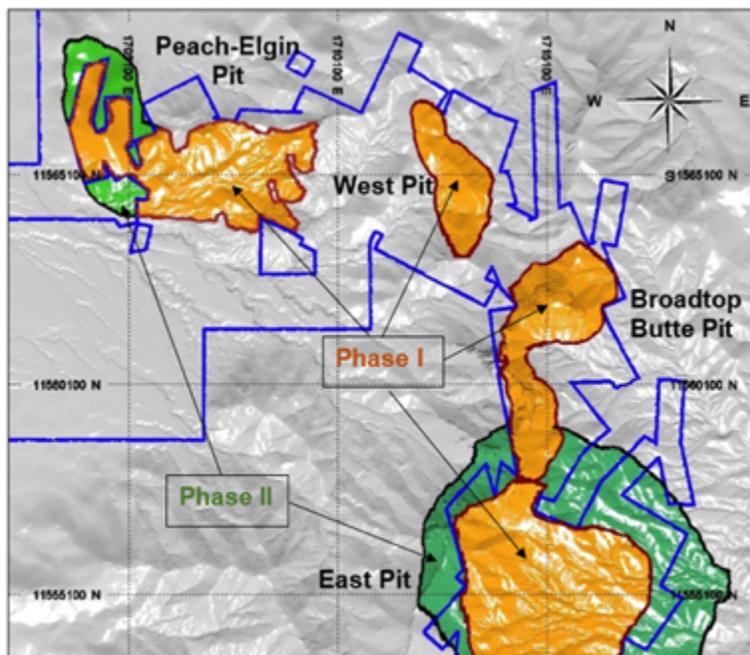


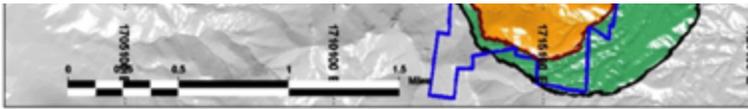
https://www.gvnews.com/news/q-a-hudbay-addresses-questions-on-latest-copper-world-complex-report/article_228fcdba-e8e4-11ec-85e7-a3726923187d.html

FEATURED

Q&A: Hudbay addresses questions on latest Copper World Complex report

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Hudbay Minerals has renamed its Copper World Complex on both sides of the Santa Rita Mountains. West Pit is the new complex within view of Green Valley and Sahuarita. East Pit is the former Rosemont project on the east side of the range.

Hudbay Minerals

Hudbay Minerals, which is developing mine sites on both sides of the Santa Rita Mountains, released a long-anticipated **Preliminary Economic Assessment (PEA)** of the Copper World Complex on Wednesday.

The company said the Arizona project has the potential to nearly double its annual copper production.

The Copper World Complex – the name of the entire project on both sides of the range – will be developed in two phases beginning with operations on the west side of the Santa Ritas, according to the company. Phase I is anticipated to have a 16-year mine life and will cost \$1.9 billion to construct. Phase II would expand the operation onto federal land and will extend the mine life an additional 28 years, for a total of a 44-year project. The construction cost of Phase II is currently estimated at \$885 million.

The various deposits will be mined in four pits called Peach-Elgin, West (formerly “Copper World”), Broadtop Butte, and East (formerly “Rosemont”).

Hudbay answered questions submitted by the Green Valley News.

Q: The mine is permitted for 6,000 acre-feet of water per year, correct? The project has the potential to grow; will Hudbay seek to increase that number, and when. What is that process?

A: The amount of water required for operations will be determined by the size and technology of the final project as permitted. Our current permit from the Arizona Department of Water Resources allows us to use up to 6,000 acre-feet of water per year.

Our goal for Copper World is to be a net-neutral water user by recharging 100% of the water we use during production. We have already recharged over 42,000 acre-feet of CAP water in

the Tucson basin and, in 2021, received our own allocation of CAP water that we will recharge every year beginning in 2022.

Q: Does Hudbay plan to reinstate the Rosemont Residential Water Well Protection Plan that had been in effect for 10 years (Dec. 1, 2009–Dec. 31, 2019) for residents east of Sahuarita? (The plan gave the United Sahuarita Well Owners Association pump insurance; a basic well survey, analysis and preventive maintenance program; and a well repair, deepening and replacement program, all paid for by Hudbay.)

A: We will ensure that neighboring property owners and their wells are not impacted by our operation. The details are not yet determined.

Q: Will dry stacking be used in Phase 1? Regardless of when it starts – and assuming it will – how much would water consumption be reduced using that process?

A: Due to the limitations of available land and topography, we will be unable to utilize dry stack tailings for Phase I of the project. It is anticipated that we will secure a land configuration that will allow for dry stack tailings for Phase II.

Q: From the report: “A large portion of Hudbay’s property in this prolific region has yet to be explored and provides the potential for further discoveries.” Can you give more details on specifically where this is and what it could mean?

A: This comment is referring to our unpatented claims on nearby BLM and Forest Service lands.

Q: Has Hudbay been adversely affected by supply chain disruptions in any of its operations, and what safeguards are being taken to ensure that doesn't happen.

A: Hudbay has not had any supply chain issues impacting our Business Units' construction plans or operations. We experienced a minor delay of one month on one of our haul trucks deliveries for Constancia (Peru), but it did not impact our production plans.

For a new Project, like Copper World Complex, the Project team plans for long lead items to be purchased early so that the Project timeline is not affected. The studies we complete take into account market conditions. Additionally, we already have some major equipment in storage that may be used for the process plant.

Q: What does it mean that Hudbay expects the two remaining permits "to be advanced in the second half of 2022"? When is the earliest they could be in hand?

A: Hudbay began the permitting process in 2021 with the submission of our Mine Land Reclamation Plan that was approved by the State Mine Inspector in October of 2021. The permitting process will continue soon with our applications to state regulators for an aquifer protection permit and air quality permit. We anticipate the balance of the permitting process to take up to two years.

Q: The document appears to hedge – "Hudbay does not believe any federal permits are required for Phase 1..." Why is there not certainty on this point?

A: This uncertainty is due to the uncertainty associated with the definition of "Waters of the U.S." (WOTUS) under the Clean Water Act. If there are WOTUS on site, we would be required to either avoid them or to obtain a 404 permit from the U.S. Army Corps of Engineers.

We have performed our own analysis that shows there are no WOTUS on site under the current definition. However, the definition of WOTUS has been changed repeatedly over the last two decades and the federal agencies are in the process of changing it again.

Q: How have the processing facilities been designed to reduce the project's carbon footprint, as mentioned in the report? Will these same designs be used when/if East (Rosemont) gets off the ground?

A: The Copper World Complex as envisioned by the PEA will produce finished copper on-site during both Phase I and II. Producing products close to where they will be used (local sourcing) is a core strategy for reducing greenhouse gas emissions. Producing copper on-site will reduce our overall carbon footprint by eliminating the need to ship copper concentrate overseas to be processed.

Q: What kind of processing will be done on site, and will this mean the copper doesn't have to be sent to a smelter? What's the best guess of how much West copper can be processed this way?

A: Correct, Copper World Complex will produce finished copper on-site without smelting. The prior plan for the Rosemont Project was to produce copper concentrate that would need to be shipped overseas to be smelted and refined.

The difference in processing the sulfide ores is an intermediate step that oxidizes the sulfide concentrate so it can be leached and then plated onto cathodes through a solvent extraction and electrowinning (SX/EW) process.

Leaching and SX/EW is the standard process for processing oxide ores and will be used for the oxide ore at Copper World Complex, also resulting in finished copper cathodes.

The plan is to process all of the ore on-site. It is actually anticipated that we will have excess capacity in some years allowing us to process concentrates produced at other Arizona copper mines that would otherwise be shipped overseas for smelting.

Q: What does all of this mean for truck traffic in the area. What's the route the trucks would take; will new roads be built? Any estimate on how many in and out every day?

A: We anticipate fewer truck trips to and from the project compared to a project that was exporting concentrate. We have not yet performed a traffic study but will do so in due course. The main access to the site will be Santa Rita Road but the route beyond that is undetermined. Hudbay will work with local governments to ensure that roads are maintained and upgraded as necessary to offset any impacts from our operation.

Q: What does on-site processing look like. More chemicals? Larger structures?

A: Compared to a project that is producing only copper concentrate, Copper World Complex will also have a heap leach pad, a concentrate leach facility, an acid plant, and a solvent extraction and electrowinning (SX/EW) facility.

Compared to the Rosemont Project, Phase I will have roughly two-thirds the sulfide concentrating capacity, resulting in a smaller footprint for the mill and flotation circuit.

At a high level, the size of the full processing plant will be similar to the proposed Rosemont Project. Phase I will use fewer reagents in the flotation circuit but will use weak sulfuric acid for leaching that was not part of the Rosemont Project. The weak sulfuric acid will be produced and used on site, not trucked in or out.

Of course, any chemicals or acids used on site will be subject to comprehensive material safety regulations and spill reporting and cleanup requirements.

Q: On-site processing means more of the rock waste stays on the mine site, correct? Does that mean higher tailings piles?

A: All waste rock would stay on-site under any processing scenario. The total volume of tailings will not be significantly different from a traditional concentrating project since the vast majority of the milled material goes to tailings under either scenario.

Q: When Phase II spills over onto federal land, will it mean repeating the same permitting process Rosemont has been going through?

A: Phase II will require approval of a Plan of Operation from the Forest Service and BLM with all of the related consultations and approvals. The main difference from the permitting for Rosemont is that we do not plan to obtain a 404 Permit for Phase II of this project.

Q: Does "third-party feed" in the report mean Hudbay would eventually consider processing copper for other mining operations on-site? How developed is this plan?

A: Yes, third-party feed means that the Copper World Complex will have excess capacity in some years to process copper concentrate from other mining operations. Copper concentrate that would normally be shipped abroad to a smelter for processing would stay here in Arizona and be processed into finished copper for domestic use. The opportunity to

onshore production of copper cathode, and support our domestic copper needs while reducing GHG emissions is very exciting.

Q: Quail Creek is the closest community of meaningful size to the mine at about eight miles from the nearest pit. Are there any anticipated changes that could put mining operations closer to Quail Creek?

A: Quail Creek is approximately eight miles west from the nearest part of Copper World Complex and it is likely that some features of the mine will be visible. All of the land between Copper World Complex and Quail Creek is in the Santa Rita Experimental Range – State Land leased to the University for research.

Q: At eight miles, can mining operations be heard? Have there been studies on this?

A: It is unlikely that mining operations will be heard from such a distance. The mines to the west of Green Valley and Sahuarita are closer and have co-existed with the local community since the area was developed.

Q: Has Hudbay been contacted by local incorporated towns/cities that want to talk about annexing the project site? Is there any advantage to Hudbay in doing this?

A: No, this has not been discussed.