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# CHILE'S TOP CH COMMODITY CO

Hot Chili Ltd's large, ad  
and de-risked projects ar



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While its suite of large, multi-commodity projects in Chile are some of the cheapest copper acquisitions around and the envy of many today, Western Australian based Hot Chili Limited (ASX: HCH) has had some quizzical looks in the past. An established South American copper haven, Chile's barriers to entry are well-defined, including the monopoly native majors have (the biggest of those companies control about 70 per cent of the landholding in Chile's world-class IOCG belt) and the lack of a use-it-or-lose-it policy. While these factors have been enough to put off miners in the past, that is not the case for this emerging IOCG-type project developer.

**“IT WAS QUITE** amazing that nobody had attempted to do what we did, probably because they thought that we were pretty crazy and it couldn't be done, but we were privately-funded so we didn't have market pressure on us, and timing also worked in our favour,” managing director Christian Easterday says.

“In January of the GFC, I was in Chile looking very seriously at myself in the mirror after spending a lot of our chairman's money. When a lot of mining companies left in the economic downturn, we remained with our offers on the table. That

brought us a lot of credibility with our Chilean partners; probably one of the reasons behind why we were able to secure the deals.”

The deals Easterday speaks of are pretty large news in their own right: Both major miners and private landowner partners have teamed up with Hot Chili on the company's two flagship projects, Productora (a large multi-commodity copper project where the team is establishing a resource) and Los Mantos (also an IOCG style multi-commodity copper project, where an initial resource is targeted for later on this year). Through loyalty to its in-country partners, sheer tenacity and a touch of fearlessness, Hot Chili broke down the barriers that thwarted many before it, and the result? A heck of a promising advanced portfolio, well-backed by a strong team and landmark partnering.

### Breaking barriers through vital local partnering

Privately funded by chairman Murray Black, Hot Chili arrived in Chile specifically looking for multi-commodity copper projects. The team spent over a year looking at a great many projects, focusing on those with good proximity to infrastructure on the coastal range and keeping out of the high Andes. The renaissance of Aussie miners to since sojourn into Chile began with companies like this





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one, spurred on by opportunities to get in on large IOCG projects akin to Olympic Dam in Australia, and Easterday says that he spent a further two years negotiating and consolidating projects with large mining companies and private landowners. This enabled Hot Chili to pick up the Chile Norte project in the north (a large greenfields project) and the more advanced Productora and Los Mantos projects 600 kilometres north of Santiago: the culmination of years spent earning trust and traversing the various barriers previously in place.

“Those advanced projects offered us a springboard from past discovery straight into development. That was our intention, to acquire major

interests in significantly de-risked projects with a lot of work through previous mining, current mining and past exploration efforts,” Easterday recalls.

“There were a few things that really set us apart from other junior explorers in the beginning: We went [there] and we did it privately-backed. We spent a long time consolidating the projects and getting over the discovery hurdle by actually acquiring them, and we were able to sign landmark deals with the largest mining companies in Chile.”

These efforts have not been in vain. They are backed by tremendous potential from previous works, results streaming in and future development potential for both projects. Easterday also



An aerial photograph of a mining site in a hilly, arid landscape. The terrain is brown and rocky with sparse green vegetation. In the lower right, a red truck is parked on a dirt road next to a large blue tarp covering a pile of material. The text is overlaid on the left side of the image.

*The name Chile is widely accepted to derive from the native Aymará word chilli meaning “the land where the earth ends.” A veritable haven for future mining activity, the country’s existing mining industry is incremental to its economy and copper exportation makes up approximately one third of the government’s income. Mining exports totalled 62 per cent of the nation’s exports between 2007 and 2010, and it is estimated that US\$6 billion will be invested in Chilean mining for the 2011 financial year.*







says that the fact both Productora and Los Mantos had operating copper mines in residence meant it wasn't a matter of whether the discovery was there or whether it was economic; it was a matter of how large the deposit being mined actually was.

"Those mines were on privately-held parts of the projects that we signed purchase option agreements over."

*"We signed two types of agreements: joint venture earn-in agreements over five years with the majors and five year purchase-option agreements with the private landholders. In addition to this, Hot Chili also secured large tenement holdings in its own right across available extensions at each of the projects. [The projects] were really brought together under our umbrella through consolidation," he explains.*

These existing mines significantly de-risked both projects from Day 1, and by the time Hot Chili went to IPO in May 2010, the company had been working on them for around a year, doing a lot of geochemistry, geophysics and mapping. Easterday says that the extensive work pre-float

was in line with plans to jump straight into drilling, moving swiftly into discovery and definition.

"It's always good when a plan comes together, so when we went to IPO in May last year we were busy securing a drill rig and establishing a local team. We now have 16 employees in-country and we began drilling in August 2010 on Productora."

In the past month the company has released two updates on drilling at this, its flagship project. Results continue to impress, and as Easterday says to the sceptics who were overwhelmed by the extent of the company's efforts in the early days, "the results back everything up."

### Productora: A resource announcement looms

Productora's existing mine gave strong indication of how highly prospective the project was from its onset. A fairly modern underground mine producing about 250,000 tonnes per annum at about 1.1 per cent copper, it enabled Hot Chili to de-risk the play before drilling last August began. When drilling commenced that indication proved correct, and the eleventh hole drilled turned up a discovery of 116 metres at 0.5 per cent copper just south of the existing mine.

"We control over 12.5 kilometres of strike extent along the Productora trend between our

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partners and ourselves. We originally viewed the Productora underground mine, mining an area over 300 metres strike length and 50 metres width to a depth of 120 metres, as potentially the anomaly along the trend.”

“We were hopeful about getting other large tonnage potential, similar to the Productora mine area, along the strike length of the project. In-fact our originally stated target mineralisation for the entire project at IPO was 56 to 75 million tonnes.”

However the team has since delineated that the Productora mine is part of a much larger deposit that has only really seen isolated small-scale

mining in the past couple of years. At the project’s central lease, where the underground mine is located, Hot Chili has carried out a lot of drilling. Early results indicate that the team may have a good shot at beating the original target mineralisation just within 1.4 kilometres of the trend. The company has the right to buy it for \$7 million at any time in five years as a part of its purchase option agreement, and given the drilling results returned,

“We’ve done a lot of scout drilling along strike from the central lease, and we have drill hits over about 3.7 kilometres where we’ve successfully intersected mineralised breccias,” Easterday explains.



“We’ve been fortunate in that drilling quickly delineated a large copper project with significant molybdenum and gold. Since we commenced drilling, it has been a continual exercise of expanding the drilling programme. We’ve expanded the first 16,000 metre RC program and brought in additional RC and diamond rigs, and subsequently put in another 14,000 metres of in-fill RC drilling into the ground, as well as another 6,000 metres of diamond drilling across the central lease.”

The aim is to put together a starter resource within the central lease, purchase it and commence economic studies. In around six weeks the starter resource will be announced: a large open pit multi-commodity copper project, and a multi-kilometres scale operation at that. On these grounds Hot Chili will move into project development-mode—in just over a year after listing on the ASX.

“We’ve got an advanced project that ultimately we feel has the potential to produce around 300 million tonnes of which we’re aiming to put together a 200 million ton mining operation along the centre of the project,” Easterday says.

### Los Mantos: drill, drill, drill

Results from a 10,000 metre first pass program at Los Mantos, some 200 kilometres south of Productora, have provided more good news. Of

the 50-odd holes drilled, Hot Chili has reported on the first 21—18 of which delivered significant intercepts and turned up a healthy ratio given that the whole 2.5 kilometre project has surface and underground mining across strike. The team will now work on incremental second-pass drilling programme that aims to delineate an addition of 30 million to 35 million tonnes of open pitable copper-gold-molybdenum to Hot Chili’s resource inventory.

“We still have quite a lot of assays we haven’t reported from there, and that’s due to re-focusing our entire team on Productora to complete that work on time. The team has just been sent back to Los Mantos to finish up the last of the first-pass drilling program—there’s quite a lot of assays coming through from both projects, both diamond and RC holes.”

“It was amazing that this project had been mined for over 40 years and never drilled. It’s in great country, it was family-owned for a very long time, and we were able to secure it with a purchase option deal, so we can buy it at any time in five years for just over US\$3 million.”

As Easterday says, “the commodity business is a funny thing,” and those who criticised how costly Hot Chili’s deals were during the GFC have been silenced—it is clear that Hot Chili has made two of the cheapest, most promising copper acquisitions around. Drill re-



sults continue to prove up the team's surface and geochemistry work, and confirm what previous mining had indicated since the beginning.

### Hot Chili: "A different animal"

Like numerous other miners and explorers since, Hot Chili made its way to Chile for Tier Two open pitable copper projects capable of achieving relatively near-term production, but having moved earlier than the masses—picking up readily de-risked projects and securing vital local partners—it is fair to say that they are leading the charge.

"Our entire development strategy is about firstly establishing the resource at Productora, and then focussing on rapid resource growth in combination with development studies" Easterday says.

The team will move ahead with extensional drilling at Productora and a second round of drilling at Los Mantos. Results depending, that will then allow the company to add further resources at Los Mantos, followed by an upgrade at Productora.

"We're a very different animal thanks to the local partnerships we have, and that's important in a local Chilean context, access to land and opportunities," Easterday says.

"We've proven that you can do deals here with the majors and local landholders, and that major copper and multi-commodity opportunities are sitting at the surface, next to infrastructure

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and have never been drilled."

Hot Chili is on track to deliver initial resources for robust, de-risked, large multi-commodity copper projects by the year-end. The team has stuck to its guns, proving its commitment to its Chilean partners, and its grafting is about to pay off. There aren't many miners who have the bravery, fortitude and strategy to go it alone into a relatively new frontier, and development stories don't get much better than this. **IRJ**

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