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## Chilean newspaper article on Hot Chili and CAP's Productora Copper Project

Hot Chili Limited (ASX code: HCH) is pleased to provide a translation of an article published in Chilean newspaper Pulso on March 28<sup>th</sup> 2016.

The article comments on the recent outcomes of the Pre-feasibility study into Hot Chili and Chilean company Compania de Aceros del Pacifico's (CAP) Productora copper project in Chile and the relationship of the Joint Venture partners in the ongoing development of the project.

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

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Translation of Pulso Article on 28<sup>th</sup> of March 2016

## The Project that Marks the Entry of CAP into the Copper Business Would Cost US\$725 Million.

The pre-feasibility study was presented to the investors of the project's controlling company, Hot Chili, in Australia. This indicates that the initiative, once materialized, would produce around 66 thousand tons of Copper a year. Gold is added to this amount.

About US\$ 725 million would be necessary to finish the open-pit Copper and Gold project, Productora, located in the suburbs of the city of Vallenar, and whose property is shared by the Chilean mining company CAP, and the Australian company Hot Chili.

According to the recent presentation of Productora's pre-feasibility study carried out by executives of the Australian company to investors, Productora (belonging to Sociedad Minera El Aguila, which is 17.5% CAP and 82.5% Hot Chili) would produce 66 thousand tons of Copper a year, and 25 thousand ounces of Gold within the first eight years of its use, of the ten years it would run in total.

On a macro level, the deposits present resources of 1.47 million tons of Copper and 0.98 million ounces [of Gold]. If it goes through, the US\$ 725 million project would generate incomes of US\$ 4,300 million, considering long-term price of US \$3.00/lb. in the case of Copper, and US\$ 1,250/oz. of Gold, and would have a cash cost of US\$ 1.47/lb.

The pre-feasibility study was completely carried out by Hot Chili. However, now CAP must contribute to the expenses in proportion to its participation in Sociedad Minera

El Aguila. The presentation states that, “the benchmarking shows outstanding financial matrices on the return over the investment and in the intensity of capital”. It also states that, “the comparative financial evaluation regarding other Copper projects indicates that Productora is outstanding due to its capital intensity with competitive investment returns and cash cost when compared to other producers on a global scale with long-term projects”.

According to the document, the Chilean company CAP is still in the revision stage of the study. If it goes through, the construction of the project would take between one and two years, and would have a sulphide processing rate of 14.4 million tons per annum during the ten years of its operation.

With respect to the sulphide project, the metal recovery in the case of Copper would be 86%, and 53% in the case of Gold; regarding oxides, the recovery would be 54% for the red metal.

Among the advantages of the project, it is highlighted that it does not require fresh water or a desalination plant. Furthermore, a 220 Kv. transmission line will be needed that is 25 km long, and its location, close to the multi-purpose port Las Losas (belonging to CAP) will help transport the minerals.

## THE AGREEMENT

The union between the Australian and Chilean companies for the development of Productora occurred last June. At that time, CAP, by virtue of CAP Minería, entered with 17.5% of the social capital of the controlling company of the project, Sociedad Minera El Aguila. The agreement establishes that CAP Minería has a purchasing option right for shares for 32.6%, which would allow it to own 50.1% of the shares issued by Sociedad Minera El Aguila on the date of the options exercise.

The option fee already paid was US\$ 1.5 million, and the purchase option can be paid in two tranches.

If it goes through; CAP could fulfill an old desire to diversify production, taking advantage of the mining concessions it already has.

**Compania Minera del Pacifico S.A. has 17.5% of the company executing Productora, and has an additional purchasing option of 32.6% of its property.**



## 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.