

Chilean newspaper article on Hot Chili's joint venture to develop Productora copper project

Hot Chili Limited (ASX code: HCH) is pleased to provide a translation of an article published in leading Chilean newspaper El Mercurio on July 2 2015.

The article contains comments by Roberto de Andraca, President of the Board of Directors of Compania de Aceros del Pacifico (CAP), on his company's recent joint venture with Hot Chili for the development of the Productora copper project in Chile.

An English translation of the article is published below and can be found on Hot Chili's website. It can also be found in Spanish on El Mercurio's website: <http://www.mch.cl/2015/07/02/en-8-meses-cap-definira-proyecto-de-inversion-de-cobre-en-atacama/>

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Translation of El Mercurio Article on 2nd of July 2015

Roberto de Andraca:

In eight months, CAP will define a copper investment project in Atacama

Currently, drilling activity is being carried out in order to measure the deposit that will be exploited, together with Sociedad Minera El Aguila, affiliate of the Australian mining company Hot Chili.

Author: ANTONIO COLLADOS

Roberto de Andraca, President of the Board of Directors of Compania de Aceros del Pacifico (CAP, for its acronym in Spanish) stated yesterday that the drilling that will allow the measuring of the Productora copper and gold deposits located near Vallenar shall be complete within approximately eight months.

A few weeks ago, CAP Minería and the Australian company Hot Chili, through its Chilean affiliate, Sociedad Minera El Aguila (SMEA), agreed on joint exploitation of the Productora Project located in the Atacama Region.

De Andraca pointed out that this is a rational investment process on a normal scale, which considers a purchasing option of the initiative once the drilling has finished and the feasibility evaluation of the project has been carried out.

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The investment will be carried out gradually.

The initial investment includes a participation of 17.5% of the project for CAP, which can eventually be increased by another 32.6% in two instalments once a pre-feasibility study has been carried out. This would allow CAP to participate by 50.1%, therefore acquiring control of SMEA.

The businessman clarified that for CAP, this is a friendly investment since the company already has built infrastructure ["in the area"] for the exploitation of iron.

De Andraca stated, "The ports, electricity, and water connections are already there, a great part of the investment has already been made, what we are doing now is evaluating the investment".

When asked about the possibility of associating with third parties for this investment, he explained that although there are three other parties interested in this project, association is only a possibility, and there are no decisions made regarding this topic.

"The company already has a partner (Mitsubishi) who will be present. They own 20% of CAP, and during our conversations we have not seen the point in calling in a third party", explained De Andraca during the first session of the National Council for Manufacturing held yesterday in Santiago.

Chinese expansion

During this same opportunity, the President of the Board of Directors of CAP also referred to the Chinese expansion in the global production of steel: "In 1980, China's participation in steel was 0.33% of the global production; its participation last year, which is yet to be defined, will be between 54 and 58%, making all other producers a minority.

He added that the quality of steel produced in China is optimal, since the Chinese steel industry has cutting edge facilities.

Regarding possible expansion projects of the Asian giant, Roberto de Andraca pointed out that "China wants to participate with us in investments in other parts of South America, which we are discussing".

"China's participation in the global production of steel during 2014 was between 54 and 58%."

ROBERTO DE ANDRACA, PRESIDENT OF CAP

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