



Hot Chili Limited ACN 130 955 725
First Floor, 768 Canning Highway, Applecross, Western Australia 6153
PO Box 1725, Applecross, 6953, Western Australia
P: +61 8 9315 9009 F: +61 8 9315 5004

ASX ANNOUNCEMENT

Tuesday 3rd July 2012

Hot Chili Signs Key Letters of Intent with Chilean Iron Ore Major

Negotiations with CMP over adjacent infrastructure access represent a major step forward in the development of the Productora Copper Project

Talks will also focus on CMP's access to magnetite at Productora

- **Two non-binding Letters of Intent (LOI) executed with Chile's largest iron ore producer and integrated steel business Compañía Minera del Pacífico S.A. (CMP).**
- **LOIs formally outline the intention of both companies to:**
 - **Commence negotiation for joint infrastructure options to develop the Productora copper project.**
 - **Co-operate in the technical assessment of iron potential at Productora and negotiate details of any potential future iron production from the project.**
- **CMP is a major partner in the company's flagship Productora copper project and its parent company Compañía de Aceros del Pacífico (CAP) is a 3.7% shareholder in Hot Chili.**
- **Resource upgrade and scoping study results due for release in September.**

The development of Hot Chili's (ASX: HCH) flagship Productora project has taken a major step forward today with confirmation that the company has signed two letters of intent with its partner, Chilean iron ore major CMP.

ASX Code

HCH

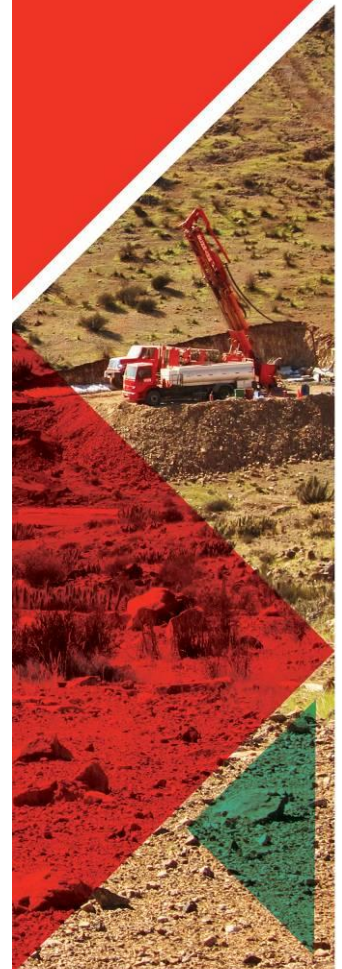
Contact

Mr Christian Easterday
Managing Director

M: +61 409 64 1214

E: christian@hotchili.net.au

www.hotchili.net.au





The two companies intend to formally cooperate on technical studies and commence negotiation for a joint infrastructure and iron production option for the Productora copper project.

Productora lies in the heart of CMP's existing coastal infrastructure, including rail, port, easement corridor, magnetite concentrator and iron pellet plant. CMP's infrastructure and the identification of significant iron potential creates substantial operational synergies for both companies.

Hot Chili believes the negotiations to be held under the LOIs have great potential to fast-track the development of Productora and generate substantial benefits for both companies.

Productora Infrastructure Letter of Intent

Sociedad Minera El Águila Limitada (Hot Chili's 100% owned Chilean subsidiary "SMEAL") and CMP have executed a non-binding Letter of Intent (LOI) to cooperate in the technical assessment and commencement of negotiation for joint infrastructure options for the development, exploitation and commercialisation of the Productora copper project ("Project").

SMEAL, at its own cost, and with the co-operation of CMP, will study the following infrastructure options for Productora:

- Surface rights for the Project,
- Corridor lines for the Project's infrastructure (CMP easements, ownership of rail, corridors or others),
- Port access, and
- Maritime concessions for water intake and pertinent surface rights.

Importantly all of these infrastructure options at the Project are owned, operated and controlled by CMP.

Successful negotiation would provide the Productora copper project with the potential to be established in a shorter timeframe and at a lower start-up capital cost than other comparable large-scale emerging copper projects.

Productora Iron Letter of Intent

SMEAL and CMP have executed a second non-binding LOI to cooperate on the technical assessment of any and all iron that may eventually be extracted from the future exploitation and development of the Project.

To the extent that in the future any commercially exploitable iron is produced at the Project, SMEAL and CMP intend to negotiate the details of extraction, commercialisation and ownership of such iron to the mutual benefit of both parties.



Significant iron potential (primarily magnetite) has been identified by Hot Chili within the Productora project. Hot Chili's technical team have undertaken preliminary work on defining the iron potential within the project and look forward to cooperating with CMP's technical team to further advance the definition of any commercially exploitable iron that may be developed in the future between the two companies.

Any such future development of an additional iron source in such close proximity to CMP's existing iron processing and transport network has the potential to add significantly to CMP's current production expansion at its existing operations. It also has the potential to add another valuable revenue stream to Productora.

Hot Chili Chairman Murray Black said the start of negotiations over joint infrastructure and iron potential with CMP was a pivotal step towards the development of Productora.

"We look forward to working closely with our partner CMP to develop Productora and investigate other operational synergies that would be mutually beneficial," Mr Black said.

"Resource growth and development activities are fully-funded into 2013 and we are on-track to seeing other significant milestones achieved in the coming months ahead."

About Compañía Minera del Pacífico S.A. (CMP).

Compañía de Aceros del Pacifico (CAP) is listed on the Chilean stock exchange with a market capitalisation as at June 28th 2012 of US\$5.34 billion. CAP is the parent company of Compañía Minera del Pacifica (CMP), an iron ore mining company producing concentrate and iron ore pellets with projects in the 3rd and 4th region of the iron ore belt district in northern Chile. The company is a vertically integrated steel producer which also supplies Chile with steel from its plant in the southern city of Talcahuano. Mitsubishi is a 19.1% shareholder of CAP and 25% shareholder of CMP as at December 31st 2011.

CMP is a major partner in the company's flagship Productora copper project and its parent company CAP is a 3.7% shareholder of Hot Chili following their recent participation in the company's last capital raising in late December 2011.

For more information please contact:

Christian Easterday

Managing Director

+61 8 9021 3033

Email: christian@hotchili.net.au

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



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
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

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.