

Hot Chili Ltd (HCH): New zone discovered 400m from Productora

Hot Chili (HCH), \$0.19, Buy, Valuation: \$0.70

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Key Points

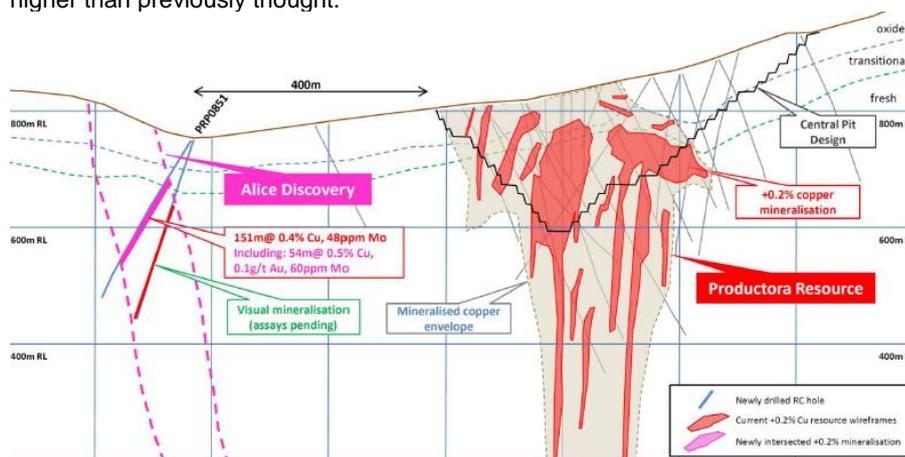
Today HCH released an announcement on the discovery of a new zone – Alice – located just 400m from the Productora deposit. The discovery was made as the first part of the exploration program aimed at identifying further mineralisation in the project area beyond the material comprising the current resource within the central Productora pit shell. It is the first time exploration has been conducted for 18 months and stems from a predictive targeting exercise undertaken in early 2013.

The first drill-hole result to come from Alice recorded 151m at 0.4% Cu from 116m downhole, including 54m at 0.5% Cu and 0.1g/t Au. These grades are similar to many intersections located within the Productora pit shell. Several other holes are awaiting assays but have display visual sulphide mineralisation.

Our View

Being so close to the existing resource, a new major discovery could affect project size, scope, throughput and valuation. We note that the JV with CMP allows for an additional 32.6% project interest to take CMP to a 50.1% interest for a minimum of US\$80m. This value could rise significantly if HCH can make a discovery that materially lifts mineable copper resources. A large discovery would potentially also interest other, larger mining companies. Given that the Productora project is stand-alone already any additional discoveries have a high likelihood of being exploited.

We await further results before understanding what further influence Alice may have on the size of the project. However, we take the view that the potential to find other material copper inventory in the project area is now much higher than previously thought.



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