



## ASX Announcement

Wednesday 30<sup>th</sup> August 2017

# New High-Grade Satellite Project Added to Productora

### Key Points

- **Expanded growth strategy to target further scale and grade increases for Hot Chili's Productora copper project in Chile**
- **Execution of a non-binding Letter of Intent (LOI) to acquire a 90% interest in a new copper-gold project named San Antonio, located 20km trucking distance from Productora**
- **The project contains the historical San Antonio underground mine which produced approximately 2Mt of ore grading 2% copper and 0.3g/t gold during its operation**
- **Highly prospective landholding, privately held for several decades, which has seen little modern exploration or drill testing**
- **Other satellite high-grade copper projects also being assessed**
- **Hot Chili significantly leveraged to improving copper price as one of the largest and most advanced copper developments for an ASX listed company**

Hot Chili (ASX code HCH) is pleased to confirm that it has made further progress towards establishing Productora as a future mine operating centre leveraged toward copper production growth.

The Company has executed a non-binding Letter of Intent (LOI) for a Joint Venture Option Agreement to earn a 90% interest in the San Antonio project, located 20km trucking distance to the east of Productora.

Importantly, the project has been privately owned for several decades and contains a substantial underground mine which historically produced some 2Mt of ore material with an average grade of approximately 2% copper and 0.3g/t gold.

Little modern exploration and drilling has been undertaken over the project which comprises 12 exploitation leases over an area of 1,566ha.

### ASX CODE

HCH

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## Expanded Growth Strategy- Pursuing Scale and Grade Opportunities

With a resource base of 1.5Mt of copper and 1Moz of gold and a 10-year mine life established, Productora is already one of the largest and most advanced copper development plays on the Australian Securities Exchange.

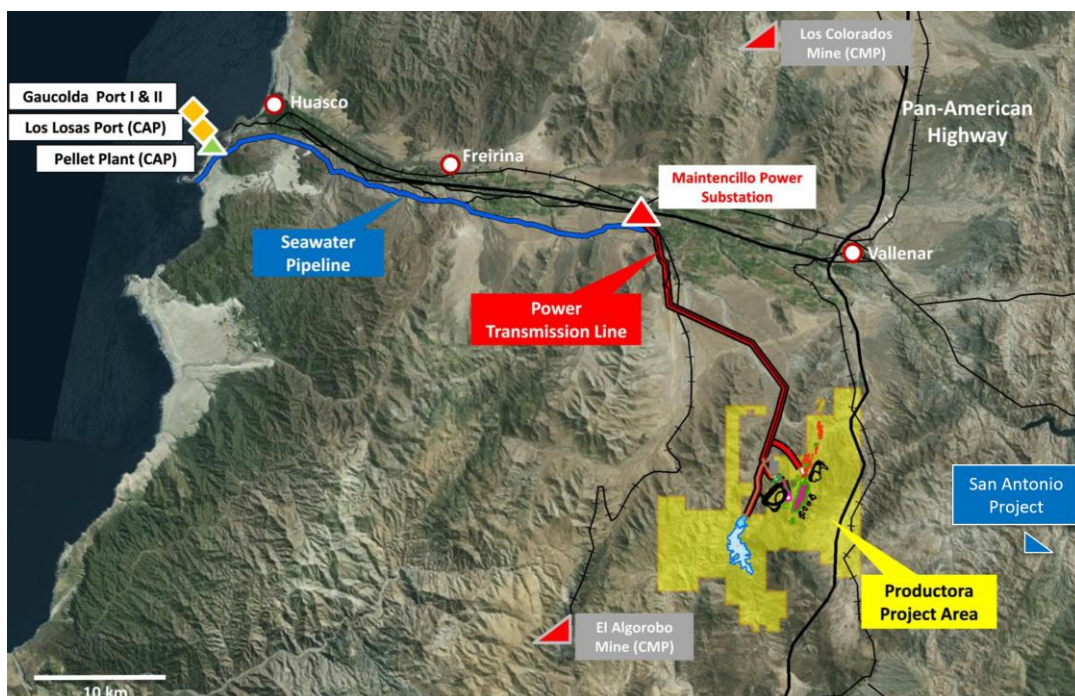
Since delivering a Pre-feasibility Study in 2016 which outlined an annual production base of 66ktpa copper and 25koz gold over its first 8 years of mine life, the Company has focussed its efforts on unlocking opportunities to increase mine life and scale at Productora.

Exploration by Hot Chili during this time has been largely directed towards large-scale porphyry copper potential identified immediately adjacent to Productora's planned central pit development.

Phase 1 reconnaissance exploration drilling at Productora commenced earlier this year is now complete and the Company is awaiting the receipt of all selective sample results before finalising the design and commencement of a Phase 2 porphyry copper drilling programme.

In support of this bulk tonnage growth strategy, Hot Chili is now also focused on opportunities to increase Productora's future head-grade and annual metal production via the incorporation of nearby high-grade exploration and development satellite projects.

Several satellite projects are currently being evaluated for their potential to host and deliver future high-grade ore sources that can take advantage of Productora's planned large-scale, low-cost processing facilities. The execution of an LOI over the San Antonio project marks the beginning of Hot Chili's expanded growth strategy for Productora.



**Figure 1 Productora copper project in relation to San Antonio satellite and coastal range infrastructure position.**

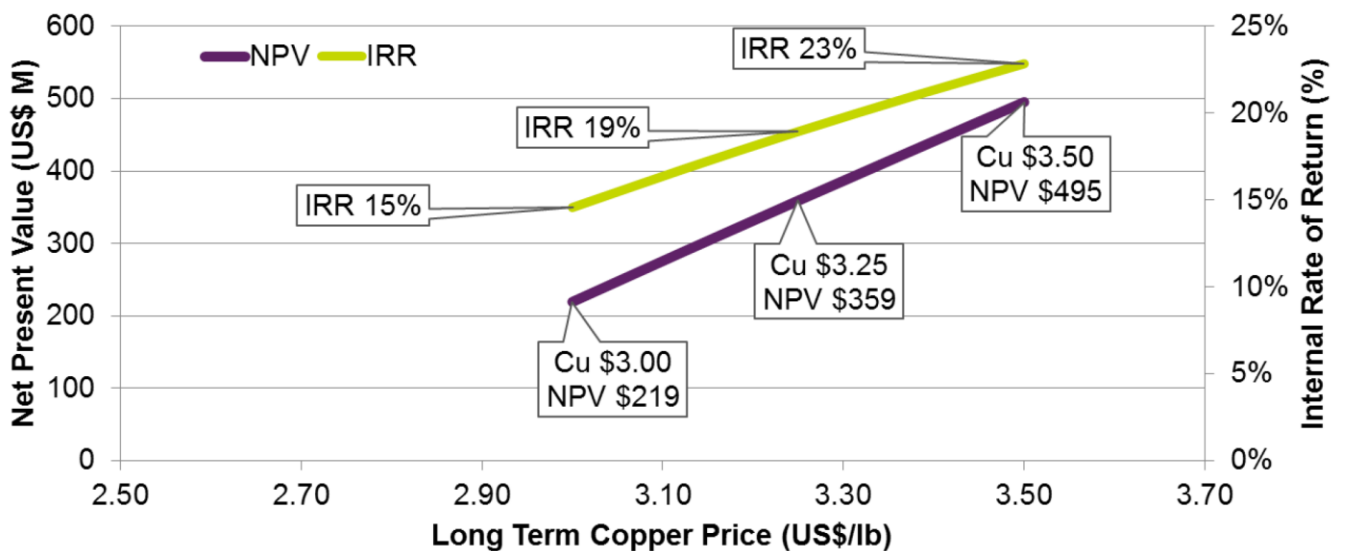


**Copper Price and Asset Value- Strong Leverage to Improving Conditions**

Outside of the Company's growth efforts to drive value creation at Productora through further exploration success, the Directors note the improving copper price environment and its strong leverage to Productora's existing asset value.

Productora's 2016 PFS was completed using a long-term copper price of US\$3.00/lb. Over the past 12 months copper price has improved significantly, rising from approximately US\$2.00/lb in early 2016 to US\$3.07/lb today.

Figure 2 below outlines Productora's economic sensitivity to copper price as outlined in the Company's 2016 PFS (as announced to ASX on 2nd March 2016 "Hot Chili Delivers PFS and Near Doubles Reserves at Productora").



- Figure shows three valuation price cases.
- Significant upside exposure to long term price.

*Refer to ASX Announcement dated 2<sup>nd</sup> March 2016  
Independent Financial Analysis by Amec Foster Wheeler*

**Figure 2 Financial analysis of Productora PFS valuation in relation to copper price.**



## **San Antonio Copper-Gold Project- First High Grade Satellite Project for Productora**

The San Antonio copper-gold project lies 20km directly east of Productora in Region IV of Chile at low altitude (800m). San Antonio is a relatively advanced exploration stage project with 9 historical drill holes and a substantial underground mine which has produced approximately 2Mt of ore material grading 2% copper, 0.3g/t gold and up to 15g/t silver during its operation. The mine has been exploited over a 200m strike length to a vertical depth of 130m.

The project comprises 12 exploitation leases covering an area of 1,566ha and has been privately owned for several decades. Very little modern exploration has been undertaken over the project.

Copper mineralisation is associated with a sequence of moderately east-dipping sandstone and limestone/andesite units which have seen extensive skarn alteration adjacent to a granitic contact along the projects eastern margin. The zone of skarn alteration has been recognised over a 2.5km strike extent within the project.

Andesite units host the majority of mineralisation which was exploited underground at true widths ranging between 7m and 30m (10m average). Sulphide copper is associated with chalcopyrite, minor bornite, pyrrhotite and magnetite.

Hot Chili's 100% owned subsidiary Sociedad Minera Frontera SpA (Frontera) has executed a non-binding LOI with a private party to earn a 90% interest in the San Antonio copper-gold project over a four-year period. The proposed JV involves an Option agreement whereby full ownership of 90% of the mining rights of the project will be transferred upon satisfaction of a payment of US\$300,000 in 36 months and then a final payment of US\$6,700,000 in 48 months.

Importantly, the LOI provides for no payments and no exploration commitments over the first three years of the Option.

Exploration by Frontera at San Antonio shall be at its discretion and the owner will have the right to lease to any third party the exploitation of the mining rights with an annual cap of 50,000 tonnes of ore until exercise of the Option.

The LOI is subject to favourable legal due diligence along with agreement and approval of final terms of a formal agreement by the Board of Hot Chili.

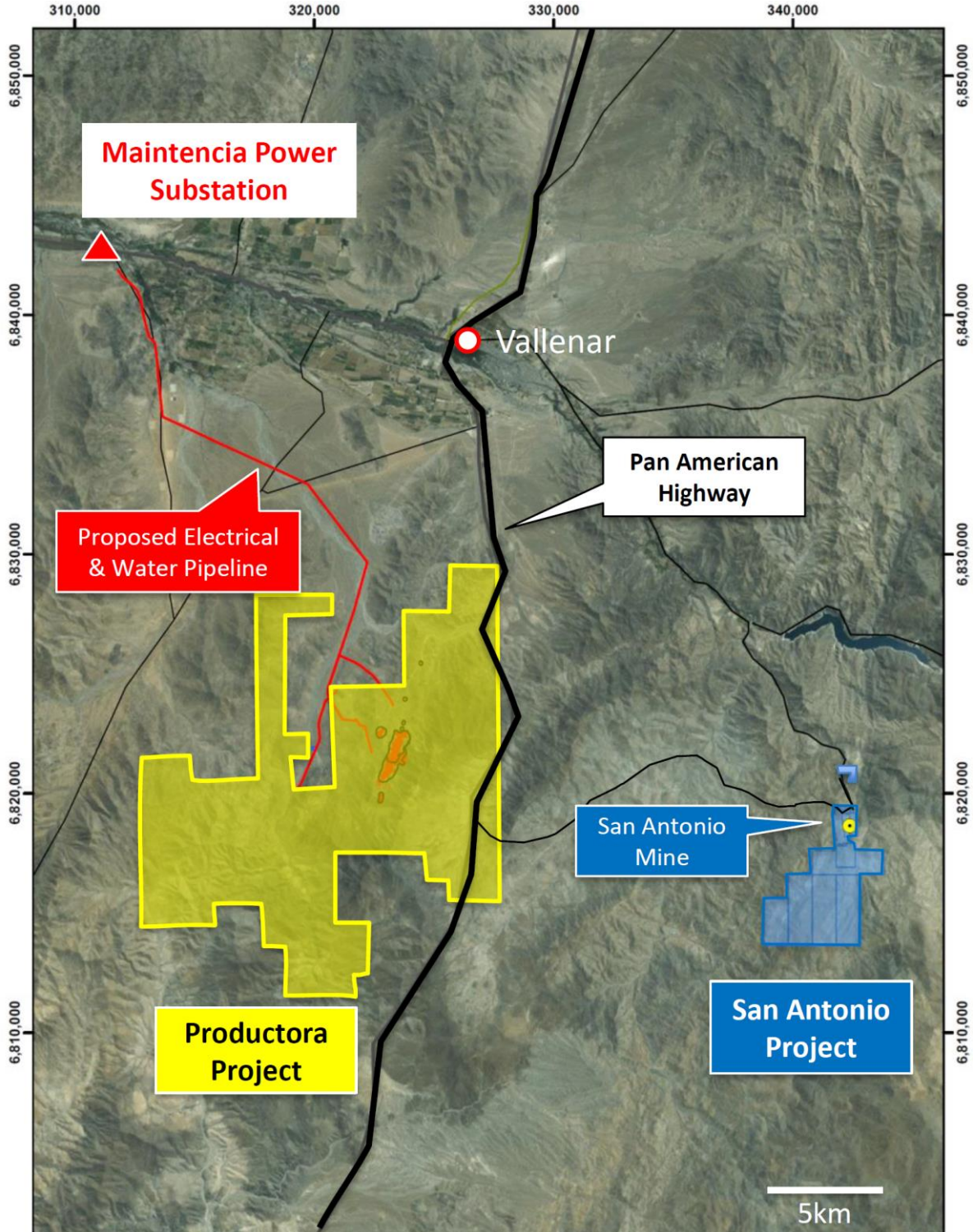


Figure 3 San Antonio copper-gold project landholding, access and mine development area.

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## Qualifying Statements

### JORC Compliant Ore Reserve Statement

#### Productora Open Pit Probable Ore Reserve Statement – Reported 2<sup>nd</sup> March 2016

Ore Type	Reserve Category	Tonnage (Mt)	Grade			Contained Metal			Payable Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Oxide	Probable	24.1	0.43	0.08	49	103,000	59,600	1,200	55,600		
Transitional		20.5	0.45	0.08	92	91,300	54,700	1,900	61,500	24,400	800
Fresh		122.4	0.43	0.09	163	522,500	356,400	20,000	445,800	167,500	10,400
<b>Total</b>	<b>Probable</b>	<b>166.9</b>	<b>0.43</b>	<b>0.09</b>	<b>138</b>	<b>716,800</b>	<b>470,700</b>	<b>23,100</b>	<b>562,900</b>	<b>191,900</b>	<b>11,200</b>

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Note 2: Price assumptions: Cu price - US\$3.00/lb; Au price US\$1200/oz; Mo price US\$14.00/lb. Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%. Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

### JORC Compliant Mineral Resource Statements

#### Productora Higher Grade Mineral Resource Statement, Reported 2<sup>nd</sup> March 2016

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Productora	Indicated	166.8	0.50	0.11	151	841,000	572,000	25,000
	Inferred	51.9	0.42	0.08	113	219,000	136,000	6,000
	<i>Sub-total</i>	<i>218.7</i>	<i>0.48</i>	<i>0.10</i>	<i>142</i>	<i>1,059,000</i>	<i>708,000</i>	<i>31,000</i>
Alice	Indicated	15.3	0.41	0.04	42	63,000	20,000	600
	Inferred	2.6	0.37	0.03	22	10,000	2,000	100
	<i>Sub-total</i>	<i>17.9</i>	<i>0.41</i>	<i>0.04</i>	<i>39</i>	<i>73,000</i>	<i>23,000</i>	<i>700</i>
Combined	Indicated	182.0	0.50	0.10	142	903,000	592,000	26,000
	Inferred	54.5	0.42	0.08	109	228,000	138,000	6,000
	<b>Total</b>	<b>236.6</b>	<b>0.48</b>	<b>0.10</b>	<b>135</b>	<b>1,132,000</b>	<b>730,000</b>	<b>32,000</b>

Reported at or above 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred.


**Productora Low Grade Mineral Resource Statement, Reported 2<sup>nd</sup> March 2016**

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Productora	Indicated	150.9	0.15	0.03	66	233,000	170,000	10,000
	Inferred	50.7	0.17	0.04	44	86,000	72,000	2,000
	<i>Sub-total</i>	<i>201.6</i>	<i>0.16</i>	<i>0.04</i>	<i>60</i>	<i>320,000</i>	<i>241,000</i>	<i>12,000</i>
Alice	Indicated	12.3	0.14	0.02	29	17,000	7,000	400
	Inferred	4.1	0.12	0.01	20	5,000	2,000	100
	<i>Sub-total</i>	<i>16.4</i>	<i>0.13</i>	<i>0.02</i>	<i>27</i>	<i>22,000</i>	<i>9,000</i>	<i>400</i>
Combined	Indicated	163.2	0.15	0.03	63	250,000	176,000	10,000
	Inferred	54.8	0.17	0.04	43	91,000	74,000	2,000
	<i>Total</i>	<i>218.0</i>	<i>0.16</i>	<i>0.04</i>	<i>58</i>	<i>341,000</i>	<i>250,000</i>	<i>13,000</i>

Reported at or above 0.1% Cu and below 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred. Metal rounded to nearest thousand, or if less, to the nearest hundred.

**Mineral Resource and Ore Reserve Confirmation**

The information in this report that relates to Mineral Resources and Ore Reserve estimates on the Productora copper projects were originally reported in the ASX announcements “Hot Chili Delivers PFS and Near Doubles Reserves at Productora” dated 2nd March 2016. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

**Competent Person’s Statement- Exploration Results**

Exploration information in this Announcement is based upon work undertaken by Mr Christian Easterday, the Managing Director and a full-time employee of Hot Chili Limited whom is a Member of the Australasian Institute of Geoscientists (AIG). Mr Easterday has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a ‘Competent Person’ as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (JORC Code). Mr Easterday consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

**Competent Person’s Statement- Mineral Resources**

The information in this Announcement that relates to the Productora Project Mineral Resources, is based on information compiled by Mr J Lachlan Macdonald and Mr N Ingvar Kirchner. Mr Macdonald is a part time employee of Hot Chili, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Kirchner is employed by AMC Consultants (AMC). AMC has been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Mineral Resource estimates. Mr Kirchner is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Member of the Australian Institute of Geoscientists (AIG). Both Mr Macdonald and Mr Kirchner have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (the JORC Code 2012). Both Mr Macdonald and Mr Kirchner consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



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### **Competent Person's Statement- Ore Reserves**

The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Registered Member of the Chilean Mining Commission (RM- a 'Recognised Professional Organisation' within the meaning of the JORC Code 2012) and a full time employee of NCL Ingeniería y Construcción SpA (NCL). Mr Caro is a former employee of Hot Chili Ltd, now working in a consulting capacity for the Company, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Member of the Chilean Mining Commission. Mr Lorenzen is employed by Mintrex Pty Ltd and is a Chartered Professional Engineer, Fellow of Engineers Australia, and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr King is employed by AMEC Foster Wheeler (AMEC FW) and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and AMEC FW have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate. Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guzmán, Mr Caro, Mr Lorenzen and Mr King consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

### **Forward Looking Statements**

This Announcement is provided on the basis that neither the Company nor its representatives make any warranty (express or implied) as to the accuracy, reliability, relevance or completeness of the material contained in the Announcement and nothing contained in the Announcement is, or may be relied upon as a promise, representation or warranty, whether as to the past or the future. The Company hereby excludes all warranties that can be excluded by law. The Announcement contains material which is predictive in nature and may be affected by inaccurate assumptions or by known and unknown risks and uncertainties, and may differ materially from results ultimately achieved.

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