drilling campaigns.

Year-to-date (Jan-Jun), total operating investments increased from USD 0.6 MM in 1H20 to USD 1.6 MM in 1H21.

### 3.4 Cerro de Pasco Unit Operating Results

**Table 19: Cerro de Pasco Production**

Cerro de Pasco Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Mineral extraction (thousands MT)	592	636	196	224.9	1,228	578	112.5
Mineral treatment (thousands MT)	592	636	196	224.9	1,228	578	112.5
<b>Fines Content</b>							
Zinc (thousand FMT)	4.6	6.0	1.6	283.1	10.6	4.9	117.2
Lead (thousand FMT)	1.4	1.6	0.6	198.8	3.1	1.9	59.9
Silver (million Oz)	0.2	0.2	0.1	254.7	0.4	0.2	105.8

Source: Volcan Cia. Minera

In 2Q21, ore volumes from stockpiles processed at Cerro de Pasco increased by 224.9% compared to the same quarter of the previous year, from 196 thousand MT in 2Q20 to 636 thousand MT in 2Q21.

Accordingly, in 2021, zinc, lead and silver fines production grew by 283.1%, 198.8% and 254.7%, respectively, as compared to 2Q20.

Year-to-date (Jan-Jun), the volume of treated ore grew by 112.5% as compared to the same period in the previous year. With regard to zinc, lead and silver fines, production increased by 117.2%, 59.9%, and 105.8%, respectively.

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

Cerro de Pasco Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>7.7</b>	<b>8.3</b>	<b>2.0</b>	<b>316.9</b>	<b>16.0</b>	<b>7.6</b>	<b>109.7</b>
Extraction Cost	1.4	1.4	0.3	393.1	2.9	1.2	147.5
Treatment Cost	6.2	6.9	1.7	303.8	13.1	6.4	102.9
<b>Unit Cost (USD/MT)</b>	<b>12.9</b>	<b>13.1</b>	<b>10.2</b>	<b>28.3</b>	<b>13.0</b>	<b>13.2</b>	<b>-1.3</b>
Extraction Cost	2.4	2.3	1.5	51.8	2.4	2.0	16.5
Treatment Cost	10.5	10.8	8.7	24.3	10.6	11.2	-4.5

Source: Volcan Cia. Minera

The absolute cost of production increased by 316.9%, from USD 2.0 MM in 2Q20 to USD 8.3 MM in 2Q21, due to greater production volumes, while unit cost grew by 28.3%, from 10.2 USD/MT in 2Q20 to 13.1 USD/MT in 2Q21, due to higher supplies and reagents prices, such as copper sulfate, the price of which varies in line with the market price of this metal.

Year-to-date (Jan-Jun), the absolute cost of production increased by 109.7%, from USD 7.6 MM in 1H20 to USD 16.0 MM in 1H21. The unit cost of production decreased by 1.3%, from 13.2 USD/MT in 1H20 to 13.0 USD/MT in 1H21.



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

Cerro de Pasco Operating Inv. (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Local Exploration	0.0	0.2	0.0		0.2	0.0	
Plants and Tailings Dams	0.1	0.1	0.0		0.2	0.0	436.8
Mine and Infrastructure	0.0	0.1	0.0	13.8	0.1	0.1	0.8
Support and Others	0.0	0.1	0.0	256.1	0.1	0.0	310.8
<b>Total<sup>1</sup></b>	<b>0.2</b>	<b>0.4</b>	<b>0.1</b>	<b>510.7</b>	<b>0.5</b>	<b>0.2</b>	<b>251.5</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.05 MM in 2Q21 and USD 0.1 MM in cumulative amount.

Source: Volcan Cia. Minera

Operating investments increased from USD 0.1 MM in 2Q20 to USD 0.4 MM in 2Q21, mainly explained by the start of stockpile drilling operations at Hanancocha in the last quarter of 2020. These drillings will permit to increase the available resources at this unit.

Year-to-date (Jan-Jun), total operating investments increased from USD 0.2 MM in 1H20 to USD 0.5 MM in 1H21.

### 3.5 Oxides Plant Operating Results

**Table 22: Oxides Plant Production**

Oxides Plant Production	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Mineral extraction (thousands MT)</b>	<b>218</b>	<b>229</b>	<b>59</b>	<b>286.8</b>	<b>447</b>	<b>214</b>	<b>108.4</b>
<b>Mineral treatment (thousands MT)</b>	<b>218</b>	<b>229</b>	<b>59</b>	<b>286.8</b>	<b>447</b>	<b>214</b>	<b>108.4</b>
<b>Fines Content</b>							
Silver (million Oz)	0.9	0.8	0.2	239.6	1.7	0.8	109.1
Gold (Oz)	3,791	4,859	582	735.0	8,651	1,711	405.6

Source: Volcan Cia. Minera

Ore volumes treated at the Oxides Plant increased by 286.8%, from 59 thousand MT in 2Q20 to 229 thousand MT in 2Q21. Silver and gold ounces production increased by 239.6% and 735.0%, respectively, mainly explained by greater treated volumes and better head grades of the processed ore.

Year-to-date (Jan-Jun), the volume of treated ore grew by 108.4% as compared to the same period in the previous year. Silver and gold ounces production increased by 109.1% and 405.6%, respectively.

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

Oxides Plant Production Cost	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Production Cost (MM USD)</b>	<b>9.5</b>	<b>10.3</b>	<b>2.1</b>	<b>383.4</b>	<b>19.8</b>	<b>9.5</b>	<b>108.7</b>
Extraction Cost	1.7	2.1	0.3	577.1	3.8	1.8	105.5
Treatment Cost	7.8	8.2	1.8	350.9	16.1	7.7	109.5
<b>Unit Cost (USD/MT)</b>	<b>43.7</b>	<b>45.1</b>	<b>36.1</b>	<b>25.0</b>	<b>44.4</b>	<b>44.4</b>	<b>0.2</b>
Extraction Cost	7.7	9.1	5.2	75.0	8.4	8.5	-1.4
Treatment Cost	36.0	36.0	30.9	16.6	36.0	35.8	0.5

Source: Volcan Cia. Minera

In 2Q21, the absolute cost of production totaled USD 10.3 MM, 383.4% higher than the USD 2.1 MM figure in 2Q20. Unit cost increased by 25.0%, from 36.1 USD/MT in 2Q20 to 45.1 USD/MT in 2Q21, mainly due to higher costs resulting from on-site ore treatment.

Year-to-date (Jan-Jun), the absolute cost of production increased by 108.7%, from USD 9.5 MM in 1H20 to USD 19.8 MM in 1H21. The operation's unit cost remained unchanged at 44.4 USD/MT.

**Table 24: Oxides Plant Operating Investments**

Oxides Plant Operating Inv. (MM USD)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Plants and Tailings Dams	0.1	0.0	0.0		0.1	0.3	-66.5
Mine and Infrastructure	0.0	0.0	0.2	-82.8	0.1	0.5	-87.7
Support and Others	0.0	0.1	0.0	193.2	0.1	0.0	241.2
<b>Total<sup>1</sup></b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>-69.0</b>	<b>0.3</b>	<b>0.8</b>	<b>-68.5</b>

<sup>1</sup> The investments include the operating leases fee according to NIIF 16: USD 0.03 MM in 2Q21 and USD 0.05 MM in cumulative amount.

Source: Volcan Cia. Minera

Operating investments decreased from USD 0.3 MM in 2Q20 to USD 0.1 MM in 2Q21. Year-to-date (Jan-Jun), operating investments decreased by 68.5%, from USD 0.8 MM in 1H20 to USD 0.3 MM in 1H21.

### 3. Energy

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

Electric Balance (GWh)	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
<b>Energy generation</b>	<b>122.4</b>	<b>112.2</b>	<b>112.9</b>	<b>-0.6</b>	<b>234.5</b>	<b>232.5</b>	<b>0.9</b>
Chungar	41.9	38.8	40.3	-3.9	80.7	76.9	4.9
Tingo	1.7	1.6	0.0		3.3	0.0	10913.4
Huanchor	36.4	35.7	34.0	5.1	72.1	76.3	-5.5
Rucuy	42.4	36.0	38.5	-6.5	78.5	79.2	-0.9
<b>Energy consumption</b>	<b>183.9</b>	<b>190.1</b>	<b>127.4</b>	<b>49.2</b>	<b>374.0</b>	<b>299.3</b>	<b>25.0</b>
<b>Energy purchase</b>	<b>140.4</b>	<b>149.7</b>	<b>87.1</b>	<b>71.8</b>	<b>290.1</b>	<b>222.4</b>	<b>30.4</b>

Source: Volcan Cia. Minera

During 2Q21, Volcan's total consumption of electric power reached 190.1 GWh, with a maximum demand of 98.8 MW. The 10 hydroelectric plants that belong to the Chungar Unit generated 38.8 GWh. This accounted for 20% of the Company's total consolidated consumption, at an average cost of 20.2 USD/MWh, including operating, maintenance and transmission costs.

Volcan purchased 149.7 GWh from the national central grid system (the SEIN) in order to meet its total consumption demand, at an average cost of 61.7 USD/MWh.

In 2Q21, the Huanchor Hydroelectric Plant produced 35.7 GWh, a 5% increase as compared to the same period of the previous year, due to the plant's continuous operation. The power of Huanchor Hydroelectric Plant was entirely sold to third parties.

In 2021, the Rucuy Hydroelectric Plant produced 36.0 GWh, a 6% reduction as compared to the same period of the previous year, resulting from the reduced availability of water. The power was used to meet the commitments set forth in its renewable energy agreement (RER).

The Tingo Hydroelectric Plant produced 1.6 GWh. All of this power was sold to the Chungar mining operation.

## 4. Final Comments

- The Company's operating and financial results have improved over the last quarter, as compared to 2020 and 1Q21. All the Company's mining units are operating in line with strict protocols to guarantee our employees' health and safety amidst the COVID-19 pandemic. However, it is important to mention that the operations were unable to reach their full production capacity due to persistent personnel limitations as a result of the national emergency caused by the pandemic.
- As a result of increased production and better metals prices, the Company's net sales increased by 354.0%, from USD 51.0 MM in 2Q20 to USD 231.5 MM in 2Q21. EBITDA increased by 562.0%, from USD 14.8 MM in 2Q20 to USD 97.7 MM in 2Q21. Net profit before exceptional items for the quarter was USD 16.6 MM, compared to a USD -22.1 loss during the same quarter of the previous year. It should be noted that the profit was affected in USD 8.6 MM by the devaluation of the national currency.
- The prices of metals produced by the Company maintain a favorable outlook for the following months. Particularly, the incentives for economic recovery in the largest markets, and the delayed recovery of global production due to the pandemic, result in positive expectations for base metals.
- Volcan remains firm in developing initiatives to improve productivity and to lower production across all operating units, in order to widen its margins and offset personnel availability limitations and additional costs resulting from the strict protocols implemented to protect our employees' health and minimize the risk of spreading the virus.
- The Company continues to execute a financial restructuring plan with the objective of extending the maturity and reducing its total debt. In February 2021, the Company successfully issued international bonds worth USD 475 MM with a 5-year maturity at a 4.375% annual rate. The amount earned through these instruments was used to pay the existing commercial debts and partially buy back bonds with maturity on February 2022; accordingly, the due date of a significant portion of the Company's debt was extended considerably. Furthermore, the Annual Shareholders' Meeting held on March 31, 2021, approved a capital increase worth USD 400 MM to be carried out in 3Q21, and the Board of Directors was entrusted with holding a new Meeting in 3Q21 to approve the terms and conditions of such capital increase.
- Cosco Shipping Ports Chancay Peru S.A. (CSPCP), the company that manages the Chancay Port project, and where Volcan holds a participation of 40% of shares, continues the construction of the first stage of the Chancay Multi-Purpose Terminal, which has three components: 1) the entrance complex, 2) the underground viaduct tunnel, which includes the access road system, and 3) the port operating zone (2 multi-purpose docks and 2 container docks). The component 2) the underground viaduct tunnel is under construction by the company China Railway N° 10 Engineering Group Co. Ltd. Sucursal del Perú with an execution term of 24 months counted from March 2021. The components 1) the entrance complex and 3) the port operating zone construction was awarded in May 2021 to the Chinese consortium China Harbor

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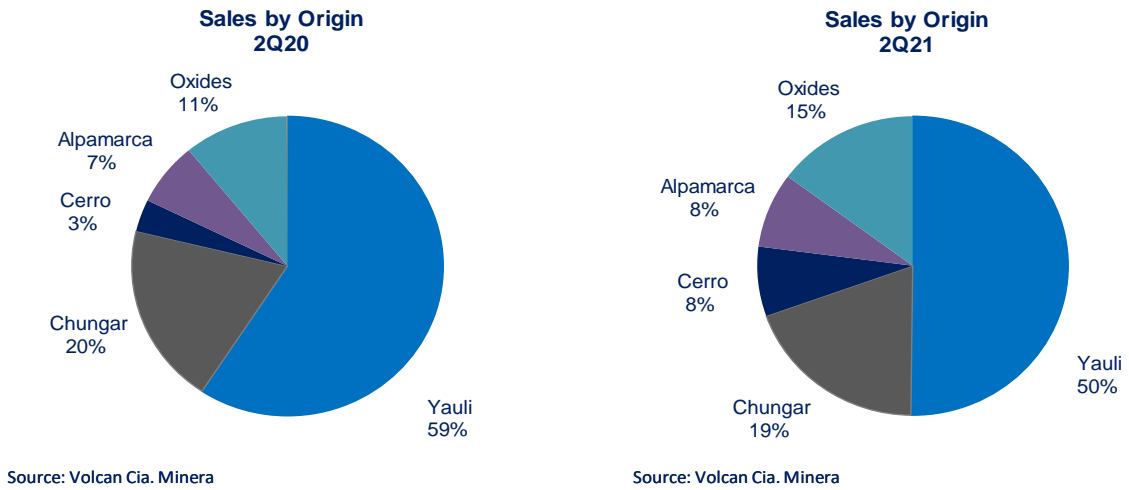
Engineering Company SAC / China Communications Construction Company Fourth Harbor Engineering Co. Ltd., and the preliminary engineering and construction works review have started at the end of June 2021.

- Likewise, the construction of the Electric Transmission Line with an estimated length of 7 km that will allow the supply of energy to the port, was awarded to the Consorcio Transmantaro S.A. (ISA-REP) with an execution period of 24 months. The contract is in the final negotiation phase, waiting to be signed in 3Q21.
- Finally, in June 2021, Cosco Shipping Ports Ltd. (CSPL) transferred the amount of USD 118.8 MM, completing 100% of its contribution committed to 60% of CSPCP shares, equivalent to USD 225 MM.

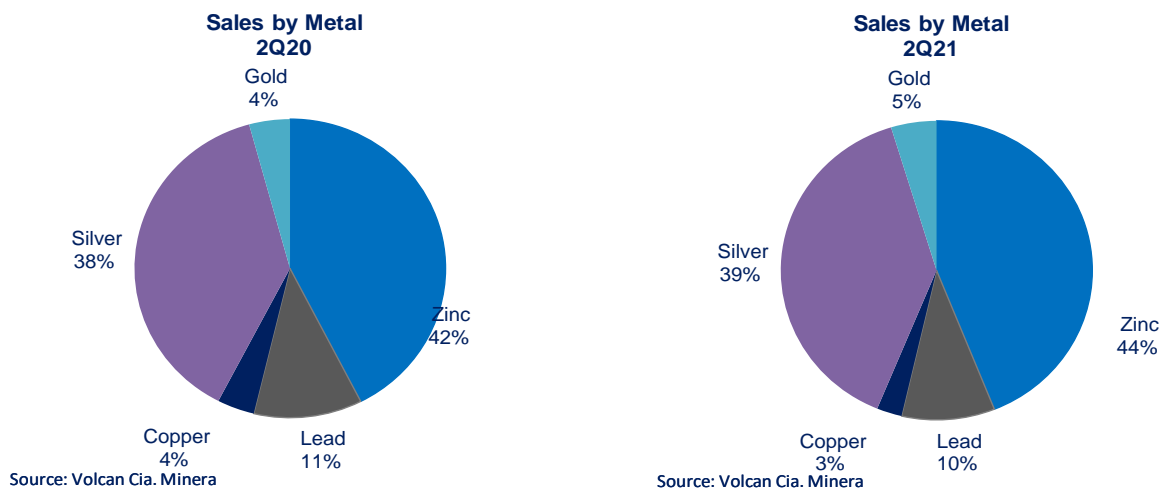
**Annexes**

**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 2021 reflects the growth in the contribution of zinc to total sales, as a result of the increase in its price.

## Annex 2: Average Spot Prices

Spot Prices	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Zinc (USD/MT)	2,748	2,916	1,959	48.8	2,832	2,044	38.6
Lead (USD/MT)	2,020	2,127	1,670	27.4	2,074	1,759	17.9
Copper (USD/MT)	8,478	9,711	5,341	81.8	9,094	5,488	65.7
Silver (USD/Oz)	26.3	26.7	16.3	63.5	26.5	16.6	59.3
Gold (USD/Oz)	1,802	1,814	1,710	6.1	1,808	1,647	9.8

Source: London Metal Exchange

## Annex 3: Macroeconomic Indicators

Macroeconomic Indicators	Jan-Mar 2021	Apr-Jun 2021	Apr-Jun 2020	var %	Jan-Jun 2021	Jan-Jun 2020	var %
Exchange Rate (S/ x USD)	3.66	3.79	3.43	10.4	3.72	3.42	9.0
Inflation	2.60	2.45	1.60	53.1	2.45	1.60	53.1

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

Source: Central Reserve Bank of Peru

## Annex 4: Domestic Peruvian Metal Production

National Production	Jan-Mar 2020	Apr-May 2021	Apr-May 2020	var %	Jan-May 2021	Jan-May 2020	var %
Zinc (FMT)	390,396	271,480	44,760	506.5	661,876	392,491	68.6
Lead (FMT)	64,053	44,336	12,930	242.9	108,389	82,571	31.3
Copper (FMT)	531,060	369,149	253,632	45.5	900,209	768,330	17.2
Silver (Thousands Oz)	25,327	17,363	6,466	168.5	42,689	33,353	28.0
Gold (Thousands Oz)	730	492	289	70.3	1,222	2,786	-56.1

Source: Ministry of Energy and Mines