



ASX Announcement

Tuesday 2nd June 2020

Mining & Processing Agreement Executed with ENAMI

Highlights

- Hot Chili has executed a formal agreement with Chilean government agency ENAMI for the lease mining and processing of ore from the Company's Productora copper-gold project
- ENAMI to start mining within 3 months of the granting of necessary exploitation permits - first revenue expected in the fourth quarter of CY2020
- Current spot prices for copper and gold indicate potential revenue to Hot Chili at approximately AUD\$1.2 million to AUD\$1.5 million per annum
- Lease mining rate of 120,000 tonnes per annum not considered material to depletion of Productora's existing 167M tonne open pit reserve
- Mining and processing of high grade satellite ore sources will greatly assist internal studies into a larger combined development centred around the Company's standalone Cortadera copper discovery
- First resource estimate for Cortadera on-track for announcement in the coming months
- New modelling confirms potential scale of high grade core at Cortadera
- Preparations advancing well for the eventual re-start of diamond drilling at Cortadera

Hot Chili Limited (ASX code HCH) ("Hot Chili" or "Company") is pleased to announce it has executed a formal agreement to partner with Chilean government agency Empresa Nacional de Minería (ENAMI) for the exploitation of high grade copper-gold ore from its Productora copper project, commencing this year.

The agreement provides a low-risk pathway to bring forward first production from Hot Chili's coastal copper hub while also providing certainty of ore supply and employment at ENAMI's nearby processing facility in the township of Vallenar.

In addition, the Company is accelerating its preparations for the re-start of diamond drilling at its Cortadera copper porphyry discovery, located 14km from Productora (figure 1).

Drilling will continue expanding the high grade core as well as the broader extents of the discovery zone which has already delivered six world-class drill results since July last year.

Hot Chili is on-track to deliver a significant lift in its copper-gold resource base with the announcement of first resource estimates for Cortadera and San Antonio expected in the coming months.

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Cortadera Resource Estimate Underway and Drilling Planned

Hot Chili has now incorporated all drilling completed to date into a revised 4-dimensional geological model to assist in the estimation of a first resource for Cortadera. The model has highlighted that the discovery remains open, and importantly, that it has the potential to grow significantly beyond the limits of the first resource estimate, which is expected to be released in the coming months.

Over the past fortnight, Hot Chili have commenced preparation for the eventual re-start of drilling activities at Cortadera.

Drilling will initially focus on expanding the size of the high grade core within the largest porphyry discovered to date at Cortadera - Cuerpo 3. In addition, drilling will test major extensions to Cuerpo 3 and the potential for the two largest porphyries (Cuerpo 3 and 2) to join and expand laterally at depth as displayed in figure 3.

The high grade core at Cuerpo 3 is now over 500m in strike length, 200m in width, extending from 200m vertical depth, and still open beyond 1,000m, with average drill intersection grades ranging between 0.7% to 0.9% copper and 0.2g/t to 0.5g/t gold. The Company considers that the currently defined high grade core within the forthcoming first resource estimate has the potential to grow significantly with further drill density.

With an attractive combined copper and gold grade, the near-1 km vertical high grade core is a feature found in some of the world's best large-scale porphyry mines (El Teniente, Grasberg, Cadia Ridgeway), allowing long-life, low-cost, bulk tonnage underground mine development.

Several deep pre-collar and unfinished diamond holes are prioritised for immediate extension upon commencement of drilling, including CRP0042D – a 250m step-out hole which was suspended at 614m in early March, but designed to extend to 1,200m depth.

Execution of Formal Mining and Processing Agreement with ENAMI

Further to the announcement on 23rd March, Hot Chili is pleased to confirm execution of a two-year, lease mining and processing agreement with the Chilean government agency Empresa Nacional de Minería (ENAMI) for the Company's Productora copper-gold project in Chile.

The agreement was executed with the support of Hot Chili's joint venture partner at Productora - Compañía Minera del Pacífico (CMP) through Sociedad Minera El Águila Limitada (SMEAL - 80% HCH, 20% CMP).

The formal agreement with ENAMI involves:

- Concession for lease mining and processing approximately 120,000 tonnes per annum of ore through ENAMI's Vallenar plant (located 15km north of Productora) over a two-year period with an option to extend the agreement by a further year
- Productora joint venture company (Hot Chili 80%) to be paid US\$2 per tonne ore processed and a 10% royalty for the sale value of extracted minerals





- ENAMI expect a production grade of +1% copper, given previous historical processing of higher grade ore from Productora

The Company is currently working with ENAMI to assist in outlining higher grade areas (+1.2% Cu) that are able to be accessed from the two existing underground mines at Productora.

Increases in the spot copper and gold price since the offer was first announced and a review of these likely high grade development options, put potential revenue to Hot Chili from the ENAMI agreement at approximately AUD\$1.2 million to AUD\$1.5 million per annum.

Mining and processing reconciliation of high grade ore from Productora will assist in the Company's internal review of multiple high grade open pit sources being considered as part of a larger combined development strategy for Cortadera. Access to significant high grade open pit satellite ore sources within short trucking distance to Cortadera has the potential to significantly enhance and de-risk the Company's development strategy.

The Company looks forward to providing further updates over the coming weeks in relation to various workstreams aimed at delivering several key catalysts this year.

This announcement is authorised by the Board of Directors for release to ASX.

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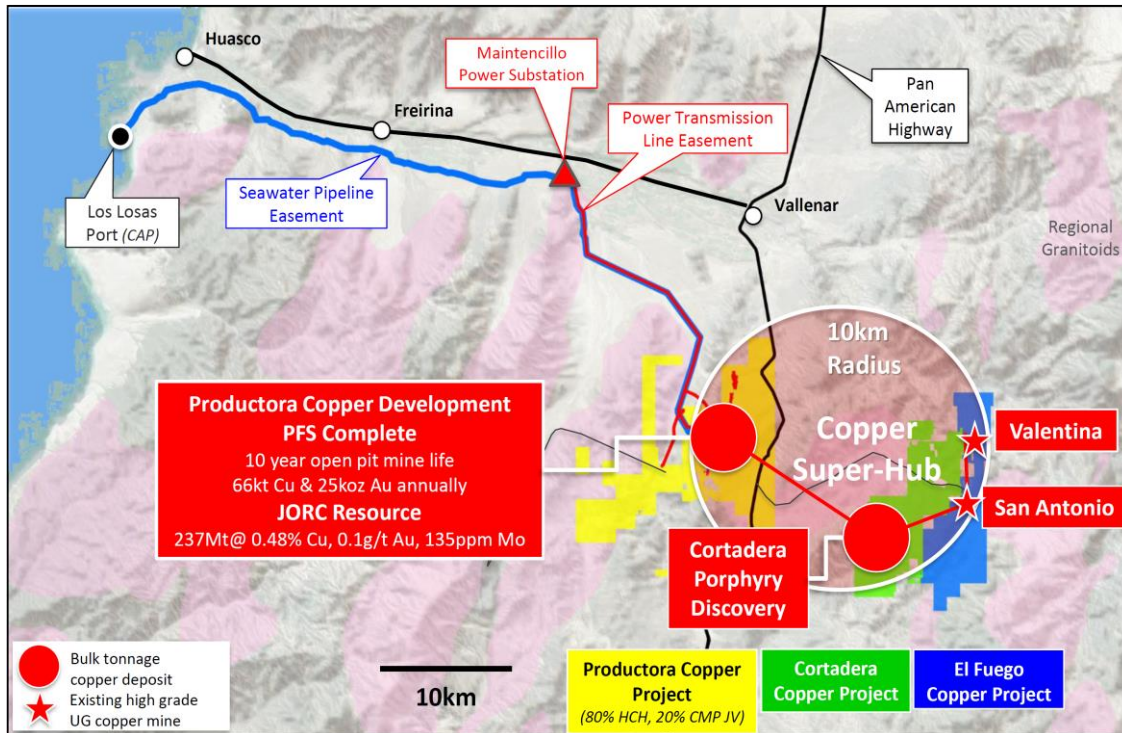


Figure 1 Location of Hot Chili's copper hub in relation to coastal range infrastructure



Figure 2 Various photos of Productora underground mine and ENAMI's Vallenar plant

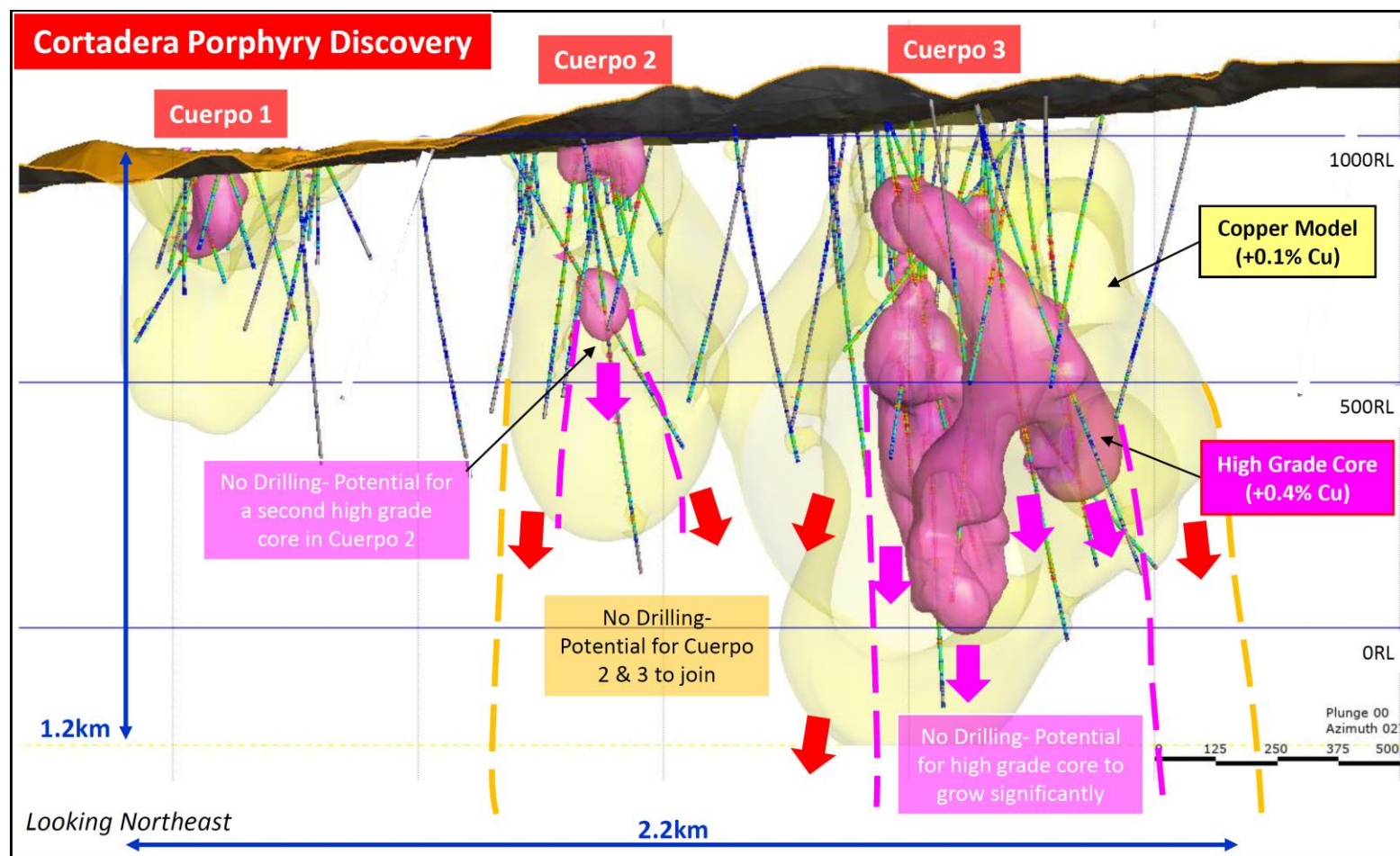


Figure 3 Long Section of the Cortadera discovery copper distribution model from the recently updated 4-dimmmensional geological model. Note the growing extent of the high grade core within Cuerpo 3 and Cuerpo 2, and the potential for both to join at depth

Qualifying Statements

JORC Compliant Ore Reserve Statement

Productora Open Pit Probable Ore Reserve Statement – Reported 2nd 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
Total	Probable	166.9	0.43	0.09	138	716,800	470,700	23,100	562,900	191,900	11,200

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 2nd 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
	<i>Total</i>	<i>236.6</i>	<i>0.48</i>	<i>0.10</i>	<i>135</i>	<i>1,132,000</i>	<i>730,000</i>	<i>32,000</i>

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 2nd 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 Announcement that relates to Mineral Resources, Ore Reserve estimates and Production Targets on the Productora copper project was previously reported in the ASX announcement “Hot Chili Delivers PFS and Near Doubles Reserves at Productora” dated 2nd March 2016, a copy of which is available on the ASX website at www.asx.com.au and the Company’s website at www.hotchili.net.au. The company confirms that it is not aware of any new formation 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 compiled 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 employed by AMC Consultants (AMC), 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).

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’.

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.