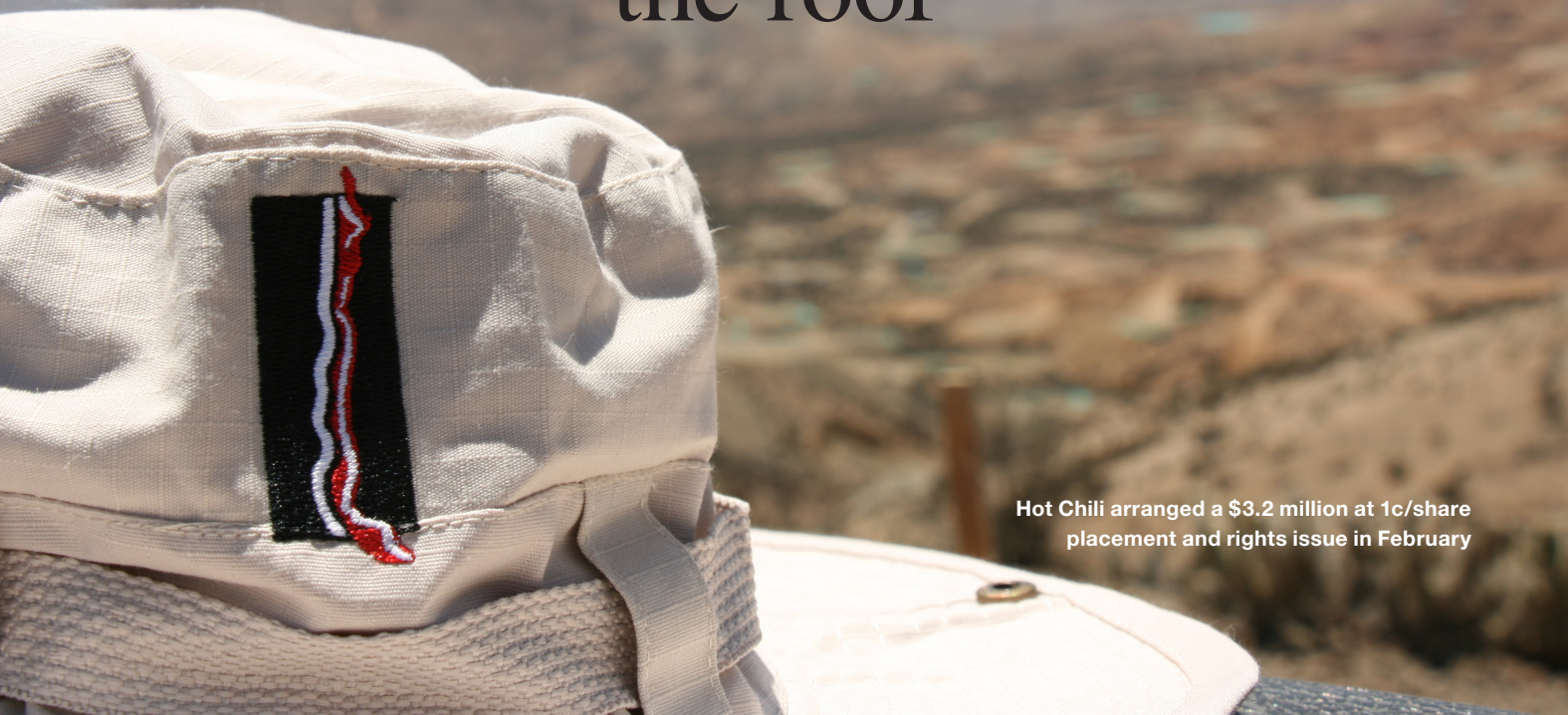


Hot Chili goes through the roof



Hot Chili arranged a \$3.2 million at 1c/share placement and rights issue in February

The market has reacted overwhelmingly in favour of Hot Chili Ltd's latest acquisition – Cortadera – in Chile.

Following execution of a binding MoU with private Chilean mining group SCM Carola to secure 100% of the Cortadera copper-gold porphyry project, Hot Chili was issued with a speeding ticket by the ASX to explain why its share price had rocketed from 1.9c/share to 3.6c/share from February 19 to February 21.

"We've been up 200-230% over the last week, albeit off a low base," Hot Chili managing director Christian Easterday told **Paydirt** at the time of print.

Perhaps, after a challenging five years, investors are starting to take to the Hot Chili story once more as copper stockpiles test 10-year lows on both the LME and COMEX.

After starting the year at \$US2.68/lb, copper was trading at almost \$US2.90/lb, as BHP Ltd reported a fall in copper production in the second half of 2018 (year-on-year) and concentrate output from Freeport McMoRan Inc's Grasberg operation, Indonesia, is expected to decline this year as the world's second largest copper mine transitions from open pit to underground.

Furthermore, China's clampdown on the use of scrap metal now and into the future (see page 88) is the backdrop for

copper players to get excited.

"The spring board is there for a [bullish] copper price environment. The scene is set for the next 12-24 months for good copper pricing fuelled by supply being difficult; supply is getting very tight," Easterday said.

Therefore, it is an opportune time for Hot Chili to really take its restart strategy up another gear in a market starved of genuine world-class copper assets.

Hot Chili will always be known for the potential at Productora – 66,000 tpa copper and 25,000 ozpa gold (over an initial eight years) in Chile's Region III, which has attracted Minera del Pacífico S.A. (CMP) as a 20% partner at project level – however, the legacy is poised to be much greater.

"We got caught with our pants halfway down when the tide went out in 2014. We understood that we needed the grade to be higher for it to work and alternatively we needed a much larger project because we only had half the mine life needed," Easterday said of Productora, which hosts a resource of 237mt @ 0.48% copper, 0.1 g/t gold and 135 ppm molybdenum.

Coincidentally, as Hot Chili was realising the potential of Productora, 14km away the Cortadera discovery was flying under the radar.

"The Cortadera discovery was being made at the same time we were making the Productora discovery. Cortadera was being drilled by a Chilean billionaire not linked with the mining industry who optioned the property off the very prominent and well-known SCM Carola family. They are probably the only private family business owning a Tier 1 copper project – Punta del Cobre. A 1.3bt @ 1.3% copper project sets them apart from everyone else," Easterday said.

"We didn't know about Cortadera until about 2016 after about \$15 million was put into the ground and nearly all of that was drilling. They did about 23,000m of HQ diamond drilling into a major discovery 14km from Productora."

Easterday said in addition to the sulphide potential, a chalcocite blanket over the top of the deposit could potentially host 30mt copper and be a significant cash generator for the company.

Intersections of 90m @ 1% copper and 0.4 g/t gold and repeated in other hits at Cortadera are indicative of the chalcocite potential, Easterday said.

"To put that into perspective, if there is a 30mt @ 1% copper and 0.4 g/t gold chalcocite blanket over the top of this thing, which can be processed through a sulphide mill or oxide plant – and if we borrow the capacity of 14 mtpa at Pro-



Christian Easterday

ductora, that's roughly \$US850 million of revenue a year for two years. In simple terms, that pays off an \$US800 million project in two years. Something like that on its own is a company-maker not just the icing on the cake," he said.

There is potential for Cortadera to be bigger than Productora, however, Hot Chili will wait on making any determinations until a lot more extensional drilling and infill drilling is completed over the chalcocite zone.

Adding Cortadera to the portfolio follows the suite of assets – San Antonio (historic production 2mt @ 2% copper, 0.3 g/t gold), Lulu and Valentina (12m @ 1.5% copper – comprising the El Fuego project which Hot Chili acquired last year.

"If you put two Tier 2 deposits together and you develop something special it is likely that we could be sitting on something that is pushing towards a Tier 1 discovery," Easterday said.

"We don't know at this stage, but as a combined development certainly at Productora and Cortadera and all the high grade assets we have brought in over the last 12-18 months, the camp itself is certainly heading towards Tier 1 category."

Given the value proposition Hot Chili is building, Easterday said it was unlikely the company would be market capped at \$10 million for much longer.

Time will tell, however, he could be on the money given the lack of sizeable

development plays embedded within juniors on the ASX.

"This deal will undoubtedly make us the No.1 copper developer on the ASX. The last time the ASX had something like this was when Equinox was on the screen before it was taken over by Barrick [Gold Corp]," Easterday said.

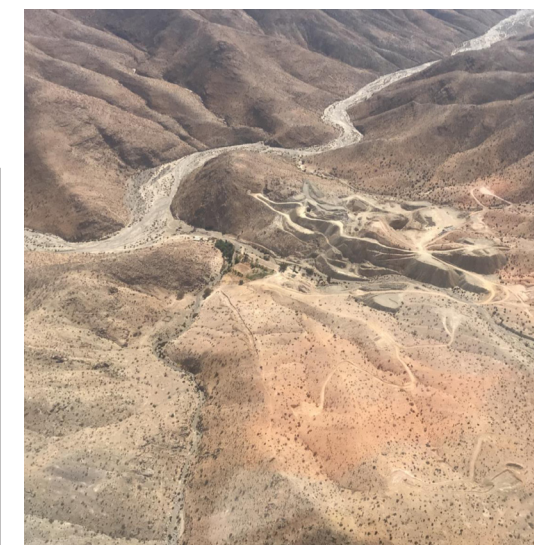
At the time of print, the Mark Bristow-led Barrick had just met with Chile's Minister of Mining Baldo Prokurica and outlined plans to review "a range of new exploration opportunities and re-evaluating its existing operations and projects in Chile".

In the past decade Barrick has spent \$US8 billion down the mining chain in Chile and recently approved an investment to increase productivity at its jointly owned Zaldívar copper mine.

Studies on the Norte Abierto copper-gold JV project are advancing and the Alturas project was "making good progress", Barrick reported.

Meanwhile, Barrick's focus at Pascua-Lama remains on resolving legal, environmental and other issues along with a technical review of the project parameters and future potential.

"Barrick has given another tick to Chile and it all goes back to Murray Black 10 years ago backing me to come here and make discoveries. Chile is still a top three mining jurisdiction and provides as safe a long-term investment as Western



Cortadera has produced some of the most significant set of copper-gold porphyry discovery results since Cascabel

Australia does," Easterday said.

"It is very exciting times in country and for our major shareholders who have been supporting the company for the past five years. We are one of the few to be left standing and this was the game plan all along. We have been finally able to secure a deal with a very tough partner to deliver a transformative/game-changing deal. I think what we have done is turning the company around and we are enjoying a lot of interest from major groups now."

– Mark Andrews



Hot Chili managing director Christian Easterday says the company "pulled a rabbit out of the hat" by executing a binding MoU to acquire 100% of the Cortadera copper-gold discovery, 14km from Productora