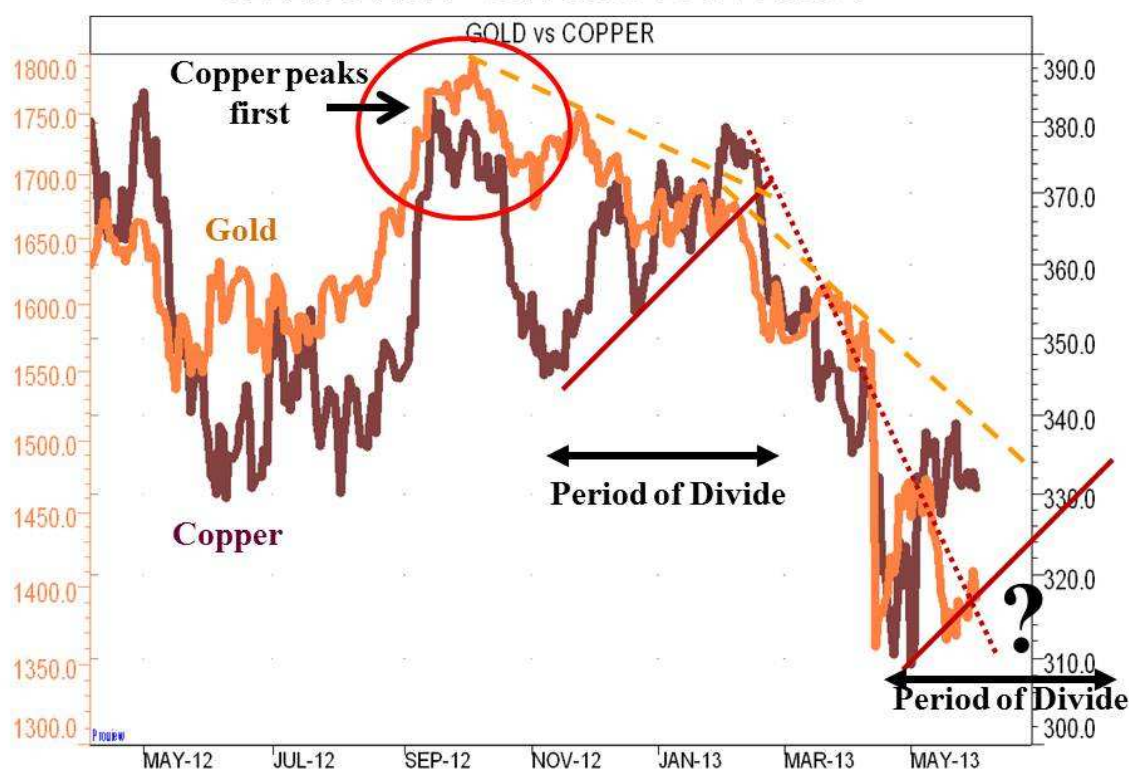


The Gold - Copper Relationship

Another Great Divide?



The copper price has renown as the “bellwether” for base metals but it also enjoys a strong relationship with gold. In 2009-2010 the two ran pretty much in tandem but early in 2011 the copper price peaked well ahead of gold and there followed a strong period of divide in the relationship between November last year and early February this year when the copper price rose along a volatile path while the gold price continued its downward draft.

24 years of Performance



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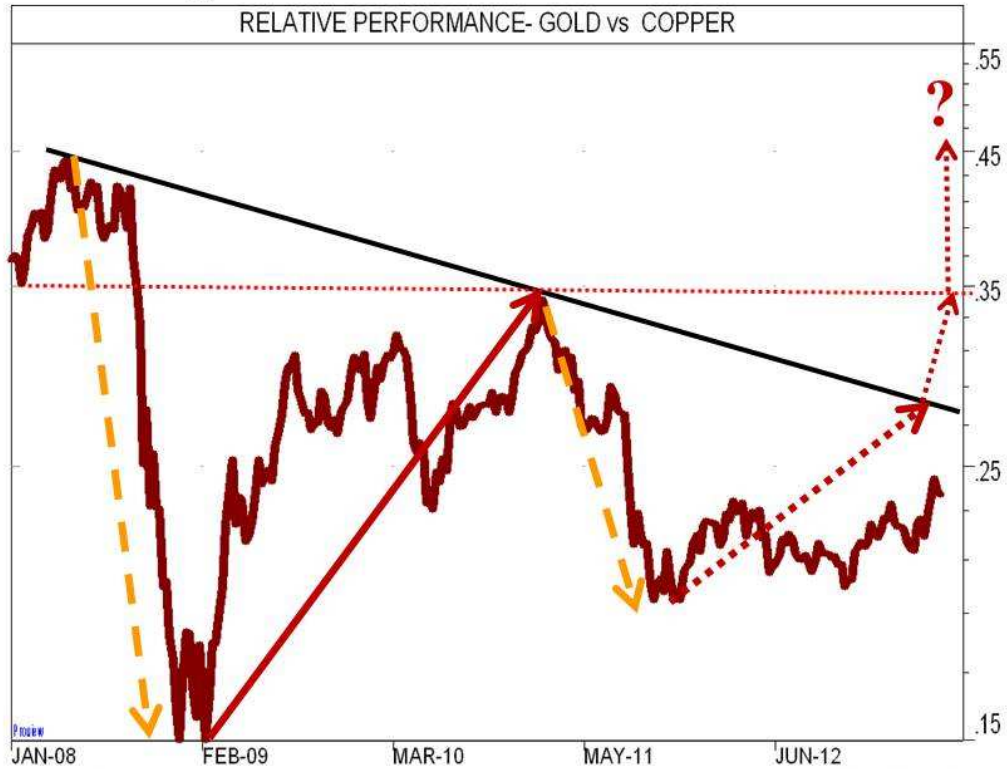
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In an examination of the relative relationship, taking it back over 24 years, we find that in the 1990s the relationship had fairly equal swings in performance until 2002 when the copper price took over and outperformed the gold price until 2006 and then it swung heavily to the gold side until 2009. It seems that following this time of extreme volatility the relationship has rebalanced into the parameters set in the 1990s.

Focusing in on the performance from 2008, it suggests that the Copper price can again outperform the gold price, at least until it moves towards the top of its normal range, but the following chart suggests that a stronger performance cannot be ruled out.

The performance from 2008



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With the implications of a potential outperformance in the copper price we find the share price chart for Hot Chili of interest. The company is listed on the ASX and has major interests in three large, multi-commodity copper projects in Chile.

hot chili limited

on-track to deliver...

“Productora copper project in pre-feasibility studies, while further resource upgrades expected in 2H 2013”

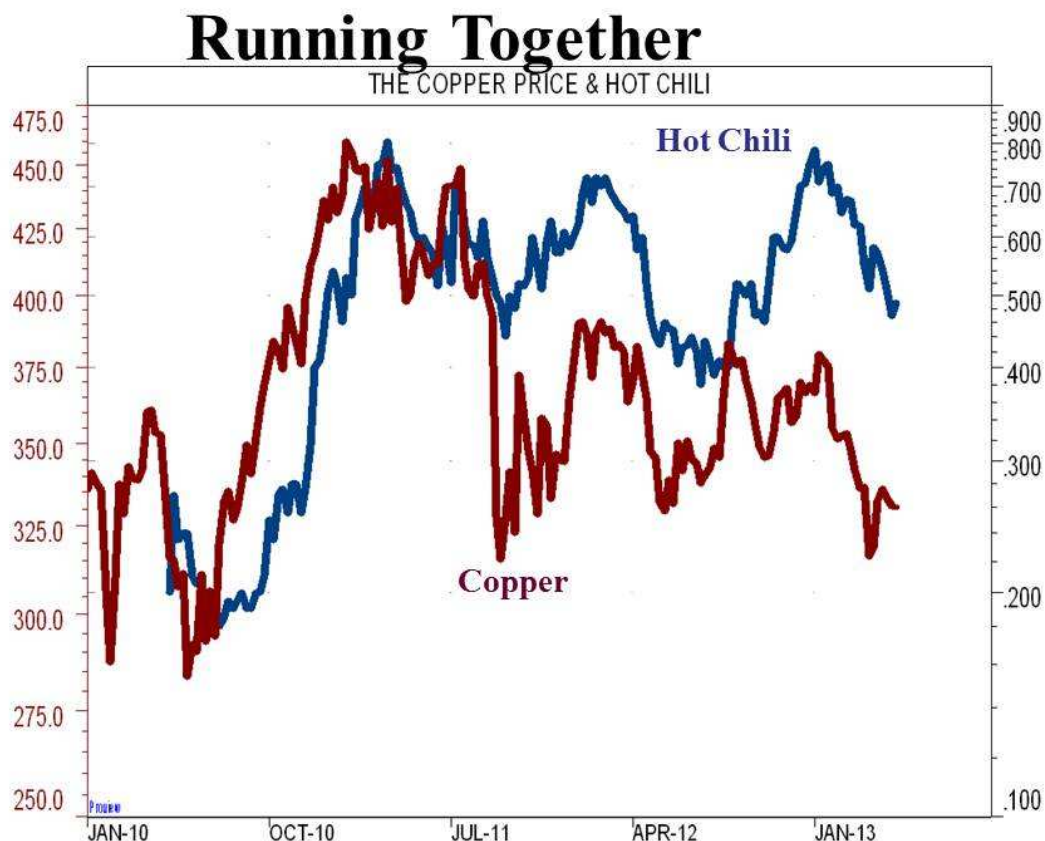
The projects target Iron-Oxide-Copper-Gold (IOCG) style deposits with additional potential major endowments of molybdenum and gold. The company’s flagship, The Productora project is at pre-feasibility stage, with advanced exploration and drilling underway at Banderas and Frontera.

In late 2012 Hot Chili expanded the size of its Los Mantos copper project building a substantial exploration land position immediately adjacent to Teck's large-scale Andacolla copper-gold operation.

The share price for Hot Chili rose during 2010 along with the copper price, peaking just after the copper price to settle into a wide ranging sideways phase with the price movements in line with that for copper.

The recent drop to 44c in late May tested the inner support line, with diverging momentum suggesting a bounce and rally. For a stronger recovery the price needs to move above 53c and then test the short-term downtrend around 58c and once clear would then gain the potential to move towards the upper inner barrier around 75c.

If both the copper price and the Hot Chili price gather momentum, and produce a break up through 75c and then the 85c barrier, the stock would gain the potential for a significant move higher, initially to around \$1.20. The danger to this scenario would be failure to break the short-term downtrend and a drop through the risk area at the 2012 lows at 38c.



A Little More Sideways?



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