

Hot Chili Announces US\$15 Million Investment Agreement with Osisko Gold Royalties

28.06.2023 | [CNW](#)

APPLECROSS, Australia, June 28, 2023 /CNW/ - [Hot Chili Ltd.](#) (ASX: HCH) (TSXV: HCH) (OTCQX: HHLKF) ("Hot Chili" or "Company") is pleased to announce the execution of a binding US\$15 million Investment Agreement with [Osisko Gold Royalties Ltd.](#) ("Osisko") for a 1.0% Net Smelter Return (NSR) royalty on copper and a 3% NSR royalty on gold (the "Osisko NSR Royalty Investment") across the Company's Costa Fuego Copper-Gold Project ("the Project") located 600 km north of Santiago, Chile, at an elevation (<1,000 m) in the coastal range of the Atacama Region, Chile.

Completion of the Investment ("Closing") is expected within coming weeks, subject to satisfaction of customary conditions. Upon Closing, Hot Chili will receive US\$15 million ("Royalty Consideration") at Closing.

Highlights

- Significant investment by Osisko provides strong endorsement from one of North America's leading royalty-streaming companies and will boost Hot Chili's cash position to approximately A\$26 million upon Closing
- US\$15 million in funds for growth and development with the investment (Royalty Consideration) to be used to advance the Company's Costa Fuego Pre-Feasibility Studies (PFS), resource growth drilling programmes and for the general advancement of the Project
- Clear "look-through" value given the Osisko NSR is equivalent to a 1.12% CuEq¹ NSR royalty across payable metals. The US\$15 million and Hot Chili's current market capitalisation is US\$80 million
- Buyback rights if a change of control event occurs prior to the fourth anniversary of Closing. The Osisko NSR can be increased to 0.5% NSR royalty on copper and 2.5% NSR royalty on gold
- Osisko to have a Right of First Offer (ROFO) with respect to the sale of any future royalty, stream, or similar interest in the Project in Chile
- Preliminary Economic Assessment (PEA) for Costa Fuego confirms strong economics²
- 30,000m drill programme set to commence, following Closing

Hot Chili's Managing Director Mr Christian Easterday commented, "The investment agreement is yet another strong endorsement of the Company and follows extensive due diligence of the Company and its Costa Fuego copper-gold project by Osisko, renowned for its technical rigour and capabilities.

We consider that the Osisko investment will deliver a strong outcome for our shareholders by significantly strengthening the Company's treasury without the dilution of a share issuance, while only adding a minor incremental royalty burden to Costa Fuego.

¹ CuEq considers assumed commodity prices and average metallurgical recoveries from test work. See qualifying statements below.

² See announcement 'Hot Chili Announces PEA for Costa Fuego' dated 28 June 2023

Importantly, Osisko's involvement alongside Glencore's strategic shareholding in Hot Chili demonstrates Costa Fuego's strategic relevance and the projects' potential to deliver near-term, meaningful, new copper supply.

We are pleased with the outcomes of our recently announced PEA, which has been validated by Osisko's investment. We look forward to the commencement of drilling activities across multiple growth targets and the completion of our PFS for Costa Fuego next year."

Hot Chili's financial advisor is National Bank Financial Inc., and its Canadian legal counsel is Bennett Jones LLP.

Summary of Material Terms of Investment Agreement

The Investment Agreement between Hot Chili Limited, its Chilean subsidiaries holding title to the properties comprising the Costa Fuego Project (each a Seller), and [Osisko Gold Royalties Ltd.](#) (Osisko), provides for the purchase by Osisko of a royalty

Seller, the material terms of which are summarised below:

Royalty Consideration	Total cash consideration to Hot Chili and the Sellers in the amount of US\$15,000,000 (Royalty Consideration), payable at closing of the investment (Closing).
Use of Proceeds	The majority of the Royalty Consideration to be used for exploration, development and general advancement of the Project. The balance may be used for general working capital purposes.
Royalty Interest	A net smelter return royalty with respect to a Seller's share of copper and gold production from the Project (Royalty) comprising 1.0% of payable copper production and 3.0% of payable gold production.
Royalty Calculation	The Royalty payable monthly with payments based on net smelter return revenues generated by the Project. Deductions applicable against the royalty are those typical in a net smelter return calculation but exclude taxes and government royalties.
Project	The Costa Fuego Project properties and all associated assets and undertakings of any kind (Project).
ROFO	Osisko to have a Right of First Offer (ROFO) with respect to the sale of any future royalty, stream, or similar interests by Hot Chili.
Buyback	<p>If a Change of Control Event occurs prior to the 4th anniversary of Closing, the Seller shall be entitled to reduce the Royalty percentage such that the resulting royalty rate applicable on payable copper becomes 0.5% and the royalty rate applicable on payable gold becomes 2.5% in exchange for a payment to Osisko in an amount as follows:</p> <ul style="list-style-type: none">i. 130% of the Royalty Consideration if exercised prior to the 2nd anniversary of Closing;ii. 140% of the Royalty Consideration if exercised between the 2nd and 3rd anniversary of Closing; andiii. 150% of the Royalty Consideration if exercised between the 3rd and 4th anniversary of Closing. <p>A "Change of Control Event" occurs when control (meaning over 50% of the voting securities) and decision-making power of either the Hot Chili or Seller is acquired by another party.</p>
Royalty Security	<p>The Royalty will be secured against all property, assets, undertaking and rights of each Seller, including the Project.</p> <p>In connection with any construction financing for the Project, Osisko has agreed to principals under which it would subordinate its security interests to encumbrances granted under a senior bank loan facility, subject to customary terms and conditions</p>
Conditions to Closing	Closing is subject to satisfaction of conditions considered customary for royalty finance investment agreements, including execution of security documents.

The Directors look forward to an exciting period ahead. Further details of the Company's next steps are expected to be shortly.

This announcement is authorised by the Board of Directors for release to ASX and TSXV.

Hot Chili's Managing Director and Chief Executive Officer Mr Christian Easterday is responsible for this announcement

provided sign-off for release to the ASX and TSXV.

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or visit Hot Chili's website at www.hotchili.net.au

Qualifying Statements

Forward Looking Statements

This document contains certain "forward-looking statements" and "forward-looking information" concerning the business and financial performance and condition of Company. Forward-looking statements and forward-looking information include, but not limited to, statements with respect to permitting and legal processes in relation to mining permitting and approvals; production and mine life of the various mineral projects of the Company; the ability to obtain permits for operations; syn realisation of mineral resource estimates; the benefits of the development potential of the properties of the Company; the price of minerals, including gold, copper, and silver; the estimation of mineral reserves and resources; success of exploration activities; and currency exchange rate fluctuations. Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may", "should" or "will" occur. Forward-looking statements are based on the opinions and beliefs of the Company at the date the statements are made and are based on a number of assumptions and subject to a variety of uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include, but not limited to, results of the PEA and planned PFS, as well as future economic studies, the results of the planned 30,000m drill program, their impact on mineral resources and the economic studies, variations in ore grade or recovery rates, changes in market conditions, risks relating to the availability and timeliness of permitting and governmental approvals; risks relating to international operations, fluctuating metal prices and currency exchange rates, changes in project parameters, the possibility of project overruns or unanticipated costs and expenses, labour disputes and other risks of the mining industry, failure of plant, equipment and processes to operate as anticipated.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base their investment decisions on forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and entail and are cautioned not to place undue reliance on forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or

to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or the Company's estimates or opinions should change, except as required by applicable securities laws. Any comparative market information is as of a date prior to the date of this document.

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Copper-equivalent (CuEq)

Copper-equivalent (CuEq) net smelter return royalties for all metals, from all production sources were estimated to match combined revenues (net of selling costs) anticipated from copper and gold, based on the Company's latest technical information. Revenues considered the combined contribution of estimated processing feed and used long-term commodity prices of US\$ 3.85/lb, Gold US\$ 1,750/oz, Molybdenum US\$ 15/lb, and Silver US\$21/oz; and estimated metallurgical recoveries from production feed to the following processes: Concentrator (87% Cu, 56% Au, 37% Ag, 58% Mo), Oxide Leach (55% Cu, 58% Au), Low-grade Sulphide Leach (40% Cu only).

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