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ASX ANNOUNCEMENT

Thursday 12th January 2012

Hot Chili Commences Scoping Study on Productora Copper Project, Chile

- **Leading engineering and project development group AUSENCO appointed to undertake study**
- **Two drill rigs scheduled to re-commence drilling activities next week as part of a 70,000m drilling programme**
- **Extensional drilling results from Productora are currently being compiled and are expected to be announced shortly**

Hot Chili Limited (ASX Code: HCH) is pleased to announce that it has formally commenced a Scoping Study on the Company's flagship Productora copper-gold-molybdenum project in Chile.

Following an extensive tendering process, the Company has appointed leading engineering and project development group AUSENCO to undertake the study. In addition, Hot Chili has assembled an experienced development study management team to assist Ausenco and ensure development study timeframes are achieved.

The Scoping Study is scheduled to be completed in the third quarter of 2012.

Following a successful AU\$22.3 million capital raising in December 2011, the Company will be fully funded to undertake an aggressive activity budget in 2012.

Development studies are being undertaken in parallel with an extensive 70,000m drilling programme aimed at significantly expanding the size of the first resource at Productora. Assay results from 10 weeks of Reverse Circulation (RC) and Diamond (DD) drilling completed at Productora prior to Christmas are being compiled and are due to be announced shortly. Two dedicated multi-purpose RC/DD drilling rigs are due to recommence drilling next week.

ASX Code

HCH

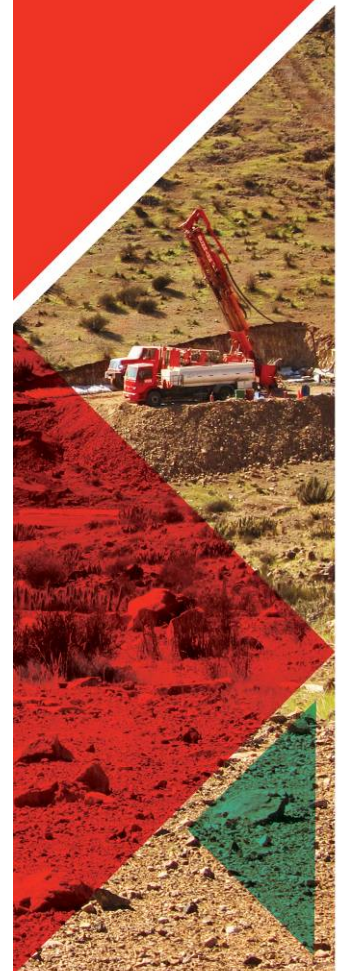
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Productora Copper-Gold-Molybdenum Project

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 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 3.7km strike extent. 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 1.

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. Assay results from a significant extensional RC drilling programme along the northern extents of the Productora deposit footprint are currently being compiled and are expected to be released shortly. The Productora target mineralisation is summarised in Table 1 below.

Table 1 Productora Target Mineralisation

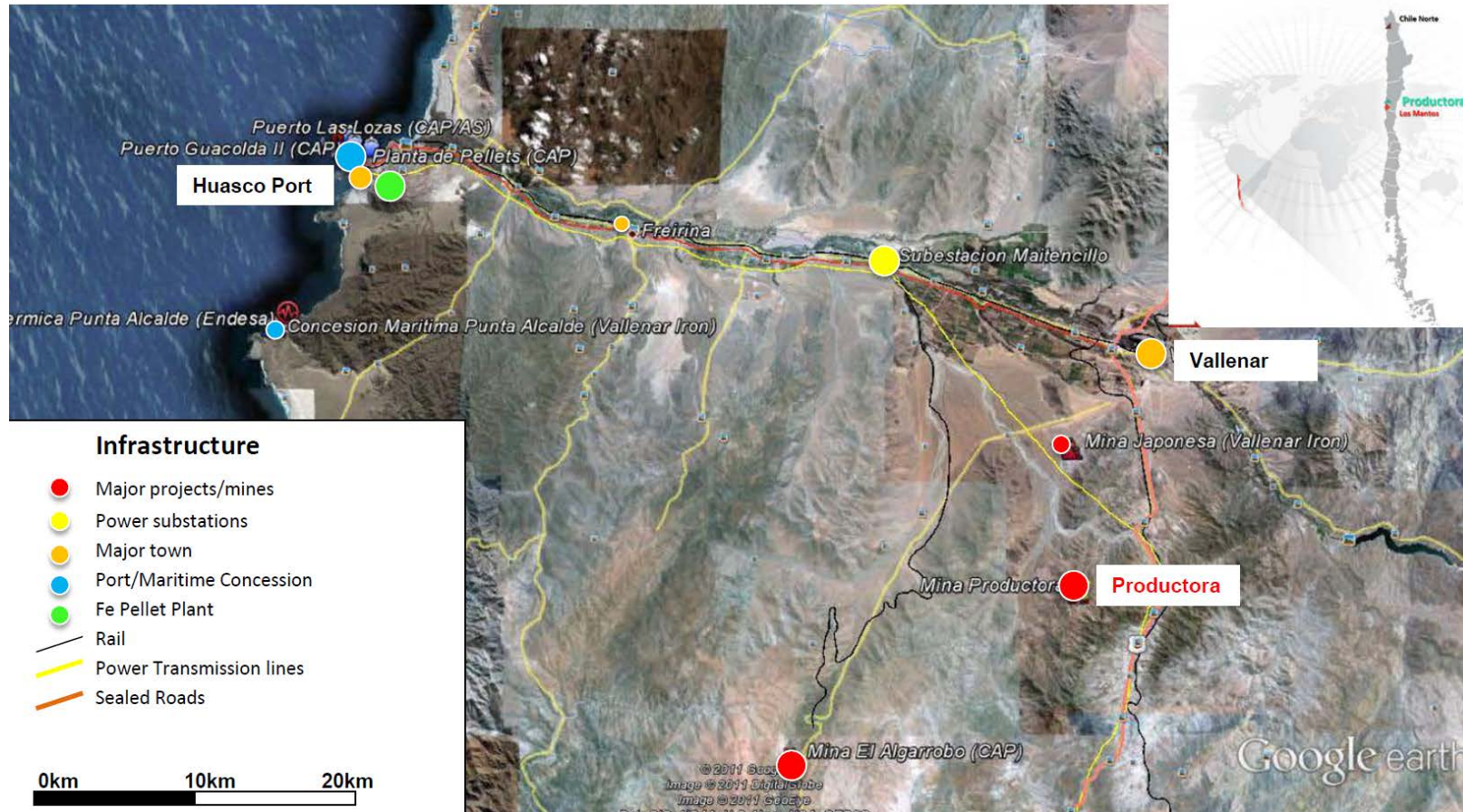
	Productora Target Mineralisation							
	Tonnage (Mt)		Grade			Contained Metal		
	From	To	Unit	From	To	Unit	From	To
Copper	280	320	%	0.5	0.7	Tonnes	1,400,000	2,240,000
Gold	280	320	(g/t)	0.1	0.2	Ounces	900,223	2,057,653
Molybdenum	280	320	(g/t)	120	180	Tonnes	33,600	57,600
Copper Eq*	280	320	%	0.7	1.0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



Figure1. 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





About AUSENCO

Ausenco sets high global standards for leading engineering and project management services in the resources and energy sectors. Across 32 offices in 20 countries, Ausenco's people seek innovative solutions for their clients in the Energy, Environment & Sustainability, Minerals & Metals, Process Infrastructure and Program Management sectors. The Company's process engineering and project capabilities are internationally recognised with extensive experience gained in copper, gold, uranium, nickel and iron ore. Ausenco services all stages of the project lifecycle, from pit to port, and has completed studies and Engineering-Procurement-Construction-Management (EPCM) contracts around the world.

Ausenco's Minerals & Metals team, based in Santiago and Brisbane, was chosen for the Scoping Study because of its expertise and experience with large scale minerals projects, and proven experience with copper project development from scoping study to project implementation. Ausenco has successfully designed and constructed the Lumwana concentrator (55 ktpd) in Zambia, the Phu Kham concentrator (33 ktpd) in Laos and is currently executing the GDP3 expansion (new 50 ktpd concentrator) of the Gibraltar Mine for Taseko in Canada and the Constanca Project for HudBay in Peru.

The commencement of the project development phase for Productora marks an important milestone for the Company as it aims to fast-track a development decision on one of Chile's newest major coastal range copper discoveries.

The directors look forward to announcing further up-dates on both drilling and development study progress over the coming weeks and months ahead.

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or visit Hot Chili's website at www.hotchili.net.au



* 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= $Cu \% + Mo(ppm) \times 0.0008 + Au(ppm) \times 0.6832$

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

Target Mineralisation

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

JORC Compliant Resource Statement- Reported 7th 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)
Indicated	31.1	0.6	0.1	159	0.8	185	110	4,942	248
Inferred	54.0	0.6	0.1	138	0.7	298	180	7,476	395
Total	85.1	0.6	0.1	146	0.8	483	290	12,418	644

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.