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## **Chilean newspaper article on CAP's Participation in Hot Chili's Recent Capital Raising**

Hot Chili Limited (ASX code: HCH) is pleased to provide a translation of an article published in leading Chilean newspaper El Mercurio on March 19<sup>th</sup> 2016.

The article comments on the recent participation by Chilean company Compania de Aceros del Pacifico (CAP) in Hot Chili's recent A\$1.6 million capital raising.

An English translation of the article is published below and can be found on Hot Chili's website.

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Translation of El Mercurio Article on 19<sup>th</sup> of March 2016



## CAP contributes capital in a copper project making a shift in the diversification of their business

Australian Hot Chili reported that the Chilean company has supported in conjunction with the investment fund Taurus, US\$ 1.22 million. The project is at the pre-feasibility study stage.

### US\$ 45 million

Is the value of the surface rights, easements and mining rights transferred from CMP to Sociedad Minera El Águila SpA – a subsidiary of Hot Chili limited-, where CAP received a 17.5% ownership.

### 10 years

Is the current mine life for the Productora Project, located in the Third Region, with an average annual metal production of 66kt of Cu, 25koz of Au.

The Australian company Hot chili Limited, announced last Thursday the closure of a placement for US\$ 1.22 million by the Chilean company CAP– holder of the iron ore mining company Minera del Pacifico (CMP) - and Taurus Investment Fund (Taurus), as it was released on the Australian Security Stock Exchange (ASX).

People familiar with the transaction indicated that this is particularly relevant considering that CAP had minor profits in 2015; therefore this funds contribution signals a shift in the diversification of their business beyond iron ore and steel.



In June last year the Chilean company reached an agreement with Sociedad Minera El Águila, a subsidiary of Hot Chili, for the potential exploitation of the Productora copper and gold project, located in the Atacama Region.

In August 2015 the Sociedad Minera Águila merged with CMP and the firm led by Roberto de Andraca became the owner of 17.5% of the former company, and, in turn, the Australian company became the owner of the surface rights, easements and mining rights previously owned by CMP. Some sources indicated that this could have been worth about US\$ 45 million.

The contracts established that, once the pre-feasibility study was completed- today this is under a review process- CAP has the option to increase its stake by a further 32.6% to reach 50.1%, eventually taking control of the joint venture. Sources familiar with the deal indicated that the placement occurred shortly after Hot Chili released the PFS study, which would be a sign that CAP would be interested in increasing its stake.

## **Times of crisis**

The two main businesses of CAP, steel and iron, are victims of a steep drop in prices, which is reflected in the financial results.

Over the past year, the company revenues fell almost 18% from 2014, experiencing a reduction in profits of 96%, from US\$ 55 million in 2014 to US\$ 2.1 million in 2015.

The EBITDA - earnings before interest, taxes, depreciation and amortization - reached US\$ 286.5 million versus US\$ 381 million the year before, implying a fall of 25%. This occurred mainly because the decline in the CAP Mining business, where both the revenue and the EBITDA decreased significantly. On the other hand, on CAP Steel [a different company holding] only the revenue decreased as the EBITDA increased 61%





## 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.