



Lima, 15 de mayo de 2024

RB-045-2024

Señores
Superintendencia del Mercado de Valores - SMV
Av. Santa Cruz 315
Miraflores
Presente.-

Estimados señores,

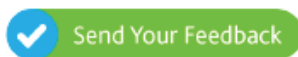
Mediante la presente carta y conforme con lo dispuesto en la Resolución SMV N° 005-2014-SMV/01, "Reglamento de Hechos de Importancia, Información Reservada y otras Comunicaciones", informamos a ustedes como "Hecho de Importancia", que en relación a la reciente venta de las acciones de Volcan Compañía Minera S.A.A. ("Volcan") por Glencore a Transition Metals AG; la clasificadora de riesgo Moody's Ratings (Anexo 1) ha emitido un informe en el que señala que la transferencia de las acciones por Glencore es "credit positive" y la clasificadora de riesgo Fitch Ratings (Anexo 2) ha determinado que dicha transferencia es "credit neutral" sin impacto inmediato en la clasificación de riesgo de Volcan.

Atentamente,
VOLCAN COMPAÑÍA MINERA S.A.A.

Luis Fernando Herrera
Gerente General

ISSUER COMMENT

10 May 2024



RATINGS

Volcan Compania Minera S.A.A. y Subsidiarias

Corporate Family Rating	Caa3
Senior Unsecured Rating	Caa3
Outlook	Negative

Source: Moody's Ratings

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Volcan Compania Minera S.A.A. y Subsidiarias

Glencore's disposal of Volcan provides visibility over the ownership of the company, a credit positive

On 6 May, Peruvian mining company [Volcan Compania Minera S.A.A. y Subsidiarias](#) (Volcan, Caa3 negative) announced that [Glencore plc](#) (Baa1 positive) reached an agreement to sell its stake in Volcan to Transition Metals AG, a subsidiary of the Argentine group Integra Capital. Since November 2017, Glencore has had a controlling stake of 63% in Volcan's Class A voting shares, which is equivalent to a 23% economic interest in Volcan (excluding treasury shares). Glencore expects to close the sale to Transition Metals AG before mid-month.

The agreement is positive for Volcan as it provides creditors visibility over the ownership of the company, as Glencore announced in February 2023 that it planned to dispose of Volcan. However, the announcement does not immediately affect Volcan's Caa3 ratings since its credit profile does not incorporate any uplift or support from Glencore's ownership.

The [change of control clause](#) is conditioned upon a downgrade of the senior unsecured notes by one or more rating agencies in the 90 days following the disposal announcement as a result of the change of control. Following the sale we will incorporate financial policies, strategy and potential support from the new owner, if any, into Volcan's credit profile.

Volcan's credit profile reflects its weak liquidity, the lack of substantial progress in improving its liquidity sources to refinance its upcoming debt maturities and its limited financial flexibility. In this environment, Glencore's announcement that it was exploring the possible disposal of its economic interest in Volcan, together with shareholder disagreements occurred in December 2023, added to uncertainty around Volcan's financial strategy and ability to improve its liquidity profile.

We could downgrade Volcan's ratings if its liquidity worsens and increases the risk of a distressed exchange or debt restructuring, leading to higher-than-expected losses for creditors. The Caa3 ratings already incorporate a high probability of default and 28% expected losses.

Integra Capital is a diversified firm with investments in education, energy, media and telecom, mining, technology, wine, food and drinks. Its mining business includes lithium exploration activities in Argentina and investments in uranium and copper.

Peru-based Volcan Compania Minera S.A.A. y Subsidiarias primarily produces zinc and lead concentrate, along with some copper concentrate, all with high silver content. The company has five operating units including seven operating mines, five concentrator plants and one

leaching plant for silver oxide production. Volcan reported revenue of \$839 million for the 12 months that ended March 2024. Volcan is listed on the Lima, Santiago and Madrid (Latibex) stock exchanges.

14 May 2024 | Comment

Fitch Ratings: No Immediate Rating Impact on Volcan's Change of Control

Fitch Ratings-New York/Rio de Janeiro-14 May 2024:

The change of control in Volcan Compania Minera (Issuer Default Rating 'CC') to Transition Metals, subsidiary of Integra Capital, from Glencore is credit neutral at this time, according to Fitch Ratings. On May 6, 2024 Glencore announced the sale of its 55% stake in Volcan's voting shares (23% stake of total shares) for USD20 million. Glencore has agreed to provide a secured facility of up to USD40 million to fund certain mandatory tender offer obligations of Transition Metals pursuant to applicable Peruvian laws and regulations.

No notch uplift or potential parent support was previously considered and this has not changed. Volcan still has the challenge of completing the restructuring of its debt, including its USD400 million syndicated loan due 2026, which includes quarterly amortizations of USD34.2 million (next due June 24 2024) and its USD365 million unsecured notes due 2026, which include a USD7.9 million coupon (next due August 11 2024). There is no clarity on the final strategy or current state of the bank lenders and bondholder proposals.

Fitch believes that a concomitant solution for both bank lenders and bondholders is needed to enhance the financial flexibility of Volcan Compania Minera and its ability to progress with its relevant capex project (Romina). Further developments on this front will be key to reassess the ratings. Volcan, its bank lenders and bondholders have hired financial advisors to engage in debt restructuring discussions. These efforts focus on extending maturities under different terms. Although discussions are still in progress, it is unclear whether a distressed debt exchange, under Fitch criteria, will be launched.

Volcan faces maturities of USD105 million in 2024, USD135 million in 2025 and USD160 million of the syndicated loan and USD365 million of the bonds in 2026. As of March 31 2024, Volcan had USD62 million of cash. Fitch expects FCF to turn negative in 2024 and remain that way through 2025, given depressed zinc prices and still high costs. Asset sales completion are uncertain and Fitch believes proceeds would prioritize capex.

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