

# Announcement

Wednesday 28th June 2023

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

Hot Chili Limited (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") (the "Investment") across the Company's Costa Fuego Copper-Gold Project ("the Project") located 600 km north of Santiago, at low 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, with Hot Chili to 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 groups, 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 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% CuEq<sup>1</sup> NSR royalty across payable metals for 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 reduced 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 interests by Hot Chili
- **Preliminary Economic Assessment (PEA) for Costa Fuego confirms strong economics<sup>2</sup>**
- **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 and follows extensive due diligence of the Company and its Costa Fuego copper-gold project by Osisko, renowned for their technical rigour and capabilities.

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

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

<sup>2</sup> 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 global 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 from each Seller, the material terms of which are summarised below:

<b>Royalty Consideration</b>	Total cash consideration to Hot Chili and the Sellers in the amount of US\$15,000,000 ( <b>Royalty Consideration</b> ), payable at closing of the investment ( <b>Closing</b> ).
<b>Use of Proceeds</b>	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.
<b>Royalty Interest</b>	A net smelter return royalty with respect to a Seller's share of copper and gold production from the Project ( <b>Royalty</b> ) comprising 1.0% of payable copper production and 3.0% of payable gold production.
<b>Royalty Calculation</b>	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.
<b>Project</b>	The Costa Fuego Project properties and all associated assets and undertakings of any kind ( <b>Project</b> ).
<b>ROFO</b>	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.
<b>Buyback</b>	<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> <ol style="list-style-type: none"> <li>130% of the Royalty Consideration if exercised prior to the 2<sup>nd</sup> anniversary of Closing;</li> <li>140% of the Royalty Consideration if exercised between the 2<sup>nd</sup> and 3<sup>rd</sup> anniversary of Closing; and</li> <li>150% of the Royalty Consideration if exercised between the 3<sup>rd</sup> and 4<sup>th</sup> anniversary of Closing.</li> </ol> <p>A "<b>Change of Control Event</b>" 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>

<b>Royalty Security</b>	<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>
<b>Conditions to Closing</b>	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 announced 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 and has provided sign-off for release to the ASX and TSXV.**

**For more information please contact:**

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or visit Hot Chili's website at [www.hotchili.net.au](http://www.hotchili.net.au)

## Qualifying Statements

### Forward Looking Statements

This document contains certain “forward-looking statements” and “forward-looking information” concerning the business, operations and financial performance and condition of Company. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to permitting and legal processes in relation to mining permitting and approvals; estimated production and mine life of the various mineral projects of the Company; the ability to obtain permits for operations; synergies; the realisation of mineral resource estimates; the benefits of the development potential of the properties of the Company; the future 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 characterised 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 estimates of the Company at the date the statements are made and are based on a number of assumptions and subject to a variety of risks and 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 the results of the PEA and planned PFS, as well as future economic studies, the results of the planned 30,000m drill programme and 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 cost overruns or unanticipated costs and expenses, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated.

The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they 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 prove to 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 results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as 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 the 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: Copper US\$ 3.85/lb, Gold US\$ 1,750/oz, Molybdenum US\$ 15/lb, and Silver US\$21/oz; and estimated metallurgical recoveries for the production feed to the following processes: Concentrator (87% Cu, 56% Au, 37% Ag, 58% Mo), Oxide Leach (55% Cu only), & Low-grade Sulphide Leach (40% Cu only).