

# Volcan Compañía Minera

J.P. Morgan Global Emerging Markets  
Corporate Conference - February 2020



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# Agenda

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1 Overview

2 Operations & Financial Results

3 Growth Strategy

4 Energy and Chancay Port

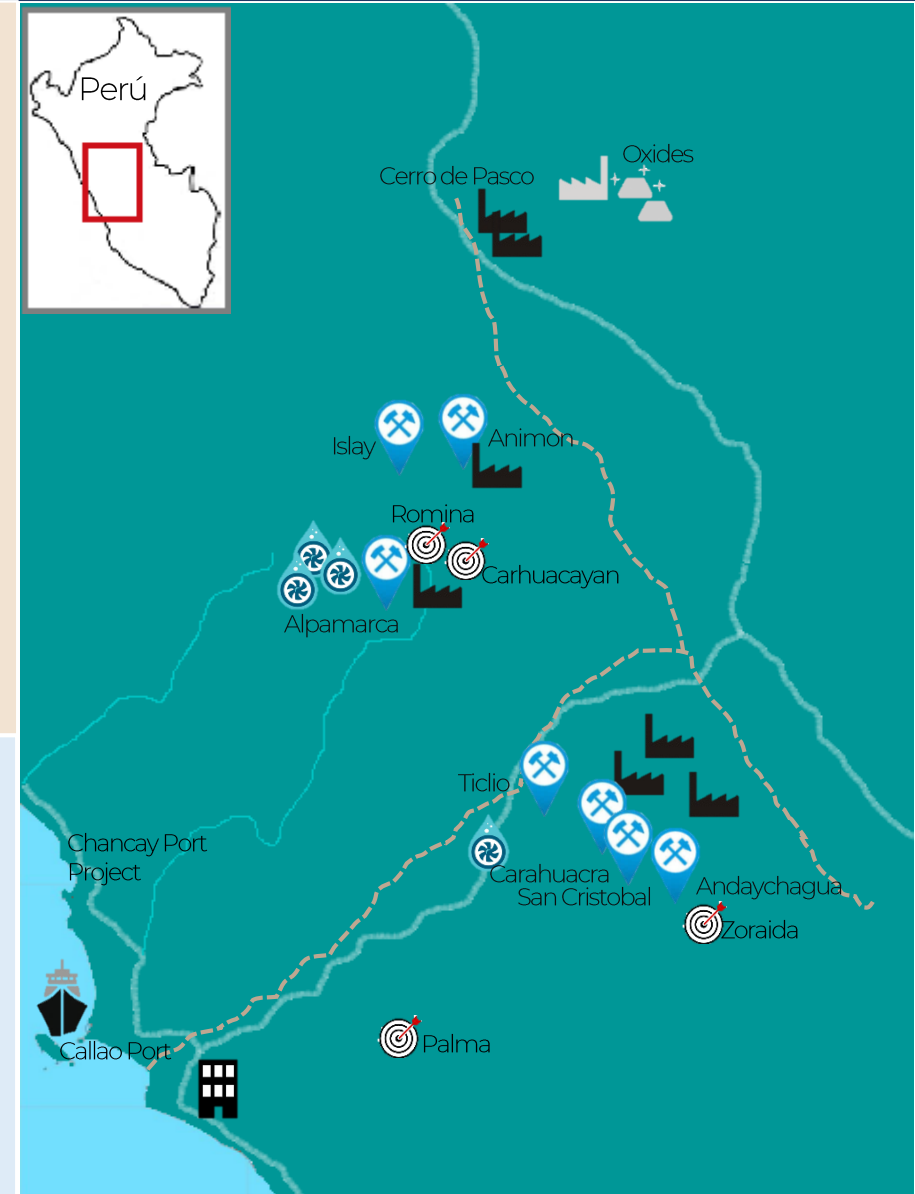


# Volcan overview

- ✓ 76 years of mining experience
- ✓ Located in a mining friendly region in Peru with logistics competitive advantages
- ✓ 7 mines, 7 concentrator plants & 1 lixiviation plant
- ✓ Total 2019 production
  - 239 k fmt Zn
  - 49 k fmt Pb
  - 15.6 mm oz Ag
- ✓ 3,090 direct employees & 7,437 contractors
- ✓ Electric Infrastructure:
  - 13 HP (63 MW)
  - 15 Transformation Lines (350 km)
  - 26 Electric Substations (303MVA)
- ✓ Chancay Port Project (40% ownership):
  - Potential first HUB Port in Peru and the South Pacific Ocean
- ✓ 840 Ha for logistic use next to the port (100% interest)

- ✓ 354k Ha. of mining concessions
    - 16% exploitation
    - 4% exploration
    - 80% potential
  - ✓ R&R as of Dec 2019 (mm MT)
    - Reserves: 33
    - M&I Resources: 154
    - Inferred Resources: 377
  - ✓ Mining projects with high potential:
 

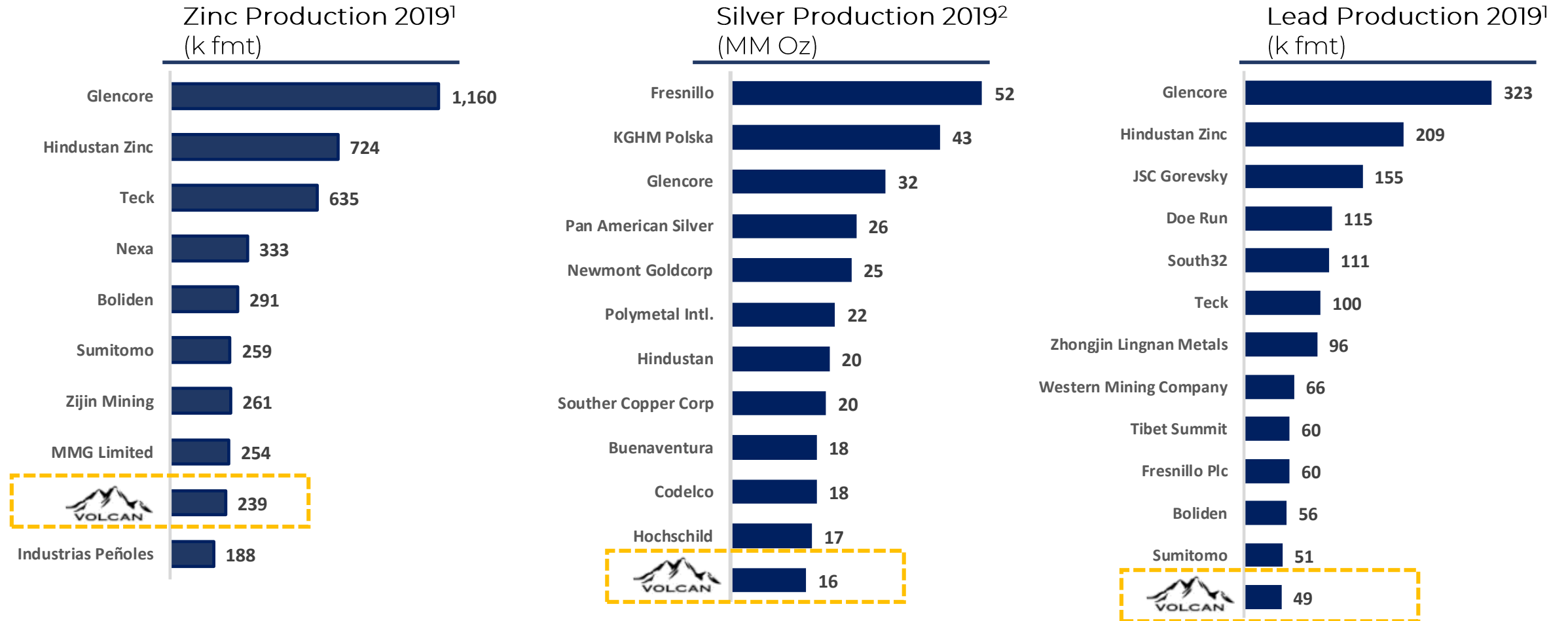
|        |             |
|--------|-------------|
| Romina | Carhuacayan |
| Palma  | Zoraida     |
- ✓ USD 5 MM invested in 38 communities within our direct area of influence
  - ✓ USD 50 MM in services provided by community enterprises
  - ✓ Committed to the highest standards of safety & environment protection



# A leading global producer of zinc, silver & lead

## World Class Producer: Zinc, Lead, and Silver

- Significant negotiating leverage due to ability to deliver large volumes across key materials



1. Source: Wood Mackenzie estimate as at LTO Q4 2019. Glencore and Volcan as per their official 2019 production reports

2. Source: World Silver Survey 2019 - Produced for The Silver Institute. Buenaventura and Hochschild - MINEM. Volcan as per their official 2019 production reports

# Mining Operations - Production 2019



San Cristóbal



Andaychagua



Carahuacra



Ticlio

| Mine           | Number of Plants | Type of Plant | Production 2019 |            |            |            |            |           |
|----------------|------------------|---------------|-----------------|------------|------------|------------|------------|-----------|
|                |                  |               | Treated MM MT   | Zn (k fmt) | Pb (k fmt) | Cu (k fmt) | Ag (MM Oz) | Au (k Oz) |
| San Cristóbal  | 1                | Concentrator  | 1.2             | 60         | 6          | 1.6        | 3.0        | 2.5       |
| Andaychagua    | 1                | Concentrator  | 1.0             | 40         | 9          | 0.0        | 2.4        | 1.5       |
| Carahuacra     | 1                | Concentrator  | 0.8             | 31         | 3          | 0.4        | 1.1        | 0.9       |
| Ticlio         |                  |               | 0.2             | 10         | 2          | 0.9        | 0.4        | 0.9       |
| Animón         | 1                | Concentrator  | 1.5             | 71         | 16         | 1.1        | 2.1        | 0.3       |
| Islay          |                  |               | 0.3             | 4          | 2          | 0.1        | 1.1        | 0.0       |
| Alpamarca      | 1                | Concentrator  | 1.0             | 6          | 5          | 0.4        | 1.2        | 0.0       |
| Cerro de Pasco | 2                | Concentrator  | 2.1             | 17         | 6          | -          | 0.8        | 0.0       |
| Oxides Plant   | 1                | Lixiviation   | 0.9             | -          | -          | -          | 3.4        | 15.4      |
|                | 8                |               | 8.8             | 239        | 49         | 4.5        | 15.6       | 21.6      |



Animón



Islay



Alpamarca



Oxides

# Mining Operations – Reserves & Resources as of 12.31.2019

|                            | Reserves  | Resources<br>M&I   | Resources<br>Inferred                                       |
|----------------------------|---|--|---|
| Polymetallic<br>Operations | 33 MM TM<br>4.8% Zn<br>1.1% Pb<br>0.2% Cu<br>3.0 oz/tm Ag | 72 MM TM<br>5.9% Zn<br>1.3% Pb<br>0.2% Cu<br>3.6 Oz/tm Ag  | 202 MM TM<br>2.8% Zn<br>0.9% Pb<br>0.04% Cu<br>2.7 Oz/tm Ag |
| Polymetallic<br>Projects   |   | 30 MM TM<br>4.5% Zn<br>1.8% Pb<br>0.05% Cu<br>1.5 oz/tm Ag | 27 MM TM<br>4.0% Zn<br>1.2% Pb<br>0.02% Cu<br>1.0 oz/tm Ag  |
| Copper<br>Projects         |   | 53 MM TM<br>0.5% Cu  | 148 MM TM<br>0.4% Cu  |





## SAFE WORK

Program to eliminate fatalities and improving our safety performance.

- ✓ Clear standards defined in the Fatal Hazard protocols
- ✓ Life-Saving Behaviors expected from everyone
- ✓ Promoting courage in everyone to make the safe choice
- ✓ Consequence Management for violations of Life-Saving Behaviors

FATAL  
HAZARD  
PROTOCOLS

LIFE-SAVING  
BEHAVIOURS

GCOM  
RISK MANAGEMENT  
LEADERSHIP  
GEST. OPERACIONAL  
ASSURANCE  
TRAINING

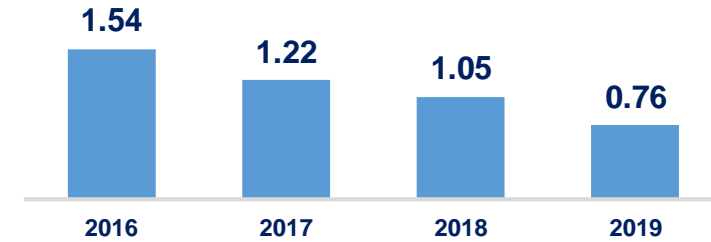


LTIFR: number of lost time injuries occurring in a workplace per 1 million hours worked.

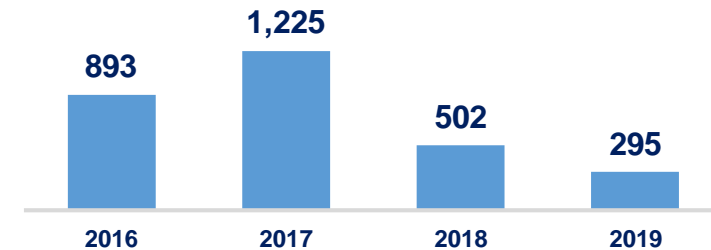
DISR: lost hours and dividing it by the number of hours worked

TRIFR: the number of fatalities, lost time injuries, requiring treatment by a medical professional per million hours worked.

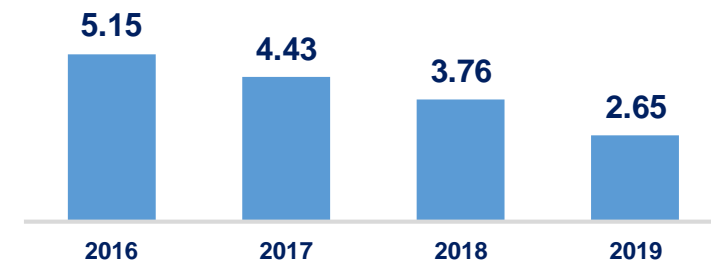
LTIFR  
(Lost Time Injury Frequency Rate)



DISR  
(Disabling Injury Severity Rate)



TRIFR  
(Total Recordable Injury Frequency Rate)





# Environmental

The environmental management system in Volcan is focused on the management of the Environmental Critical Risks, allowing to establish "standards" and apply good environmental practices



## Tailing Dam Adequacy and Assurance Program

- ✓ Adequacy according to the guidelines of Canadian Dam Association
- ✓ Dam technology improvements:
  - Minimize the influence of water
  - Minimize the use of new areas, optimize current areas
  - Life of dams more than 10 years
  - Tailing dams designed to resist earthquake and extreme rain
  - Prepare communities in case of disasters
- ✓ USD 170 MM in Tailing dams capex for the next 4 years

# Social Responsibility & Sustainable Development



## Education Development

By 2021, Volcan and Enseña Perú are committed to the improvement of the education reality of Junín and Pasco regions. We already placed 20 highly skilled teachers in the most needed schools



## Health and Economic Development

Volcan works in cooperation with Prisma NGO as its strategic partner in health & economic development. We have a project in Cerro de Pasco focused on reducing anemia



## Educational programs

- Scholarships for local community children
- Performance monitoring
- Specialized training in mining, administration and soft skills



## Public Works for Tax Credits: Infrastructure

- Began in 2010
- +500k beneficiaries
- + USD 36 MM invested
- 2018 Highlight – Chancay's Market USD 6.7 MM

- ✓ USD 5.4 MM invested in community development in 2019
- ✓ 38 Communities in our influential area and +60 agreements with local communities
- ✓ Community contractors as part of our workforce, generate +USD 50 MM of annual revenue for local economies
- ✓ Volcan was a pioneer investor in the Public Works for Tax Credits

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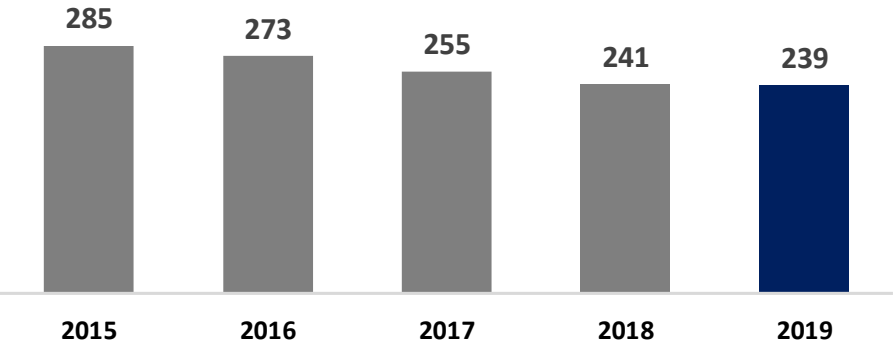
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# Production

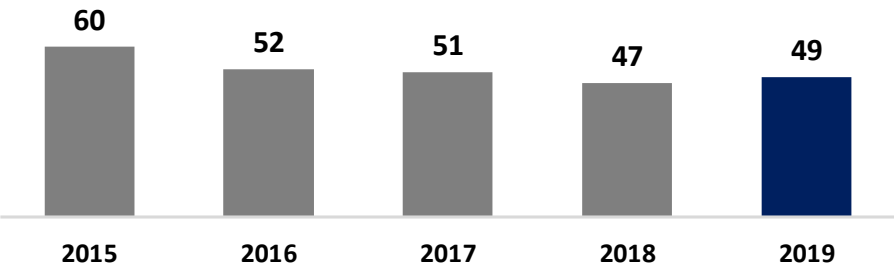
## Zinc Production

(k fmt)



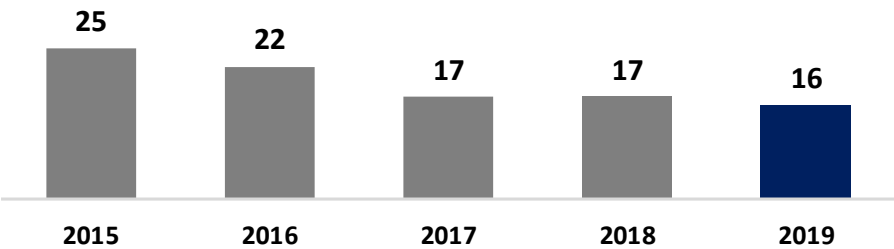
## Lead Production

(k fmt)



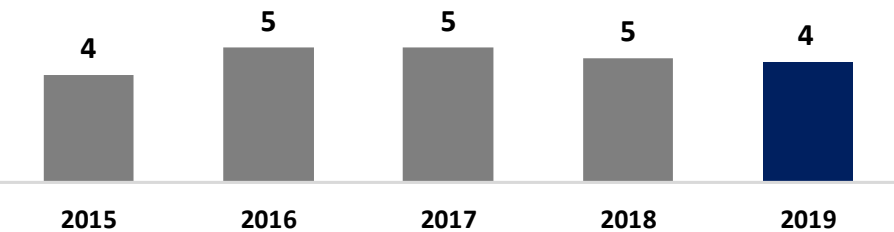
## Silver Production

(MM Oz)



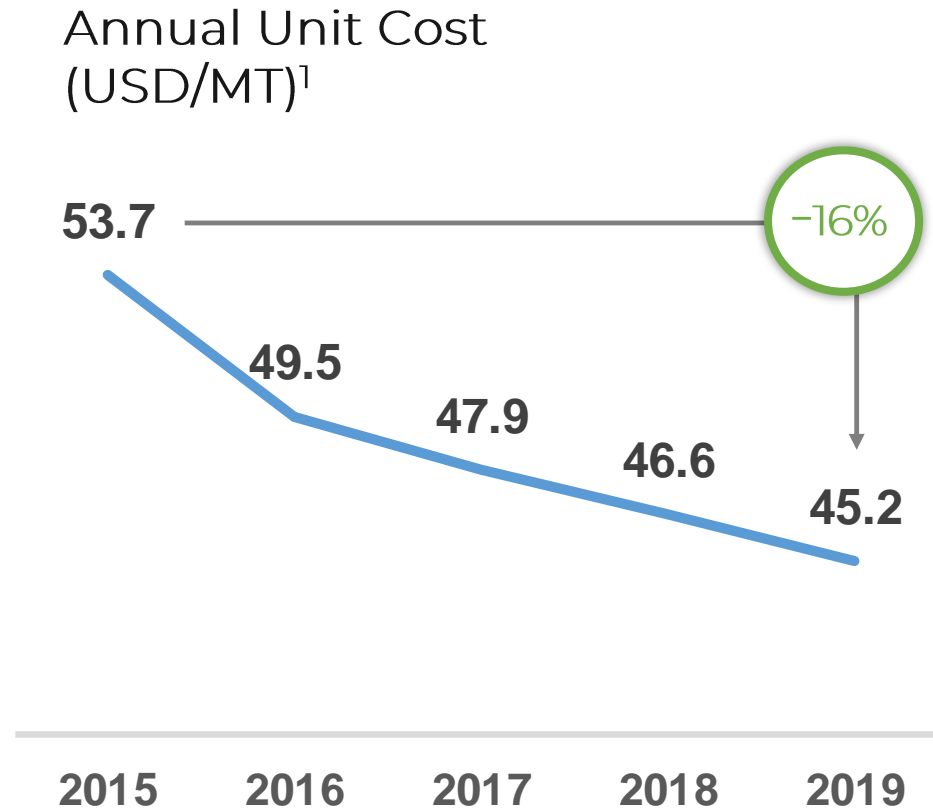
## Copper Production

(k fmt)





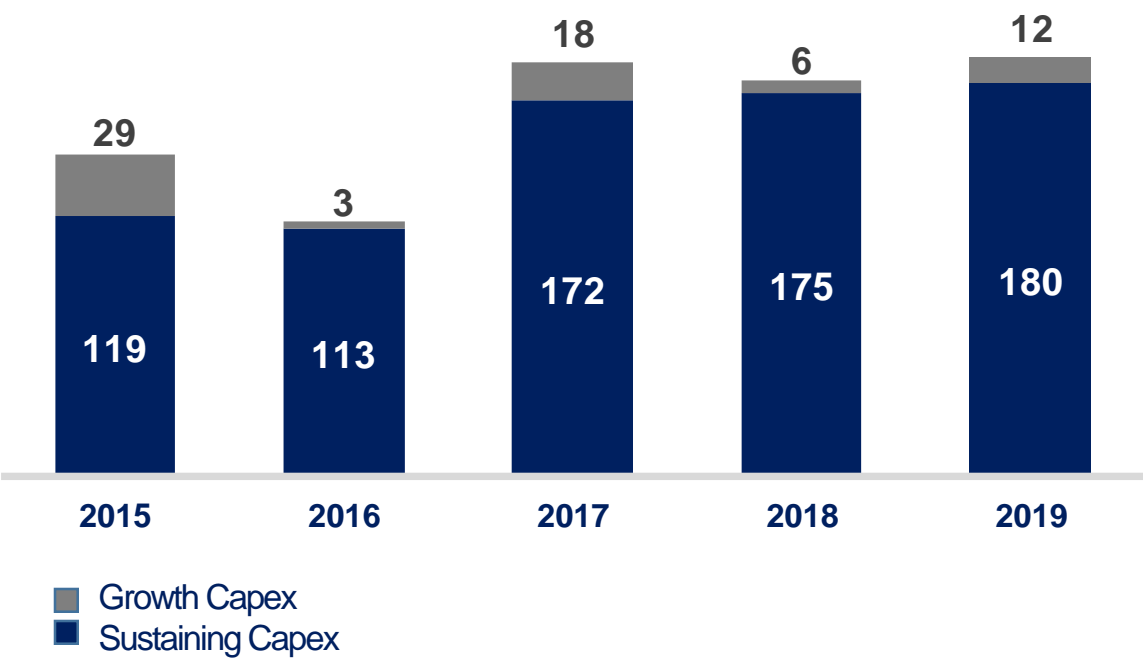
# Production Cost



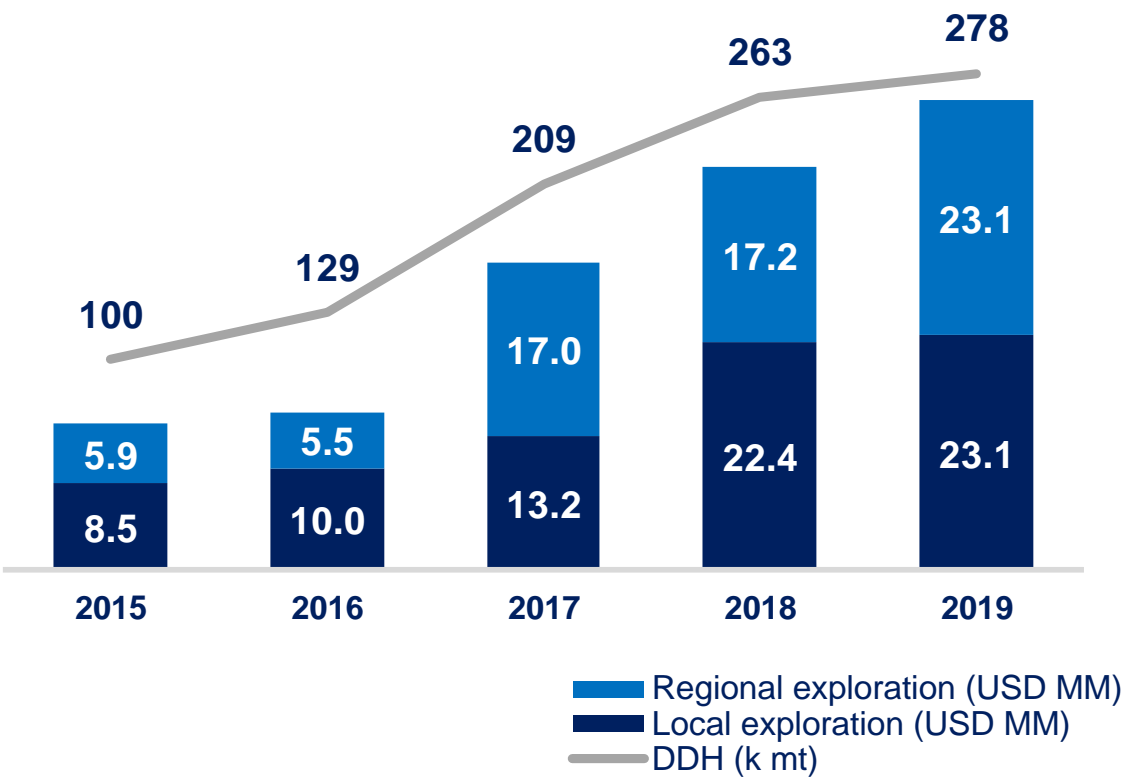
- ✓ Better mining methods
- ✓ Higher low-cost tonnage treatment
- ✓ Restructuring of the the number, scope, and rates of contractors
- ✓ Optimization of materials logistics
- ✓ Efficiencies in mine support & energy consumption
- ✓ Reduction in fixed costs

# CAPEX

Mining CAPEX (USD MM)



Exploration Disbursements and DDH



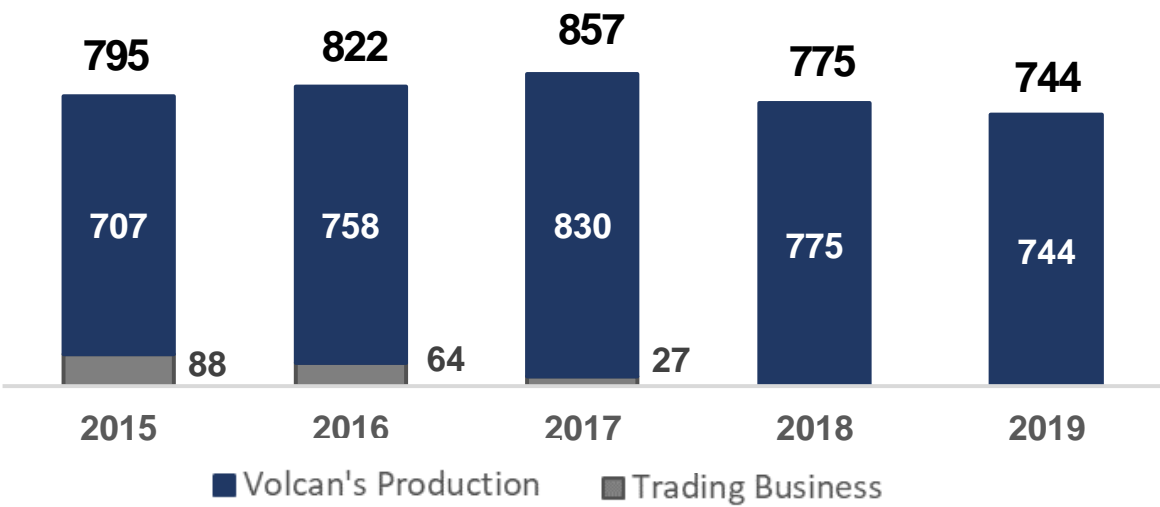
Since 2017, Volcan increased its investments in explorations, mine developments, and mine infrastructure, to ensure sustained growth of its operations



Since 2018, greenfield explorations costs are not registered as Capex, but as expenses directly in the P&L.

# Financials

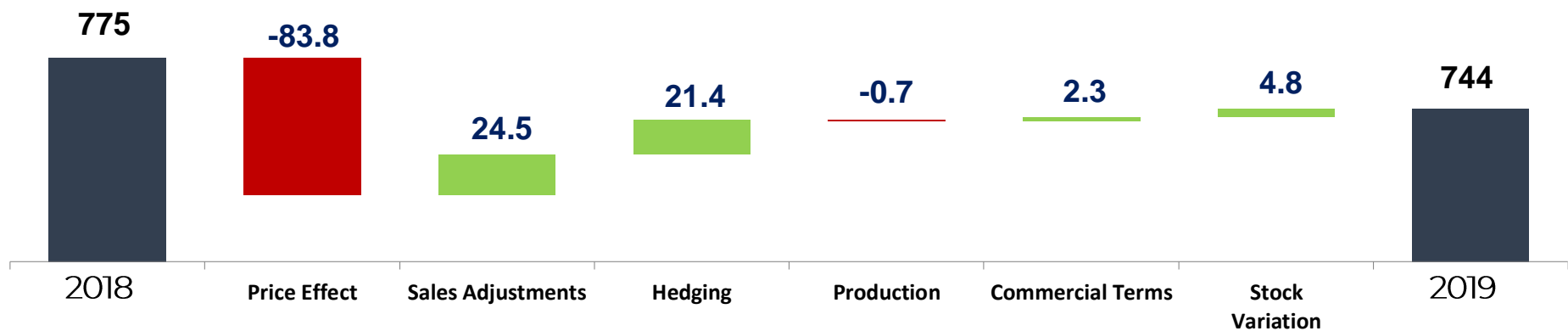
Sales (MM USD)



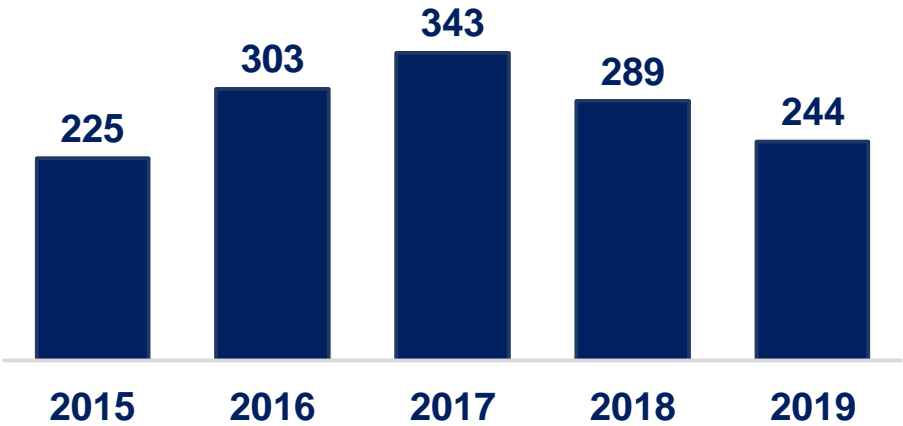
Sales Prices

| Sales Prices | 2015  | 2016  | 2017  | 2018  | 2019  |
|--------------|-------|-------|-------|-------|-------|
| Zn (USD/MT)  | 1,917 | 2,077 | 2,836 | 2,917 | 2,539 |
| Pb (US\$/TM) | 1,782 | 1,858 | 2,311 | 2,245 | 1,978 |
| Cu (US\$/TM) | 5,426 | 4,901 | 6,148 | 6,464 | 6,022 |
| Ag (USD/Oz)  | 15.6  | 17.0  | 17.1  | 15.7  | 16.1  |
| Au (US\$/Oz) | 1,154 | 1,234 | 1,262 | 1,265 | 1,387 |

Sales Variation 2019 vs. 2018 (MM USD)



Ebitda<sup>1</sup> (MM USD)



Ebitda Variation 2019 vs. 2018 (MM USD)



<sup>1</sup>EBITDA Does not consider exceptional adjustments..



# Leverage & Liquidity

## Net Debt / EBITDA



## USD MM

|  | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

|                           |            |            |            |            |            |
|---------------------------|------------|------------|------------|------------|------------|
| Total Debt <sup>(1)</sup> | 841        | 813        | 802        | 781        | 764        |
| Cash                      | 192        | 203        | 102        | 63         | 36         |
| <b>Net Debt</b>           | <b>648</b> | <b>610</b> | <b>701</b> | <b>718</b> | <b>728</b> |
| <b>EBITDA</b>             | <b>225</b> | <b>303</b> | <b>343</b> | <b>289</b> | <b>244</b> |

## Cash Flow 2019 (USD MM)

|                                 |           |
|---------------------------------|-----------|
| <b>Cash Balance - Dec. 2018</b> | <b>63</b> |
| Cash from operations            | 22        |
| Interest                        | -39       |
| Financing                       | -27       |
| Other businesses                | 17        |
| <b>Cash Balance - Dec. 2019</b> | <b>36</b> |



<sup>1</sup>Total debt does not include operative leasing (IFRS 16) and short term interest

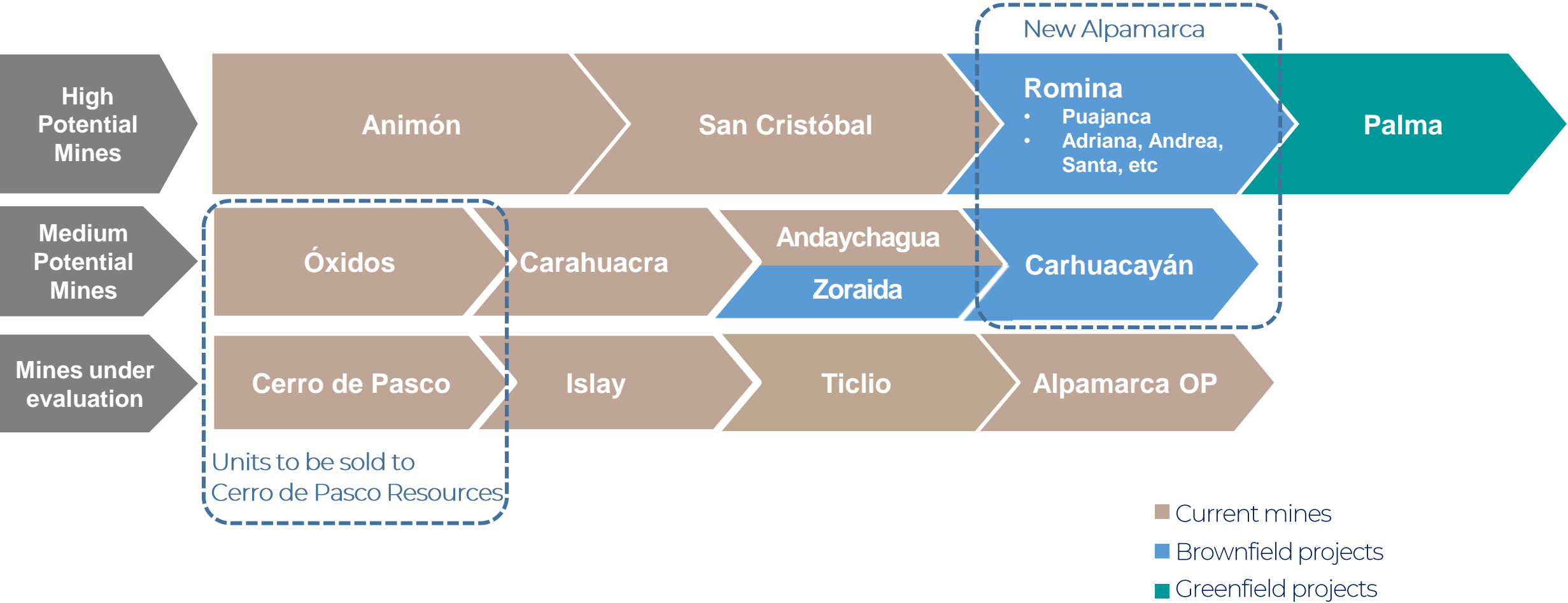
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# Romina (Alpamarca)

- Volcan acquired the project in 2016
- Polymetallic project (Zn, Pb and Ag)
- Location: 15 km NE of Alpamarca.
- Due to its proximity, the Alpamarca concentrator plant will treat the Romina ore
- Feasibility of the project will be ready in 1H20

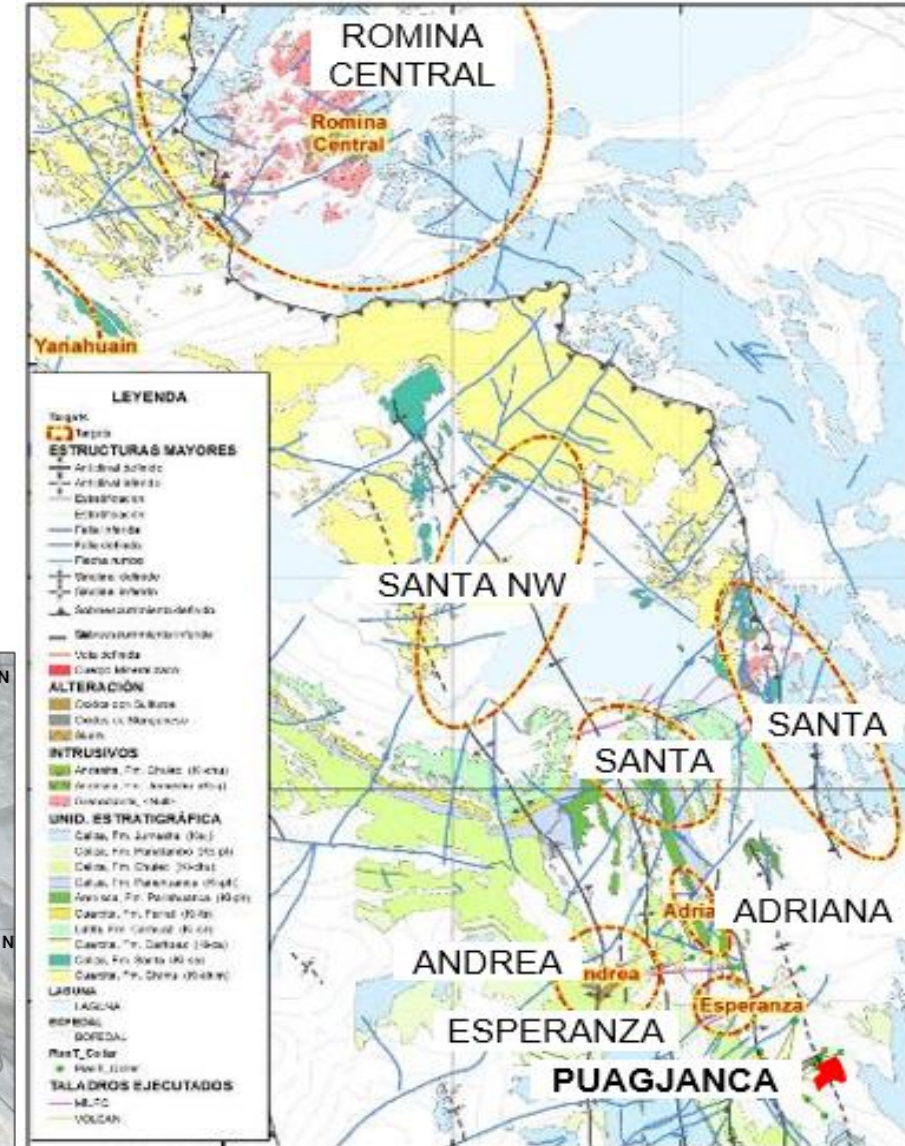
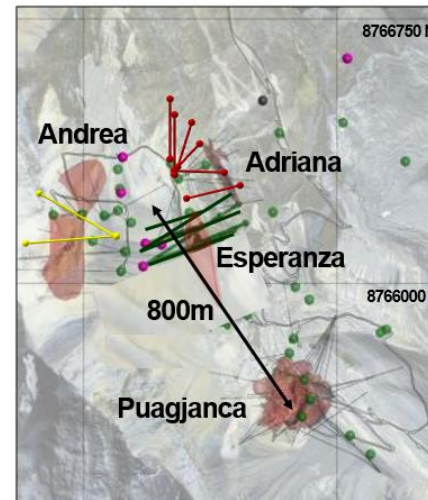
## Puajanca Resources

| Class        | MM TM       | Zn %       | Pb %       | Ag Oz      |
|--------------|-------------|------------|------------|------------|
| Indicated    | 10.6        | 4.7        | 2.6        | 1.2        |
| Inferred     | 4.0         | 4.4        | 2.9        | 1.2        |
| <b>Total</b> | <b>14.6</b> | <b>4.6</b> | <b>2.7</b> | <b>1.2</b> |

- LOM: 16 years (2,500 tpd)
- Start of operations in 2022

## Other High Potential Deposits:

- Andrea:  
5.4 MM TM inferred resources 0.9 Zn% 1.6 Oz Ag
- Adriana
- Esperanza





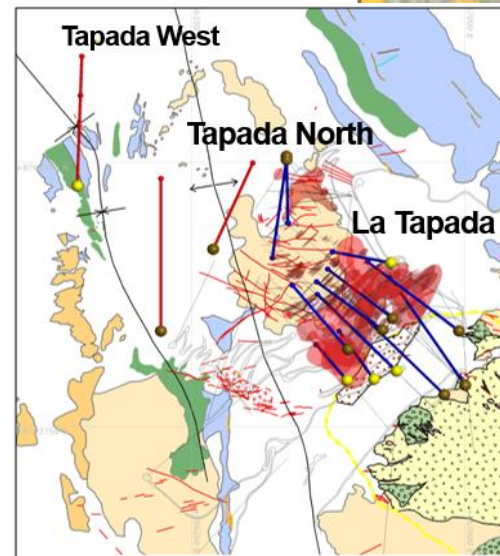
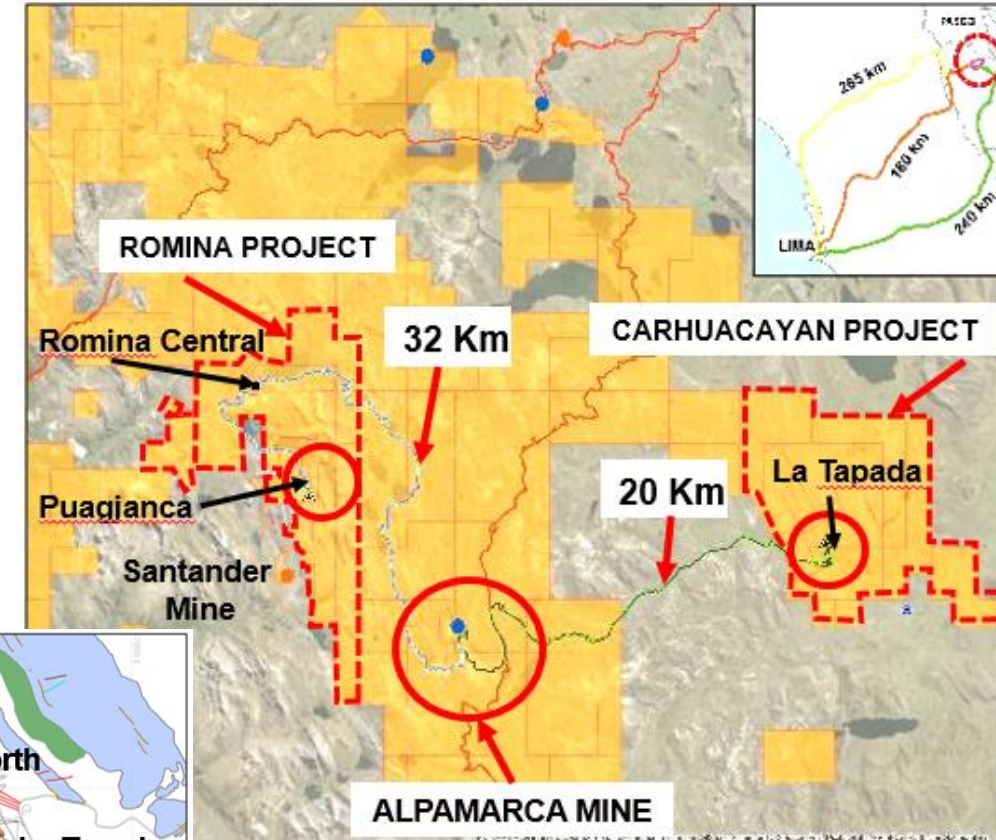
# Carhuacayan (Alpamarca)

- Replacement tank with polymetallic mineralization of Zn, Pb and Ag
- Location: 20 km east of Alpamarca
- La Tapada is a mineralized area formed by bodies: La Tapada North and West
- Scoping study will be ready in 2020
- Carhuacayan must complement Romina as a future deposit to feed Alpamarca's concentrator plant

## Carhuacayan Resources

| Class     | MM TM | Zn % | Pb % | Ag Oz |
|-----------|-------|------|------|-------|
| Indicated | 3.6   | 3.6  | 1.5  | 1.5   |
| Inferred  | 6.5   | 3.4  | 1.3  | 1.3   |
| Total     | 10.1  | 3.5  | 1.4  | 1.4   |

- LOM: 11 years (2,500 tpd)

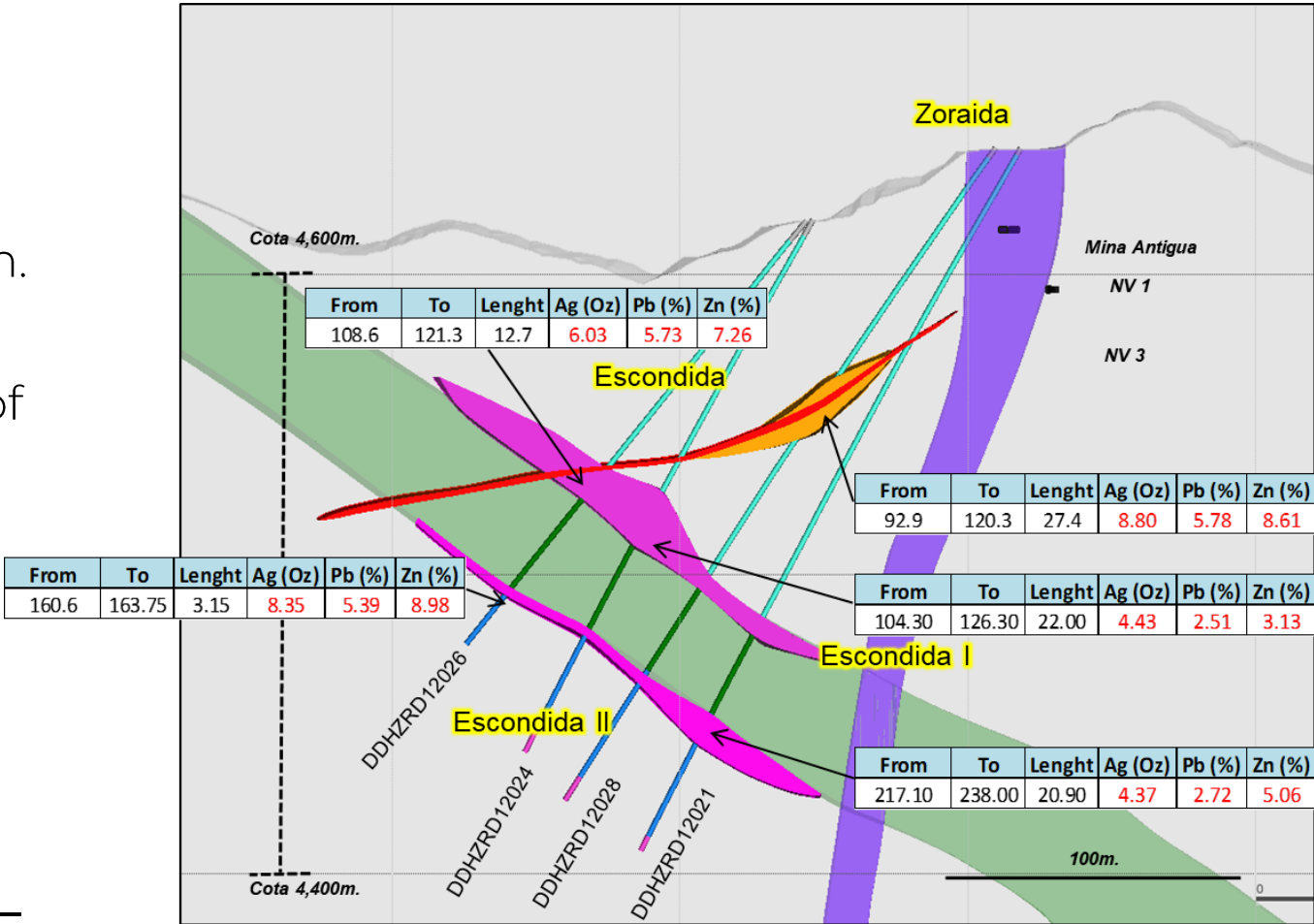


# Zoraida (Yauli)

- Veins system parallel to the main Andaychagua Vein.
- High potential to be the third system of the Yauli dome.
- Located 7 km south of the Andaychagua Vein.
- Important approved documents:
  - Environmental Impact Statement (DIA) of exploration
  - Certificate of Non-existence of Archaeological Remains (CIRA)
  - Agreement with communities
- Venture analysis will be ready 2020

## Zoraida Resources

| Class     | MM TM | Zn % | Pb % | Ag Oz |
|-----------|-------|------|------|-------|
| Indicated | 3.0   | 4.8  | 3.3  | 4.6   |
| Inferred  | 1.0   | 4.8  | 3.7  | 4.8   |
| Total     | 4.0   | 4.8  | 3.4  | 4.7   |

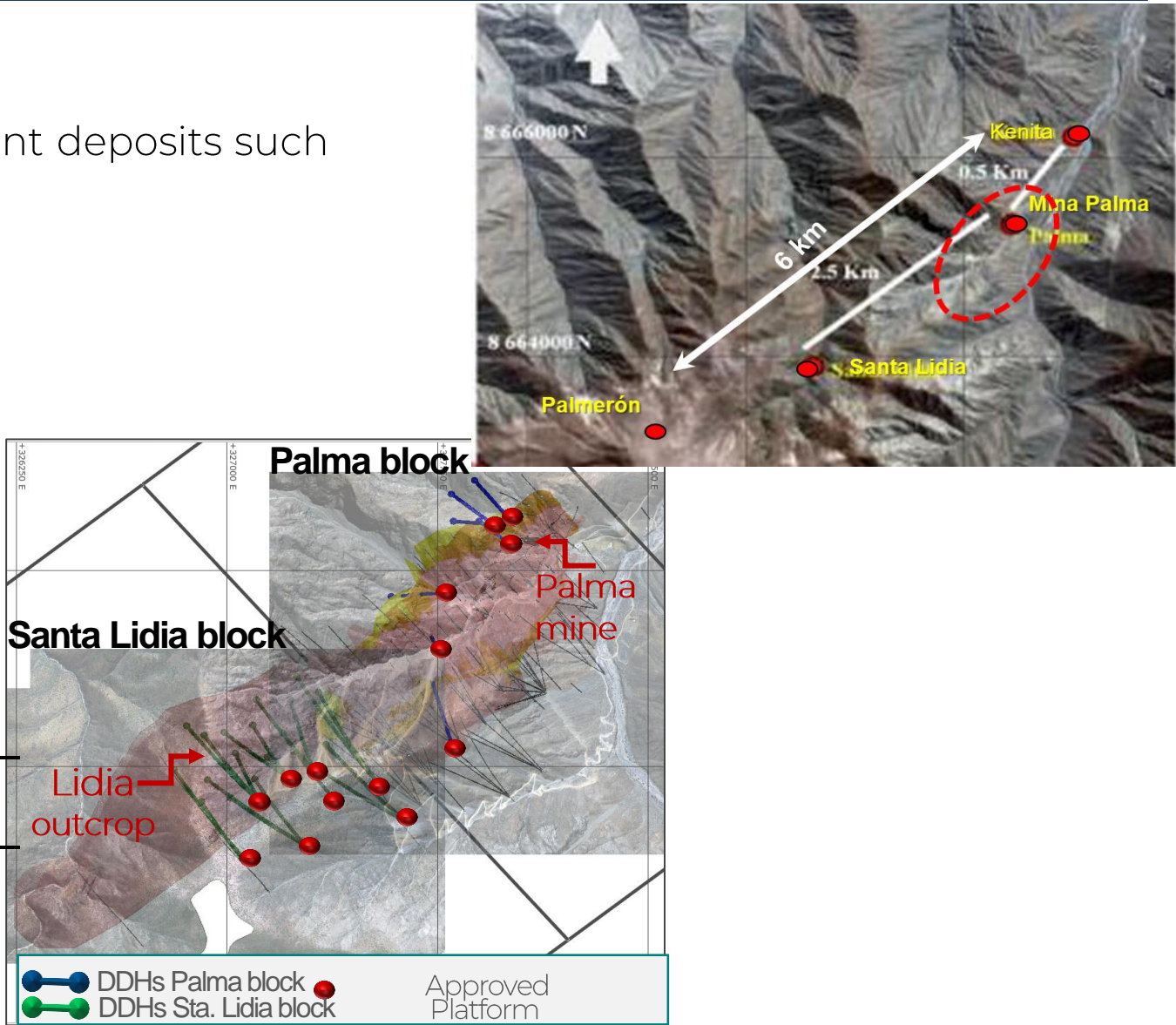


# Palma Project - Greenfield

- Location: 60 km SE from Lima - Casma basin
- Geological environment similar to other important deposits such as Cerro Lindo, Colquisiri, and Perubar.
- 4 important areas in a 6 km corridor:
  - Kenita
  - Palma
  - Santa Lidia
- 48,000 m DDH drilled
- Pre feasibility of the project will be ready in 2020

## Palma Resources

| Class     | MM TM | Zn % | Pb % | Ag Oz |
|-----------|-------|------|------|-------|
| Indicated | 12.5  | 4.5  | 0.9  | 0.9   |
| Inferred  | 10.2  | 4.2  | 0.8  | 0.6   |
| Total     | 22.7  | 4.4  | 0.9  | 0.8   |



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# Energy Operations

## +100 MW hydroelectric energy portfolio

- 11 Hydroelectric Plants (23 MW) connected to Chungar
- 2 Hydroelectric Plants (40 MW) connected to the national grid
- 45 MW in projects: Tingo expansion (15 MW), CCHHs Chancay (30 MW)

- Significant savings due to self-generation

| Electric Balance (GWh)    | 2018         | 2019         | var %       |
|---------------------------|--------------|--------------|-------------|
| <b>Energy generation</b>  | <b>307.8</b> | <b>386.7</b> | <b>25.6</b> |
| Chungar                   | 153.0        | 151.2        | -1.2        |
| Tingo                     | 9.1          | 8.6          | -5.4        |
| Huanchor                  | 145.6        | 159.1        | 9.3         |
| Rucuy                     | 0.0          | 67.7         |             |
| <b>Energy consumption</b> | <b>711.8</b> | <b>755.6</b> | <b>6.2</b>  |
| <b>Energy purchase</b>    | <b>549.6</b> | <b>595.8</b> | <b>8.4</b>  |

| Cost of Energy   | USD/MWh |
|------------------|---------|
| Produced Energy  | 22.6    |
| Purchased Energy | 57.9    |

## Rucuy Hydroelectric Plant



# Chancay Port

## Project Potential:

- Strategic location: 80 km north from Lima in the bay of Chancay
- The bay has exceptional natural features for a port
- First HUB Port in Peru and the South Pacific Ocean
- Integration with Central Andean railroad & main highway
- Capacity to handle Triple E vessels
- Available areas to store transshipment cargo

## Phase 1:

- ✓ 2 Berths: Bulk & General & Ro Ro Cargo
- ✓ 2 Berths: Container terminal
- ✓ Entrance Complex & Underground Viaduct Tunnel
- ✓ Maritime approach & maneuvering channels
- Projected investment: approx. USD 1.3 B
- Construction time: 2 – 3 years



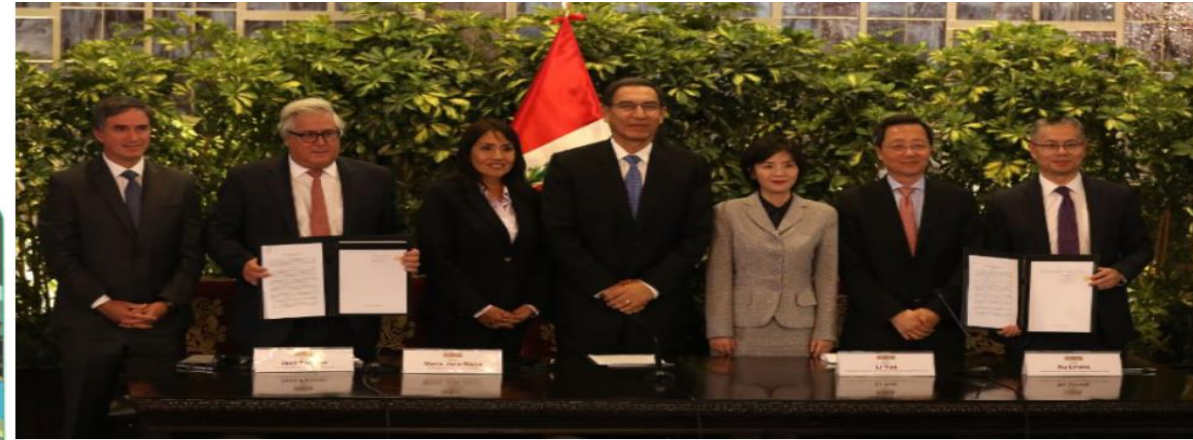
## Strategic Partner

January 23, 2019 - TPCH, Volcan's subsidiary, incorporated Cosco as its strategic partner to develop Chancay Port

The transaction was closed on May 13, 2019. Cosco became TPCH shareholder with the 60% of the shares and Volcan maintained the remaining 40%.

## Who is Cosco Shipping?

- Chinese state-owned shipping and logistics services company
- World's largest transnational Enterprise in the integrated port & shipping business
- + 100MM TEU per year



**Logistic Potential:** 842 ha in the zone near the port

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# Annex



# Volcan timeline



## International Bond Emission

- ✓ USD 600 MM issued February 2012  
Oustanding: \$535 MM
- ✓ Rate: 5.375% due February 2022
- ✓ Demand: USD 4.8 B

## Credit Ratings

**Fitch**Ratings     **BBB-**

**MOODY's**     **Ba2**

# Stock Market Highlights <sup>1</sup>

---

## Class A Shares <sup>1</sup>: Full voting rights

Shares outstanding: 1,633,414,553  
459 shareholders

## Class B Shares<sup>2</sup>: Div. premium of 5% over Class A

Shares outstanding: 2,443,157,622  
7,947 shareholders

## Stock Market Listings

|                  |            |
|------------------|------------|
| Lima             | Since 1956 |
| Madrid (Latibex) | Since 2000 |
| Santiago         | Since 2007 |

## Selected Institutional Class B Shareholders of Volcan Compañía Minera S.A.A.

|                        |                                    |                |
|------------------------|------------------------------------|----------------|
| AFP Habitat            | Eaton Vance                        | Prima AFP      |
| AFP Integra            | Global X Silver Miners ETF         | Profuturo AFP  |
| Arca Trading Limited   | Inteligo                           | Sura           |
| Ashmore Group          | Ishares MSCI All Peru Capped (EPU) | UBS            |
| BBVA                   | La Positiva                        | Vanguard Group |
| Blackrock Global Funds | Mercury Asset Management           |                |
| Credicorp Capital      | Pacífico Seguros                   |                |



<sup>1</sup> N° of Class A Treasury Shares: 206,107,326; N° of Class B Treasury Shares: 12,234,901



