



Hot Chili smokes on high grade

Having survived the mining sector slump, Hot Chili Ltd has enhanced its flagship Productora play with the addition of nearby high-grade projects to re-emerge as a copper developer of choice.

"The balance sheet strengthening and getting rid of the debt earlier on were key events leading up to Hot Chili turning up the exploration drilling and really making a final push on the project [Productora]," Hot Chili managing director Christian Easterday told **Paydirt**.

"We looked at the opportunities we had, we wanted to enrich that with a high-grade blend strategy and we have been aware of a number of stranded high-grade assets sitting within trucking distance of Productora that we have had our eyes on. It took a bit of time, but we were able to get some very good deals, with options."

The latest acquisition, San Antonio, was secured in November, giving Hot Chili run on ground bereft of modern day exploration.

No heavy cash commitments are due for the first three years at San Antonio where nine holes have been drilled and 2mt extracted from a 200m strike underground.

From surface, grades of 2-3% copper and up to 0.5 g/t gold credits are potentially what Hot Chili will be dealing with.

"Putting 1 mtpa of high-grade ore into a 14-15 mtpa process plant in the future is a huge alleviating of value. Just 1 mtpa at the grades we are targeting lifts head grade by 30% and metal produced by 30% and now we are approaching a 100,000 tpa project," Easterday said.

Even more importantly, the higher grade material will drive down production costs at Productora, potentially leading to higher margins in a rising copper market.

At \$US3-3.30/lb copper, large-scale, bulk tonnage copper projects such as Productora start to look attractive again. The problem is, there are very few such projects available on the ASX.

At the time of print, Hot Chili had a market cap of \$30 million fully diluted, a \$250 million deal signed with partner CMP during a depressed copper market and now some high-grade additions to complement Productora, giving Easterday encouragement that there is little downside for the company.

"We have put \$100 million into Pro-



Hot Chili is complementing the 1.5mt copper and 1 moz gold Productora project with nearby high-grade satellite assets in Chile

ductora already and are now unearthing some very sexy-looking bolt-on incremental additions to Productora which really add a significant amount of gloss to an investment decision from here for our shareholders," he said.

"Everything is stacking to the upside. The environment has a multiple of 10 on it for us, in terms of the copper price background and the opportunities we have uncovered at San Antonio and Lulu."

Like San Antonio, Lulu has been privately held for the last 50 years and never auctioned.

No drilling has been conducted at Lulu which sits next to a 600m deep underground deposit running 6% copper and 3 g/t gold.

Easterday said it was testament to the company's patience and capabilities in Chile that it was able to strike deals with the local landholders of San Antonio and Lulu and indicated further similar deals would be done.

"Unfortunately the local landholders have high-cost, low-tonnage processing options which doesn't make these projects standalone, but drop a 14-15 mtpa processing facility in the middle of them and suddenly these things have a home," he said.

"We are really pleased with the first two projects and that is just the beginning, we are not finished there. There's

quite a number of other discussions we are entertaining at the moment."

Picking off the potential low-hanging fruit on the near-mine extensions at San Antonio is the exploration priority, with work at Lulu likely to ramp-up mid-2018, Easterday said.

"We have put this underground together for the first time and some of the drilling indicates there is probably another untouched lode sitting next to San Antonio," he said.

"Importantly, we have had the good fortune of a major geochem programme undertaken by the property owner about three months before we did the deal. A 4km trend south of San Antonio has four 1km-plus high order copper geochemical anomalies."

Easterday hopes San Antonio is more than just a small underground, with average production widths of 10-30m to a depth of 130m a demonstration of the scale and grade. Furthermore, it is within a similar structural setting to Punta del Cobre and Candelaria.

"We think that the project has a lot of legs in it on its own and we are looking for one high-grade underground sulphide ore source to be paired with Productora," Easterday said.

– Mark Andrews