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ASX ANNOUNCEMENT

Monday 14th May 2012

Positive Results from Initial Productora Metallurgical Test Work

Productora Scoping Study Advancing

- Test work results indicate Productora ore is amenable to processing using a conventional crushing – SAG mill – ball mill grinding circuit followed by sulphide flotation.
- Rougher flotation test work indicates high copper recoveries of 93.5% to 96% across a range of relatively coarse grind sizes

Productora Along Strike Resource Drilling Commenced

- First pass drilling of the entire 9.5km deposit strike length is now complete, results pending.
- Along strike resource drilling has commenced to significantly expand the current 85.1Mt central area resource during the third quarter 2012.

Metallurgical test work at Hot Chili's (ASX Code: HCH) flagship Productora copper-gold-molybdenum project located in Chile has produced very encouraging initial results.

Rougher sulphide flotation results from within the Productora central area resource indicate particularly high copper recoveries of 93.5% to 96% over a relatively coarse grind size.

These exceptionally high rougher recoveries suggest that final copper recovery levels into a commercial grade concentrate will also be quite high, potentially in excess of 90%. Final commercial concentrate grade estimation will be determined following the completion of clean flotation test work.

These first results provide a solid foundation from which to carry out further optimization of the metallurgical flow sheet for the Productora project.

ASX Code

HCH

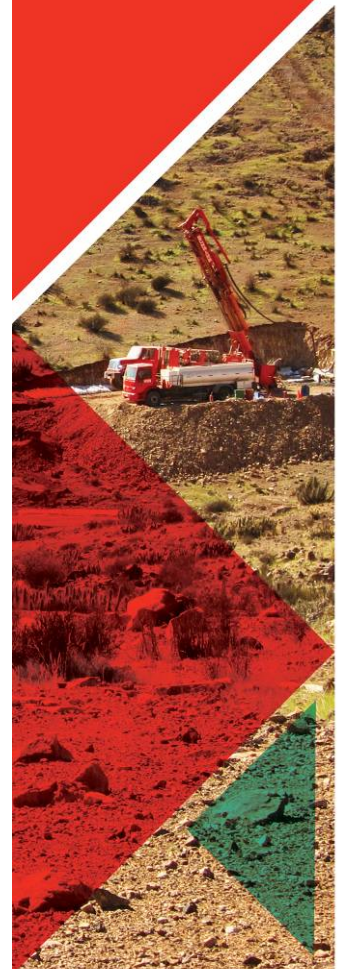
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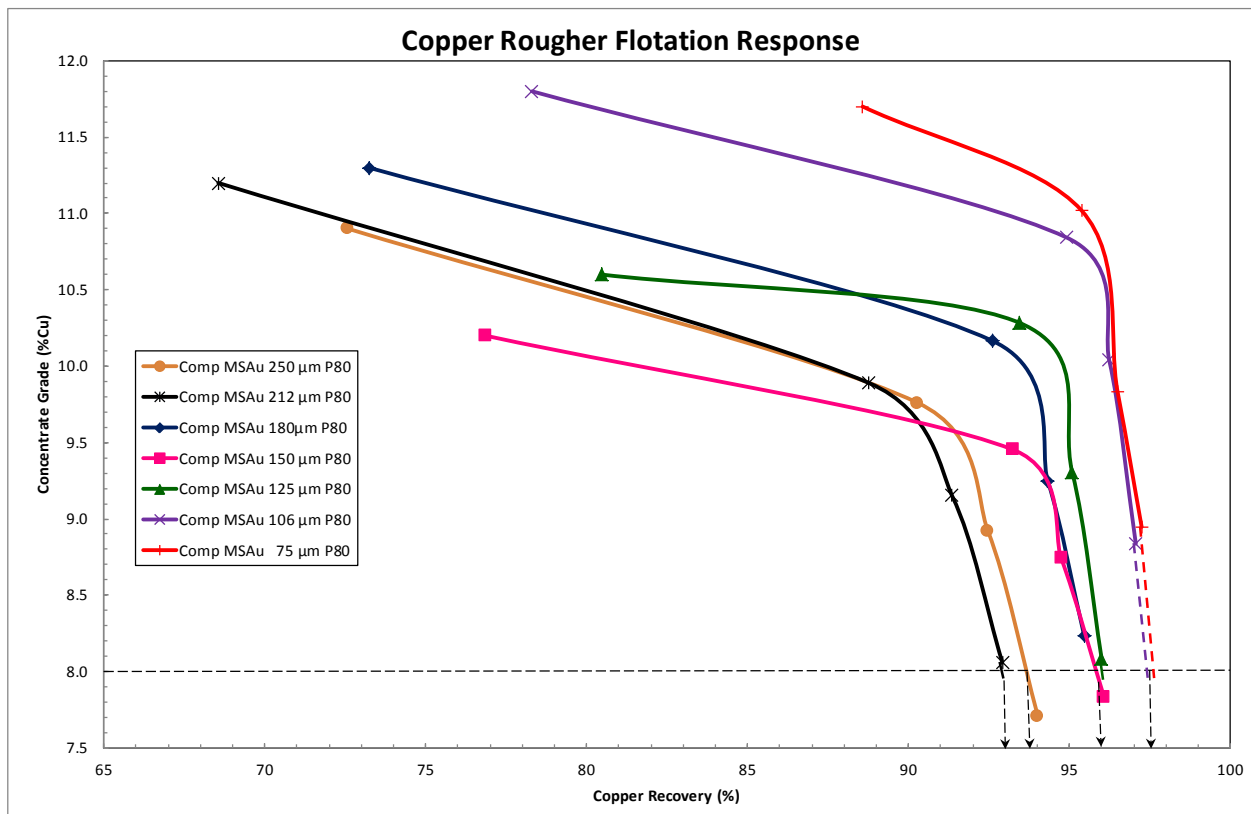
Productora Scoping Study Update

As part of the ongoing Productora Scoping Study the Company has completed preliminary metallurgical testwork (mineralogy, comminution and flotation) on three composite samples of sulphide ore from within the current central area resource. The composite samples comprised a bulk tonnage underground sample as well as two composite samples of diamond core sourced from multiple drill holes distributed across the strike extent of the central area resource.

Initial results have provided early encouragement indicating that the Productora ore will be amenable to processing through a conventional crushing - SAG mill - ball mill grinding circuit followed by a contemporary sulphide flotation sequence. Ausenco, who is managing the Productora Scoping Study along with Hot Chili's own development study management team, has significant experience in the design and construction of similar copper processing circuits elsewhere in the world.

Rougher flotation test work over a range of primary grind sizes indicated that the copper recovery increased as the fineness of grind increased.

As indicated in the graph below, at a relatively coarse primary grind size of approximately 212 μm to 250 μm P80, a copper rougher recovery of the order of 93.5% would be anticipated in rougher flotation, increasing to 96% for grind sizes between 180 μm and 125 μm P80 and subsequently to approximately 97.5% for grinds finer than 106 μm P80. Commercial concentrate grades for Productora ore have not yet been determined from this early stage of metallurgical testwork.





Following these initial positive results, the next phase of testwork will be directed towards cleaner flotation testwork in advance of assessing the commercial grade of copper concentrates that may be produced at Productora.

In addition to metallurgical testwork, AUSENCO and Hot Chili are well advanced with the assessment of basic site layout design, pit optimisations, sea water pipeline design, hydrological assessment, and port assessment.

Productora Extensional RC Drilling Update

First-pass Reverse Circulation (RC) drilling of the entire 9.5km deposit footprint at Productora is now complete and a resource definition drilling programme is underway over major extensions to the Productora central resource. Extensional resource drilling has commenced over areas already drill confirmed over 5.7km in strike extent, along strike to the central area resource.

Visually encouraging drilling intersections within the main mineralised breccia corridor have been recorded in areas over the remaining 4km of strike extent that had not previously been drill tested. Results from this drilling programme involving two dedicated RC drill rigs and one diamond drill rig are expected shortly.

The Company looks forward to delivering the outcomes of the Productora Scoping Study within the third quarter of 2012 in association with a major resource up-grade. Hot Chili remains on-track to deliver a decision to mine on a 20 year mine life, 10Mtpa open pit copper operation at Productora in late 2013. With approximately \$24 million in cash, the company is well positioned to deliver on significant growth targets during 2012.

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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 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 1.

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
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



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 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.