

Hot Chili Announces PEA for Costa Fuego

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ASX: HCH
TSXV: HCH
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Costa Fuego Copper-Gold Project Preliminary Economic Assessment (PEA)¹ Outlines One of the World's Lowest Capital Intensity, Major Copper Developments

PERTH, June 28, 2023 -

- Strong Economics: Costa Fuego PEA delivers using an 8% discount rate and long-term metal price assumptions of US\$3.85/lb copper (Cu) and US\$1,750/oz gold (Au):
 - Base-case post-tax Net Present Value (US\$733 Million to US\$1.46 Billion) and range of 17% to 25% (range of 17% to 25%)
 - Base-case pre-tax Net Present Value (US\$1.06 Billion to US\$2.03 Billion) and range of 19% to 29% (range of 19% to 29%)
 - Base-case pre-tax Net Present Value (US\$1.06 Billion to US\$2.03 Billion) and range of 19% to 29% (range of 19% to 29%)
- The PEA is preliminary in nature and includes 3% of production feed from Inferential Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them to be categorised as Mineral Reserves (NI 43-101) or Ore Reserves (JORC 2012), and does not constitute a guarantee that the PEA will be realised. Mineral Resources that are not Mineral Reserves do not have a demonstrated economic viability. References to "Mineral Reserves" in this announcement are to Mineral Reserves (JORC 2012). See page 39 for additional cautionary language.
- The copper-equivalent (CuEq) annual production rate was based on the combined processing feed (across all processes) and used long-term commodity prices of: Copper US\$ 3.85/lb, Gold US\$ 1,750/oz, Molybdenum US\$ 4/lb, and Silver US\$21/oz; and estimated metallurgical recoveries for the production feed to the processing processes: Concentrator (87% Cu, 56% Au, 37% Ag, 58% Mo), Oxide Leach (55% Cu only), & Sulphide Leach (40% Cu only).
- See page 40 for full non-IFRS measures disclaimer.
- Approximately US\$1.28 Billion (post-tax, after operating costs, capital costs, and royalties)

The Preliminary Economic Assessment referred to in this release is equivalent to a Scoping Study under JORC Code (2012) reporting guidelines. It has been undertaken for the purpose of initial evaluation of a potential development of the Costa Fuego Copper Project in Chile. It is a preliminary technical and economic study of the potential viability of the Costa Fuego Copper Project. The PEA outcomes, production target and forecast financial information referred to in the release are based on low level technical and economic assessments that are insufficient to support estimation of Ore Reserves. The PEA is presented in US dollars to an accuracy level of +/- 35%. While each of the modifying factors was considered and applied, there is no certainty of eventual conversion to Ore Reserves or that the production target itself will be realised. Further exploration and evaluation and appropriate studies are required before Hot Chili will be in a position to estimate any Ore Reserves or to provide any assurance of any economic development case. Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the PEA.

Of the Mineral Resources scheduled for extraction in the PEA production plan, approximately 97% are classified as Indicated and 3% as Inferred during the 18-year evaluation period. The Company has concluded that it has reasonable grounds for disclosing a production target which includes a small amount of Inferred Mineral Resources. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised. Inferred Mineral Resources comprise 2.5% of the production schedule in the first four years of operation. The viability of the development scenario envisaged in the PEA does not depend on the inclusion of Inferred Mineral Resources.

The Mineral Resources underpinning the production target in the PEA have been prepared by a competent person in accordance with the requirements of the JORC 2012. For full details on the Mineral Resource estimate, please refer to the ASX announcement of 31 March 2022. Hot Chili confirms that it is not aware of any new information or data that materially affects the information included in that release and that all material assumptions and technical parameters underpinning the estimate continue to apply and have not been changed.

This PEA is based on the material assumptions outlined in Table 11 in this announcement. While Hot Chili considers that all the material assumptions are based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the PEA will be achieved.

To achieve the outcomes indicated in the PEA, including reaching Definitive Feasibility Study ("DFS") stage, funding in the order of US\$1.10 Billion will be required, including pre-production and working capital, and assumed financing charges. Investors should note that there is no certainty that Hot Chili will be able to raise that amount of funding when needed. One of the key assumptions is that the funding for the Project will be available when required. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Hot Chili's existing shares. It is also possible that Hot Chili could pursue other value realisation strategies such as debt financing, a sale or partial sale of its interest in the Costa Fuego Copper Project, sale of further royalties and/or streaming rights, sale of non-committed offtake rights, and sale of non-core assets.

This announcement contains forward-looking statements. Hot Chili has concluded that it has a reasonable basis for making these forward-looking statements and believes that the Costa Fuego PEA is the best estimate of the potential development of the Costa Fuego Copper Project. However, a number of factors could cause actual results or expectations to differ materially from the results expressed or implied in the forward-looking statements. Given the uncertainties involved, investors should not make any investment decisions based solely of the results of this study.

Costa Fuego ranks highly amongst global peer projects¹ and stands out as one of the world's lowest capital intensity, major copper developments. The PEA indicates a strong investment case for advancing Costa Fuego to a PFS for what would be a low-cost, low-risk, long-life, large-scale copper project, which is extremely leveraged to both resource growth and copper price appreciation.

I am very pleased with our entire teams' effort to deliver the PEA on-time and within guidance and look forward to delivering on our objective to transform Hot Chili into the only 100 thousand tonne copper producer listed on the ASX outside of the control of major miners.

We are focused on our next steps in resource growth and the delivery of an optimised and potentially larger project definition for our pre-feasibility study next year.

The recently announced US\$15 Million investment agreement with Osisko Gold Royalties positions the Company to be fully funded for the next 12 to 18 months to deliver on our growth and development

timetable."

Chairman Nicole Adshead-Bell affirmed, "Hot Chili is now one of a select group of companies with a copper development project of this scale of production that is not controlled by a major. The Company is also advantaged by its coastal, low elevation location and abundant existing infrastructure, reducing its economic hurdle and resulting in the lowest capital intensity of its global peer projects.

Our decade long efforts on decreasing development risk, including acquiring water rights, surface rights and securing connection to the electrical grid, will materially reduce development timelines when we make the decision to advance the Project through final permitting.

Hot Chili is very well positioned to benefit from the looming structural shortfall in copper production¹ due to the size and scale of the Project. Combined with the ability to more quickly advance to production when compared to some of our development peers, due to our 10-year long commitment to reducing exogenous risk combined with the strong ESG credentials of Costa Fuego".

Chief Operating Officer Grant King further added, "The PEA outlines for the first time - a combined production hub approach for Costa Fuego, utilising centralised processing for open pit and underground production sources.

We have taken a conservative approach in the PEA - Twenty percent contingency has been applied to all capital costs, Mineral Resources are reported at US\$3.00/lb copper price, mining optimisations were undertaken at US\$3.30/lb copper price and financial modelling at US\$3.85/lb copper price, with closure costs included.

Our PFS is well advanced and awaiting the outcome of further resource growth activities before finalising study scale. We will also investigate a large single open pit scenario for Cortadera (no underground block cave) with the potential to materially increase processing feed and mine life."

¹ Source: Published Company reports on studies undertaken on projects that were not in production at the time of the studies. Information from projects has been sourced from publicly available data that has been provided under differing economic assumptions. Public information for projects has been adjusted to provide a standardised data set under a US\$3.85/lb Copper price. The Global Developer Peer Group of project studies were selected on the following basis: Global primary copper projects (not controlled by a major miner), with by-product revenues where applicable, reporting studies of average annual life-of-mine copper production of greater than 40 kt, which have been published within the last 4 years. Projects with older studies were considered to be on hold. Significant projects such as Pebble and King-king were excluded by Hot Chili due to high perceived geopolitical risk, limiting the probability of development. Projects controlled by mid-tier mining companies near Costa Fuego were also included (Josemaría, Santa Domingo, Mantos Blanco and Mantoverde).

The company will be hosting webinars on 29th June at 9.30 am AEST / 7.30 am AWST (for Australian audience) and at 10.00 am EST (for North American audience) to brief shareholders and investors on the outcomes of the Costa Fuego PEA.

Hot Chili's Chief Executive Officer Christian Easterday and Chief Operating Officer Grant King will be hosting the call, which will also include a Q&A session.

The following links will provide access to the Costa Fuego investor briefing webinar:
Registration Link for Australian Audience - 29th June at 9.30 am AEST / 7.30 am AWST

Registration Link for North American Audience - 29th June at 10.00 am EST

After registering, you will receive a confirmation email containing information about joining the webinar.

¹ "Green Metals - Copper is the new oil". Published 13 April 2021, available at:

<https://www.goldmansachs.com/intelligence/pages/gs-research/copper-is-the-new-oil/report.pdf>

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Read the full release and the Preliminary Economic Assessment (PEA) here

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