

SPEC BUY

Current Price \$0.029
Target Price \$0.06

Ticker:	HCH	
Sector:	Materials	
Current Shares on Issue (m):	2,344.2	
Market Cap (\$m):	68.0	
Net Cash est (\$m):	6.0	
Enterprise Value (\$m):	62.0	
52 wk High/Low:	\$0.046	\$0.010
12m Av Daily Vol (m):	7.6	

Directors		
Murray Black	Non-Executive Chairman	
Christian Easterday	Managing Director	
Allan Trench	Non-Executive Director	
Michael Anderson	Non-Executive Director	
Roberto de Andraca Adriasola	Non-Executive Director	
George Nickson	Non-Executive Director	

Major Shareholders		%
Taurus Funds Management	15%	
Exploration Capital & Sprott	13%	
Black Edward	5%	
CAP SA	5%	

Reserves (Probable)	Mt	% Cu	Mt
Productora	166.9	0.43	562.9
Resources (Ind and Inf)	Mt	% Cu	Cu cont. Mt
Productora (higher-grade)	236.6	0.48	1.13
Productora (lower-grade)	218.0	0.16	0.34

Cash Flow (A\$m)			
	FY17	FY18	FY19
Operating CF	-3.0	-2.2	-2.2
Investing CF	-1.4	-1.6	-3.2
Financing CF	6.4	5.1	3.1
Closing Cash	2.4	3.7	1.4

Figures in A\$ unless otherwise stated

Share Price Graph and Trading Volume (msh)



Please refer to important disclosures at end of the report (from page 5)

Tuesday, 11 August 2020

Hot Chili Ltd

Exploration turns to regional targets

Analysts: Matthew Keane | Michael Eidne

Quick Read

Hot Chili (HCH) announced results for the two latest diamond drill holes into the Cuerpo 3 porphyry, part of the Cortadera Copper-Gold Project in Chile. Hole CRP0016D extended the high-grade core of the porphyry, intercepting 190m at 0.6% Cu and 0.2g/t Au from 392m downhole. Disappointingly, hole CRP0042D veered off target, but still recorded a lower-grade intercept of 314m at 0.4% Cu and 0.1g/t Au from 616m downhole. The next phase of drilling will focus on other known porphyrys (Cuerpo 2) and targets (Cuerpo North and Cortadera North) in the greater project area. A maiden Mineral Resource for Cortadera is being finalised and expected to be released in the coming weeks. HCH recently released preliminary metallurgical test results for Cuerpo 3 with copper recoveries of 89-95%. SPEC BUY recommendation with a \$0.06/sh target price.

Event: Exploration Update

Extension to the high-grade core of Cuerpo 3: Drill hole CRP0016D has extended the high-grade core of the Cuerpo 3 porphyry with an intercept of 190m at 0.6% Cu and 0.2g/t Au from 392m downhole. This intercept is in a previously interpreted void between the two lobes that make up the high-grade core in the northwest of the porphyry. Hole CRP0042D intercepted lower grade porphyry mineralisation with 314m at 0.4% Cu and 0.1g/t Au from 616m downhole. Unfortunately, this hole deviated off-course and did not extend down-dip extensions to high grade mineralisation, as Argonaut had previously anticipated (see previous [report](#)). It was abandoned at 952m downhole, but the Company plans to re-enter the hole in the future to drill a wedge hole into the targeted high-grade zone.

Turning to regional exploration: RC pre-collar holes are currently underway at the Cuerpo 2 porphyry. Diamond tails will then test the potential for a high-grade core, similar to that at Cuerpo 3. HCH also plans to drill large coincident geophysical IP and geochemical anomalies at the Cuerpo North and Cortadera North targets. This is the first time the Company has drilled outside of Cuerpo 3. These three targets offer significant potential to expand the porphyry mineralisation at the Cortadera Project.

Maiden Resource due imminently: HCH is finalising its maiden JORC resource for the Cortadera Project. Argonaut previously estimated the potential for 500Mt at ~0.65% copper equivalent (CuEq.) with a higher-grade core up to 100Mt at ~1.0% CuEq. This should generate a significant regional inventory when combined with existing Productora resource of 563Mt @ 0.4% Cu and 0.1g/t Au, located just 14km from Cortadera. Mining recently commenced at Productora by Chilean government agency ENAMI, which will provide a revenue stream for HCH (see previous [report](#)).

Recommendation

Argonaut maintains a SPEC BUY recommendation with a \$0.06 target price.

Extension to Cuerpo 3 high grade core

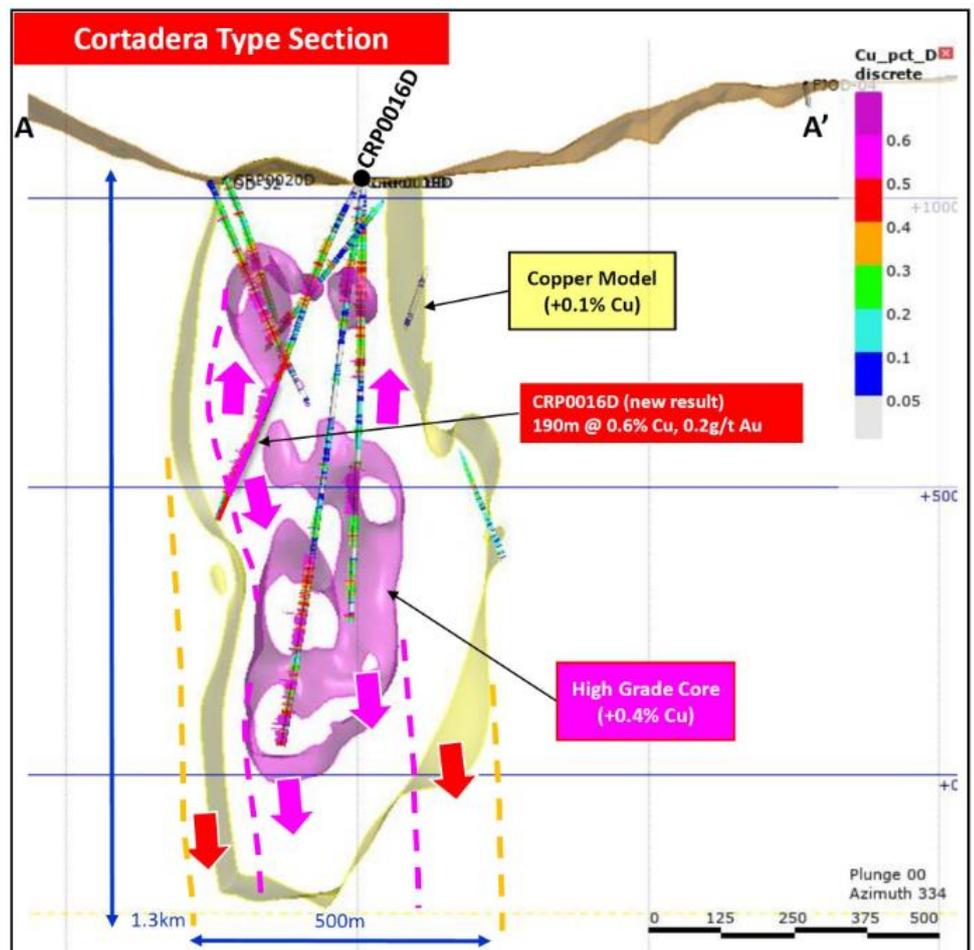
Drill hole CRP0016D has extended the Cuerpo 3 high-grade core...

Drill hole CRP0016D has extended the high-grade core of the Cuerpo 3 porphyry with an intercept of 190m at 0.6% Cu and 0.2g/t Au from 392m downhole. This intercept is in a previously interpreted void between the two lobes that make up the high-grade core in the northwest of the porphyry, but will not be included in the upcoming resource estimate due to timing. The Cuerpo 3 high-grade zone remains open in multiple directions including down-dip and in voids between the two intertwined lodes which currently make up the zone.

Figure 1. Cross section through the northwest of the Cuerpo 3 porphyry showing the location of the CRP0016D intercept, relative to higher-grade copper mineralisation

...which currently extends down to ~1,300m below surface

A maiden JORC resource for Cortadera is due for release in the coming weeks



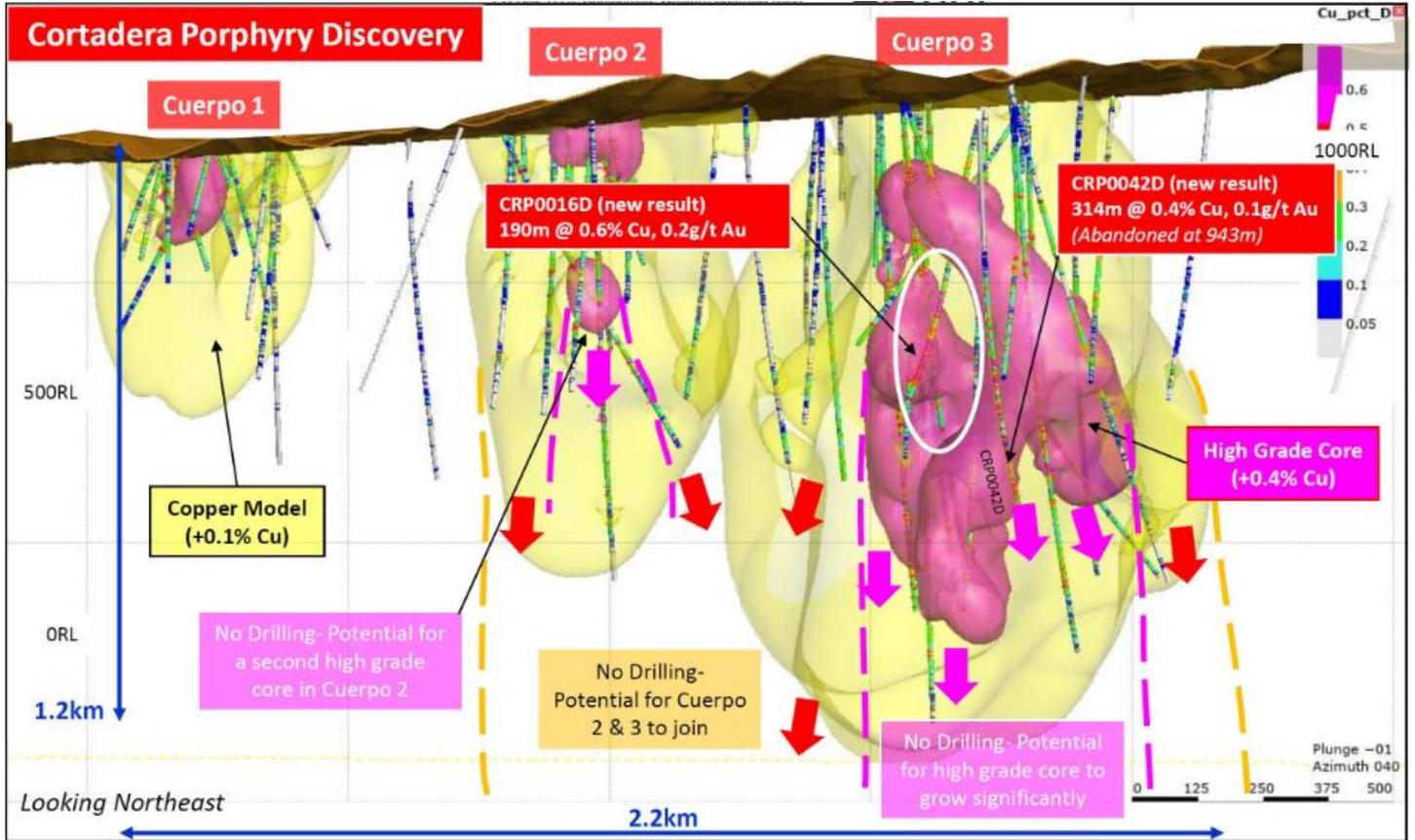
Source: HCH

Testing regional targets

HCH will shortly commence diamond drill regional targets, starting with Cuerpo 2

For the first time since taking control of the project, HCH is testing other porphyry targets beyond Cuerpo 3. Cuerpo 2 will be the first, with diamond tail drilling to test the potential for a high-grade core. Historic drilling may have clipped the top of a higher grade zone at ~200m below surface, which is the approximate depth from which the Cuerpo high-grade zone commences.

Figure 2. Long section of the Cortadera porphyry system showing the target location for a high-grade core below Cuerpo 2 and recent drill holes into Cuerpo 3.



Source: HCH

Northern targets offer potential to add significant scale to Cortadera

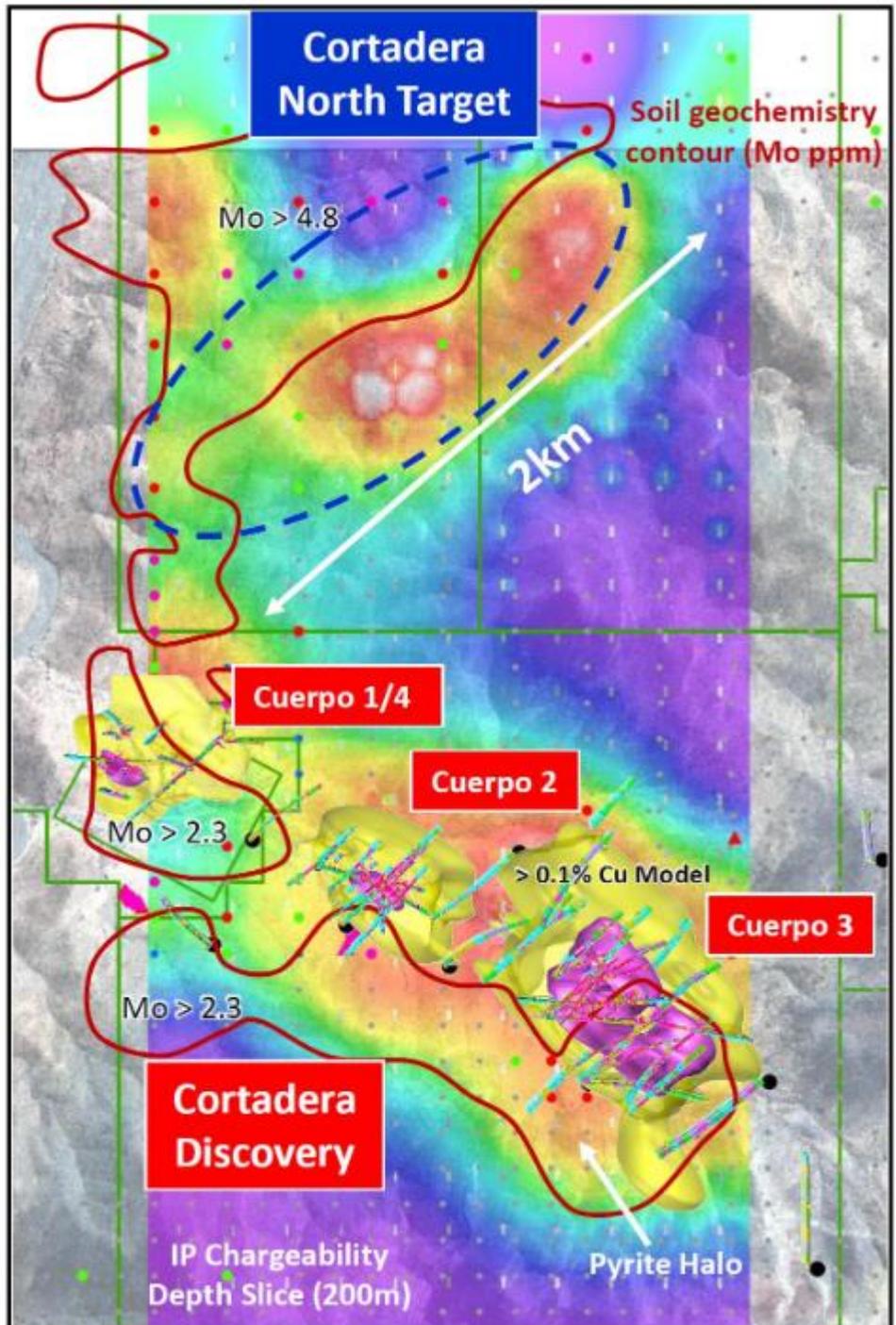
HCH also plans to drill large coincident geophysical IP and geochemical anomalies at the Cuerpo North and Cortadera North targets. Cortadera North, which is 2km north of Cuerpo 3 has a significant geochemical footprint, up to 2km in length. The Company is currently undertaking detailed mapping and geochemical surveys to refine drill targets. We expect the initial drilling will comprised up to four deep scout holes. Drill access tracks to this target are currently under construction.

Figure 3. Plan view of the Cortadera North target, relative to the Cuerpo 1-4 porphyries. (represented by modelled copper envelopes, yellow- +0.1% Cu and magenta +0.4% Cu) in relation to surface molybdenum anomalism and an IP chargeability response at a 200m depth slice

HCH is planning to drill the Cortadera North target...

...located ~2km North of Cuerpo 3...

...which offers potential to significantly increase the scale of mineralisation at the project



Source: HCH

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Argonaut participated in the Placement & Rights Issue to raise \$8.9M in May 2020 and received fees commensurate with this service. Argonaut currently owns and/or controls 6,549,000 HCH Options exercisable at \$0.025 on or before 20 May 2022.

The analyst owns or controls shares HCH

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