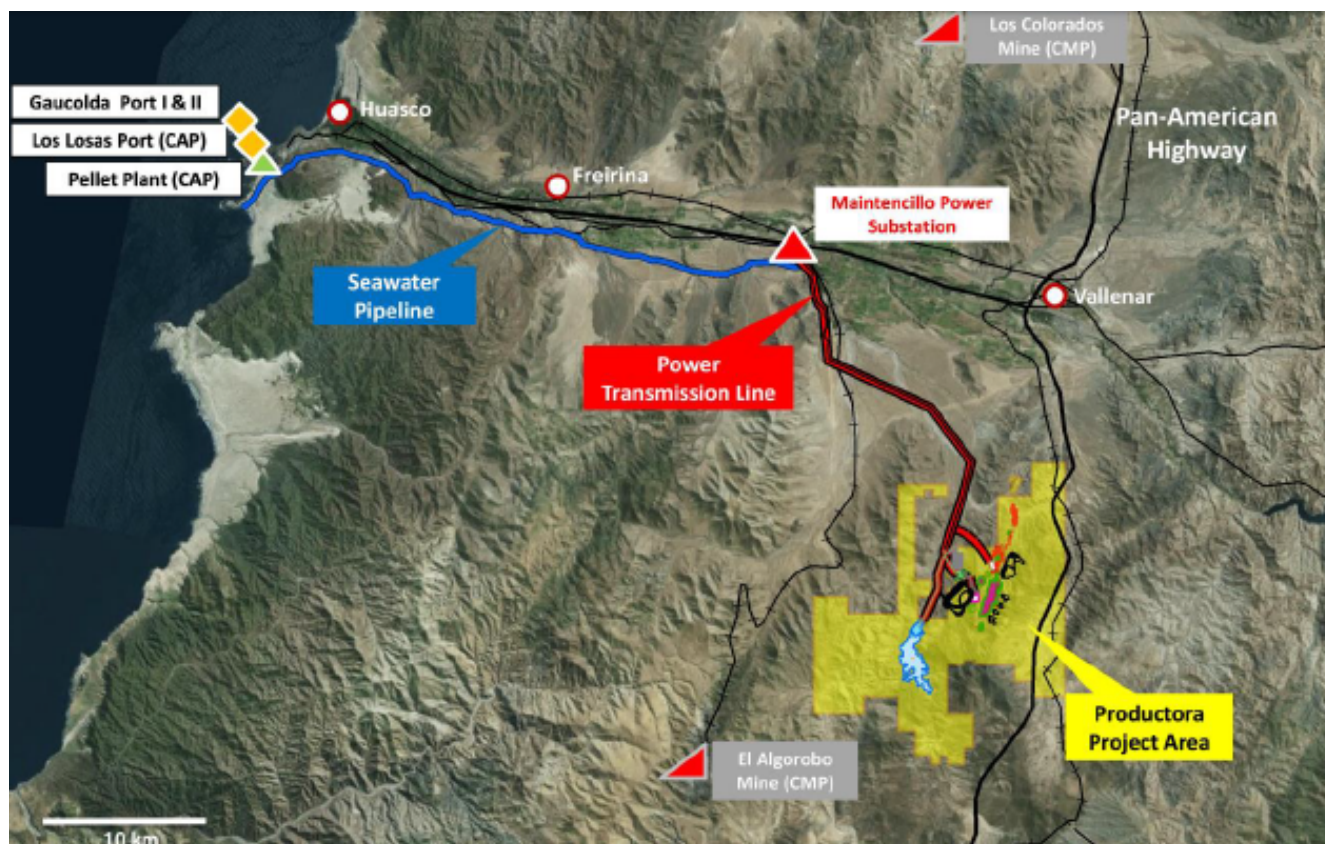


Hot Chilis Hot Chilean Gold and Copper Prospects

Source: *The Gold Report* (8/30/16)

Exploration at Hot Chili Ltd.'s Productora copper project, located in Chile, has uncovered a gold resource at Sierra Zapallo, prompting analyst Trent Barnett of Hartleys to upgrade the company to a Speculative Buy.



Hot Chile's Productora Project Map

Though [Hot Chili Ltd.'s \(HCH:ASX\)](#) Productora is a copper project—Hot Chili lists resources at the site at more than 1 million tonnes copper—exploration at Sierra Zapallo has "revealed very attractive dimensions and grades demonstrating the potential for significant open pit resource" at the site, the company announced on Aug. 24. This is based on "a systematic surface mapping and sampling programme across thirteen high grade gold reefs exposed at surface within the historical Sierra Zapallo gold project," according to the company.

The upgrade by Hartleys is based in part on the Sierra Zapallo gold prospect, according to Barnett. "If HCH can define a small high grade gold deposit, it would materially change the investment proposition from being based on speculation on copper prices, to being based on near term gold production earnings," the analyst wrote in a July 25 research report.

Also factoring into Hartleys' analysis is a recent capital raise, which, Barnett wrote, "removes near term risk, while the exploration potential at Sierra Zapallo suggests there is potentially a near term positive catalyst."

According to the company, its "landmark infrastructure deal with Chilean resource major CMP (Compañía Minera del Pacífico SA). . . is pivotal to Productora because the CMP assets will help reduce time and costs associated with the infrastructure needed to underpin the project, and gives Hot Chili a powerful local partner with extensive financial resources and local mining experience."

CMP also has "an option to acquire an additional 32.6% interest (taking CMP to 50.1%) in Productora for a minimum cost of US\$80 million and maximum of US\$110 million. This option agreement aligns the interests of both parties to ensuring Productora has a clear funding path through its final stages of growth and development studies."

With regard to copper at Productora, Barnett wrote, "The Company has a completed PFS (prefeasability study) which is modelled for average annual production of 66kt copper and 25koz gold over first 8 years of production." The analyst notes that, given "a shortage of large copper projects," Productora may, in the future, become "a very viable mine."

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