

# Los Andes Copper

## Tier-1 copper project advancing towards development as supply deficit looms

We initiate coverage of Los Andes Copper Ltd (“Los Andes” or “LA”) with a price target of C\$31/sh, implying 319% upside from the current share price. Los Andes holds 100% interest in the Vizcachitas copper-molybdenum-silver porphyry in Chile. LA’s 2019 PEA delivered a US\$2.7bn NPV<sub>8%</sub> and 26.7% IRR at US\$3.5/lb copper. Despite hosting a 2Bt resource, containing ~8.8Mt of copper equivalents, the project remains open in several directions and at depth, with extensions to the north potentially offering higher grade material that can be readily incorporated into the mine plan. A Pre-Feasibility Study (PFS) is due Q1’22 and should act as a significant catalyst.

### Green push requires copper this decade beyond brownfield expansions

By 2025 it is widely forecast that copper will enter a structural supply deficit that cannot be met through brownfield expansions. Significant discoveries are also becoming scarcer and project development lead times ballooning due to increasing technicality. Therefore, the market will need to turn towards development-stage, large-scale copper projects with a clear path to production.

### Vizcachitas Cu-Mo-Ag porphyry holds part of the answer

We believe the Vizcachitas project is one of several large-scale projects the world will require to meet burgeoning copper demand, with LoM production of over 120ktpa CuEq forecast from 2027. The project is Tier-1 across the board with a large 2Bt resource, simple open pit mining, uncomplicated processing and excellent surrounding infrastructure. Vizcachitas will produce a clean, low-arsenic concentrate, which we believe should be highly desirable to smelters and traders as a blending feed, offsetting dirtier concentrates from elsewhere in LatAm, especially as Chinese environmental standards tighten. Chile remains a top mining jurisdiction, in our view, despite the recent threat of resource nationalism, and Los Andes is developing a strong social license to operate.

### 2019 PEA returned US\$2.7bn NPV at US\$3.5/lb copper

Los Andes completed a PEA for Vizcachitas in 2019, selecting a base case 110 ktpd (~40Mtpa) mill. The PEA delivered a US\$2.7bn NPV and 26.7% IRR at a copper price of US\$3.5/lb vs current spot of US\$4.2/lb from US\$1.9bn initial capex. The project has a 45-year mine life, which will likely be extended or transitioned into an underground operation (as the major copper discoveries of the 1990’s are now undergoing in South America). The project is around the mid-point of the cost curve with a C1 net cash cost of US\$1.36/lb for the first 8-years, driving a 3.4-year payback period. In addition, 46% of the project mill feed for the first 10 years of operations in the PEA is of Measured Resources, providing confidence for conversion to reserves and the mine plan.

### PFS expected to deliver an optimised project vs PEA with exploration upside

Los Andes’ expects to deliver a PFS for the Vizcachitas project in Q1’22. Information released to date point to significant optimisations that will deliver reduced water and energy usage (key considerations in Chile) and a more environmentally-sound project, including filtered dry-stack tailings storage. Ongoing exploration is seeking to upgrade resources further and step out to the north as permits have been received. Northern extension drilling in 2017 saw noticeably higher grades, that also increase with depth (e.g. hole V2017-10 yielded 506m @0.67% CuEq including 30m @1.05% CuEq from 558m).

### Valuation: heavily-risked DCF delivers C\$31/sh target, >4x current share price

We model an open-pit scenario for Vizcachitas based on the 2019 PEA with price inputs of US\$8,500/t for copper, US\$18,000/t for moly and US\$24.5/oz for silver, and an 8% WACC. We have slightly inflated life-of-mine opex by ~4% vs the PEA and initial capex to US\$2bn (vs US\$1.9bn) to reflect industry cost pressures, although we note LA’s optimisations may yet deliver a budget on par with or below the 2019 study. The result is an unrisks NPV<sub>8%</sub> of ~US\$1.8bn (Sep’22E), to which we apply a 0.4x multiple to reflect the project’s PEA status and funding requirements, giving a risked value of ~US\$0.7bn. Adjusting for G&A, exploration, cash and convertible debt, we arrive at a diluted C\$31/sh target, offering 319% upside from the current share price.

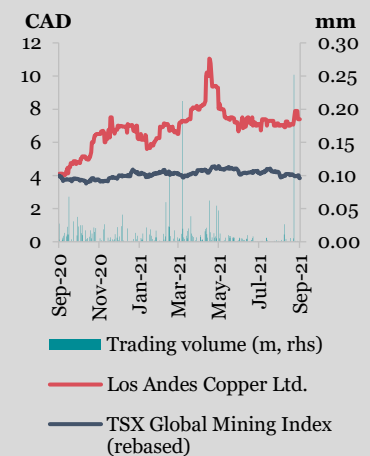
| GICS Sector                  | Materials |
|------------------------------|-----------|
| Ticker                       | CVE:LA    |
| Market cap 24-Sep-21 (US\$m) | 159       |
| Share price 24-Sep-21 (CAD)  | 7.4       |
| Target price 30-Sep-22 (CAD) | 31        |

**US\$1.8bn**

H&Pe unrisks NPV<sub>8%</sub>

**8.8Mt**

Copper equivalent contained in Resources



*H&P Advisory Ltd is a Retained Advisor to Los Andes Copper Ltd. The cost of producing this material has been covered by Los Andes Copper Ltd. as part of a contractual engagement with H&P; this report should therefore be considered an “acceptable minor non-monetary benefit” under the MiFID II Directive.*

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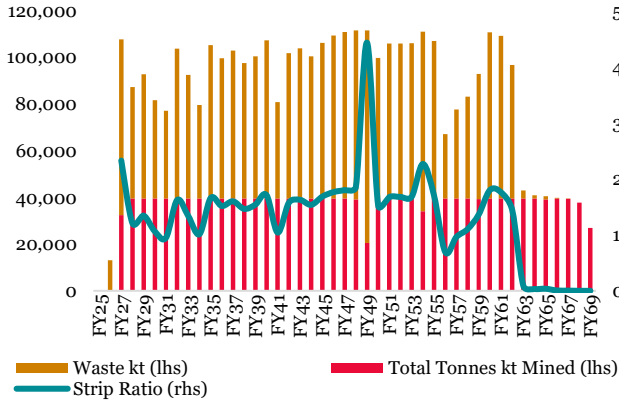
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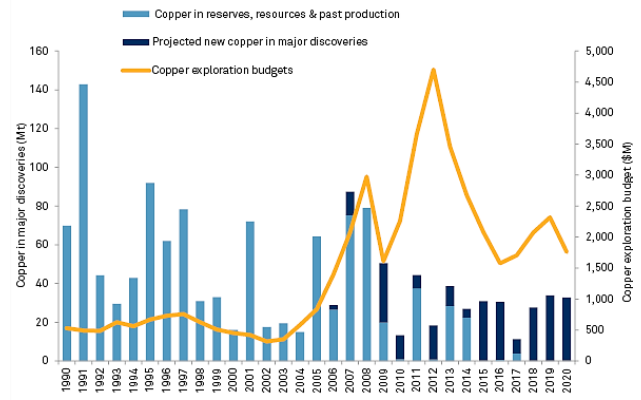
# Key Charts

## Vizcachitas offers a low strip ratio and elevation



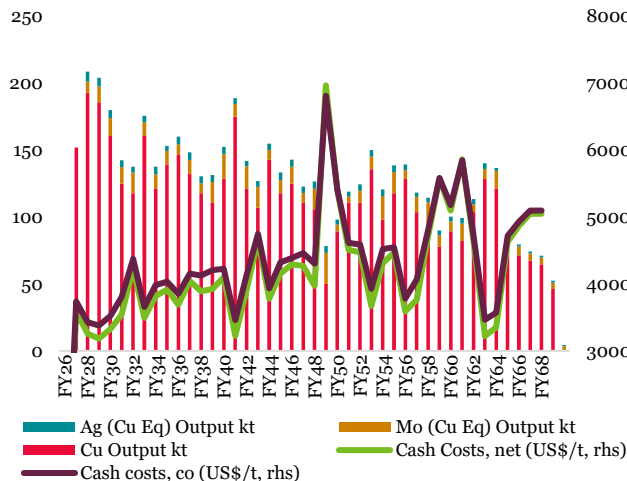
Source: Company reports, H&P estimates.

## Copper discoveries remain low as demand is set to soar



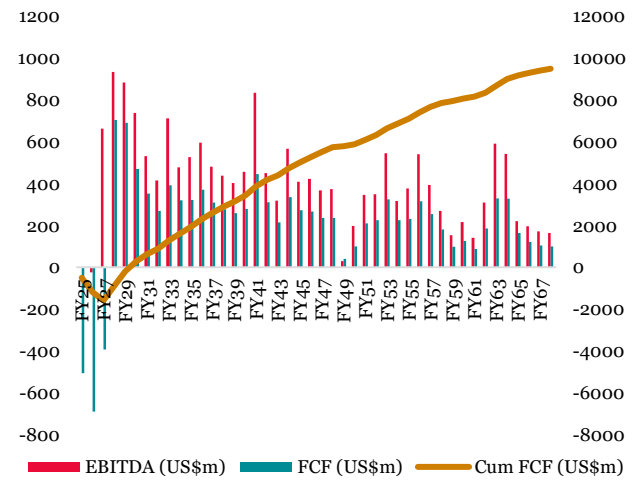
Source: CapIQ

## Cash costs place Vizcachitas around middle of cost curve



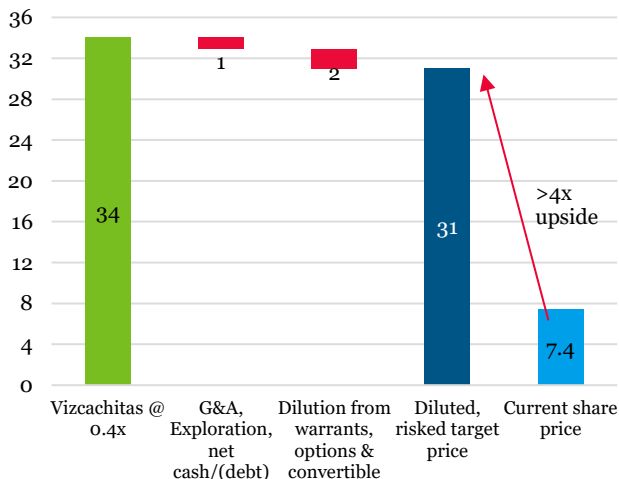
Source: Company reports, H&P estimates.

## EBITDA, FCFs and cumulative FCF



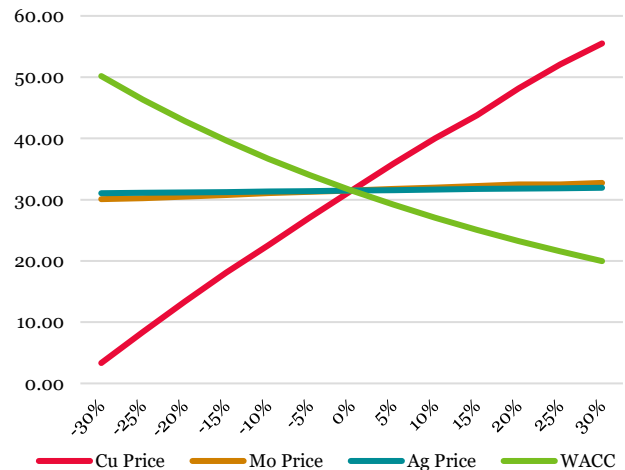
Source: SNL, Company reports, H&P estimates

## DCF-based valuation: applying a 0.4x multiple to our ~US\$1.8bn NPV<sub>8%</sub> for Vizcachitas gives \$31/share target



Source: Company reports, H&P estimates.

## Sensitivity – project is highly leveraged to prevailing copper prices



Source: Company reports, H&P estimates.

## Executive Summary

### Vizcachitas offers an attractive Tier 1 project with scale

Rio Tinto's GM Exploration has [stated](#) "Copper is our preference. A bit like BHP we'd love a Tier one large-scale and low-cost asset. Ideally, shallow and near the coast, with good infrastructure would be ideal... However, in recent times tier ones have become a lot harder to find".

We believe Vizcachitas fits the criterion majors are scouting for and tabulate the reasons below. The project offers a 100% owned, >1Bt M&I Resource (2Bt M,I&I) at solid grades and low elevation that is amenable to simple and extremely well understood processing methods to produce a clean concentrate for an exceptionally long mine-life. The wider area contains several other producing Tier-1 projects including Los Bronces and El Teniente and offers excellent infrastructure.

Chile itself is the world's top copper producer, accounting for 36% of primary copper supply and host to 28% of the world's Proven & Probable copper reserves. It is also a cornerstone of the country's economy, contributing 20% to government revenues, and with commodities overall representing 60% of Chile's exports.

| Project Aspects       | Vizcachitas  | Further Opportunity   |
|-----------------------|--|---|
| Annual production     | ~120kt copper equivalent per annum over LoM  | Expansion drilling to the north and prevailing copper prices could offer scope to increase the plant capacity (PEA assessed 50, 110 & 200 ktpd scenarios with 110ktpa selected) as well as potential JV's with majors                                   |
| Cash costs            | US\$1.94/lb LoM net of by-products   | Places the project around the second quartile of the cost curve. Process plant optimisations may reduce costs further   |
| Resource              | 2.08Bt at 0.43% CuEq (0.38% Cu)<br>- 8.85Mt (19.5B lb) CuEq (M,I&I)  | The substantial resource is open in several directions including to the north and at depth. In-fill and step out exploration programmes underway could drive an increased Resource at higher grades   |
| Mine life             | 45 years   | Resource expansion should result in an extension to mine life or higher production rate   |
| Complexity            | Simple open cast mining and floatation circuit processing  | PFS optimisation seeks to simplify operations further with tweaks to the crushing circuit and implementation of a filtered dry-stacked tailings   |
| Product spec          | Vizcachitas will produce a clean, highly marketable concentrate  | Projects are increasingly affected by penalties or non-compliance of concentrates. Vizcachitas could benefit from further premiums in the future as the problem becomes more pronounced.  |
| Infrastructure        | 120km railway line to Ventanas concentrate smelter & port. 60km to 220 kV substation and 500 l/sec water rights within low elevation | Changing to one operating complex in Rocin Valley will further reduce infrastructure hurdles and PFS optimisations will reduce water and energy consumption   |
| Exploration potential | Remains open northwards and at depth   | Identification of further supergene material or higher-grade lithologies should boost grades significantly in the early years of mine life. There remains potential for a high-grade core at depth which would support a future underground development |
| Ownership             | 100% ownership   | Ideal backdrop for acquisitive majors – no complicated ownership structure and Turnbrook Corp & RCF own a combined ~54%   |
| Stage                 | PEA  | PFS due shortly which should optimise the project further and catalyse the stock as discoveries decrease and lead-times increase in the industry  |
| Jurisdiction          | Tier-1   | Tempering of the recent resource nationalism and amendments / dissolution of the proposed mineral tax bill  |
| Board and team        | Los Andes board brings a wealth of technical experience from Codelco, BHP, Falconbridge, Xstrata, Rio Tinto and Antofagasta.         | Acquisition or JV with a major would offer further experience to the project's development and potential synergies with nearby projects   |

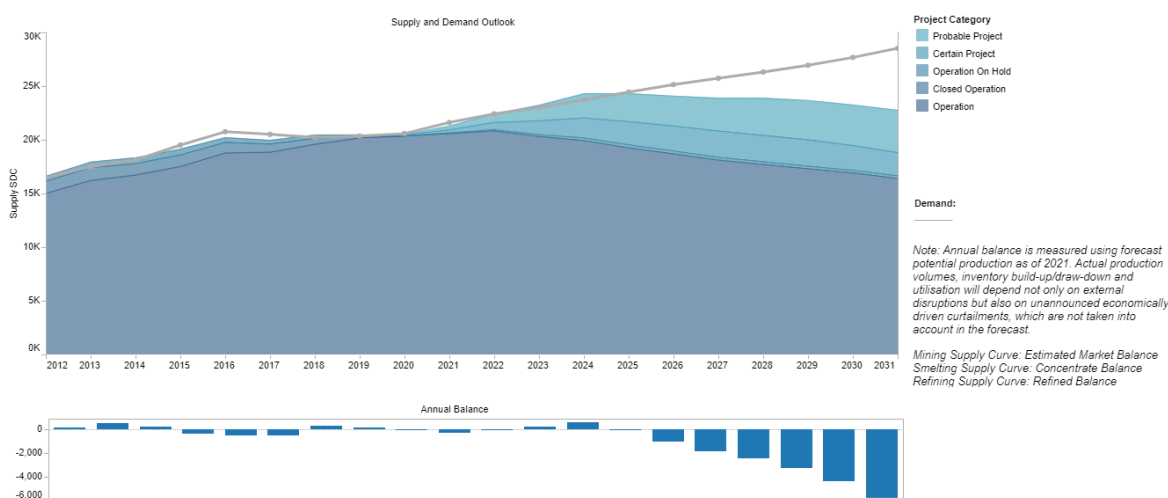
Source: Company reports, H&P estimates

### Well poised to meet the impending copper supply deficit

Within this decade it is widely forecast that copper will enter a structural supply deficit with miners currently struggling for answers. Copper has one of the highest thermal and electrical conductivity of all metals. As a result, it is the most widely used mineral among energy technologies and essential for all electricity-related infrastructure. Copper is critical for solar panels, wind turbines, electric vehicles and battery storage. To highlight the scale of the challenge, a battery EV uses 83kg of copper, compared with the 23kg of copper in an internal combustion engine vehicle. Demand in solar PV installations could also more than double by 2030 to 1.4Mtpa. These macro trends will be further accelerated by stimulus packages in key consuming regions including the US, China and Europe which contain a heavy focus on infrastructure spending and green initiatives.

The CRU Group has estimated that the copper industry needs to spend upwards of US\$100bn to close the deficit of 4.7Mt by 2030. BHP's copper outlook report has also stated the supply-demand gap cannot be filled with brownfield expansions as also shown in the graph below. Approximately 6Mtpa of production will be required from greenfield projects in the coming years. This would require several projects the size of Escondida (the largest copper mine in the world) in Chile to be discovered, built and operational where project lead times are generally stretching to 15 - 20 years.

### Copper is expected to enter a structural supply deficit this decade



Source: Minespans

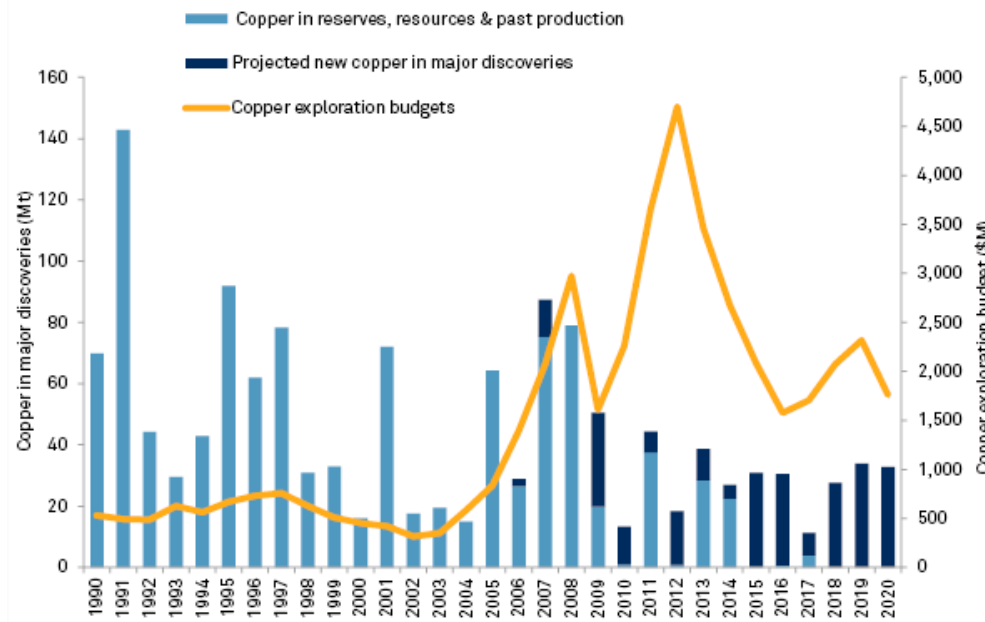
### New major copper discoveries are few and far between

With new supply required from greenfield projects, we next focus on the discovery pipeline for copper projects, which remains dismal. Advanced projects within Tier 1 jurisdictions such as Chile are even scarcer again. S&P research on the long-term copper supply pipeline indicates that even if projects with a low probability of advancing through to production come online, copper demand will still exceed mined production by 2028.

With major producers appearing to maintain capital discipline following previous cyclical mistakes, appetising prospects are few and far between and the copper price has already rallied significantly. For example, BHP spent just US\$53m on copper exploration last year versus an exploration budget of US\$516m (largely directed at oil and gas). Vizcachitas, with production pencilled for 2027, is one of

a handful of advanced, large scale copper projects in top jurisdictions that could begin to bridge the supply gap.

**Barely enough copper is being discovered on an annual basis to keep pace with growing annual demand – before even considering rising cost of bringing discoveries into production**

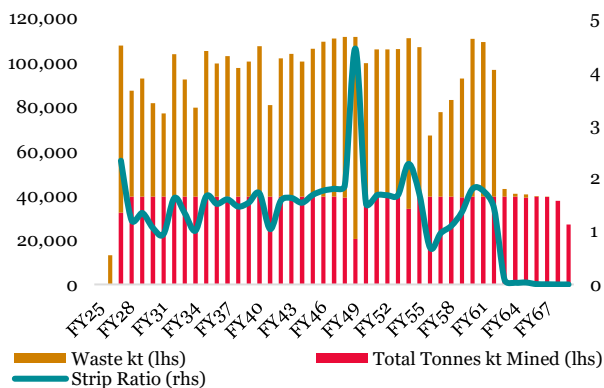


Source: S&P Global Market Intelligence

**Technically simple project with clean metallurgy**

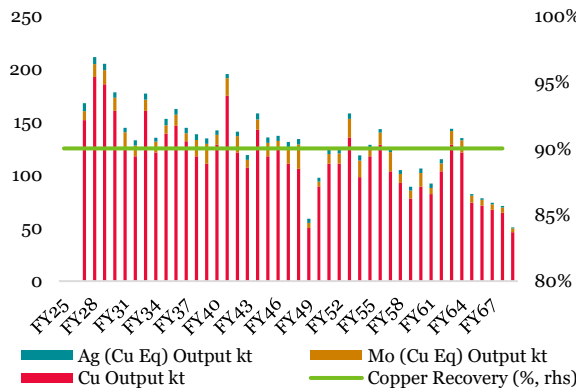
Despite the backdrop of new discoveries often providing increasingly complex operations, Vizcachitas is refreshingly simple to both mine and process. The project is amenable to conventional large-scale open pit mining methods, at a rate of 110ktpd of ore producing ~120kt of copper equivalent output per annum over the LoM (~180kt CuEq per annum for first 5-years). It also has an exceptionally low strip ratio of just 1.1:1 within an area of low elevation, easily supporting year-round development and operations.

**Low strip ratio with favourable elevation**



Source: Company reports, H&P estimates

**Excellent recoveries form a clean concentrate**



Source: Company reports, H&P estimates

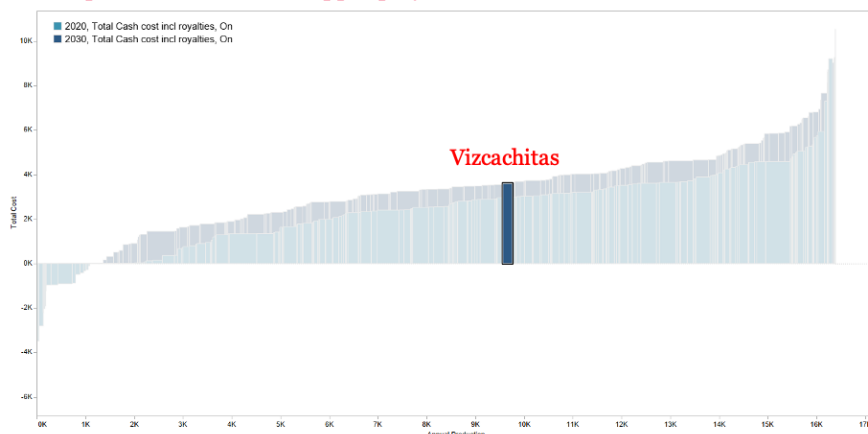
A simple flotation flowsheet is envisaged for the largely primary sulphide ore. Flotation test work has demonstrated both high-grade copper concentrates and high recoveries of both copper and molybdenum are achievable. Overall recoveries of 91% Cu and 75% Mo can be expected which could be improved

further in the upcoming PFS. Furthermore, analysis for the final copper concentrates confirmed that Vizcachitas will produce clean concentrates. Projected results show that final copper concentrate grades are between 22.9% and 24.4% copper, and a credit may be obtained for silver at grades between 46 to 65 g/t. No elements are present at penalty levels in the copper concentrates, with arsenic averaging ~0.16% over the first 12 years vs China's current 0.5% limit and proposed 0.4% limit on imported concentrate.

### Well positioned on the cost curve

As a result of the project's technical simplicity and supportive infrastructure, it is competitively positioned around the middle of the cost curve, without considering the incentive price required for more marginal operations in the future or PFS optimisations that should reduce costs. As the chart below shows, there is expected to be a significant creep in cash costs between 2020 and 2030 as grades decline and projects become more complex technically, without considering rising capital intensity and emerging jurisdiction projects which will require additional risk premiums.

### Total expected cash costs of copper projects

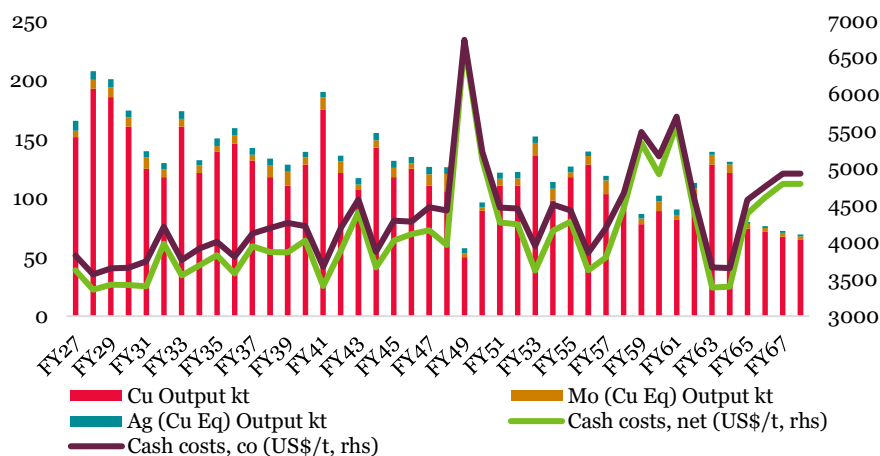


Source: Minespans, H&P estimates

The 2019 PEA estimated Vizcachitas' total cash cost (TCC) at 186 c/lb of copper pre moly and silver by-product credits, and 158 c/lb post credits. To be conservative and to reflect industry cost pressure, on a like-for-like basis using the same price assumptions we model 194 c/lb pre and 165 c/lb post by-product credits. However, on our LT copper price input of US\$8,500/t we note the mine would incur a higher government royalty rate, implying higher TCCs of 206 c/lb pre and 181 c/lb post credits under our base case scenario. With higher grades in the early years, higher output and lower costs drive elevated EBITDA of C\$668m pa or an average margin of 56% (based on our model) for the first 8 years of operations, paying back initial capital in less than four years. Over the 45-year LoM our model predicts average EBITDA of C\$575m pa and margins of 47%.



### Copper production with cash costs (net and co product)



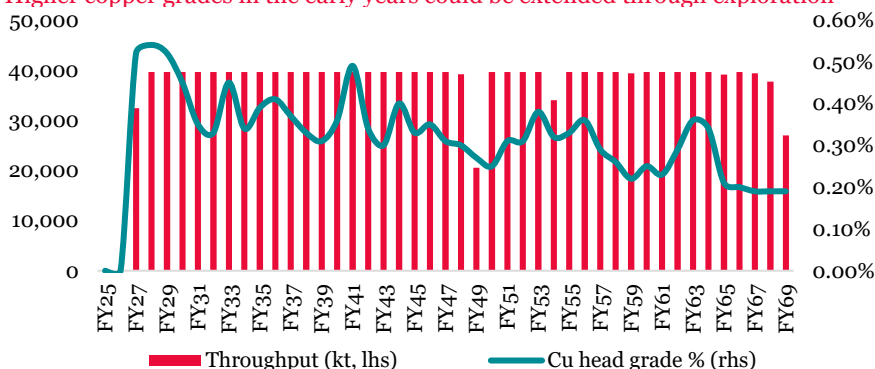
Source: Company reports, H&P estimates

### Geological model offers vectors towards higher grade mineralisation

Whilst grades are slightly below average at 0.45% CuEq (0.40% Cu) within 1.28Bt of M&I Resources, the simplicity of the project (low-strip open-cast and favourable metallurgy) and high-grading early in the mine-life (years 2 – 6 at >0.5% Cu), mitigate any disadvantages compared to a higher-grade but more technically-challenging project in our view. A broader industry trend of declining grades is also apparent with gradual depletion of Reserves. To provide further context - average ore grades in Chile, the largest producer of copper, have fallen by 30% over the last 15 years. Therefore, we believe grade is an increasingly common hurdle projects will have to overcome as bulk tonnages of copper are required.

A new geological model adopted for the 2019 PEA confirmed higher-grade mineralisation in early diorite porphyry and hydrothermal breccia units. It also separated a near surface higher-grade supergene enriched mineralisation zone that covers an area of 400 by 400 metres where all the drill holes have average grades of >0.50% Cu. Northern extension drilling from 2017 (V2017-10) entered a long sequence of hydrothermal breccias, with 506 m at 0.57 % Cu, 357 ppm Mo and 1.1 g/t Ag (0.67 % CuEq). Within this run are higher-grade sections, including 30 m at 0.95 % Cu, 337 ppm Mo and 1.6 g/t Ag (1.05 % CuEq) from 558m and mineralisation remains open to the north. The grades also improve with depth as the chalcopyrite-pyrite ratio increases and, from 920m, bornite accounted for up to 20% of sulphides.

### Higher copper grades in the early years could be extended through exploration



Source: Company reports, H&P estimates



This mineralisation shows the potential for the grade to increase with depth and to the north (within material currently considered as waste in the mine plan). We see potential for the company to design future exploration campaigns to target high-grade supergene mineralisation or lithologies, extending the period of high-grade ore feed. In fact, if the high-grade ore feed at the beginning of the project could be extended to 10-years in total, we estimate it would add US\$300m in NPV to the project and increase the IRR to 26%, from 23% on our estimates, highlighting the value step-out supergene mineralisation could provide.

### Impressive resource and mine life could multiply further

Vizcachitas already boasts an impressive Resource base of 2Bt at 0.40% CuEq, producing 8.85Mt (19.5B lb) of copper equivalents. This places the project amongst the largest<sup>1</sup> greenfield development stage projects in the Americas, alongside Los Azules (McEwen Mining) and Josemaría (Josemaria Resources) in Argentina, Los Helados (NGEx) in Chile and Alpala (SolGold) in Ecuador. As a result, the project currently offers a 45-year mine life, with significant probabilities of extension. Whilst cash flows so far into the future would offer minimal additional NPV, we believe a long life at the outset offers two upsides:

- Firstly, such a long-life project in a Tier-1 jurisdiction should attract firm interest from majors. The standout discoveries of the 1990's are also demonstrating their longevity, with brownfield expansions underway at several, which Vizcachitas could eventually replicate.
- Secondly, in a sustained elevated copper price environment, the project would offer a substantial increase in NPV when expanded to a 200ktpd operation, from the 110ktpd currently envisaged, potentially supported by a parallel underground operation.

| Vizcachitas Resources (at 0.25% Cu Cut-off) - June 2019 |          |           |                      |          |
|---|----------|-----------|----------------------|----------|
|   | Measured | Indicated | Measured + Indicated | Inferred |
| Tonnage (Mt)  | 254      | 1,030     | <b>1,284</b>         | 789      |
| Cu Grade (%)  | 0.439    | 0.385     | <b>0.396</b>         | 0.337    |
| CuEq Grade (%)  | 0.489    | 0.442     | <b>0.451</b>         | 0.386    |
| Mo Grade (ppm)  | 119.2    | 146.9     | <b>141.4</b>         | 127      |
| Ag Grade (g/t)  | 1.26     | 1         | <b>1.05</b>          | 0.88     |
| Cu (m lb)   | 2,462    | 8,740     | <b>11,202</b>        | 5,861    |
| Cu (Mt)   | 1.12     | 3.96      | <b>5.08</b>          | 2.66     |
| Mo (m lb)   | 67       | 333       | <b>400</b>           | 221      |
| Ag (m oz)   | 10.3     | 33.1      | <b>43.4</b>          | 22.3     |
| CuEq (m lb)   | 2,743    | 10,034    | <b>12,777</b>        | 6,713    |
| CuEq (Mt)   | 1.24     | 4.55      | <b>5.79</b>          | 3.04     |

Source: Los Andes, CapitalIQ

Typically, a mineralised porphyry will have a high-grade core, often at depth. Given Vizcachitas remains completely open at depth, we believe it is likely the project could transition into an underground operation later in the mine life or support a parallel underground operation. Anglo American's Los Bronces, only 100km away, is doing exactly that – a sublevel open stope with backfill operation

<sup>1</sup> Defined in terms of contained copper equivalent tonnes in M, I & I Resources. We note Solaris Resources Warintza project in Ecuador and Filo Mining's Filo Del Sol project in Argentina are showing potential to this order of magnitude, pending further drilling and resource updates.

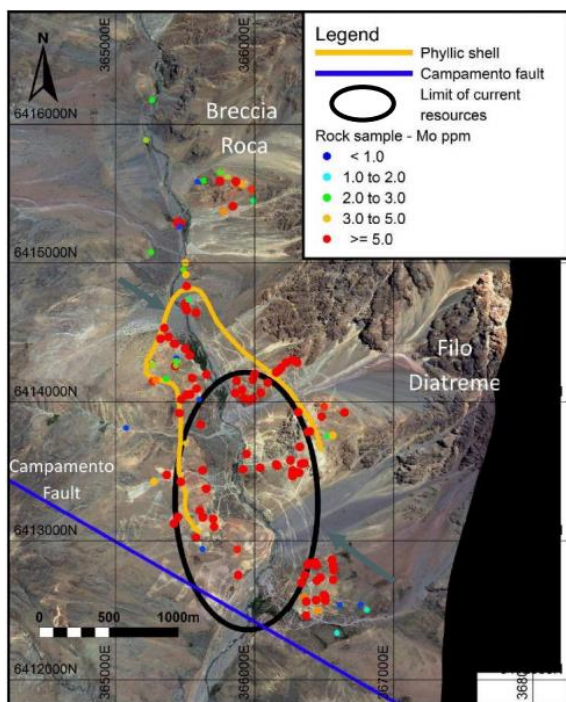
will support the open pit mine, with underground ore boosting production with higher grade ore. If discoveries were to be made northwards, this is likely to be an advantageous development option that offers additional scale.

**Yet further upside indicated as studies identify targets beyond PEA pit**

Whilst the PFS is underway, the company has also been undertaking a geological mapping and geophysics work programme in the winter season. Application of the classic copper porphyry model has yielded possible extensions of mineralisation to the north, east and south-east. Significantly, copper mineralisation could extend 750m north of current resources at surface, providing additional higher-grade mineralisation. Corridors of sheeted veins also support the extension northwards and eastwards.

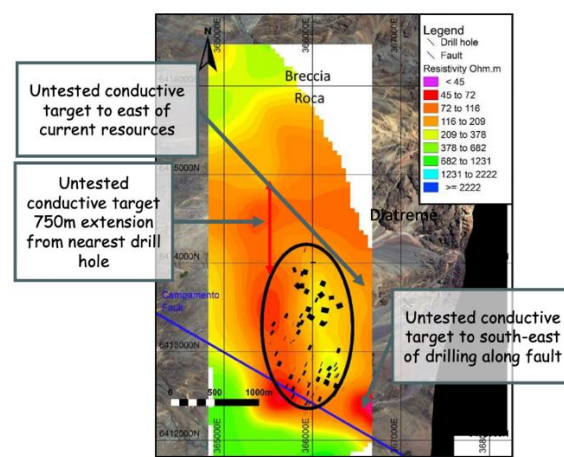
Surface sampling of Breccia Roca, >1km distance from the current resource, has confirmed the same geochemical signature as Vizcachitas. Whilst this has yet to be drill tested, it could represent a buried mineralised system to the north, forming a wider porphyry complex. Geophysical surveys further support the thesis, with resistive, conductive rock (typical of a mineralised porphyry unit) extending 750m northwards of the drillhole furthest to the north.

**Rock sampling has returned the same geochemical signature northwards as Vizcachitas**



Source: Company reports

**Geophysical anomalies further support a northwards extension of the complex**



Source: Company reports

**Significant work undertaken between '19 PEA and Q1'22E PFS**

The 2019 PEA provided a conceptual plan for developing the Vizcachitas project, demonstrating the potential positive economics of an open-pit operation. The project delivered a US\$2.7bn NPV and 26.7% IRR at a copper price of US\$3.5/lb vs. current spot of US\$4.2/lb from US\$1.9bn initial capex. Significantly, 46% of the project mill feed for the first 10 years of operations in the PEA is of Measured Resources, which should bode well for Reserves conversion in the PFS. The PFS will update certain aspects of the project which will de-risk the relatively simple

operation further technically and also offers a more environmentally sound project with a reduced footprint.

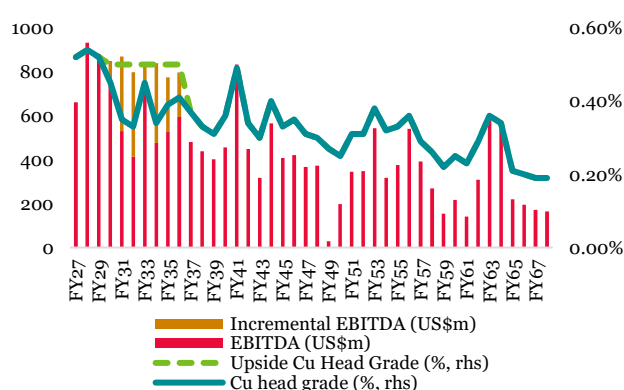
| Area              | 2019 PEA   | 2022E PFS                             | Impact  |
|-------------------|--|---------------------------------------|---|
| Processing        | SAG Mill grinding circuit  | HPGR circuit                          | - Lower energy consumption<br>- Enhanced project economics<br>- Operational flexibility                 |
| Tailings Facility | Thickened tailings dam   | Filtered dry-stacked tailings         | - Reduced water consumption<br>- Reduced footprint and operational risk<br>- Reduced environmental risk |
| Transport         | Traditional truck haulage to rail load-out facility                      | Rotainers                             | - Simpler transportation and significantly safer handling of concentrate environmentally                |
| Infrastructure    | Multiple operating facilities across both Chalaco Valley and Rocin Vally | One operating complex in Rocin Valley | - Reduced footprint   |

Source: Company reports

We believe the implementation of a dry-stacked tailings storage facility along with enhanced water recoveries are a significant positive step forward for Vizcachitas, reducing water consumption by ~50%. In 2019, Anglo American reported a 28% drop in copper production at Los Bronces and 44% drop in throughput at the plant due to water issues following a drought. Whilst we do not envisage water issues for Vizcachitas, the technical work being undertaken by Los Andes for PFS publication should be viewed as a positive for development.

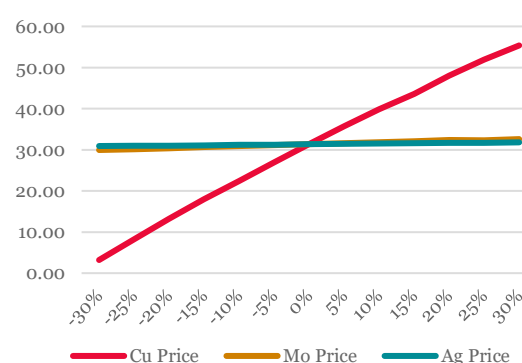
The PEA also considered using metal values of US\$3.50/lb copper, US\$22.0/kg molybdenum and US\$17.0/oz silver as the upside case vs prevailing spot prices of US\$4.2/lb, US\$46/kg & US\$24/oz respectively.

#### Incremental EBITDA of grade boost in first 10 years (we estimate potentially worth an incremental ~US\$300m)



Source: Company reports, H&P estimates

#### SOTP Sensitivity to metal prices



Source: Company reports, H&P estimates

#### Supported by exceptional infrastructure

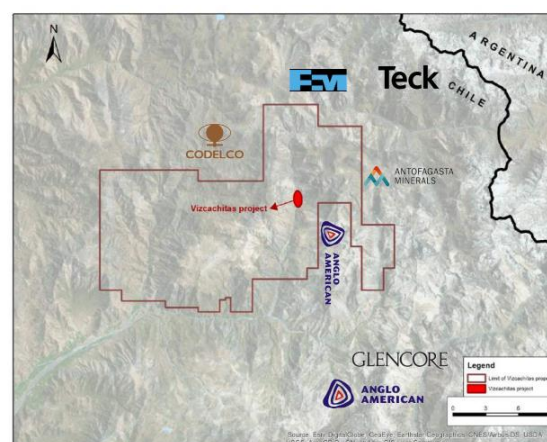
The Project is nearby extensive infrastructure, including port facilities, railway lines and high-tension substations. Vizcachitas further benefits from a low altitude location, allowing year-round exploration and project development. The port of Ventanas is 140 km away and currently handles copper concentrate from other mining operations in the district. There are also several large power substations near the site.

**Tier-1 infrastructure with access to power, ports & smelters**



Source: Company reports

**Within a good neighbourhood of major producers**



Source: Company reports

**Within an impressive neighbourhood in which Vizcachitas can grow**

The Vizcachitas project is located in the same geological belt as some of South America’s largest copper deposits including Andina, Los Bronces, Los Pelambres, El Pachon and El Teniente. The project is also approximately 20km away from West Wall, a Cu-Mo porphyry project 50/50 JV between Anglo American and Glencore. With limited drilling compared to the other mega projects (e.g. 53km drilled vs. 135km for El Pachon), Vizcachitas is well placed to upsize significantly.

| Other Major Deposits in Vizcachitas’ geological belt |                                 |                           |              |                      |                |  |
|--|---------------------------------|---------------------------|--------------|----------------------|----------------|--|
| Deposit  | Resources and Reserves (tonnes) | Contained Copper (tonnes) | Grade (% Cu) | Stage                | Operator       |  |
| Andina Division                                      | 4,683,000,000                   | 36,200,000                | 0.77         | Expansion            | Codelco        |  |
| El Pachon  | 3,124,000,000                   | 15,100,000                | 0.48         | Feasibility          | Glencore       |  |
| El Teniente Underground                              | 4,586,000,000                   | 35,900,000                | 0.78         | Expansion            | Codelco        |  |
| El Teniente District                                 | 606,000,000                     | 2,430,000                 | 0.40         | Advanced Exploration | Codelco        |  |
| Los Bronces  | 5,402,400,000                   | 24,671,000                | 0.46         | Operating            | Anglo American |  |
| Los Bronces Underground                              | 4,146,400,000                   | 46,651,000                | 1.13         | Prefeas/Scoping      | Anglo American |  |
| Los Pelambres  | 6,046,100,000                   | 30,231,000                | 0.50         | Expansion            | Antofagasta    |  |
| West Wall  | 1,933,000,000                   | 8,893,000                 | 0.50         | Reserves Development | Glencore       |  |

Source: CapitalIQ

For example, in October 2010, Anglo American reported a maiden inferred resource of 750Mt at 0.54% Cu, 0.05 g/t Au and 0.01% Mo at West Wall, focused exclusively on the initial Lagunillas zone. Anglo and Glencore subsequently identified West Wall Norte through exploration which has driven a pit constrained Indicated Resource of 861Mt at 0.51% Cu, 0.05 g/t Au and 0.007% Mo with further Inferred Resources of 1,072Mt at 0.42% Cu, 0.05 g/t Au and 0.006% Mo. The mineralisation zones are part of an extensive NNE striking hydrothermal alteration zone of approximately 9km by 4km.

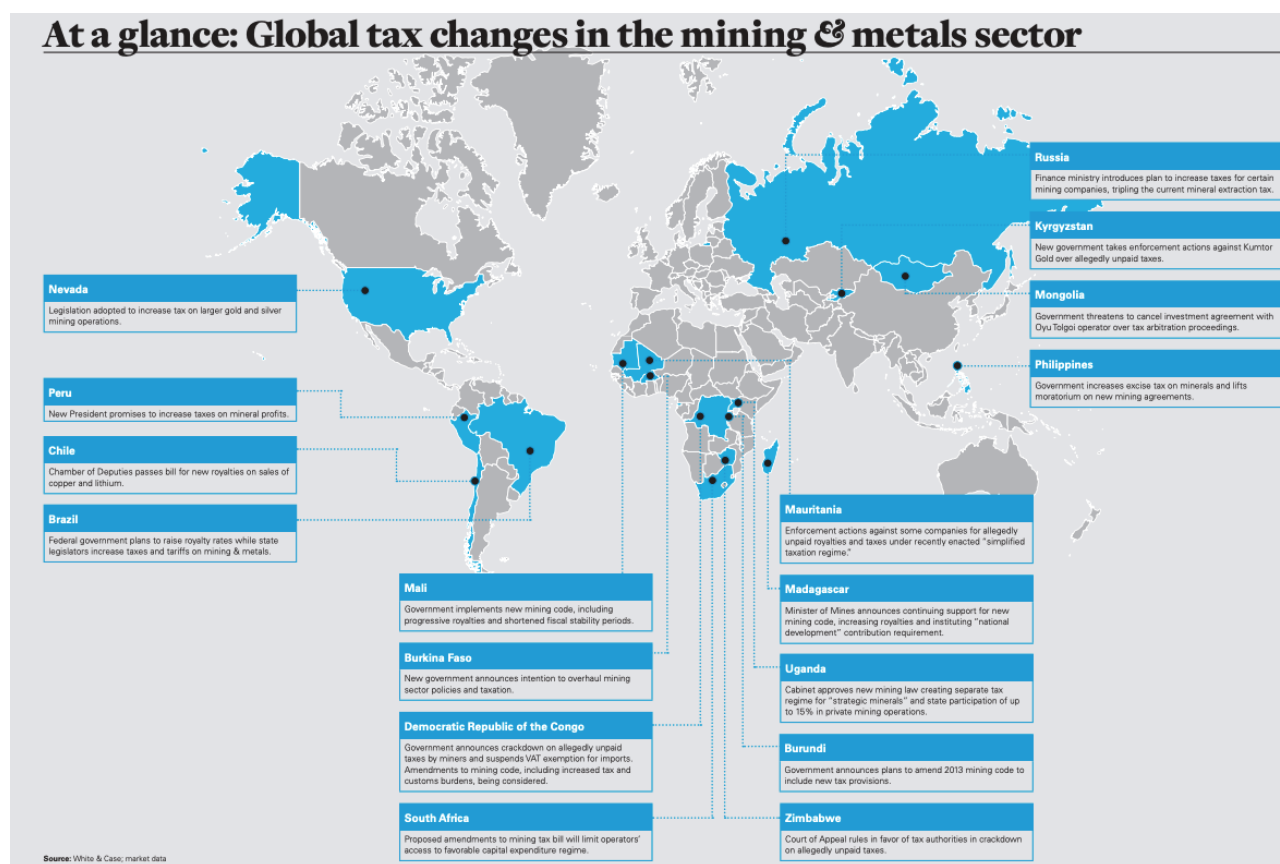
The successful step out drilling should bode well for Los Andes' exploration programmes just 20km away. There are also potential synergies between the projects which are well-aligned timing-wise to form a mega complex. However, the economics of Vizcachitas are clearly ample to support a standalone development, driving an NPV<sub>8%</sub> of US\$1.8bn and 23% IRR on our estimates.

### Chile remains a Tier-1 jurisdiction

We believe Chile remains a top tier location for mineral development and exploitation, especially when considering the prospectivity for large-scale copper porphyry systems such as Vizcachitas (and the wider region in general). Chile is the world's largest producer of copper, accounting for 29% of global copper production in 2020 (5.7Mt), significantly above Peru (2.2Mt) and the US (1.2Mt).

Recent resource nationalism has been spurred by two primary factors, in our view. Firstly, the COVID-19 pandemic has created unparalleled levels of government stimulus and budget deficits as countries removed any levels of fiscal control to prop up economies during protracted lockdowns. Secondly, commodity prices have recently hit fresh highs across the basket as a result of such stimulus packages and a green push towards renewables and infrastructure spending, providing record revenues to major miners. As a result, cash-strapped governments are targeting natural resources to meet the deficit.

### Resource nationalism has sparked a raft of proposed tax changes to the sector



Source: [White & Case](#), market data. Not shown: the most recent proposals in the US Congress to impose royalties (see [Reuters](#) article)

Chile's current mining tax agreements are due to expire in 2023. A new bill has proposed a 3% base rate royalty. For copper, a windfall profit tax would begin at



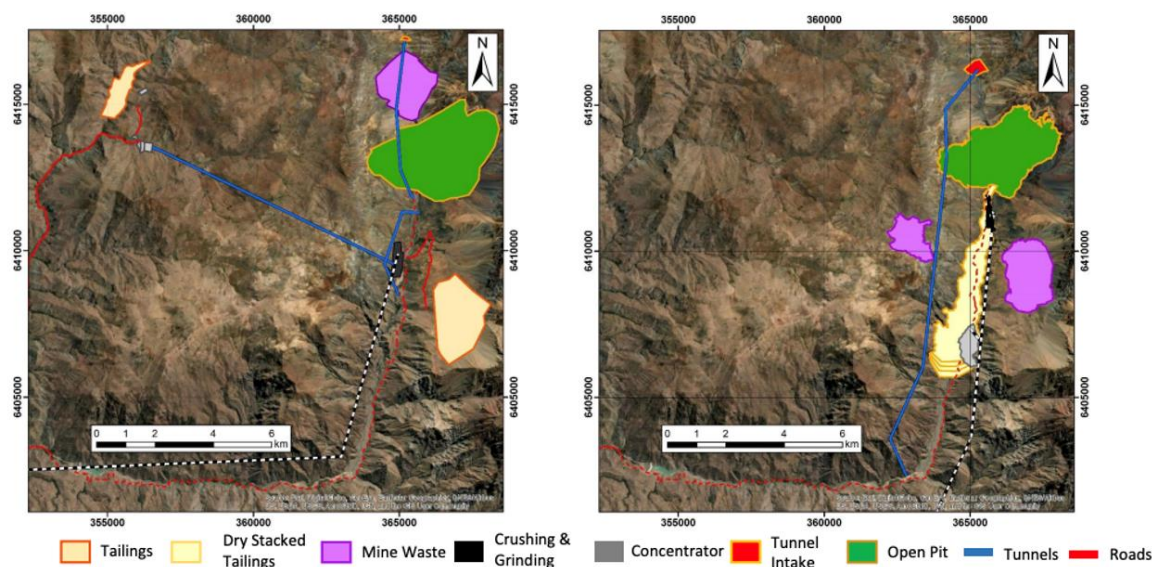
marginal rates of 15% of sales priced at US\$2.0 - US\$2.5/lb, rising to 75% of additional income on sales of more than US\$4.0/lb.

Chile is not alone in turning towards the mining sector for tax revenue answers. In the Americas, Peru's president has promised to increase taxes on mineral profits. Brazil and Nevada also plan to increase taxes on large gold and silver mining operations. Elsewhere several African jurisdictions are pursuing much the same measures. Even in the USA, proposals have recently been presented in Congress to impose an 8% royalty on existing and a 4% royalty on new mines, covering several commodities including copper. Therefore, we view the uptick in resource nationalism as a regular feature of a commodity super-cycle, which, as long as hard-line policies do not come to fruition, should have relatively minor impacts on investments into the host countries.

### Community work has strengthened relations

Los Andes Copper works closely with the community to support the development of local businesses, develop human capital and maintain its high environmental standards. PFS optimisations are also expected to reduce the footprint of the project significantly (only using one operating complex in the Rocin valley compared to two previously) and improve environmental specifications. These factors should ensure Los Andes continues to build favourable community relations as the project is developed.

### PEA Infrastructure layout (left) vs. proposed PFS layout (right) reduces the footprint significantly



Source: Company reports

### Strong technical team and board

Los Andes' Board of Directors brings a wealth of technical experience from some of the largest copper producers in the world including Codelco, BHP, Falconbridge, Xstrata, Rio Tinto and Antofagasta.

Executive Chairman, Fernando Porcile, has over 50 years' experience including as a Director of the Codelco board, Head of Falconbridge's non-Canadian copper operations and VP Project Development for BHP's base metals division. CEO and Chief Geologist, Antony Amberg, provides a strong technical focus as a Chartered Geologist with 32 years' experience managing exploration projects from grass roots through to JORC compliant feasibility studies. Vizcachitas project director,

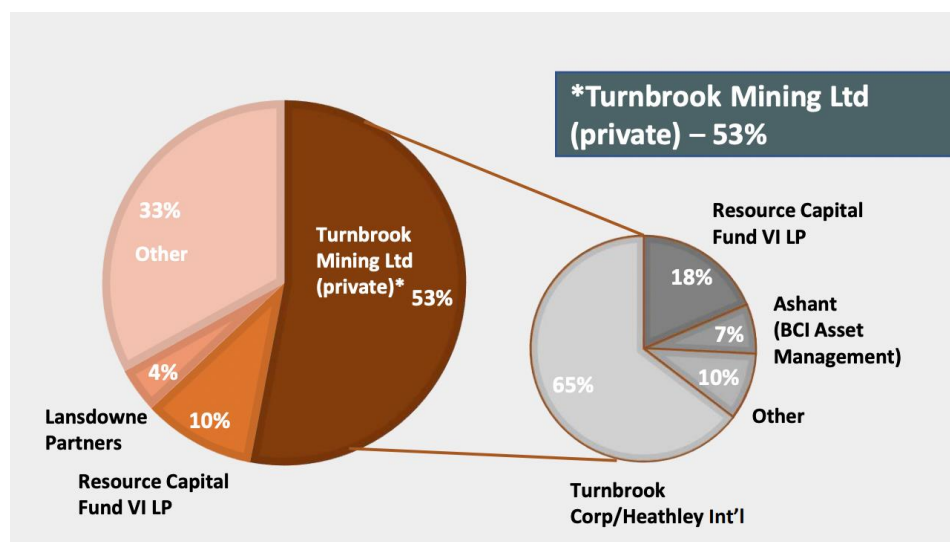
Manuel Matta is a mining engineer with 30 years' experience in operations, planning and projects as has worked as VP of Development for Collauasi, VP of Project Construction for Barrick Gold and GM of the Altonorte Smelter in Antofagasta, Chile, one of the largest smelters in the world. Eduardo Covarrubias, Vice Chairman, has been overseeing the mining interests of Turnbrook Corporation (majority shareholder) prior to consolidation and was a banker with Chase Manhattan for almost a decade covering the mining sector in Chile.

The board has been strengthened further recently with the appointments of Corinne Boone (Non-exec Director and Board Chair of the Environmental, Social and Governance Committee) and Warren Gilman (non-exec Director).

### Well backed by mining savvy funds

Los Andes has a strong, supportive shareholder base, including Resource Capital Fund (RCF) who is a ~20% shareholder. RCF is a mining-focused alternative investment firm with deep experience within the sector, partnering with companies to produce positive outcomes for all stakeholders.

### Los Andes key shareholders and Turnbrook Mining Ltd ownership structure



Source: Company reports



### Share price catalysts

We believe Q1'22 should mark a significant point in the company's history with publication of the Vizcachitas PFS. Key catalysts for the share price include:

- **Pre-Feasibility Study:** The key deliverable for the company next year is publication of the PFS. Study work released to date indicates significant improvements and optimisations to the project across most aspects. We believe the market will view this as a de-risking event and further demonstration of the project's calibre.
- **Exploration Programme:** Drilling campaigns at Vizcachitas are currently underway. The programme is focusing on both in-fill holes targeting known higher-grade areas and step-out holes to the north, where the deposit remains open along strike with coincident geochemical and geophysical anomalies. Significant intercepts to the north would be highly value accretive (currently considered as waste in the mine plan) and could result in explosive price action in the stock, as witnessed by Solaris, SolGold and Filo Mining this year.
- **M&A Opportunities:** Vizcachitas tier 1 specifications and jurisdiction should make it an enticing target for industry consolidation within an active region. We believe publication of the PFS (with its substantial optimisations and reduced environmental footprint) could act as a green light for significant interest from majors looking to bolster their long-term copper supplies.

## Valuation

### C\$31/share target based on risked NPV, 319% above current price.

To derive our fully-diluted C\$31/sh price target we have constructed a risked sum-of-the-parts valuation based upon the company's 2019 PEA mine plan. We apply our assumptions of a 8% WACC, US\$8,500/t long-term copper price, US\$18,000/t molybdenum price and US\$24.5/oz silver price (compared to the company's US\$3.50/lb copper, US\$22,000/t molybdenum and US\$17.0/oz silver) but conservatively include initial capital costs of US\$2bn (vs US\$1.9bn in the PEA) and slightly inflated opex as outlined above to **derive an un-risked NPV of US\$1.8bn (C\$2.3bn)**. We apply a target P/NPV (risk-weighting) of 0.4x to our DCF to reflect the project's PEA stage (PFS underway and due for publication in Q1'22), likelihood of further financing necessary to fund a Definitive Feasibility Study post PFS, and large eventual capital requirements, resulting in a risked value of US\$0.7bn.

We then deduct C\$11m to account for assumed ongoing corporate G&A, estimated current cash of ~C\$7m, convertible debt of ~C\$6m and estimated spending over the next 12 months of ~C\$22m. This results in a **risked valuation for Los Andes, as at Sept'22E, of C\$33 per share undiluted and C\$31 per share fully diluted** after adjusting for options, warrants and a convertible debenture (issued earlier in 2021), implying a significant 319% upside from the current share price.

| Valuation / Price Target Derivation - Sept'22E                    |             |              |                 |              |
|---|-------------|--------------|-----------------|--------------|
|   |             | Value        | Target multiple | Target Value |
| Vizcachitas   | C\$m        | 2,315        | 0.40            | 926          |
| <b>Total value of projects / operations</b>                       | <b>C\$m</b> | <b>2,315</b> | <b>0.40</b>     | <b>926</b>   |
| Corporate G&A   | C\$m        | -11          |                 | -11          |
| Cash - Sep'21E  | C\$m        | 7            |                 | 7            |
| Convertible - Sep'21E   | C\$m        | -6           |                 | -6           |
| Exploration & other costs - FY22E                                 | C\$m        | -22          |                 | -22          |
| <b>Total Corporate Adjustments</b>                                | <b>C\$m</b> | <b>-35</b>   |                 | <b>-35</b>   |
| <b>Total</b>  | <b>C\$m</b> | <b>2,284</b> |                 | <b>895</b>   |
| Shares out - undiluted  | m           | 27.2         |                 | 27.2         |
| <b>NPV / Target Price per share - undiluted</b>                   | <b>C\$</b>  | <b>84</b>    |                 | <b>33</b>    |
| Cash inflow from options if exercised                             | C\$m        | 7            |                 | 7            |
| Shares issued from options and convertible note                   | m           | 1.5          |                 | 1.5          |
| Net debt adjustment if debenture converted                        | C\$m        | 6.6          |                 | 7            |
| Shares issued if debenture converted + equity portion of interest | m           | 0.6          |                 | 0.6          |
| <b>NPV / Target Price per share - diluted**</b>                   | <b>C\$</b>  | <b>78</b>    |                 | <b>31</b>    |
| Current share price   | C\$         | 7.4          |                 | 7.4          |
| <i>Upside/downside from current share price</i>                   | %           | 959%         |                 | 319%         |

Source: H&P estimates, company reports

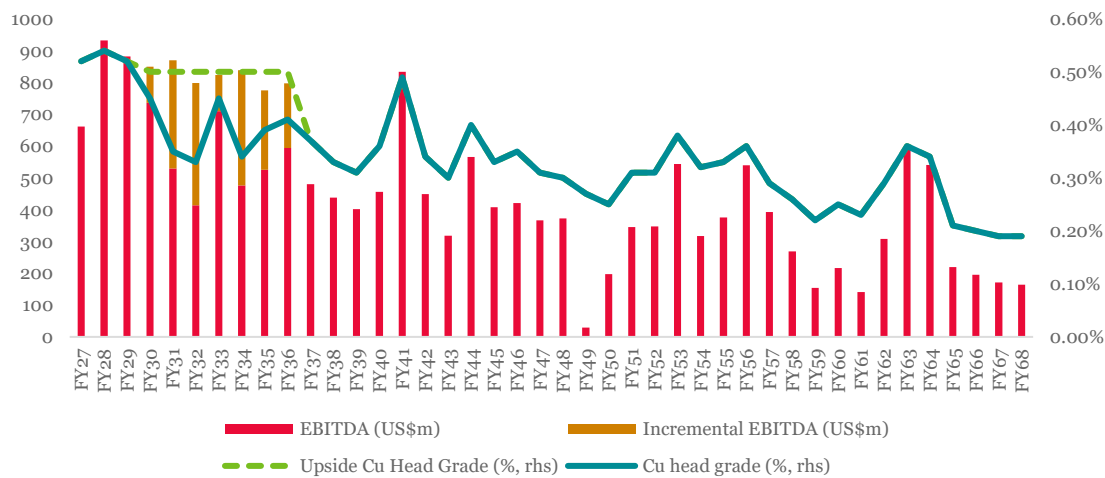
### Additional higher-grade ore offers strong upside

A new geological model adopted for the 2019 PEA confirmed near surface higher-grade supergene enriched mineralisation zone that covers an area of 400 by 400 metres where all the drill holes have average grades of >0.5% Cu. Northern extension drilling from 2017 (V2017-10) entered a long sequence of hydrothermal breccias, with 506m at 0.57% Cu, 357 ppm Mo and 1.1 g/t Ag (0.67% CuEq) and

mineralisation remains open to the north. Follow-up holes are only now being drilled, having received the relevant permits.

Exploration success would allow Los Andes to extend the period of high-grade ore feed. In fact, **if the high-grade ore feed at the beginning of the project could be extended to 10-years in total, we estimate it would add ~US\$300m in NPV to the project (US\$2.1bn total) and drive an IRR of 26%**, highlighting the value step-out supergene mineralisation could provide to the PFS and eventual BFS. Using the same target P/NPV of 0.4x this could add ~C\$5/sh or ~16% to our risked valuation.

### Incremental EBITDA from higher-grade copper mineralisation

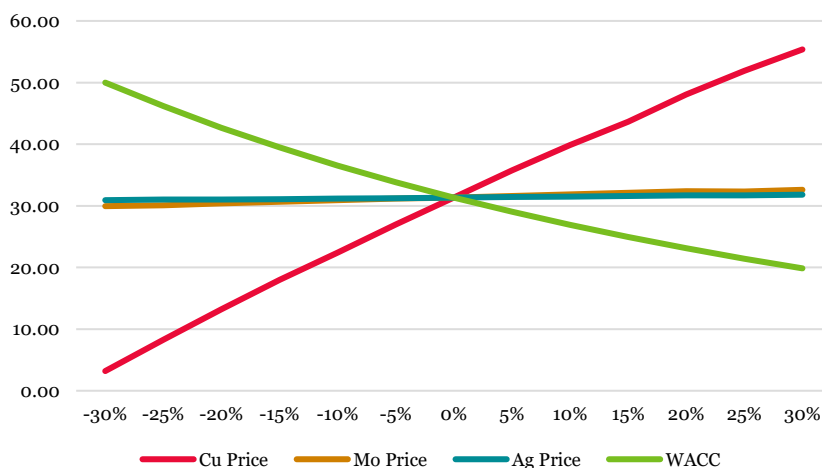


Source: H&P estimates

### Sensitivity analysis – highly leveraged to copper price

As expected, the primary factor in determining our SOTP valuation for Los Andes is the copper price. The chart below shows our SOTP sensitivity to copper, molybdenum and silver prices as well as WACC based on a 30% increase/decrease from our input assumptions of US\$8,500/t, US\$18/kg, US\$24.5/oz and 8% respectively.

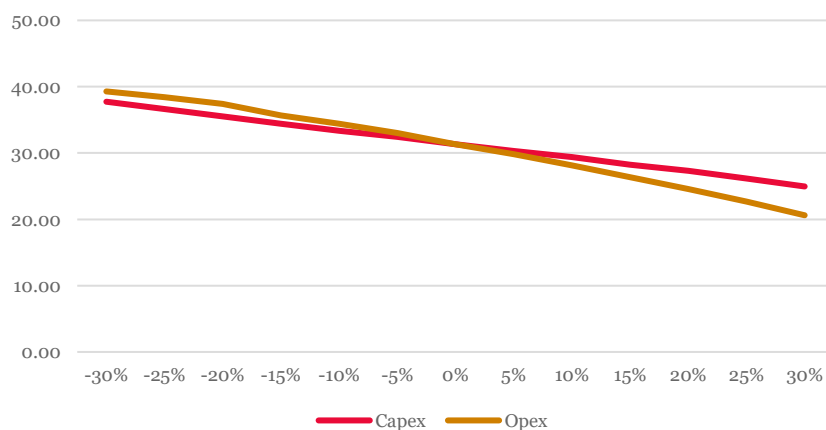
### SOTP Valuation - sensitivity to changes in metal prices and WACC (C\$/sh)



Source: H&P estimates

The chart below shows variation in our SOTP target share price for changes in Capex and Opex. Based on PFS related updates to date, we believe the company appears well poised to match or better costs for the PFS compared to the PEA, with significant optimisation work undertaken. However, we have taken a conservative approach at this stage and assumed initial capital costs of US\$2bn vs. US\$1.9bn in the PEA, and 4% higher opex as outlined above, to reflect inflationary pressure in the industry.

#### SOTP sensitivity to Opex and Capex (C\$/sh)



Source: H&P estimates

#### Primed for M&A activity with attractive multiples

As discussed above, there is common market consensus that copper will enter a structural supply deficit from 2025 onwards (that cannot be met by brownfield expansion projects alone), requiring Tier-1 assets of the future to be brought online swiftly. As a result, it is reasonable to assume M&A activity in the space is likely to follow as majors seek to replenish reserves. Vizcachita's project status and jurisdiction could make it an enticing opportunity within the region given the strong resource base and potential to add significant tonnes of higher-grade material following completion of the current drill programme.

Below we tabulate the exit multiples achieved in the copper/base metal space in recent years. An EV/M,I&I Resource multiple would suggest Los Andes' Vizcachitas project could command an exit of ~US\$1bn, or >6x the current share price (on a fully diluted basis). The multiple appears even more compelling when indexed to prevailing copper prices, indicating an exit of ~US\$1.5bn.

| Date   | Bidder                     | Target                                  | Deal Value (US\$m)         | EV (US\$m)                   | Resources Cu Eq. (Mt)        | EV/Resources (US\$/t)        | Stage                                  | Spot Copper Price | EV/Resources / Cu Spot                          |
|--------|----------------------------|---|----------------------------|------------------------------|------------------------------|------------------------------|--|-------------------|---|
| Dec-20 | PT Wasesa Indo Nusa        | Beruang Kanan Main (BKM) Copper Project | 163                        | 163                          | 0.20                         | 828                          | Feasibility Complete                   | 7,791             | 0.11  |
| Dec-20 | China Molybdenum Co        | Phelps Dodge Congo                      | 550                        | 579                          | 2.91                         | 199                          | Reserves Development                   | 7,776             | 0.03  |
| Oct-20 | Nova Resources             | KAZ Minerals                            | 5,566                      | 9,183                        | 17.69                        | 519                          | Production                             | 6,727             | 0.08  |
| Feb-20 | Mitsubishi Materials       | Mantoverde Copper Mine                  | 263                        | 877                          | 5.70                         | 154                          | Production                             | 5,780             | 0.03  |
| Dec-19 | South32                    | Upper Kobuk Mineral Project             | 145                        | 290                          | 3.22                         | 90                           | Feasibility Complete                   | 6,280             | 0.01  |
| Nov-19 | Tibet Autonomous Region MD | Nimu Copper                             | 76                         | 76                           | 1.37                         | 55                           | Reserves Development                   | 5,930             | 0.01  |
| Jun-19 | Sandfire Resources         | Mod Resources                           | 96                         | 106                          | 1.06                         | 100                          | Feasibility Complete                   | 5,985             | 0.02  |
| Mar-19 | Newcrest                   | Red Chris                               | 807                        | 807                          | 7.02                         | 115                          | Production                             | 6,390             | 0.02  |
| Aug-18 | Kaz Minerals               | Baimskaya Project                       | 900                        | 900                          | 12.80                        | 70                           | Reserves Development - Prefeas/Scoping | 6,140             | 0.01  |
| Sep-18 | Zijin Mining Group         | Timok Project                           | 1,376                      | 1,407                        | 19.30                        | 73                           | Feasibility Started                    | 6,291             | 0.01  |
| Aug-17 | First Quantum              | Cobre Panama Project (10%)              | 664                        | 664                          | 2.00                         | 340                          | Construction Started                   | 6,788             | 0.05  |
|        |                            | <b>Median</b>                           | <b>550</b>                 | <b>664</b>                   | <b>3.22</b>                  | <b>115</b>                   |  |                   | <b>0.02</b>                                     |
|        |                            | <b>Average</b>                          | <b>964</b>                 | <b>1,368</b>                 | <b>6.66</b>                  | <b>231</b>                   |  |                   | <b>0.03</b>                                     |
|        |                            | <b>Resource</b>                         |                            | <b>Implied Value (US\$m)</b> | <b>Resources Cu Eq. (Mt)</b> | <b>EV/Resources (US\$/t)</b> |  |                   | <b>Implied rebased value at Cu spot (US\$m)</b> |
|        |                            | <b>Los Andes - Current Resources</b>    | <b>2.08Bt @ 0.43% CuEq</b> | <b>1,018</b>                 | <b>8.85</b>                  | <b>115</b>                   |  |                   | <b>1,513</b>                                    |

Source: CapIQ, company reports, H&P estimates.

## Investment Risks

The risks to our valuation for Los Andes include:

- Higher or lower actual copper, molybdenum or silver commodity prices relative to our assumptions
- Volatility in the Chilean pesos to US\$ and C\$ to US\$ exchange rates relative to our assumptions
- Uncertainties around project timing, development capex and operating unit costs for Vizcachitas
- Unidentifiable risks which even a combination of professional evaluation and management experience may not be able to eliminate such as natural calamity, civil unrest etc.
- Geopolitical Risk – Elevated commodity prices combined with unprecedented modern budget deficits and stimulus packages have shone the spotlight on renewed resource nationalism. Whilst we do not believe the current plans for a windfall profit tax (that would begin at marginal rates of 15 percent of sales priced at US\$2.0 to US\$2.5/lb, rising to 75 percent of additional income on sales of more than US\$4.0/lb) will ultimately come to fruition, it would have a significant impact on the economics of the project.

## Asset overview: Vizcachitas

### Introduction

Vizcachitas (previously known as San Jose) is a copper, molybdenum and silver porphyry deposit in central Chile, 100% owned by Los Andes. It is one of the largest advanced copper deposits in the Americas not owned by a major mining company and is amenable to open cast mining. A preliminary-economic assessment was published in June 2019, evaluating three production cases with mill throughputs of 55ktpd, 110ktpd and 200ktpd respectively. The PEA outlined an initial capex estimate of US\$1.88bn (US\$17k per tpd mill throughout) in the 110ktpd base case scenario, generating an after-tax NPV of US\$1.8bn (8% WACC) with a 20.8% IRR at US\$3.0/lb copper (or US\$2.7bn NPV and 26.7% IRR at a copper price of US\$3.5/lb).

### Vizcachitas Project



Source: Company presentation

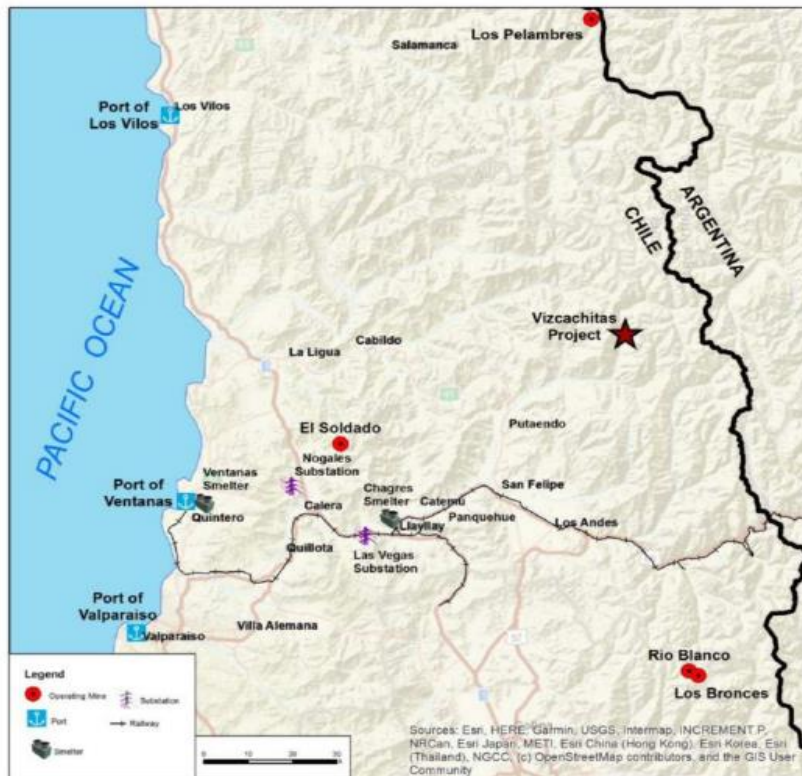
### Location and Infrastructure

The Vizcachitas project is located approximately 150 km northeast of Santiago, in the Rio Rocin Valley, at a road distance of 46 km from the town of Putaendo in an area with excellent infrastructure, skilled mining labour and available water. It is 60km from railway lines in San Felipe, and there is a 120km railway line from San Felipe to Ventanas concentrate smelter and port. Along the rail line, there are two smelters: the Ventanas copper smelter owned by Codelco is located beside the port; the Chagres smelter, owned by Anglo American, is approximately 25 km from San Felipe. The power line has also been reduced to 65 km length, from 105 km in the PEA, which will reduce capex and the environmental impact.

The deposit occurs in the same geological belt as several other giant porphyry deposits including Río Blanco-Los Bronces (101Mt contained copper), Los Pelambres-Pachon (46Mt contained copper) and El Teniente (128Mt contained copper). It has a low elevation of 2,000m and mild climate conditions.



## Location of Vizcachitas to Northeast of Santiago

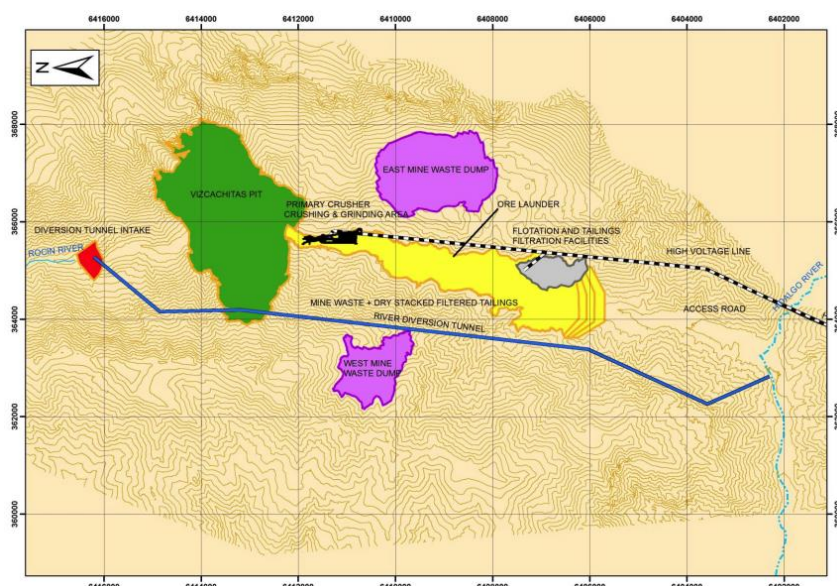


Source: Company presentation

### Mine site layout

The proposed mine site configuration is shown below, offering a significant reduction in footprint compared to the PEA. Crushing and grinding areas are located over a platform built with mine waste and near the mine in order to minimize haulage costs. Construction of processing facilities makes use of topography to transport slurry flows by gravity, saving energy. They are also located in a natural plateau down the valley, reducing earthworks costs.

## Mine site infrastructure layout



Source: Company presentation

## Resources

| Vizcachitas Resources (at 0.25% Cu Cut-off) - June 2019 |          |           |                      |          |
|---|----------|-----------|----------------------|----------|
|   | Measured | Indicated | Measured + Indicated | Inferred |
| Tonnage (Mt)  | 254      | 1,029     | <b>1,284</b>         | 789      |
| Cu Grade (%)  | 0.439    | 0.385     | <b>0.396</b>         | 0.337    |
| CuEq Grade (%)  | 0.489    | 0.442     | <b>0.451</b>         | 0.386    |
| Mo Grade (ppm)  | 119.2    | 146.9     | <b>141.4</b>         | 127      |
| Ag Grade (g/t)  | 1.26     | 1         | <b>1.05</b>          | 0.88     |
| Cu (m lb)   | 2,462    | 8,740     | <b>11,202</b>        | 5,861    |
| Mo (m lb)   | 67       | 333       | <b>400</b>           | 221      |
| Ag (m oz)   | 10.3     | 33.1      | <b>43.4</b>          | 22.3     |
| CuEq (m lb)   | 2,743    | 10,034    | <b>12,777</b>        | 6,713    |

Source: Company presentation

### Geology and Mineralisation: higher grades possible

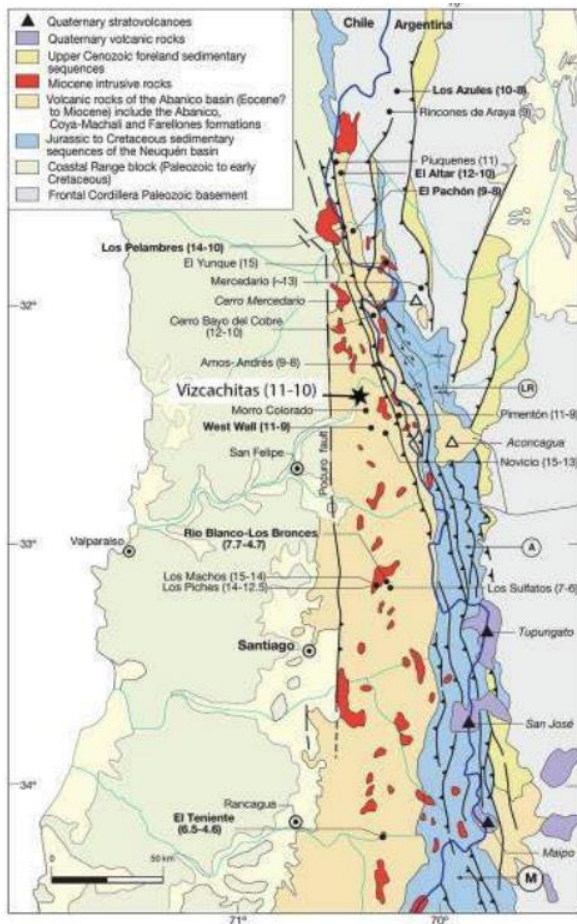
The Vizcachitas Project is a mineralized Cu-Mo porphyry system associated with a complex of hydrothermal breccias and porphyries within Miocene volcanic rocks.

Following the 2014 PEA, all the diamond drill core was re-logged. From this updated information, a new lithological, alteration and mineralisation model was developed for the Project, providing insights into controls on higher-grade mineralisation. Subsequent drilling has confirmed:

- The hydrothermal and/or hydrothermal magmatic breccias generally show copper grades higher than the porphyry phases. Due to their width and overall volume, they are an important part of the higher copper grade mineral resource (the average grade the hydrothermal breccias is 0.54% Cu). The new drilling has helped enhance the spatial modelling of these bodies and demonstrated their lateral continuity to the north.

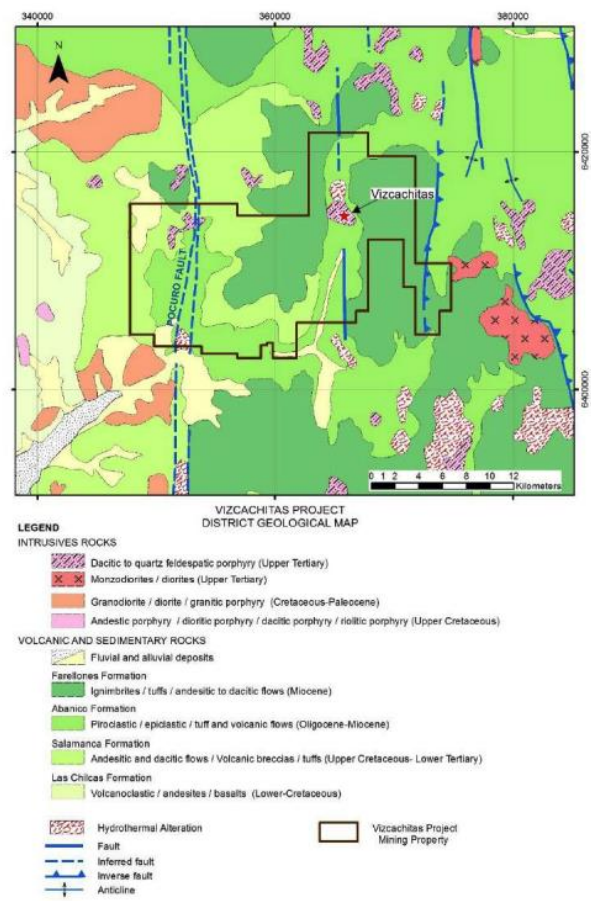
- The higher-grade early diorite porphyry phase has been confirmed by the new drilling. The average grade for this unit is 0.56% Cu.
- The copper mineralisation is mainly primary sulphides (hypogene), predominantly chalcopyrite with some bornite.

### Regional geological map



Source: Company reports

### Project geological map



Source: Company reports

### Processing

Vizcachitas is a straightforward project metallurgically. The main copper species are primary sulphides (chalcopyrite), amenable to flotation recovery. Additionally, the project has a low presence of clays, further enhancing flotation and water recovery performance. The preliminary water circuit is expected to recover ~82% of water, aided by filtered tailings.

The following circuits are expected to be used in operations:

Comminution circuit made up of:

- Primary and secondary crushing
- HPGR crushers
- Ball mill grinding

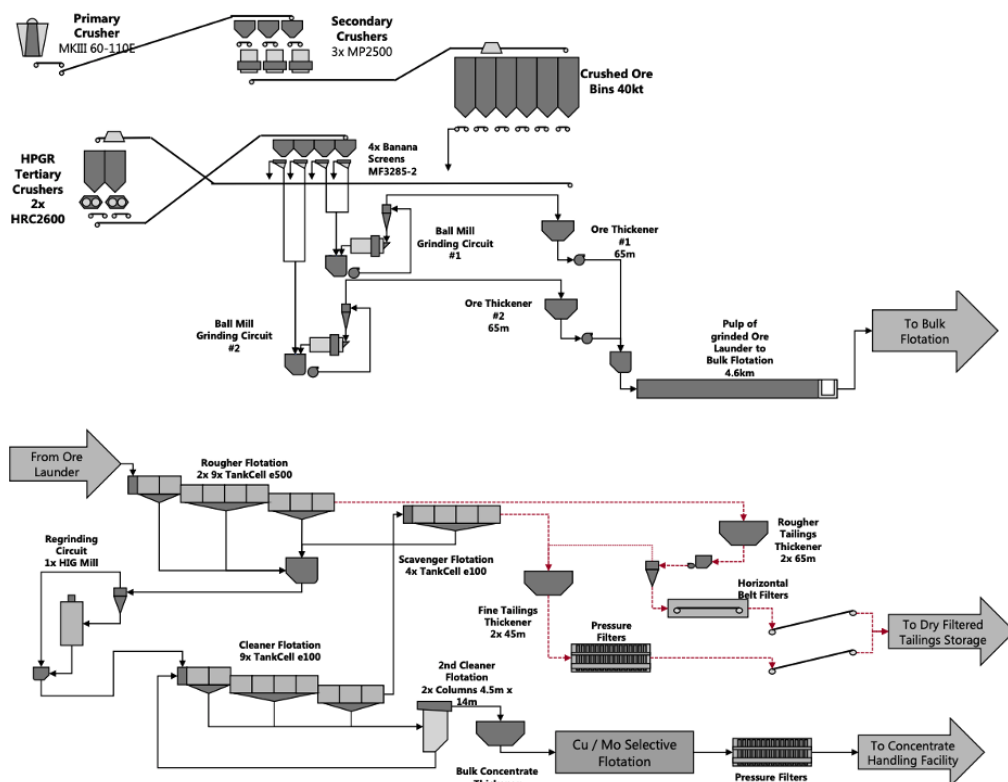
Flotation circuit made up of:

- Rougher circuit
- Regrinding
- Copper and molybdenum cleaner circuit
- Copper and molybdenum separation by selective flotation
- Molybdenum cleaner flotation
- Dewatering of copper and molybdenum concentrates.

Optimisations from the PEA include:

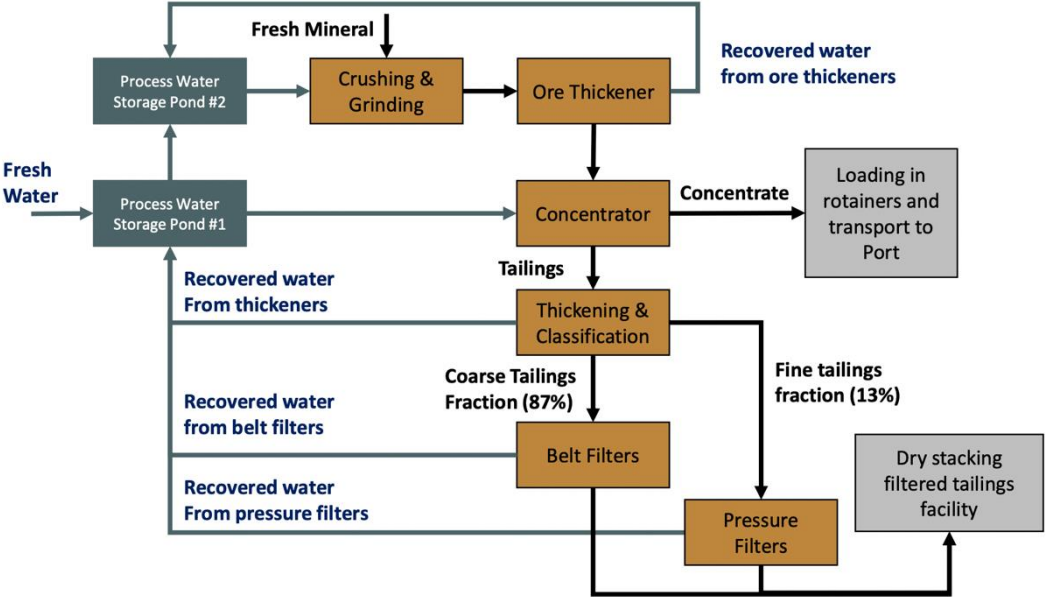
- Arrangement of secondary cone crushers in open circuit – avoids the requirement for a coarse ore stockpile and recirculation conveyor belts, also reducing dust and replacement of the SAG mill with HPGR crushers
- Secondary crushing and grinding facilities to be mounted over a mine waste backfill platform, reducing capex in excavations and earthworks.
- Flotation optimisation has improved recovery of coarse particles and overall metallurgical recoveries, with a higher mass pull

Proposed flowsheet improves on PEA work



Source: Company presentation

Water recovery circuit



Source: Company presentation



## H&P Model Summary

| Vizcachitas DCF Summary    |              |  | FY22E  | FY23E  | FY24E  | FY25E  | FY26E  | FY27E        | FY28E        | FY29E        | FY30E        | FY31E      | FY32-69E      |
|----------------------------|--------------|--|--------|--------|--------|--------|--------|--------------|--------------|--------------|--------------|------------|---------------|
| <b>Key assumptions</b>     |              |  |        |        |        |        |        |              |              |              |              |            |               |
| Copper                     | US\$/t       |  | 8,722  | 8,516  | 8,500  | 8,500  | 8,500  | 8,500        | 8,500        | 8,500        | 8,500        | 8,500      | <b>8,500</b>  |
| Molybdenum                 | US\$/t       |  | 14,625 | 18,000 | 18,000 | 18,000 | 18,000 | 18,000       | 18,000       | 18,000       | 18,000       | 18,000     | <b>18,000</b> |
| Silver                     | US\$/oz      |  | 24.8   | 24.5   | 24.5   | 24.5   | 24.5   | 24.5         | 24.5         | 24.5         | 24.5         | 24.5       | <b>24.5</b>   |
| USD: CAD                   | x            |  | 0.76   | 0.76   | 0.76   | 0.76   | 0.76   | 0.76         | 0.76         | 0.76         | 0.76         | 0.76       | <b>0.76</b>   |
| <b>Production</b>          |              |  |        |        |        |        |        |              |              |              |              |            |               |
| Total tonnes processed     | kt           |  | -      | -      | -      | -      | -      | 32400        | 39600        | 39600        | 39600        | 39600      | <b>38529</b>  |
| Average Cu head grade      | %            |  | -      | -      | -      | -      | -      | 0.52%        | 0.54%        | 0.52%        | 0.45%        | 0.35%      | <b>0.31%</b>  |
| Average Mo head grade      | %            |  | -      | -      | -      | -      | -      | 0.01%        | 0.01%        | 0.01%        | 0.01%        | 0.02%      | <b>0.01%</b>  |
| Average Ag head grade      | g/t          |  | -      | -      | -      | -      | -      | 1.42         | 1.52         | 1.33         | 1.28         | 1.16       | <b>0.91</b>   |
| Recovery rate-Cu           | %            |  | -      | -      | -      | -      | -      | 90%          | 90%          | 90%          | 90%          | 90%        | <b>90%</b>    |
| Recovery rate-Mo           | %            |  | -      | -      | -      | -      | -      | 75%          | 75%          | 75%          | 75%          | 75%        | <b>75%</b>    |
| Recovery rate - Ag         | %            |  | -      | -      | -      | -      | -      | 60%          | 60%          | 60%          | 60%          | 60%        | <b>60%</b>    |
| <b>Copper Output</b>       | <b>kt</b>    |  | -      | -      | -      | -      | -      | <b>152</b>   | <b>192</b>   | <b>185</b>   | <b>160</b>   | <b>125</b> | <b>109</b>    |
| Molybdenum in Cu Eq Output | kt           |  | -      | -      | -      | -      | -      | 5            | 8            | 8            | 8            | 10         | 7             |
| Silver in Cu Eq Output     | kt           |  | -      | -      | -      | -      | -      | 9            | 7            | 7            | 6            | 5          | 5             |
| <b>Total Cu Eq Output</b>  | <b>kt</b>    |  | -      | -      | -      | -      | -      | <b>165</b>   | <b>207</b>   | <b>201</b>   | <b>174</b>   | <b>139</b> | <b>120</b>    |
| Total Cu Conc Shipments    | kt           |  | -      | -      | -      | -      | -      | 505          | 642          | 618          | 535          | 416        | <b>363</b>    |
| <b>Sales</b>               |              |  |        |        |        |        |        |              |              |              |              |            |               |
| Gross Copper revenue       | US\$m        |  | -      | -      | -      | -      | -      | 1,102        | 1,399        | 1,347        | 1,166        | 907        | <b>791</b>    |
| Gross Molybdenum revenue   | US\$m        |  | -      | -      | -      | -      | -      | 40           | 57           | 63           | 58           | 73         | <b>50</b>     |
| Gross Silver revenue       | US\$m        |  | -      | -      | -      | -      | -      | 25           | 22           | 20           | 17           | 15         | <b>13</b>     |
| <b>Gross sales revenue</b> | <b>US\$m</b> |  | -      | -      | -      | -      | -      | <b>1,167</b> | <b>1,477</b> | <b>1,430</b> | <b>1,241</b> | <b>994</b> | <b>854</b>    |
| Total TC/RCs               | US\$m        |  | -      | -      | -      | -      | -      | (86)         | (109)        | (105)        | (91)         | (70)       | <b>(61)</b>   |
| <b>Net sales revenue</b>   | <b>US\$m</b> |  | -      | -      | -      | -      | -      | <b>1,081</b> | <b>1,368</b> | <b>1,325</b> | <b>1,150</b> | <b>924</b> | <b>792</b>    |

| Vizcachitas DCF Summary                             |               | FY22E    | FY23E    | FY24E       | FY25E        | FY26E        | FY27E          | FY28E          | FY29E          | FY30E          | FY31E          | FY32-69E       |
|---|---------------|----------|----------|-------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Costs</b>  |               |          |          |             |              |              |                |                |                |                |                |                |
| Total variable costs                                | US\$m         | -        | -        | -           | -            | (24)         | (393)          | (402)          | (410)          | (385)          | (368)          | (391)          |
| <b>Total cash costs pre royalties</b>               | <b>US\$m</b>  | <b>-</b> | <b>-</b> | <b>-</b>    | <b>-</b>     | <b>(24)</b>  | <b>(399)</b>   | <b>(409)</b>   | <b>(418)</b>   | <b>(392)</b>   | <b>(376)</b>   | <b>(398)</b>   |
| NSR royalty   | US\$m         | -        | -        | -           | -            | -            | (21)           | (27)           | (26)           | (22)           | (18)           | (15)           |
| Government royalties (Special Mining Tax)           | US\$m         | -        | -        | -           | -            | -            | (108)          | (180)          | (169)          | (119)          | (48)           | (33)           |
| <b>Cash cost/t Cu eq, net of by-product credits</b> | <b>US\$/t</b> | <b>-</b> | <b>-</b> | <b>-</b>    | <b>-</b>     | <b>-</b>     | <b>(3,620)</b> | <b>(3,358)</b> | <b>(3,424)</b> | <b>(3,420)</b> | <b>(3,403)</b> | <b>(4,225)</b> |
| <b>Cash cost/t Cu - coproduct basis</b>             | <b>US\$/t</b> | <b>-</b> | <b>-</b> | <b>-</b>    | <b>-</b>     | <b>-</b>     | <b>(3,822)</b> | <b>(3,565)</b> | <b>(3,647)</b> | <b>(3,654)</b> | <b>(3,744)</b> | <b>(4,449)</b> |
| D&A   | US\$m         | -        | -        | -           | -            | -            | (61)           | (75)           | (75)           | (75)           | (75)           | (73)           |
| <b>Capex</b>  |               |          |          |             |              |              |                |                |                |                |                |                |
| Total growth capex                                  | US\$m         | -        | -        | -           | (505)        | (666)        | (829)          | -              | -              | -              | -              | -              |
| Total sustaining capex                              | US\$m         | -        | -        | -           | -            | -            | (26)           | (26)           | (26)           | (26)           | (26)           | (26)           |
| <b>FCF &amp; DCF</b>                                |               |          |          |             |              |              |                |                |                |                |                |                |
| <b>EBITDA</b>                                       | <b>US\$m</b>  | <b>-</b> | <b>-</b> | <b>-</b>    | <b>-</b>     | <b>(24)</b>  | <b>661</b>     | <b>932</b>     | <b>882</b>     | <b>736</b>     | <b>530</b>     | <b>379</b>     |
| Royalties   | US\$m         | -        | -        | -           | -            | -            | (108)          | (180)          | (169)          | (119)          | (48)           | (33)           |
| Capex   | US\$m         | -        | -        | -           | (505)        | (666)        | (855)          | (26)           | (26)           | (26)           | (26)           | (26)           |
| Tax paid adjusting for carried forward losses       | US\$m         | -        | -        | -           | -            | -            | -              | -              | -              | (137)          | (123)          | (86)           |
| Working capital movement                            | US\$m         | -        | -        | -           | -            | 1            | (90)           | (23)           | 3              | 14             | 19             | 1              |
| <b>Free Cash Flow</b>                               | <b>US\$m</b>  | <b>-</b> | <b>-</b> | <b>-</b>    | <b>(505)</b> | <b>(690)</b> | <b>(302)</b>   | <b>726</b>     | <b>686</b>     | <b>454</b>     | <b>333</b>     | <b>234</b>     |
| <b>Outputs</b>                                      |               |          |          |             |              |              |                |                |                |                |                |                |
| IRR   | %             |          |          | <b>23%</b>  |              |              |                |                |                |                |                |                |
| Discounted cash flow @8% WACC                       | US\$m         |          |          | <b>1759</b> |              |              |                |                |                |                |                |                |
| WACC  | %             |          |          | <b>8%</b>   |              |              |                |                |                |                |                |                |

Source: H&P estimates, Company reports



# Financial Statements Summary

| Income statement                            |             |              |              |              |               |                |                |                |
|---|-------------|--------------|--------------|--------------|---------------|----------------|----------------|----------------|
| Year end Sept                               |             | FY22E        | FY23E        | FY24E        | FY25E         | FY26E          | FY27E          | FY28E          |
| Revenue                                     | C\$m        | -            | -            | -            | -             | -              | 1,422.3        | 1,800.3        |
| Cost of Sales excl D&A                      | C\$m        | -            | -            | -            | -             | (31.0)         | (516.8)        | (528.7)        |
| D&A in CoGS                                 | C\$m        | -            | -            | -            | -             | -              | (80.8)         | (98.7)         |
| <b>Gross profit/(loss)</b>                  | <b>C\$m</b> | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>(31.0)</b>  | <b>824.7</b>   | <b>1,173.0</b> |
| Other D&A                                   | C\$m        | (0.1)        | (0.1)        | (0.1)        | (0.1)         | (0.1)          | (0.1)          | (0.1)          |
| Other General & Administrative              | C\$m        | 2.0          | 3.7          | 5.6          | 27.0          | 78.7           | 85.3           | 50.0           |
| Hydro-electric project (exclu depreciation) | C\$m        | 0.0          | 0.0          | 0.0          | 0.0           | 0.0            | 0.0            | 0.0            |
| <b>Operating profit/(loss)</b>              | <b>C\$m</b> | <b>2.1</b>   | <b>3.9</b>   | <b>5.7</b>   | <b>27.2</b>   | <b>109.9</b>   | <b>(561.6)</b> | <b>(841.1)</b> |
| Net finance costs                           | C\$m        | (0.1)        | (0.1)        | (0.1)        | (0.1)         | (0.1)          | -              | -              |
| <b>Profit/(Loss) before tax</b>             | <b>C\$m</b> | <b>(2.2)</b> | <b>(4.0)</b> | <b>(5.9)</b> | <b>(27.3)</b> | <b>(109.9)</b> | <b>561.6</b>   | <b>841.1</b>   |
| Tax credit/(expense)                        | C\$m        | 0.6          | 1.1          | 1.6          | 7.4           | 29.7           | (151.6)        | (227.1)        |
| <b>Net profit/(loss)</b>                    | <b>C\$m</b> | <b>(1.6)</b> | <b>(2.9)</b> | <b>(4.3)</b> | <b>(19.9)</b> | <b>(80.3)</b>  | <b>410.0</b>   | <b>614.0</b>   |
| Wtd ave shares outstanding                  | m           | 27           | 27           | 27           | 27            | 27             | 27             | 27             |
| EPS   | C\$/sh      | -0.07        | -0.11        | -0.16        | -0.73         | -2.95          | 15.09          | 22.60          |

| Cash flow statement                          |             |               |               |               |                |                  |                  |                |
|--|-------------|---------------|---------------|---------------|----------------|------------------|------------------|----------------|
| Year end Sept                                |             | FY22E         | FY23E         | FY24E         | FY25E          | FY26E            | FY27E            | FY28E          |
| <b>Operating cash inflow/(outflow)</b>       | <b>C\$m</b> | <b>(1.1)</b>  | <b>(1.1)</b>  | <b>(1.1)</b>  | <b>(1.1)</b>   | <b>(30.4)</b>    | <b>607.7</b>     | <b>958.2</b>   |
| Unproven mineral right interests             | C\$m        | (20.0)        | (20.0)        | (20.0)        | -              | -                | -                | -              |
| <b>Net cash used in investing activities</b> | <b>C\$m</b> | <b>(20.0)</b> | <b>(20.0)</b> | <b>(20.0)</b> | <b>(504.9)</b> | <b>(666.2)</b>   | <b>(855.1)</b>   | <b>(26.4)</b>  |
| New equity issued                            | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| Increase/(decrease) in borrowings            | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| Other  | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| <b>Net cash from financing activities</b>    | <b>C\$m</b> | <b>(0.7)</b>  | <b>(2.4)</b>  | <b>(4.2)</b>  | <b>(25.7)</b>  | <b>(83.7)</b>    | <b>(84.1)</b>    | <b>(48.9)</b>  |
| <b>Net change in cash</b>                    | <b>C\$m</b> | <b>(21.8)</b> | <b>(23.5)</b> | <b>(25.3)</b> | <b>(531.6)</b> | <b>(780.3)</b>   | <b>(331.5)</b>   | <b>883.0</b>   |
| Effect of exchange rate changes on cash      | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| Beginning cash                               | C\$m        | 7.1           | (14.7)        | (38.1)        | (63.4)         | (595.1)          | (1,375.4)        | (1,706.9)      |
| <b>Ending cash/(additional funding reqd)</b> | <b>C\$m</b> | <b>(14.7)</b> | <b>(38.1)</b> | <b>(63.4)</b> | <b>(595.1)</b> | <b>(1,375.4)</b> | <b>(1,706.9)</b> | <b>(823.9)</b> |

| Balance sheet                        |             |               |               |               |                |                  |                  |                |
|--------------------------------------|-------------|---------------|---------------|---------------|----------------|------------------|------------------|----------------|
| Year end Sept                        |             | FY22E         | FY23E         | FY24E         | FY25E          | FY26E            | FY27E            | FY28E          |
| Cash                                 | C\$m        | (14.7)        | (38.1)        | (63.4)        | (595.1)        | (1,375.4)        | (1,706.9)        | (823.9)        |
| Receivables                          | C\$m        | 0.4           | 0.4           | 0.4           | 0.4            | 0.4              | 116.9            | 147.6          |
| Inventory                            | C\$m        | -             | -             | -             | -              | -                | 42.5             | 43.3           |
| Other                                | C\$m        | (14.5)        | (38.0)        | (63.3)        | (594.9)        | (1,375.2)        | (1,706.7)        | (823.8)        |
| <b>Current Assets</b>                | <b>C\$m</b> | <b>(14.1)</b> | <b>(37.6)</b> | <b>(62.9)</b> | <b>(594.5)</b> | <b>(1,374.8)</b> | <b>(1,547.4)</b> | <b>(632.9)</b> |
| Capital Asset ( net of amortisation) | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| Other                                | C\$m        | 91.6          | 88.0          | 82.5          | 55.7           | (58.6)           | 543.1            | 1,385.2        |
| <b>Fixed Assets</b>                  | <b>C\$m</b> | <b>92</b>     | <b>88</b>     | <b>83</b>     | <b>56</b>      | <b>(59)</b>      | <b>543</b>       | <b>1,385</b>   |
| Payables                             | C\$m        | 0.9           | 0.9           | 0.9           | 0.9            | 2.6              | 42.5             | 43.3           |
| Borrowings                           | C\$m        | -             | -             | -             | -              | -                | -                | -              |
| <b>Current Liabilities</b>           | <b>C\$m</b> | <b>1</b>      | <b>1</b>      | <b>1</b>      | <b>7</b>       | <b>3</b>         | <b>42</b>        | <b>43</b>      |
| <b>Non Current Liabilities</b>       | <b>C\$m</b> | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>       |
| <b>Total Equity</b>                  | <b>C\$m</b> | <b>76.1</b>   | <b>73.5</b>   | <b>69.5</b>   | <b>49.9</b>    | <b>(30.0)</b>    | <b>380.1</b>     | <b>994.2</b>   |

| Price & FX assumptions |         |             |          |       |       |       |       |       |
|------------------------|---------|-------------|----------|-------|-------|-------|-------|-------|
| Year end Sept          |         | FY22E       | FY23E    | FY24E | FY25E | FY26E | FY27E | FY28E |
| Copper                 | US\$/t  | 8722.206279 | 8515.625 | 8500  | 8500  | 8500  | 8500  | 8500  |
| Molybdenum             | US\$/t  | 14625       | 18000    | 18000 | 18000 | 18000 | 18000 | 18000 |
| Silver                 | US\$/oz | 24.75478125 | 24.5     | 24.5  | 24.5  | 24.5  | 24.5  | 24.5  |
| CAD:USD                | CAD/USD | 0.76        | 0.76     | 0.76  | 0.76  | 0.76  | 0.76  | 0.76  |

| Non-IFRS & other key items |              |            |            |            |            |             |            |            |
|----------------------------|--------------|------------|------------|------------|------------|-------------|------------|------------|
| Year end Sept              |              | FY22E      | FY23E      | FY24E      | FY25E      | FY26E       | FY27E      | FY28E      |
| <b>EBITDA</b>              | <b>US\$m</b> | <b>(1)</b> | <b>(1)</b> | <b>(1)</b> | <b>(1)</b> | <b>(25)</b> | <b>681</b> | <b>958</b> |
| EBITDA margin              | %            | na         | na         | na         | na         | na          | 63%        | 70%        |
| <b>EBIT</b>                | <b>US\$m</b> | <b>(1)</b> | <b>(1)</b> | <b>(1)</b> | <b>(1)</b> | <b>(25)</b> | <b>620</b> | <b>883</b> |
| EBIT margin                | %            | na         | na         | na         | na         | na          | 57%        | 65%        |

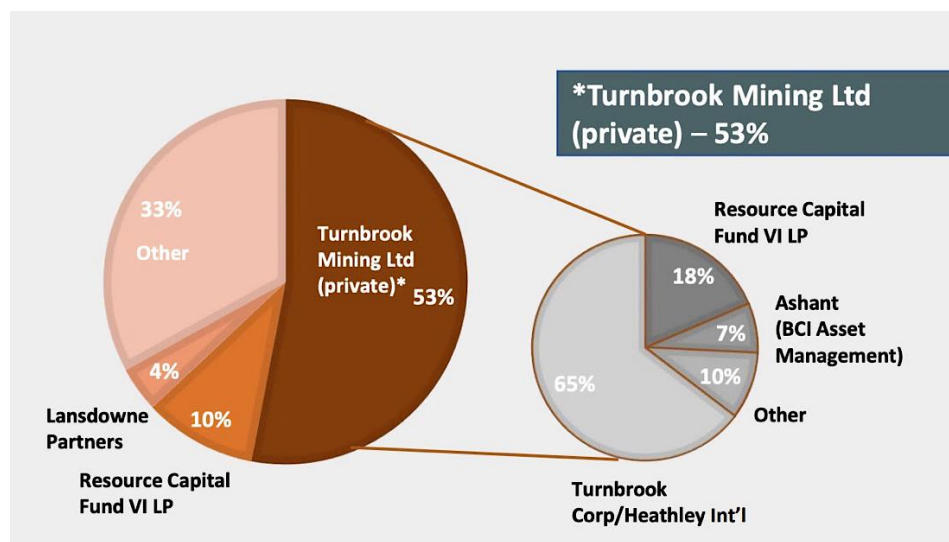
| Valuation / Price Target Derivation             |             |              |                 |              |
|---|-------------|--------------|-----------------|--------------|
|   |             | Value        | Target multiple | Target Value |
| Vizcachitas                                     | C\$m        | 2,315        | 0.4             | 926          |
| <b>Total value of projects / operations</b>     | <b>C\$m</b> | <b>2,315</b> | <b>0.4</b>      | <b>926</b>   |
| Corporate & other*                              | C\$m        | -11          | -               | -11          |
| Net cash/(debt)                                 | C\$m        | -22          | -               | -22          |
| <b>Total Corporate Adjustments</b>              | <b>C\$m</b> | <b>-31</b>   | <b>-</b>        | <b>-31</b>   |
| <b>Total</b>                                    | <b>C\$m</b> | <b>2,284</b> | <b>-</b>        | <b>895</b>   |
| Shares out - undiluted                          | m           | 27           | -               | 27           |
| NPV / Target Price per share - undiluted        | C\$         | 84           | -               | 33           |
| Cash inflow from options if exercised           | C\$m        | 7            | -               | 7            |
| Shares issued if options exercised              | m           | 1            | -               | 1            |
| <b>NPV / Target Price per share - diluted**</b> | <b>C\$</b>  | <b>78</b>    | <b>-</b>        | <b>31</b>    |
| Current share price                             | C\$         | 7.4          | -               | 7.4          |
| Upside/downside from current share price        | %           | 95%          | -               | 310%         |

Source: H&P estimates, Company reports

## Appendices

### Corporate Overview

#### Los Andes Copper Major Shareholders



Source: Corporate Presentation 10/05/2021

| Holders                       | Number of Shares (In Millions) | % of Total Shares |
|-------------------------------|--------------------------------|-------------------|
| Turnbrook Corp/Heathley Int'l | 9.36                           | 34.5%             |
| Resource Capital Fund VI LP*  | 5.3                            | 19.5%             |
| Lansdowne Partners            | 1.1                            | 4.1%              |
| Ashant (BCI Asset Management) | 1.0                            | 3.7%              |
| Others                        | 10.4                           | 38.3%             |
| <b>Total</b>                  | <b>27.2</b>                    | <b>100.0%</b>     |

Source: Corporate Presentation 10/05/2021

## Board of Directors & Key Management

| Name                | Title                                       | Tenure   | Profile   |
|---------------------|---|----------|---|
| Fernando Porcile    | Executive Chairman                          | 2 years  | <ul style="list-style-type: none"> <li>Over 50 years of experience in the mining industry</li> <li>Mr. Porcile has been responsible for the development, implementation, commissioning, and operation of new mining projects as well as management of various world-class operations</li> <li>Previously, served as a Director for Codelco (2010-2014) and as a President of Collahuasi (2007-2009) and Falconbridge Copper Business Unit</li> <li>Prior to that, served as the Vice President – Project Development for BHP Billiton’s Base Metals Division and as the President of Compañía Minera Cerro Colorado of Rio Algom</li> <li>Holds a BSc in Mining Engineering from the University of Chile and MSc in Mineral Engineering from Columbia University, New York</li> </ul> |
| Eduardo Covarrubias | Vice Chairman                               | 11 years | <ul style="list-style-type: none"> <li>Previously served as a banker with the Chase Manhattan Bank, covering the mining sector in Chile and was responsible for project financing, structured finance and mergers and acquisitions transactions</li> <li>Holds a degree in Industrial and Chemical Engineering from the Catholic University of Chile and an MSc in Management from the Massachusetts Institute of Technology, Boston</li> <li>Mr. Covarrubias has been overseeing the mining interests of Turnbrook Corporation prior to the consolidation of ownership of the Vizcachitas project</li> </ul>   |
| Antony Amberg       | Chief Executive Officer and Chief Geologist | 6 years  | <ul style="list-style-type: none"> <li>Over 32 years of diverse experience having worked in Asia, Africa, and South America</li> <li>Previously, served as an independent geological consultant</li> <li>Started his career working with Anglo American in South Africa before moving on to work for the likes of Severin-Southern Sphere, Bema Gold, Rio Tinto, Kazakhstan Minerals Corporation</li> <li>Holds a BSc in Geology from the Royal School of Mines, London and MSc in GIS from University College, London and is also a Chartered Geologist with the Geological Society of London and Qualified Person under NI 43-101</li> </ul>  |
| Harry Nijjar        | Chief Financial Officer                     | 2 years  | <ul style="list-style-type: none"> <li>Over 10 years of experience working in various roles with public and private companies</li> <li>Currently, serves as the Managing Director for Malaspina Consultants Inc and as the CFO for Darien Business Development Corp and Clarmin Explorations Inc</li> <li>Holds a BCom from the University of British Columbia and is a CPA and CMA from the Chartered Professional Accountants of British Columbia</li> </ul>  |
| Manuel Matta        | Director – Vizcachitas Project              | 2 years  | <ul style="list-style-type: none"> <li>Over 30 years of mining experience in operations, planning and projects</li> <li>Has experience in M&amp;A, asset optimisation, due diligence for major projects worldwide and the development of concentrate treatment technology</li> </ul>  |

| Name            | Title   | Tenure   | Profile  |
|-----------------|---|----------|--|
|                 |   |          | <ul style="list-style-type: none"> <li>• Previously, served as Vice President – Project Construction for Barrick Gold where he was responsible for the construction of large capital projects worldwide</li> <li>• Prior to that, served as Vice President – Projects and Development for Falconbridge and Xstrata where he led the expansion of the Collahuasi project and as General Manager of the Altonorte Smelter in Antofagasta, Chile, where he led the operation upgrade for this custom copper smelter</li> <li>• Holds a BSc in Mining Engineering from the University of Chile</li> </ul>  |
| Ignacio Melero  | Director – Corporate Affairs and Sustainability | 1 year   | <ul style="list-style-type: none"> <li>• Extensive experience in corporate and community affairs</li> <li>• Previously, was responsible for community affairs at Compañía Manufacturera de Papeles y Cartones, having managed community and stakeholder affairs for a number of its pulp and forestry divisions throughout the country</li> <li>• Also, worked for the Government of Chile in the Ministry General Secretariat of the Presidency where he was responsible for the interministerial coordination of the ChileAtiende project, a multi-service network linking communities, regional governments, and public services</li> <li>• Mr. Melero is a lawyer from Pontificia Universidad Católica de Chile</li> </ul> |
| Francis O’Kelly | Director  | 14 years | <ul style="list-style-type: none"> <li>• Currently, serves as an independent financial and technical consultant based in Latin America</li> <li>• Previously, worked for Exxon, Anaconda and Rosario Mining Co</li> <li>• Also, served as an officer for JP Morgan, as a partner of Elders Finance and as a Director for Glamis Gold, Alamos Gold, Northgate, Campbell Mines and Rayrock Resources</li> <li>• Holds a graduation degree from the Royal School of Mines, London</li> </ul>  |
| Corinne Boone   | Director  | 5 months | <ul style="list-style-type: none"> <li>• Over 25 years of experience focused on sustainable business, climate risk, carbon markets and executive leadership</li> <li>• Currently, serves as the Board Chairman for the Canadian Energy Research Institute (CERI), as a Director for Efficiency One and as the CEO of the boutique consultancy Climate and Sustainable Innovation</li> <li>• Previously, served as the Managing Director for Hatch’s Environmental Services Group and CantorCO2e, a Cantor Fitzgerald subsidiary</li> <li>• Holds a BA from St. Thomas University and a Master of Environmental Studies degree from York University and is a Certified Corporate Director</li> </ul>                            |
| Paul Miquel     | Director  | 8 years  | <ul style="list-style-type: none"> <li>• Over 30 years of experience of working in international investment banking, structuring, negotiating, and distributing some of the major transactions in the energy and mining sectors, for multinational and local groups and governments, in South America</li> <li>• Country Head for Chile, Peru, and Colombia for Societe Generale. Previously served as Director for Sudameris</li> </ul>   |

| Name                  | Title                | Tenure   | Profile  |
|-----------------------|----------------------|----------|--|
|                       |                      |          | <p>(Intesa BCI Group), and Country Head for Venezuela and Chile for BNP Paribas</p> <ul style="list-style-type: none"> <li>• Holds degrees in Economics and Mathematics from the Universidad de Chile</li> </ul>   |
| Francisco Covarrubias | Director             | 10 years | <ul style="list-style-type: none"> <li>• Currently, serves as the CEO of Hand, a moving and transportation services company which he founded</li> <li>• Previously, served Acfin and Australia Trade Commission, expanding and promoting Australian business interests in Chile</li> <li>• Started his career in the agri-business sector working with the Conosur winery and Chiquita brands</li> <li>• Holds a degree in Agriculture Resources Engineering from the Catholic University of Chile and an MBA from the University of Melbourne</li> </ul>  |
| Warren Gilman         | Director             | 1 month  | <ul style="list-style-type: none"> <li>• Over 30 years of experience as a deal maker and investor in the metals and mining sector</li> <li>• Currently, serves as the Chairman and CEO of Toronto-listed Queen's Road Capital Investment Ltd which he founded in 2009, a Director for Gold Royalty Corp, NexGen Energy Ltd, Chaarat Gold Holdings and Aurania Resources</li> <li>• Previously, led CEF Holdings Ltd, a global mining investment company, owned 50% by Canadian Imperial Bank of Commerce ("CIBC") and 50% by Hong Kong-based CK Hutchison Holdings Ltd</li> <li>• Prior to that, founded the CIBC Global Mining Team in Toronto during which he was responsible for some of the largest equity capital markets financings in Canadian mining history</li> <li>• Also, served as advisor to the largest mining companies in the world including BHP, Rio Tinto, Anglo American, Noranda, Falconbridge, Meridian Gold, China Minmetals, Sumitomo, Mitsubishi, Jinchuan and Zijin</li> <li>• Holds a BSc in Mining Engineering from the Queen's University and an MBA from the Ivey Business School at Western University. Mr. Gilman is the Chairman of the International Advisory Board of Western University and a member of the Dean's Advisory board of Laurentian University</li> </ul> |
| Gonzalo Saldias       | Geologist Consultant | 5 years  | <ul style="list-style-type: none"> <li>• Over 35 years of experience working within Chile and internationally</li> <li>• Previously, served as an Exploration Geologist focused on porphyries for Antofagasta Minerals</li> <li>• Prior to that, worked with Placer Dome Latin America and with Codelco as Head of Exploration Geology for the El Salvador Division</li> <li>• Holds a graduation in Geology from the Universidad Católica del Norte, Chile</li> </ul>   |

| <b>Name</b>     | <b>Title</b>                  | <b>Tenure</b> | <b>Profile</b>   |
|-----------------|-------------------------------|---------------|--|
| Pedro Loch      | Controller                    | 11 years      | <ul style="list-style-type: none"> <li>Over 30 years of experience with multinational companies</li> <li>Previously, served as the Regional Financial Officer for the Chilean subsidiary of Mincom International</li> <li>Prior to that, served as Controller at Raychem for Chile and Peru and for the Chilean subsidiary of Transammonia Inc (New York)</li> <li>Mr. Loch is a Certified Accountant from the Chilean Association of Accountants</li> </ul>   |
| Alejandro Cassi | Manager – Community Relations | 3 years       | <ul style="list-style-type: none"> <li>Over 10 years of experience in community affairs</li> <li>Previously, served for Esval (water utility) as in charge of communities, for Codelco as Deputy Manager for Community Relations for the Ventanas smelter, and for Kinross Chile as Community Relations Specialist</li> <li>Holds a BA in Sociology from University of Playa Ancha and is a candidate for MA in Political Communication and Public Affairs from Adolfo Ibanez University</li> </ul>  |
| Magin Torres    | Senior Metallurgist           | 2 years       | <ul style="list-style-type: none"> <li>Over 12 years of experience as a process consultant in copper-moly, gold, and iron operations</li> <li>Previously, was in charge of milling operations at the Codelco Chuquicamata mine, served as the Senior Metallurgist at Minera Las Cenizas mine and as the QA Operations Manager at SGS Minerals, Chile</li> <li>Mr. Torres is a metallurgist and mining engineer with an MSc in Extractive Metallurgy and Mining Engineering from the University of Chile and is also a Competent Person in Extractive Metallurgy under the Chilean Mining Commission</li> </ul> |

Source: Company Website, LinkedIn, CapitalIQ

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## Company History

- **8<sup>th</sup> February 2007:** Acquired all the issued and outstanding shares of Vizcachitas Ltd from Global Copper Corp, a company during that time indirectly owned a majority interest in the claims making up the Vizcachitas Property
- **12<sup>th</sup> March 2007:** Disposed of its mineral property interests in China and to focus exclusively on Vizcachitas through the sale of its wholly owned subsidiary, Tun Resources Inc
- **30<sup>th</sup> March 2007:** Change of Company's name from "GHG Resources Ltd" to "Los Andes Copper Ltd" to better reflect the nature of business
- **21<sup>st</sup> December 2010:** Completed the consolidation of the Vizcachitas property through the acquisition from Turnbrook Corporation of all the issued and outstanding securities of Gemma Properties Group Ltd which owned 99% stake in Inversiones Los Patos S.A., which owned 49% stake in San Jose SLM
- **23<sup>rd</sup> January 2014:** Acquired from Turnbrook Mining Ltd (TBML) non-consumptive water rights over a section of the Rocin River, Putaendo, Fifth Region, Chile, together with the engineering and other studies and reports for the development of a hydroelectric facility
- **18<sup>th</sup> February 2014:** Completed a PEA and an updated resource estimate of its Vizcachitas Project. The PEA estimates an After-Tax NPV of C\$274.0m, IRR of 9.5%, and a payback period of 6.0 years at 176.0ktpd mill throughput
- **16<sup>th</sup> February 2017:** Raised C\$8.0m through the issue of 26.8m units priced at C\$0.30/unit
- **7<sup>th</sup> June 2018:** Raised C\$8.8m with Resource Capital Fund VI L.P. ("RCF VI") through the issue of 26.8m units at C\$0.33/unit
- **5<sup>th</sup> June 2019:** Announced the results of an updated PEA for Vizcachitas Project. The Project considers an open pit mine and concentrator plant that produces copper and molybdenum concentrates. The Project delivers the best economic results at 110.0ktpd mill throughput, with an After-Tax NPV8% of US\$1.8bn, an IRR of 20.77% and a payback period of 3.4 years
- **27<sup>th</sup> January 2020:** Sold NSR royalty to RCF VI for a total consideration of US\$8.0m for 0.98% NSR for open pit operations and 0.49% NSR for underground operations
- **25<sup>th</sup> June 2020:** Sold NSR royalty to RCF VI for a total price of US\$14.0m
- **21<sup>st</sup> August 2020:** Share consolidation confirmed with effective date of 26<sup>th</sup> August 2020
- **1<sup>st</sup> April 2021:** Completed PFS-level metallurgical testwork for the Vizcachitas Project



- **30<sup>th</sup> April 2021:** Received environmental approval by Regional Environmental Committee for upcoming drilling campaign for PFS at the Vizcachitas Project
- **3<sup>rd</sup> June 2021:** Raised US\$5.0m via convertible debentures issued to Queen's Road Capital Investment Ltd
- **23<sup>rd</sup> June 2021:** Received molybdenum flotation results for the first 12-year samples, confirming the molybdenum recovery assumptions formed in the 2019 PEA and confirming that the Vizcachitas operation will produce clean concentrates

### **Vizcachitas (formerly San Jose) Project History**

- 1975: San Jose claim is originally staked
- 1993: Placer Dome drills first 6 holes; confirmed existence of porphyry
- 1995-1998: General Minerals conducts extensive exploration drilling program; prepares initial engineering studies
- 2003-2007: Lumina Copper/ Global Copper consolidate portions of the mining property
- 2007: Los Andes Copper Acquires Lumina's interest in the Vizcachitas Property.
- 2007-2008: Los Andes Copper carries out extensive exploration drilling and publishes resource estimate
- 2010: Completed the consolidation of the Vizcachitas property under Los Andes Copper
- 2011-2012: Project information is compiled/ organised
- 2013: Hydroelectric project is consolidated
- 2013-2014: Initial PEA published
- 2015-2016: All Core is re-logged; new geological model is developed. Drilling campaign confirms new geological model and higher grades
- 2016: Resource Capital Funds make initial investment for follow up drilling
- 2017-2018: Drilling campaign extends new geological model. Metallurgical test work improves recovery economics.
- 2018: Resource Capital Funds make follow-up investment to complete PEA, initiate PFS early works and secure project infrastructure
- May-June 2019: Management team is restructured to develop project
- June 2019: updated PEA published

# Mining in Chile

## Chile: Key Facts

|                               |   |
|-------------------------------|---|
| <b>GDP (2017)</b>             | <ul style="list-style-type: none"><li>- GDP: US\$277bn (LatAm Rank: 6/19)</li><li>- GDP per capita: US\$25,600 (LatAm Rank: 2/19)</li><li>- Nominal growth: last 5 yrs +2.2% ; next 5 yrs est. +3.02%</li></ul>   |
| <b>GDP Composition (2017)</b> | <ul style="list-style-type: none"><li>- Agriculture: 4.2%</li><li>- Industry: 32.8%</li><li>- Services: 63%</li></ul>   |
| <b>Population</b>             | <ul style="list-style-type: none"><li>- 17.93m (2018 est.)</li><li>- median age: ~34.5 yrs</li><li>- 87.6% urban</li><li>- Growth rate: 0.75% (2018 est.)</li><li>- Unemployment rate: 6.7% (2017)</li><li>- Literacy rate: ~97%</li></ul>                            |
| <b>Annual Inflation (CPI)</b> | <ul style="list-style-type: none"><li>- CPI 2.2% (2017)</li><li>- 3-yr average: 3.25%</li></ul>   |
| <b>Main Industries</b>        | <ul style="list-style-type: none"><li>- Copper</li><li>- Lithium</li><li>- Minerals</li><li>- Agriculture (grapes, apples, onions)</li><li>- Foodstuffs</li></ul>   |
| <b>Imports and Exports</b>    | <ul style="list-style-type: none"><li>- Imports: US\$61.31bn<br/><i>primarily petroleum and petroleum products, chemicals, electrical and telecommunications equipment</i></li><li>- Exports: US\$69.23bn<br/><i>primarily copper, fruit, fish products</i></li></ul> |
| <b>Ease of Doing Business</b> | <ul style="list-style-type: none"><li>- World Rank: 56</li><li>- Latin America Rank: 2</li></ul>  |

Source: IMF, CIA World Factbook, World Bank , Statista, Trading Economics

Chile has a long history of large-scale mining activity dating back to as early as 1500. Mining is a central pillar to the Chilean economy, contributing 20% to government revenues<sup>2</sup>. Chile is the world's largest producer of copper and accounts for 30% of Chilean exports<sup>3</sup>, making it the country's top export, while commodities in general represent 60% of exports. The country produced 5.55 Mt of copper in 2016<sup>4</sup>. Since 1970, when copper exports represented 60% of total exports<sup>5</sup>, Chile has diversified its business areas, branching into fruit, gas and foodstuffs.

<sup>2</sup> CIA World Factbook- Chile

<sup>3</sup> Export.gov

<sup>4</sup> GBReports

<sup>5</sup> ThisisChile

A reliance on copper prices can result in cycles of decelerating and accelerating economic growth. In addition to copper, Chile's mining products include gold, silver, iron and coal. Political and social instability in the 1970's resulted in the nationalisation of the copper industry, creating the state-owned Codelco, which produces 60% of the country's copper<sup>6</sup>. While Codelco has remained state-owned since its creation, the mining sector has increasingly been exposed to the private sector, with private-sector production increasing more than 20 times since 1970<sup>7</sup>. In the past Chile banked on silver mining as a key source of income, causing rapid economic, demographic and infrastructural expansion.

Chile was the first South American country to join the OECD convention in 2010, and joined the Progressive Trans-Pacific Partnership (CPTPP) in 2018. According to Global Competitiveness Report, Chile is ranked no.33 in the world in terms of competitiveness and no. 1 in Latin America. Chile also has strong mining relationships with Mexico, Colombia and Brazil.

The US remains the largest mining parts supplier to Chile, with about 30% market share. Chile's exports of copper are also highly dependent on China's economic activity, one of its biggest copper customer, which accounts for ~40% of global imports of the metal<sup>8</sup>.

Over the last decade, a period of relatively lower copper prices, capital restraint amongst major mining groups, lower exploration spending and therefore fewer major copper discoveries, has led to a reduction in the pipeline of investment in future mines. According to Sergio Hernández Núñez, executive vice president of the Chilean Copper Commission (COCHILCO): "Since 2013, the portfolio of mining investment projects in Chile has declined significantly, from approximately US\$110 billion to US\$65 billion."<sup>9</sup>

## Chile's Tax Code

- Corporate Tax** - Top corporate income tax rate: 27%
- Mineral Taxes** - Royalty: progressive depending on annual production and = operating margins.
- 

Source: PwC

| Mining Royalty Tax Scale for Mining Exploitation under 50kt of Cu Eq |        |              |     |
|--|--------|--------------|-----|
| Cu Eq (t)  |        | Marginal Tax |     |
| From   | To     |              | %   |
| 0  | 12,000 |              | 0   |
| 12,001   | 15,000 |              | 0.5 |
| 15,001   | 20,000 |              | 1   |
| 25,001   | 30,000 |              | 2   |
| 30,001   | 35,000 |              | 2.5 |
| 35,001   | 40,000 |              | 3   |
| 40,001   | 50,000 |              | 4.5 |

6 Born2invest  
7 FCL  
8 The Economist  
9 GBReports

| Mining Royalty Tax Scale for Mining Exploitation over 50kt of Cu Eq |    |              |
|---|----|--------------|
| Operating Profit %  |    | Marginal Tax |
| From  | To | %            |
| 0   | 35 | 5            |
| 35  | 40 | 8            |
| 40  | 45 | 10.5         |
| 50  | 55 | 15.5         |
| 55  | 60 | 18           |
| 60  | 65 | 21           |
| 65  | 70 | 24           |
| 70  | 75 | 27.5         |
| 75  | 80 | 31           |
| 80  | 85 | 34.5         |

Source: Company's PEA

Chile's mining and environmental framework has significantly evolved over the past two decades. The government has made strong efforts to attract foreign direct investment to the mining sector. Given the dependence on copper for the Chilean government, "small shifts in copper prices make headlines" according to The Economist<sup>10</sup>. The Chilean government has created a Copper Stabilisation fund in order to counteract the volatility of copper prices. The country also has a favourable legal environment surrounding the industry. In recent years Chile has invested more resources into upholding environmental responsibility. In 2010, Chile enacted a new law that create the Ministry of the Environment and the Environmental Evaluation Service. Even though a significant portion of the mining legislation in Chile was enacted in the 1980's, most deposits discovered in this period were not fully developed until the 1990s.

While ever-shifting commodity price cycles will continue to dictate the Chilean Government's revenues from the mining sector, China's growing demand for electric vehicles gives hope of a more stable, sustained increase<sup>11</sup>. New investment from Codelco and Salar Blanco promise to develop lithium in the North of the country. Chile also faces increasing competition from Ecuador, which hopes to attract over US\$4bn in investments in the mining sector over the next four years<sup>12</sup>. Nonetheless, Chile's long history of copper mining, excellent infrastructure, and deep mining talent pool, should see it remain one of the world's most attractive destinations for mining investment.

<sup>10</sup> [The Economist](#)

<sup>11</sup> [ALJAZEERA](#)

<sup>12</sup> [Yahoo Finance](#)

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