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## ASX ANNOUNCEMENT

Monday 27th August 2012

# Hot Chili set to deliver significant resource growth

*Drilling underway at new lease in centre of Productora to significantly increase resource upgrade*

### Agreement executed to secure last critical lease at Productora

- 30 year, 100% lease agreement formally executed with Chilean Commission for Nuclear Energy (CCHEN) over last critical lease within the centre of Productora.
- Seven deep RC drill holes within new lease already complete- several wide, shallow, visual copper intersections recorded.
- Resource definition drilling over northern and southern extensions almost complete- results being compiled for release shortly.
- New lease allows Hot Chili to consider a large central pit option as part of plan to develop 10Mtpa, 20-year mine-life, open pit copper project

Hot Chili (ASX: HCH) is pleased to advise that it is well on track to deliver a significant resource upgrade at its Productora copper project in Chile in the December Quarter on the back of drilling at both the newly acquired central lease and the northern and southern extensions.

The Company has now executed a formal agreement over the Uranio 1 to 70 Lease, the last critical lease within the centre of Productora.

### ASX Code

HCH

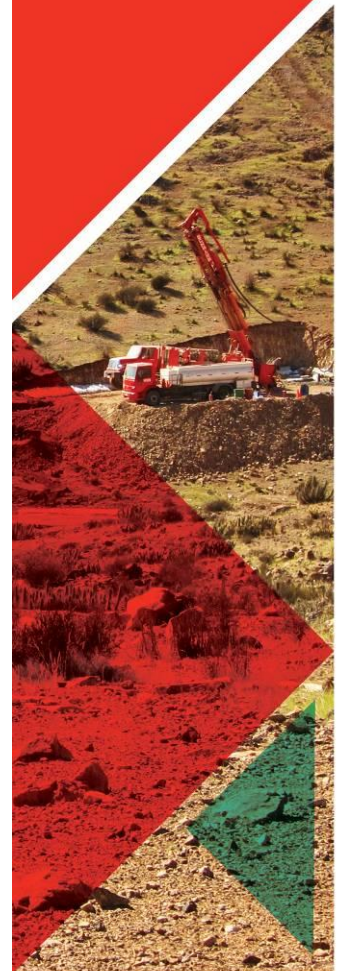
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**Drilling is already underway within the Lease and is recording very wide, shallow, visual intersections of copper on direct extensions of the central area copper resource.**

**All three operating drill rigs will shortly be focussed on an extensive drilling programme within the central 3km of the Productora project.**

**Drilling within the Uranio 1 to 70 Lease and the existing central area resource is the centre piece of Hot Chili's plans to establish a large-scale central copper pit at Productora.**

### **Execution of Formal Agreement for Uranio 1 to 70 Lease**

Hot Chili has now executed a 30 year, 100% lease agreement for the Uranio 1 to 70 Lease with the Chilean Commission for Nuclear Energy (CCHEN). The executed agreement formalises Hot Chili's successful public auction bidding conditions announced on the 17<sup>th</sup> of July 2012, giving the company long-term exploration and exploitation rights over the Lease.

The Uranio 1 to 70 lease lies within the centre of the Hot Chili's flagship Productora copper project, forming an encircling landholding around the Company's existing JORC compliant central resource (85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum). The Lease represents the last critical portion of the central resource development area to be consolidated at Productora and adds a further 1.2km of strike length to the project as shown in Figure 1.

### **Wide, Shallow Intersections Recorded in First Drill holes within Uranio 1 to 70 Lease**

First-pass Reverse Circulation (RC) drilling has been underway for approximately two weeks within the Uranio 1 to 70 lease. Initial drilling is being undertaken to provide confirmation of mineralisation located by historical drilling undertaken by General Minerals (GMC) and Teck during the 1990's.

Seven deep RC drill holes have been completed within the direct southern extensions to the central area resource. Several of these drill holes have recorded wide, shallow, visually encouraging copper intersections. Samples from these drill holes are being fast-tracked for analysis at ALS laboratories in Chile and results will be released once returned.

First-pass RC drilling has now commenced over the northern extensions to the central area resource within the new Lease..

Historical GMC/Teck drilling intercepts directly north and south of the central area resource and within the new Lease are shown in Table 1 below.



**Table 1: Historical significant drilling intersections within the Uranio 1 to 70 lease**

Company	Hole	From	To	Width (m)	Copper %	Gold g/t	Molybdenum ppm	Cu Eq* %	Reference
GMC	PR-9	72	102	30	0.5	0.1	60	0.6	GMC Announcement to TSX, May 19 1999
		102	214	112	0.7	0.1	160	0.9	
	<i>including</i>	102	130	28	1.0	0.1	260	1.3	
GMC	PR-11	190	210	20	0.8	0.3	30	1.0	GMC Announcement to TSX, May 19 1999
GMC	PR13	158	200	42	0.3	0.0	160	0.5	GMC Announcement to TSX, April 20 2001
		200	349	149	0.4	0.1	90	0.6	
	<i>including</i>	328	349	21	0.7	0.2		0.9	End of hole intercept. Hole finishes in 0.78% copper grade

### Resource Definition Drilling Update

Resource definition RC drilling over the northern and southern extensions of the Productora project is progressing well. All drilling directed towards these extensional areas is expected to be complete within three weeks with receipt of all results expected by early October.

Resource diamond drilling being directed towards the 200m to 400m depth zone of the central area resource is also progressing well. The company has significantly increased the speed of diamond drilling by moving to a double shift. The acceleration of diamond drilling activities will allow the deeper component of the central resource to be up-graded from inferred to indicated category at an earlier stage. Further results from this drilling are pending and will be announced in due course.

**The directors are very pleased with the progress of resource growth drilling activities at the company's flagship Productora copper project in Chile.**

**With a strong cash position, Hot Chili is well placed to deliver significant near-term resource growth to one of Chile's fastest emerging, major, new, coastal copper development projects.**

**For more information please contact:**

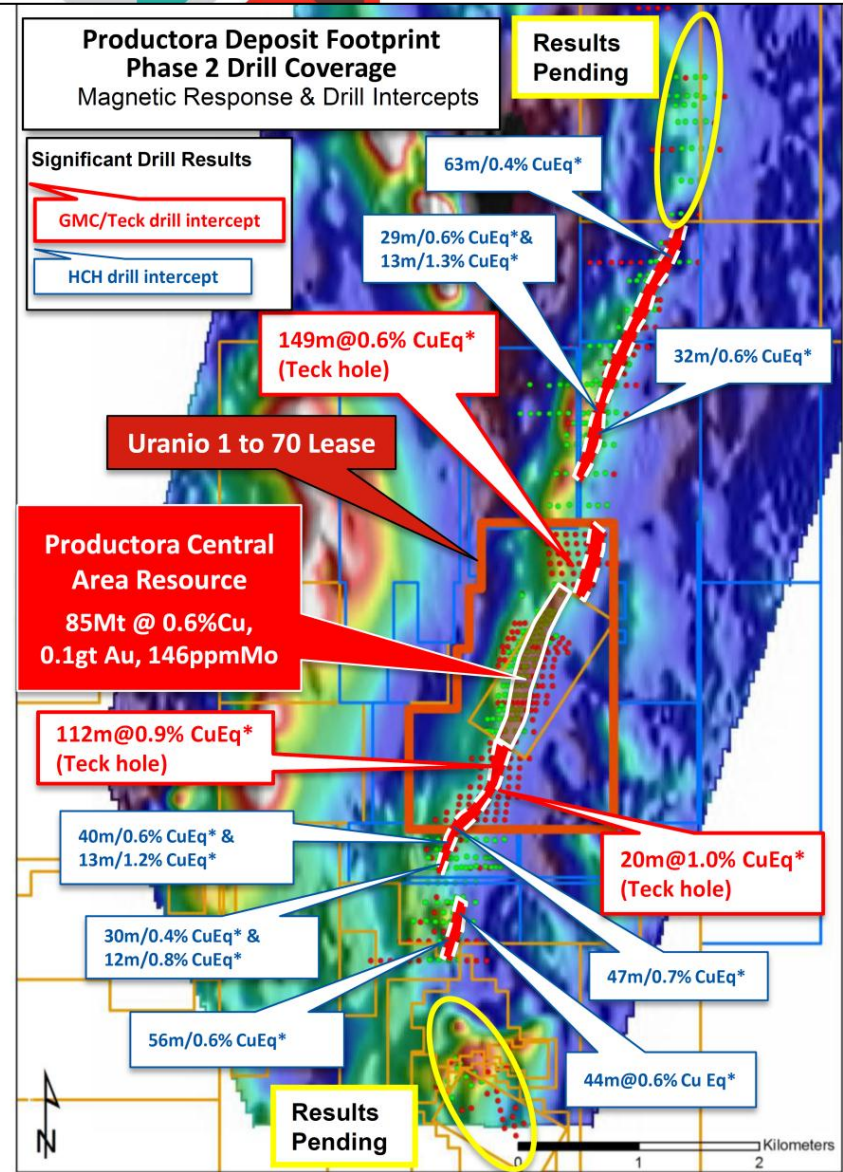
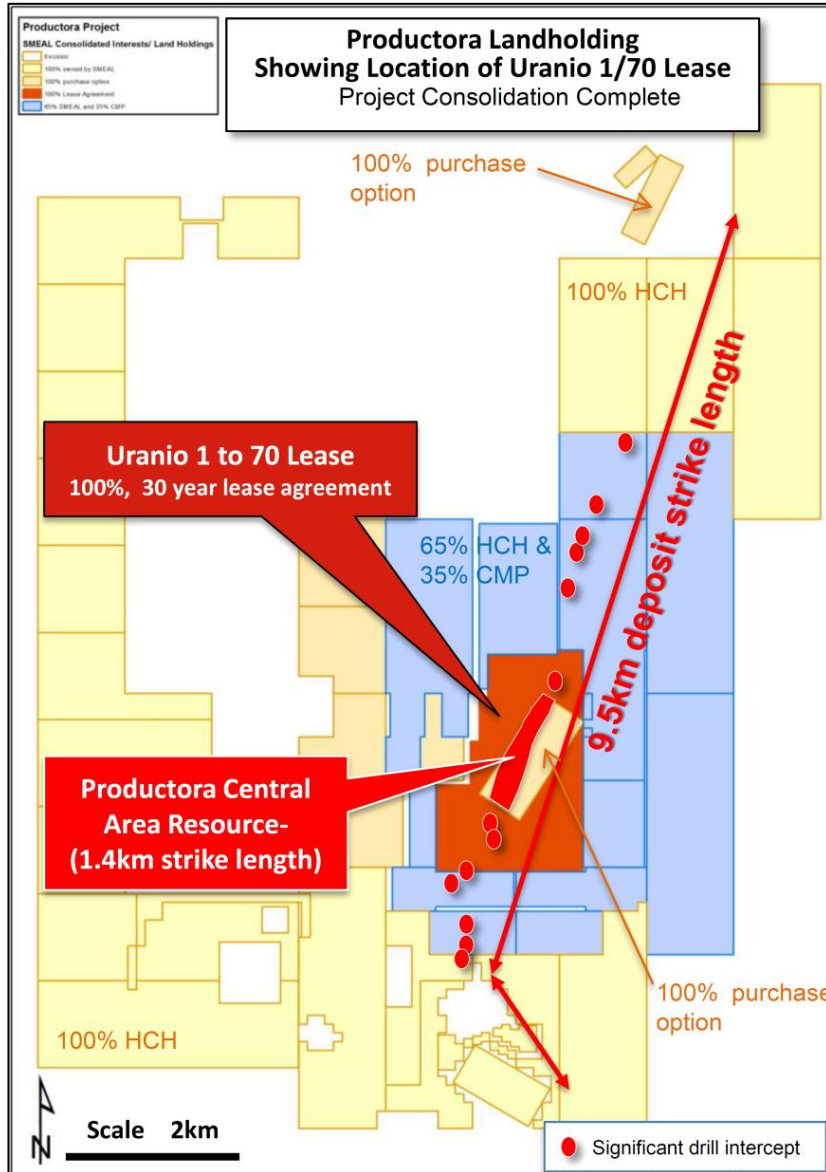
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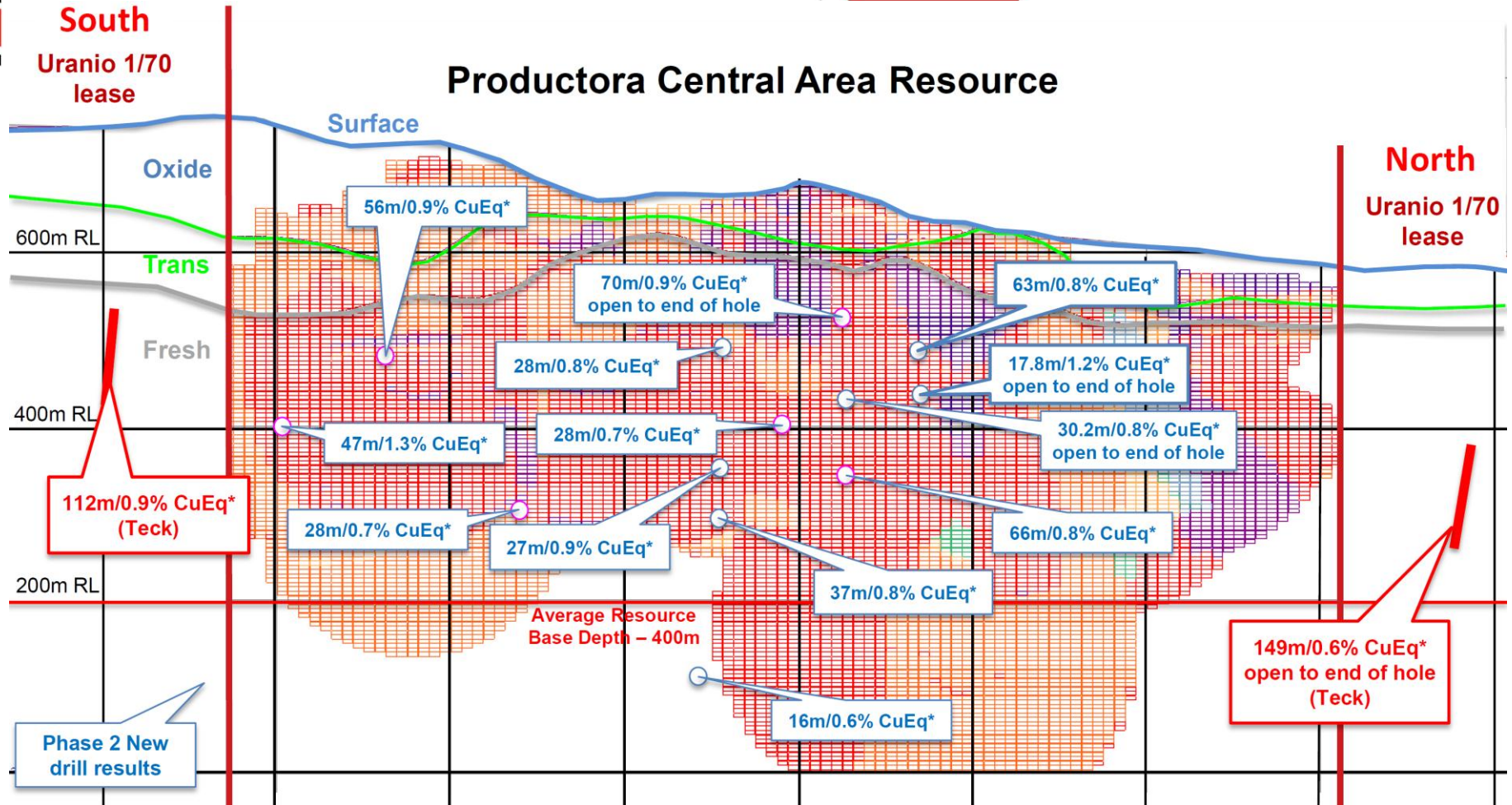


Figure 2. Long section of the central area resource showing the location of extensional Teck drilling intersections now being drill tested by Hot Chili.



## Productora Copper-Gold-Molybdenum Project

The Productora project is Hot Chili's flagship project in Chile. The project is located 15km south of the township of Vallenar, at low altitude (less than 1,000m) in Chile's 3rd region. Since drilling commenced in August 2010, the Company has outlined a large-scale, bulk tonnage copper-gold-molybdenum project amenable to open pit mining. In September 2011, the Company defined its first resource estimate from within the central 1.4km extent of the project, reporting a JORC compliant resource of 85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum (0.8% copper equivalent) for 483,000 tonnes of copper, 290,000 ounces of gold, 12,418 tonnes of molybdenum (644,000 tonnes of copper equivalent).

Significant exploration has outlined a 9.5km deposit footprint at Productora where extensional drilling by Hot Chili and previous explorer Teck has already confirmed significant drilling intersections over 5.7km strike extent so far. The Company has commenced a major second-phase drilling programme to achieve rapid resource growth and is planning to fast-track a decision to mine by late December 2013. Preliminary economic benchmarking has indicated robust economics for a potential future open-pit operation ideally located to existing infrastructure including the PanAmerican Highway, rail, power and port (40km distance) as shown on Figure 3.

The Company formally commenced a scoping study over Productora in early January 2012. Leading engineering and project development group AUSENCO have been appointed to manage the scoping study with the assistance of Hot Chili's own development study management team.

The Company is aiming to establish a significant resource base at Productora from an identified 280 – 320M tonne target mineralisation at similar grade to that estimated in the first resource announced from the centre of the project. The Productora target mineralisation is summarised in Table 1 below.

**Table 1 Productora Target Mineralisation**

Productora Target Mineralisation								
	Tonnage (Mt)		Grade			Contained Metal		
	From	To	Unit	From	To	Unit	From	To
<b>Copper</b>	280	320	%	0.5	0.7	Tonnes	1,400,000	2,240,000
<b>Gold</b>	280	320	(g/t)	0.1	0.2	Ounces	900,223	2,057,653
<b>Molybdenum</b>	280	320	(g/t)	120	180	Tonnes	33,600	57,600
<b>Copper Eq*</b>	280	320	%	0.7	1.0	Tonnes	1,876,000	3,168,000

*References to exploration target size and target mineralisation in this announcement are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code*



## Productora Infrastructure Location

- 40km distance to Huasco Port (Controlled by CAP/CMP – HCH project partner)
- 15km south of township of Vallenar
- Linked adjacent to PanAmerican Hwy, CMP rail corridor to Port and near-by power stations





**\* Copper Equivalent Calculation**

Copper Equivalent (also Cu Eq\*) Calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. However it is the Company's opinion that elements considered here have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines elsewhere in the world. Copper equivalent conversion factors and long-term price assumptions used follow:

Copper Equivalent Formula= Cu % + Mo(ppm)x0.0008 + Au(ppm)x0.6832

Price Assumptions- Cu (US\$1.80/lb), Mo (US\$15/lb), Au (US\$850/oz)

**Target Mineralisation**

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**JORC Compliant Resource Statement- Reported 7<sup>th</sup> September 2011**

Category	Tonnage (Mt)	Grade(>0.3%Cu)				ContainedMetal(>0.3%Cu)			
		Copper %	Gold (g/t)	Molybdenum (g/t)	Copper Eq* %	Copper (Kt)	Gold (KOz)	Molybdenum (Tonnes)	Copper Eq* (Kt)
<b>Indicated</b>	31.1	0.6	0.1	159	0.8	185	110	4,942	248
<b>Inferred</b>	54.0	0.6	0.1	138	0.7	298	180	7,476	395
<b>Total</b>	<b>85.1</b>	<b>0.6</b>	<b>0.1</b>	<b>146</b>	<b>0.8</b>	<b>483</b>	<b>290</b>	<b>12,418</b>	<b>644</b>

Note: Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting.

**Competent Person's Statement- Exploration Reporting**

Information in this announcement that relates to exploration results and mineralisation is based on information compiled by Mr Christian Easterday, a Director, who is a Member of The Australian Institute of Geoscientists. Mr Easterday has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Easterday consents to the inclusion in this presentation of the statements based on his information in the form and context in which they appear.

**Competent Person's Statement- Resource Reporting**

Information in this announcement relating to mineral resources is based on information compiled by Mr. Alfred Gillman, a Fellow of the Australian Institute of Mining and Metallurgy (CP). Mr. Gillman is an independent resource consultant and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code 2004). Mr. Gillman consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.