

Hot Chili Limited

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Wednesday 15th August 2018

Copper finds are drying up

Hot Chili (ASX:HCH) is pleased to provide a copy of an article recently published in the Mining Journal.

The article outlines new research from S&P Global Market Intelligence which shows that copper discovery rates have plummeted, despite a huge increase in exploration expenditure.

S&P warned that lead times for copper from discovery to production were around 20 years, implying that reduced discovery rates of the past decade will limit the pool of projects that could come online in 15 to 20 years.

Unless discovery rates begin an upswing in the near future, there could be a lack of quality assets available for development in the longer term.

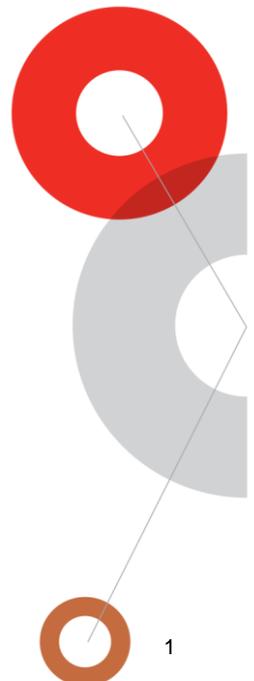
This bodes well for Hot Chili's pipeline of Chilean coastal range copper projects, with Productora at an advanced development stage, and the El Fuego project at an advanced exploration stage with a maiden resource on the horizon.

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Mining Journal

Copper finds are drying up

New research from S&P Global Market Intelligence shows that copper discovery rates plummeted, despite a huge increase in exploration expenditure.

Copper > Research

14 August 2018

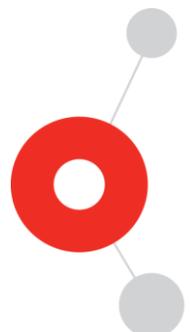
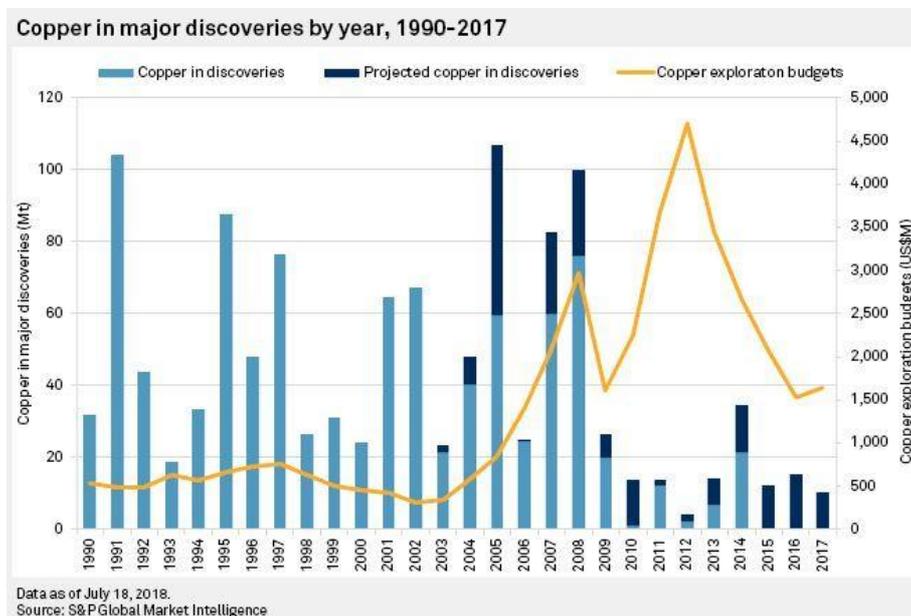
Staff Reporter

Following a similar report on gold in May, S&P's research found that copper exploration expenditure over the past decade was US\$26.6 billion - peaking in 2012 at a record \$4.7 billion.

Spending over the past 10 years is more than double the \$12.4 billion spent over the preceding 18 years.

Despite the increased expenditure, only 140 million tonnes of copper has been defined in around 29 discoveries over the past 10 years - and almost two thirds is contained across four major deposits: Pampa Escondida, the Kamoia and Kakula deposits, and Los Helados.

That compares with 862.8Mt across 191 discoveries in between 1990 and 2008.





S&P has defined a discovery as a deposit containing more than 500,000 tonnes of copper in resources and/or reserves.

Expenditure in 2016 slumped to pre-boom 2006 levels, but has been on the rise since then.

Alarmingly, there have been no new discoveries since 2014.

S&P senior research analyst Kevin Murphy said the increased budgets had so far failed to identify more new discoveries.

"We forecast that the copper in major discoveries will likely only increase to about 245Mt over the next decade," he said.

"However, we expect the copper production pipeline will remain robust, with additional new capacity expected to maintain production above 2017 levels through 2020 at least."

S&P said the shift in focus to brownfields exploration was likely to blame for the declining discovery rates.

The 1990s was the heyday for copper discovery rates.

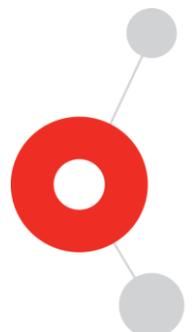
Of the 220 major discoveries in the past 28 years, 106 were made in the 1990s and contain half of the discovered copper.

Latin America - mainly Chile and Peru - hosts around half of the discovered copper since 1990.

Between 1990 and 2017, Chile accounted for 35.1% of all copper found, followed by Peru (11%), the US (8.7%), and the Democratic Republic of Congo (6%).

Australia accounted for just 2.6% of all copper found over that period.

S&P warned that lead times for copper from discovery to production were around 20 years.



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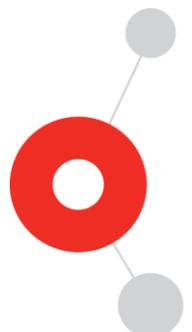
"This timeline implies that the reduced discovery rates of the past decade will limit the pool of projects that could come online in 15 to 20 years," it said.

"Unless discovery rates begin an upswing in the near future, there could be a lack of quality assets available for development in the longer term."

A May report from S&P showed that copper output from the top 15 producers fell quarter-on-quarter in March.

The International Copper Study Group is forecasting 2018 copper production to rise by around 3% and be flat next year.

The group is forecasting a 40,000t surplus this year before the market moves to a deficit of 330,000t next year.



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Forward Looking Statements

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