

Hot Chili Limited

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Friday 23rd March 2018

The West Business News Article Outlines EverBlu Research on HCH

Hot Chili Limited (ASX Code: HCH) is pleased to provide a copy of an article published in The West Australian Business News on 22nd March 2018.

The news article details research released this week by respected Sydney Investment bank EverBlu Capital, outlining key themes of the research.

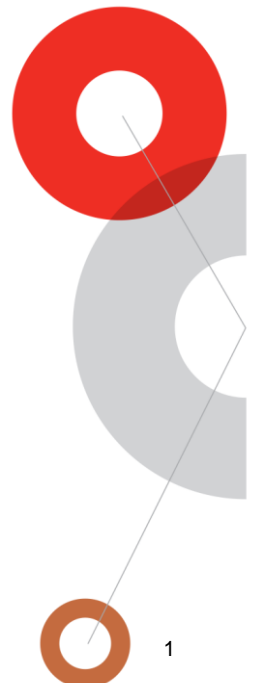
It outlines EverBlu's target price of A\$0.21, which represents a 500% increase on Hot Chili's current share price, and also notes EverBlu's predicted price of circa A0.64 in a strong market.

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NSW investment bank sets 500% price target for Hot Chili

Matt Birney, ASX-listed company news as it happens

Thursday, 22 March 2018 6:48AM



A new research report on aspiring copper producer Hot Chili has set a share price target for the ASX listed junior that is 500% above its recently traded price.

Respected Sydney Investment bank and research house EverBlu Capital released a research report this week with a “conservative” price target for Hot Chili of 21 cents, based on the numbers in Hot Chili’s pre-feasibility study for the Productora copper project in Chile.

The price target is based on a copper price of US\$3.00 per pound which is now a reality after the copper price spent some years in the cellar.

EverBlu’s price for Hot Chili represents a whopping 500% increase on the company’s recent market price of 3.5 cents.

Of note is Everblu’s view that Hot Chili’s shares could even be worth as much as 64 cents a share in a strong market.

The report shines a spotlight on Hot Chili who has largely flown under the radar due to the depressed copper price since producing a PFS on its bulk tonnage porphyry project in March 2016.





Whilst the PFS produced robust numbers for an 11-year mine averaging 57,000 tonnes of copper and 22,000 ounces of gold a year, Hot Chili has been looking at various options to enhance the project's economics.

Last year it began a number of strategic acquisitions of regional, high-grade ore bodies within trucking distance of Productora, including the San Antonio and Valentina projects that contain small scale 'family' mines that have been mined in a small way for generations without any modern, large scale exploratory work taking place.

Exciting early results from evaluation of these new deposits, particularly at San Antonio, have suggested they could be transformational for Productora.

This was highlighted in the EverBlu Capital report, which modelled the financial impact of blending high-grade ore with Productora's reserves to boost the average milled grade from 0.43% to 0.6% copper.

Assuming US\$60 million in capital costs to develop the satellite deposits and a production cost of US\$40/tonne, EverBlu concluded the NPV of Hot Chili's 80% stake in Productora would jump by almost 160% from US\$195 million to US\$505 million.

The report also highlighted a number of other scenarios that could generate a massive lift in the value of Productora, which is highly leveraged to increases in copper prices and an extension of the mine life.

The first scenario is an increase in the copper price from US\$3 to US\$3.50 per pound. Prices at these levels may not be out of the question given disruptions to supply last year and unexpectedly strong demand from China, which led to copper prices hiking to US\$3.30 by year end.

Applying US\$3.50 per pound to the PFS base case of an initial 11-year mine life with an average milled grade of 0.43% boosted the value of Hot Chili's interest in Productora from US\$195 million to US\$453 million.

Another scenario is an increase in the mine life to 20 years at \$US3.50 per pound of copper, which would lift the value of Hot Chili's stake even further to US\$893 million according to EverBlu

Perhaps the ultimate, albeit still highly plausible scenario is a 20-year mine life at US\$3.50 per pound copper with blended ore from satellite deposits, which would lift the NPV value again to a massive US\$1,468 million.

Given that none of these things need to happen for Hot Chili to still have a price target that is 500% higher than its recent market price, EverBlu's report has clearly given investors a lot to think about when it comes to Hot Chili.



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Forward Looking Statements

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