

# Hot Chili rises to the top



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Size is not everything in the mining business, but scale is something North American copper investors certainly appreciate. Back in 2011 Barrick Gold paid C\$7.3 billion for Equinox Resources and its copper-gold mines in Zambia and Saudi Arabia after the Australian company listed in Toronto. Five years later TSX-listed Ivanhoe Mines added the fabulous Kakula copper discovery to its 2008 find at Kamao in the DRC and now has a market value around C\$9.4 billion.

Promising Toronto-listed Ecuador copper explorer Solaris Resources is in the early stages of a new, big drilling campaign at Warintza but has already seen its market value climb past C\$700 million.

And Newmont Mining has just agreed to pay more than C\$450 million for GT Gold (TSXV: GTT) and its circa-3Mlb indicated copper-equivalent resource at Tatogga (average 0.47% Cu-eq resource grade) in British Columbia.

With other recent healthy copperco funding and the red metal itself selling for more than US\$4/pound, deal momentum in the space is clearly escalating. All of which means there is likely only one direction ASX-listed Hot Chili can go from here.

That's north.

Sitting on one of two major global copper discoveries of the past five years or so, Hot Chili is fully funded to complete an aggressive drilling program this year aimed at extending the maiden JORC 451 million tonnes grading 0.46% copper equivalent (1.7Mt of copper and 1.9Moz of gold) reported for Cortadera in northern Chile last October. That's up with Rio Tinto's maiden 503Mt at 0.45% Cu-eq for Winu in Western Australia in a list compiled by S&P Global Market Intelligence, which highlights the dearth of major new copper finds around the world over the past decade.

Hot Chili also has the Productora project within its Costa Fuego hub, 50km from the Chilean coast and port at Los Losas, which has a JORC resource of 273Mt grading 0.52% Cu-eq. All up, the company is sitting on circa 2.9 million tonnes of copper, 2.7Moz of gold, 9.9Moz of silver and 64,000t of molybdenum, in what is - compared with similar projects elsewhere - the formative stage of the exploration cycle for Cortadera and wider Costa Fuego area.

Unlike Rio and Winu, and less advanced developers in the Americas, Hot Chili has battled to get proper market recognition in Australia of the progress made in Chile, where it has been working for more than a decade but only two years ago added Cortadera to its portfolio. Since landing the deal to acquire Cortadera, it has featured regularly in compilations of the best drill intercepts from multi-metal programs around the globe, with some stunning, 500-950m-wide mineralised diamond core results that have underlined the Cortadera porphyry copper-gold deposit sequence's scale and growing metal endowment from near-surface.

Already, Cortadera's scale makes Hot Chili the standout copper-resource holder on the ASX and, according to the company's managing director Christian Easterday, *"one of the few low-altitude, no-arsenic, tier 1-location, infrastructure ready major copper resources"* worldwide - certainly one in the hands of a A\$135 million-market-cap junior.



*"And this is an emerging project," says Easterday. "Not one that has been in the global pipeline for some time that is stalled. The important thing to look at with the global copper development pipeline is the cost, technical and other factors slowing the progress of some major projects. In that context, it's important to look at some of the key attributes of Costa Fuego.*

*"It's at 800-1,000m elevation, near the coast, on the Pan American Highway and near established infrastructure in northern Chile; it's not a 3,000-4,000m altitude project. It hasn't got 300ppm arsenic sitting in the metallurgy. We can produce a clean copper-gold concentrate."*

Compared with the nearest emerging deposit of similar scale, Winu, Costa Fuego continues to look good.

*"We're certainly sitting in a very good pedigree," Easterday says. "I believe both discoveries have got a long way to go.*

*"At this stage the comparison is very similar on a grade basis, as bulk tonnage copper discoveries, but when you look at the detail clearly Cortadera is coming out head and shoulders above Winu. We don't have 90m of desert to remove to get to the deposit ... [which has] a very dramatic impact on pre-strip capital requirements; all of our deposits go through to surface and have very low strip ratios.*

*"We're not sitting 350km from Port Hedland. Our infrastructure advantage that we have in relation to Winu is really night and day in comparison. And in addition we believe the combined approach of joining Cortadera and [currently producing] Productora together, and other assets within the Costa Fuego grouping, offers us a significant amount of flexibility in how we stage development of this large project so that we can maximise value and minimise all of the risks associated with that."*

Hot Chili's planned 40,000m of drilling this year, including a number of deep holes to infill and extend the 104Mt grading 0.74%Cu-eq "high-grade core" at Cortadera, will double the amount of drilling done so far.

*"Our aim this year is to elevate it to a top 5-6 project in the world," Easterday says. We have quite a lot of treasury coming in this year [through Chile government tax refunds and in the money options, adding to last year's \$25 million equity injection] to support a \$20 million, very aggressive drilling program on this. We're aiming to lift Cortadera into legitimate tier-1 territory and become a titan of the copper sector ... [to support a] blueprint for 100,000tpa copper project and 100,000ozpa gold producer. In plain speak that's a project that will kick out US\$800 million per annum of revenues and we're looking to position this as a 20-year project. These are very rare. We're already by far the largest ASX [listed] copper resource, and we're sitting in a league where this part of the copper space is dominated by the North Americans."*

'Tier-1 territory' means circa 5Mt of copper, or more.

*"So we require another 2Mt of contained copper metal," says Easterday. "We're going to be shooting for that very aggressively, and what's really exciting for us this year is we have not started testing that depth component of Cortadera. This thing is open-ended in a lot of its lateral extents but more importantly, when you have an over-1km vertical ore column that has a high-grade core the size that is evident in Cuerpo 3, we can grow this quite rapidly."*

*"We have not tested that magical zone at around 1,000m that made [SolGold's] Alpala and the Cascabel project what it is today. That's really where those fingers of that porphyry turned into a hand and... we've got all the indications that a similar thing may be possible at Cortadera. We will be putting a lot of money into six or seven or eight very deep holes underneath Cuerpo 2 and Cuerpo 3, and seeing if this discovery turns into something a lot, lot larger in a very short period of time."*

Adding to the continuous stream of drill results set to flow from Cortadera this year, Hot Chili will keep investors informed about work at the exciting Santiago Z ground recently picked up after mapping and soil geochemical work completed in December and January highlighted a 4km-long copper porphyry feature that's 5km from its "world class" Cortadera copper-gold discovery and features a molybdenum soil anomaly "more than twice the size and four times the tenor of Cortadera's soil molybdenum footprint".

Detailed mapping and geophysics is planned for the first half of 2021 in advance of first-pass drilling. Hot Chili picked up Santiago Z as part of its option agreement with a private Chilean landowner on the San Antonio high-grade copper mine 5km from Cortadera. With copper prices soaring, it's no surprise a North American dual listing for Hot Chili is on the radar for the second half of 2021.



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