



**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 16th October 2012

# Hot Chili Arranges Capital Raising of up to \$35.5 Million with Strong Support

- Capital raising of up to A\$35.5 million, including a placement of A\$32.5 million to sophisticated and professional investors in two tranches and a A\$3 million Securities Purchase Plan ("SPP").
- Strong support by Hot Chili's second largest shareholder, Taurus Funds Management, affiliates of Sprott Inc. and Canadian based Lundin Mining Corporation who in aggregate are securing A\$17.5 million of the placement.
- Capital raising underpins funding for Hot Chili's 2013 development plan to advance Productora towards a decision to mine on one of Chile's fastest emerging new mid-tier coastal copper projects.
- Wide interest in the placement by Australian and international institutions and sophisticated investors, including affiliates of Sprott Inc., and clients of the manager, Bell Potter Securities, as well as DJ Carmichael, Tectonic Advisory Partners (acting through Ecoban Securities Corporation) and Shaw Stockbroking.
- New shares to be issued at A\$0.50 cent per share.
- One free attaching option (exercisable at \$0.75 and expiring on 30 November 2014) for every two shares subscribed for. Options proposed to be listed following completion of the SPP.

***THIS ANNOUNCEMENT IS NOT FOR DISSEMINATION IN THE UNITED STATES OR TO ANY UNITED STATES NEWS SERVICES.***

Hot Chili Limited (ASX Code: HCH) is pleased to announce that it has arranged a two tranche placement to raise A\$32.5 million at A\$0.50 per share as part of a proposed capital raising of up to A\$35.5 million.

The placement has seen very strong demand from both Australian and North American participants with Taurus Funds Management Pty Ltd (Taurus), affiliates of Sprott Inc. and Canadian based Lundin Mining Corporation anchoring the capital raising.

### ASX Code

HCH

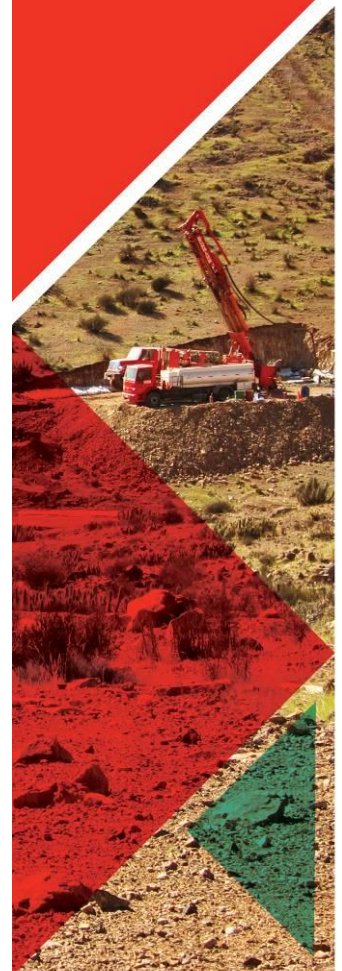
### Contact

Mr Christian Easterday  
Managing Director

M: +61 409 64 1214

E: christian@hotchili.net.au

[www.hotchili.net.au](http://www.hotchili.net.au)





**Funds from the capital raising will be directed towards the continuation of resource growth drilling and development study activities at the Company's flagship Productora copper project located in Chile's coastal range.**

**Productora is being fast-tracked towards a decision to mine on a large-scale open pit project in cooperation with Hot Chili's project partner and substantial shareholder Compañía Minera del Pacífico S.A. (CMP- Chile's largest iron ore miner).**

**The project is one of the fastest emerging mid-tier copper projects being developed in Chile, with significant infrastructure advantages in the low-altitude coastal range.**

### **Capital Raising Details**

Hot Chili is completing a placement to raise up to AUD\$32.5 million through the issue of approximately 65 million new shares at AUD\$0.50 cent per share to institutional and sophisticated investors, including the Company's second largest shareholder Taurus Funds Management, affiliates of Sprott Inc. Canadian based Lundin Mining Corporation and sophisticated and professional investor clients of Bell Potter Securities, DJ Carmichael, Tectonic Advisory Partners (acting through Ecoban Securities Corporation) and Shaw Stockbroking.

Participants in the capital raising will also receive one free attaching A\$0.75 options expiring on 30 November 2014 , for every two new shares subscribed for. Subject to satisfying ASX spread requirements, application will be made for the options to be listed on the Australian Securities Exchange.

The placement is being undertaken in two tranches. The first tranche, comprising 21 million shares and 10.5 million options to raise \$10.5 million, will be completed within the Company's "15% limit" permitted under the listing rules without shareholder approval and has been fully subscribed for by Taurus and affiliates of Sprott Inc.

The second tranche, comprising up to a maximum of 44 million shares and 22 million options to raise up to A\$22 million, has been managed by Bell Potter Securities. Strong interest in the second tranche was received from several Australian and international institutions and fund groups, including affiliates of Sprott Inc., Lundin Mining Corporation and clients of Bell Potter Securities, DJ Carmichael, Tectonic Advisory Partners and Shaw Stockbroking.

Completion of the second tranche of the private placement will be made subject to shareholder approval at the Company's Annual General Meeting, which is expected to take place on or before 30 November 2012, The Company must also complete final documentation from certain overseas investors as required for regulatory purposes.

The Company is pleased to announce a proposed A\$3 million share purchase plan (SPP) offer to its existing shareholders as part of the capital raising. Existing shareholders registered on 15 October 2012 will be offered the opportunity to apply for shares to the value of up to \$10,000, with one free attaching option granted for every two shares issued. Offer documentation is proposed to be sent to eligible shareholders in the coming weeks.



## **Use of Funds- Resource Growth and Development Studies at Productora**

Funds from the placement will largely be directed towards the company's resource growth drilling programme and the continuation of development studies at the flagship Productora copper project in Chile. In addition to the Company's current cash balance of approximately A\$10.8 million, funds will be directed toward achieving the following milestones at Productora during 2012 and 2013.

- Completion of a major resource drilling programme comprising a further 80,000m of reverse circulation (RC) and 15,000m diamond drilling (DD).
- Completion of two major resource up-grades - the first in the December quarter of 2012, and the second expected in the June quarter of 2013.
- Completion of a pre-feasibility study at Productora in the second half of 2013.
- Completion of further key land acquisitions during 2012/2013 to bolster the Company's copper project centre in the third and fourth regions of Chile's coastal range.
- Completion of joint infrastructure and iron exploitation agreement for the Productora project with Hot Chili's major project partner CMP, Chile's largest iron ore miner.
- Submission of an Environmental Impact Assessment in the first half of 2013 to facilitate environmental and regulatory approval for mining.

The Company will also direct some funds towards the continuing exploration assessment of its other projects within its Chilean copper project portfolio.

**The board of Hot Chili is very pleased with the interest shown in the placement by a number of highly regarded institutions and fund groups both in Australia and overseas. The successful capital raising is a strong vote of confidence in the Company's growth and development strategy by some of Hot Chili's largest shareholders and pedigree names in the copper industry.**

**The capital raising will allow participation by new investors, institutions and fund groups as well as existing shareholders in a stand-out growth opportunity in the Chilean copper industry.**

**For more information please contact:**

**Christian Easterday**

**+61 8 9021 3033**

Managing Director

Email: [christian@hotchili.net.au](mailto:christian@hotchili.net.au)

**or visit Hot Chili's website at [www.hotchili.net.au](http://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).

The Company is well advanced with a major second-phase drilling programme aimed at more than tripling the size of the existing resource base and fast-track a decision to mine by late December 2013. The proposed open-pit operation at Productora is ideally located to existing infrastructure including the PanAmerican Highway, rail, power and port (40km distance) as shown on Figure 1.

The Company has successfully completed a scoping study over Productora managed by leading engineering and project development group Ausenco. A pre-feasibility study has commenced into the assessment of a potential 10.9Mtpa, 20 year mine life open pit operation, and the company intends to submit an Environmental Impact Assessment within the first half of 2013.

Hot Chili 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.

The execution of letters of intent for joint infrastructure and an iron option with project partner CMP (Chile's largest iron ore miner), the completion of project consolidation and recent outstanding drilling results (see Fig 2) have significantly enhanced the economics and "do-ability" of Productora as an emerging high-quality Chilean copper project.

**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



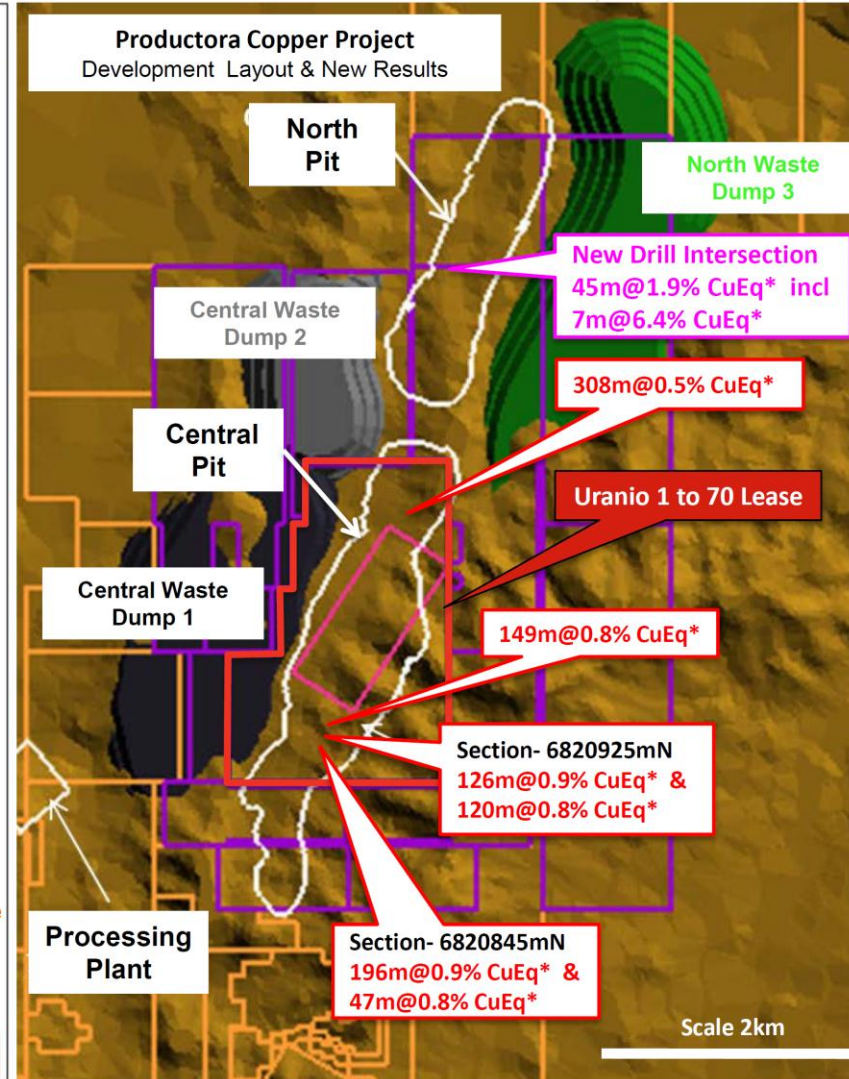
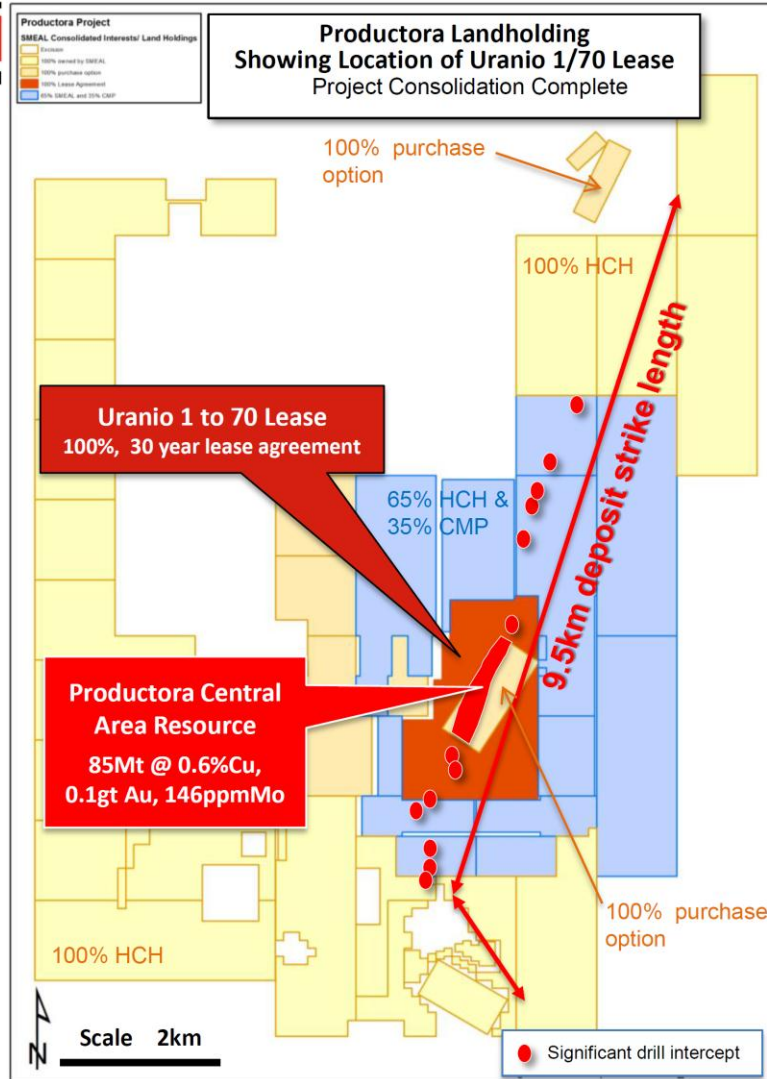


Figure 2. New significant drilling intersections in relation to landholding and development lay-out at Productora





#### \* 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)
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
<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 2004). Mr Easterday consents to the inclusion in this announcement 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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2004). Mr Gillman consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.



#### **Forward looking statements**

This announcement includes certain statements that may be “forward-looking statements”. All statements in this announcement, other than statements of historical facts, that address future activities and events or developments that Hot Chili expects, are forward-looking statements. Although Hot Chili believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, investors are cautioned that such statements are subject to risks and are not guarantees or assurances of future performance, and actual results or developments may differ materially from those expressed in the forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include fluctuations in metals prices, currency and exchange rate fluctuations, future development and production costs, variations in recovery grades from those assumed in mining and development plans, continued availability of capital and financing, and general economic, market or business conditions.

Hot Chili does not undertake any obligation to release publicly any revisions to any “forward-looking statement” to reflect events or circumstances after the date of the release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. All persons should consider seeking appropriate professional advice in respect of this announcement and all other information with respect to Hot Chili, and in evaluating the business, financial performance and operations of Hot Chili. Neither the provision of this announcement nor any information contained in this release or subsequently communicated to any person in connection with this announcement is, or should be taken as, constituting the giving of investment advice to any person.

#### **U.S. regulatory notice**

The securities being offered have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) absent registration or an applicable exemption from registration requirements. This announcement does not constitute an offer for sale of securities in the United States.