

Hot Chili Limited

Mining - Copper

BUY

HCH A\$0.038 TARGET PRICE A\$0.21

Hot Chili Limited (HCH) is an Australian company, advanced in developing its flagship Productora Copper Project on the coastal range in Chile. HCH is partnered with Chile's largest iron ore miner, Minera del Pacifico S.A. (CMP). Optionality has been added to Productora by the examination of an increase in project life by increasing reserves as well as the possible addition of a high grade ore blend from the El Fuego Copper Project. We value the company conservatively at AUD0.21 on a fully diluted basis, whilst we believe that a market capitalisation of AUD596M is achievable in a strong copper market.

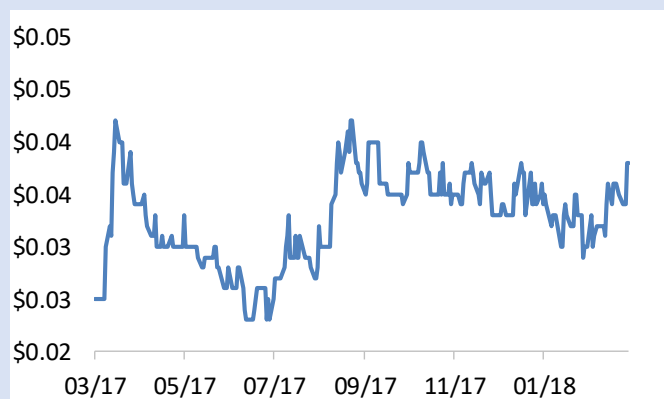
Company Data

Number of Shares	596.4 M
Market Capitalisation	\$22.7 M
Number of Shares (Fully Diluted)	937.5 M
Market Capitalisation (Fully Diluted)	\$35.6 M
Free float (%)	N/A
12-month high/low	\$0.042/\$0.023
Average Daily Turnover (\$m)	0.0008
% S&P/ASX200	N/A
DDM Ranking	N/A
% All Ordinaries	N/A

GICS Industry Group Non-Energy Minerals

Source: FactSet, EverBlu Capital

Share Price Performance



Source: FactSet

Production Options Add Attraction And Resilience

Productora Remains Principal Asset

- HCH has completed a PFS on the Productora Copper Project which outlines a 10 year open pit mine life with the first eight years forecast to produce 66kt of copper metal and 25koz of gold annually, at a strip ratio of 2.7:1;
- Pre-production capital costs are expected to be in the region of USD725M and production is forecast at a competitive C1 cost of USD1.47/lb Cu (including credits and a C3 cost of USD2.28/lb);
- Resources are reported at 236Mt @0.48% Cu, 0.10g/t Au and 135ppm Mo. Reserves, used to calculate mine life in the PFS, stand at 167Mt @ 0.43% Cu, 0.09g/t Au and 138ppm Mo;
- Both oxide ore and sulphide ore will be treated through heap leach and a concentrator respectively;
- At a combined average annual rate of 18Mt producing 6.2kt cathode and 211kt concentrate on average yearly; and
- We expect that further drilling will be able to add to both resources and reserves to the bulk porphyry deposit, enabling a significant increase in project life.

El Fuego Project Increases Options

- The recently secured Lulu, San Antonio and Valentina high grade satellite copper deposits provide critical mass for the expansion of Productora into a higher margin and larger scale copper operating centre. These areas have been consolidated into the El Fuego Copper Project:
 - San Antonio consists of a high grade underground mine with recent production returning grades of 5.2% copper from near-surface. Identified anomalies are also considered to have significant potential to host repetitions over a prospective corridor;
 - Valentina contains an operating high grade underground copper mine with several significant historical drilling intersections which have not been effectively followed up; and
 - Lulu represents the direct extension of one of the regions highest grade substantial underground mines with no modern exploration.

Copper Market Tightening

- The copper market continues to overshoot analysts' forecasts;
- Copper exceeded expectations in 2017 as demand proved stronger than expected, while supply suffered some major disruptions;
- LE copper prices were up 31% over 2017 reaching USD7313/t/t on 28 December;
- There were some surprises on the supply side. Early in 2017, two of the biggest copper mines, Escondida in Chile and Grasberg in Indonesia both experienced prolonged disruptions, while other producers also suffered cutbacks due to declining ore grades and weather factors;
- Copper demand, especially from China, turned out to be better than expected in 2017;
- China's housing market proved resilient, while global economic growth also strengthened over the year;
- Chinese demand growth is expected continue to be slow but stable, while the pickup in global activity should support copper demand; and
- Although downside risks remain around China's property market outlook, continued caution around supply disruptions are expected to see the market deficit widen in 2018, continuing support for current copper prices.

Company Background

Productora is the flagship project

In March 2016 HCH completed a PFS on the Productora Copper Project. Studies centred on open-pit mining of Productora via two large sulphide open pits and five smaller oxide open pits. Processing utilised conventional technology for a 14Mtpa sulphide concentrator and a 3.3Mtpa heap leach and Solvent Exchange and Electro-Winning (SX-EW) circuit.

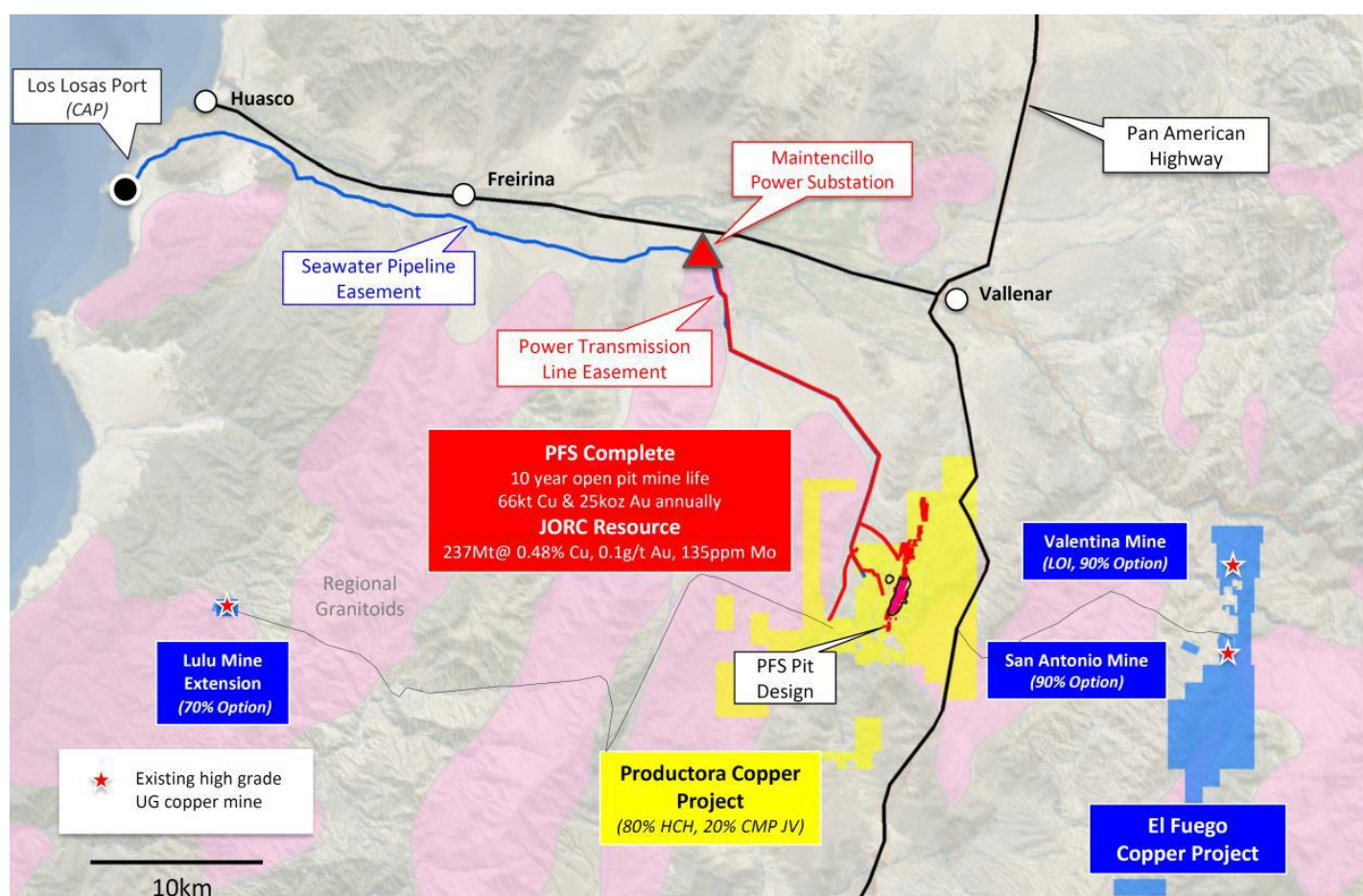
The project is considered cost competitive when compared to global copper producers with C1 cash costs of US\$1.47/lb paid metal (including credits) and C3 cash costs of US\$2.28/lb paid metal (including credits).

El Fuego provides exciting enhancement and development options

HCH will also control options over three landholding positions (San Antonio, Valentina and Lulu) which make up the El Fuego Project and contain or are adjacent to three substantial high grade underground copper mines - all of which lie within close development distance of Productora. The options will enable HCH to acquire up to 90% holding in the El Fuego Project with additional 100% owned adjacent exploration applications.

El Fuego offers HCH the opportunity to test – and if successful - establish a significant high grade copper resource inventory from copper mines which have been family owned for generations and not previously subjected to modern exploration or resource definition.

FIGURE 1: HCH PROJECTS



Source: Company Reports

Valuation & Price Target

Summary

HCH has been on both a conservative basis as well as a strong market situation. The assumptions and forecasts used are detailed in the different scenarios presented later in this section. We would value HCH conservatively at AUD197M or AUD0.21. A strong market valuation could reach or even exceed AUD596M.

We have converted all the notes into shares at AUD0.033. This would create an extra 341.1M shares, increasing the current number of shares to a fully diluted 937.5M. The valuation assumes HCH 80% ownership and 937.5M shares on issue.

FIGURE 2: VALUATION OF PRODUCTORA – HCH 80% OWNERSHIP (937.5M SHARES ON ISSUE)

	Value (USDM)	Value (AUDM)	Value (AUDps)
Conservative Valuation	156	197	0.21
Strong Market Valuation	471	596	0.64

Source: Company Reports, EverBlu Estimates

Valuation Scenarios

We have used the following assumptions in the calculation of our base case scenario for 100% of the Productora Copper Project in US dollar terms. All our scenarios assume an average production rate as stipulated in the table using different copper prices and discount rates. The gold and molybdenum prices have been kept constant. Scenario 5 has been included to give an indication of what valuation we could expect should commodities in general, and copper in particular, enter favourable pricing conditions.

FIGURE 3: MAJOR ASSUMPTIONS – BASE CASE

Item	Assumption
Ownership	80%
Project Life	11 years (incl ramp up)
Project Construction	2 years
First Production	Year 3
Mining Method	Open Cut Mining
Tonnage Mined (peak)	89Mtpa
Ave Ore Processed	17Mtpa
Cu Price	USD3.00/lb
Mo Price	USD14.00/lb
Au Price	USD1250/oz
Total Cash Cost	USD1.68/lb excl by-product credits
Capital Expenditure	USD725M
Maintenance Capital	USD13M/a
Average Grade Cu	0.43%
Average Grade Mo	0.01%
Average Grade Au	0.1g/t
Cu Recovery - Sulphide	86%
Ave Cu Payability	97%
Royalty	2% on Cu and Mo and 4% on Au (applies only to

Uranio 1/70 tenement - 30 year lease from
Comisión Chilena de Energia Nuclear- CCHEN)

Tax Rate	27%
Average Cu Production	57kt/a
Average Mo Production	1kt/a
Average Au Production	22koz/a

Source: Company Reports, EverBlu Estimates

Scenario 1 - Base Case

In our base case scenario we have used the parameters included in our table above. Most operational parameters used originate from the Productora Project PFS completed in March 2016. The table below reflects the NPV's of the project at different discount rates and copper prices. Our conservative estimate for Productora is USD195M. Attributable valuation to HCH is assumed at 80% resulting in a valuation of USD156M or AUD197M.

FIGURE 4: PRODUCTORA DCF VALUATION (USDM) SCENARIO 1
11 YEAR LOM, CU GRADE 0.43%

Copper Price (USD/lb)	3.00	3.50	4.00
Discount Rates (%)			
5.0%	336	645	954
7.5%	195	453	711
10.0%	86	303	521

Attributable value to HCH is estimated
at USD156M or AUD197M at an
exchange rate of AUDUSD=0.79

Source: Company Reports, EverBlu Estimates

Scenario 2 - Bulk Tonnage Extension

It is believed that further drilling on Productora could increase the resources and reserves leading to an improvement in the bulk tonnage mine life. The following table reflects the increases in NPV if the project was able to increase its life to 20 years at the same throughput and grade.

FIGURE 5: PRODUCTORA DCF VALUATION (USDM) SCENARIO 1
20 YEAR LOM, CU GRADE 0.43%

Copper Price (USD/lb)	3.00	3.50	4.00
Discount Rates (%)			
5.0%	830	1 317	1 804
7.5%	518	893	1 267
10.0%	300	595	890

Source: Company Reports, EverBlu Estimates

Scenario 3 - High Grade Blend

The Valentina and San Antonio mines have given indications that the bulk feed to the sulphide plant could possibly be sweetened by the higher grade ore available. In Scenario 3 we have assumed that around 10% of the sulphide ore feed (around 14Mtpa) could be supplemented by underground feed from one of abovementioned mines. In this scenario we have investigated the effect of blending 1.4Mtpa at a grade of 2.5% into the plant feed. This would result in overall copper grade being raised to 0.6% from 0.43%. We have ignored increased gold grades and have assumed a capex cost of USD60m to develop the

underground mine and a production cost of USD40/t inclusive of ongoing capital requirements.

The next table gives a reflection if the overall grade was able to be increased by a high grade blend as mentioned above for the full life of the project of 11 years.

FIGURE 6: PRODUCTORA DCF VALUATION (USDM) SCENARIO 3
11 YEAR LOM, CU GRADE 0.6%

Copper Price (USD/lb)	3.00	3.50	4.00
Discount Rates (%)			
5.0%	700	1 138	1 570
7.5%	505	865	1 225
10.0%	347	650	953

Source: Company Reports, EverBlu Estimates

Scenario 4 - Bulk Extension & High Grade Blend

Scenario 4 includes the bulk extension to 20 years LOM as well as incorporating a high grade blended feed for the duration.

The subsequent table gives an indication of the upside available should HCH be successful in implementing its strategy.

FIGURE 7: PRODUCTORA DCF VALUATION (USDM) SCENARIO 4
20 YEAR LOM, CU GRADE 0.6%

Copper Price (USD/lb)	3.00	3.50	4.00
Discount Rates (%)			
5.0%	1 379	2 059	2 739
7.5%	945	1 468	1 990
10.0%	639	1 051	1 462

Source: Company Reports, EverBlu Estimates

Scenario 5 – Strong Copper Market Scenario

If copper were to enter favourable pricing conditions we believe that the copper price forecasts used in the model would go up to at least USD3.50/lb.

Furthermore, we would expect that the scenarios investigated above would be factored into the valuation in some fashion. Using a 7.5% discount rate, The table below gives an indication of this increase in valuation of the entire Productora Project.

FIGURE 8: PRODUCTORA DCF VALUATION (USDM) SCENARIO 5
7.5% DISCOUNT RATE AND USD3.50/LB CU

Copper Price (USD/lb)	Factor (%)	3.50	Valuation
Scenario 1	75%	453	340
Scenario 2	10%	893	89
Scenario 3	10%	865	87
Scenario 4	5%	1 468	73
Total	100%		589

Attributable value to HCH is estimated at USD471M or AUD596M at an exchange rate of AUDUSD=0.79

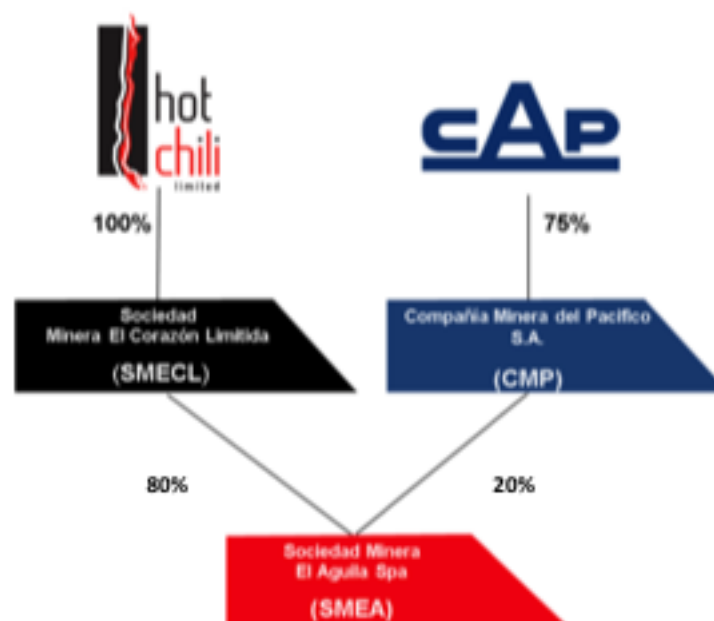
Source: Company Reports, EverBlu Estimates

Productora Project (80%)

Background

The Productora Project is 100% owned by a Chilean incorporated company named Sociedad Minera El Aguila SpA (SMEA). SMEA is a Joint Venture company, 80% owned by Sociedad Minera El Corazón Limitada (a 100% subsidiary of HCH), and 20% owned by CMP Productora (a 100% subsidiary of Compañía Minera del Pacífico S.A (CMP). The latter has an option to increase its stake to 50.1% in the joint venture, following the completion of the project's definitive feasibility study (DFS).

FIGURE 9: PRODUCTORA JV SHARE HOLDING



Source: Company Reports

The Project is located approximately 17km south of the regional township of Vallenar, within the coastal range of region III, and approximately 600km north of Santiago, Chile, the world's biggest copper producer.

The pre-feasibility study (PFS) for the project was completed in March 2016, which estimated that the mine will require a construction period of two years and have an estimated mine life of 12 years. The overall investment to bring the mine into production is estimated to be approximately \$725m.

Geology & Reserves

The property hosts a thick volcano-sedimentary sequence of intermediate to felsic volcanic rocks and intercalated sedimentary rocks of the lower Cretaceous Bandurrias Group, intruded by dioritic dykes.

Copper-gold-molybdenum mineralisation is hosted within tectonic breccia zones, whereas copper mineralisation at the Alice deposit is hosted within a single porphyry-style copper deposit.

As of March 2016, the property was estimated to hold probable reserves of 166.9Mt grading 0.43% Cu, 0.09g/t Au and 138ppm Mo, and containing 0.72Mt of copper, 0.47Moz of gold and 23kt of molybdenum.

The combined indicated and inferred resources were estimated to be 236.6Mt

19 March 2018

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grading 0.48% Cu, 0.10g/t Au and 135ppm Mo, and containing 1.13Mt of copper, 0.73Moz of gold and 32kt of molybdenum.

Success from the porphyry copper drill program would materially change the nature and scale of the project as both life extension and expansion opportunities can be investigated.

Infrastructure

The project will not require the construction of accommodation facilities at on-site, as the workforce will be stationed at the neighbouring townships of Vallenar and La Serena.

The electricity required will be sourced from the 220kV Maintencillo substation and supplied to the new substation at the project site via a 25km-long transmission line.

The required water will be sourced from the sea coast via an approximately 62km-long underground steel pipeline. An intake pump station at the coast, and a seawater transfer pump station and water storage pond at the project site will be constructed.

The project will further involve the upgrade of the Las Losas Port in Huasco Bay, located approximately 40km from the project site, construction of a tailings storage facility and waste dumps, and access roads from the Pan American Highway and the Maintencillo substation.

An existing aerodrome, located approximately 3km south of Vallenar, is also an added advantage.

FIGURE 10: PROJECT LOCATION AND INFRASTRUCTURE



Source: Company Reports

Mining & Processing

The mining method envisaged for the project is open-pit, incorporating drill and blast, and load and haul operations, carried out by contractors. This will involve the development of the Main Productora pit, the Alice pit, and five minor oxide pits located to the north and south of the former. The peak mining rate is expected to be 89Mtpa, incorporating 21.6Mtpa sulphide ore and 6.4Mtpa oxide ore.

The project will involve the construction of a sulphide treatment plant integrating

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a conventional bulk flotation copper sulphide concentrator to produce copper-gold and molybdenum concentrates. Ore processing capacity is expected to be about 14.7Mtpa sulphide ore.

An oxide treatment plant will also be constructed to produce approximately 6kt per year of copper cathode by processing approximately 3.3Mtpa of oxide ore. The facility will be equipped with a conventional crushing circuit / agglomeration circuit / heap leach circuit, as well as a solvent exchange – electro winning (SX-EW) circuit.

Annual production from the project is estimated to average approximately 56kt of copper and 22koz of gold.

El Fuego Project

Background

HCH recently announced the formation of a new consolidated high grade coastal copper project in Chile. The El Fuego copper project comprises the collective landholdings across three high grade areas which account for a significant portion of sulphide copper mine production in the Vallenar region. These are:

- San Antonio
- Lulu
- Valentina

HCH's current exploration efforts have been focussed across key areas of the El Fuego copper project extending between San Antonio and Valentina.

San Antonio (90%)

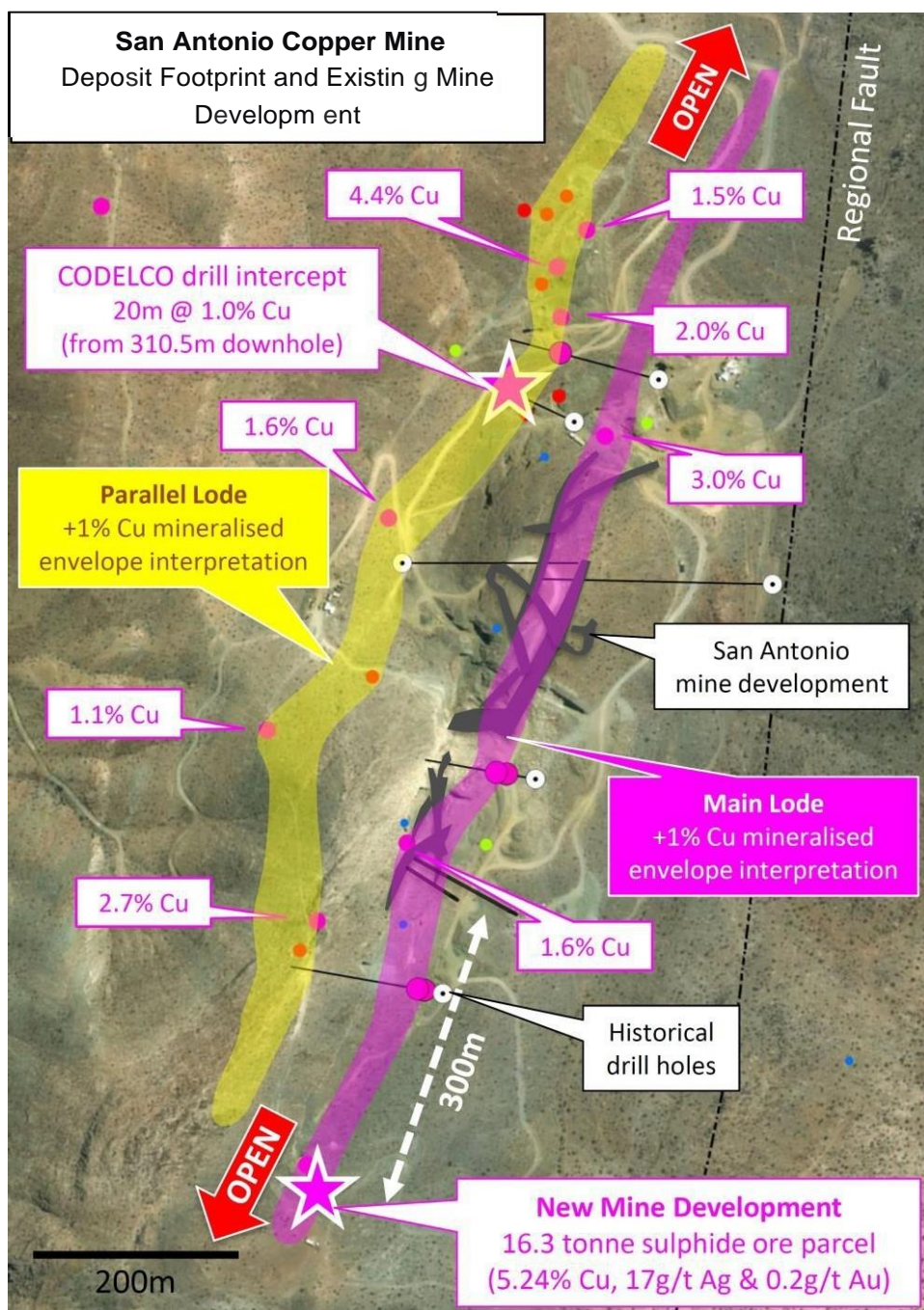
San Antonio covers an area of approximately 10km by 4km, and lies 20km due east of Productora and is rapidly becoming the major area of focus as exploration is indicating a large scale deposit setting.

The San Antonio underground mine has a strike extent of ~200m, and reportedly produced 2Mt grading 2.0% copper, 0.3g/t gold and up to 15g/t silver (from surface to 130m vertical depth), these identified anomalies are considered to have significant potential to host multiple San Antonio style repetitions over a prospective corridor which extends over 4km. Results returned from preliminary surface sampling have confirmed the presence of a "Parallel Lode", first identified in CODELCO drilling, which intersected 20m grading 1.0% copper from 310.5m downhole.

A number of recent developments appear to confirm a larger scale play.

- Over the past few months small-scale underground lease mining production has recorded grades ranging between 2.1% and 4.3% Cu, with high grade copper ore (chalcopyrite and bournite) being exploited from a 20 metre wide zone, located in the upper levels (from near surface) of the northern extent of the San Antonio mine
- Lease miners have also extracted a high-grade certified ore parcel approximately 300m south of the existing San Antonio copper mine measuring 16.3t @ 5.24% Cu, 17g/t Ag and 0.2g/t Au and was processed through the nearby state-run Empresa Nacional de Minería (ENAMI) copper processing facility located in the township of Vallenar. The ore was reportedly extracted over a 2m true width from a depth of 12m to 15m below surface, confirming the presence of shallow high grade copper over 1km in strike length.
- Recently completed in-fill soil geochemical programme has refined the presence of several large-scale copper anomalies immediately south of the San Antonio mine area. The main mineralised trend (already confirmed over 1km in strike extent) appears to be one of several +1km anomalies located in favourable host stratigraphy within El Fuego
- High grade surface rock chip results up to 4.43% copper continue to be returned across the mine area and its extensions.
- Systematic exploration over the San Antonio mine area has revealed key deposit features indicative of a large-scale deposit setting, with recent mapping recognising porphyry copper mineralisation as a component of the dominantly diorite hosted deposit.

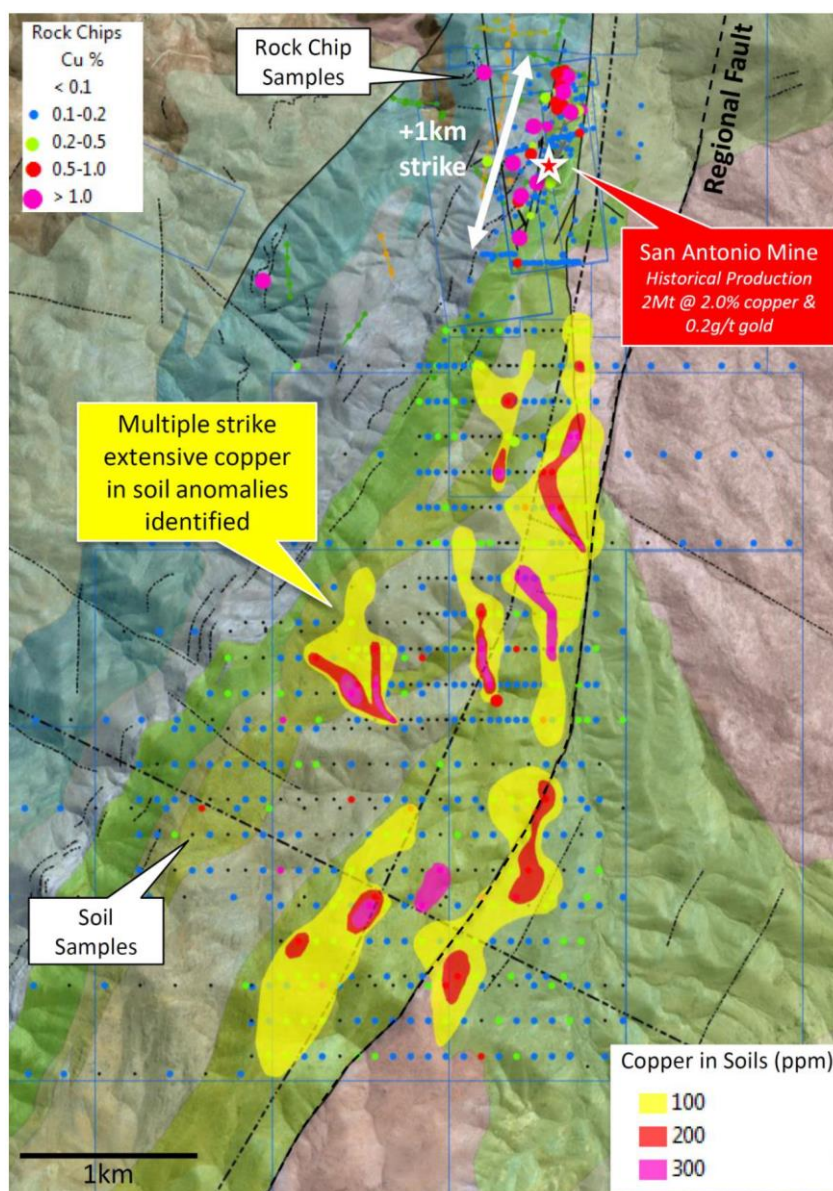
FIGURE 11: SAN ANTONIO COPPER MINE



Source: Company Reports

Close to 400 surface samples recently completed in conjunction with detailed mapping, is expected to be released in the coming weeks.

FIGURE 12: SAN ANTONIO LARGE-SCALE SOIL GEOCHEMICAL ANOMALIES



Source: Company Reports

Valentina (90%)

The Valentina landholding lies 5km north of the San Antonio copper-gold mine and 20km directly east of Productora in Region IV of Chile at low altitude (800m). Valentina contains an operating underground copper mine where sulphide ore is currently being transported to the nearby ENAMI processing facility for treatment. Surface and underground mine development at Valentina extends over a strike length of over 200m. Valentina comprises 2 exploitation leases covering an area of 100ha. HCH has added a further 600ha by securing 3 new exploration lease applications immediately surrounding the Valentina landholding. These new leases are 100% held by HCH.

Historical certified mine production data indicates that the small-scale Valentina underground mine extracted sulphide ore parcels with grades ranging between 3.4% and 4.8% copper (weighted average grade of 4.0% copper) in 1997.

Surface mapping and sampling by HCH's exploration team has confirmed that the zone of copper mineralisation at Valentina extends a further 500m north. Shallow gravel cover masks further potential south of the existing mine.

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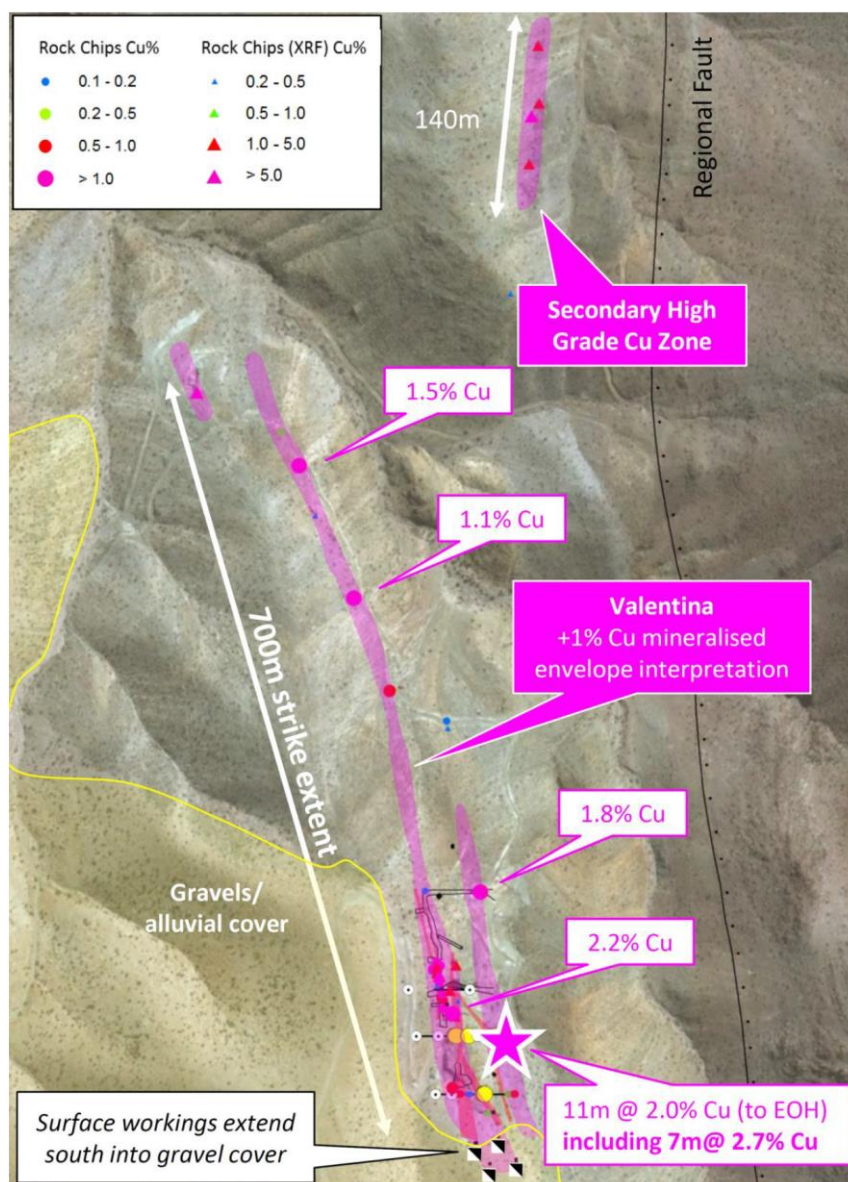
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Valentina comprises 2 exploitation leases covering an area of 100ha. HCH has added a further 600ha by securing 3 new exploration lease applications immediately surrounding the Valentina landholding. These new leases are 100% held by HCH.

Very little modern exploration has been undertaken over the project with only 7 historical drill holes completed over the southern extent of the mine area. Significant drill intersections were recorded including 11m grading 2.0% copper from 120m down-hole to end-of-hole (including 7m grading 2.7% copper) and 3m grading 3.4% copper from 27m down-hole.

Assay results from recently completed detailed mapping and sampling are expected to be returned shortly.

FIGURE 13: VALENTINA LAND HOLDING AND SIGNIFICANT RESULTS



Source: Company Reports

Lulu (70%)

The Lulu copper-gold project lies 30km directly west of Productora 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.

Lulu represents the direct extension of one of the regions highest grade and 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. Surface mapping and sampling has confirmed an outcropping 800m direct extension to the mine

Lulu has never been subjected to modern exploration and has never been drill tested, a legacy of private ownership for over 50 years prior to the execution of a formal agreement with HCH. Preliminary surface results have been returned from the project confirming significant shallow, high grade, copper and gold resource potential, with rock chip samples returning grades of up to 2.8% copper and 3.9g/t gold. Surface mapping and sampling has confirmed an outcropping 800m direct extension of the adjacent mine.

Copper mineralisation at Lulu is hosted within a moderately (60 - 70°) southwest dipping carbonate vein which varies in width between 0.7m and 4.1m where observed. Evidence of small-scale surface workings can be observed across the Lulu project landholding.

Board And Management

Board

Murray Edward Black - Non-Executive Chairman

Mr Black has over 35 years experience in the mineral exploration and mining industry and has served as an executive director and chairman for several listed Australian exploration and mining companies. He part-owns and manages a substantial private Australian drilling business, has interests in several commercial developments and has significant experience in capital financing.

Christian Ervin Easterday - Managing Director

Mr Easterday is a geologist with over 20 years experience in the mineral exploration and mining industry. He holds an honours degree in geology from the University of Western Australia, a masters degree in Mineral Economics from Curtin University of Technology and a masters degree in Business Administration from Curtin's Graduate School of Business. Mr Easterday has held several senior positions and exploration management roles with top-tier gold companies including Placer Dome, Hill 50 Gold and Harmony Gold, specialising in structural geology, resource development and mineral economic valuation. For the past eight years, Mr Easterday has been involved in various aspects of project negotiation. This work has involved negotiations and valuations covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a member of The Australian Institute of Geoscientists.

Dr Allan Trench - Non-Executive Director

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 25 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Allan holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts as independent director to a number of emerging resources companies, both in Australia and overseas.

Allan has previously worked with McKinsey & Company as a management consultant, with Woodside Petroleum in strategy development and with WMC both as a geophysicist and exploration manager. He is an Associate Consultant with international metals and mining advisory firm CRU Group and has contributed to the development of that company's uranium practice, having previously managed the CRU Group global copper research team.

Allan maintains academic links as an Adjunct Professor to the Western Australian School of Mines, Curtin University of Technology.

Michael Anderson - Non-Executive Director

Mr Anderson has 25 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and most recently and relevantly as Managing Director at Exco Resources Limited, where he successfully oversaw the funding and development of the White Dam Gold Project, and the completion of feasibility studies on the Company's Cloncurry Copper Project prior to its sale to Xstrata. He joined Taurus as a Director in August 2011 and is also a Non-Executive Director of ASX-listed Base Resources Ltd.

Roberto de Andraca Adriasola - Non-Executive Director

Mr. de Andraca is a business manager with 20 years' experience in the financial

and mining business. Over the last 4 years he has been working in the main Iron Ore and Steel Producer in Chile, CAP S.A and is currently the Vice President of Business Development overseeing infrastructure development and new business related to non-core assets. He is also overseeing the construction of the first desalination plant dedicated 100% to producing water for mining companies in the north of Chile. Mr. de Andraca has finance experience working at Chase Manhattan Bank, ABN Amro and Citigroup, working both in Chile and in New York and holds a MBA from the Adolfo Ibañez Business School of Chile. He is currently a director of Puerto Las Losas, a port in the Atacama Region of Chile.

Randall Nickson - Non-Executive Director

Mr. Nickson has more than 35 years of global experience in the mining industry, including 14 years based in Chile devoted to copper exploration. His career includes work across a range of base and precious metals, bulk commodities and energy. He holds an honours degree in Geological Engineering and a Masters degree in Business Administration.

Randall is currently engaged as an independent consultant to the exploration sector, specializing in business development, commercial advisory and business evaluations. Prior to that he spent 16 years with BHP, where he worked in a variety of senior technical, exploration management and business development roles while based in Chile, Brazil and Australia. He is a member of the Australasian Institute of Mining & Metallurgy and the Prospectors and Developers Association of Canada.

John Edward Sendziuk - Company Secretary

John Sendziuk is a Chartered Accountant and former partner of RSM Bird Cameron (now RSM Australia) with extensive experience in company secretarial, taxation and business advisory matters.

Mr Sendziuk is also the current company secretary for ASX-listed resources company, Great Boulder Resources, and has prior company secretarial experience with other ASX-listed companies.

Executive & Senior Management

Melanie Leighton - General Manager- Technical Services Group

Ms Leighton holds a degree in Geology from the University of Western Australia, is a Member of the Australian Institute of Geoscientists, and has greater than 17 years' experience within the mineral exploration industry. She has held project and senior geologist roles with several Australian listed companies including Hill 50 Gold and Terra Gold, gaining practical and management experience within the areas of exploration, mining and resource development.

Ms Leighton has extensive experience in exploration, mining, feasibility studies and resource development in a range of commodities and acts in a project/ technical management role for Hot Chili in regard to resource estimation, land management, systems development and data integration and stakeholder relations.

José Ignacio Silva - Country Manager & Chief Legal Counsel

Mr Silva gained his law degree at the University of Chile, and studied Masters in International Business Law at the University College London. He has more than 14 years' experience in litigation, commercial and mining law and business negotiations and in Tier 1 law firms in Chile. Mr Silva has also completed 2 years' work experience in London, UK in Financial Fraud at the Serious Fraud Office, where his team successfully prosecuted a high level case of corruption of foreign officials. Mr Silva has been working with Hot Chili since July 2009 and in 2011 became Chief Legal Counsel. He is responsible for mining rights acquisitions, mining consolidation, deal negotiations and business development among other things, working directly with the board of Hot Chili.

Major Shareholders

FIGURE 14: TOP SHAREHOLDERS

	Shareholder	Shares Held	
		M	%
1	Kalgoorlie Auto Service Pty Ltd & Blue Spec Group	108.0	18.1
2	Taurus Funds Management	74.6	12.5
3	CAP SA (Port Finance Ltd NV)	65.7	11.0
4	Exploration Capital Partners & Sprott	41.0	6.9
5	Megeve Fund	31.4	5.3

Source: Company Reports

Appendix 1

The Copper Market

Background

Copper is a malleable and ductile metallic element that is an excellent conductor of heat and electricity as well as being corrosion resistant and antimicrobial. Copper occurs naturally in the Earth's crust in a variety of forms. It can be found in sulfide deposits (as chalcopyrite, bornite, chalcocite, covellite), in carbonate deposits (as azurite and malachite), in silicate deposits (as chrysocolla and diopside) and as pure "native" copper.

Copper also occurs naturally in humans, animals and plants. Organic life forms have evolved in an environment containing copper. As a nutrient and essential element, copper is vital to maintaining health. Life sustaining functions depend on copper.

Copper and copper-based alloys are used in a variety of applications that are necessary for a reasonable standard of living. Its continued production and use is essential for society's development. How society exploits and uses its resources, while ensuring that tomorrow's needs are not compromised, is an important factor in ensuring society's sustainable development.

Copper is one of the most recycled of all metals. It is our ability to recycle metals over and over again that makes them a material of choice. Recycled copper (also known as secondary copper) cannot be distinguished from primary copper (copper originating from ores), once reprocessed. Recycling copper extends the efficiency of use of the metal, results in energy savings and contributes to ensuring that we have a sustainable source of metal for future generations.

Prices

After falling from USD10,000/t in the heady days of 2010, the copper price appeared to stabilise at the USD4500/t level in 2016. Contrary to expectations the LME three-month copper price ended 2017 up 30.8% for the year having peaked at USD7,312.5/t on December 28. Concerns that up to 40% of global copper mine supply has the potential to be disrupted through labor contract negotiations sparked the December 2017 rally. Analysts at Barclays have tabled the approximate supply at risk at 7.8 million tonnes.

FIGURE 15: COPPER PRICE (USD/T)



Source: InfoMine

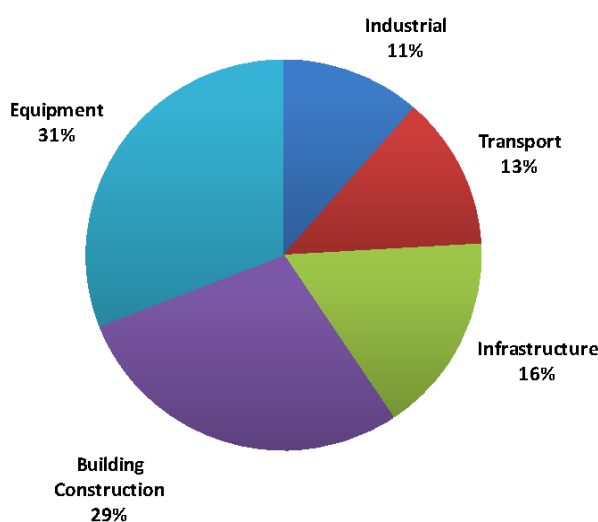
Demand

Copper is the best non-precious metal conductor of electricity as it encounters much less resistance compared with other commonly used metals. It sets the standard to which other conductors are compared. Copper is also used in power cables, either insulated or uninsulated, for high, medium and low voltage applications.

In addition, copper's exceptional strength, ductility and resistance to creeping and corrosion makes it the preferred and safest conductor for commercial and residential building wiring. Copper is an essential component of energy efficient generators, motors, transformers and renewable energy production systems.

Renewable energy sources such as solar, wind, geothermal, fuel cells and other technologies are all heavily reliant on copper due to its excellent conductivity

FIGURE 16: GLOBAL COPPER DEMAND BY END USE SECTOR (23.5MT)

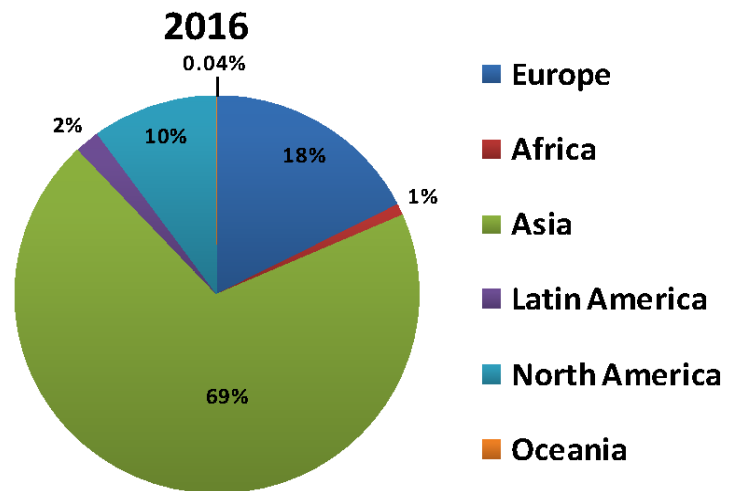


Source: ICSG

The key driver of copper use has been asia where demand has expanded almost eight-fold over the past four decades. Major uses of copper are:

- Electrical Equipment – essential component of energy efficient generators, motors, transformers and renewable energy production systems.
- Electronics and communications – data transmission.
- Construction – plumbing, fittings, architectural.
- Transportation – alloys, motors, connectors, hybrids etc
- Consumer – coins, computers, cookware.

FIGURE 17: REFINED COPPER USE BY REGION 2016 (23.5MT)



Source: ICSG

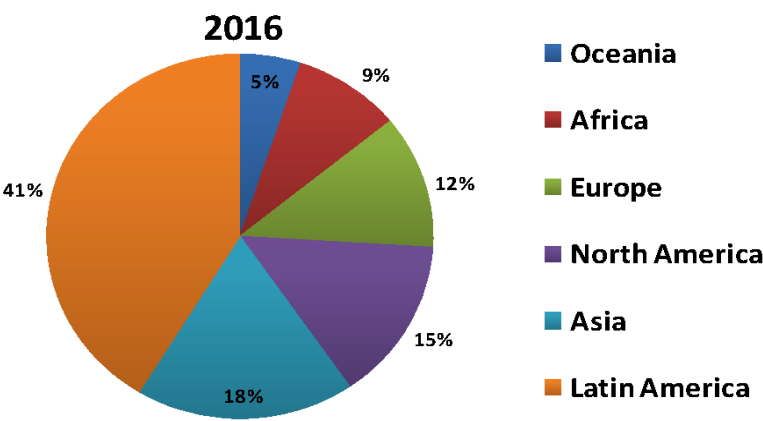
Supply

Some of the world's largest copper mines faced supply disruptions earlier in 2017, including a six week strike at Escondida, the world's biggest copper mine, and a ban on exports in Indonesia which saw Freeport's production and shipments fall. While these disruptions have been resolved and operations returned to normal, the ongoing dissatisfaction among workers over contract conditions (which were settled during a period of low prices and low profitability) could see them strike again. Weather is also a factor that could cause disruptions, given many of the mines are in areas prone to cyclones and flooding. Going forward, supply disruptions are likely to remain an ongoing issue. Companies seem to be getting better at managing worker demands, however, weather factors are harder to manage. While these risk factors are known and have been somewhat priced in, uncertainty about the extent of future disruptions could still have an impact on prices.

From less than 750kt copper in 1960, copper mine production in Latin America has increased to 8.3Mt in 2016, mostly from Chile, representing 41% of the global total. Chile accounted for almost one third of mine production in 2016 with 5.5Mt Cu. Asia has also exhibited significant growth. The regions share of global production has increased from 6% to 18% over the respective period whilst North Americas share has declined from 36% to 15%.

Latin America dominates mined supply

FIGURE 18: COPPER SUPPLY – MINE PRODUCTION BY REGION 2016 (20.2MT)



Source: ICSG

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EverBlu Capital provides research services to its client. Mr van der Wath is a Research Analyst and has over twenty eight years' experience in the financial services industry, particularly in financial analysis, research report writing and portfolio management as well as twelve years' practical mining experience as a Mining Engineer. Mr van der Wath joined the EverBlu team in 2016 where he has been involved in the research and publication of reports. Prior to this Mr Van der Wath worked at a number of financial entities where he held Director, Head of Research, Portfolio Manager and Analyst positions. Mr van der Wath holds a Bachelor of Science (Mining Engineering) and a Graduate Diploma in Engineering (Industrial) from the University of the Witwatersrand and a Bachelor of Commerce from the University of South Africa. He also holds Mine Manager's Certificates of Competency in both Metalliferous and Coal Mines.

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19 March 2018

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