



## Discussion Materials

June 2024



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# Executive Summary

## Background

- During the last 12-24 months, there was a decline in zinc and silver prices which put pressure on Volcan's ability to repay near-term amortizations under its 2026 Secured Unsecured Term Loans ("the Existing Term Loan")
- As a consequence, a refinancing transaction has become Volcan's priority

## Refinancing Update

- Volcan has been negotiating with the lenders of its Existing Term Loan in order to complete a full refinancing of such facility into a new 5-year Senior Secured Amortizing Term Loan due 2029 (the "New Senior Secured Loan")
- Volcan is also seeking participation in a refinancing transaction from the Ad Hoc Group of Bondholders who hold 2026 Notes to exchange into new 2030 Senior Secured Notes (the "New Secured Notes")
- Volcan expects these refinancing transactions to close concurrently or as close together as possible

## Main Goals of the Refinancing

- Extend maturities and preserve liquidity through debt reprofiling; cash flow generation, with strict cost discipline and redirecting CAPEX to credit enhancing projects (i.e. Romina)

## Key Financial Metrics

- **CAPEX and OPEX Optimization:** The Company has implemented a plan to decrease costs and expenses. This plan has already delivered tangible results decreasing unit costs and sustaining capex
- **Sale of Assets:** On May 2024, the Company closed the sale of Empresa de Generación Rio Baños (EGERBA) to Sindicato Energético for ~\$30mm. The Company is currently in progress of selling Hidroeléctrica Huanchor S.A.C, which is expected to generate gross proceeds of ~\$45 – 47mm.
- **Revenues and EBITDA:** As of LTM 1Q24, the Company reported revenues and EBITDA for \$839mm<sup>(1)</sup> and \$250mm<sup>(2)</sup>, respectively. During 1Q24, EBITDA was \$44.8mm, reflecting a decrease of ~37% compared to the same period of 2023, which was mainly affected by a reduction of Zinc price and Victoria plant stoppage
- **Metal Prices Performance:** Zinc, Silver, Gold, Lead and Copper prices have increased significantly to \$2,834/MT, \$30.3/oz, \$2,311/oz, \$2,179/MT and \$9,840/MT, respectively, which has the potential to increase Volcan's revenues

## New Supporting Controlling Shareholder

- On May 8<sup>th</sup>, Glencore sold its controlling stake to Transition Metal, a subsidiary of Integra Capital
- New Shareholder and its board representatives have confirmed publicly<sup>(3)</sup> their full support to Volcan's management and its strategy to operate the business and for refinancing the capital structure

Source: Company information.

(1) Calculated by taking FY23 revenue of \$883mm, subtracting 1Q23 revenue of \$221mm and adding 1Q24 revenue of \$177mm.

(2) Calculated by taking FY23 Adjusted EBITDA of \$277mm, subtracting 1Q23 Adjusted EBITDA of \$71mm and adding 1Q24 Adjusted EBITDA of \$45mm.

(3) <https://www.mining.com/web/peru-zinc-miner-volcan-to-avoid-debt-haircut-new-owner-says/>



# Sources & Uses and Pro Forma Capitalization

## Sources & Uses

(Figures in US\$mm)

Sources of Funds	Amount
Senior Secured Syndicated Loan	\$400.0
Senior Secured Notes [2030]	\$346.8
<b>Total</b>	<b>\$746.8</b>

Uses of Funds	Amount
Senior Unsecured Syndicated Loan	\$400.0
Senior Unsecured Notes due 2026	\$346.8
<b>Total</b>	<b>\$746.8</b>

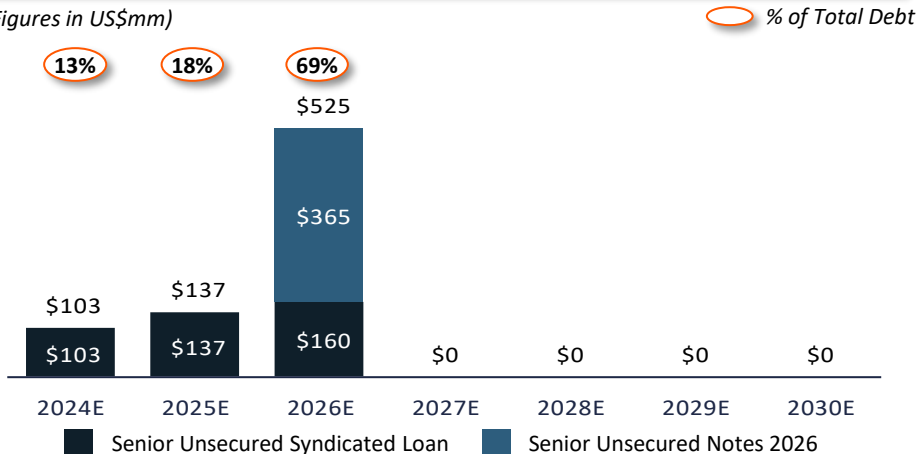
## Debt Capitalization Table

(Figures in US\$mm)

	1Q'24	Transaction Adj.	1Q'24 as Adjusted
Cash & Equivalents	\$62.2	(\$10.0) <sup>(1)</sup>	\$52.2
Senior Unsecured Syndicated Loan (2026)	\$400.0	(\$400.0)	\$--
Senior Unsecured Notes (2026)	\$365.0	(\$346.8)	\$18.3
Senior Secured Syndicated Loan (2029)	\$--	\$365.0 <sup>(2)</sup>	\$365.0
Senior Secured Notes (2030)	\$--	\$346.8	\$346.8
Finance Leases	\$28.5	\$--	\$28.5
<b>Total Long Term Net Debt</b>	<b>\$731.3</b>	<b>(\$25.0)</b>	<b>\$706.3</b>
Shareholder's Equity	\$198.8		\$198.8
<b>Total Capitalization</b>	<b>\$930.1</b>		<b>\$905.1</b>
LTM EBITDA	\$250.3		\$250.3
Debt / EBITDA	3.2x		3.0x
Net Debt / EBITDA	2.9x		2.8x
Interest Coverage	3.6x		3.0x

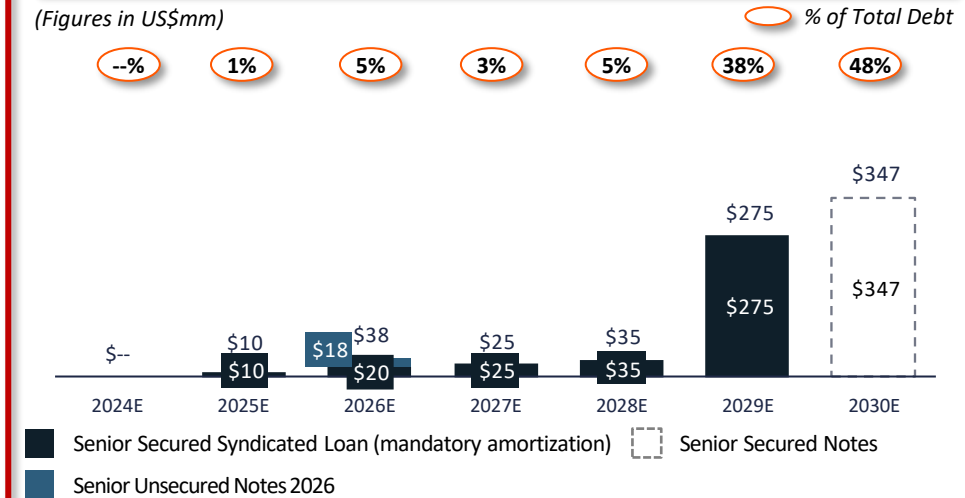
## Current Debt Maturity Profile

(Figures in US\$mm)



## Pro-Forma Debt Maturity Profile<sup>(3)</sup>

(Figures in US\$mm)



Source: Company Information.

4 Note: For illustrative purposes, figures exclude amortization profile of financial leases of US\$29.1mm as of 4Q 2023. Assumes 95% participation rate for the notes exchange.

(1) Includes ~\$25mm cash proceeds from the sale of EGERBA and \$35mm used to pay the first amortization of the syndicated loan before transaction closing.

(2) Assumes \$35mm are paid before transaction closing and does not include capitalized fee.

(3) The information presented in this chart is only for illustrative purposes.



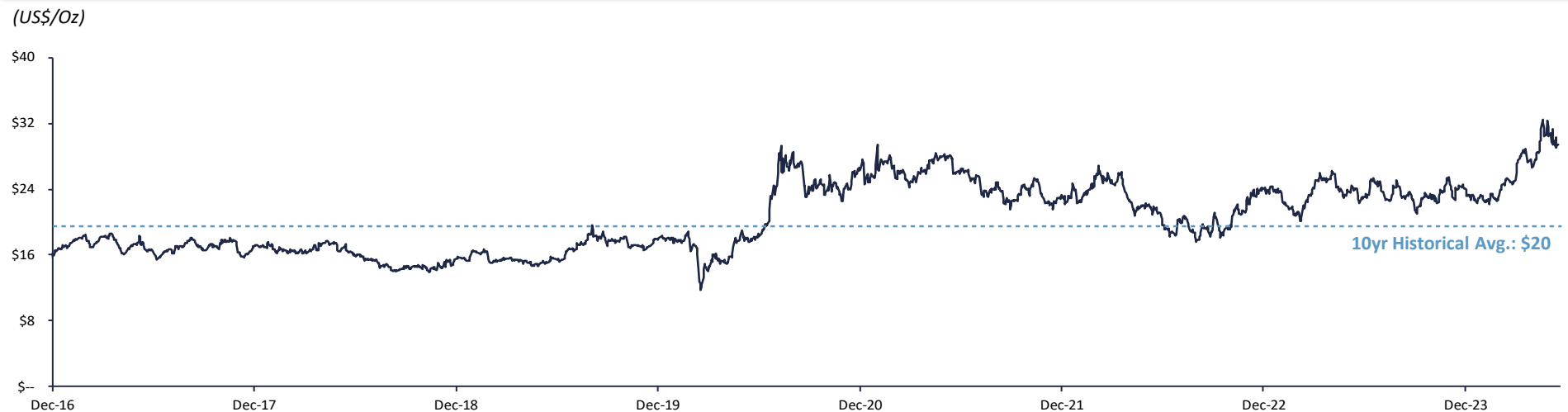
# Zinc and Silver Prices Have Recovered from 2023 Lows

*Metal prices have recovered since 2023 lows, providing the Company with significant tailwind*

## Zinc Historical Price<sup>1</sup>



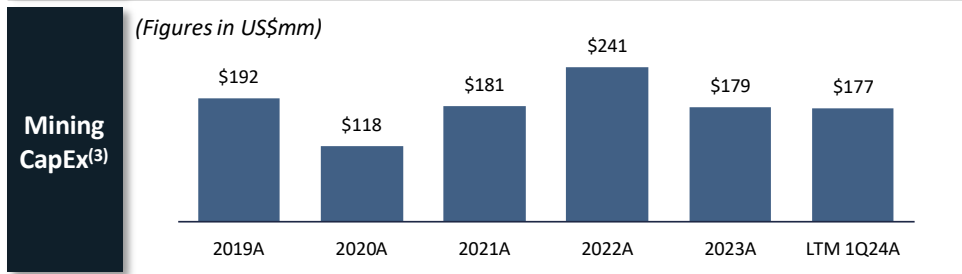
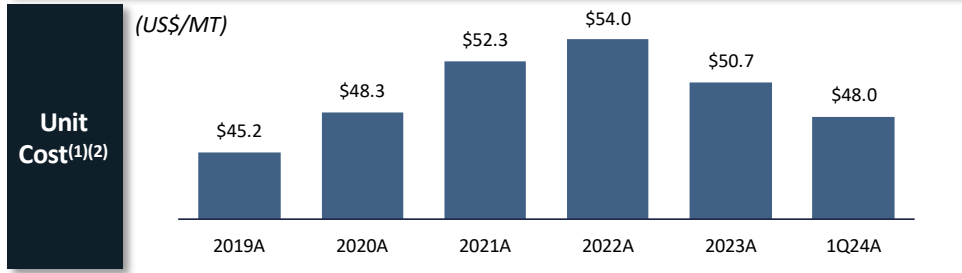
## Silver Historical Price<sup>1</sup>



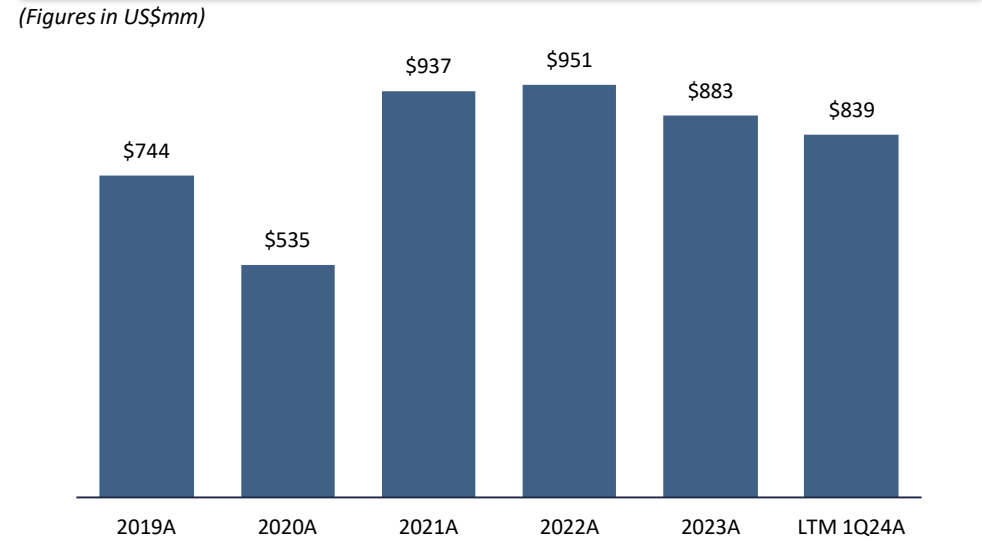


# Despite Industry Challenges, Volcan's Financial Profile Remains Strong

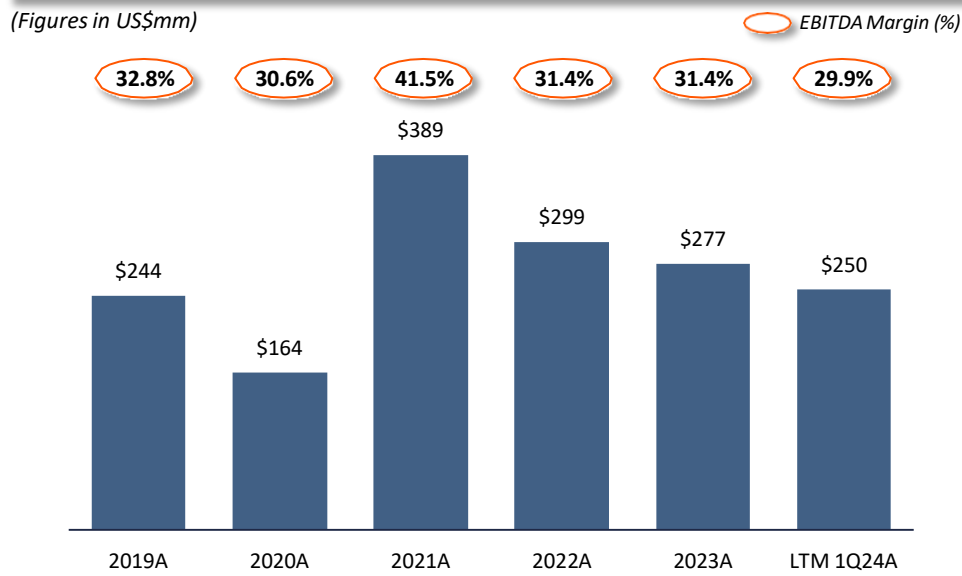
## Unit Cost<sup>(1)(2)</sup> and Mining CapEx<sup>(3)</sup>



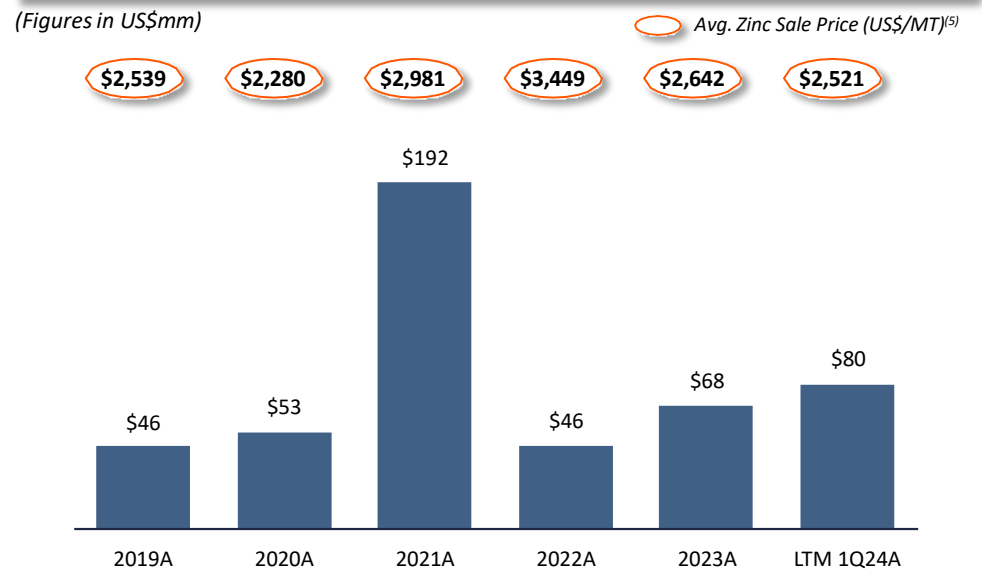
## Revenue



## EBITDA



## Free Cash Flow<sup>(4)</sup>



(1) Excludes Infill Drilling cost.  
 (2) Cost per ore milled.  
 (3) Includes sustaining, growth and other CapEx (exc. energy CapEx).  
 (4) Calculated as Cash Flow from Operations – Cash Flow from Investing.  
 (5) These prices are the initial billing prices, which are provisional, as the adjustments were made when settlements of prior periods were received from customers.



# Volcan Has Implemented a Cost Savings Program that will Improve Margins as the Company Executes on its Go-Forward Strategy

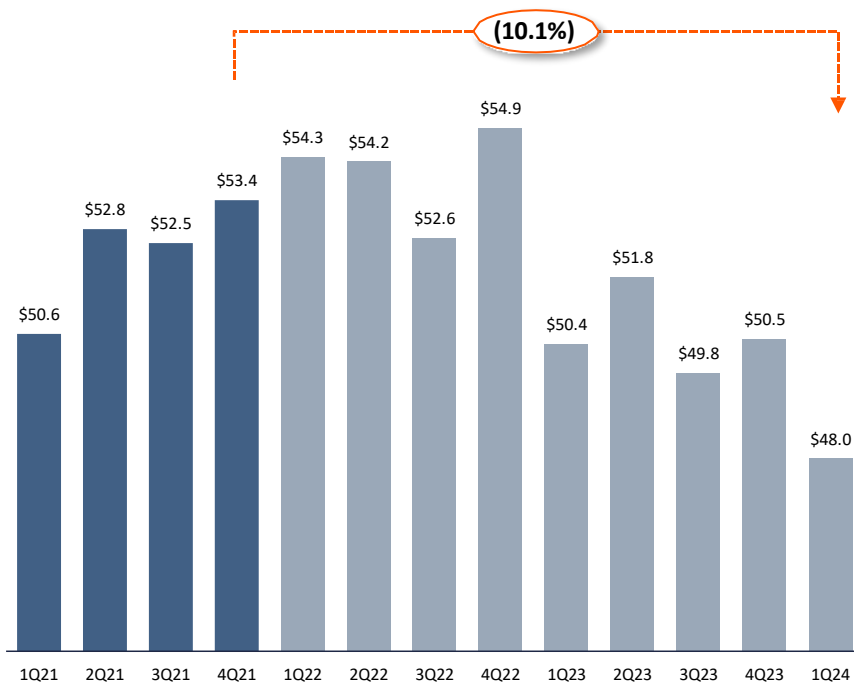
Since the Implementation of “Volcan Avanza” in 2022, Company has Achieved Continuous Savings in OpEx (10.1%) and CapEx (25.7%) Versus Prior Periods

## Overview

- Volcan instituted a new program called “Volcan Avanza” to control and reduce costs
- Efforts have been made to reduce consumption of supplies in all mining cycle activities, mechanical and electrical maintenance and use of reagents without disrupting normal course of business and maintaining global safety standards
- Among other cost saving and productivity initiatives, the Company suspended operations at certain mines, which has weighed on earnings but will significantly strengthen operations in upcoming quarters

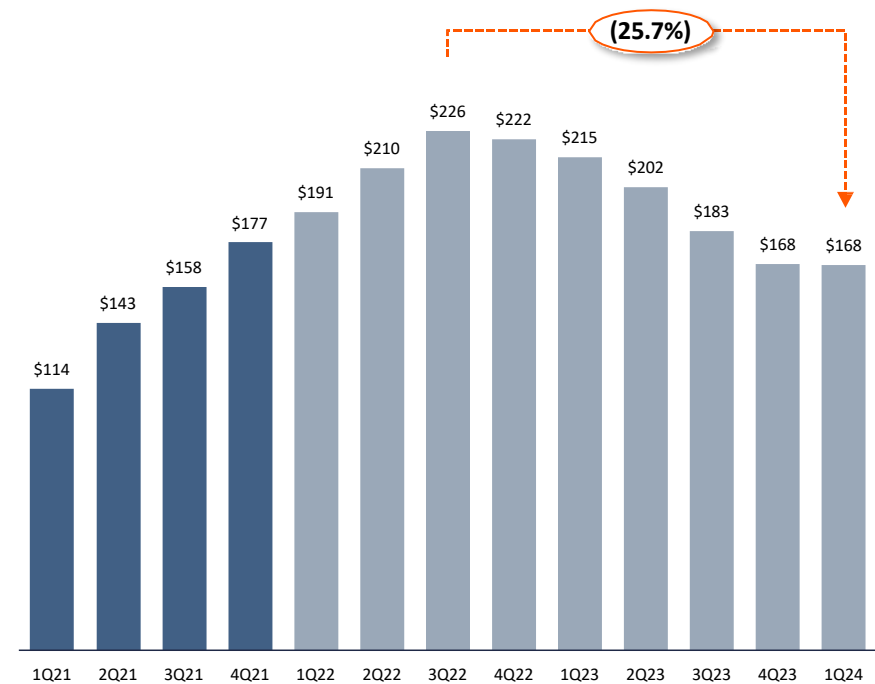
### Unit Cost<sup>(1)(2)</sup> Evolution

(US\$/MT)



### Sustaining CapEx LTM Evolution

(Figures in US\$m)

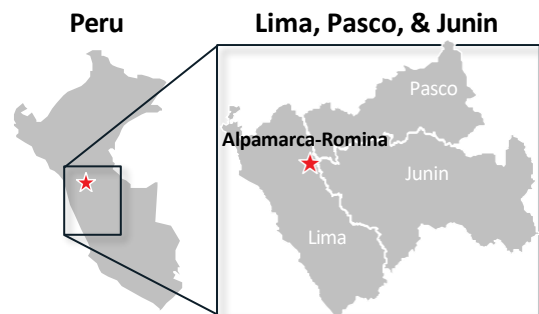


■ Pre – Volcan Avanza    ■ Post – Volcan Avanza

Source: Company information.  
 (1) Excludes Infill Drilling cost.  
 (2) Cost per ore milled.



# Completion of Romina Project Expected to Drive Continued Profitable Growth



- Romina is a polymetallic deposit that includes zinc, lead, silver, and copper mineralization
- 9km west of the Alpacamarca mine in the Pacaros district of the province of Huaral in the region of Lima
- Expected remaining CapEx of ~\$140mm for development of Romina Project

## Romina Project Expected to Drive Meaningful Growth



- Improved value with in-pit tailings deposition. MEIA to be started



- Nearby bodies (Andrea, Adriana, Santa, Esperanza) and deposits (Carhuacayán, Romina Central) in evaluation with significant growth potential



- Ability to utilize tailing dam, camp and other Alpacamarca infrastructure
- Upgrade of existing Alpacamarca concentrator plant



- Removes Alpacamarca liability by reducing OP closure cost
- Defers Alpacamarca's closure cost and turns it into a service provider for other opportunities (Carhuacayán, others)



- Open pit as opportunity to reduce tailing dam CapEx



- Good relationship and agreements signed with the surrounding communities