



# ASX Announcement

Tuesday 5<sup>th</sup> September 2017

## Second High-Grade Satellite Project Added to Productora

### Key Points

- Expanded growth strategy to strengthen Hot Chili's Productora copper project in Chile is gathering momentum
- Execution of a second non-binding Letter of Intent (LOI) to secure another high-grade satellite project within trucking distance from Productora
- LOI terms to acquire a 70% interest in an exciting exploration project named Lulu, located approximately 30km west of Productora
- The Lulu project contains the direct extension of a substantial historical underground mine which reportedly exploited vein-hosted ore material to 600m depth, over widths ranging between 1.5m and 2m and grades averaging 6% copper and 3g/t gold
- Higher grade ore shoots within the historical underground mine, adjacent to the Lulu project, exploited vein widths up to 7m with grades averaging 12% copper and 5g/t gold
- The Lulu project has seen little modern exploration and importantly no drill testing has ever been undertaken at the project

Hot Chili (ASX code HCH) is pleased to announce its growth strategy to increase the grade and future metal production capacity of Productora is gathering momentum.

The Company has now executed its second deal within a week to secure a stable of high-grade satellite projects within close development distance of Productora.

Following the announcement last week of a deal to secure the San Antonio project immediately east of Productora, the Company has executed another non-binding Letter of Intent (LOI) to earn a 70% interest in the Lulu copper-gold project located 30km directly west of Productora (Figure 1).

Although the project is considered to be at an early stage of exploration, it contains the direct southern extension of one of the regions highest grade underground mines, reportedly developed to a depth of 600m with an average production grade of approximately 6% copper and 3g/t gold.

### ASX CODE

HCH

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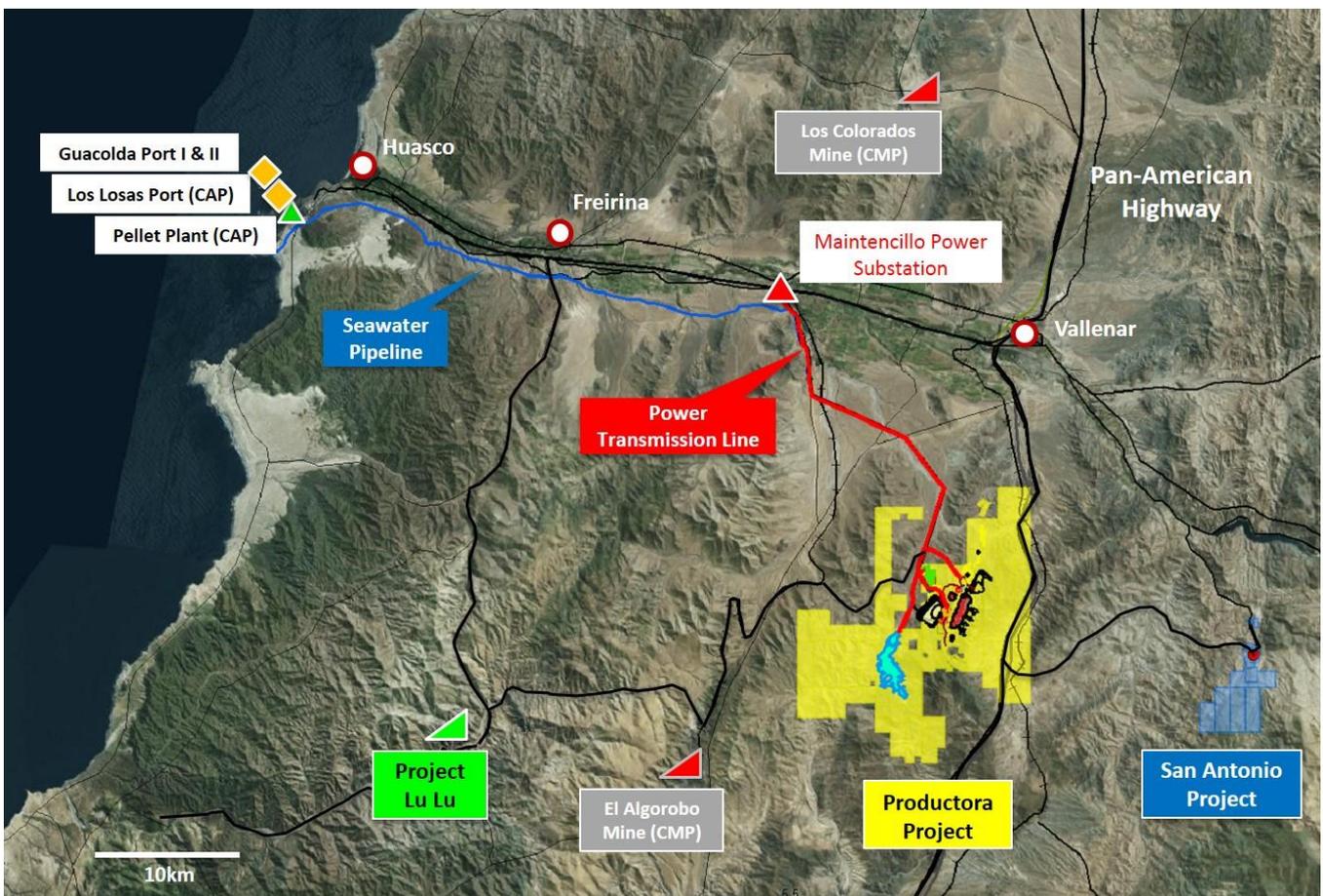




Technical due diligence by Hot Chili has confirmed the presence of the main copper-gold hosting structure, extending from the historical underground mine over a strike extent of approximately 800m within the Lulu project.

Mining in the area surrounding the Lulu project dates back to the late 19th century. However, fractured ownership by multiple private landholders has restricted modern exploration, preserving highly prospective areas, such as the Lulu project, which have never been drill tested.

The Lulu project comprises 2 exploitation leases over an area of 40ha and is considered very prospective as a second potential satellite high-grade ore source for Productora.



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



Hot Chili's Managing Director Christian Easterday said securing high-grade opportunities to feed into Productora has the potential to establish Hot Chili as the premier large-scale copper developer listed on the Australian Securities Exchange (ASX).

"We already hold one the largest and most advanced ASX listed copper developments by scale", Mr Easterday said

"We envisage Productora as a future large-scale operating centre in Chile.

"Increasing the grade and metal production capability of Productora by incorporating numerous high grade satellite ore sources is very material for Hot Chili.

"Successful execution of this strategy has the potential to dramatically enhance the value of Productora in addition to the leverage the project already has to the rising copper price.

"At the moment, for every US\$5c/lb movement upwards in the copper price we roughly add the equivalent of our current market capitalisation (fully dilute) in Net Present Value to the valuation of Productora (against spot prices).

"We believe the combination of the short to medium term positive outlook for copper price, and the Company's expanded growth strategy have the potential to significantly re-rate Hot Chili."

### **Lulu Copper-Gold Project- Second High Grade Satellite Project for Productora**

The Lulu copper-gold project lies 30km directly west of Productora (figure 1) in Region IV of Chile at low altitude (950m). Lulu is a relatively early stage exploration project which has not previously been drill tested and comprises two exploitation leases covering an area of 40ha.

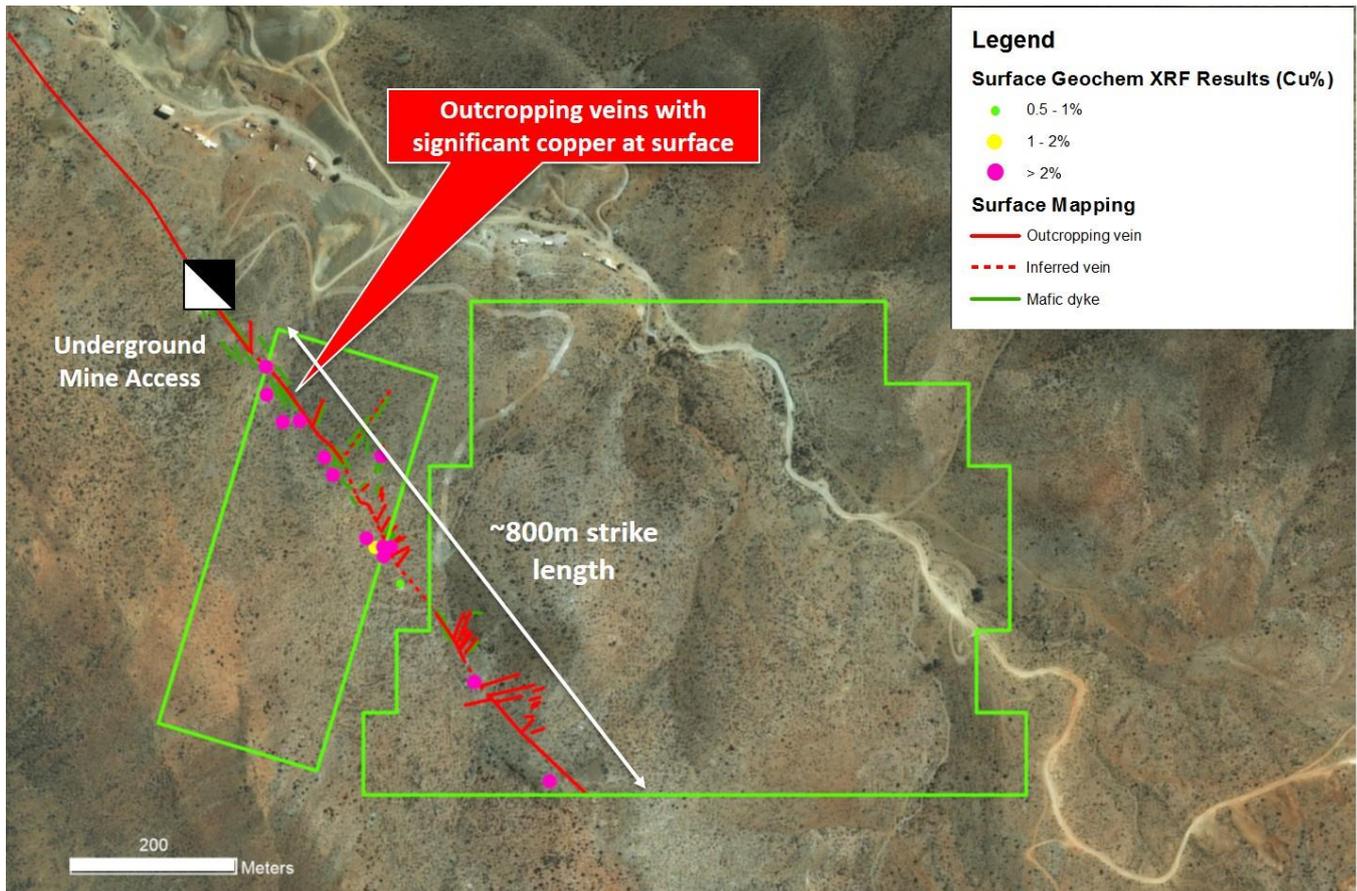
Importantly, the project represents the direct extension of one of the regions highest grade substantial underground mines. This mine reportedly exploited vein hosted material to 600m depth, over widths ranging between 1.5m and 2m and grades averaging 6% copper and 3g/t gold.

Higher grade ore shoots within the historical underground mine, adjacent to the Lulu project, exploited vein widths up to 7m with grades averaging 12% copper and 5g/t gold.

Preliminary surface mapping undertaken by Hot Chili within the Lulu project has confirmed a strike continuous 800m extension of the main ore hosting structure to the south of the main historical underground mine as displayed in Figure 2.

Copper mineralisation at Lulu is hosted within a moderately (60 - 70°) southwest dipping carbonate vein which varies in width between 70cm and 2.3m (where observed). The main carbonate vein trends NW-SE and transects a granodiorite which has also been variably intruded by andesitic dykes. Brecciation and secondary veining occurs within a 10m to 15m width encompassing the main copper-bearing carbonate vein.

Oxidation at Lulu occurs to a depth of approximately 75m vertical, where oxide copper mineralisation is associated with malachite, chrysocolla and cuprite. Sulphide copper is associated with chalcopyrite, bornite and minor covellite.



**Figure 2 Lulu copper-gold project landholding and preliminary surface mapping of the main copper-bearing vein system**

Hot Chili's 100% owned subsidiary Sociedad Minera Frontera SpA (Frontera) has executed a non-binding LOI with a private party to earn a 70% interest in the Lulu copper-gold project over a four-year period. The proposed Joint Venture (JV) involves an Option agreement whereby full ownership of 70% of the mining rights of the project will be transferred upon satisfaction of the following Option payment schedule:

1. US\$75,000 upon execution of a formal JV Option agreement
2. US\$75,000 12 months from execution of a formal JV Option agreement
3. US\$150,000 24 months from execution of a formal JV Option agreement
4. US\$150,000 36 months from execution of a formal JV Option agreement, and
5. US\$2 million 48 months from execution of a formal JV Option agreement

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Exploration by Frontera at Lulu shall be at its discretion and during the first 36 months of the JV the owner will be able to exploit up to 50,000 tonnes of ore per year from within the Project.

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.

**For more information please contact:**

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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.

The Announcement contains "forward-looking statements". All statements other than those of historical facts included in the Announcement are forward-looking statements including estimates of Mineral Resources. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade recovery rates from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of the Announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. All persons should consider seeking appropriate professional advice in reviewing the Announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of the Announcement nor any information contained in the Announcement or subsequently communicated to any person in connection with the Announcement is, or should be taken as, constituting the giving of investment advice to any person.