

Cost Fuego Hub to Leverage Low-Cost Transport & Central Processing

Highlights

- Materials handling scoping study results have significantly reduced the cost of ore transport for Hot Chili's Costa Fuego copper-gold development in Chile
- Central processing at Productora allows the use of RopeCon and significantly reduces development timeframes and additional capital related to locating central processing at Cortadera
- RopeCon ore transport determined to be most cost-effective materials handling system for transport of Cortadera ore approximately 14 km down-hill to Productora
- RopeCon determined to be less than 10% of the operating cost associated with truck haulage and 25% less than conventional conveyor
- PFS making good progress across preliminary mine design, geotechnical studies and metallurgical workstreams, further updates expected



View of a RopeCon installation pictured at El Limon-Guajes, Mexico demonstrates the systems minimal footprint in difficult terrain.

Hot Chili Limited (ASX: HCH) (OTCQB: HHLKF) ("Hot Chili" or "Company") is pleased to announce that its Pre-feasibility study (PFS) into the combined Costa Fuego copper-gold development in Chile is gaining momentum.

A recently completed materials handling scoping study has highlighted the potential for a low-cost rope conveyor (RopeCon) option to transport ore down-hill from Cortadera to Productora.



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The introduction of low-cost transport into the current PFS has cemented the Company's decision to locate central processing infrastructure at Productora and take advantage of the existing project definition and permitting (water and power easements, and surface rights) already secured in the 2016 Productora PFS.

Significant time and capital cost savings were expected if the location of central processing remained at Productora, now significant operating savings from transport can also be captured with RopeCon determined to be less than 10% of the operating cost associated with truck haulage.

Costa Fuego combined resource base (Cortadera and Productora) currently stands of 724 Mt grading 0.48% CuEq for 2.9 Mt copper, 2.7 Moz gold, 9.9 Moz silver and 64 kt molybdenum, and the Company has a maritime concession secured to extract sea water for the processing requirements of the entire combined development.

The Company is pursuing a similar development approach to the Nueva Union (Teck 50%, Newmont Goldcorp 50%) copper project in Chile, where the Relincho and El Morro copper-gold deposits are being combined into one development via haulage using a 40 km conveyor belt.

Nueva Union is located between 2,000 m and 4,000 m elevation, approximately 100 km east-northeast of Costa Fuego, with similar average copper grades and co-credit metals. By comparison, Costa Fuego's Cortadera and Productora copper-gold deposits are located 14 km apart, at low altitude (800 -1,000 m elevation), along the Pan American Highway and within 50 km of port facilities.



Figure 1. Location of Costa Fuego (Hot Chili) in comparison to Nueva Union (Teck & Newmont Barrick). View looking west-northwest toward the Pacific Ocean.

Materials Handling a Key Focus

The Costa Fuego hub mining operations will consist of the open pits at Productora, plus three open pits coupled with an underground block cave operation at Cortadera. The objective of the current study is to determine the optimal output of each area coupled with the analyses and recommendation for a suitable and cost-effective materials handling system to transport the Cortadera ore approximately 14 km to the processing plant at Productora.

The key decision governing this study strategy will be to keep the processing plant located at Productora therefore avoiding lengthy and costly permitting processes to potentially re-locate the processing facility. The proposed location of the processing plant and associated infrastructure, such as the tailings storage facility, are within the Productora project footprint, are permitted and currently supported by the 2016 Productora Pre-Feasibility Study.

Four primary materials handling options for ore transport between Productora and Cortadera were considered:

1. Trucking
2. Conveyors
3. Aerial Ropeway
4. RopeCon®

Of these options, the RopeCon® offers the lowest total cost option for transport of the open pit and block cave ore from Cortadera to Productora. The system design criteria, coupled with the Capital and Operating Expenditure estimates, were calculated from the various OEM options and costs provided for the study.

The RopeCon® system can provide handling capacities of up to 25,000 t/hr across difficult terrain whilst occupying a minimum structural footprint. Simple maintenance of the conveying line and low space requirements are the key features of this product. The unit cost for running a RopeCon® installation is estimated to be approximately a quarter of the cost when compared to a conventional conveyor for this project.

The mined ore transport route spans 15 km and threads along a relatively straight route from the Cortadera Project directly across the hilly terrain toward the proposed Productora processing plant, progressing through the southern section of the Productora footprint, making use of the natural topographic low point directly South – Southeast of the main Productora open pit area termed the “saddle”

Hot Chili is pursuing a strategy of low-cost ore transport to a central concentrator for high-grade ore in conjunction with low-grade sulphide leaching adjacent to mining operations.

Executive Study Manager John Hearne described the option value by saying:

“The beauty of this strategy is that it allows the selection of ore grade for the concentrator to be highly dynamic.

“Not only can it be optimised to deliver value in our study models, it will be flexible enough to adapt with the evolving resource base being assembled regionally.

“A region that appears to be getting larger when we consider a low-operating cost option like a RopeCon.”



Figure 2. Close-up view - RopeCon transports material on a flat belt with corrugated side walls that is fixed to axles that run on track ropes suspended from tower structures.

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

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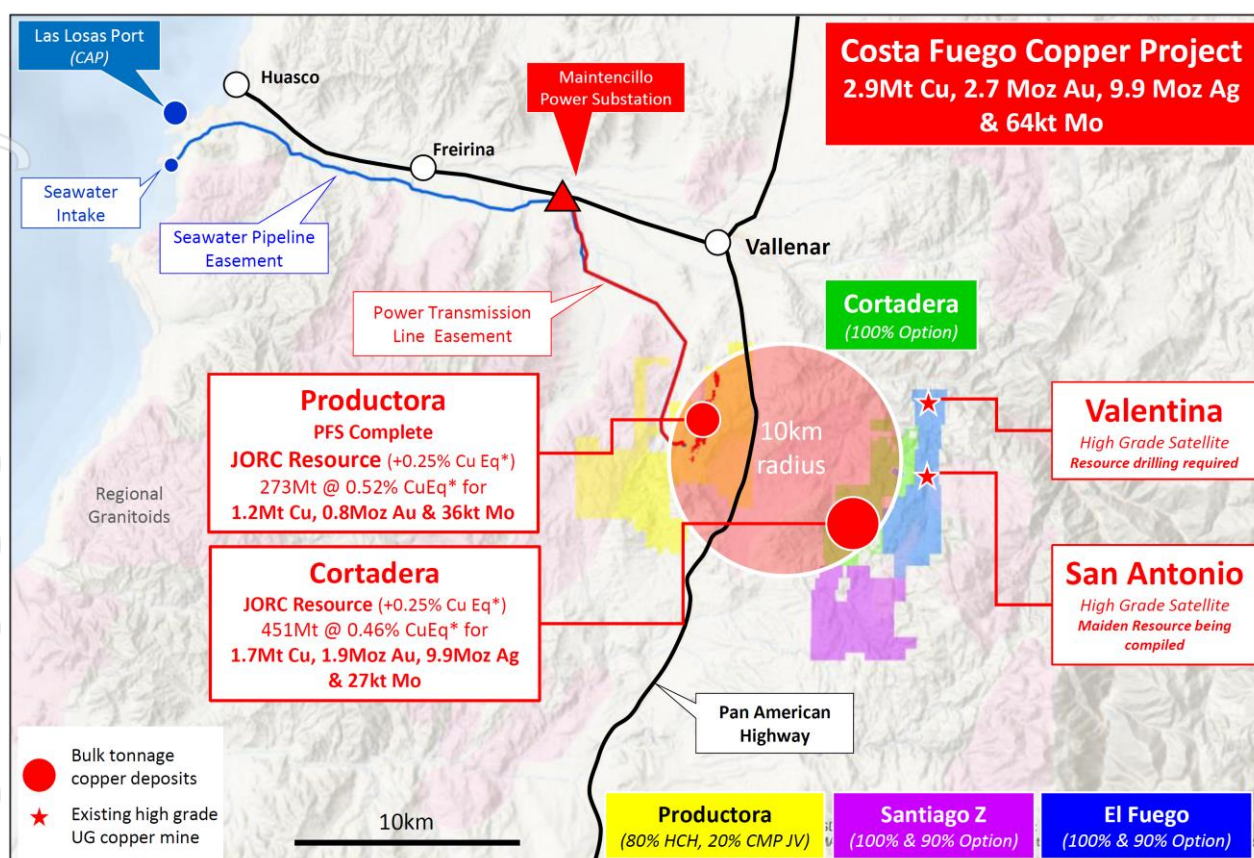


Figure 3. Location of Productora and the Cortadera discovery in relation to the coastal range infrastructure of Hot Chili's combined Costa Fuego copper project, located 600km north of Santiago in Chile.

Refer to ASX Announcement "Costa Fuego Becomes a Leading Global Copper Project" (12th October 2020) for JORC Table 1 information related to the Cortadera JORC compliant Mineral Resource estimate by Wood and the Productora re-stated JORC compliant Mineral Resource estimate by AMC Consultants

* Copper Equivalent (CuEq) reported for the resource were calculated using the following formula: $CuEq\% = ((Cu\% \times Cu \text{ price } 1\% \text{ per tonne} \times Cu_recovery) + (Mo \text{ ppm} \times Mo \text{ price per g/t} \times Mo_recovery) + (Au \text{ ppm} \times Au \text{ price per g/t} \times Au_recovery) + (Ag \text{ ppm} \times Ag \text{ price per g/t} \times Ag_recovery)) / (Cu \text{ price } 1\% \text{ per tonne})$. The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%. For Costa Fuego (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=51%, Mo=67% and Ag=23%.

** Reported on a 100% Basis - combining Cortadera and Productora Mineral Resources using a +0.25% CuEq reporting cut-off grade

Qualifying Statements

Independent JORC Code Costa Fuego Combined Mineral Resource (Reported 12th October 2020)

Costa Fuego Combined Resource			Grade					Contained Metal				
Deposit	Classification (+0.25% CuEq*)	Tonnage (Mt)	CuEq (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Cortadera	Indicated	183	0.49	0.40	0.15	0.7	43	905,000	728,000	889,000	4,227,000	7,900
	Inferred	267	0.44	0.35	0.12	0.7	73	1,181,000	935,000	1,022,000	5,633,000	19,400
	Sub Total	451	0.46	0.37	0.13	0.7	61	2,086,000	1,663,000	1,911,000	9,860,000	27,300
Productora	Indicated	208	0.54	0.46	0.10		140	1,122,000	960,000	643,000	-	29,200
	Inferred	67	0.44	0.38	0.08		109	295,000	255,000	167,000	-	7,200
	Sub Total	273	0.52	0.44	0.09		133	1,417,000	1,215,000	810,000	-	36,400
Costa Fuego (Combined)	Indicated	391	0.52	0.43	0.12		95	2,027,000	1,688,000	1,533,000	-	37,000
	Inferred	334	0.44	0.36	0.11		80	1,476,000	1,191,000	1,189,000	-	26,700
	Total	724	0.48	0.40	0.12	0.7**	88	3,503,000	2,879,000	2,722,000	9,860,000	63,700

Reported at or above 0.25% CuEq*. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with the JORC Code - Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Metal rounded to nearest thousand, or if less, to the nearest hundred. * * Copper Equivalent (CuEq) reported for the resource were calculated using the following formula:: $CuEq = ((Cu\% \times Cu \text{ price } 1\% \text{ per tonne} \times Cu_recovery) + (Mo \text{ ppm} \times Mo \text{ price per g/t} \times Mo_recovery) + (Au \text{ ppm} \times Au \text{ price per g/t} \times Au_recovery) + (Ag \text{ ppm} \times Ag \text{ price per g/t} \times Ag_recovery)) / (Cu \text{ price } 1\% \text{ per tonne})$. The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%. For Costa Fuego (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=51%, Mo=67% and Ag=23%.

** Note: Silver (Ag) is only present within the Cortadera Mineral Resource estimate

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- Productora Mineral Resources

The information in this Announcement that relates to the Productora Project Mineral Resources, is based on information compiled by Mr N Ingvar Kirchner. 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). Mr Kirchner has 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). Mr Kirchner consents to the inclusion in this report of the matters based on the source information in the form and context in which it appears.

Competent Person's Statement- Cortadera and Costa Fuego Mineral Resources

The information in this report that relates to Mineral Resources for the Cortadera and combined Costa Fuego Project is based on information compiled by Elizabeth Haren, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Elizabeth Haren is employed as an associate Principal Geologist of Wood, who was engaged by Hot Chili Limited. Elizabeth Haren has 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". Elizabeth Haren consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.



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Reporting of Copper Equivalent

Copper Equivalent (CuEq) reported for the resource were calculated using the following formula: $CuEq\% = ((Cu\% \times Cu \text{ price } 1\% \text{ per tonne} \times Cu_recovery) + (Mo \text{ ppm} \times Mo \text{ price per g/t} \times Mo_recovery) + (Au \text{ ppm} \times Au \text{ price per g/t} \times Au_recovery) + (Ag \text{ ppm} \times Ag \text{ price per g/t} \times Ag_recovery)) / (Cu \text{ price } 1\% \text{ per tonne})$. The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%. For Costa Fuego (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=51%, Mo=67% and Ag=23%.

Forward Looking Statements

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