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## ASX ANNOUNCEMENT

Thursday 31st May 2012

# Copper Grade at Productora Continues to Increase

### Significant resource upgrade on track for Q3

#### Resource Drilling Continues to Return Higher Copper Grades at Productora Project, Chile

- Larger sample size continuing to improve copper grade of central resource.

#### Drilling Extends Productora to the South

- Wide results returned from first pass drilling in southern extensional zone to Productora resource

#### Three Drill Rigs Operating

### Productora Drilling Results

#### 47.3m grading 1.3% Copper Equivalent\*

(0.9% copper, 0.2g/t gold, 327ppm molybdenum,

from 225.7m down-hole  
Central Area resource diamond drill hole

#### 39m grading 0.9% Copper Equivalent\*

(0.6% copper, 0.2g/t gold, 155ppm molybdenum

from 253m down-hole  
Central Area resource diamond drill hole

#### 56m grading 0.6% Copper Equivalent\*

(0.5% copper, 0.1g/t gold)

from surface  
Southern extensional RC drill hole

#### 40m grading 0.6% Copper Equivalent\*

(0.5% copper, 0.1g/t gold, 122ppm molybdenum

from 170m down-hole  
Southern extensional RC drill hole

#### ASX Code

HCH

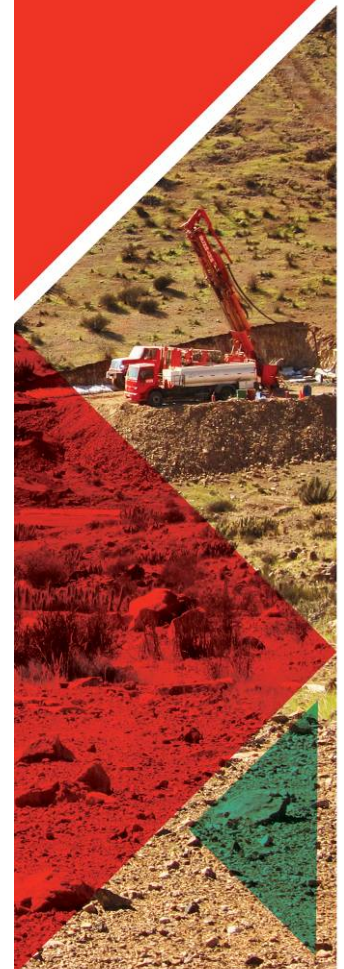
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**Hot Chili (ASX: HCH) is pleased to announce that it is firmly on track to deliver a significant resource upgrade at its flagship Productora copper-gold-molybdenum project in Chile, with fresh drilling results continuing to increase the grade of the central area while also extending the known mineralisation to the south.**

**Three drill rigs are operating at Productora and the results will form part of a significant resource upgrade scheduled for release in the September Quarter.**

**Scoping studies on a base-case 10Mtpa, 20-year open pit operation at Productora are progressing well and are also on-track for completion in the third quarter of 2012.**

**Hot Chili's fully funded 2012 development strategy aims to position Productora as Chile's most rapidly emerging major coastal copper development.**

### **Central Area Resource Drilling Results- Higher Copper Grade Drill Results Continue**

A further set of higher copper grade drill results have been received from diamond drilling being directed towards the inferred zone (200-400m vertical depth) of the current central area resource (**85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum for 483,000 tonnes of copper, 290,000 ounces of gold and 12,418 tonnes of molybdenum**).

Latest diamond drill results included **47.3m grading 0.9% copper, 0.2g/t gold and 327ppm molybdenum from 225.7m down-hole** within the southern extent of the central area resource. This and other new diamond drill results are summarised on figure 1.

The results add further weight to the Company's observation that larger sample size produces better copper grade estimation at Productora. Since implementing larger sampling techniques, the second phase resource drilling within the inferred component of the central area resource has produced **nine drill holes from 11 drill holes complete that contain higher copper grade than was originally estimated in the first resource**. Importantly, these drilling intercepts were recorded in predicted positions within the inferred resource envelope.

The second phase resource diamond drilling programme is planned to continue for the remainder of 2012 and aims to increase the amount of indicated resources within the central area in parallel with the progress of development studies. The diamond drilling programme aims to facilitate a resource grade revision over the central area resource once complete.

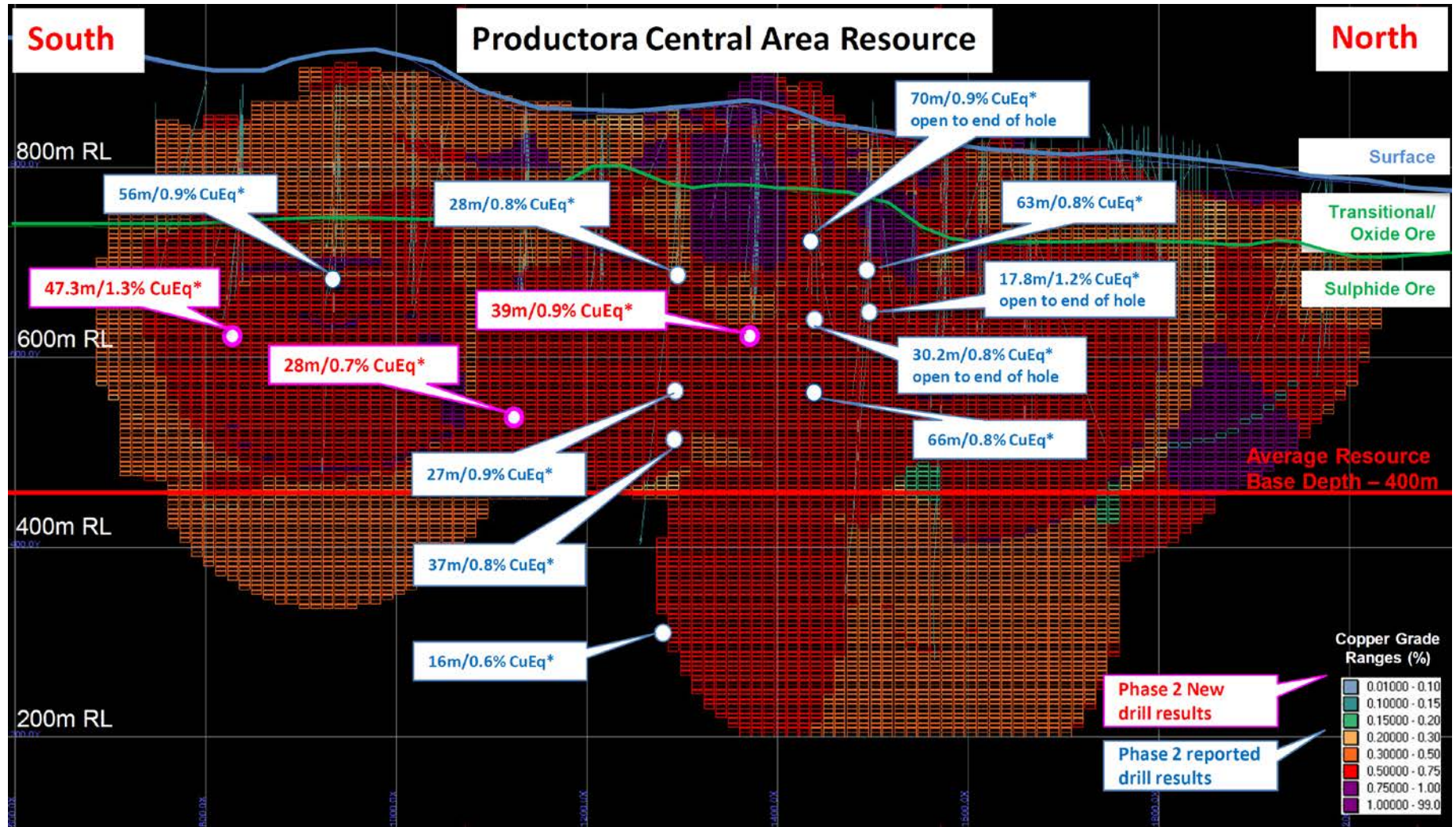


Figure 1. New Significant Diamond Drilling Intersections at the Productora Central Area Resource



## **Extensional Resource Drilling- Southern Extensional Zone Returns Wide Drill Results.**

Two dedicated reverse circulation (RC) drill rigs have now completed the first stage of the company's +65,000m extensional second phase drilling programme. This involved the completion of first-pass drilling over the entire 9.5km strike extent of the identified Productora deposit footprint. The central area resource represents 1.4km strike length of this deposit footprint.

Assay results from first-pass drilling over extensional zones are currently being received and compiled for analysis and reporting. At present, results indicate significant potential exists to add further shallow resources in multiple along strike zones over Productora.

A number of wide first-pass reverse circulation (RC) drill results have been returned from the second extensional zone drill tested at Productora. The zone lies within the southern extent of the Productora project and represents a 1.3km strike length segment of the deposit footprint.

Drill line spacing of 160m with 80m spaced drill holes was utilised to test the zone which had earlier recorded a number of wide drilling intercepts from scout drilling during late 2010 including 44m grading 0.5% copper from 12m down-hole depth.

Results recorded by this first-pass RC drilling programme have provided encouragement for the presence of at least two areas of shallow copper resource potential within the 1.3km strike extent zone. **Better results included 56m grading 0.5% copper and 0.1g/t gold from surface and 40m grading 0.5% copper, 0.1g/t gold and 122ppm molybdenum from 122m down-hole depth.** These new extensional results are summarised on figure 2.

A resource in-fill drilling programme has been designed to further test this southern zone with access and platform construction scheduled to commence shortly. The company plans to announce the results of first-pass extensional drilling from the far northern and far southern extents of the Productora project over the coming weeks ahead as assay results are received.

**The board of Hot Chili is very pleased with the progress of the Company's fully funded 2012 resource growth and development plan. The ambitious 2012 activity schedule for Productora aims to fast-track a robust, long-life, open pit copper project which is rapidly emerging as potentially one of Chile's top coastal range copper discoveries.**

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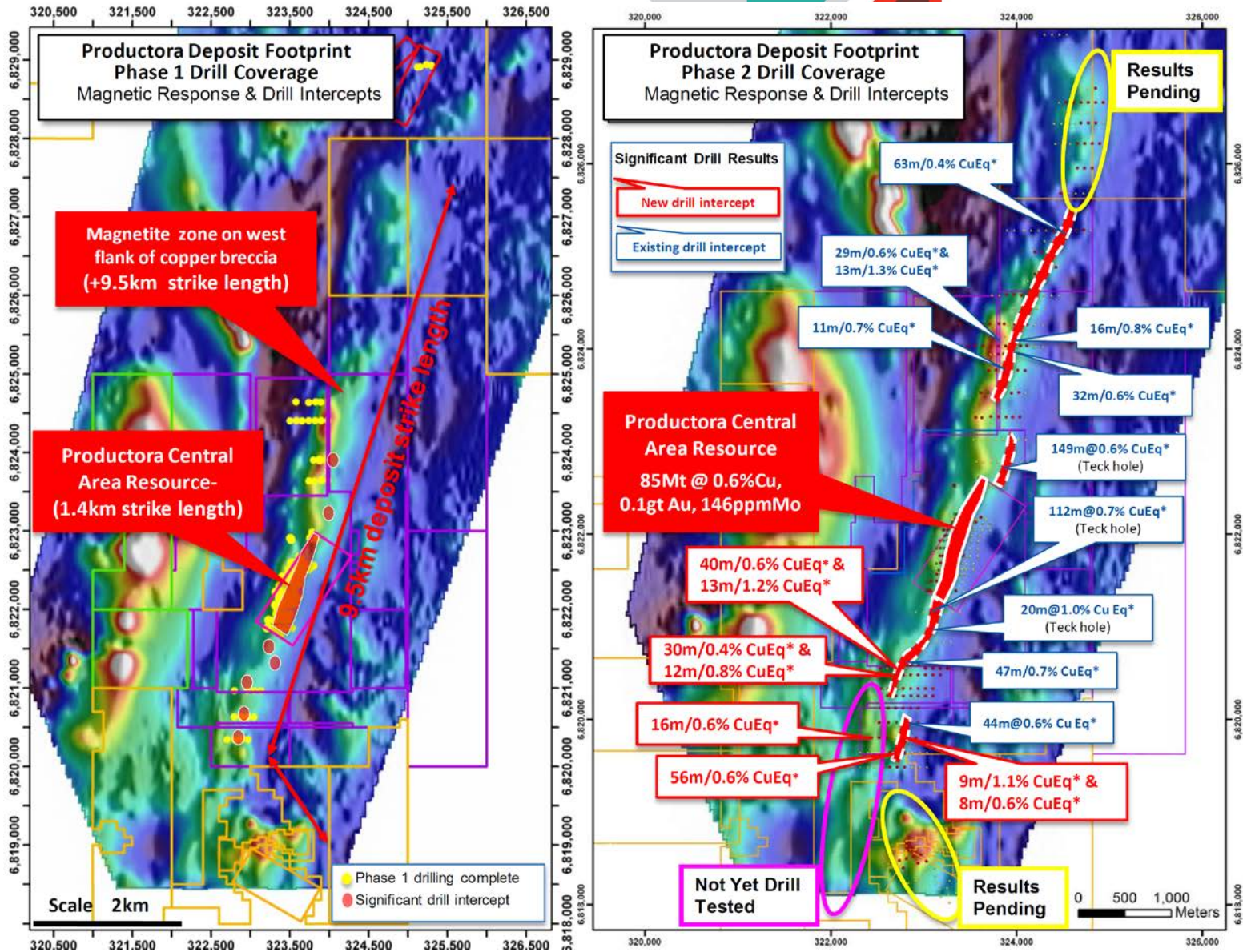


Figure 2. New Significant First-Pass Extensional Drilling Intersections at Productora



**Productora Project- New Significant Drilling Intersections**

Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)	Comments
	North	East			From	To						
PRP0173	6820554	323179	90	-60	75	96	21	0.2	0.1	11	0.3	South Extension
PRP0175	6820554	323099	90	-60	188	196	8	0.2	0.0	11	0.3	South Extension
PRP0178	6820562	322699	90	-60	28	44	<b>16</b>	<b>0.5</b>	<b>0.1</b>	<b>26</b>	<b>0.5</b>	South Extension
					170	210	<b>40</b>	<b>0.5</b>	<b>0.1</b>	<b>122</b>	<b>0.6</b>	
					221	234	<b>13</b>	<b>0.9</b>	<b>0.2</b>	<b>239</b>	<b>1.2</b>	
PRP0179	6820484	322619	90	-60	70	85	15	0.2	0.0	11	0.3	South Extension
PRP0180	6820491	322699	90	-60	114	144	<b>30</b>	<b>0.4</b>	<b>0.1</b>	<b>1</b>	<b>0.4</b>	South Extension
					157	178	21	0.2	0.0	164	0.4	
					192	203	11	0.4	0.1	47	0.4	
					236	248	12	0.6	0.1	41	0.8	
PRP0194	6820334	322939	90	-60	72	76	4	0.8	0.1	226	1.0	South Extension
PRP0197	6820334	323099	90	-60	80	95	15	0.2	0.1	10	0.3	South Extension
PRP0201	6820254	322539	90	-60	80	92	12	0.3	0.0	62	0.4	South Extension
PRP0202	6820334	322539	90	-60	96	106	10	0.3	0.0	12	0.3	South Extension
PRP0204	6820504	322539	90	-60	100	104	4	0.9	0.1	18	0.9	South Extension
					116	132	16	0.3	0.0	10	0.3	
					276	300	24	0.3	0.0	86	0.4	
PRP0205	6820524	323099	90	-60	76	96	20	0.3	0.1	20	0.4	South Extension
PRP0210	6819804	322759	90	-60	4	13	9	0.6	0.8	6	1.1	South Extension
					64	72	8	0.5	0.2	28	0.6	
PRP0213	6819804	322439	90	-60	228	244	<b>16</b>	<b>0.5</b>	<b>0.1</b>	<b>13</b>	<b>0.6</b>	South Extension
PRP0214	6819644	322714	90	-60	0	56	<b>56</b>	<b>0.5</b>	<b>0.1</b>	<b>9</b>	<b>0.6</b>	South Extension
PRP0216	6819644	322794	90	-60	0	4	4	0.5	0.3	22	0.7	South Extension
PRP0035D	6821384	323059	90	-60	225.7	273	<b>47.3</b>	<b>0.9</b>	<b>0.2</b>	<b>327</b>	<b>1.3</b>	Central Resource
					296	313	<b>17</b>	<b>0.6</b>	<b>0.1</b>	<b>288</b>	<b>0.9</b>	
					325	339	14	0.4	0.1	475	0.9	
PRP0106D	6821764	323169	90	-60	281	296	15	0.3	0.1	104	0.5	Central Resource
					344	360	16	0.3	0.1	135	0.5	
					377	405	<b>28</b>	<b>0.5</b>	<b>0.1</b>	<b>195</b>	<b>0.7</b>	



Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)	Comments
	North	East			From	To						
					418	428	10	1.0	0.1	628	1.6	
					450	454	4	1.4	0.2	899	2.3	
PRP028D	6821924	323373	90	-60	236	246	10	0.6	0.1	299	0.9	Central Resource
					253	292	39	0.6	0.2	155	0.9	
					330	341	11	0.2	0.1	44	0.3	
					347	362	15	0.2	0.1	14	0.3	

**Note:**

- All drill holes with pre-fix "PRP" are reverse circulation (RC) and all drill holes with suffix "D" are diamond holes.
- Results comprise ICP analysis (ME-ICP61) of all 1m whole core samples; 1m selective riffle split samples and 4m composite samples.
- Priority AAS analysis (CU-AA62 ore grade analysis) results were utilised where analysis was undertaken for copper results greater than 1.0%.
- Priority MS analysis (ME-MS61) results were utilised where analysis was undertaken for uranium results greater than 50ppm.
- Gold analysis only undertaken over copper results greater than 0.2%. All gold results comprise ICP analysis (Au-ICP21). Gold significant intersections may in some instances represent the average of gold results within the zone of intersection. In these instances generally gold analysis has been undertaken over 90 percent of the samples taken within the length of the intersection.
- All results were analysed by ALS Chemex (La Serena) laboratories.



## 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	<b>Tonnes</b>	1,400,000	2,240,000
<b>Gold</b>	280	320	(g/t)	0.1	0.2	<b>Ounces</b>	900,223	2,057,653
<b>Molybdenum</b>	280	320	(g/t)	120	180	<b>Tonnes</b>	33,600	57,600
<b>Copper Eq*</b>	280	320	%	0.7	1.0	<b>Tonnes</b>	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**

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 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.