

SOUTH AMERICAN SUPPLIER IN THE MAKING

Hot Chili is consolidating its place as a standout ASX-listed company operating in South America through aggressive exploration and development of the Productora copper project.

AUSTRALIA-BASED, Chile-focused Hot Chili is aggressively moving towards becoming a new key supplier of copper from the South American nation.

The Perth-headquartered company is rapidly progressing its Productora project on the Chilean coastal range through exploration and development towards a decision to mine on the project by late 2013.

The prize to achieving this is substantial: a new, long-life copper operation with potential to produce in excess of 60,000 tonnes of copper metal annually with additional gold and molybdenum credits.

What makes the Hot Chili story unique is the partnerships it has developed with the local Chilean majors CMP, Chile's largest iron ore producer, and Codelco, the world's largest copper producer.

These partnerships originally enabled Hot Chili to gain access to major coastal range, low-altitude copper projects. However it is the growing importance of these partnerships that looks set to ensure the company is best placed to succeed in making the transition from explorer and developer to producer within a short timeframe.

Hot Chili is partnered with CMP at the Productora project, which lies within the heart of CMP's infrastructure that feeds its northern iron operations.

It is this infrastructure advantage and alignment with CMP that looks set to ensure that production from the project has the potential to be established in a shorter timeframe and at a lower start-up capital cost than many of its peers can boast.

Productora is quickly shaping to be a top four, coastal range bulk tonnage, open pit copper deposit in the lucrative Chilean copper sector.

Due to the prospectivity of its landholding in the region, Hot Chili has made a big impact in the two years following its listing on the Australian Securities Exchange.

Early drilling results from the Productora and Los Mantos projects impressed and the stock, which floated at A20c, hit heights of more than 80c during 2011, when it was rated in the Gresham 150 as the bourse's top copper stock.

But the company's first decisive breakthrough came with the maiden resource at Productora, released in September 2011.

The Productora central area resource debuted at 85.1 million

tonnes grading 0.6% copper, 0.1 grams per tonne gold and 146gpt molybdenum for 483,000t of copper, 290,000 ounces of gold and 12,418t molybdenum.

In the midst of a widespread ASX downturn, the promising announcement allowed Hot Chili to maintain much of its value on the bourse.

However, the first resource at Productora represented only 15% of the identified 9.5km long deposit, giving the project considerable upside and the potential to grow into one of the top coastal range Chilean copper projects by size.

Since delivering the resource, Hot Chili has moved the exploration and development of Productora into overdrive as the company's board implemented a strategy of rapid expansion.

The company aims to establish a minimum resource of 300Mt at Productora and to make a decision to mine a 10Mtpa, 20-year mine-life project by the end of next year.

"We are on course to deliver the scoping study for Productora during the third quarter, most likely in September, and the prefeasibility study will follow immediately after that," Hot Chili managing director Christian Easterday said. "Over the course of the next nine months we intend to release two resource upgrades ... the second being in the first quarter of next year.

"By then we expect to reach our minimum resource target of 300Mt, which would equate to an open pit mining reserve of about 200Mt on current estimations."

On the back of the maiden resource, Hot Chili locked down funds in December 2011 that entirely fund the company's outlook into 2013.

"We expect Productora will be a high production copper mine by ASX standards, but of course by Chilean standards the mine will establish the company as a new mid-tier player."

CHRISTIAN EASTERDAY
HOT CHILI



Despite equity markets being in poor shape at the time, Hot Chili was able to raise \$22.3 million at a premium to its stock price through an equity issue after its major strategic shareholders underpinned the offering.

The company issued 37.1 million shares at 60c each to complete the raising.

“We have \$20 million in the bank and we are very well advanced on the path to achieving the final outcome of making a decision to mine at Productora by the end of 2013,” Easterday said

A promising sign ahead of its resource upgrade has come from results from the company’s 2012 resource drilling program, which have confirmed the inferred resource grade of its first resource estimate within the centre of the project may have been underestimated.

The results continued to increase the grade in Productora’s central resource area while also serving to extend the known mineralisation to the south of the deposit.

Highlights from the drilling results included 47.3m grading 0.9% copper, 0.2gpt gold and 327 parts per million molybdenum from 225.7m down-hole within the southern extent of the central area resource.

Hot Chili also recently delivered fresh exploration drilling results from Productora that cemented its path to announcing a significant resource upgrade from large strike extensions being targeted at the project.

Three drill rigs have been operating at Productora to achieve the company’s ambitious resource growth timetable.

Easterday said scoping studies on a base-case 10Mtpa, 20-year open pit operation at Productora were progressing well and were on track for completion in the third quarter of 2012. Recently released metallurgy results have indicated high initial copper recoveries of 93.5% to 96%.

“We expect Productora will be a high production copper mine by ASX standards, but of course by Chilean standards the mine will establish the company as a new mid-tier player,” Easterday said.

“The pure focus for the company is securing an early production stream at Productora.”

To aid its development in South America, Hot Chili has partnered with CODELCO and CMP, whose parent company CAP is a major shareholder with almost 4%.

Through the partnership with CMP, Hot Chili is hoping to lock



up infrastructure access for its development projects while also investing funds into the future expansion of the facilities.

“We are really active this year on laying the foundations for Productora to become a central mining hub before we bring on other projects behind it that can feed off the infrastructure advantages that the partnership with CMP may offer,” Easterday said.

In addition, the company is viewing the presence of magnetite in its project area as a potential sweetener for the partnership that both parties would benefit from, given CMP’s existing concentrator, pellet plant, rail and port facilities adjacent to the project.

Hot Chili intends to investigate the significant magnetite potential of the project in cooperation with CMP as the project is advanced.

Rapid progression through development at Productora forms part of Hot Chili’s “grand vision” of becoming a mid-tier copper business in Chile that will one day be a producer with annual output up to double the size of Productora’s potential.

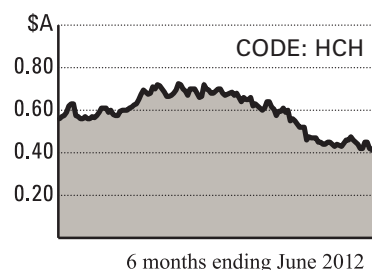
Ultimately, Easterday said Hot Chili was targeting to be an emerging producer of more than 150,000tpa of copper within five years of listing, with more than 60,000tpa of that coming from Productora.

The company also intends to pursue further land acquisitions across the coastal range during 2012 as part of its growth plans.

“Copper is in a very good place and if we can deliver a project that can establish large copper production in a shortened timeframe then we are well positioned to capitalise on that,” Easterday said. – **Ben Creagh**

Huasco port infrastructure close to Hot Chili’s Productora copper project

HOT CHILI AT A GLANCE



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MARKET CAPITALISATION

\$A80.9 million (at press time)

QUOTED SHARES ON ISSUE

199.7 million

MAJOR SHAREHOLDERS

Kalgoorlie Auto Services 20%
Taurus Funds Management 13.4%
Panoramic Resources 5.8%
Rex Harbour 5.1%
Compania de Aceros del Pacifico (CAP) 3.7%