

Hot Chili Recommends Approval of Landmark CMP Transaction

Infrastructure deal and major Chilean mining partner will position Productora as a front-runner among emerging large-scale copper developments

Key Points

- General Meeting of shareholders on April 30, 2015 will consider resolutions to approve a joint venture between Hot Chili and Chilean resources major CMP to develop Hot Chili's flagship Productora copper project.
- Shareholder approval of the CMP transaction will secure a major partner and the critical infrastructure required to advance Productora towards production.
- Independent Expert values Productora at between \$245m and \$297m. This compares with Hot Chili's current market capitalisation of approximately \$42m and is a second strong endorsement of the value being built at Productora.
- The Option for CMP to increase its ownership of the project from 17.5% to 50.1% values Productora at many multiples of Hot Chili's current market capitalisation.
- Independent Expert has concluded that the terms of the CMP Transaction are, as a whole, "not fair but reasonable" to non-associated shareholders. The Independent Expert considers the CMP Transaction to be "reasonable" due to the significant advantages that it considers the CMP Transaction, as a whole, will bring to the Company.
- Hot Chili's directors unanimously recommend the CMP Transaction (other than Mr Roberto de Andraca Adriasola, who has abstained given his role as an executive director of CMP's majority shareholder, CAP S.A.)

Hot Chili Limited (ASX: HCH) is pleased to confirm that a General Meeting of Hot Chili shareholders will take place on April 30th 2015 to consider resolutions relating to a landmark deal with Chilean resources major Compañía Minera del Pacífico S.A. (CMP).

A Notice of Meeting and Independent Experts Report have been released to the Australian Securities Exchange (ASX) today outlining details of the proposed transaction and the conclusions of the Independent Expert.

The deal will see CMP take a 17.5 percent stake in Productora as part of a pivotal infrastructure agreement that will save significant time and money in the development of the project.

Under the agreement, CMP will contribute surface rights, easements and its interest in certain Productora tenements, enabling Hot Chili to build the key infrastructure needed for the project.

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CMP also has an Option to increase its stake in Productora to 50.1 per cent at a price of between US\$80 million and US\$110 million (see separate ASX announcement today re Notice of Meeting and full Independent Expert's Report).

The Independent Expert, BDO Corporate Finance (WA) Pty Ltd, has concluded that the terms of the CMP Transaction, on a whole, are not fair but reasonable. The Independent Expert considers the CMP Transaction to be reasonable due to the significant advantages that it considers the CMP Transaction, as a whole, will bring to the Company, in particular:

- Providing the Company with the critical infrastructure necessary to develop the Productora Project faster than otherwise;
- Providing the Company with funds that it can use to contribute to its portion of development costs for the Productora Project;
- Introducing a partner at a project level with operational strength and significant local knowledge and experience to assist with the development of the Productora Project; and
- Reducing the development risk of the Productora Project.

The Independent Expert has determined that certain aspects of the CMP Transaction to be not fair but reasonable for the particular reasons stated in the Independent Expert's report, which relate to the present value of Productora and the difficulty of assessing the future value of the project following completion of the proposed feasibility studies.

Importantly, the Independent Expert has determined a value for Productora at between \$245 million and \$297 million. This is many times Hot Chili's current market capitalisation of approximately \$42million and endorses the strong underlying value being built at Productora.

The CMP Transaction, which is the outcome of over two years of co-operation, due diligence and negotiation between Hot Chili and CMP, requires the approval of Hot Chili shareholders at the General Meeting to be held in Perth on April 30th, 2015.

Hot Chili Managing Director Christian Easterday said the infrastructure and joint venture deal with CMP would position Productora as a front-runner among emerging large-scale copper developments.

"The CMP deal, which is strongly supported by all of Hot Chili's independent directors, is the key to unlocking the strong valuation placed on Productora by the Independent Expert," Mr Easterday said.

"The Independent Expert's finding that the deal is reasonable to Hot Chili shareholders reflects the significant advantages that it will bring to the project and our Company."

Mr Easterday said Hot Chili was on-track to complete a Pre-feasibility Study on Productora around the middle of this year.

"Our exploration programme continues to deliver outstanding results, as shown by the recent Alice discovery, paving the way for further increases in resources and reserves at Productora," he said.

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“Securing an infrastructure and joint venture agreement with a company of CMP’s capability and strong track record in the Chilean resources industry is a pivotal step towards unlocking the full value of Productora for the benefit of all shareholders.

“For these reasons, I strongly recommend shareholders to vote in favour of the resolutions for the CMP Transaction at our forthcoming General Meeting.”

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Qualifying Statements

Forward Looking Statements

The Announcement contains “forward-looking statements”. All statements other than those of historical facts included in the Announcement are forward-looking statements including estimates of Mineral Resources. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade ore recovery rates from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any “forward-looking statement” to reflect events or circumstances after the date of the Announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. All persons should consider seeking appropriate professional advice in reviewing the Announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of the Announcement nor any information contained in the Announcement or subsequently communicated to any person in connection with the Announcement is, or should be taken as, constituting the giving of investment advice to any person.

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