

# Hot Chili Limited

## Extensional results, exploration upside at Cortadera

HCH recommenced drilling at the Cuerpo 3 deposit on 11 January 2021 and have intersected a wide 750m downhole interval of visual porphyry mineralisation (1.0-2.5% Cpy) in CRP46D that includes two zones of strongly mineralised porphyry totalling 270m (100m and 170m respectively). HCH also reported a significant intercept of 382m at 0.4% Cu, 0.1g/t Au including 80m at 0.6% Cu, 0.2 g/t Au from CRP52D. Both holes have provided further extensions to mineralisation and ongoing confirmation of the geological model.

The Company has two diamond rigs and an RC rig on site. The RC rig is drilling north of the Cuerpo 1 & 4 open cut targets testing the untested IP anomaly in this area prior to moving onto Cortadera North. HCH plans to have one diamond rig at Cuerpo 3 targeting resource expansion and to upgrade the resource to an indicated status. The second diamond rig will concentrate on Cuerpo 2 and the gap zone between Cuerpo 2 & 3 (see Figure 1).

## Comment, Recommendation and Valuation

This emerging copper development we see as providing a long life project with a significant production profile of +100ktpa of Cu in concentrates. Significantly the Costa Fuego resource (**724Mt at 0.48% Cu eq.**) includes a high grade core at Cortadera of **104Mt at 0.74% Cu eq.** (0.60% Cu, 0.22g/t Au) that is potentially amenable to block caving later in the life of a project.

We continue to see HCH as clearly undervalued when comparing HCH to its peer group of companies. Most of our peer group are also located in the America's and have sulphide porphyry resources with similar sized deposits, based on tonnes and/or grade (see Figure 2). Our peer group is also majority TSX listed with two thirds of these having A\$EV/t valuations based on their resources of A\$38/t to A\$136/t compared to HCH at A\$28/t (see Figure 3).

The large scale of the Costa Fuego project lends itself to large corporate ownership and as HCH now holds the largest Cu resource for an ASX listed junior company we anticipate corporate interest will increase. Further funding options for the Company include either equity funding from the market and/or a potential corporate taking a cornerstone equity position as part of a JV or control mechanism.

We see the key resource growth targets at Cuerpo 2 and Cuerpo 3 as highly likely to add to the resource. The potential from exploration upside at the highly prospective "look alike" Cortadera North prospect which is located 2km north could also be a game changer if economic porphyry mineralisation is intersected from RC drilling.

We recommend a strong Speculative BUY and value HCH based on a A\$50 per insitu Cu resource equivalent tonne (v's A\$52.6/t for our peer comparison), exploration upside at the growth targets and deposit extensions. We maintain our price target of 6.9cps which does not take into account the +US\$0.60/lb increase in the Cu price to +US\$3.50/lb (from US\$2.90/lb in Oct 2020) and the positive share price implications.

HCH.ASX

Spec. BUY

5 February 2021

Share Price	\$0.035
12 mth Price range high	\$0.058
12 mth Price range low	\$0.009
Price target	\$0.069
GICS Sector	Materials
Market capitalisation	\$121m
Shares on Issue	3059m
Cash on hand	\$11m
Enterprise value^	\$118m
Previous rating	Spec. BUY
^ includes \$7.6m in unsecured con notes	

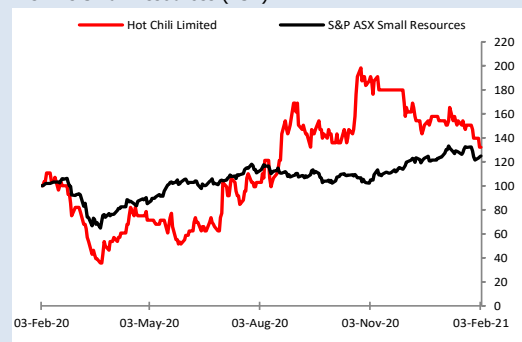
### Directors & Management

Non-Exec Chairman	Murray Black
Managing Director	Christian Easterday
Non-Exec Director	Allan Trench
Non-Exec Director	Roberto Adriasola
Non-Exec Director	Randall Nickson

### Major Shareholders

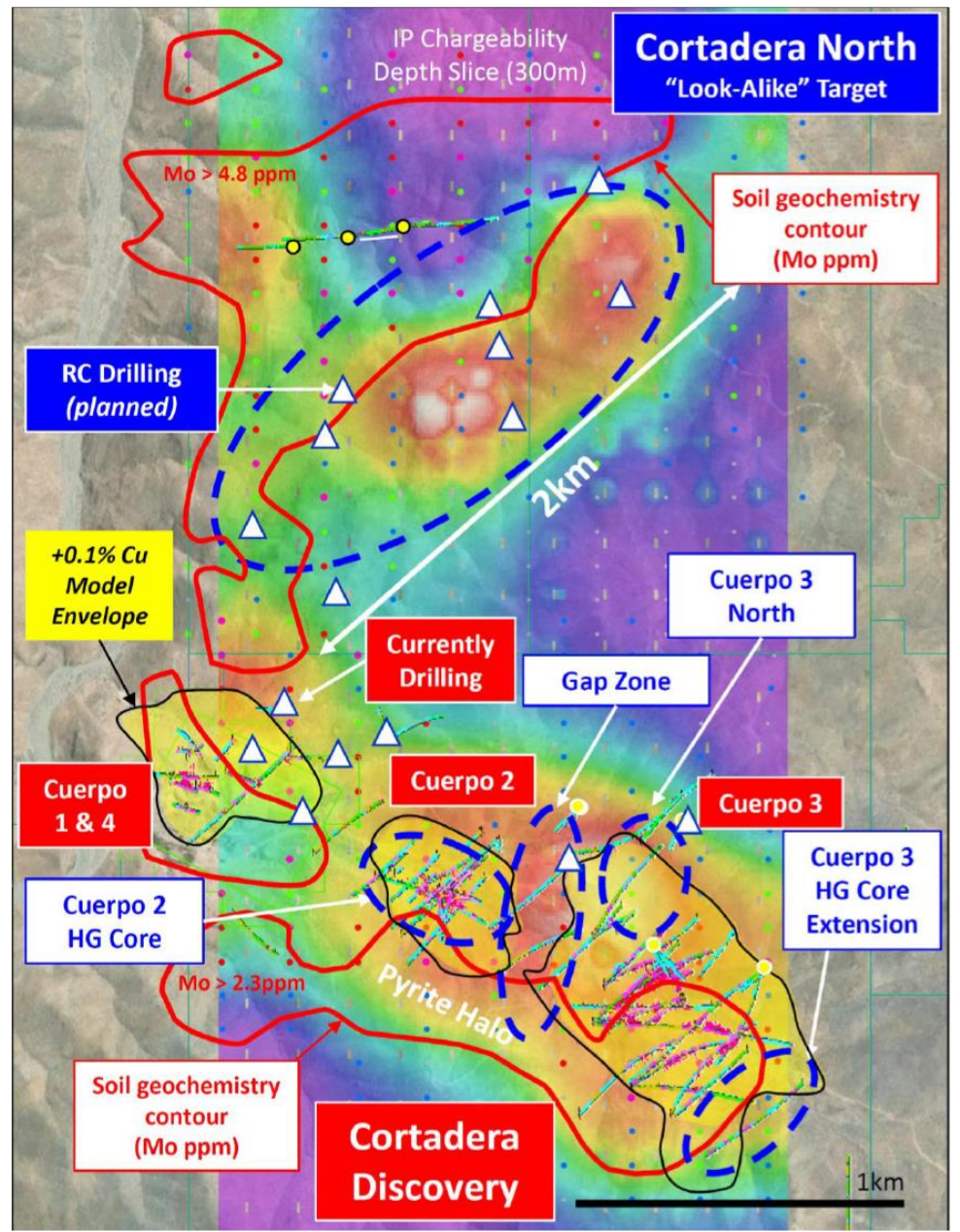
KAS & Blue Spec Drilling PL	6.5%
Taurus Funds	5.9%

HCH Vs Small Resources (XSR)



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**Figure 1: Key Growth targets at the Cortadera porphyry system**



A discovery at Cortadera North would further transform the project

Resource expansion drilling at Cuerpo 2 and Cuerpo 3 will be included into a resource upgrade in 2021

Source: Hot Chili Limited

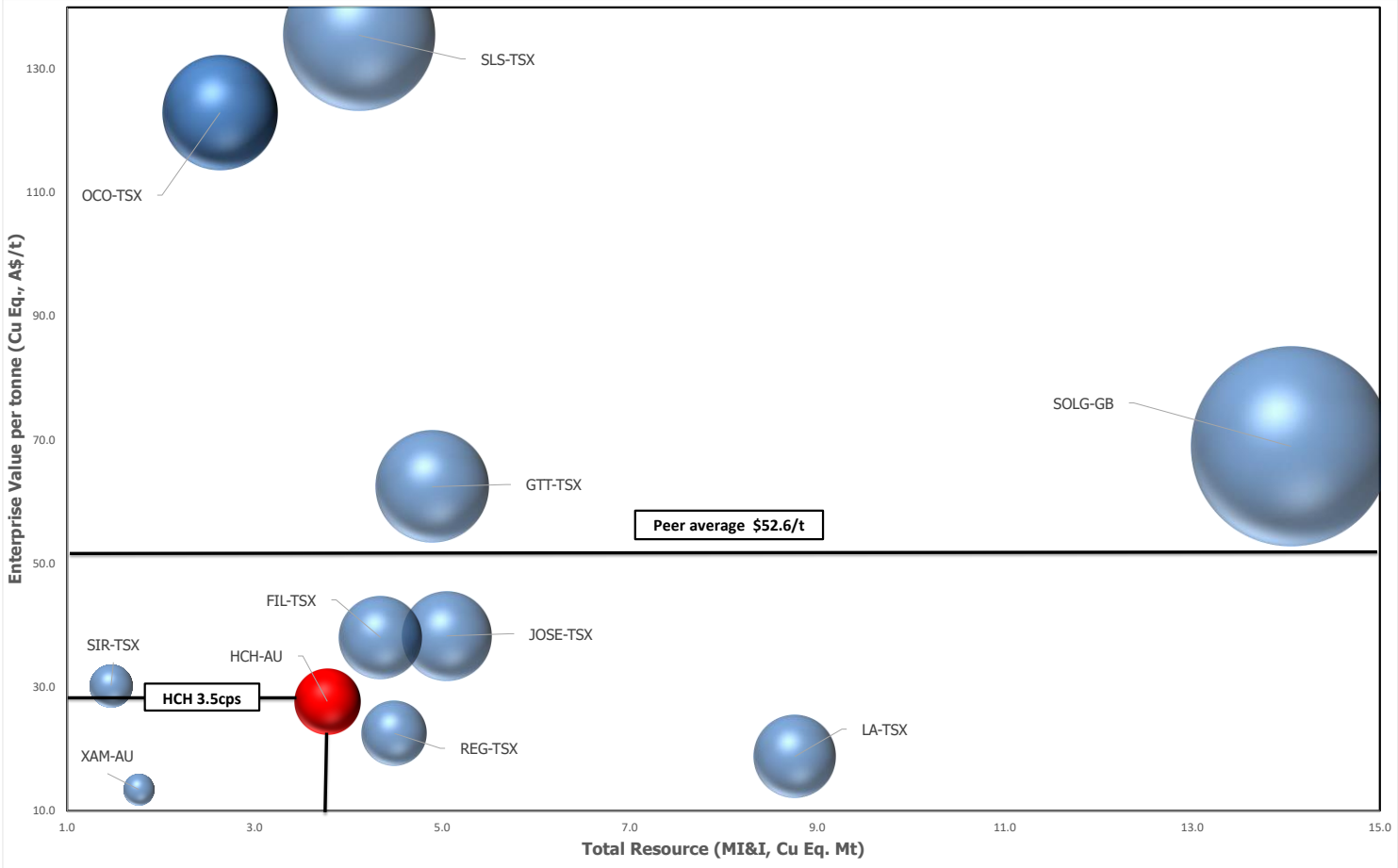
**Figure 2: Peer Comparison of Global Companies with large Copper porphyry sulphide resources located in the America's**

	Hot Chili Limited	SoIGold Plc	Josemaria Resources Inc.	Regulus Resources Inc.	Solaris Resources Inc.	GT Gold Corp.	Xanadu Mines Limited	Los Andes Copper Ltd.	Serengeti Resources Inc.	Filo Mining Corp.	Oroco Resource Corp.
Code - Exchange	HCH-AU	SOLG-GB	JOSE-TSX	REG-TSX	SLS-TSX	GTT-TSX	XAM-AU	LA-TSX	SIR-TSX	FIL-TSX	OCO-TSX
Share Price (at 05/02/2021)	0.035	0.270	0.680	0.990	6.250	2.410	0.035	5.860	0.400	1.790	1.850
Share Price (at 05/02/2021)	(A\$) 0.035	0.49	0.71	1.04	6.56	2.53	0.04	6.15	0.42	1.88	1.94
Shares on Issue	(m) 3059	2084	300	102	89	126	1092	27	110	111	170
Cash	(A\$m) 11	44	21	5	26	14	15	3	2	43	7
Market Capitalisation (undiluted)	(A\$m) 107	1013	214	106	583	320	38	167	46	208	331
Enterprise Value	(A\$m) 104	969	193	101	557	305	24	164	44	165	323
<b>Primary Project / Deposit</b>											
Name	Costa Fuego	Alpala	Josemaria	Antakori	Warintza, La Verde	Tatogga	Kharmagtai	Vizcachitas	Kwanika	Filo De Sol	Santo Tomas
Ownership	(%) 100	85	100	100	100, 60	100	76.5	100	100	100	61.4
Location	Chile	Ecuador	Chile	Peru	Ecuador, Mexico	BC, Canada	Mongolia	Chile	BC, Canada	Argentina	Mexico
Stage of Development	exploration / expansion	PEA	FS	Resource definition	Exploration, PEA	Feasibility / Development	Scoping study	PEA	Exploration / definition	PFS	Resource expansion
Deposit Style	Porphyry - Type II	Porphyry - Type II	Porphyry	Porphyry-Skarn	Porphyry	Porphyry	Porphyry - Type II	Porphyry	Porphyry	Porphyry, HS Epithermal	Porphyry
Resource (MI&I, 100% basis)	(Mt) 724Mt @ 0.40% Cu, 0.12g/t Au, 0.4g/t Ag 0.01% Mo	2.05Bt @ 0.41% Cu, 0.29g/t Au	1009Mt @ 0.29% Cu, 0.21g/t Au, 0.92g/t Ag	517Mt @ 0.44% Cu, 0.27g/t Au, 7.7g/t Ag	124Mt @ 0.56% Cu, 0.06g/t Au, 0.03% Mo / 746Mt @ 0.39% Cu, 0.03g/t Au, 2.2g/t Ag	841Mt @ 0.26% Cu, 0.33g/t Au, 0.71g/t Ag	470Mt @ 0.31% Cu, 0.19g/t Au	2072Mt @ 0.37% Cu, 0.99t Ag, 0.01% Mo	314Mt @ 0.24% Cu, 0.23g/t Au, 0.79g/t Ag	600Mt @ 0.31% Cu, 0.32g/t Au, 9.4g/t Ag	822Mt @ 0.32% Cu

Notes: All Mcaps are undiluted, CAD:AUD at 1.05, GBP:AUD at 1.80, USD:AUD at 1.31, SLS.TSX announced on 29/09/2020 an interval of 1,010m @ 0.59% Cu, 0.1g/t Au 0.02% Mo from its Warintza Project.  
JOSE.TSX includes quoted Josemaria Project Reserves, HCH.ASX Cortadera Project ownership subject to the fulfillment of a final option payment to acquire 100%

Source: Company Reports

**Figure 3: Peer Comparison of Total Resource to Enterprise Value per Resource tonne (Bubble Size = Enterprise Value)**



Source: Company Reports

Research

RATING

BUY – anticipated stock return is greater than 10%

SELL – anticipated stock return is less than -10%

HOLD – anticipated stock return is between -10% and +10%

SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

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