



ACN 130 955 725

For the Offer of 30,000,000 Shares at 20 cents per Share to raise \$6,000,000 with provision to accept over-subscriptions of up to a further 10,000,000 Shares to raise up to a further \$2,000,000

Proposed ASX Code: HCH



PROSPECTUS

Lead Manager and Sponsoring Broker:
D.J. Carmichael Pty Limited
ACN 003 058 857
AFS Licence No. 232571



IMPORTANT NOTICE This document is important and should be read in its entirety. If you do not understand it or are in doubt as to the course you should follow, you should consult your stockbroker, accountant or professional adviser. The Shares offered under this Prospectus should be considered as a speculative investment.

KEY DATES:

Date of Prospectus	8 March 2010
Exposure Period ends (unless extended by ASIC)	15 March 2010
Opening Date	16 March 2010
Closing Date	16 April 2010
Shares expected to be allotted	20 April 2010
Holding Statements expected to be dispatched	20 April 2010
Trading of Shares on ASX expected to commence	27 April 2010

These dates are indicative only and subject to change. The Company, in consultation with DJ Carmichael, has the right to vary these dates without notice, including whether to close the Offer early or accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

KEY OFFER STATISTICS:

Offer Price per Share	\$0.20
Minimum number of Shares to be issued by the Company under the Offer	30,000,000
Maximum number of Shares to be issued by the Company under the Offer	40,000,000
Minimum cash proceeds of the Offer	\$6,000,000
Maximum cash proceeds of the Offer	\$8,000,000
Total number of Shares on issue following the Offer on minimum subscription	113,684,211
Total number of Shares on issue following the Offer on maximum subscription	124,210,527
Market capitalisation at the Offer Price per Share on minimum subscription	\$22,736,842
Market capitalisation at the Offer Price per Share on maximum subscription	\$24,842,105

IMPORTANT NOTICES

This Prospectus is dated 8 March 2010 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC and ASX Limited (**ASX**) take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company will apply for the Shares offered by this Prospectus to be listed for quotation by ASX within 7 days following the date of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

ELECTRONIC PROSPECTUS

This Prospectus (excluding the Application Form during the Exposure Period) may be viewed in electronic form at www.hotchili.net.au by Australian investors only. Persons who receive the electronic form of the Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus in electronic or paper form is not available to investors in any other jurisdiction. A paper copy of the Prospectus may be obtained free of charge on request during the Offer Period as set out at Section 1.9. The information on www.hotchili.net.au does not form part of this Prospectus.

APPLICATIONS

Applications may only be made by completing a paper or electronic Application Form attached to or accompanying the Prospectus. The Corporations Act prohibits any person from passing an Application Form to any other person unless it is attached to, or accompanied by, a paper copy of the Prospectus or a complete and unaltered electronic copy of the Prospectus.

The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of this Prospectus. The Application Form contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form. The Company will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete and unaltered copy of this Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

EXPOSURE PERIOD

Under the Corporations Act, the Company is not permitted to process Applications in the period of 7 days after the date of lodgement of this Prospectus with ASIC. ASIC may extend this period for up to a further 7 days. The Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds, which may result in the identification of deficiencies in which case any Applications received may need to be dealt with in accordance with section 724 of the Corporations Act. No preference will be conferred on Applications received during the Exposure Period.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Directors.

PRIVACY

If you apply for Shares, you will provide personal information to the Company and the Share Registry. The Company and the Share Registry collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Corporate and tax laws require some personal information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

OFFER RESTRICTIONS

The Offer contained in this Prospectus is available to Australian residents. The distribution of this Prospectus (including in electronic form) in jurisdictions outside Australia may be restricted by law and therefore persons who obtain this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person whom, it would be unlawful to make such an offer or invitation.

OFFER RESTRICTIONS (CONTINUED)

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act of 1993 as amended (US Securities Act), and may not be offered, sold or resold:

- (a) in the United States or to, or for the account or benefit of, US Persons (as defined in Rule 902 under the US Securities Act) except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws; and
- (b) outside the United States, except to non-US persons in offshore transactions in compliance with Regulation S under the US Securities Act.

DEFINED TERMS

Capitalised terms and certain other terms used in this Prospectus are defined in the glossary of terms in Section 11.

MISCELLANEOUS

All references in this Prospectus to “\$”, “AUD”, or “dollar” are references to Australian currency, unless otherwise stated.

All references in this document to time relate to the time in Perth, Western Australia.

The people and assets depicted in photographs in this Prospectus are not employees or assets of the Company unless specifically stated.

COMPETENT PERSON'S STATEMENT

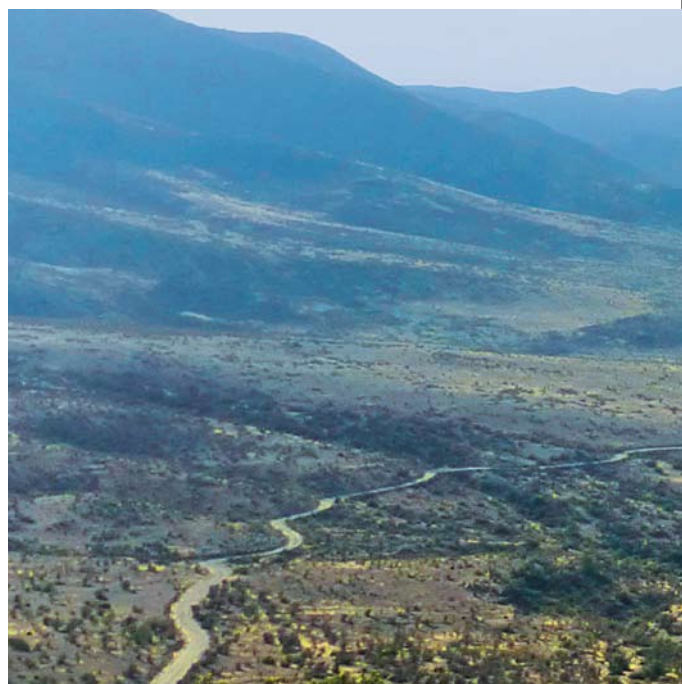
Information in this Prospectus that relates to exploration results or mineral resources is based on information compiled by Mr Bernard Roland Mountford, a Director, who is a member of The Australian Institute of Mining and Metallurgy and a Director. Mr Mountford has sufficient experience which is relevant 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 Mountford consents to the inclusion in this Prospectus of the statements based on his information in the form and context in which they appear.

TARGET MINERALISATION STATEMENTS

References to exploration target size and Target Mineralisation in this Prospectus 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.

URANIUM DISEQUILIBRIUM STATEMENT

References to eU_3O_8 in this Prospectus refer to the equivalent U_3O_8 grade. This is estimated from gross gamma down-hole measurements corrected for water and drilling mud in each hole. These results are provisional upon the application of calibration correction factors which are determined from geochemical analysis. Geochemical analysis may show higher or lower amounts of actual U_3O_8 , the difference being referred to as ‘disequilibrium’.



Road to Productora

TABLE OF CONTENTS

IMPORTANT NOTICES	1
TABLE OF CONTENTS	3
INVESTMENT HIGHLIGHTS AND RISKS	4
CHAIRMAN'S LETTER	6
1. OFFER SUMMARY	7
2. DETAILS OF THE OFFER	11
3. COMPANY OVERVIEW	15
4. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE	21
5. INDEPENDENT GEOLOGIST'S REPORT	27
6. INVESTIGATING ACCOUNTANT'S REPORT	83
7. SOLICITOR'S REPORT ON MINING RIGHTS	97
8. RISK FACTORS	121
9. SUMMARY OF MATERIAL CONTRACTS	125
10. ADDITIONAL INFORMATION	133
11. GLOSSARY OF TERMS	141
APPLICATION FORM	145
CORPORATE DIRECTORY	INSIDE BACK COVER



INVESTMENT HIGHLIGHTS AND RISKS

KEY INVESTMENT HIGHLIGHTS

The benefits of investing in the Company include:

- **Established regulatory framework to explore and exploit uranium in Chile**

Uranium is regulated under the Chilean mining code and presently there are no regulatory encumbrances to exploring or exploiting uranium in Chile, other than the government's right to purchase a proportion of production at commercial market rate.

- **The largest and most advanced uranium project in Chile**

Hot Chili controls interests in three of Chile's largest and most advanced multi-commodity uranium projects: Productora, Los Mantos and Chile Norte. The Company's flagship Productora project is Chile's largest and most advanced uranium project as rated by the Chilean Commission for Nuclear Energy (CCHEN).

- **Large potential identified**

Productora and Los Mantos are iron-oxide-copper-gold-uranium projects that Hot Chili estimates have potential for a combined Target Mineralisation in the order of:

TARGET MINERALISATION

URANIUM

53 to 191 million pounds of U_3O_8

COPPER

1.0 to 2.2 million tonnes of copper metal

GOLD

0.6 to 1.64 million ounces of gold

- **Uranium, copper, gold**

The multi-commodity nature of Hot Chili's projects, in particular uranium, copper and gold, ensures robust project economics and diversified investment to shareholders.

- **Majority ownership of significant projects and landholdings**

Hot Chili has executed 6 agreements comprising 65% joint venture option or 100% purchase option agreements over the projects.

- **Advanced projects – two operating copper mines**

Importantly, within the Productora and Los Mantos project areas there are two active copper mining operations undertaken by third parties with limited mining right concessions. These mining operations not only demonstrate the presence of significant quantities of mineralisation but also highlight the advanced nature of these projects.

- **Strong local partnerships established**

Hot Chili has partnered with two of Chile's largest local mining companies Corporación Nacional del Cobre de Chile (**CODELCO**) and Compañía Minera del Pacífico (**CMP**). CODELCO is the world's largest copper producer and CMP is Chile's largest iron ore producer.

- **Significant local shareholder**

CMP's parent company Compañía de Acero del Pacífico S.A (**CAP**) will be a 5% shareholder in Hot Chili.

- **Good government relationships**

Hot Chili considers it has developed good relationships with the government organisations of Empresa Nacional de Minería (**ENAMI**) and CCHEN.

- **Chile is one of the world's premier and more politically stable mining countries**

Numerous mine workings along the Productora mineralised trend



KEY RISKS

The risks of investing in the Company include:

- **Exchange rate fluctuations:** The expenditure of the Company is and will be taken into account in Australian, US and Chilean currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the US dollar, the Australian dollar and Chilean currencies as determined in international markets.
- **Technical risk:** The results of future exploration may not reflect the Company's current understanding of the potential mineralisation at each of the projects. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource.
- **Title risk:** All exploration leases held either by Hot Chili through its Chilean subsidiary company SMEAL or one of its partners, are subject to overlapping applications. Hot Chili has in-place both internal and external land management and land monitoring to ensure appropriate objections are lodged and protection of the leases is maintained.
- **Regulatory risk:** The Chilean government may alter its regulatory framework for exploration and mining, radioactive materials, environmental management, land title and royalties.
- **Market risk:** Investing in mineral exploration companies is speculative; uncertainties remain in respect to future commodity prices, access to capital, and market fluctuations.

Refer to Section 8 for a description of risk factors that could affect the business, financial condition or results of operations of the Company. Prospective Applicants should read this Prospectus, in its entirety, before applying for Shares under the Offer.

CHAIRMAN'S LETTER

On behalf of the Directors of Hot Chili Limited (**Hot Chili** or **Company**), I am pleased to present this Prospectus, which details the outcome of significant investment in time and funding to establish a portfolio of large and advanced copper-uranium-gold projects in Chile.

Hot Chili had one preliminary objective: to acquire interests in some of Chile's largest multi-commodity uranium projects. The Company's project generation was directed by Mr Bernard Roland Mountford, one of the Company's founding Directors, with over 15 years' experience in Chile. Following extensive review, three projects were chosen: Productora, Los Mantos and Chile Norte, all lying within the coastal range, iron-oxide-copper-gold belt of Chile. An extensive period of negotiation has now secured major land positions at each of these projects and achieved the Company's first objective.

One of Hot Chili's core strengths lies in the local partnerships the Company has developed with a subsidiary of CODELCO, the world's largest copper producer, and CMP, Chile's largest iron ore producer. Along with active and ongoing dialogue with the government organisations of ENAMI and CCHEN, Hot Chili is committed to developing lasting relationships that may generate mutual benefit and growth opportunities in the future.

The size, quality, level of advancement, location and partnerships secured through this process have positioned Hot Chili well for tackling its next aims, namely:

- the commencement of maiden exploration and drilling programmes at the Productora, Los Mantos and Chile Norte projects; and
- fast-tracking the commencement of resource definition programmes and advancing the Company towards development studies.

The Company has assembled a very experienced exploration team with expertise in the fields of structural geology, uranium exploration, alteration mapping, resource evaluation and environmental management. A local team and operations base will be established in Chile to drive ongoing exploration efforts. The combination of Australian expertise and exploration techniques, our exploration team's track record of success and local experience will ensure our Company remains focused on successful exploration and advancing the projects toward development.

The Productora project is Chile's largest identified uranium project and has been explored previously for the presence of a significant copper project. The level of information available from previous exploration is expected to assist in shortening exploration and resource development timeframes over the Company's flagship project. The Los Mantos project was identified by Hot Chili, with preliminary exploration indicating that historical copper workings at the project are becoming progressively enriched in uranium at deeper exposed structural levels. Historical small-scale mine development at Los Mantos is extensive.

Active small-scale mining at Productora and Los Mantos, by third parties with limited mining right concessions, already demonstrates the presence and continuity of significant quantities of mineralisation in each of these projects.

Three years of hard work have prepared the Company well for an exciting and successful year ahead. I would like to thank my fellow Directors and the rest of our team for their efforts in ensuring Hot Chili is well positioned to advance these excellent project opportunities.



Murray Edward Black

Chairman



OFFER SUMMARY

1

1. OFFER SUMMARY

1.1 Pro-forma capital structure

The pro-forma capital structure of the Company is summarised below.

	Minimum subscription 30,000,000 Shares		Maximum subscription 40,000,000 Shares	
	Number	%	Number	%
Shares on issue pre Offer (vendors/founders/seed investors)	78,000,000	68.6%	78,000,000	62.8%
Shares to be issued to CAP before the Listing Date ¹	5,684,211	5.0%	6,210,527	5.0%
Shares offered for subscription @ 20 cents	30,000,000	26.4%	40,000,000	32.2%
Issued capital on completion of the Offer	113,684,211	100%	124,210,527	100%
Options on issue pre-Offer ²	40,340,000	99.3%	40,340,000	99.0%
Options offered for subscription – brokerage fee ³	300,000	0.7%	400,000	1.0%
Issued Options on completion of the Offer	40,640,000	100%	40,740,000	100%
Total amount to be raised under the Offer	\$6,000,000		\$8,000,000	

Notes:

1. Refer to Section 9.2(b) for further details.
2. Issued to vendors, founders and seed-capitalists.
3. Refer to Section 9.5 for further details.

1.2 Indicative timetable

Prospectus lodged with ASIC	8 March 2010
Offer Opening Date	16 March 2010
Offer Closing Date	16 April 2010
Dispatch of Holding Statements	20 April 2010
Quotation of Shares on ASX expected to commence	27 April 2010

These dates are indicative only and may vary. The Company reserves the right to close the Offer early, or extend the Closing Date without prior notice which may have a consequential effect on subsequent dates. Applicants are therefore encouraged to submit Applications as soon as possible after the Opening Date.

"Strong local partnerships- CODELCO, CMP"

1.3 Purpose of Offer and use of proceeds

In the two years after Listing on ASX the Company intends to apply the funds raised from the Offer as follows:

Use of Funds	Minimum Subscription \$	Maximum Subscription \$
Pre-Offer cash	Nil	Nil
Total raised in the Offer	\$6,000,000	\$8,000,000
Total funds available	\$6,000,000	\$8,000,000
Exploration year 1	\$1,640,000	\$2,140,000
Exploration year 2	\$2,400,000	\$2,900,000
New project generation and acquisition	Nil	\$100,000
Expenses of the Offer, including broker fees	\$670,000	\$790,000
Administration, compliance costs and general working capital for years 1 and 2	\$1,190,000	\$1,200,000
Total funds applied	\$5,900,000	\$7,130,000

Notes:

1. Exploration expenditures will be reviewed on an on-going basis, depending upon the nature of results forthcoming from the respective work programmes.
2. In the event that more than the minimum subscription and less than the maximum subscription is raised, the Company intends to allocate the funds primarily towards evaluation and exploration. As at the Prospectus Date, it is not practical for the Board to speculate as to exactly how these funds may be applied as this will be influenced by the outcome of exploration yet to take place.
3. The above tables represent statements of the intended use of the funds raised by the Company as at the Prospectus Date. Exploration budgets may change as exploration results come to hand and if new opportunities are identified.
4. It is the Company's intention to undertake exploration and drilling programmes to achieve results as soon as practicable and, subject to encouraging results being obtained, to delineate resources. The Company may seek to raise additional funds within two years after listing on ASX to the extent required to increase and accelerate exploration and drilling programmes as determined by the Board.
5. It is anticipated that the funds available as unallocated working capital may be applied towards any contingency resulting in unforeseen expenses associated with the Company's existing projects and also towards expenses incurred in identifying and generating new mineral exploration projects. Such expenses may include the cost of purchasing exploration data, commissioning expert reports and studies, acquiring exploration rights and due diligence costs of reviewing potentially suitable projects including associated travel, legal and other professional expenses.

Following the completion of the Offer, the Directors believe the Company will have sufficient working capital to carry out its objectives as stated in Section 3.

1.4 Risks

An investment in Shares offered under this Prospectus should be considered as speculative because of the inherent risks in mineral exploration. There are also inherent risks in the delineation of mineral reserves. A summary of some of the risk factors applicable to the Company is set out in Section 8.

Before submitting an Application, you should read this Prospectus in full and consult your financial, legal, taxation or other professional adviser if you require further information on the risks associated with investing in the Company.

1.5 Restricted securities

ASX may classify certain securities on issue as at the date of this Prospectus as being subject to the restricted securities provisions of the ASX Listing Rules.

Holders of restricted securities will be prohibited for the relevant restriction period from disposing or agreeing to dispose of the restricted securities, granting or agreeing to grant a security interest over the restricted securities or doing or omitting to do an act which would have the effect of transferring effective ownership or control of the restricted securities.

As at the Prospectus Date, ASX has not determined which Existing Shares already on issue will be restricted securities and subject to escrow restrictions. None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from the date of their allotment.

1.6 Electronic prospectus

This Prospectus is available on-line at www.hotchili.net.au.

1.7 Forward-looking statements

Hot Chili is predominantly a uranium exploration company. Given the speculative nature of exploration and uranium development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and, accordingly, forecasts have not been included in this Prospectus.

Notwithstanding the above, this Prospectus includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company's financial position, business strategy, and plans and objectives for its projects and future operations (including development plans and objectives), which have been based on the Company's current expectations about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Matters not yet known to the Company or not currently considered material to the Company may impact on these forward-looking statements. The statements reflect views held only as at the date of this Prospectus. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this Prospectus might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

1.8 Foreign investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.9 Enquiries in relation to the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant, independent financial adviser or other professional adviser.

Additional copies of the Prospectus or advice on how to complete the Application Form can be obtained by contacting or visiting:

	Hot Chili Limited	OR	D.J. Carmichael Pty Limited
Address:	PO Box 971, Kalgoorlie WA 6430		Level 3, London House, 216 St Georges Terrace, Perth WA 6000
Phone:	+61 8 9021 3033		+61 8 9263 5200
Fax:	+61 8 9021 6995		+61 8 9263 5289
Email:	ally@hotchili.net.au		hotchili@djcarichael.com.au
Web:	www.hotchili.net.au		www.djcarichael.com.au

A wide-angle photograph of a desert landscape with rolling hills, a dirt road, and cacti under a clear blue sky. A large, dark, wavy graphic element is overlaid at the bottom of the image.

DETAILS OF THE OFFER

2

2. DETAILS OF THE OFFER

2.1 Shares offered for subscription

Subject to Sections 2.2 and 2.3, this Prospectus invites investors to apply for 30,000,000 Shares at an issue price of 20 cents per Share to raise \$6,000,000 before expenses associated with the Offer. All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Existing Shares.

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 10,000 Shares (\$2,000). Applications can only be made by completing the Application Form attached to this Prospectus.

The Company reserves the right to reject any Application or to allocate any Applicant fewer Shares than the number applied for under the offer.

2.2 Over-subscriptions

The Company reserves the right to accept over-subscriptions to raise up to a further \$2,000,000 through the issue of up to 10,000,000 Shares at an issue price of 20 cents per Share. The maximum amount which may be raised under this Prospectus is therefore \$8,000,000.

2.3 Minimum subscription

The minimum subscription to the Offer is \$6,000,000 through the issue of 30,000,000 Shares. If the minimum subscription has not been raised within three (3) months after the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act.

2.4 Offer not underwritten

The Offer is not underwritten.

2.5 Brokerage & handling fees

DJ Carmichael has agreed to act as lead manager, sponsoring broker and corporate adviser to the Offer. Under its agreement with the Company (the terms of which are summarised in Section 9.5 of this Prospectus), DJ Carmichael is to assist the Company in obtaining subscriptions to the Offer.

Brokerage and/or handling fees on Applications for Shares will be payable to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and being accepted by the Company. Any such brokerage or handling fees will be paid by DJ Carmichael out of its brokerage fee.

2.6 Allotment and allocation of Shares

Subject to ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as practicable after the Closing Date, following which Holding Statements of Shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading Shares. Applicants who sell Shares before they receive their Holding Statements do so at their own risk.

Pending the issue of the Shares, or return of the Application Monies, the Application Monies will be held in trust for the Applicants. Any interest earned on Application Monies will be for the benefit of, and remains the sole property of, the Company and will be retained by the Company whether or not the Offer proceeds.

The Directors in consultation with the Sponsoring Broker have the right to allocate Shares. The Company may reject any Application or allocate any Applicant fewer Shares than applied for under the Offer.

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be returned without any interest.

2.7 Applicants outside Australia

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be allotted Shares.

Return of a duly completed Application Form will constitute a representation and warranty that there has been no breach of such laws.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

2.8 ASX listing and quotation of Shares

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List of ASX and for quotation of the Shares offered under this Prospectus (apart from any Shares that may be designated by ASX as restricted securities).

If approval for quotation of the Shares to be issued pursuant to this Prospectus is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares, and will repay all Application Monies without interest as soon as practicable.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

2.9 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**), operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**) (a wholly owned subsidiary of ASX), in accordance with the ASX Listing Rules and ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. The two subregisters together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, the Company will provide Shareholders with a Holding Statement (similar to a bank account statement) that sets out the number of Shares allotted to that Shareholder under this Prospectus.

This statement will also advise investors of either their Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (**SRN**) in the case of a holding on the issuer sponsored sub-register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time, however, a charge may be incurred for additional statements.

2.10 How to apply for Shares

Applications for Shares under the Offer can only be made on the Application Form attached to or accompanying this Prospectus.

The Application Form must be completed in accordance with the instructions set out on the back of the Application Form. **Completed Application Forms and accompanying cheques should, at any time after the Opening Date be:**

Posted to:	OR	Delivered to:
Hot Chili Limited C/- Carmichael Corporate Pty Ltd PO Box Z5186 Perth WA 6831		Hot Chili Limited C/- Carmichael Corporate Pty Ltd Level 3, London House 216 St Georges Terrace Perth WA 6000

Online Application Forms should be emailed to: hotchili@djcar michael.com.au.

Application Forms must be received no later than 5.00pm WST on the Closing Date.

Cheques must be made payable to “Hot Chili Limited – Application Funds” and crossed “Not Negotiable”.

No brokerage or stamp duty is payable by Applicants.

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 10,000 Shares (\$2,000) at the issue price of 20 cents per Share.

2.11 Privacy disclosure

The Company collects information about each Applicant from the Application Form for the purpose of processing the Application and, if the Applicant is successful, to administer the Applicant’s security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) (**Privacy Act**):

- (a) the Share Registry for ongoing administration of the Company’s register; and
- (b) the printers and the mailing house for the purposes of preparation and distribution of Holding Statements and for the handling of mail.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the Company’s register even if that person ceases to be a security holder of the Company. Information contained in the Company’s register is also used to facilitate distribution payments and corporate communications (including the Company’s financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by writing to the Company through the Share Registry at:

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953



COMPANY OVERVIEW

3

3. COMPANY OVERVIEW

3.1 Large, advanced multi-commodity uranium projects

Leveraging off 15 years' experience in Chile, Hot Chili is an Australian registered company which, through its Chilean subsidiary company Sociedad Minera El Águila Limitada (**SMEAL**), has recently secured agreements to earn significant interests in three large uranium-copper-gold projects in Chile.

Hot Chili has undertaken 2½ years of project generation and reviewed over 40 large multi-commodity project opportunities. This work has laid the foundations for the acquisition of interests in three of Chile's largest and most advanced multi-commodity uranium projects: Productora, Los Mantos and Chile Norte.

Hot Chili has a strong managerial, operational and advisory team that, for the past 20 months, has been focused on completing the Company's negotiations and preparing for the commencement of exploration and resource development activities. Following Listing, the Company plans to intensify its exploration activity with the commencement of maiden drilling programmes at both Productora and Los Mantos.

3.2 Majority ownership of significant projects and landholdings

Through one of its three incorporated Chilean subsidiary companies, SMEAL, Hot Chili has secured its projects pursuant to 6 agreements, comprising either 65% joint venture option or 100% purchase-option agreements. In addition, SMEAL holds large land positions in its own right in relation to the Productora and Chile Norte projects. The Company is also continuing to pursue future negotiations to increase its land positions at each of the projects.

Through its negotiations, Hot Chili has partnered with two of Chile's largest local mining companies **CODELCO** and **CMP**. **Importantly, CMP's parent company, CAP, will be a 5% shareholder in Hot Chili,** with a preferential right to participate in future capital raisings to earn up to a maximum of 10% in the Company.

Since commencing activities, Hot Chili considers it has developed good relationships with the government organisations of **ENAMI** and **CCHEN**. Hot Chili is currently interacting in the development of guidelines and protocols for uranium exploration in Chile. This continuing engagement and involvement with Chilean government organisations is considered key to Hot Chili's **goal of establishing and developing large multi-commodity uranium projects in Chile.**

Hot Chili's projects have the potential to host major endowments of **uranium, copper and gold, as well as molybdenum and rare**

earth minerals. All projects lie in Chile's coastal cordillera, one of the world's best iron-oxide-copper-gold (**IOCG**) provinces hosting several significant deposits, including Candelaria, Mantos Blancos, Manto Verde and El Soldado,

All of Hot Chili's projects are low altitude (<1,000m elevation) and are well located to major infrastructure.

3.3 Advanced stage exploration

Importantly, the Company has secured the two lead projects, Productora and Los Mantos, which are at an advanced exploration stage and have the potential to be **quickly progressed through resource development and towards the initiation of development studies.**

3.4 Chilean regulatory approval to explore for and exploit uranium

Uranium is regulated under the Chilean mining code and presently there **are no regulatory encumbrances to exploring or exploiting uranium in Chile,** other than the **government's right to purchase a proportion of production** at a commercial market rate. The proportion that the government will be able to preferentially purchase has not been decided, however, a proportion in the order of 20-25% has been indicated. CODELCO has also asked for the right to accept their distribution of profits in any future CODELCO/Hot Chili joint venture by way of uranium mineral product. Importantly, these **stipulations represent potential off-take agreements for any future production of uranium in Chile.**

3.5 Proven uranium processing technology

Hard-rock, IOCG related uranium processing technology is well established, as evidence from its use at Olympic Dam, the world's largest uranium mine. IOCG uranium deposits are recognised as a major source of future uranium resources and CODELCO has been investigating potential uranium production from its copper operations for some time.

Hot Chili has assembled a world-class exploration team to advance these projects and ensure the Company maintains a strong technical and economic focus.

The Company considers it has developed critical local relationships in Chile and is well positioned to take advantage of its established position and pursue any potential future growth opportunities.

Hot Chili intends to aggressively explore its project portfolio, initially focussing on the more advanced projects of Productora and Los Mantos. The Company's initial aims involve delineating a significant uranium-copper-gold resource base from its projects and advancing these to a production decision.



Location of Hot Chili's projects in Chile

3.6 Projects

In order of level of advancement, the three projects and their key features are:

PRODUCTORA

- Productora is Hot Chili's flagship project and has been identified by CCHEN as the largest uranium project in Chile.
- Approximately 75% of the Target Mineralisation of the Productora project land position is currently secure through a combination of Hot Chili's own landholding interests, and various five-year earn-in and purchase option agreements. The Company plans to actively pursue any potential future opportunities to increase this project position.
- The project is at an advanced stage, with an operating underground mine, significant historical drilling and extensive supporting geological work already undertaken.
- The Company estimates potential for a **Target Mineralisation of 50 – 165 million pounds of U_3O_8 , 0.6 – 1.5 million tonnes of copper and 0.5 – 1.2 million ounces of gold at the project.**
- **Indicated grade ranges** for this Target Mineralisation comprise **0.4 – 1.0 kg/t for U_3O_8 , 1.0 – 2.0% for copper and 0.3 – 0.5g/t for gold.**
- The identified footprint of the copper-uranium-gold mineralised system at Productora is 6.1km in strike length and 2km in width.
- Refer to section 3.0 of the Independent Geologist's Report at Section 5 for further details of the Productora project.

Productora valley



St Innes underground mine,
not in operation



Productora underground
mine portal

Malachite (copper
oxide) distributed
along a fault plane,
Productora project

LOS MANTOS

- Hot Chili has executed a five-year purchase option agreement over the Los Mantos project.
- The project is at a moderately advanced stage with an operating small-scale mine, and extensive historical underground and surface development. No drilling has been undertaken over the project.
- The Company estimates potential for a **Target Mineralisation of 0.4 – 0.7 million tonnes of copper, 3 – 26 million pounds of U₃O₈ and 0.1 – 0.4 million ounces of gold at the project.**
- **Indicated grade ranges** for this Target Mineralisation comprise **0.1 – 0.6 kg/t U₃O₈, 1.5 – 2.0% copper and 0.1 – 0.4g/t gold.**
- Extensive zones of mineralisation are exposed over 2km in strike length and 1km in width.
- The Company has recognised a zoned IOCG system with uranium potential increasing at depth.
- Refer to section 4.0 of the Independent Geologist's Report at Section 5 for further details of the Los Mantos project.

"Chile is one of the world's premier and more politically stable mining countries."



Malachite along E-W trending feeder faults at Los Mantos



Surface development of an east dipping mantos horizon at Los Mantos

CHILE NORTE

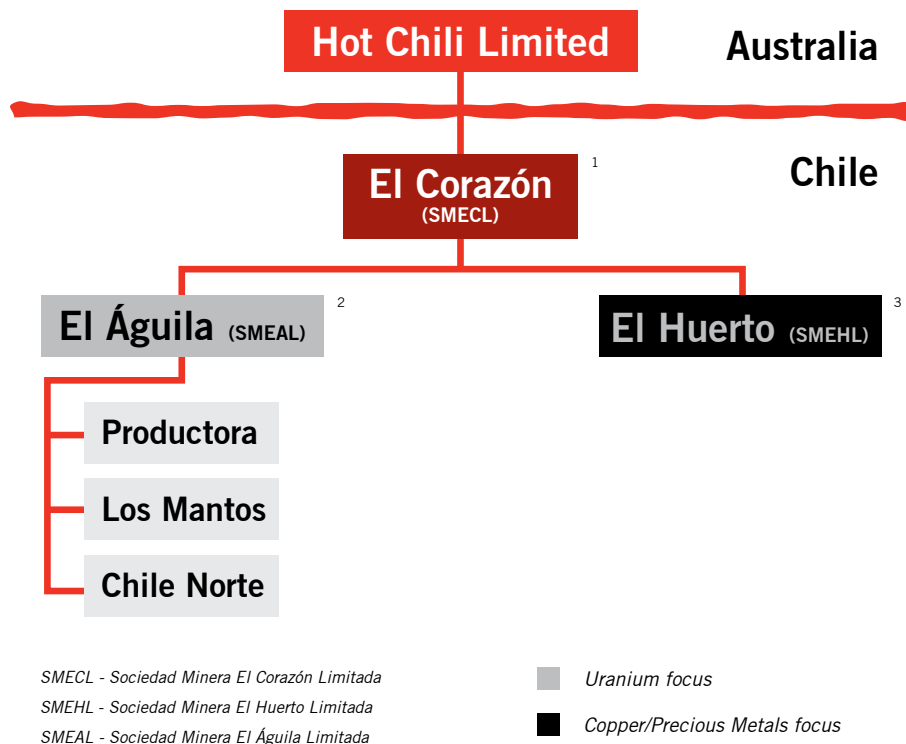
- Hot Chili has executed a five-year agreement with CODELCO to earn an interest in a large contiguous land holding that adjoins the Company's own landholding in the project area.
- The project is at an early stage of advancement. Historical exploration in the area included uranium exploration investigations, minor drilling activity, trenching and surface geochemical assaying.
- Over 17km strike length of uranium anomalism has been identified in the area from historical work. Further extensions of this uranium anomalism are inferred within the project. Significant copper-gold potential also exists within the project.
- Refer to section 5.0 of the Independent Geologist's Report at Section 5 for further details of the Chile Norte project.

3.7 Increasing global uranium demand

Uranium demand is rising, driven by a large increase in reactor construction owing to strong momentum concerning global warming and energy security. Recent acquisition activity surrounding global uranium assets has intensified, confirming a trend by large multi-nationals to secure long-term fuel supplies. Given this positive outlook, Hot Chili considers that its projects have potential to generate significant value.

Potential future opportunities to increase this project position will be actively pursued.

3.8 Corporate structure



Notes:

1. 99.9% corporate interest held by Hot Chili. 0.1% corporate interest held by Kalgoorlie Auto Service Pty Ltd, a company associated with Murray Black, a Director, and an entity "domiciled" in Chile. A Chilean domiciled entity must hold at least a 0.1% corporate interest in a Chilean registered company.
2. 99.9% corporate interest held by SMECL. 0.1% corporate interest held by Kalgoorlie Auto Service Pty Ltd.
3. 99.9% corporate interest held by SMECL. 0.1% corporate interest held by Kalgoorlie Auto Service Pty Ltd. SMEHL is a dormant entity, which presently does not have any activities.

A photograph of a mining site with a yellow excavator in the foreground, a red fire extinguisher, and various mining equipment in the background under a clear blue sky.

BOARD MANAGEMENT AND CORPORATE GOVERNANCE

4

4. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

4.1 Board and Company Secretary

Murray Edward Black, Non-Executive Chairman

Mr Black has over 35 years' experience in the mineral exploration and mining industry and has served as an executive director and chairman for several listed Australian exploration and mining companies. He part-owns and manages a substantial private Australian drilling business, has interests in several commercial developments and has significant experience in capital financing.

Christian Ervin Easterday, Managing Director and acting Company Secretary

Mr Easterday is a geologist with over 12 years' experience in the mineral exploration and mining industry. He holds an honours degree in geology from the University of Western Australia, a masters degree in Mineral Economics from Curtin University of Technology and a masters degree in Business Administration from Curtin's Graduate School of Business. Mr Easterday has held several senior positions and exploration management roles with top-tier gold companies including Placer Dome, Hill 50 Gold and Harmony Gold, specialising in structural geology, resource development and mineral economic valuation. For the past five years, Mr Easterday has been involved in various aspects of project negotiation. This work has involved negotiations and valuations covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a member of The Australian Institute of Geoscientists.

Bernard Roland Mountford, Non-Executive Director

Mr Roland Mountford is a geologist with over 35 years' experience in the mineral exploration industry and has served as an executive director for several listed Australian exploration and mining companies. His background spans a wide spectrum of commodities, with expertise in gold, uranium and base metals. Mr Mountford has been the principal consultant for Hawkeye Resources Pty Ltd, a private geological consultancy, since 1983. For the past three years he has led project generation and evaluation activities for Hot Chili, drawing on over 15 years' exploration experience in Chile. Mr Mountford is a member of The Australian Institute of Mining and Metallurgy.

Company Secretary

Mr Easterday is the Company Secretary as at the date of this Prospectus. The Company proposes to appoint a new company secretary to replace Mr Easterday as soon as practicable after the Listing Date.

4.2 Senior management

Melanie Leighton, Corporate Development Manager

Ms Leighton holds a degree in geology from the University of Western Australia, is a member of The Australian Institute of Geoscientists and has greater than 10 years experience within the mineral exploration industry. She has held senior geologist roles with several Australian listed companies, including Hill 50 Gold and Terra Gold, gaining practical and management experience within the areas of exploration, mining and resource development. Ms Leighton has extensive experience in mineral exploration and resource development and acts in a project management role for Hot Chili in regard to resource estimation, land management, systems development and data integration and stakeholder relations.

4.3 Composition of the Board

The Constitution requires a minimum number of three Directors. The maximum number of Directors may not be more than ten Directors. The Company in general meeting may resolve to increase or reduce the number of Directors.

The relevant provisions in the Constitution, the Corporations Act and the ASX Listing Rules determine the terms and conditions relating to the appointment and termination of Directors. All Directors, other than the Managing Director, are subject to re-election by rotation every three years.

Identification of potential Board candidates includes consideration of the skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

Any changes to Directorships will, for the foreseeable future, be considered by the full Board subject to any applicable laws.

4.4 Corporate governance procedures and policies

The Board

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The Board is committed to administering its corporate governance structures to promote integrity and responsible decision making.

Board charter

The Board has adopted a board charter. Under the board charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- (a) setting the strategic direction of the Company, establishing goals to ensure that these strategic objectives are met and monitoring the performance of management against these goals and objectives;
- (b) ensuring there are adequate resources available to meet the Company's objectives;
- (c) appointing the managing director and company secretary and chief financial officer of the Company;
- (d) evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- (e) approving and monitoring financial reporting and capital management;
- (f) approving and monitoring the progress of business objectives;
- (g) ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licences;
- (h) ensuring that adequate risk management procedures exist and are being used;
- (i) ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility;
- (j) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company; and
- (k) ensuring procedures are in place for ensuring the Company's compliance with the law.

Conflicts of interest

In accordance with the Corporations Act and the Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned will not receive the relevant papers and will not be present at the Board meeting whilst the matter is being considered.

Independent professional advice

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

Corporate governance policies

The Board has adopted the corporate governance policies described below. Copies of the policies are available on the Company's website at: www.hotchili.net.au

As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance policies will be given further consideration.

Code of conduct

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

The Company has established a corporate code of conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour with which the Directors, officers, managers, employees and consultants of the Company are expected to comply.

The Code sets out the Company's policies on various matters, including the following:

- (a) conflicts;
- (b) fair dealing;
- (c) Company assets and property;
- (d) computer, email and internet use;
- (e) health, safety and environment;
- (f) employment practices; and
- (g) gifts and entertainment.

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

The Code also outlines the procedure for reporting any breaches of the Code and the possible disciplinary action the Company may take in respect of any such breaches.

Continuous disclosure policy

Once listed, the Company will be a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, will need to comply with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information

concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company's website.

The Company has adopted a continuous disclosure policy, the purpose of which is to:

- (a) ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- (b) provide Shareholders and the market with timely, direct and equal access to information issued by the Company; and
- (c) promote investor confidence in the integrity of the Company and its securities.

Securities dealing policy

The Company has in place a securities dealing policy which sets out the requirements for all Directors, executives, employees, contractors, consultants and advisers of the Company dealing in the Company's securities.

Directors and senior executives of the Company may not deal in the Company's securities without first notifying the Managing Director and the Company Secretary of the intention to trade. The Managing Director may not deal in the Company's securities without prior approval of the Chairman, and without notifying the Company Secretary of the intention to trade. The Company Secretary must be subsequently notified of any trade that has occurred.

Shareholder communication policy

The Company has adopted a shareholder communication policy which outlines the processes through which the Company will endeavour to ensure timely and accurate information is provided equally to all Shareholders and the broader market.

The Company supports Shareholder participation in general meetings. Mechanisms for enabling Shareholder participation will be reviewed regularly to encourage the highest level of Shareholder participation.

Risk management policy

The Company has established a risk management policy, the purpose of which is to:

- (a) provide a framework for identifying, assessing, monitoring and managing risk;
- (b) communicate the roles and accountabilities of participants in the risk management system; and
- (c) highlight the status of risks to which the Company is exposed, including any material changes to the Company's risk profile.

The Board is responsible for:

- (a) risk management and oversight of internal controls;
- (b) establishing procedures which provide assurance that business risks are identified, consistently assessed and adequately addressed; and
- (c) for the overseeing of such procedures.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis.

4.5 Corporate governance – exceptions to ASX recommendations

The Company sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practice departs from the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (2nd edition) (**Recommendations**) to the extent that they are currently applicable to the Company.

Recommendations 1.2 and 2.5 (process for evaluation)

The Company does not have in place a formal process for evaluation of the Board, its committees, individual Directors and key executives.

The small size of the Board and the nature of the Company’s activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and, in the normal course of events, the Board will review performance of the management, Directors and the Board as a whole.

Recommendation 2.1 (independent directors)

At present, the Board does not comprise a majority of “independent directors”. There are no Directors who satisfy the criteria for independence as outlined in Recommendation 2.1. However, given the size and scope of the Company’s operations, the Board considers that it has the relevant experience in the exploration and mining industry, and is appropriately structured, to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

The Board intends to appoint further independent non-executive directors as suitably qualified candidates are identified, and the size and scale of the Company’s operations determine.

Recommendation 2.2 (independent chairman)

The Chairman of the Company, Mr Murray Black, is not an independent director in accordance with the criteria for independence as outlined in Recommendation 2.1. However, given the size and scope of the Company’s operations, the Board considers that Mr Black has the relevant experience in the exploration and mining industry and his appointment as Chairman is in the best interests of the Company and its Shareholders.

Recommendation 2.4 (nomination committee)

There is no nomination committee. The full Board, which comprises two Non-Executive Directors and one Executive Director, considers the matters and issues that would fall to the nomination committee. The Board considers that, given the current size and scope of the Company’s operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company’s operations grow and evolve.

Recommendations 4.1, 4.2, 4.3 and 4.4 (audit committee)

There is no audit committee. The role of the audit committee is undertaken by the full Board, which comprises two Non-Executive Directors and one Executive Director. The Board considers that, given the current size and scope of the Company’s operations and that only one Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee at present. As the Company’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

Recommendation 8.1 (remuneration committee)

The Company has not established a separate remuneration committee and does not have a formal remuneration policy in place. The role of the remuneration committee is undertaken by the full Board. The Board considers that, given its current size and that only one Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate remuneration committee. As the Company’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.



INDEPENDENT GEOLOGIST'S REPORT

5

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Australia

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT GEOLOGICAL REPORT ON THE CHILEAN MINERAL PROJECTS OF HOT CHILI LIMITED IN REPUBLIC OF CHILE

Prepared for: HOT CHILI LIMITED

Author: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM

Company: Al Maynard & Associates Pty Ltd

Date: 22nd February, 2010



View across the Productora project

EXECUTIVE SUMMARY

This Independent Geological Report (IGR) has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr Christian Easterday of Hot Chili Limited ("Hot Chili" or "Company") to provide our opinion of the potential of the Company's Chilean projects (Fig 1).

Hot Chili has consolidated three large copper-uranium-gold projects in Chile. Significantly, all projects are targeting Iron-Oxide-Copper-Gold-Uranium (IOCGU) style deposits which in addition have potential major endowments of associated molybdenum cobalt and rare earth minerals (REE). All projects are at low altitude (<1,000m elevation) and well located regarding major infrastructure.

These three projects cover 641km² of highly prospective ground in Chile's Coastal Cordillera. The Chilean Commission of Nuclear Energy (CCHEN) has previously recognized several areas within the province as holding demonstrated potential for significant uranium mineralisation. The Hot Chili tenement portfolio includes significant exploration potential within these areas, including the Productora project, which is rated by CCHEN as the country's largest identified uranium project (CCHEN Presentation, Nov 2008). The Coastal Cordillera of Chile also represents one of the world's best iron-oxide-copper-gold (IOCG) provinces which host several significant IOCG deposits, including Candelaria, Mantos Blancos, Manto Verde and El Soldado.

The Productora project is an IOCG style project with identified potential for porphyry style mineralisation at depth. The Company is focusing on the core commodities of uranium, copper and gold at Productora, although the project also has recognised significant concentrations of molybdenum, cobalt and rare earth minerals. The project is located 15km south of Vallenar in Region III of Chile, approximately half distance between La Serena and Copiapo. The project lies 5km off the main sealed Pan-American Highway connecting Vallenar to La Serena in the south. An active rail line currently being utilised by CMP, Chile's largest iron ore producer and one of Hot Chili's significant partners in the project, also borders the project.

The Productora project covers a NNE-trending fault zone which is an interpreted splay off the Atacama fault zone, 5kms to the west. Several NW-trending cross-faults correlate with areas of polymetallic mineralisation. Metasomatic and hydrothermal alteration is widespread and intense, associated with tectonic movement along the NNW-SSE trending Atacama Fault Zone. Silicification with pyrite and chalcopyrite is accompanied by potassic alteration (K-feldspar), argillisation, tourmalinisation, iron-oxide alteration and sericitisation.

The Los Mantos project is also an IOCG style project with preliminary work by Hot Chili indicating a zoned metal profile with uranium mineralisation increasing in presence at depth in the project. Copper, uranium and gold mineralisation are the focus for the Los Mantos multi-commodity project. The Company has also identified significant concentrations of molybdenum and rare earth minerals here. The project is located 58km south of La Serena in Region IV of Chile with good access from the main sealed highway connecting La Serena to the mining township of Ovalle to the south.

The Los Mantos project is structurally located along a N-S trending fault zone which splays off the regionally significant Romeral Fault, interpreted to represent a southward extension of the Atacama Fault Zone. At Los Mantos, mineralisation is associated with strataform mantos horizons that represent inter-sedimentary units within a thick andesitic rock sequence. The mantos horizons display significant magnetite-actinolite-tourmaline development associated with hypogene copper and uranium. Locally significant ENE-trending cross fault structures are evident at surface and act as feeders for copper-uranium mineralisation. These structures define an ENE trending corridor of structural disruption extending to the large Andocolla copper mine, approximately 15km ENE of Los Mantos.

The Chile Norte project is located in the northern Region I of Chile, south of the coastal city of Iquique. It is proximal to sealed roads, power and lies within 50km of port facilities. This project represents a large IOCG style target with significant at-surface, uranium evaporite style mineralisation already identified close to the project over a 5km and 17.5km NNW–SSE zone along a 24km long section of the Atacama Fault Zone.

The fault zone that is associated with the known uranium anomalies is traced over a distance of 65km and is the focus for Hot Chili's mining exploration concession applications, over the northern and southern extensions of the identified surface uranium mineralisation. Halite-associated uranium mineralisation is spatially associated with salt lake filled basins, concentrating in wide zones against the growth faults that control the distribution of the lake sediments. The Company is focussing on finding potential uranium trap sites in the area as well as potential major hard-rock uranium, copper, gold system within the project.

A combined Exploration Budget of US\$5.9M over two years is proposed with activity in Year 2 dependent on results achieved during Year 1.

EXECUTIVE SUMMARY (CONTINUED)

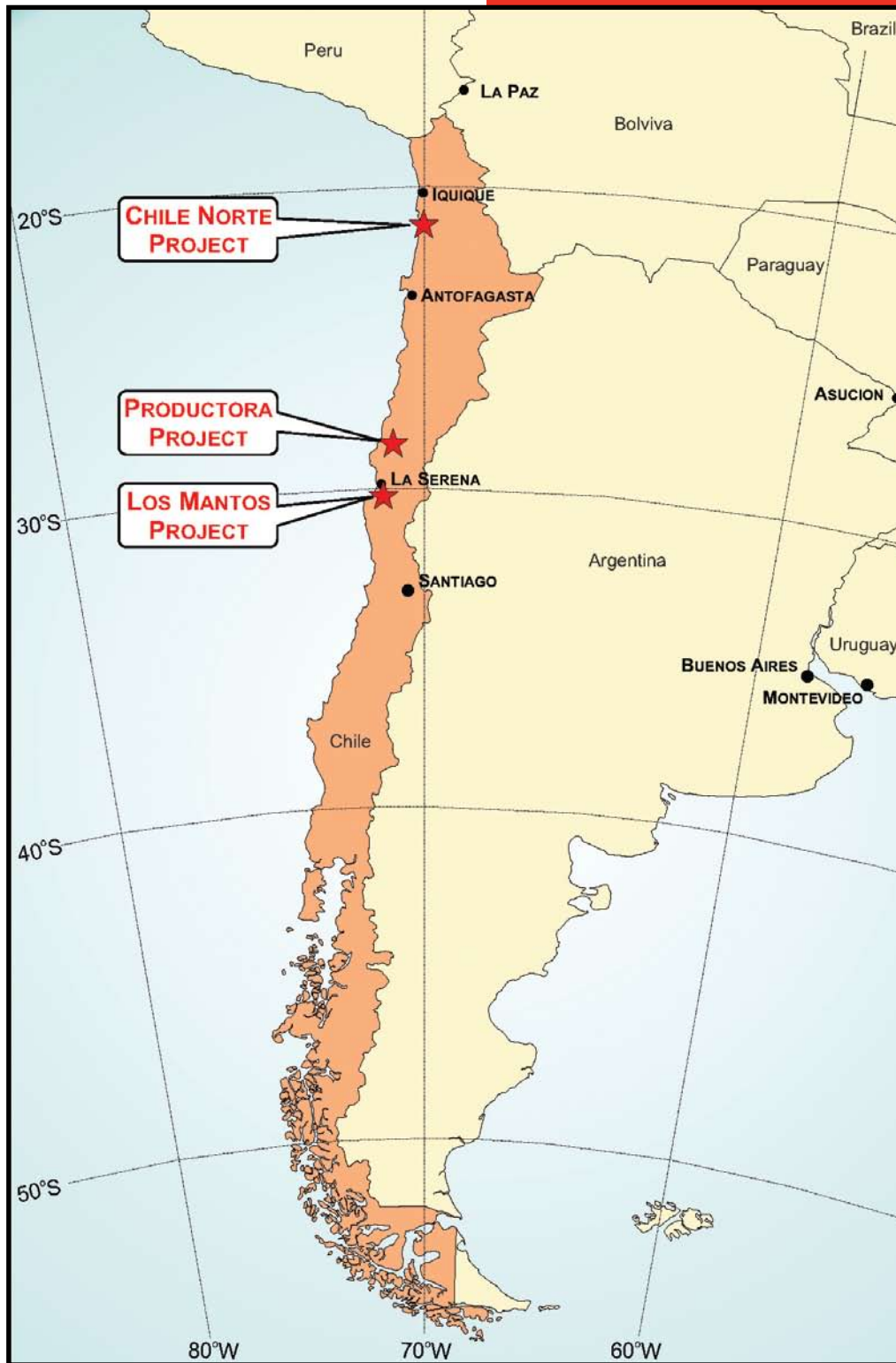


FIGURE 1
Hot Chili projects location map

TABLE OF CONTENTS



1.0	PREAMBLE	33	4.4.2.2	Structural Controls & Observations	59
2.0	Background Information	35	4.4.2.3	Mineralisation Styles & Controls	60
3.0	Productora Project	36	4.4.2.4	Geological Conclusions & Recommendations	60
3.1	Introduction	36	4.5	Exploration to Date	61
3.2	Tenement Details	36	4.6	Exploration Potential	61
3.3	Location and Access	42	4.7	Proposed Exploration Program and Budget	63
3.4	Geology	42	5.0	Chile Norte Project	64
3.4.1	Regional Geology	42	5.1	Introduction	64
3.4.2	Project Geology	42	5.2	Tenement Details	64
3.4.2.1	Alteration	44	5.3	Location and Access	71
3.4.2.2	Structural Controls & Observations	44	5.4	Geology	71
3.4.2.3	Mineralisation Styles & Controls	45	5.4.1	Regional Geology	71
3.5	Exploration to date	46	5.4.2	Project Geology	72
3.6	Exploration Potential	50	5.4.2.1	Structure	74
3.7	Proposed Exploration Program and Budget	51	5.4.2.2	Mineralisation Model	74
4.0	Los Mantos	52	5.4.2.3	Geological Conclusions	74
4.1	Introduction	52	5.5	Exploration to Date	75
4.2	Tenement Details	52	5.6	Exploration Potential	76
4.3	Location and Access	55	5.7	Proposed Exploration Program and Budget	77
4.4	Geology	56	6.0	Conclusions	77
4.4.1	Regional Setting	56	7.0	Selected References	78
4.4.2	Project Geology	57	8.0	Glossary of Technical Terms and Abbreviations	79
4.4.2.1	Alteration	59			



LIST OF FIGURES

Figure 1:	Hot Chili projects location map.	30
Figure 2:	Productora project tenement location plan	41
Figure 3:	Productora project regional geological setting	43
Figure 4:	Structural model for the Productora mineralised trend	45
Figure 5:	IP survey of Productora in relation to General Minerals drilling	47
Figure 6:	Productora project drill summary	48
Figure 7:	Los Mantos project tenement plan	54
Figure 8:	Los Mantos project topography and mine infrastructure	55
Figure 9:	Los Mantos project regional structural setting	56
Figure 10:	Los Mantos project geological interpretation	58
Figure 11:	Schematic structural and alteration model for the Los Mantos project	59
Figure 12:	Chile Norte project regional structural setting and tenement map	73
Figure 13:	Chile Norte conceptual structural targets	76

LIST OF TABLES

Table 1:	Productora project tenement details.	37
Table 2:	Productora project area significant drill intercepts.	46
Table 3:	Productora target mineralisation	50
Table 4:	Productora project proposed exploration budget.	52
Table 5:	Los Mantos project tenement details	53
Table 6:	Los Mantos target mineralisation	62
Table 7:	Los Mantos project Proposed Exploration Budget.	63
Table 8:	Chile Norte project tenement details.	65
Table 9:	Chile Norte project Proposed Exploration Budget.	77
Table 10:	Combined projects proposed exploration budget.	77

22nd February, 2010
The Directors
Hot Chili Limited,
PO Box 971,
Kalgoorlie
WA 6430

Dear Sirs,

1.0 PREAMBLE

Al Maynard and Associates (“AM&A”) was engaged by Hot Chili Limited (“Hot Chili” or the “Company”) to prepare an Independent Geological Report of the mineral assets for a prospectus to be issued to raise A\$6,000,000 through the issue of 30,000,000 shares at \$0.20 each. These funds are to be utilised for the exploration and acquisition of interests in three projects in Chile pursuant to the various agreements outlined elsewhere in the prospectus. Opinions are presented in accordance with the JORC Code (2004) and other regulations and guidelines that govern the preparation of these reports.

This report has been provided for inclusion in Hot Chili’s prospectus.

The legal status of the tenements is subject to a separate Independent Solicitor’s Report, which is presented elsewhere in this prospectus. These matters have not been independently verified by AM&A. The present status of tenements listed in this report is based on information provided by Hot Chili and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation and development.

The Hot Chili Mineral Assets comprise three projects that are at various stages of exploration progress with the Productora project being advanced, Los Mantos moderately advanced and Chile Norte in the initial stages of exploration. All the projects have potential to host their target commodities as described hereunder and warrant the exploration and testing programs as set out. It is noted that proposed programs may be subject to change according to results yielded as work is carried out. We are of the opinion that Hot Chili has satisfactorily defined exploration and expenditure programs which are reasonable, having regard to the stated objectives of the Company. The locations of the Mineral Assets are depicted in Figure 1.

Productora
project, adits



1.0 PREAMBLE (CONTINUED)

In the course of the preparation of this report, access has been provided to all relevant data held by Hot Chili and various other technical reports and information quoted in the bibliography. We have made all reasonable endeavours to verify the accuracy and relevance of the database. Hot Chili has warranted to AM&A that full disclosure has been made of all material in its possession and that information provided, is to the best of its knowledge, accurate and true. None of the information provided by Hot Chili has been specified as being confidential and not to be disclosed in our report. The author is familiar with the structural setting and mineralisation styles and targets of the areas covered by the Hot Chili Mineral Assets. As recommended by the Valmin Code, Hot Chili has indemnified AM&A for any liability that may arise from AM&A's reliance on information provided by Hot Chili or not provided by Hot Chili.

The review of exploration activities and results contained in this report is based on information compiled by Mr Allen J. Maynard BApp.Sc(Geol), a Member of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscience. He is a geologist with 30 years experience in the industry and 25 years experience in mineral asset valuation and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

The writer holds the appropriate qualifications, experience and independence to qualify as independent "Experts" under the definitions of the Valmin Code to provide such reports for the purpose of inclusion in public company documents.

Field inspections were conducted by the writer to Productora and Los Mantos between the 18th and 21st of January this year in the company of Hot Chili personnel and geological consultants from Jigsaw Geoscience. The Chile Norte area was traversed during January 2008 for a separate client.

This report has been prepared in accordance with the relevant requirements of the Listing Rules of the Australian Securities Exchange Limited ("ASX"), Australian Securities and Investments Commission ("ASIC") Practice Notes 42 and 43 which were replaced on October 30th, 2007 by Regulatory Guidelines ("RGs") 111 & 112, the JORC Code and the Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert reports (the Valmin Code) which is binding on Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG").

Mr Maynard has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

AM&A is an independent geological consultancy established 25 years ago and has operated continuously since then. Neither AM&A nor any of its directors, employees or associates have any material interest either direct, indirect or contingent in Hot Chili nor in any of the mineral properties included in this report nor in any other asset of Hot Chili nor has such interest existed in the past. This report has been prepared by AM&A strictly in the role of an independent expert. Professional fees payable for the preparation of this report constitutes our only commercial interest in Hot Chili. Payment of fees is in no way contingent upon the conclusions of this report.

Yours faithfully,



Allen J Maynard BApp.Sc(Geol), MAIG, MAusIMM.



Consultant Matthew Noble inspecting surface development exposure of mantos horizon at Los Mantos

2.0 BACKGROUND INFORMATION

This IGR has been provided by way of a detailed study of information provided by Hot Chili for the package of tenements plus recent field trips to the project areas.

The area under review comprises all or portions of three projects with a combined listing of 225 tenements comprising 23 mining leases, 160 exploration licences, and 42 exploration licence applications that have the potential to host the commodities as described below. The most advanced area is the Productora project, followed by the Los Mantos project. The Chile Norte project is in the early stages of investigation.

Some of the project areas are subject to joint-venture agreements and all details of these agreements are described elsewhere in this Prospectus. Where necessary reference to the geological findings derived from this work are included for clarity.

2.0 BACKGROUND INFORMATION (CONTINUED)

Hot Chili commissioned an extensive field reconnaissance review of the projects, by Dr J. Beeson of Jigsaw Geoscience Pty Ltd (Jigsaw) in July 2009. Many of the conclusions and recommendations from these reviews are referred to in this document. Dr Beeson has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Hot Chili Pty Ltd was incorporated on the 6th of May, 2008 and was later converted to Hot Chili Limited, an unlisted public company, on the 21st of May, 2009. The Company has incorporated three unlisted Chilean subsidiary companies to execute and administer its interests in Chile: Sociedad Minera El Corazon Limitada (SMECL); Sociedad Minera El Aguila Limitada (SMEAL); and Sociedad Minera El Huerto Limitada (SMEHL). SMECL is Hot Chili's parent company in Chile which controls SMEAL (99.9%) the company under which all agreements and operations are being administered.

3.0 PRODUCTORA PROJECT

3.1 Introduction

The Productora project is located in a low altitude coastal range belt 15km south of the regional mining centre of Vallenar. An area measuring approximately 10km N-S by 5km E-W is controlled by seven parties comprising: Hot Chili (through its subsidiary company SMEAL); private land holders; resource companies and government organisations. Productora is Hot Chili's flagship project and is rated by CCHEN as the country's largest identified uranium project (CCHEN Presentation, Nov 2008).

Polymetallic mineralisation at the Productora project correlates with a NNE-trending fault zone, which is cross-cut by several NW-trending faults. Metasomatic and hydrothermal alteration is widespread and intense, and associated with late Cretaceous to early Tertiary movement along the NNW-SSE trending Atacama Fault Zone.

This north-trending zone of hydrothermal alteration exceeds 8 km in strike length and 3 km in width. Silicification with pyrite and chalcopyrite is accompanied by potassic alteration (K- feldspar), argillisation, tourmalinisation and sericitisation. This pattern of alteration and mineralisation indicates that it is an example of the IOCG mineral system.

Early work recognised two zones of intense uranium associated metasomatic surface alteration along the main NNE-trending mineralised trend: one at Productora (central area) and one at Carmen (northern area). Exploration work carried out so far by historical exploration activities and verified by the Company has defined the presence of a 6.1km N-S by 2km E-W zone of geophysical and geochemical anomalism over the Productora area.

Copper focused exploration drilling during the 1990's by Teck-General Minerals and reported to the Toronto Stock Exchange (TSX) included several significant intersections; 112m at 0.65% Cu; 20m at 0.77%Cu & 0.34g/t Au; and 1.9km to the north 149m at 0.44% Cu & 0.1g/t Au with the last metre recording 0.78% Cu at 349m. These results are open to the north and south along strike.

3.2 Tenement Details

The details of the tenement holding for the Productora project are presented in the opposite table.

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
FRAN 1	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 2	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 3	SMEAL	100	Exploration	300	403.69	None	16.03.2011	Constituted
FRAN 4	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 5	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 6	SMEAL	100	Exploration	300	403.69	None	16.03.2011	Constituted
FRAN 7	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 8	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 9	SMEAL	100	Exploration	100	134.57	None	16.03.2011	Constituted
FRAN 10	SMEAL	100	Exploration	200	269.13	None	12.03.2011	Constituted
FRAN 11	SMEAL	100	Exploration	200	269.13	None	11.03.2011	Constituted
FRAN 12	SMEAL	100	Exploration	200	269.13	None	16.03.2011	Constituted
FRAN 13	SMEAL	100	Exploration	200	269.13	None	12.03.2011	Constituted
FRAN 14	SMEAL	100	Exploration	200	269.13	None	11.03.2011	Constituted
FRAN 15	SMEAL	100	Exploration	300	403.69	None	14.04.2011	Constituted
FRAN 16	SMEAL	100	Exploration	200	269.13	None	14.04.2011	Constituted
FRAN 17	SMEAL	100	Exploration	200	269.13	None	29.04.2011	Constituted
FRAN 12, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
FRAN 13, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
FRAN 14, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
PRODUC-TORA 1/16	COYI-GUALLES (SLMP)	100	Mining Exploitation	75	504.61	Payments of US\$100,000 pa for 5 years and US\$7,250,000 exercise payment	N/A	5 Year- 100% Purchase-option Agreement executed
BUENA SUERTE 1/6	DEL CAMPO (SLMB)	100	Mining Exploitation	30	201.85	Payments of US\$50,000 pa for 5 years and US\$780,000 exercise payment	N/A	5 Year- 100% Purchase-option Agreement executed
PILAR 1/2	DEL CAMPO (SLMPI)	100	Mining Exploitation	10	67.29		N/A	5 Year- 100% Purchase-option Agreement executed

3.0 PRODUCTORA PROJECT (CONTINUED)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expiration date of the concession (dd.mm.yyyy)	Expiration date of the concession (dd.mm.yy)	Comments
CUENCA A 1/51	CMP	65	Mining Exploitation	255	1715.66		N/A	5 Year- 65% JV Earn-in option Agreement executed
CUENCA B 1/28	CMP	65	Mining Exploitation	139	935.20		N/A	5 Year- 65% JV Earn-in option Agreement executed
CUENCA C 1/51	CMP	65	Mining Exploitation	255	1715.66		N/A	5 Year- 65% JV Earn-in option Agreement executed
CUENCA D	CMP	65	Mining Exploitation	3	20.19		N/A	5 Year- 65% JV Earn-in option Agreement executed
CUENCA E	CMP	65	Mining Exploitation	1	6.73		N/A	5 Year- 65% JV Earn-in option Agreement executed
CHOAPA 1/10	CMP	65	Mining Exploitation	50	336.41		N/A	5 Year- 65% JV Earn-in option Agreement executed
ELQUI 1/14	CMP	65	Mining Exploitation	61	410.42		N/A	5 Year- 65% JV Earn-in option Agreement executed
LIMARI 1/15	CMP	65	Mining Exploitation	66	444.06		N/A	5 Year- 65% JV Earn-in option Agreement executed
LOA 1/6	CMP	65	Mining Exploitation	30	201.85		N/A	5 Year- 65% JV Earn-in option Agreement executed
MAIPO 1/10	CMP	65	Mining Exploitation	50	336.41		N/A	5 Year- 65% JV Earn-in option Agreement executed
TOLTEN 1/14	CMP	65	Mining Exploitation	70	470.97		N/A	5 Year- 65% JV Earn-in option Agreement executed
CACHIYUY- ITO 1	CMP	65	Exploration	300	403.69		22.05.2010	5 Year- 65% JV Earn-in option Agreement executed
CACHIYUY- ITO 2	CMP	65	Exploration	300	403.69		23.05.2010	5 Year- 65% JV Earn-in option Agreement executed
CACHIYUY- ITO 3	CMP	65	Exploration	300	403.69		22.05.2010	5 Year- 65% JV Earn-in option Agreement executed

Total Expenditure
Commitment of
US\$4,000,000 over 5
years (Yr1- US\$750,000,
Yr2 US\$500,000,
Yr3- US\$500,000,
Yr4- US\$1,000,000,
Yr5- US\$1,250,000).
Exercise Payment of
US\$100,000

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** USD (7)-(8)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
ZAPA 1/10	GBD	65	Mining Exploitation	100	672.81	Total Expenditure Commitment of US\$500,000 over 5 years (US\$100,000 pa). Exercise Payment- US\$100,000	N/A	5 Year- 65% JV Earn-in option Agreement executed
ZAPA 3 1/23	GBD	65	Mining Exploitation	92	618.99		N/A	5 Year- 65% JV Earn-in option Agreement executed
ZAPA 5A 1/16	GBD	65	Mining Exploitation	80	538.25		N/A	5 Year- 65% JV Earn-in option Agreement executed
ZAPA 7 1/24	GBD	65	Mining Exploitation	120	807.37		N/A	5 Year- 65% JV Earn-in option Agreement executed
					20,904.35		Total Expenditure Commitment (5 Yrs)- US\$5,100,000	
						Total Exercise Payment Commitment US\$8,230,000		

*** Note:**

1. GBD= Glenn Burns Dacre
2. CMP= Compañía Minera del Pacifico
3. SLMP= Sociedad Legal Minera La Productora 1 de la Sierra Coyigualles.
4. SLMB= Sociedad Legal Minera Buena Suerte 1 de la Sierra Tamarico.
5. SLMPi= Sociedad Legal Minera Pilar 1 de la Sierra Tamarindo.
6. SMEAL= Sociedad Minera El Águila Limitada.
7. In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile.
8. This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

**** Note:**

9. Mining Patents represent yearly rent and rate fees for mining rights in Chile.
10. Values may suffer variations according to the value of the Monthly Tax Unit

TABLE 1
Productora project tenement details

3.0 PRODUCTORA PROJECT (CONTINUED)

Outside of the Company's own landholding, Hot Chili has executed an agreement with four parties (GBD, CMP, Del Campo and SLM Productora). Importantly, these parties control over 75% of the strike extent of defined mineralisation within this land position including the central mining lease of Productora which contains an operating underground copper mine.

Hot Chili has established close working relationships with both government and private stakeholders, of particular note is the major local partnership with CMP (Chile's largest iron ore producer).

An underground copper mine is in operation within the central mining lease of the Productora project. Under the terms of Hot Chili's (SMEAL's) agreement with the owners of this mining lease (SLM Productora Option Agreement as summarised in section 9.2(d) of the Prospectus) the lease mining agreement will be allowed to continue throughout SMEAL's five year exploration purchase option period with extraction limited to 1.3 million tonnes of ore, and mining terminated with a 120 day notice period upon exercise of the option at any time within the five year exploration period. The lease mining company will have 6 months from exercise of the option agreement in which to remove all equipment.

Uranium consultant David Wilson examining ore material at the Productora mine



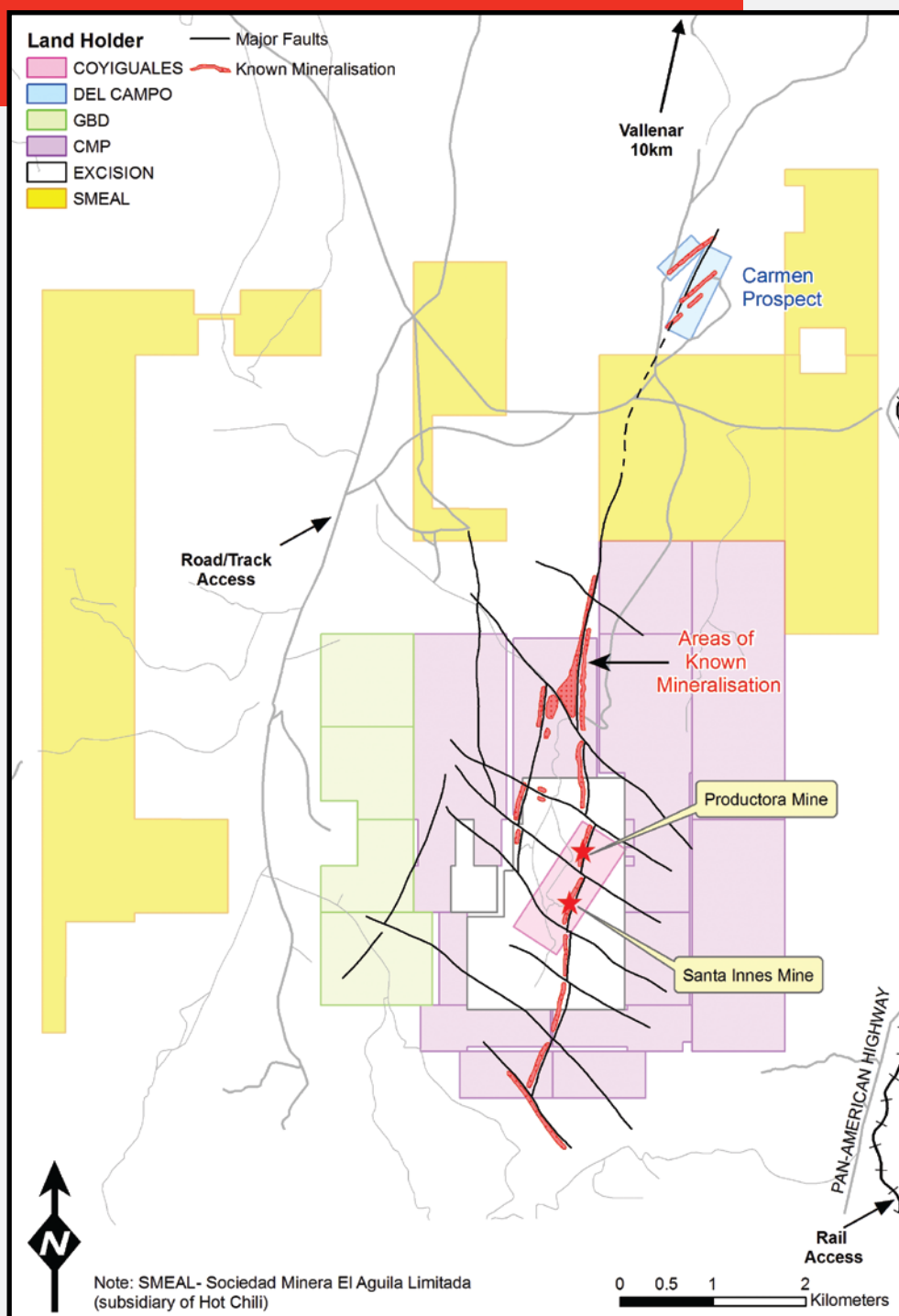


FIGURE 2
Productora project tenement location plan

3.0 Productora Project (CONTINUED)

3.3 Location and Access

Productora is located 15km south of Vallenar in Region III of Chile, approximately half way between La Serena and Copiapo. The project lies 5km off the main sealed Pan-American Highway connecting Vallenar to La Serena in the south. This low altitude coastal range belt has good access to facilities in the regional mining centre of Vallenar.

3.4 Geology

3.4.1 Regional Geology

The project area is underlain by early to mid-Cretaceous andesites, rhyolitic tuffs, ignimbrites, arenites and quartzites which have been intruded by upper Cretaceous to lower Tertiary calc-alkali granodiorites, dacites, monzonites, and aplites.

The bulk of the volcanic rocks existing along the main mineralised trend are rhyolitic in composition, and quite siliceous in character. Dacites and andesites are also present interlayered with the rhyolitic volcanics.

3.4.2 Project Geology

The Productora project area secures a NNE-trending fault zone which is an interpreted splay off the Atacama fault zone (AFZ), 5kms to the west. Metasomatic and hydrothermal alteration is widespread and intense, associated with late Cretaceous to early Tertiary movement along the NNW-SSE Atacama Fault Zone.

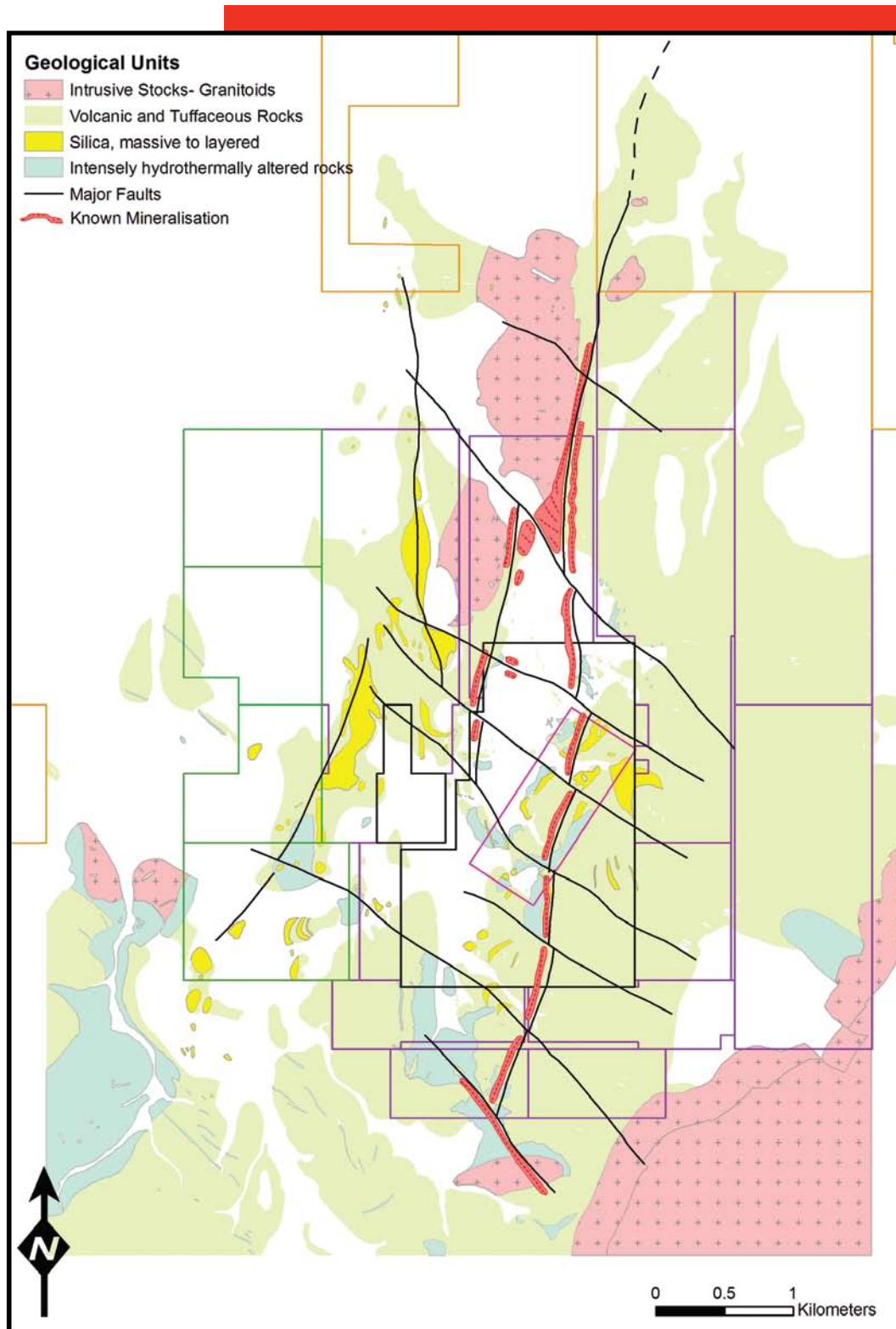
The host rock sequence for the Productora mineralisation is a rhyolitic breccia (based on exposures near the Santa Innes mine). Metasomatised granitoid intrusions are evident in outcrop to the south and east of the mineralised zone. The granitoids are interpreted to be middle-Cretaceous to early-Tertiary in age (Fortin, 1990). Andesitic to latitic dykes cross-cut the host sequence. These rocks tend to be far less altered than the host sequence suggesting they were emplaced relatively late in the geological history.

Early work recognised two zones of intense uranium-associated metasomatic surface alteration (Rojo, 1986) along the main NNE-trending mineralised trend: one at Productora (central area) and one at Carmen (northern area). The stratigraphically lowest tuff unit is most strongly altered and mineralised. Davidite, a complex Fe, Ti, U, REE oxide mineral, and uraninite are the principal hosts for uranium, but secondary pitchblende, autunite and torbernite are also recognized.

There is a distinct metal association comprising copper, gold, uranium, cobalt, molybdenum, silver, vanadium, bismuth and phosphorus.

The following alteration, structural observations and mineralisation styles and interpreted controls were documented by Dr J. Beeson during his 2009 field reconnaissance review of the project.

FIGURE 3
Productora project regional geological setting



3.0 PRODUCTORA PROJECT (CONTINUED)

3.4.2.1 Alteration

Silicification with pyrite and chalcopyrite is accompanied by potassic alteration (K-feldspar), argillisation, tourmalinisation, iron-oxide alteration and sericitisation. This pattern of alteration and mineralisation suggests that it is a member of the IOCG mineral system.

There is an obvious zonation of alteration mineralogy from K-feldspar-tourmaline in the south to chlorite-K-feldspar-carbonate in the north which probably reflects a temperature gradient. The alteration mineralogy suggests a cooling of the system northwards and probably also indicates a gentle northerly plunge to the hydrothermal system. This is interpreted to suggest that copper-gold-uranium mineralisation may plunge northwards such that the uranium-rich zones become progressively deeper northwards and may be overlain by swarms of uranium-poor copper-bearing veins.

3.4.2.2 Structural Controls & Observations

Changes in strike are obvious along the Productora fault zone. These are expressed as discrete clockwise jogs where the fault locally changes from a N-S orientation into a NNE orientation. Such jogs in the fault zone represent interesting areas as they are likely to be associated with wider damage zones which promote increased secondary permeability suitable for focusing hydrothermal fluids. The Productora fault trends NNE in the area between the Productora and Santa Innes mines; thus these mineralised zones are located broadly proximal to either end of the NNE-trending fault jog.

A sub-parallel but slightly convergent regional fault has been mapped to the west of Productora. This structure is also associated with mineralisation (magnetite and copper). This more westerly fault trends more uniformly NNE and joins with the Productora fault approximately 2 km north of the Productora mine. The geometry of this more westerly structure is reminiscent of a splay off the Productora fault and is referred to as the Western Splay fault. Numerous abandoned copper workings are distributed along the trace of the Western Splay fault and many of these workings are weakly to moderately radioactive.

Numerous cross-cutting NW-trending faults have been documented in previous mapping. Many of these structures are associated with copper mineralisation and variably elevated radiation levels. In addition, numerous examples of E-W and N-E trending faults were observed; again these faults are commonly in association with copper mineralisation.

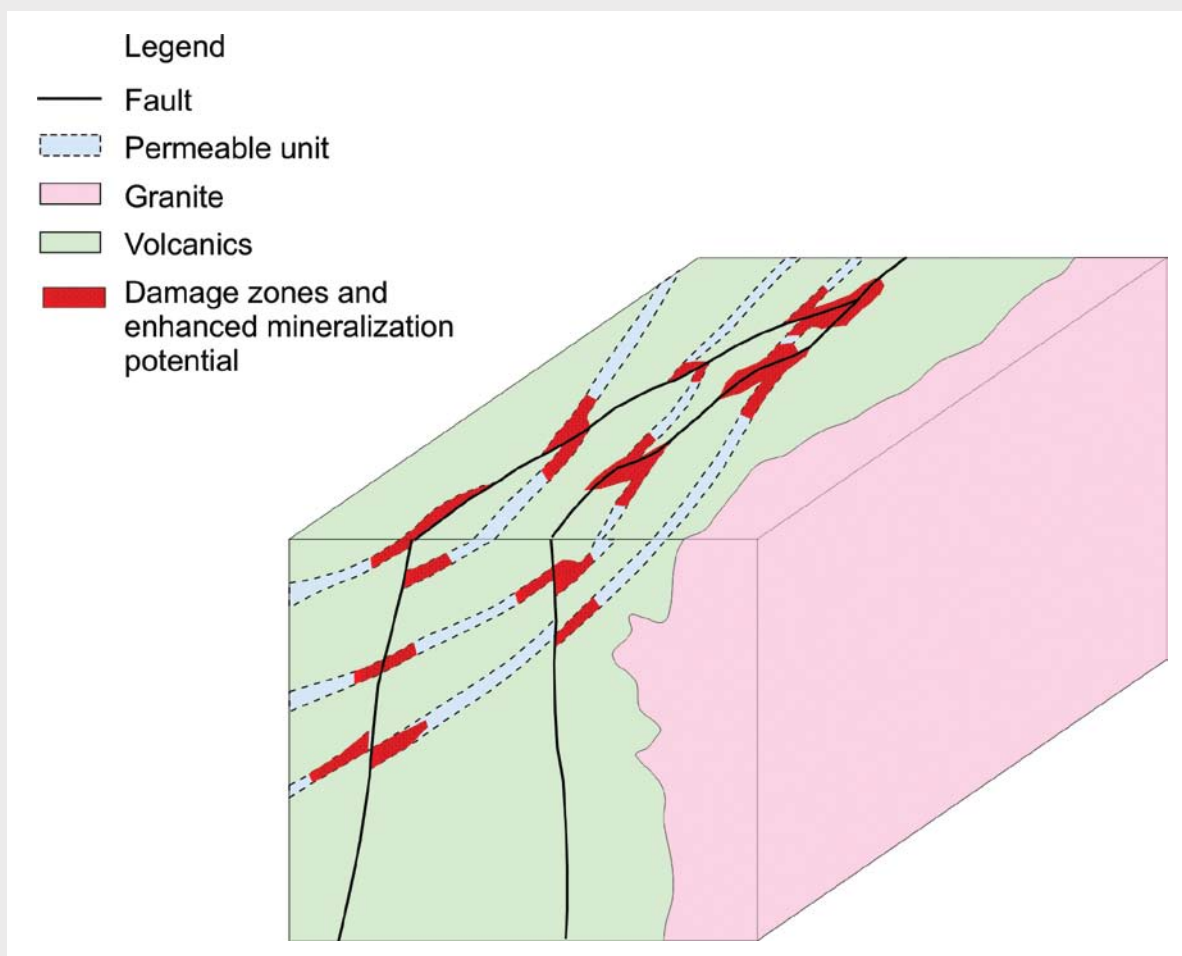


FIGURE 4
Structural model for the Productora mineralised trend

3.4.2.3 Mineralisation Styles & Controls

The association between faulting and mineralisation is very obvious at Productora. The creation of secondary permeability within fault jogs and adjacent damage zones has been an important control on mineralisation. The association between secondary uranium mineralisation and andesitic dykes probably relates to emplacement of the andesite dykes into fault zones, thus the uranium secondary minerals are also controlled by cross-faults.

Primary mineralisation appears to rely upon the interplay of favourable lithological units (primary permeability), regional faults and cross faults (both providing secondary permeability). Sites where favourable lithological units coincide with cross-faults and with regional fault jogs (and adjacent damage zones) represent obvious targets for mineralisation. In addition, areas where regional fault splays bifurcate from the master fault, as is the case 2km north of Productora mine, appear to be associated with relatively large damage zones that contain many mineralised veins. The abundance of old copper shafts in the damage zone between the Western Splay fault and the Productora fault is relatively well mineralised and represents an obvious target for further exploration.

3.0 Productora Project (CONTINUED)

3.5 Exploration to date

Exploration work carried out so far by CCHEN, General Minerals, Teck, and the owners of the Productora mine, defines the presence of a 6.1km N-S by 2km E-W zone of geophysical and geochemical anomalism over the Productora area.

Work over the Carmen area by CCHEN has been limited to surficial mapping and limited rock-chip sampling only, but confirms a 1 km N-S by 300m E-W zone of similar geochemistry and alteration to that defined at Productora.

Preliminary CCHEN estimates of diluted uranium grade over the Productora area of the project range between 300ppm and 1,010ppm eU_3O_8 (Fortin, 1990) as outlined in preliminary CCHEN mineralisation estimates in five exploration study areas.

Information over the Carmen area in the northern extent of the project is much less advanced, however limited rock-chip results recorded by CCHEN indicated an average of 175ppm U_3O_8 (Fortin, 1990).

The Productora project is the most advanced uranium project in Chile (CCHEN presentation, Nov 2008), following extensive uranium exploration by CCHEN during the 1980's including ground mapping, rock-chip, soil geochemistry, ground and trench radiometrics and minor RC drilling. Although a significant amount of work was undertaken, this work concentrated on the near-surface potential of the project and failed to test the depth and along-strike potential of the larger Productora project.

The primary target through the Productora target zone is defined by two elongate NNE-trending chargeability anomalies as defined by Teck-General Minerals IP survey over the project (Figure 4). These anomalies represent the primary target footprint for initial exploration and the basis for the Company's target mineralisation at the project.

According to reports provided to the TSX, General Minerals undertook significant drilling over the project in association with the IP survey. Publicly available results from this drilling and that undertaken and reported by the government organisation CCHEN reveal several significant intersections. These results are presented below in Table 2 and in Figure 5.

Company	Hole	From	To	Width (m)	Copper %	Gold g/t	Uranium ppm	Molybdenum %	Cobalt %
GMC	PR-2	68	140	72	0.60	0.09	NR	NR	NR
	<i>including</i>	68	92	24	0.93	0.09	NR	NR	NR
GMC	PR-5	52	96	44	0.72	0.10	NR	NR	NR
GMC	PR-9	72	102	30	0.49	0.05	NR	0.006	0.011
		102	214	112	0.65	0.10	NR	0.016	0.011
	<i>including</i>	102	130	28	1.00	0.13	NR	0.026	0.012
GMC	PR-10	210	224	14	0.18	0.76	NR	0.011	0.007
GMC	PR-11	190	210	20	0.77	0.34	NR	0.003	0.029
GMC	PR13	158	200	42	0.31	0.03	NR	0.016	0.016
		200	349	149	0.44	0.10	NR	0.009	0.011
	<i>including</i>	200	234	34	0.48	0.11	NR	0.008	0.013
CCHEN	S1-6	22.5	39.9	17.4	NR	NR	450	NR	NR
CCHEN	S1-7	27.5	48	20.5	1.01	NR	NR	NR	NR
CCHEN	S1-11	31.5	44.5	13	1.13	NR	NR	NR	NR
CCHEN	S8-4	0	25	25	0.75	0.27	NR	NR	NR
CCHEN	S8-5	7	40	33	0.97	NR	NR	NR	NR

Note: NR represents Not Reported

TABLE 2
Productora project area significant drill intercepts

Productora Project

Induced Polarization in Milliseconds

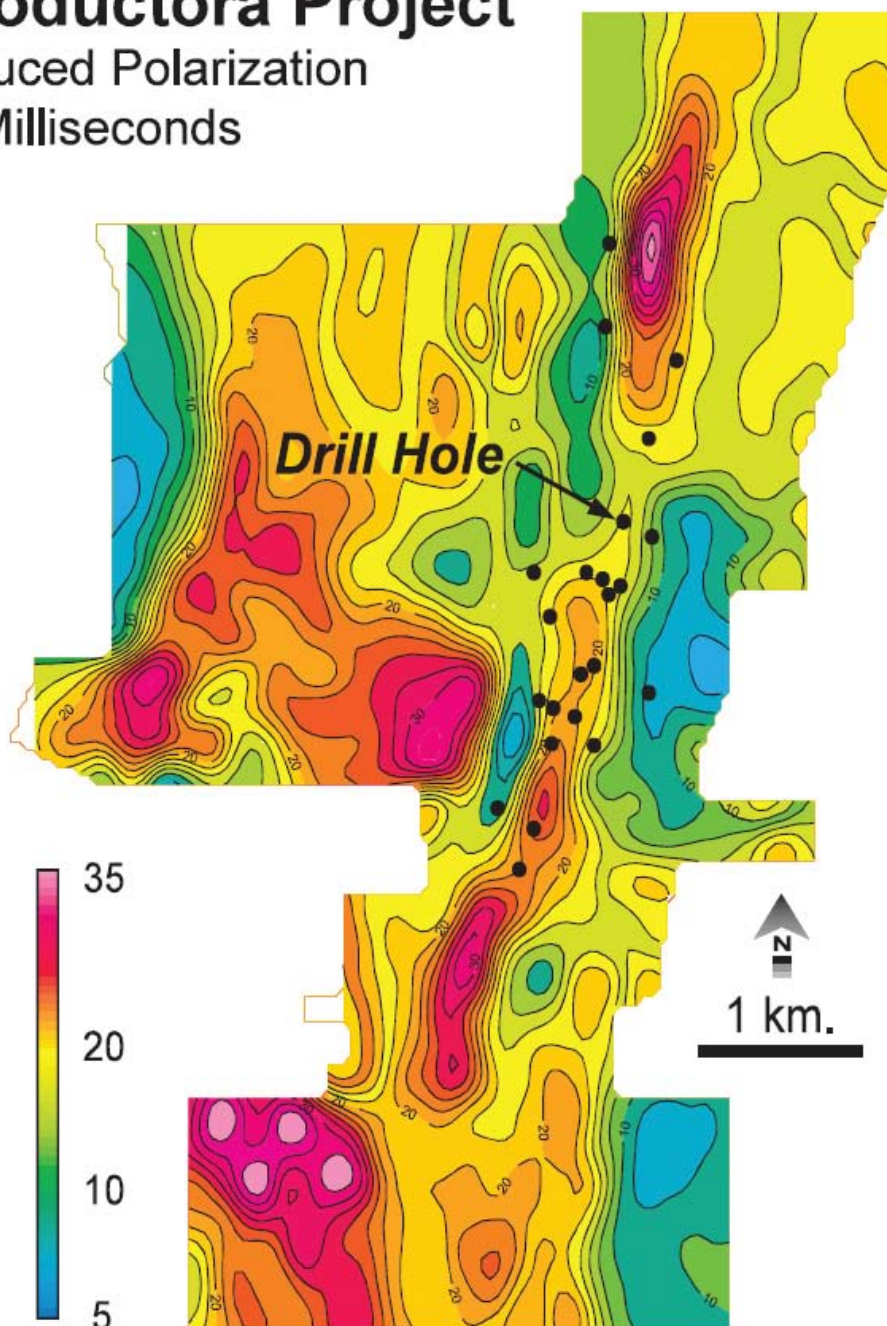


FIGURE 5
IP survey of Productora in relation to General Minerals drilling

3.0 PRODUCTORA PROJECT (CONTINUED)

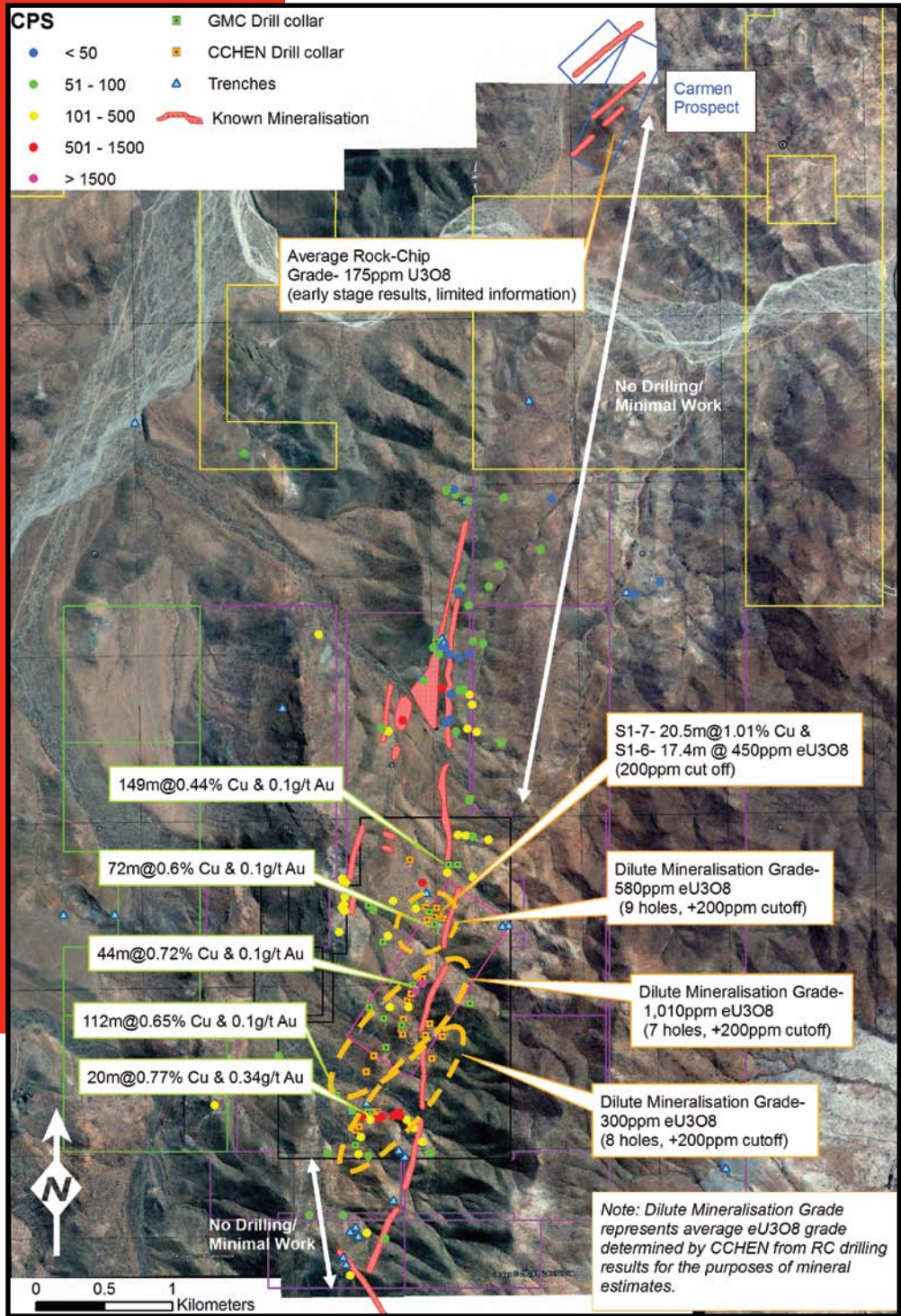


FIGURE 6
Productora project drill summary

3.5 Exploration to date (continued)

The Productora underground copper mine is in operation within the central mining lease of the Productora project. Investigation of mine development plans, underground sampling and underground tours of the operation by Hot Chili confirm the presence of mineralisation that is being actively exploited by mechanized underground development. Information provided suggests the mine is operating at a rate of 250,000 tpa utilising approximately 250m of newly developed decline access for ore extraction. The central mining operation allows access to underground drilling platforms and bulk tonnage ore parcels for future metallurgical test work.

There is no available resource estimate for uranium, copper or gold over the Productora project but there is demonstrated potential for the definition of a large polymetallic resource. Hot Chili is continuing to compile all historical exploration results as they become available and expects that additional information will assist greatly in refining future exploration programs and drill planning.

In July 2009, Hot Chili commissioned Dr. J. Beeson of Jigsaw Geoscience to conduct a reconnaissance sampling and mapping study over the Productora project, focusing on the main mineralised corridor and a sub-parallel structure to the west. This reconnaissance sampling and mapping work indicated that the mineralisation at Productora is associated with permeable volcanic units and fault structures including jogs, bifurcations, intersections and damage zones. There is a distinct element association comprising copper, gold, uranium, cobalt, molybdenum, silver, vanadium, bismuth and phosphorous. Some of the copper-uranium associated elements show a zonation from north to south. Alteration is also zoned from K-feldspar-tourmaline dominated assemblages in the south, grading northwards into chlorite-K-feldspar-carbonate assemblages, indicating lower temperatures to the north. This zonation of alteration mineralogy (temperature) and mineralisation-associated elements suggests that the mineralised system plunges gently-moderately northwards.

Most of the previous exploration and mining has been targeted at copper mineralisation or near-surface uranium mineralisation. Very little previous work has been directed at testing the potential for primary uranium mineralisation. The results of rock chip assaying demonstrate that high-grade copper ores and mineralised waste at Productora contains high-grade uranium mineralisation. Elevated uranium grades and radiation levels were also detected along strike to the south. On the basis of the results (tabled above), significant and largely untested potential exists along the Productora trend for primary IOCG-style uranium mineralisation with significant copper and gold credits.



View over the Productora Mine Infrastructure and Open Stopes

3.0 PRODUCTORA PROJECT (CONTINUED)

3.6 Exploration Potential

A good analogue for the Productora mineralisation is the Candelaria system of the Punta Del Cobre district, Chile; this has been previously recognised by General Minerals Corporation and other authors such as Ray & Dick (2002).

Marschik & Fontbote (2001), describe Candelaria as a large mantos-style Cu-Au-Ag system associated with selective replacement of sedimentary intercalations within volcanic stratigraphy and the contact between volcanic and sedimentary units, as well as veining and brecciation in sub-vertical feeder zones and cross-faults. A magnetite and haematite association is evident with mineralisation and potassium metasomatism is well developed. Highest grades and best tonnages are located where cross-faults intersect favourable host rocks and contacts. The mineralisation process at Candelaria is believed to have involved interaction between magmatic and non-magmatic (basinal brine) fluids, with mineralisation emplaced broadly coeval with batholithic granitoid intrusions and regional uplift. Many of the key features evident at Candelaria are also evident at Productora. Some differences will likely exist, but the similarities should be used to guide ongoing work at Productora.

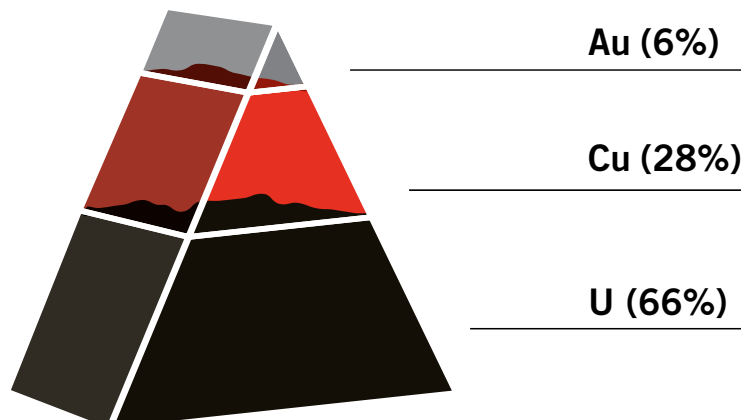
Hot Chili is targeting a large copper-uranium-gold resource at Productora, amenable to open-cut mining within an identified surface foot print of 6.1km by 2km. Available geological information compiled over this project suggests a **target mineralisation in the order of 50 -165 million pounds of U₃O₈, 0.6 to 1.5 million tonnes of copper and 540,000 to 1,200,000 ounces of gold at the Productora area of the project. Hot Chili has secured approximately 75% of the target mineralisation at Productora.** The additional potential of the Carmen area and other zones of mineralisation have not been accounted for in the target mineralisation estimate.

COPPER			URANIUM		
Grade Range (Cu %)	Tonnes (Mt)	Metal (Mt)	Grade Range (U kg/t)	Tonnes (Mt)	U ₃ O ₈ (Mib)
1-2	56-75	0.6 - 1.5	0.4 - 1.0	56-75	50-165

REE		GOLD		
Main Types	Tonnes	Grade Range (g/t)	Tonnes (Mt)	Metal (Moz)
-	56-75	0.3 - 0.5	56-75	0.5 - 1.2

TABLE 3:
Productora target mineralisation

COMMODITY TARGET VALUE BREAKDOWN



The Productora target mineralisation is calculated using all available geological information to determine conservative estimates of strike, width, depth and appropriate specific gravity. Factors used in the calculation include:

- Strike length of 6,000m as defined by the two 3km IP chargeability anomalies that directly correlate to the main trend of defined mineralisation within the project. Approximately half of the target strike length is also defined by demonstrated mineralisation in historical and existing mine development, drilling and trench sampling.
- An average cumulative width range of 15-20m as defined by known widths from mine development, drilling, trench sampling and surface radiometric work.
- An assumed maximum depth extrapolation of 250m from surface. Mineralisation is observed to be sub-vertical in various exposures and in mine development at both the Productora and Santa Innes mines.
- All grade range assumptions take into consideration communicated mine production grades, previous mineralisation estimates, historical mineralised drilling intercepts, trench samples and mineralised sample assay results as verified by Hot Chili.
- An assumed specific gravity of 2.5 was used.

Commodity value break-down is approximated using a U_3O_8 price of US\$50/lb, copper price of US\$3,500/t, gold price of US\$850/oz and A\$/US\$ exchange rate of 0.65.

Exploration Target Size and Target Mineralisation described above are conceptual in nature and should not be construed as a JORC 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.

3.7 Proposed Exploration Program and Budget

Future work at Productora in the near-term should include the following programs:

- Detailed mapping and rock-chip sampling followed by interpretation of a solid geology map.
- Compilation, acquisition and processing of geophysical data. This may include airborne magnetics and radiometric/spectrometer surveying.
- Review of geochemical and geophysical data by appropriate specialists.
- Construction of a key-hole model of the mineralisation to assist in targeting.
- Completion of down-hole total gamma $eU_{3\beta}$ analysis of existing historical drill holes.
- Design and implementation of a first-pass drilling programme to test high-priority targets.
- Design and implementation of a second pass drilling programme
- Early stage economic modelling
- Commencement of resource definition RC and diamond drilling programme.

3.0 Productora Project (CONTINUED)

3.7 Proposed Exploration Program and Budget (continued)

Activity	Year 1 \$000s	Year 2 \$000s	Total \$000s
Re-log/probe and interpretation	40		60
Aeromagnetics and Radiometric Survey & Interpretation	100		80
Structural Mapping & Targeting	100	75	175
Keyhole Modelling	30		30
RC Drilling	600	600	1,200
Diamond Drilling		250	250
Field Supervision	100	100	200
Analytical	150	150	300
Metallurgical Testing		50	50
Resource Estimation		60	60
Mining Engineering			-
Administration	150	150	300
Contingency	100	100	200
TOTAL	1,370	1,535	2,905

TABLE 4
Productora project proposed exploration budget

4.0 LOS MANTOS

4.1 Introduction

The Los Mantos project lies 58km south of La Serena in Region IV of Chile with convenient access to the facilities of the mining township of Ovalle.

At Los Mantos a central mining area of about 2.0km N-S by 1.0km E-W is held by private land owner Mr. Aldo Cordero Godoy, which is surrounded by leases held by CODELCO (the world's largest copper producer) and CMP. Hot Chili, has entered into a five year option agreement for the 100% purchase of the Los Mantos project.

Los Mantos is an IOCG style project with potential for porphyry style mineralisation at depth. Copper, uranium and gold are the focus minerals for the Los Mantos multi-commodity project, although the Company has also identified significant concentrations of molybdenum and rare earth minerals.

4.2 Tenement Details

The Los Mantos project comprises 9 licences in total, including five Mining Exploitations and four Exploration Licences. The Exploration Licences have been constituted as a layer of protection and do not add to the landholding of the project, defined only by the 5 Mining Exploitation Licences. The Mining Exploitation Licences cover approximately 264 ha.

Hot Chili, through its Chilean subsidiary company SMEAL, has entered into a five year option agreement for the 100% purchase of the Los Mantos project. The private purchase-option agreement with local Chilean landholder and mine operator Mr. Aldo Cordero Godoy was executed on the 11th of June 2009, with the payment of US\$220,000. The right to purchase 100% of Los Mantos is exercisable at any time within the five year option period following satisfaction of all remaining yearly option payments and an exercise payment of US\$2,000,000.

Mr. Aldo Cordero Godoy will receive a 0.5% Gross Production Royalty on all marketable minerals produced from the project and a 30,000 tpa mining concession during the five year option period. Los Mantos project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments	
Antonio 1 al 29	ACG	100	Mining Exploitation	139	935.20	Payments of US\$50,000 pa for Yr 1,2,3 and US\$100,000 in Yr 4. Exercise Payment of US\$2,000,000.		5 Year- 100% Purchase-option Agreement executed	
Espada 1 al 12	ACG	100	Mining Exploitation	36	242.21			5 Year- 100% Purchase-option Agreement executed	
Rosita 1 a 6	ACG	100	Mining Exploitation	30	201.85			5 Year- 100% Purchase-option Agreement executed	
Alindera- miento y Otras	ACG	100	Mining Exploitation	9	60.56			5 Year- 100% Purchase-option Agreement executed	
Ensueño 1 al 11	ACG	100	Mining Exploitation	50	336.41			5 Year- 100% Purchase-option Agreement executed	
ILLAPEL 1- (Anda- collo)	ACG	100	Exploration	200	269.13			14.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 2- (Anda- collo)	ACG	100	Exploration	200	269.13			15.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 2- (Ovalle)	ACG	100	Exploration	200	269.13			30.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 3- (Ovalle)	ACG	100	Exploration	200	269.13			30.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
					2,852.75	Total Payments Commitment (5 Yrs)- US\$250,000			
						Total Exercise Payment Commitment US\$2,000,000			

***Note:**

1. ACG= Aldo Cordero Godoy.
2. In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile.
3. This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

TABLE 5
Los Mantos project tenement details

4.0 LOS MANTOS (CONTINUED)

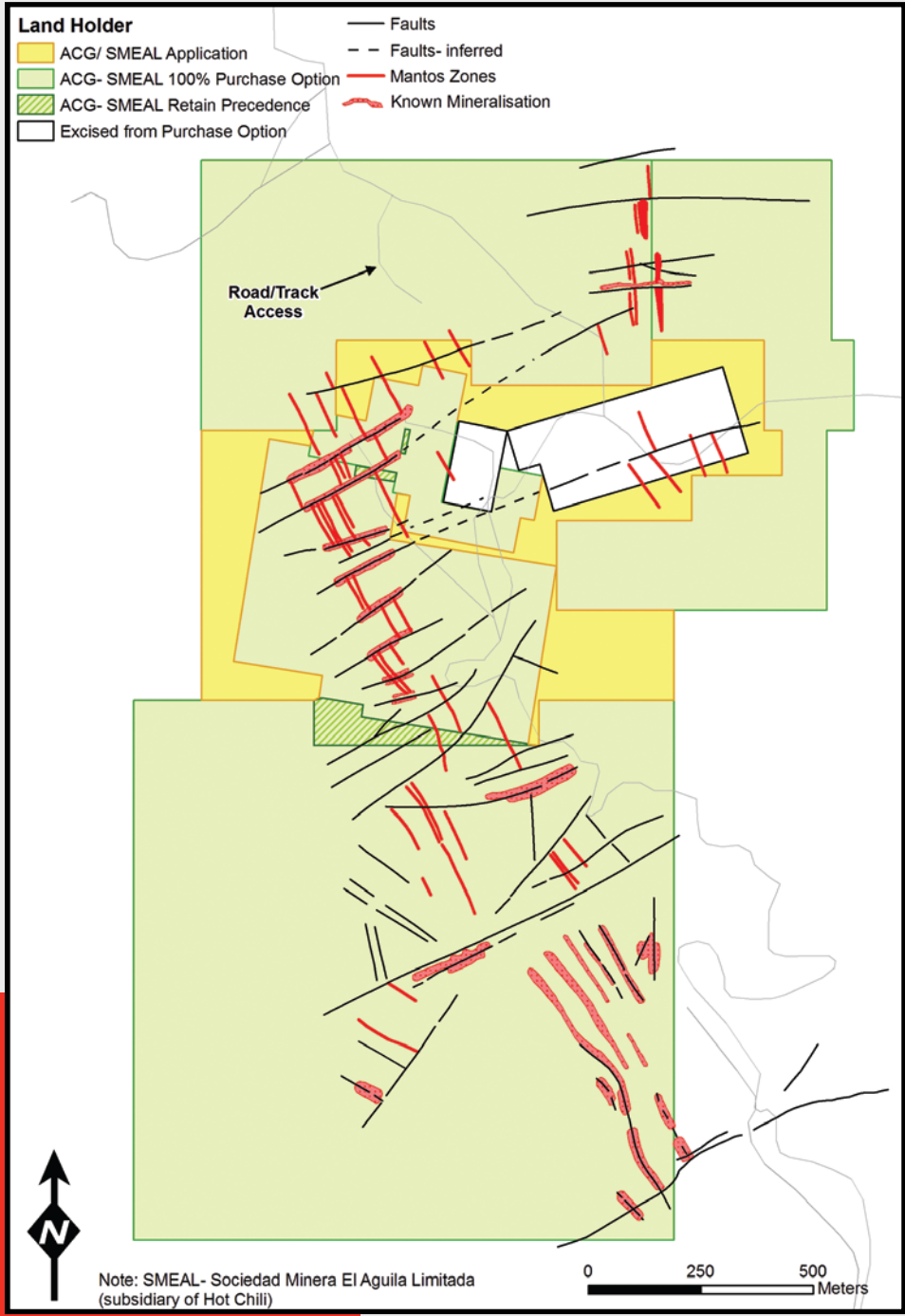


FIGURE 7

Los Mantos project tenement plan

4.3 Location and Access

The project lies 58km south of La Serena in Region IV of Chile with good access from the main sealed highway connecting La Serena to the mining township of Ovalle to the south.

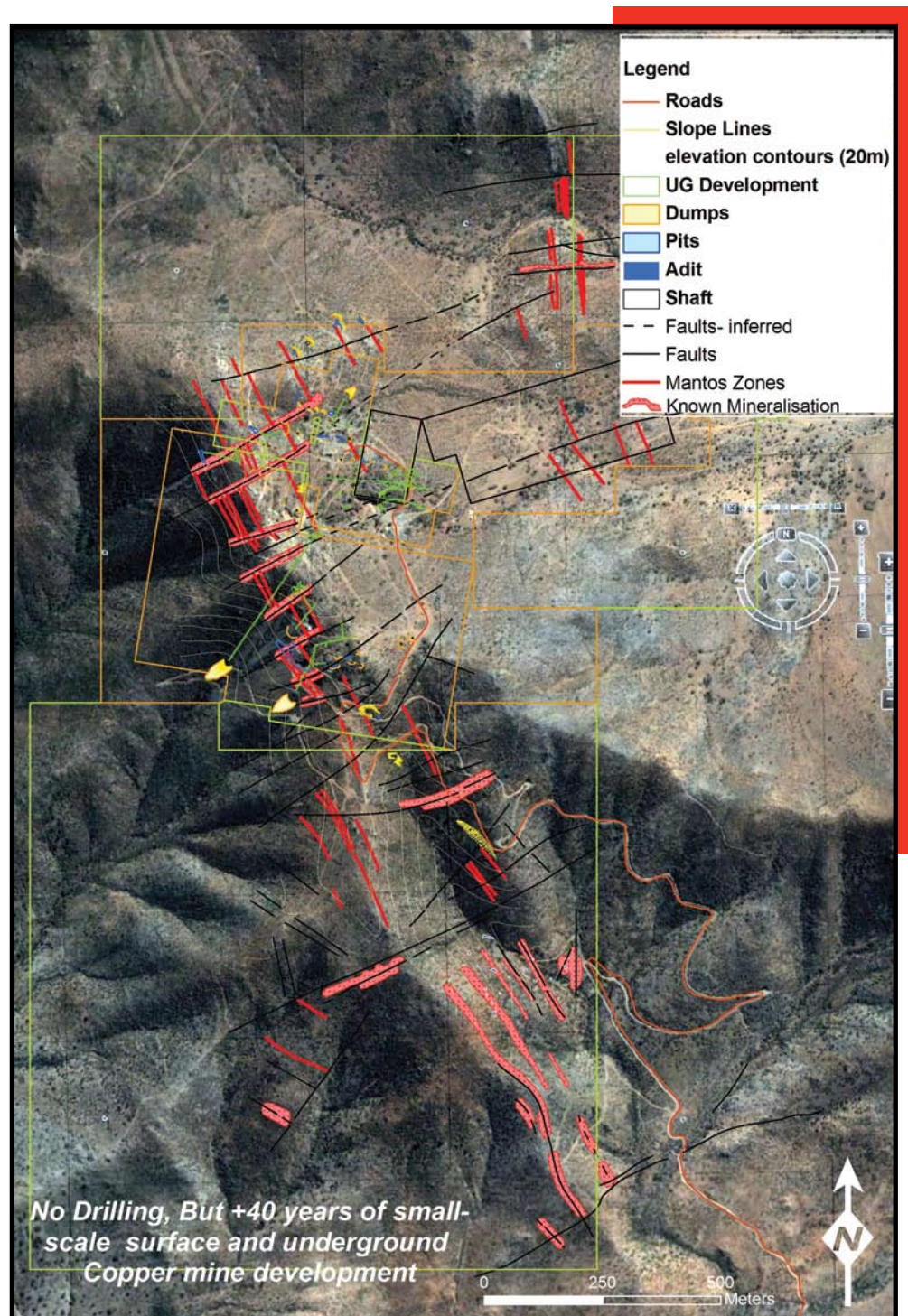


FIGURE 8
Los Mantos project topography and mine infrastructure

4.0 LOS MANTOS (CONTINUED)

4.4 Geology

4.4.1 Regional Setting

Los Mantos is situated within an early Cretaceous shoshonitic volcanic arc. The host sequence comprises 2,000-3,000m of early Cretaceous volcanics and sediments (andesite, volcanic breccias and pyroclastic rocks with intercalated and variably calcareous sedimentary lenses).

The Los Mantos region is cut by the Romeral Fault system which separates distinct geological domains within the Coastal Range. This large structure is believed to have initiated as a steeply-dipping normal fault that was inverted during oblique convergence in the early-mid Cretaceous (Moreno & Gibbons, 2007). The Romeral Fault is part of the Atacama fault system. Mineralisation on the Los Mantos project may be associated with splay faults linked to the Romeral Fault.

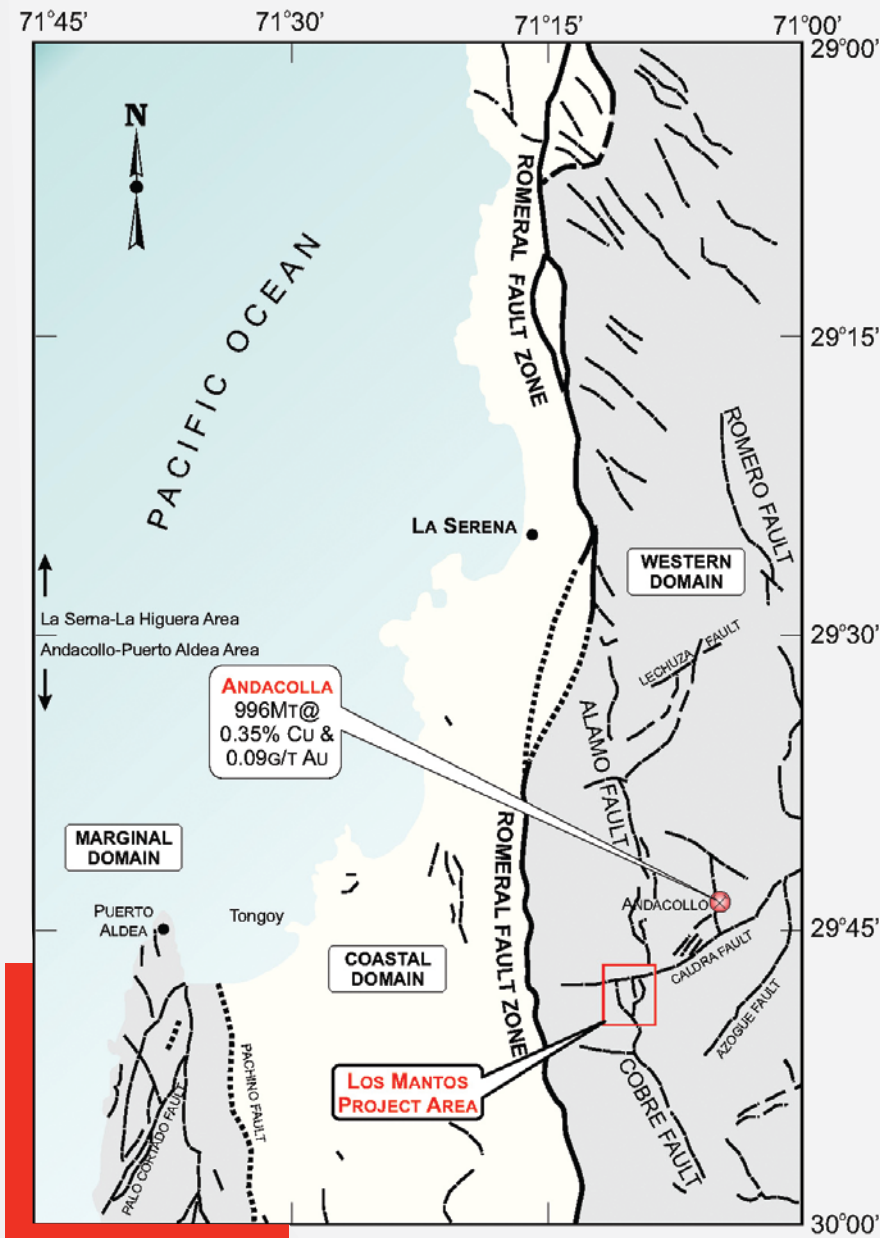


FIGURE 9
Los Mantos project regional
structural setting

4.4.2 Project Geology

The Los Mantos project is structurally located along a N-S trending fault zone which splays off the regionally significant Romeral Fault, thought to represent a southward extension of the Atacama Fault Zone. The Los Mantos project is located at the contact of Cretaceous diorite-monzodiorite and Arqueros Formation andesites.

At Los Mantos, skarn alteration of andesites has occurred with magnetite-actinolite-tourmaline development associated with hypogene copper (cpy) and uranium. Locally significant ENE-trending cross fault structures are evident at surface and act as feeders to copper-uranium mineralisation. These structures define an ENE trending corridor of structural disruption extending to the large Andocolla copper mine, approximately 15km ENE of Los Mantos. Mineralisation is characterised by multiply-stacked tabular mantos horizons that dip moderately toward the east. At surface, mantos zones locally display widths up to six metres and extend along strike semi-continuously over several hundred metres. Mineralisation is evident at surface in numerous pits, trenches and adits.

The following geological observations were documented by J. Beeson during his 2009 field reconnaissance review of the project.

Traversing of the Los Mantos project has allowed compilation of additional geological information along the main mineralised zone. This work shows that the mineralisation at Los Mantos is hosted within specific units of a sedimentary sequence within the Arqueros Formation. The mineralisation is evident as a series of copper-rich mantos horizons (at least three mantos are evident) as well as fault-controlled disseminations, breccias and semi-massive pods that trend generally ENE to WSW. Intersections between the numerous cross faults and the sedimentary horizon may well have assisted the mineralisation process. In addition, a large-displacement sinistral fault juxtaposes the host sequence against a strongly-altered granodiorite body to the south. This association may also be significant as a mineralisation control with the granodiorite possibly acting as both a heat and fluid source. Other granitoid rocks (monzonite and feldspar-crowded andesitic porphyry) intrude the host sequence and show a spatial relationship to the mineralised cross-faults. This relationship provides a further link between magmatic activity, faulting and mineralisation.

The Los Mantos project is a well-mineralised hydrothermal system with strongly elevated copper grades, together with significant gold grades, and locally significant uranium grades. The temperature, metal and alteration zonation evident along strike of the hydrothermal system suggests that the potential to locate significant mineralisation under the hill remains high. It is possible that the combination of fault-related disseminations and semi-massive pods with copper mantos may extend from exposures along the southern slope of the hill northwards under the hill. Based on the nature of the along-strike zonation it is suspected that the mineralised system plunges gently to moderately northwards.

4.0 LOS MANTOS (CONTINUED)

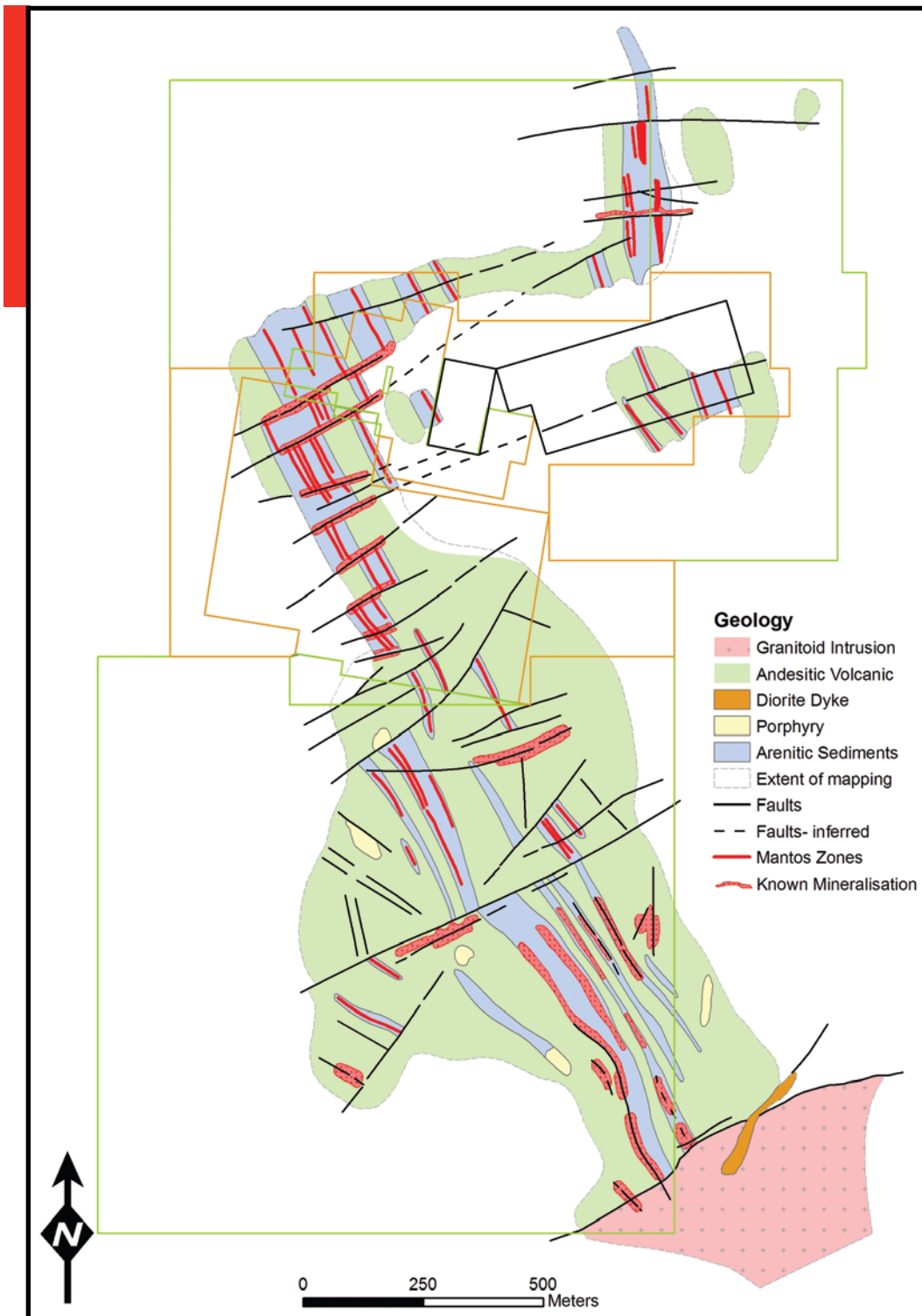


FIGURE 10
Los Mantos project
geological interpretation

4.4.2.1 Alteration

The alteration patterns associated with mineralisation appear to change in style quite significantly from north to south. Alteration in the northern area is typically magnetite (haematite)-silica (albite)-epidote-carbonate-chlorite with minor K-feldspar. Towards the south the intensity of K-feldspar alteration increases significantly, and tourmaline becomes more evident (in lieu of chlorite). This southwards transition to K-feldspar-tourmaline dominated Fe-oxide alteration assemblages is particularly evident towards the base of the hill at the southern end of the project.

4.4.2.2 Structural Controls & Observations

In detail the mantos horizons show changes in strike within the underground developments. These changes in strike appear to relate to both subtle kinks in the mantos horizon as well as the influence of cross-cutting (ENE- to WSW-trending) faults. The cross faults are likely to cause these subtle strike changes via brittle-ductile drag and re-orientation of mantos horizons immediately adjacent to fault zones.

Numerous cross-cutting faults were found to cut the copper mantos, with the majority of cross-faults trending between ENE and WSW. In many cases these faults were themselves host to significant copper mineralisation. Where copper minerals are present in the fault zones they typically take the form of fault-zone replacements, breccias and veins. In most cases, copper mineralisation is best developed along fault zones in proximity to the copper mantos. Mineralisation extends along mineralised fault zones for several metres each side of copper mantos.

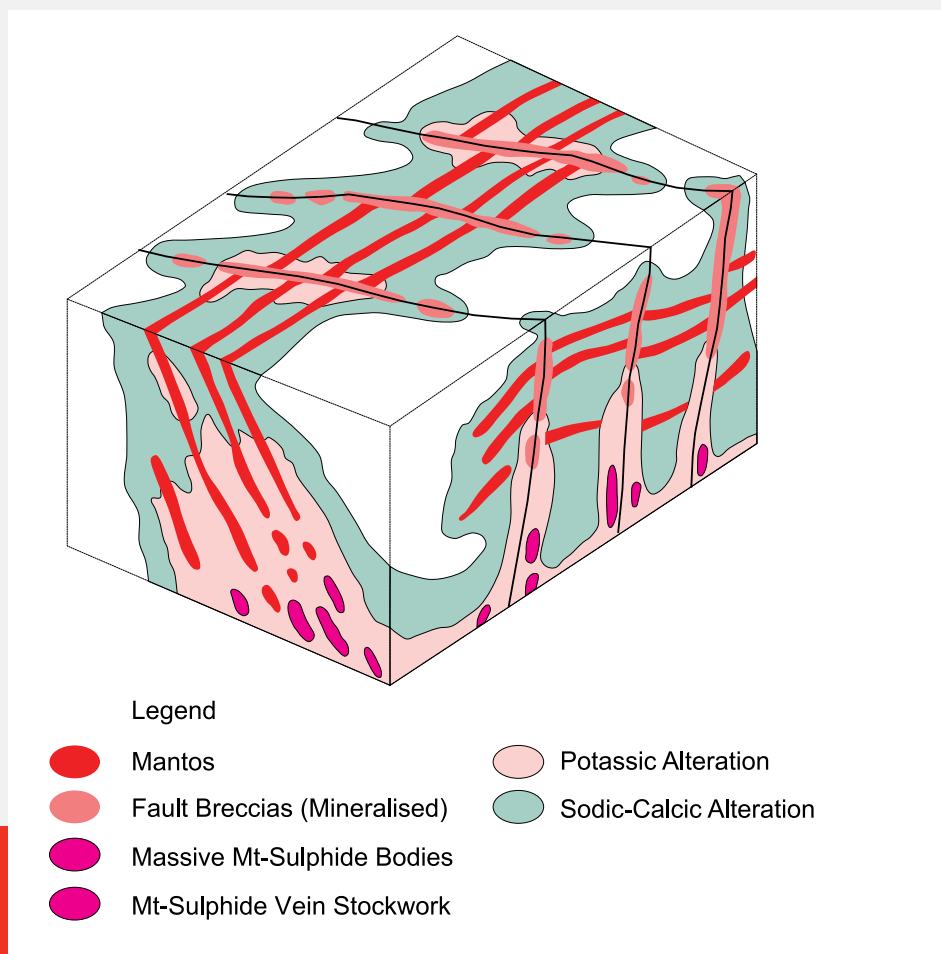


FIGURE 11
Schematic structural and alteration model for the Los Mantos project



Surface blasting crew
at Los Mantos

4.0 LOS MANTOS (CONTINUED)

4.4.2.3 Mineralisation Styles & Controls

Mineralisation comprises a number of mantos-style copper lodes, together with broader-scale disseminations and more localised semi-massive pods, both of which appear to be associated with cross-cutting faults. The location of the mantos is influenced by intersections between ENE-WSW trending faults and favourable lithological units. The mantos appear to be largely concordant, but may transgress stratigraphy in detail.

The style of the mineralisation changes along strike, and arguably with depth. In the northern part of the Los Mantos project the mineralisation is clearly associated with distinct mantos horizons and localised upgrades along fault zones. Towards the south the mineralisation appears to change in style to include copper mineral disseminations as well as copper-rich pods and breccias more obviously associated with faults. The mantos style also appears to continue southwards but it is more obscure in character. Copper mineralisation is the most obvious style of mineralisation observed at surface. However, there is also significant potential for uranium mineralisation, especially to the south and at depth.

Towards the south, particularly towards the base of the Los Mantos hill, the significance of the cross-fault zones as hosts for copper mineralisation appears to increase markedly. In the southern areas copper mineral disseminations and semi-massive pods of copper minerals are evident along the fault zones.

4.4.2.4 Geological Conclusions & Recommendations

Sedimentary units within the Arqueros Formation are the preferred hosts for mantos-style mineralisation at Los Mantos, with the mantos focusing within arkosic units within the sedimentary intercalations. The hosting sedimentary sequence can be traced through the project area for at least 1300m and is associated with semi-continuous copper mantos mineralisation along this N-S trend. Several mantos are evident across strike, with at least three and possibly more mantos being evident. The mineralisation appears to have a depth extent exceeding 200m based on occurrences of high-grade copper deposits from the top of the hill to the base of the hill. The style of the copper mineralisation changes down-dip and southwards, in proximity to a large and potentially fault-bound granitoid body.

Cross faults have acted to both host and potentially upgrade mineralisation where they cut across the mantos.

The potential to delineate stacked copper-ore lenses over a significant strike length and a significant cumulative width is considered reasonable as demonstrated by extensive previous mine workings.

A good analogue for the Los Mantos mineralisation is the Candelaria system of the Punta Del Cobre district, Chile.

4.5 Exploration to Date

The owners of Los Mantos are presently exploiting high-grade copper ore (+4% Cu as indicated by production discussions with mine management) from both surface and shallow underground workings. The production grades indicated have been confirmed by Hot Chili's own sampling and geological investigation and are considered reasonable.

The project has been privately owned and operated for over 40 years with only limited work completed. Historically, CCHEN has undertaken limited radiometric surveying and rock chip sampling and more recently Empresa Nacional de Minería (ENAMI) undertook basic geological mapping and completed a survey of surface and underground workings.

Hot Chili has undertaken confirmation work comprising surface and underground geological assessment, hand-held scintillometer readings, and rock chip sampling. The results of scintillometer and multi-element sampling confirm the presence of elevated radiation levels associated with copper mineralisation.

The Company's multi-element assaying has determined an association between Cu, As, Mo, V, Co, Au, Bi, La and Ag in areas of significant copper mineralisation. In all cases the anomalous uranium assays are associated with copper-rich cross-faults. The U, V, Mo association suggests that anomalism may be related to metal transport in organo-metallic complexes, with fluid focusing along fault zones and mantos horizons. Based on the element association it is probable that copper and uranium anomalism may be related to an IOCG-style hydrothermal system similar to that documented at Candelaria.

4.6 Exploration Potential

Los Mantos has known mineralisation with active small-scale surface and underground copper mine operations. Verbal communications with the mine operator indicates average grades of 1.5 – 2.0% Cu are being exploited with high-grade operations averaging 3.8 – 4.2% Cu. Sampling of mineralised mantos horizons by the Company has confirmed these indicate copper grades. Depth continuity of mineralisation has been confirmed in excess of 200m vertical from development exposures throughout the project.

Multiple stacked, moderate dipping, tabular mantos horizons outcropping semi-continuously over 2km N-S have been observed by geologists during field reconnaissance mapping (upper horizons 2-3m in true width, lower horizon +6m in true width), with indications of additional horizons at depth and elsewhere in the project.

Hot Chili sampling of the deeper and wider Mantos horizon (+6m in true width) in sulphide material at the southern end of project recorded results of over 1% Cu, 440ppm U, 4060ppm Mo, and very high REE.

We interpret significant potential for uranium up-side at depth in the project, with ground scintillometer work and multi-element geochemistry indicating uranium concentration is increasing at depth in closer proximity to the granitoid contact on the southern extent of the project.

The geological controls and metal association seen at Los Mantos provide a direct analogue to the Candelaria IOCG deposit. Many of the key features evident at Candelaria are also evident at Los Mantos, and these similarities can be used to guide ongoing work at Los Mantos.

No drilling has ever been undertaken over Los Mantos and minimal work is required to prepare for drill readiness.

Hot Chili is targeting a large copper-uranium-gold resource at Los Mantos, amenable to open-cut mining within an identified surface foot print of 2km by 1km. Available geological information compiled over this project suggests a **target mineralisation in the order of 450,000 to 700,000 tonnes of copper, 3 -26 million pounds of U₃O₈ and 100,000 to 450,000 ounces of gold at the Los Mantos project.** Significant additional up-side, particularly uranium, exists at depth and is not quantified here.

4.0 LOS MANTOS (CONTINUED)

4.6 Exploration Potential (Continued)

COPPER			URANIUM		
Grade Range (Cu %)	Tonnes (Mt)	Metal (Mt)	Grade Range (U kg/t)	Tonnes (Mt)	U ₃ O ₈ (Mlb)
1.5 - 2	30 - 35	0.4 - 0.7	0.1 - 0.6	15 - 20	3 - 26

REE		GOLD		
Main Types	Tonnes	Grade Range (g/t)	Tonnes (Mt)	Metal (Moz)
Eu, Nd, Sm, Y	30 - 35	0.1 - 0.4	30 - 35	0.1 - 0.45

TABLE 6

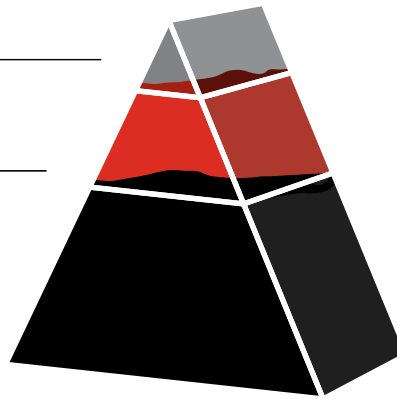
Los Mantos target mineralisation

Commodity Target Value Breakdown

Au (10%)

Cu (27%)

U (63%)



The Los Mantos target mineralisation is calculated using all available geological information to determine conservative estimates of strike, width, depth and appropriate specific gravity. Factors used in the calculation include:

- Strike length of 2,000m. Outcropping zones of mineralisation and extensive small-scale mine development exist over the majority of this target strike length.
- An average cumulative width of 20m as defined by known widths from mine development, mapping of surface exposed mineralisation and surface radiometric work.
- A maximum depth extrapolation range of 200 to 250m from surface (down-dip distance of 300-350m as mantos mineralisation dips at approximately 40-50°). Mine development and historical workings already indicates down-dip continuity in excess of 250m
- Uranium mineralisation constrained to commence from between 100m and 150m from surface across entire 2,000m target strike length.
- All grade ranges take into consideration communicated mine production grades and mineralised sample assay results as verified by Hot Chili.
- An assumed specific gravity of 2.5 was used.

Commodity value break-down is approximated using a U₃O₈ price of US\$50/lb, copper price of US\$3,500/t, gold price of US\$850/oz and A\$/US\$ exchange rate of 0.65.

Exploration Target Size and Target Mineralisation described above is conceptual in nature and should not be construed as a JORC 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.

4.7 Proposed Exploration Program and Budget

Future work at Los Mantos in the near-term should include the following programs:

- Detailed mapping and rock-chip sampling of the tenement area followed by interpretation of a solid geology map.
- Underground mapping of existing mine areas together with niche sampling of ore zones. This should include survey control.
- Compilation, acquisition and processing of geophysical data. This may include airborne magnetics and spectrometer/radiometric surveying.
- Review of geochemical and geophysical data by appropriate specialists.
- Re-survey of all surface and underground infrastructure.
- Construction of a key-hole model of the mineralisation to assist in targeting.
- Design and implementation of a first-pass drilling programme to test high-priority targets.
- Design and implementation of a second pass drilling program.
- Early stage economic modelling.
- Commencement of resource definition RC and diamond drilling program.

Activity	Year 1 \$000s	Year 2 \$000s	Total \$000s
RC gamma probe and interpretation	20		20
Aeromagnetic and Radiometric Survey & Interpretation	50		50
Structural Mapping & Targeting	100	75	175
Keyhole Modelling	30		30
RC Drilling	300	600	900
Diamond Drilling		100	100
Field Supervision	100	100	200
Analytical	80	150	230
Metallurgical Testing		50	50
Resource Estimation		60	60
Mining Engineering			-
Administration	150	150	300
Contingency	100	100	200
TOTAL	930	1,385	2,315

TABLE 7
Los Mantos project Proposed Exploration Budget



Managing Director Christian Easterday and
Director Roland Mountford investigating
surface development

5.0 CHILE NORTE PROJECT

5.1 Introduction

Hot Chili through its subsidiary SMEAL is advanced in assembling a significant land position in Northern Chile. The tenements comprise 131 mining exploration concessions over areas considered to be highly prospective for the definition of a large IOCGU deposit.

In addition to the Company's own land position, it has executed a formal agreement with CODELCO to gain access to a large contiguous tenement holding at Chile Norte. This arrangement with CODELCO provides Hot Chili with a major local partner in Chile.

Hot Chili is exploring to locate a large iron-oxide-copper gold style target within the Chile Norte project that may be associated with significant at-surface, uranium evaporite style mineralisation already identified in the area.

5.2 Tenement Details

The Company's tenements comprise 131 mining and exploration licences over areas considered to be highly prospective for the definition of a large IOCGU deposit. Of these licenses, 94 have been approved and 37 are in the process of being approved (constituted). Hot Chili's exploration licences cover the northern and southern extensions of the identified uranium mineralisation in the area.

The Company executed an "Exploration and Promise to Incorporate" agreement with CODELCO on the 22nd of October, 2009.

Hot Chili intends to actively pursue future discussions in relation to gaining further land positions in the area.

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yyyy)	Comments
Augita 4B	CODELCO	65	Exploration	400	538.25	Total Expenditure Commitment of US\$2,000,000 over 5 years (Yr1- US\$150,000, Yr2 US\$300,000, Yr3- US\$300,000, Yr4- US\$500,000, Yr5- US\$750,000). Exercise Payment of US\$2,000,000	5/07/2010	5 Year- 65% JV Option Agreement executed
Quito 11	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 12	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 13	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 14	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 15	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 16	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 18	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 19	CODELCO	65	Exploration	300	403.69		Being processed	5 Year- 65% JV Option Agreement executed
Quito 20	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 21	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 22	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 23	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 24	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 25	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 26	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 27	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 28	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 29	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 30	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 31	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 32	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 33	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 34	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 35	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed

5.0 CHILE NORTE PROJECT (CONTINUED)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yyyy)	Comments
Quitos 35	CODELCO	65	Exploration	300	403.69	Total Expenditure Commitment of US\$2,000,000 over 5 years (Yr1- US\$150,000, Yr2 US\$300,000, Yr3- US\$300,000, Yr4- US\$500,000, Yr5- US\$750,000). Exercise Payment of US\$2,000,000	Being processed	5 Year- 65% JV Option Agreement executed
Quito 36	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 37	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 38	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 1	CODELCO	65	Exploration	800	1,076.49		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 2	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 3	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 4	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 5	CODELCO	65	Exploration	1000	1,345.62		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 6	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 7	CODELCO	65	Exploration	800	1,076.49		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 8	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 9	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 10	CODELCO	65	Exploration	100	134.57		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 11	CODELCO	65	Exploration	1000	1,345.62		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 12	CODELCO	65	Exploration	400	538.25		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 13	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 14	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 15	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 16	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 17	CODELCO	65	Exploration	200	269.13	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 18	CODELCO	65	Exploration	200	269.13	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 19	CODELCO	65	Exploration	200	269.13	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 20	CODELCO	65	Exploration	20	269.13		Being processed	5 Year- 65% JV Option Agreement executed

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yyyy)	Comments
ROLLY 1	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 2	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 3	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 4	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 5	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 6	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 7	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 8	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 9	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 10	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 11	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 12	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 13	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 14	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 15	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 16	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 17	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 18	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 19	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 20	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 21	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 22	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 23	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 24	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 25	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 26	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 27	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 28	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 29	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 30	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 31	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 32	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 33	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 34	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 35	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 36	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 37	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 38	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 39	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 40	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 41	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 42	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted

5.0 CHILE NORTE PROJECT (CONTINUED)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yyyy)	Comments
ROLLY 43	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 44	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 45	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 46	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 47	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
CHRIS 1	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 2	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 3	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 4	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 5	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 6	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 7	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 8	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 9	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 1	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 2	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 3	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 4	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 5	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 6	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 7	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 8	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 9	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 10	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 11	RMU	100	Exploration	200	269.13	None	05.06.2011	Constituted
MURRAY 12	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 13	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 14	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 15	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yyyy)	Comments
MURRAY 16	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 17	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 18	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 19	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 20	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 21	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 22	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 23	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 24	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 25	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 26	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 27	RMU	100	Exploration	200	269.13	None	05.06.2011	Constituted
MURRAY 28	RMU	100	Exploration	100	134.57	None	09.06.2011	Constituted
MURRAY 29	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 30	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 31	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 32	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 33	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 34	RMU	100	Exploration	100	134.57	None	Being processed	
CHRIS 6	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 7	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 8	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 9	RMU	100	Exploration	200	269.13	None	23.06.2011	Constituted
CHRIS 14	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 15	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 17	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 18	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 19	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 22	RMU	100	Exploration	300	403.69	None	04.09.2011	Constituted

5.0 CHILE NORTE PROJECT (CONTINUED)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yy)	Comments
PAM 1	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 2	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 3	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 5	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 6	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 8	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 9	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 10	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 11	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 12	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 13	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 14	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 15	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 16	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 17	RMU	100	Exploration	100	134.57	None	Being processed	
BRAVO 1	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 2	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 3	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 4	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 5	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 8	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 9	RMU	100	Exploration	100	134.57	None	Being processed	
BRAVO 10	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 11	RMU	100	Exploration	300	403.69	None	Being processed	

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment	Expiration date of the concession (dd.mm.yy)	Comments
BRAVO 12	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 1	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 2	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 3	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 4	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 5	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 6	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 7	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 8	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 9	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 10	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 11	RMU	100	Exploration	100	134.57	None	30.09.2011	Constituted
PAM 12	RMU	100	Exploration	300	403.69	None	30.09.2011	Constituted
					77,643.05	Total Expenditure Commitment (5 Yrs)- US\$2,000,000		
						Total Exercise Payment Commitment US\$2,000,000		

Note:

1. CODELCO= Corporación Nacional del Cobre, acting through its subsidiary Compañía Minera Los Andes.
2. SMEAL = Sociedad Minera El Águila Limitada.
3. RMU = Rodrigo Muñoz Urbina.
4. In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile.
5. This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

TABLE 8
Chile Norte project tenement details

5.3 Location and Access

Chile Norte is located in the northern Region II of Chile, south of the coastal city of Iquique. It is proximal to sealed roads, power and lies within 50km of port facilities.

5.4 Geology

5.4.1 Regional Geology

The coastal range (CR) in the north of Chile is the emerged portion of the extensional fore-arc of the central Andes which is located over the zone of coupling between the Nazca and South American plates (Allmendinger et al, 2005). The nature of the Neogene deformation of the CR, based principally on work carried out in the Antofagasta region (south of 23°S), has been reported as dominantly of an extensional type, accommodated by faults oriented parallel to the plate margin (Arnyo & Thiele, 1990; Niemeyer et al, 1996).

The area is predominated by bedrock geology of andesitic volcanics (Jurassic) and lesser continental sediments (Cretaceous) intruded by (Cretaceous) granitoids; Tertiary to Quaternary sands, silts, clays, diatomites and evaporates overly the Mesozoic sequences.

5.0 CHILE NORTE PROJECT (CONTINUED)

5.4.2 Project Geology

A field reconnaissance review of the Chile Norte project was undertaken by J. Beeson of Jigsaw Geoscience in July 2009. The following geological observations and descriptions are taken from his Chile Norte Reconnaissance Report.

Bedrock geology is dominated by andesitic volcanics (possibly of Jurassic age). These rocks appear to be widely but weakly altered (typically an epidote-carbonate-albite assemblage). In localised areas mineralisation and alteration is more strongly developed with goethite, copper-oxides and cobalt carbonates developed, usually in association with structures. The andesites do not typically show evidence of penetrative structural fabrics unless located within a zone of faulting. Within fault systems the andesites show penetrative breccia textures with highly variable fragment size.

Quartz-lithic wackes (possibly epiclastics) crop out in localised areas in the north-western quadrant of the Chile Norte area (possibly Punta Barranco Formation of Cretaceous era). In outcrop the wackes show well-developed laminar bedding. The wackes do not typically show evidence for penetrative structural fabrics unless cut by fault zones; within faults the wackes show a fine-grained penetrative breccia texture. Where cut by fault zones the wackes contain obvious copper mineralisation present as copper oxides (typically malachite)

Metasomatised granitoids were identified to crop out in an area west of Chile Norte. Possible analogues of uranium-bearing orthoclase, plagioclase, quartz and biotite granitoids located southeast of Chile Norte in Cerro Fortuna and Cerro Morillo Colorado. These rocks are not known to have been documented previously in this area. The granitoids are extensively altered by metasomatic activity and yield elevated scintillometer results (varying from 120-320 counts per second in three outcrops located during traversing). Alteration comprises predominantly K-feldspar (albite) and carbonate alteration. Mafic xenoliths are locally abundant in the granitoids (granitoid magmas sourced from, or modified by transit through, mafic crust). The elevated scintillometer readings from the granitoids show these are 'hot' granitoids.

These granitoids are of an unknown extent but are situated between the two main north-south to NW-SE fault systems (locally mineralised) that disrupt the Chile Norte region. Thus these granitoids may have fed uranium (and copper-cobalt) bearing fluids into both of the major fault systems and acted as a heat source during mineralisation. Widespread, albeit generally weak, epidote-carbonate-(sericite-albite)-haematite alteration of the volcanics and epiclastics, attests to presence of a significant hydrothermal alteration system in the Chile Norte region.

Surficial deposits dominate the area (Soledad Formation). These deposits include the following components:

- Fine grained loamy and sandy soils predominate and are of colluvial and Aeolian origin.
- Diatomite is well developed beneath the soil cover as a fine-grained white layer of unknown thickness.
- Salt crust dominates the lake surface and predominantly comprises intergrowth of halite and gypsum. Local occurrences of carnotite, pitchblende and blue halite (the blue colour reflecting radiation damage) are known from various areas of salt crust. The surface of the salt lake is gently undulating and hummocky reflecting the influence of recent faulting. The salt crust is currently being mined by Sal Punta de Lobos Ltd and another small company. In some areas of Chile Norte the salt layer may extend up to 150m depth.



Surface carnotite mineralisation in evaporites at Chile Norte

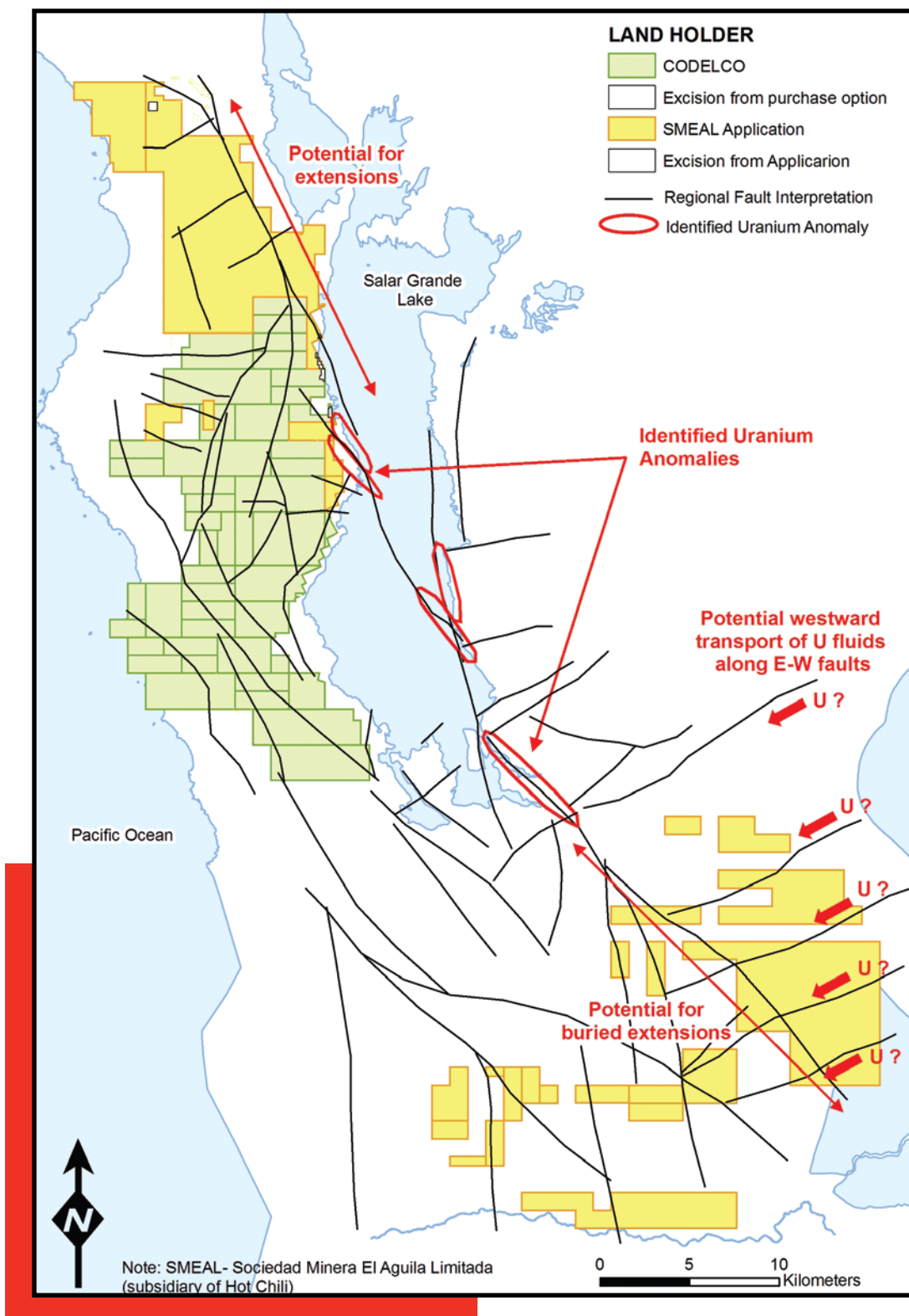


FIGURE 12
Chile Norte project regional structural setting and tenement map

5.0 CHILE NORTE PROJECT (CONTINUED)

5.4.2.1 Structural Controls

Faults are quite obvious features at surface being evident as both fault scarps, and as fault breccias and fault gouge in areas of good outcrop. The faults described below are part of the Atacama fault system.

Four major fault systems cross-cut the Chile Norte region. Large-scale north-south to NW-SE trending fault systems are evident as the Salar Grande and Punta de Lobos fault systems. The Hombre Muerto fault system comprises linking structures, potentially accommodating movements along the longitudinal fault systems. The Chuculay fault system comprises a relatively large number of E-W trending faults with typically north-block down movements; these faults are arguably late features although cross-cutting relationships are equivocal. Several fault jogs, bifurcations and intersections are evident along all fault systems, and these structural features are typically associated with relatively wider damage zones. Such structural features may act to focus potentially-mineralised fluids.

5.4.2.2 Mineralisation Styles and Controls

Two sources for the halite associated uranium mineralization are postulated. The first theory suggests that uranium was mobilized from Miocene age rhyolitic volcanics and ignimbrites by ground waters which accumulated in fault controlled basins, such as that identified at Chile Norte; where evaporation led to halite and carnotite deposition after sulphate and nitrate deposition. Another plausible source is from the Cretaceous granitoids which underlie some of the area. Cretaceous granitoids and the Atacama Fault Zone are closely associated with IOCG related uranium deposits the Company has studied elsewhere in Chile. This second theory is favoured given the presence of REE suggesting that at least some of the uranium is derived from a primary magmatic source.

Carnotite and schroekingerite were identified as the uranium minerals present in surficial concentrations and they occur as impregnations in montmorillonite and illite occluded in blue halite. Contents of uranium in blue halite typically range from 200ppm to 1000ppm U₃O₈ (Bobenrieth, 1982).

5.4.2.3 Geological Conclusions

Recent traversing of the Chile Norte region has allowed the following compilation of additional geological information in and around the project area:

- Most rocks show reverse movements along present-day exposures. However, these same faults are likely to have been involved in even more significant normal movements at an earlier stage (also proposed by Carrizo et al, 2008).
- The bedrock sequence is dominated by andesitic volcanics, with discrete domains of sedimentary rocks evident in the north. A granitoid intrusion was located in the west of the project area. Most of the sequence has been weakly altered. Epidote-carbonate alteration is widespread but weak in the andesites.
- The sediments show weak to moderate sericite-haematite alteration, while the granitoids have been albited.
- Several small copper pits and adits were located along the Salar Grande fault zone, and uranium mineralisation reported within salt crusts by previous explorers was confirmed.
- Mineralisation comprised either copper oxides (mainly malachite), with chalcocite-chalcopyrite mineralisation located within stockpiles immediately west of the CODELCO tenements. Copper grades in excess of 5% (Beeson, 2009) were returned in some samples. There appears to be a weak association between copper, gold and silver. In addition, all copper workings returned weakly elevated scintillometer results suggesting a weak copper-radiation association. Scintillometer sampling demonstrated that the fault network is associated with elevated radiation levels (generally several times above background). Where uranium mineralisation has been located at surface the mineralisation is positioned close to the fault zones. This spatial association between faults and known uranium mineralisation suggests that the fault network has been the main fairway for uranium-bearing fluids.
- Assaying along fault zones generally returned poor results except in areas of known uranium mineralisation outside of Hot Chili's landholding (the Essex anomalies) where some extremely high grade assays were returned, up to 5,710ppm (Bobenrieth, 1982). There appears to be an association between uranium, vanadium and strontium, and a weaker relationship between uranium, molybdenum and arsenic.

5.5 Exploration to Date

Previous mineral exploration within the Chile Norte region has mainly involved prospecting for copper and uranium (Bobenrieth, 1982). In addition, two salt mines are currently operating on the lake surface. Essex Minerals Company Chile, 1978-1980, detected uranium via airborne radiometry and prospecting along the south-eastern and western edges of Chile Norte. Uranium occurrences comprise carnotite mineralisation impregnated in the salt crusts of the Salar, largely coincident with the trace of the Salar Grande fault system.

Uranium exploration undertaken by Essex Minerals between 1977 and 1981, and reported by CCHEN with consent by Essex Minerals, identified ten anomalies over two sections; 5km and 17.5km in extent (Bobenreith, 1982). The preliminary radiometric aerial survey was followed up by a limited program of ground mapping, radiometry, trenching and sampling. The uranium assays from trench and pit samples ranged between 2.3kg/t and 8.2 kg/t, with gamma radiometry up to 7.000 cps (Bobenreith, 1982). The uranium mineralisation occurs over distances ranging from 500 to 2,000m, forming a mineralised anomalous area 17.5km long and 0.3 to 1.5 km wide (Bobenreith, 1982). Some of these occurrences have been explored with trenches and shallow (~1m deep) pits.

CCHEN compiled this earlier exploration data and conducted minor check work. CCHEN rated Chile Norte as the second largest uranium project in Chile (Productora rated as the largest) following a review of over 80 confirmed uranium prospects that have been identified in the country to date (CCHEN Presentation, Nov 2008).

Metallurgical studies by Essex Minerals on the surface-related uranium material indicate that with sodium carbonate leaching 90% of the uranium is released and with sulphuric acid 97% is achieved (Bobenrieth, 1982). Further studies by CCHEN using sea water obtained a pre-concentrate of 2000ppm U, 64.5ppm La, 434ppm Ce, 37.7ppm Yb and 24ppm Lu, which when attacked by an acid leach recovered 97.5% of the uranium (Bobenrieth, 1982).

The majority of historical work undertaken for uranium at the Chile Norte project lies over land which is not contained within Hot Chili's land position.

In July 2009, Hot Chili engaged Jigsaw Geoscience to conduct a field reconnaissance review of the Chile Norte project. Field multi-element sampling from this visit yielded the following results:

- Old uranium trenches yielded significantly anomalous uranium (U) assays ranging from 40ppm U to 5710ppm U. Other anomalous elements associated with uranium included vanadium (V - 14ppm to 1310ppm) and strontium (Sr - 71ppm to 3690 ppm).
- Salt crusts over fault zones on the western splay of the Salar Grande fault system returned anomalous uranium values varying between 40ppm U to 320ppm U.
- Sulphur levels were generally elevated in most samples (average assay of 3.16% S - almost twice crustal abundance).
- Copper assays from various prospecting pits and inactive copper mines returned anomalous copper assays (range: 0.37% Cu to 5.48% Cu).

Exploration work undertaken by Hot Chili has confirmed the presence of a strike extensive zone of near-surface uranium mineralisation that is interpreted to extend and be concealed under shallow colluvial cover through Hot Chili's land positions. This work mainly comprised ground truthing, confirmation sampling of trench material and ground scintillometer readings.

Structural damage zones associated with restrictional jogs and fault intersections have been identified as primary trap sites for the concentration of uranium bearing fluids. Several areas of significant copper-gold-cobalt mineralisation are also identified within Hot Chili and CODELCO's land position that will warrant follow-up exploration.

5.0 CHILE NORTE PROJECT (CONTINUED)

5.6 Exploration Potential

Based on field observations and review of previous work a structural model has been constructed that attempts to illustrate structural anomalies that may act to focus mineralised fluids. The assumption behind the structural model is that elevated radiation levels measured along the fault zones reflect transit of uranium and/or copper bearing fluids along the fault system and the possible presence of a uranium-mineralised bedrock source. Structural anomalies are defined as the following features:

- Fault intersections,
- Fault bifurcations,
- Fault jogs, and
- Fault damage zones

Several target areas have been defined based on structural anomalies along fault zones.

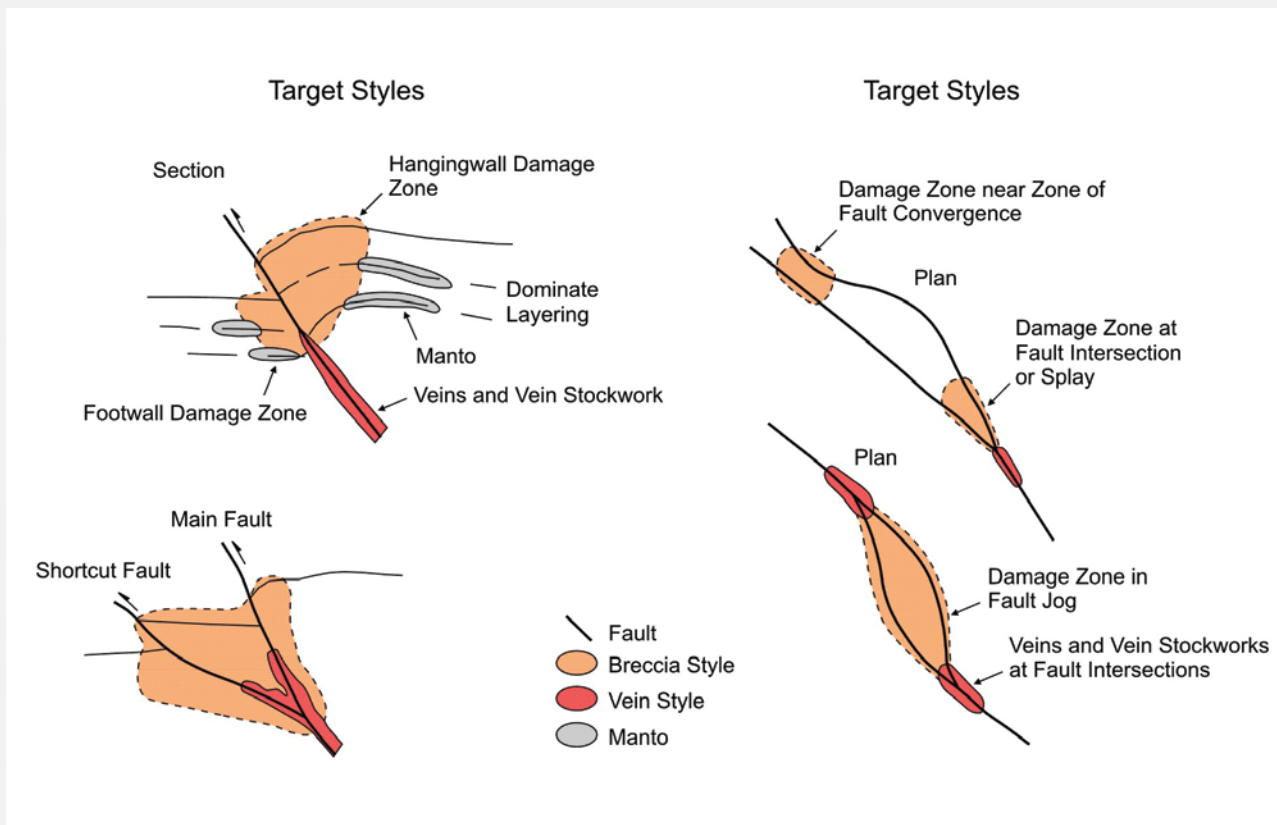


FIGURE 13
Chile Norte conceptual structural targets

5.7 Proposed Exploration Program and Budget

Future work at Chile Norte in the near-term should include the following programs:

- Compilation, acquisition and processing of geophysical data. This may include airborne magnetics and spectrometer/radiometric surveying.
- Detailed mapping and rock-chip sampling of the tenement area followed by interpretation of a solid geology map.
- Completion of orientation radon-cup survey over priority radiometric anomalies and targets.
- Review of geochemical and geophysical data by appropriate specialists.
- Construction of a key-hole model of the mineralisation to assist in targeting.
- Targeting review and design of first pass drilling programme

Activity	Year 1 \$000s	Year 2 \$000s	Total \$000s
Re-log/probe and interpretation			-
Aeromagnetic and Radiometric Survey & Interpretation	120		120
Structural Mapping & Targeting		100	100
Keyhole Modelling		30	30
RC Drilling			-
Diamond Drilling			-
Field Supervision		30	30
Analytical		75	75
Metallurgical Testing			-
Resource Estimation			-
Mining Engineering			-
Administration	150	100	100
Contingency	20	50	70
TOTAL	290	385	675

TABLE 9
Chile Norte project Proposed Exploration Budget

6.0 CONCLUSIONS

The exploration targets at the three project areas have distinct potential to be identified and expanded as described above.

At all locations, the tenements require systematic geological mapping followed by drill evaluation before any conclusions can be drawn about the full potential of the projects.

Project	Year 1 \$000s	Year 2 \$000s	Total \$000s
Productora	1,370	1,535	2,905
Los Mantos	930	1,385	2,315
Chile Norte	290	385	675
TOTAL	2,590	3,305	5,895

TABLE 10
Combined projects proposed exploration budget

A combined Exploration Budget of approximately \$5.9M over two years is proposed with activity in Year 2 dependent on Year 1 results.

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8.0 GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

Aeromagnetic Survey	A survey made from the air for the purpose of recording magnetic characteristics of rocks.
Alluvial	Transported and deposited by water.
Alluvium	Gravel and other sediment found along rivers and creeks.
Alteration Zone	Zone within which rock - forming minerals have been chemically changed.
Amphibolite	A crystalloblastic rock consisting mainly of amphibole and plagioclase. Quartz is usually absent. Considered a medium to high-grade metamorphic rock.
Anomaly	Value higher or lower than the expected or norm.
Anomalous	Outlining a zone of potential exploration interest but not necessarily of commercial significance.
Archaean	The oldest rocks of the Precambrian Era, prior to 2500 million years.
Axis	Hinge-line of a fold.
Banded Iron Formation (BIF)	A chemical sedimentary rock composed of silica and iron oxide rich layers.
Basalt	A fine-grained volcanic rock composed primarily of plagioclase Feldspar and mafic minerals.
Bedding	A rock surface parallel to the surface of deposition.
Country rock	A general term applied to rock surrounding or penetrated by mineral veins.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Domain	The areal extent of given lithology or environment.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Fold	A bend in the rock strata or planar structure.
Foliation	The laminated structure resulting from the parallel arrangement of different minerals.
Footwall	Rocks underlying mineralisation.
Gabbro	A coarse-grained rock consisting of plagioclase and mafic minerals.
Geophysics	Study of the earth by quantitative physical methods.
Gneiss	A metamorphic rock with compositional banding of light and dark minerals often of granitic composition.
Granitoid	A general field term for coarse-grained rocks containing quartz and feldspars.
Greenstone belt	Elongate belts in Precambrian terrain characterised by major zones of altered or metamorphosed basic igneous rocks.
Hangingwall	Rocks overlying mineralisation.
Igneous	Formed by solidification from a molten or partly molten state.
Inferred Resource	A resource inferred from geoscientific evidence, drillholes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
Indicated Resource	A resource sampled by drillholes, underground openings, or other sampling procedures at locations too widely spaced to ensure continuity and where geoscientific data are known with a reasonable level of reliability.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Lacustrine	Pertaining to lake waters.
Laterite	A red, residual soil, cemented in place, containing iron and aluminium oxides but leached of quartz.
Lineament	A naturally occurring major linear feature in the earth's crust, often associated with mineral deposits.

8.0 GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS (CONTINUED)

Mafic	A loosely used group name for silicate minerals that are rich in iron and magnesium, and for rocks in which these minerals are abundant.
Measured Resource	A resource intersected by drillholes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known.
Metamorphism	The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals. Rocks so altered are prefixed "meta" as in "metabasalt".
Mineral Resource	A tonnage or volume of rock or mineralisation of economic interest.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Opencut	Descriptive of a mine worked open from the surface.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Orebody	A continuous, well-defined mass of ore.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Porphyry	A rock with conspicuous crystals in a fine-grained ground mass.
Primary mineralisation	Mineralisation which has not been affected by near-surface oxidising process.
Proved Reserve	An ore reserve stated in terms of mineable tonnes and grade in which the corresponding identified Mineral Resource has been defined in three directions by excavation or drilling (including minor extensions beyond actual openings and drill holes), and where the geological factors that limit the ore-body are known with sufficient confidence that the Mineral Resource is categorised as Measured.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Saprolite	Weathered rock in which the original rock textures are still recognisable.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Silicified	Containing a high proportion of silicon dioxide.
Soil sampling	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
Splay fault	A secondary shear or fault divergent from the principal structure.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Strike-slip fault	Faults parallel to the strike of the rock strata.
Stringer	A narrow vein or irregular filament of mineral traversing a rock mass.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Ultramafic	Igneous rocks with very high magnesium and iron content containing less than 45% silicon dioxide.
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.
Weathering	A process of chemical change to rocks brought about by their exposure to oxygen and water.

ABBREVIATIONS

g	gram
lb	pound
cm	centimetre
kg	kilogram
km	kilometre
km²	square kilometre
m	metre
M	million
m²	square metre
m³	cubic metre
mm	millimetre
oz	troy ounce, equivalent to 31.103g.
t	tonne

N	north
NNE	north-northeast
NE	northeast
ENE	east-northeast
E	east
ESE	east-southeast
SE	4.233
SSE	south-southeast
S	south
SSW	south-southwest
SW	southwest
WSW	west-southwest
W	west
WNW	west-northwest
NW	northwest
NNW	north-northwest

ELEMENTS / MINERALS

Ag	Silver
Au	Gold
As	Arsenic
Bi	Bismuth
Ce	Cesium
Co	Cobalt
Cu	Copper
Cpy	Chalcopyrtie
Eu	Europium
Fe	Iron
K	Pottasium
La	Lanthanum
Mo	Molybdenum
REE	Rare Earth Elements
Sr	Strontium
Th	Thorium
Ti	Titanium
U	Uranium
V	Vanadium
Y	Yitrium
Zn	Zinc

UNITS OF CONCENTRATION

Cps	counts per second
ppb	parts per billion
ppm	parts per million
g/t	grams per tonne
%	percentage
kg/t	kilgrams per tonne
Mt	million tonnes

DISEQUILIBRIUM EXPLANATORY STATEMENT

eU₃O₈ refers to the equivalent U₃O₈ grade. This is estimated from gross gamma down-hole measurements corrected for water and drilling mud in each hole. These results are provisional upon the application of calibration correction factors which are determined from geochemical analysis. Geochemical analysis may show higher or lower amounts of actual U₃O₈, the difference being referred to as disequilibrium.

TARGET SIZE TARGET MINERALISATION STATEMENT

Exploration Target Size and Target Mineralisation described in this information memorandum is conceptual in nature and should not be construed as a JORC 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.



View from Los Mantos
looking SW

A photograph of a desert landscape with several tall, spiny cholla cacti in the foreground. The background shows a vast, flat valley with distant mountains under a clear blue sky. A semi-transparent, wavy graphic element is overlaid on the bottom half of the image.

INVESTIGATING ACCOUNTANT'S REPORT

6

RSM Bird Cameron Corporate Pty Ltd

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www.rsmi.com.au

22 February 2010

The Sirs
Hot Chili Limited
Federal Road & Wilson Street
KALGOORLIE WA 6430

Dear Directors

Investigating Accountant's Report

1 Introduction

- 1.1 This report has been prepared at the request of the directors of Hot Chili Limited ("Hot Chili" or "the Company") for inclusion in a Prospectus to be dated on or about 2 March 2010 relating to the proposed offer of 30,000,000 fully paid ordinary shares in the Company at an issue price of \$0.20 per share, to raise \$6.0 million and the public listing of the shares of the Company on the Australian Stock Exchange ("ASX"). The Company may accept oversubscriptions of up to a further \$2.0 million through the issue of a further 10,000,000 shares.
- 1.2 This report has been prepared in accordance with the general disclosure requirements of the Corporations Act 2001 to assist investors make an informed assessment of the financial position of Hot Chili.
- 1.3 The future prospects of Hot Chili, other than the preparation of a pro-forma statement of financial position of Hot Chili and its subsidiaries, assuming completion of the proposed transactions, are not addressed in this report. This report also does not address the rights attaching to the shares to be issued pursuant to this Prospectus, nor the risks associated with the investment.

2 Scope of Examination

- 2.1 You have requested RSM Bird Cameron Corporate Pty Ltd to prepare an Investigating Accountant's Report on the special purpose financial report comprising:
 - The unaudited consolidated statement of financial position of Hot Chili as at 31 December 2009; and
 - The unaudited pro forma statement of financial position of Hot Chili as at 31 December 2009, assuming the transactions involved in the capital raising have been completed.

Liability limited by a
scheme approved under
Professional Standards
Legislation

RSM Bird Cameron Corporate Pty Ltd
ABN 82 050 508 024
Licensed Investment Adviser
No 255847

Major Offices in:
Perth, Sydney,
Melbourne, Adelaide
and Canberra

Page 1 of 13
RSM Bird Cameron Corporate Pty Ltd is
an independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.

- 2.2 The financial information has been prepared and presented in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).
- 2.3 Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:-
- an analytical review of the financial information;
 - review of the application of accounting standards and policies;
 - inspection of financial records; and
 - enquiries of management.
- 2.4 These procedures were substantially less in scope than that which would be required in an audit examination conducted in accordance with Australian Auditing Standards, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3 Background

- 3.1 The Company was incorporated on 6 May 2008 to identify and acquire a portfolio of exploration and resource projects within Chile. The Company has formed three subsidiaries to enable the acquisition of interests in three of Chile's largest and most advanced multi commodity uranium projects.
- 3.2 On 5 March 2009, the Company issued 100,000 shares at \$0.01 each and 59,900,000 shares at \$0.012. On 19 May 2009 the Company issued a further 20,000,000 shares at \$0.05 and 40,000,000 free attaching options to all shareholders on a 1 for 2 basis exercisable at \$0.20 on or before 42 months after the date of public listing. 200,000 options were also issued as consideration for broker fees on the same terms.
- 3.3 On 7 December 2009 the Company passed a special resolution to reduce its issued share capital by way of a selective capital reduction by the cancellation of 16,000,000 shares.
- 3.4 Hot Chili through its subsidiary Sociedad Minera El Aguila Limitada ("SMEAL") has an interest in three mining projects in Chile called "La Productora Project", "Los Mantos Project" and "Chile Norte Project". Further details on the current project portfolio are contained in Section 3 of the Prospectus.
- 3.5 The Company intends to use approximately \$4.04 million of the funds raised pursuant to this Prospectus to explore and evaluate the current project portfolio, assuming full subscription. Approximately \$1.29 million will be retained as working capital after paying the estimated \$0.67 million expenses of the issue.

4 Subsequent Events

- 4.1 The Company made the following share issue and repayment of debt after 31 December 2009:
- 14,000,000 shares at \$0.10 each on 8 January 2010, raising \$1,301,280 after costs of \$98,720 and the issue of 140,000 options to the broker, valued at \$8,610; and
 - \$345,522 repayment of loans.

4.2 Apart from the matters dealt with in this report, having regard to the scope of our work, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company have come to our attention that are not otherwise disclosed in this Prospectus, which require further comment upon or adjustment to, the information referred to in this report, or which would cause the information in this report to be misleading.

5 Review statement on unaudited and pro-forma unaudited financial information

5.1 Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the special purpose financial report set out in the Appendix to this report does not present fairly:

- the unaudited consolidated statement of financial position of Hot Chili as at 31 December 2009; and
- the unaudited pro-forma consolidated statement of financial position of Hot Chili as at 31 December 2009 adjusted to include significant subsequent events between that date and the date of our report, the funds to be raised pursuant to this Prospectus and the completion of the other transactions summarised in Note 1(i) to the financial report.

6 Declaration

6.1 RSM Bird Cameron Corporate Pty Ltd is a licensed investment adviser under the Corporations Act 2001 and is beneficially owned by the directors of RSM Bird Cameron, a large national firm of chartered accountants.

6.2 Mr A J Gilmour CA is a director and authorised representative of RSM Bird Cameron Corporate Pty Ltd and a director of RSM Bird Cameron. He has professional qualifications and experience appropriate to the advice offered.

6.3 RSM Bird Cameron Corporate Pty Ltd has acted as Investigating Accountant for the Company but has not been involved in the preparation of any other part of this Prospectus. Accordingly, we make no representations as to the completeness and accuracy of the information in any other part of this Prospectus. RSM Bird Cameron Corporate Pty Ltd has not made and will not make any recommendation, through the issue of this report, to potential investors in the Company as to the merits of the investment.

6.4 RSM Bird Cameron Corporate Pty Ltd will receive a fee for the preparation of this report based on actual hours spent on the assignment at normal professional rates. RSM Bird Cameron Partners are the auditors of the Company and will receive professional fees in relation to the statutory audit of the Company. With the exception of the above fees, neither Mr A J Gilmour, RSM Bird Cameron Corporate Pty Ltd nor RSM Bird Cameron Partners will receive any other benefits, either directly or indirectly, from the preparation of this report and have no pecuniary or other interest which could be regarded as affecting the ability to provide an unbiased opinion in relation to the proposed transaction.

6.5 RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this report in the Prospectus in the form and context in which it appears. At the date of this report, this consent has not been withdrawn.

Yours faithfully



A J GILMOUR
Director

Appendix A

HOT CHILI LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD 1 JULY 2009 TO 31 DECEMBER 2009

	Consolidated Unaudited 6 months ended 31-Dec-09 \$	Consolidated Subsequent Events \$	Consolidated Pro-forma Adjustments \$	Consolidated Unaudited Pro-forma 6 months ended 31-Dec-09 \$
Revenue	-	-	-	-
Accounting fees	(24,224)	-	-	(24,224)
Geological fees	(437,498)	-	-	(437,498)
Professional and consulting fees	(160,991)	-	-	(160,991)
Travel costs	(81,843)	-	-	(81,843)
Other	(54,628)	-	-	(54,628)
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss) before income tax expense	(759,184)	-	-	(759,184)
Income tax expense	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
(Loss) after income tax expense	(759,184)	-	-	(759,184)

Appendix A

HOT CHILI LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	Unaudited 31-Dec-09 \$	Subsequent Events \$	Pro-forma Adjustments \$	Unaudited Pro-forma \$
CURRENT ASSETS					
Cash and cash equivalents	2,8	142,802	955,758	5,330,000	6,428,560
Other current assets		18,362	-	-	18,362
TOTAL CURRENT ASSETS		<u>161,164</u>	<u>955,758</u>	<u>5,330,000</u>	<u>6,446,922</u>
NON CURRENT ASSETS					
Mining and exploration assets	3	542,508	-	1,136,842	1,679,350
TOTAL NON CURRENT ASSETS		<u>542,508</u>	<u>-</u>	<u>1,136,842</u>	<u>1,679,350</u>
TOTAL ASSETS		<u>703,672</u>	<u>955,758</u>	<u>6,466,842</u>	<u>8,126,272</u>
CURRENT LIABILITIES					
Trade and other payables	4	268,197	-	-	268,197
Loans		345,522	(345,522)	-	-
TOTAL CURRENT LIABILITIES		<u>613,719</u>	<u>(345,522)</u>	<u>-</u>	<u>268,197</u>
TOTAL LIABILITIES		613,719	(345,522)	-	268,197
NET ASSETS		<u>89,953</u>	<u>1,301,280</u>	<u>6,466,842</u>	<u>7,858,075</u>
EQUITY					
Issued capital	5	1,676,660	1,292,670	6,423,372	9,392,702
Option reserve	6	5,740	8,610	43,470	57,820
Foreign translation reserve		97,284	-	-	97,284
Accumulated losses	7	(1,689,731)	-	-	(1,689,731)
TOTAL EQUITY		<u>89,953</u>	<u>1,301,280</u>	<u>6,466,842</u>	<u>7,858,075</u>

The pro-forma statement of financial position represents the unaudited statement of financial position as at 31 December 2009 adjusted for the subsequent events outlined in section 4 of this report and the pro-forma transactions outlined in Note 1(i) relating to the issue of shares pursuant to this Prospectus. The statement of financial position should be read in conjunction with the notes to the financial report.

Appendix A

HOT CHILI LIMITED NOTES TO THE FINANCIAL REPORT AS AT 31 DECEMBER 2009

1. Summary of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of this special purpose financial report are:

a. Basis of preparation

The financial report has been prepared in accordance with the accounting policies described below.

The financial report has been prepared using the accrual basis of accounting and is based on historical cost and does not take account of changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The statements of financial position have been prepared on a going concern basis.

b. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Appendix A

**HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009****1. Summary of Significant Accounting Policies (cont).****c. Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d. Exploration and evaluation expenditure

Mining tenements are carried at cost, less accumulated impairment losses.

Mineral exploration is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest or sale of that area of interest, or where exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Appendix A

HOT CHILI LIMITED NOTES TO THE FINANCIAL REPORT AS AT 31 DECEMBER 2009

1. Summary of Significant Accounting Policies (cont).

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

f. Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised directly in the income statement except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Translation

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the statement of financial position.

HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009

1. Summary of Significant Accounting Policies (cont).

g. Critical Accounting Estimates and Other Accounting Judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial report, other than accounting estimates and judgements in relation to the carrying value of mineral exploration expenditure.

h. Share-Based Payments

The fair value determined at the grant date of equity-settled share-based payments is treated as the cost of assets acquired or expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. Vesting is not conditional upon a market condition. No asset or expense is recognised for share-based payments that do not vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

i. Pro-Forma Statement of Financial Position

The unaudited pro-forma statement of financial position of the Company has been included for illustrative purposes only. The unaudited pro-forma statement of financial position as at 31 December 2009 has been prepared by adjusting the unaudited statement of financial position to reflect significant subsequent events as outlined in section 4 of our report and the financial effects of the following transactions as if they had occurred at 31 December 2009:

- i) the issue of a minimum 30,000,000 ordinary fully paid shares at 20 cents each to raise \$6,000,000 capital pursuant to this Prospectus;
- ii) the issue of a minimum 5,684,211 ordinary fully paid shares at 20 cents to CAP S.A. on listing as part of a contract to acquire exploration interests. CAP S.A. is the parent company of Compania Minera del Pacifico ("CMP"). Hot Chili, through its subsidiary SMEAL has entered into a joint venture option agreement with CMP, requiring the issue of shares on listing as set out above;
- iii) provision for estimated costs of \$713,470 (inclusive of the cost attributable to the share options to be issued as set out below) associated with the capital raising has been set off against contributed equity; and
- iv) the issue of 300,000 share options issued to the broker, exercisable at \$0.20 on or before 42 months after the date of public listing, valued at \$43,470.

Appendix A

**HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009**

	Unaudited 31 December 2009 \$	Unaudited Pro-forma \$
2. Cash		
Cash at bank (Note 8)	<u>142,802</u>	<u>6,428,560</u>
3. Mineral Exploration and Evaluation Expenditure		
Mineral exploration and evaluation expenditure at cost	<u>542,508</u>	<u>1,679,350</u>
4. Payables		
Trade and other payables	<u>268,197</u>	<u>268,197</u>

Appendix A

HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009

5. Share Capital

	Number of Shares	Unaudited Pro-forma \$
Initial issue (5 March 2009) issued at 1 cents	100,000	1,000
Initial issue (5 March 2009) issued at 1.2 cents	59,900,000	718,800
Seed Capital (19 May 2009) issued at 5 cents	20,000,000	1,000,000
Costs associated with issue	-	(43,140)
Selective reduction in share capital (7 December 2009)	<u>(16,000,000)</u>	<u>-</u>
Unaudited balance at 31 December 2009	64,000,000	1,676,660
Fully paid ordinary shares issued on 10 January at 10 cents each	14,000,000	1,400,000
Costs associated with issue	-	(107,330)
Fully paid ordinary shares issued pursuant to this Prospectus at 20 cents each (Note 1(i)(i))	30,000,000	6,000,000
Fully paid ordinary shares issued at 20 cents each (Note 1(i)(ii))	5,684,211	1,136,842
Costs associated with the share issue pursuant to this prospectus (Note 1 (i)(iii))	<u>-</u>	<u>(713,470)</u>
Unaudited pro-forma balance	<u>113,684,211</u>	<u>9,392,702</u>

Oversubscription

The Prospectus has provision to accept oversubscriptions of up to a further 10,000,000 shares to raise up to a further \$2,000,000, consequently an additional 526,316 shares would be issued to C.A.P S.A. under the agreement set out in Note 1(i)(ii).

In this situation the costs associated with the share issue would increase to \$847,960, the cash at bank balance would rise by \$1,880,000, the contributed equity would increase by \$1,865,510 and the option reserve would increase by \$14,490. The total number of shares on issue would be 124,210,527 and the total number of options outstanding would rise to 40,740,000.

Options

On issue of the minimum subscription of 30,000,000 shares, the Company would have outstanding options of 40,640,000 exercisable at 20 cents on or before 42 months after the date of public listing.

Appendix A

**HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009**

6. Option Reserve

	Note	Unaudited Pro-forma \$
Seed Capital (19 May 2009) – 200,000 options issued to Broker	(a)	5,740
Seed Capital (10 January 2010) – 140,000 options issued to Broker	(b)	8,610
300,000 share options issued pursuant to this Prospectus (Note 1(i)(iv)) – to Broker	(c)	43,470
Unaudited pro-forma balance		<u>57,820</u>

- (a) 200,000 options were issued to the broker on 19 May 2009 with an exercise price of \$0.20 and are exercisable on or before 42 months after the date of public listing. Using the Black Scholes Model the fair value of an option is approximately \$0.0287 based on the following criteria:

Input Value

Underlying share price	\$0.05 cents
Exercise price	\$0.20 cents
Expected volatility	110%
Option life	4.25 years
Risk free interest rate	5.36%

- (b) 140,000 options were issued to the broker on 10 January 2010 with an exercise price of \$0.20 and are exercisable on or before 42 months after the date of public listing. Using the Black Scholes Model the fair value of an option is approximately \$0.0615 based on the following criteria:

Input Value

Underlying share price	\$0.10 cents
Exercise price	\$0.20 cents
Expected volatility	110%
Option life	3.5 years
Risk free interest rate	5.36%

- (c) 300,000 options are to be issued to the broker pursuant to this Prospectus with an exercise price of \$0.20 and are exercisable on or before 42 months after the date of public listing. Using the Black Scholes Model the fair value of an option is approximately \$0.1449 based on the following criteria:

Input Value

Underlying share price	\$0.20 cents
Exercise price	\$0.20 cents
Expected volatility	110%
Option life	3.5 years
Risk free interest rate	5.36%

Appendix A

HOT CHILI LIMITED
NOTES TO THE FINANCIAL REPORT
AS AT 31 DECEMBER 2009

7. Accumulated Losses	Unaudited Pro-forma \$
Accumulated losses at 30 June 2009	(930,547)
Pro-forma losses for the 6 months to 31 December 2009	(759,184)
Accumulated losses at 31 December 2009	<u>(1,689,731)</u>

8. Reconciliation of Cash

	Note	
Cash at Bank as at 30 June 2009	2	142,802
Share issue on 8 Jan 2010 (See section 4 of this Report)		1,301,280
Repayment of loans (See section 4 of this Report)		(345,522)
Funds raised pursuant to the Prospectus	1(i)(i)	6,000,000
Cash cost of capital raising costs	1(i)(iii)	(670,000)
		<u>6,428,560</u>

9. Related Party Disclosure

(a) The Directors of Hot Chili at the date of this report are Mr Murray Edward Black, Christian Ervin Easterday and Bernard Roland Mountford.

(b) Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 10 of the Prospectus.

10. Commitments

Hot Chili has budgeted \$1.64 million for exploration expenditure in year 1 and \$2.40 million in year 2, assuming minimum subscription to the Prospectus. However, it is at Hot Chili's option as to whether the expenditure is incurred.

11. Contingent Liabilities

Further details are set out in section 9 "Summary of Material Contracts" of the Prospectus.



SOLICITOR'S REPORT ON MINING RIGHTS

February 4, 2010

Messrs.
Hot Chili Limited
PO Box 971
Kalgoorlie WA 6430
Western Australia

Att.: Mr. Christian Easterday

Re. LEGAL OPINION ON MINING RIGHTS

1. GENERAL

1.1 Purpose:

As requested by Hot Chili Limited (hereinafter, the "Company"), we hereby provide you with a legal opinion reflecting the current status of (a) the Chilean Company's subsidiary set forth below; (b) the Company's agreements; (c) the mining rights granted in option and in exploration agreements in favor of the Company; and (d) the mining rights constituted by the Company.

This legal opinion (hereinafter, the "Legal Opinion") is provided in view of the forthcoming initial public offering that the Company will issue on the National Stock Exchange of Australia and with the purpose of being included in the prospectus that the Company shall present in connection thereto (hereinafter, the "Prospectus").

1.2 Scope:

The Legal Opinion encompasses all mining rights that the Company currently holds in Chile by means of its subsidiary, Sociedad Minera El Águila Limitada (hereinafter, "SMEAL"), a limited liability company duly incorporated under Chilean law.

SMEAL is the holder of rights in three mining projects called "La Productora Project", "Los Mantos Project" and "Chile Norte Project".

2. CHILEAN MINING PROPERTY SYSTEM

The Political Constitution of the Republic and the provisions of Chilean common law make no distinction, in general terms, among Chileans and non-Chileans regarding the enjoyment of basic rights, the acquisition of property, and the carrying out of economic activities.

Pursuant to section 2 of the Constitutional Law on Mining Concessions (“**Law 18,097**”), a mining concession is “an *in rem* property right, different and independent from ownership of the surface land, even if it belongs to one and the same owner; enforceable against the State and any other person; transferable and transmissible; subject to mortgage and other *in rem* rights and, in general, to any act or contract”.

The rights granted by a mining concession can be exercised in connection with the mineral substances existing in the area encompassed by the concession, with the exception of liquid or gaseous hydrocarbons, lithium, and deposits in territorial waters¹.

Mining concessions are granted by a judicial decision rendered by a competent court of justice in the context of a non-litigious proceeding filed with such court. The purpose of such proceeding is to identify, define and create the concession, whether for exploration or exploitation.

The territorial extension of a mining concession takes on the shape of a solid, the surface of which is a horizontal parallelogram of right angles, and the depth of which is indefinite within the vertical planes that establish its boundaries. Furthermore, two of its sides shall have a North-South orientation based on U.T.M.² coordinates and the diagonal lines traced within the parallelogram shall meet in a central point.

2.1 Mining Exploration Concessions.

Definition: A mining exploration concession is a *real* property right of limited duration, which grants to its holder -within its corresponding territorial extension- the exclusive rights to investigate the existence of grantable mineral substances and to request one or more mining exploitation concessions.

Duration: The term of an exploration concession is two years, starting from the date of the court's decision awarding it. Such term may be extended for another two years, provided that before the end of the first term the exploration concession holder requests the extension thereof and abandons concurrently therewith at least

¹ Section 3 of Law 18,097; Section 19 N. 24 of the Chilean Constitution, and section 7 of the Mining Code.

² U.T.M means “Universal Transverse Mercator”

half of the total surface granted.

Size of area: The horizontal sides of the exploration concession shall measure a minimum of 1,000 meters or multiples of 1,000 meters, but shall not cover more than 5,000 hectares or less than 100 hectares.

2.2 **Mining Exploitation Concessions.**

Definition: The mining exploration concession is a *real* property right of indefinite duration, which grants to its holder -in its territorial extension- the exclusive rights of investigating the existence of grantable mineral substances, extracting such grantable mining substances and becoming the owner of such substances at the time of their extraction.

Duration: The term of an exploitation concession (or "*pertenencia*") is indefinite.

Size of area: The horizontal sides of the exploitation concession shall measure a minimum of 100 meters or multiples of 100 meters; and the surface thereof shall not cover more than 10 hectares or less than 1 hectare.

2.3 **Property.**

The judicial award granting the concession for exploration or exploitation also grants possession and constitutes the property title over the same. Nonetheless, this title shall be subject to annulment if an excerpt thereof is not published and registered within a 120-day term, counted as of the date on which the judicial decision was issued. The aforementioned registration shall be made in the case of mining exploration concessions in the Discovery Registry of the relevant Mines Conservator. With respect to mining exploitation concessions, such registration shall be made in the Property Registry of the corresponding Mines Conservator.

Once the above procedures are completed, the concession will be in accordance with the registered possession regime³, and only then will the mining concession holder be entitled to all the rights that the law grants the owners of a mining exploration concession.

2.4 **Assignment of Mining Rights.**

The acquisition of property in Chile is subject to the registered possession regime. Such regime distinguishes the property title from the means of acquisition.

³ Please see explanation provided in section 2.4 hereinafter.

Consequently, the constitutive award which grants the corresponding concession represents the property title and the registration thereof in the respective Registry of the corresponding Mines Conservator represents the manner of acquisition⁴.

The same applies to mining rights resulting from a concession which is in the process of being constituted. In this manner, the procedure in order to constitute a mining exploration concession is initiated with a writ known as "*pedimento*" (hereinafter, the "mining petition") which, after being approved by the judge, shall be registered in the Discovery Registry of the relevant Mining Registrar. In the case of the writ filed in order to create a mining exploitation concession, known as "*manifestación*" (hereinafter, the "mining claim"), after being approved by the judge, such writ shall be registered in the Property Registry of the relevant Mining Registrar. Upon registration, both the mining petition and the claim become a *real* property right, transferable and conveyable, subject to any act or contract.

2.5 Mining Patents.

In accordance with current regulations, the holder of a mining concession, regardless of its nature, shall pay on a yearly basis and in advance a mining patent (or "*patente minera*") in order to maintain the ownership over such concession.

A mining patent equivalent to 1/10th of a UTM per hectare is paid for exploitation concessions, and 1/50th of a UTM per hectare for exploration concessions. Exceptionally, exploitation concessions which mainly exploit a non-metallic substance or the metal placers existent therein, or any exploitation concessions over substances existent in salt mines, are subject to an annual mining patent equivalent to 1/30th of a UTM per hectare, provided that certain requirements are met⁵.

In accordance with article 146 of the current Chilean Mining Code, in force as of 1983, lack of payment of a mining patent within the term provided by the Mining Code grants the Chilean Treasury the right to initiate legal proceedings for obtaining such payment by sale of the mining concession in public auction. In accordance with the same provision, the statute of limitation for pursuing such payment is three years counted as of April 1 of the year in which the mining patent should have been paid. Statute of limitation must be declared by courts of justice.

However, in accordance with section 127 of the Chilean Mining Code of 1932, Chilean former Mining Code, lack of payment of two consecutive mining royalties

⁴ Section 92 of the Mining Code.

⁵ One UTM is equal to CH\$36,569 for the month of February 2010 (approx. US\$69).

caused, by sole operation of law, the irrevocable termination of the corresponding mining right. Such provision is still applicable with respect to those mining rights constituted under the regulations of the 1932 Mining Code, as provided by transitory article first of Law 18,097.

The above mentioned statutes regarding mining patents should be borne in mind as some of the mining rights comprised in this report were constituted under the regulations of the 1932 Mining Code.

With respect to mining rights constituted under the 1932 Mining Code, they are subject to two different statutes in connection with penalties for lack of payment of mining patents: (a) to the 1932 Mining Code with respect to mining patents accrued while such code was in force, and (b) to the 1983 Mining Code, current Mining Code, with respect to mining patents accrued under such statute.

Finally, during the constitution proceedings of mining exploration concessions and mining exploitation concessions, and in accordance with article 51 of the Mining Code, a "fee" has to be paid within 30 days since the date in which the mining petition or the mining claim has been delivered to the corresponding court. Such fee is calculated in accordance with the hectares requested. Lack of payment of such fee may cause the termination of the corresponding constitution proceeding.

2.6 Mining Easements.

The owners of mining concessions are entitled to request rights of way or easements over surface land and/or over mining concessions owned by third parties, for the exclusive purpose of facilitating mineral exploration and exploitation. The above may be agreed upon by the interested parties or by virtue of a court decision, whereby proper compensation shall be ensured.

Easements in favor of mining concessions may be expanded or restricted according to the development of the work connected therewith and will cease when their utilization is discontinued.

2.7 Water Rights.

A mining concession grants its holder the right to use the water resources found while developing exploration and/or exploitation works, whatever the case may be, but only for the purposes of such exploration and/or exploitation works⁶. In the event that no water resources are found in the course of the mining works, a water source shall be secured by incorporating water rights from the State of Chile,

⁶ Section 110 of the Mining Code.

through the General Water Bureau (or “*Dirección General de Aguas*”), in accordance with the terms and conditions provided by the law, or by purchasing such water rights from third parties.

2.8 Grounds for the Annulment of a Mining Concession.

Section 95 of the Mining Code sets forth certain grounds for the annulment of a mining concession. The action to declare null and void the mining concession may be filed by any person with an actual interest in the affected area within a 4 year term counted as of the publication of the excerpt of the award that granted the concession, with the sole exception of the annulment grounds set forth in section 95 N. 8 of the Mining Code, which are subject to special rules.

Should such 4 year term elapse without an annulment action having been brought before the courts, the right to pursue such action shall terminate by virtue of statute of limitations.

The Mining Code also provides that the holder of a mining petition, a mining exploration concession or a mining claim, under certain circumstances, has to oppose to the constitution of mining exploitation concessions that overlap the above mentioned rights. If such oppositions are not filed, the holder of the above mentioned rights will lose the preferential rights granted by the law in the corresponding area⁷.

2.9 Agreements on Mining Rights.

As mentioned before, mining rights in Chile, whether mining exploration and exploitation concessions, as well as mining petitions or claims, are real property rights, transferrable and conveyable, and may be subject to any acts or agreements. In this regard, special attention should be provided to the option agreement set forth in section 169 of the Mining Code, as SMEAL has entered into several option agreements with third parties to control its projects or to acquire mining concessions. Section 169 provides that option agreements can be granted on any right governed by the Mining Code, including mining rights and shares on mining rights.

In accordance with the above mentioned provision, option agreements are granted by means of a public deed which shall be registered in the corresponding Mines Conservator. Once an option agreement is granted, the same must be respected not only by the offeror, but also by any third party in such a way that if the offeror executes and act or agreement affecting or limiting the tenure, possession or

⁷ Sections 61 and 65 of the Mining Code.

ownership of the assets granted in option while the option is pending, such act shall be considered null and void once the option is exercised. In fact, an option agreement creates an encumbrance over the assets granted in option.

For the purpose of exercising the option agreement, a public deed granted by the beneficiary in which the latter declares that it accepts the same shall suffice. Therefore, no further consent from the offeror is needed in order to exercise the option.

3. MINING PROJECTS CONTROLLED BY SMEAL

As mentioned in previous section 1, SMEAL is a limited liability company incorporated under Chilean law by virtue of public deed granted on August 7th, 2008 before the Notary Public of Santiago, Mr. José Musalem Saffie. The corresponding by-laws are registered on page 39,113 number 26,939 of the 2008 Commercial Registry of the Real Estate Conservator of Santiago, with all relevant amendments having been annotated at the margin therein. The Company's equity capital is currently held by Sociedad Minera El Corazón Limitada, with a 99.9% participation therein, and by Kalgoorlie Auto Services Pty. Ltd., with a 0.1% participation.

SMEAL controls three mining projects, known as "La Productora Project", "Chile Norte Project" and "Los Mantos Project".

3.1 La Productora Project

A. Option Agreement entered into by and between Compañía Minera del Pacífico and SMEAL.

On October 5th, 2009, SMEAL entered into an option agreement with Compañía Minera del Pacífico (hereinafter, "CMP"), by virtue of public deed executed before the Notary Public of Santiago, Mr. Eduardo Avello Concha, hereinafter, the "CMP Option Agreement" and registered on page 49 reverse side number 15 of the Mortgage and Encumbrance Registry and on page 14 number 11 of the Prohibition and Interdiction Registry, both registries of the Mines Conservator of Vallenar, corresponding to year 2009; and annotated at the margin of the registrations in the corresponding Registry of the competent Mines Conservator of each of the properties comprised by the mentioned agreement.

Said option agreement granted SMEAL an option to purchase a share equal to sixty five percent of each of the mining exploitation and exploration concessions owned by CMP and included in the agreement, hereinafter, the "CMP Properties", as well as sixty five percent of each of the claims and mining exploitation concessions that may be constituted in the future as a

result of such exploration concessions.

B. Option Agreement entered into by and between Mr. Glenn Burns Dacre and SMEAL.

On July 8th, 2009, SMEAL entered into an option agreement with Mr. Glenn Burns Dacre (hereinafter, “**GBD**”), by virtue of public deed executed before the Notary Public of La Serena, Mr. Óscar Fernández Mora, hereinafter, the “**GBD Option Agreement**”, and registered on page 14 reverse side number 8 of the Mortgage and Encumbrance Registry and on page 9 reverse side number 7 of the Prohibition and Interdiction Registry, both registries of the Mines Conservator of Vallenar, corresponding to year 2009; and annotated at the margin of the registrations in the corresponding Registry of the competent Mines Conservator of each of the properties comprised by the mentioned agreement.

The GBD Option Agreement grants SMEAL an option to purchase a share equal to sixty five percent of each of the mining exploitation concessions, hereinafter, the “**GBD Properties**”, owned by GBD and included in the agreement.

C. Option Agreement entered into by and between Sociedad Legal Minera Productora Uno Sierra Coyigualles and SMEAL.

By virtue of public deed executed on November 18th, 2009 before the Notary Public of Santiago, Mr. Eduardo Avello Concha, SMEAL together with the company Sociedad Legal Minera Productora Uno Sierra Coyigualles (hereinafter, “**SLM Productora**”) entered into an option agreement (hereinafter, the “**SLM Productora Option Agreement**”), for the purpose of acquiring from the latter one mining exploitation concession (hereinafter, the “**SLM Productora Property**”). Such agreement is registered on page 105 reverse side number 23 of the Mortgage and Encumbrance Registry and on page 20 number 15 of the Prohibition and Interdiction Registry, both registries of the Mines Conservator of Vallenar, corresponding to year 2009; and annotated at the margin of the registration, in the corresponding registry of the competent Mines Conservator, of the survey act (“*acta de mensura*”) of the SLM Productora Property⁸.

SLM Productora Property is burdened by a lease agreement granted in favor

⁸ The SLM Productora Property was constituted under the regulations of the 1932 Mining Code. In accordance with section 72 of such code, “the registered survey act constitutes the ownership title of the mining exploitation and it shall originally grant the legal possession over the same”.

of Sociedad Legal Minera Playa Brava Una de La Sierra Quebrada de las Cañas, granted by virtue of a public deed executed on September 3rd, 2008 before the Notary Public and Mines Conservator of Ovalle, Mr. Ricardo Olivares Pizarro. The abovementioned agreement was amended by public deed executed on November 18th, 2009 before the Notary Public of Santiago, Mr. Eduardo Avello Concha, and registered on page 100 reverse side number 22 of the Mortgage and Encumbrance Registry of the Mines Conservator of Vallenar, corresponding to the year 2009. The lease agreement provided herein and its amendment, hereinafter the “**Lease Agreement**”.

D. Option Agreement by and between Sociedad Legal Minera Buena Suerte Una de la Sierra Tamarico, Sociedad Legal Minera Pilar Uno de la Sierra Tamarindo and SMEAL.

On November 18th, 2009, SMEAL entered into an option agreement with the companies called Sociedad Legal Minera Buena Suerte Una de la Sierra Tamarico and Sociedad Legal Minera Pilar Uno de la Sierra Tamarindo (hereinafter, “**Buena Suerte**” and “**Pilar**”), by virtue of public deed executed before the Notary Public of Santiago, Mr. Eduardo Avello Concha, hereinafter, the “**Buena Suerte and Pilar Option Agreement**”, registered on page 90 reverse side number 21 of the Mortgage and Encumbrance Registry and on page 18 number 14 of the Prohibition and Interdiction Registry, both registries of the Mines Conservator of Vallenar, corresponding to year 2009; and annotated at the margin of the registrations, in the corresponding registry of the competent Mines Conservator, of the survey acts of the mining concessions comprised by the Buena Suerte and Pilar Option Agreement.

The aforementioned agreement grants SMEAL the following two options: (i) option to purchase from Buena Suerte one mining exploitation concession, hereinafter the “**Buena Suerte Option**”, and (ii) option to purchase from Pilar one mining exploitation concession, hereinafter the “**Pilar Option**”. Both exploitation concessions, hereinafter, the “**Buena Suerte and Pilar Properties**”.

La Productora Project also comprises Mining Rights constituted *pro se* by SMEAL, as set forth in the “Tenement Schedule as set out in the Independent Geologist’s Report at Section 5 of the Prospectus”.

3.2 Chile Norte Project.

Chile Norte Project is located in the boroughs of Iquique and Pozo Almonte, in the I

Region of Chile.

Within the framework of this project, SMEAL has entered into the agreement set forth below.

Exploration Agreement and Promise of Incorporation entered into by and between Compañía Contractual Minera Los Andes and SMEAL.

On October 22nd, 2009, SMEAL entered into an exploration agreement and promise of incorporation with Compañía Contractual Mineral Los Andes (hereinafter, “**Los Andes**”), a subsidiary of the State-owned company called “CODELCO”, by virtue of public deed executed before the Notary Public of Santiago, Mr. Juan Eduardo Avello San Martín, hereinafter, “**Los Andes Exploration Agreement**”.

The agreement sets forth a prohibition in favor of SMEAL to enter into any acts or contracts in connection with the mining rights comprised by the agreement, hereinafter, the “**Los Andes Properties**”, without the written consent of SMEAL, annotated at the margin of the registrations, in the corresponding registry of the competent Mines Conservator, of the constitutive award or petition, whichever the case may be, of the abovementioned properties.

The Chile Norte Project also comprises mining rights constituted *pro se* by SMEAL, as set forth in the “Tenement Schedule as set out in the Independent Geologist’s Report at Section 5 of the Prospectus”.

3.3 Los Mantos Project.

The Los Mantos Project is located in the boroughs of Ovalle and Andacollo, the IV Region of Chile.

Within the frame of this project, SMEAL has entered into the following option agreement summarized below.

Option Agreement by and between Mr. Aldo Cordero Godoy and SMEAL.

On June 4th, 2009, SMEAL entered into an option agreement with Mr. Aldo Cordero Godoy (hereinafter, “**ACG**”), by virtue of public deed executed before the Notary Public of La Serena, Mr. Óscar Fernández Mora, registered on page 45 number 10 of the 2009 Mortgage and Encumbrance Registry and on page 10 number 8 of the 2009 Prohibition and Interdiction Registry, both registries of the Mines Conservator of Ovalle.

Furthermore, the above referred option agreement was complemented by public

deed dated June 19th, 2009 granted before the Notary Public of La Serena, Mr. Óscar Fernández Mora. Such supplementary agreement is registered on page 64 number 14 of the 2009 Mortgage and Encumbrance Registry and on page 13 number 9 of the 2009 Prohibition and Interdiction Registry, both registries of the Mines Conservator of Ovalle.

The option agreement abovementioned and its complementary deed, hereinafter, the “**ACG Option Agreement**”.

Each of the above mentioned project encompasses a series of agreements as set forth above, and mining rights owned or controlled by SMEAL listed in the “Tenement Schedule as set out in the Independent Geologist’s Report at Section 5 of the Prospectus”.

4. **LEGAL OPINION:**

The opinions expressed herein are subject to the following qualifications:

First, we are attorneys admitted to practice in Chile and we express no opinions as to any laws other than the laws of Chile.

Second, in considering the documents that we have reviewed for the purposes of rendering this opinion, we have assumed, without any independent investigation or verification of any kind, in all cases:

- (a) the genuineness of all signatures thereon;
- (b) the legal capacity of all natural persons;
- (c) the authenticity of all the documents and records presented as originals and the conformity with the originals of all documents and records presented as copies, and
- (d) the due authorization, execution and delivery of all documents by the parties thereto.

Third, with respect to technical information provided herein, we have relied upon information provided by third parties, including the National Service of Geology and Mining (“*Sernageomin*”) and a private company with expertise in technical mining matters (Guillermo Contreras e Hijos Limitada). We have also relied upon the above mentioned information being accurate, complete and up to date at the date of its receipt.

Fourth, we have assumed that all instructions or information which we have received from the Company, including its subsidiaries, and any of its officers, agents or representatives is accurate and complete in all respects.

Fifth, we express no opinion upon whether the mining property currently under constitution proceedings (mining petitions and mining claims) will ultimately be granted in whole or in part notwithstanding that should the steps required by the holder of such mining property be accomplished within the timeframe provided by the law for each of such steps, the final exploration or exploitation concessions are to be granted.

Sixth, we express no opinion whether the mining property currently under constitution proceedings (mining petitions or mining claims) and the mining property already constituted as mining exploration concessions and mining exploitation concessions will continue to be valid and binding in those cases in which the holder of such rights will have to exercise the corresponding actions provided by Chilean law with the purpose of avoiding overlappings.

For the purpose of this opinion, all mining property comprised in the CMP Option Agreement, in the GBD Option Agreement, in the SLM Productora Option Agreement, in the Buena Suerte and Pilar Option Agreement, in the Los Andes Exploration Agreement and in the ACG Option Agreement, as well as those constituted *pro se* by SMEAL, shall be jointly referred to hereinafter as the “**Mining Property**”, which is set forth with further detail in the “Tenement Schedule as set out in the Independent Geologist’s Report at Section 5 of the Prospectus”.

The CMP Option Agreement, the GBD Option Agreement, the SLM Productora Option Agreement, the Buena Suerte and Pilar Option Agreement and the ACG Option Agreement, hereinafter, the “**Option Agreements**”.

Based on the information reviewed by us, we are of the opinion that:

- 4.1 **Sociedad Minera El Águila Limitada** has been duly incorporated in accordance with the laws of Chile, it legally exists and is in good standing.
- 4.2 The **Option Agreements** constitute valid and binding agreements and all obligations stipulated therein are enforceable against the parties respectively bound thereby.
- 4.3 The **Los Andes Exploration Agreement** constitutes a valid and binding agreement and all obligations stipulated therein are enforceable against the parties bound thereby.
- 4.4 The **Lease Agreement** constitutes a valid and binding agreement and all obligations stipulated therein are enforceable against the parties bound thereby.
- 4.5 As regards as the legal status of the **Mining Property**, we are of the opinion that:

4.5.1 In connection with La Productora Project.

CMP Properties

- (a) The CMP Properties have been duly constituted and are currently in force, with the following qualifications: (i) the mining exploitation concession "Cuenca C, 1 to 51" does not comprise the "Cuenca C, 38" mining exploitation concession, and (ii) section (e) below.
- (b) The CMP Properties are duly registered under the name of CMP and, therefore, are of its sole and exclusive domain.
- (c) The mining patents of the mining exploration concessions that comprised the CMP Properties have been paid. The last three annual mining patents of the mining exploitation concessions which comprise the CMP Properties have been paid.
- (d) None of the CMP Properties are subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the CMP Option Agreement.
- (e) Some of the CMP Properties are subject to the following overlappings with third parties' rights and due to such overlappings, do not hold preferential rights in the overlapped area: (i) mining exploration concession "Cachiyuyito 1" partially overlapped by the mining claims "Leo 8 1 to 60" and "Leo 9 1 to 60"; (ii) mining exploration concession "Cachiyuyito 2" partially overlapped by "San Andrés 1 to 2" mining claim; (iii) mining exploration concession "Cachiyuyito 3" partially overlapped by "Pozo Seco 1 to 10" mining exploitation concession; (iv) mining exploitation concession "Cuenca C 1 to 51" partially overlapped by the mining exploitation concessions "Cuenca D" and "Cuenca E"; however, all the above mentioned mining rights belong to CMP and are included in the CMP Option Agreement; (v) mining exploitation concession "Cuenca D" partially overlapped by the mining exploitation concessions "Cuenca E"; however, both mining rights belong to CMP and are included in the CMP Option Agreement.

GBD Properties

- (a) The mining exploitation concessions which comprise the GBD Properties have been duly constituted and are currently in force.
- (b) The GBD Properties are duly registered under the name of GBD and, therefore, are of its sole and exclusive domain.
- (c) The last three annual mining patents of the mining exploitation concessions

that comprise the GBD Properties have been paid.

- (d) None of the GBD Properties are subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the GBD Option Agreement.

SLM Productora Property

- (a) The SLM Productora Property has been duly constituted and is currently in force.
- (b) The SLM Productora Property is duly registered under the name of SLM Productora and, therefore, is of its sole and exclusive domain.
- (c) We have received copy of receipt of payment of all the mining patents accrued with respect to SLM Productora Property (since 1976 to 2010). The above mentioned is relevant, as the SLM Productora Property was constituted under the 1932 Mining Code.
- (d) The SLM Productora Property is not subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the SLM Productora Option Agreement, and the Lease Agreement.
- (e) The SLM Productora Property does not grant to its holder the right to explore or exploit uranium⁹.

Buena Suerte and Pilar Properties

- (a) The mining exploitation concessions which jointly comprise the Buena Suerte and Pilar Properties have been duly constituted and are currently in

⁹ The 1932 Mining Code stated that uranium was a grantable substance. However, in 1979 Decree Law N. 2886 amended the 1932 Mining Code and declared that, thereafter, uranium was a mineral that was to be reserved for the Chilean State. Said mineral, therefore, became a non grantable substance. Pursuant to the aforementioned, SLM Productora Property was granted at the time the Decree Law N. 2886 was already in force.

The 1983 Mining Code currently in force changed the status of uranium to that of a grantable substance. However, despite this new status, SLM Productora Property does not have the right to uranium due to the following: (a) as mentioned before, SLM Productora Property was granted while Decree Law N. 2886 was in force (whereby uranium was reserved to the Chilean State only), and (b) second transitory provision of the 1983 Mining Code stated that the Chilean Nuclear Energy Commission (hereinafter, the "CChen") could exclusively file mining claims and petitions for uranium during the term of one hundred and eighty days as of the date of publication of the Mining Code (which was published on October 14th, 1983). Said article also stated that if a mining concession constituted by virtue of the above mentioned provision overlapped an existing concession, only the later constituted concession would have an exclusive right to the uranium existing in the area of the overlapped concession. In accordance with the aforesaid, the CChen became a holder of the right to explore and exploit uranium located within the boundaries of the mining exploitation concessions called "Uranio 1/70", owned by the CChen, which comprises the area where SLM Productora Property is located.

force.

- (b) The Buena Suerte and Pilar Properties are duly registered under the name of Buena Suerte and Pilar and, therefore, are of their sole and exclusive domain.
- (c) The last three annual mining patents have been paid for such concessions. However, as Buena Suerte and Pilar Properties were constituted under the 1932 Mining Code, and lack of payment of mining patents accrued under such code caused the termination of the mining concession by sole operation of law (see section 2.5 of this report). In this regard, we have not seen proof of payment of the mining patents accrued under the 1932 Mining Code. Without prejudice of the above mentioned, current jurisprudence of the Chilean Courts has stated that, if a third party is interested in arguing lack of payment of mining patents under the Mining Code of 1932 as grounds for termination of a mining concession, such third party shall prove such lack of payment which, actually, it is hard to prove.
- (d) The Buena Suerte and Pilar Properties are not subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the Buena Suerte and Pilar Option Agreement.

Mining Property constituted *pro se* by SMEAL

- (a) The mining exploration concessions and mining claims constituted *pro se* by SMEAL in La Productora Project area have been duly constituted and are currently in force.
- (b) Such mining properties are duly registered under the name of SMEAL and, therefore, are of their sole and exclusive domain.
- (c) Mining patents and fees on such mining property, as applicable, haven been paid.
- (d) The above referred mining properties are not subject to liens, prohibitions, embargoes or lawsuits of any kind.
- (e) Some of the above referred properties are subject to overlappings with third parties' rights and, due to such overlappings, do not hold preferential rights

in the corresponding area¹⁰.

4.5.2 In connection with Chile Norte Project.

Los Andes Properties

- (a) The mining explorations concessions which comprise Los Andes Properties have been duly constituted and are currently in force, without prejudice of letter (f) below.
- (b) Up to this date, the mining petitions which comprise Los Andes Properties have fulfilled all the requirements contemplated in the Mining Code for their constitution as mining exploration concessions, with the only exceptions of: (i) mining petition “Quito 19” abandoned by Los Andes, however, the same area is covered by “Bravo 5” and “Bravo 9” mining petitions filed by SMEAL; (ii) mining petition “Quito 35” which did not fulfill all the above mentioned requirements and, therefore, was replaced by “Quitos 35” mining petition filed by Los Andes, both petitions included in the Los Andes Exploration Agreement; (iii) mining petition “Apir 19” which did not fulfill the above mentioned requirements and, therefore, was replaced by “Apir 20” mining petition filed by Los Andes, both petitions included in the Los Andes Exploration Agreement.
- (c) Los Andes Properties are duly registered under the name of Los Andes and, therefore, are of their sole and exclusive domain.

¹⁰ (i) Mining exploration concession “Fran 1” partially overlapped by the mining claims “Leo 10, 1 to 40”, “Leo 11, 1 to 40”, “Wilfredo 1 to 5” and “Porsiacaso 1 to 4”; (ii) mining exploration concession “Fran 2” partially overlapped by the mining claims “Leo 11, 1 to 40” and “Leo 10, 1 to 40”; (iii) mining exploration concession “Fran 3” partially overlapped by the mining claims “Leo 9, 1 to 60”, “Leo 10, 1 to 40”, “Leo 11, 1 to 40” and “Leo 13, 1 to 60”; (iv) mining exploration concession “Fran 4” partially overlapped by the mining claims “Leo 9, 1 to 60”, “Leo 12, 1 to 60” and “Leo 13, 1 to 60”; (v) mining exploration concession “Fran 5” partially overlapped by the mining claims “Leo 12, 1 to 60” and “Leo 13, 1 to 60”; (vi) mining exploration concession “Fran 6” partially overlapped by the mining claims “Leo 12, 1 to 60” and “Leo 13, 1 to 60”; also overlapped by the exploitation mining concession “Negrita 1 to 4”; (vii) mining exploration concession “Fran 7” partially overlapped by the mining claims “Leo 12, 1 to 60”, “Phil Cuatro 1 to 16” and “Leo 101, 1 to 30”; also overlapped by the exploitation mining concession “Negrita 1 to 4”; (viii) mining exploration concession “Fran 8” partially overlapped by the mining claims “Phil Cuatro 1 to 16” and “Leo 101, 1 to 30”; also overlapped by the exploitation mining concession “Soberana 1 to 5”; (ix) mining exploration concession “Fran 9” completely overlapped by “Leo 9, 1 to 60” mining claim”; (x) mining exploration concession “Fran 10” completely overlapped by “Daniela 1 to 20” mining claim and the exploitation mining concessions “Leo 6, 1 to 58”, “Triunfo 1 to 10” and “Cabritilla 1 to 10”; (xi) mining exploration concession “Fran 11” completely overlapped by the mining claims “Daniela 1 to 20” and “Leo 8, 1 to 60” and the exploitation mining concessions “Elicena 1 to 8”, “Triunfo 1 to 10” and “Cabritilla 1 to 10”; (xii) mining exploration concession “Fran 14” and mining claim “Fran 14, 1 to 40” partially overlapped by the “La Manto 1 to 5” mining claim”; (xiii) mining exploration concession “Fran 15” partially overlapped by the “La Manto 1 to 5” mining claim”; (xiv) mining exploration concession “Fran 16” completely overlapped by “Leo 7, 1 to 40” mining claim and the exploitation mining concessions “Elicena 1 to 8”, “Triunfo 1 to 10” and “Leo 6, 1 to 58”; (xv) mining exploration concession “Fran 17” completely overlapped by the mining claims “Leo 7, 1 to 40” and “Leo 16, 1 to 40”.

- (d) The mining patents of the mining exploration concessions that comprised the Los Andes Properties have been paid.
- (e) None of the Los Andes Properties are subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the Los Andes Exploration Agreement¹¹.
- (f) Some of the Los Andes Properties are subject to the following overlappings with third parties' rights and, due to such overlappings, do not hold preferential rights in the overlapped area: (i) mining exploration concession "Quito 14" partially overlapped by the mining exploitation concession "Adrián 1 to 84"; (ii) mining exploration concession "Quito 18" partially overlapped by the mining exploitation concessions "Pascua 9, 1 to 12" and "Leonita 1 to 50"; (iii) mining exploration concession "Apir 1" partially overlapped by the mining claim "Ivanov 1 to 16"; (iv) mining exploration concession "Quito 25" partially overlapped by the mining exploitation concession "Gertrudis 2, 1 to 2"; (v) mining exploration concession "Apir 6" partially overlapped by the mining exploitation concessions "Guacolda" and "San Cristóbal 5"; (vi) mining exploration concession "Apir 7" partially overlapped by the mining exploitation concessions "Jacinta 1 to 2", "Salinas 209, 1 to 12", "Gloria 1-2" and "Virginia"; (vii) mining exploration concession "Apir 8" partially overlapped by the mining exploitation concession "Tococa 1"; (viii) mining exploration concession "Apir 12" partially overlapped by the mining exploitation concession "Centinela 1 to 3"; (ix) mining exploration concession "Apir 13" partially overlapped by the mining exploitation concession "Compañía"; (x) mining exploration concession "Apir 14" partially overlapped by the mining exploitation concession "Recreo", "Alberto 1 al 256", "Despuntos 1 to 50" and "Nicolas 1 to 6"; (xi) mining exploration concession "Apir 20" partially overlapped by the mining exploitation concessions "Fresia 1 to 3", "Catalina 7A, 1 to 10", "Catalina 7B, 1 to 4", "Silvina 1 to 65", "San Cristóbal 3", "Guacolda", "Giovanni 1 to 113" and "Pascua Dos 1-2".

Mining Property constituted *pro se* by SMEAL in the Chile Norte Project area.

- (a) The mining exploration concessions and mining petitions constituted *pro se*

¹¹ Even though the following information does not affect the above mentioned statement, please bear in mind that Los Andes has filed oppositions, before the corresponding courts of justice, with respect to third parties' mining rights who filed claims in Los Andes Properties areas. Such oppositions were needed to keep Los Andes Properties' preferential rights: (i) opposition against the mining claim "Amarillo 1 to 10" which overlaps "Quito 30" and "Quito 31" mining concessions; (ii) opposition against the mining claim "Maria-Fda 1-48" which overlaps "Apir 2" and "Augita 4B" mining exploration concessions. The above mentioned proceedings are still pending.

by SMEAL in the Chile Norte Project area have been duly constituted and are currently in force.

- (b) Such mining properties are duly registered under the name of SMEAL and, therefore, are of their sole and exclusive domain, without prejudice of the mining property currently hold by SMEAL's attorney, Mr. Rodrigo Muñoz U. ("RMU"), as set forth in the "Tenement Schedule as set out in the Independent Geologist's Report at Section 5 of the Prospectus".
- (c) Mining patents and fees on such mining property, as applicable, haven been paid.
- (d) The above referred mining properties are not subject to liens, prohibitions, embargoes or lawsuits of any kind.
- (f) Some of the above referred properties are subject to overlappings with third parties' rights and, due to such overlappings, do not hold preferential rights in the corresponding area¹².

¹² (a) Mining property currently registered in favor of SMEAL: (i) mining exploration concession "Rolly 1" completely overlapped by the mining exploration concession "Chuculay 9"; (ii) mining exploration concession "Rolly 2" completely overlapped by the mining exploration concessions "Chuculay 14" and "Rapel 1"; (iii) mining exploration concession "Rolly 3" partially overlapped by the mining exploration concession "Rapel 1"; (iv) mining exploration concession "Rolly 4" partially overlapped by the mining exploration concession "Chuculay 15"; (v) mining exploration concession "Rolly 5" partially overlapped by the mining exploration concessions "Chuculay 10" and "Chuculay 15"; (vi) mining exploration concession "Rolly 6" partially overlapped by the mining exploration concession "Rapel 3"; (vii) mining exploration concession "Rolly 7" partially overlapped by the mining exploration concession "Rapel 3"; (viii) mining exploration concession "Rolly 8" partially overlapped by the mining exploration concession "Rapel 3"; (ix) mining exploration concession "Rolly 9" partially overlapped by the mining exploration concession "Rapel 4"; (x) mining exploration concession "Rolly 14" partially overlapped by the mining exploration concession "Rapel 8"; (xi) mining exploration concession "Rolly 18" completely overlapped by the mining exploration concession "Rapel 27"; (xii) mining exploration concession "Rolly 19" completely overlapped by the mining exploration concession "Rapel 9"; (xiii) mining exploration concession "Rolly 20" completely overlapped by the mining exploration concessions "Rapel 10" and "Rapel 11"; (xiv) mining exploration concession "Rolly 22" partially overlapped by the mining exploration concession "Rapel 11"; (xv) mining exploration concession "Rolly 23" partially overlapped by the mining exploration concession "Rapel 11"; (xvi) mining exploration concession "Rolly 25" partially overlapped by the mining exploration concession "Rapel 7"; (xvii) mining exploration concession "Rolly 26" completely overlapped by the mining exploration concession "Rapel 12"; (xviii) mining exploration concession "Rolly 27" completely overlapped by the mining exploration concession "Rapel 13". (b) Mining property currently hold by RMU on behalf of SMEAL: (i) mining petition "Bravo 1" partially overlapped by the mining exploitation concessions "Maria 1 to 3", "Salinas", "Marina 1 to 2", Pascua Siete 1 to 3 and "Adrian 1 to 84"; (ii) mining petition "Bravo 2" completely overlapped by the mining claim "Alcon 1 to 10" and the exploration mining concession "Augita 4B", however, the latter mining right is included in the Los Andes Exploration Agreement; (iii) mining petition "Bravo 3" completely overlapped by the mining claim "Ilusion 1 to 10" and the exploration mining concession "Augita 4B", however, the latter mining right is included in the Los Andes Exploration Agreement; (iv) mining petition "Bravo 4" partially overlapped by the mining exploitation concession "Jote 1, 1 to 10" and by the mining claim "Danisa 1 to 7"; (v) mining petition "Bravo 5" completely overlapped by the exploration mining concession "Quito 19", however, said mining concession is included in the Los Andes Exploration Agreement; (vi) mining petition "Bravo 8" partially overlapped by the mining claim "Costa"; (vii) mining petition "Bravo 9" partially overlapped by the mining claim "Costa", the mining exploitation concession "Leonita 1 to 50" and the exploration mining concession "Quito 19", however, the latter mining right is included in the Los Andes Exploration Agreement; (viii) mining petition "Bravo 10" partially overlapped by the mining exploitation concessions "Matilde 1 to 4", "Catalina 7 A, 1 to 10" and "Fresia 1 to 3"; (ix) mining petition "Bravo 11" partially overlapped by the mining exploitation concessions "Leonita 1 to 50", "Silvina" and "Matilde 1 to 4". It is also overlapped by the mining exploration concession "Leon" and the mining claim "Costa"; (x) mining petition "Bravo 12" completely overlapped by the mining claim "Genesis I, 1 to 20"; (xi) mining exploration concession "Murray 9" partially overlapped by the mining exploitation concessions "Melania 1 to 4" and "Santiago 7 1"; (xii) mining exploration concession "Murray 10" partially overlapped by the mining exploitation concessions "Melania 1 to 4", "Catalina 6 1 to 72" and "Samurai 1 to 276"; (xiii) mining exploration concession "Murray 11" partially overlapped by the mining exploitation concessions "Samurai 1 to 276", "Numero 4 to 12" and "Maria 1 to 3" and "Yanett 1 to 7"; (xiv) mining exploration concession "Murray 23" partially overlapped by the mining exploration (Esta nota continúa en la página siguiente)(Esta nota continúa en la página siguiente)(Esta nota continúa en página siguiente)

4.5.3 In connection with Los Mantos Project.

ACG Properties

- (a) ACG Properties have been duly constituted and are currently in force, with the following qualifications: (i) In accordance with the registrations related to the mining exploitation concession “Trinidad, Carmen Rosa, Rosa Amelia, Alinderamiento, La Casualidad, Central, Ruleta y Sitiada”, on April 7th, 1983 ACG acquired the same at public auction, included in proceeding file roll number 27,971 of the Civil Court of Ovalle. The above mentioned mining concession acquisition was registered on page 88 number 22 of the 1988 Property Registry of the Mines Registrar of Ovalle. Later, on June 20th, 1983, within the same file previously cited, a ruling was issued which declared the termination of the above referred mining exploitation concession, as a result of the lack of payment of two consecutive permits, by virtue of section 127 of the 1932 Mining Code. Therefore, in the same file, the Court issued two contradictories rulings (please, bear in mind that we were not able to find such file). Afterwards, in 1984, ACG obtained an award from the Second Civil Court of Ovalle which ruled that the mining concession “was in force” in accordance with the provision set forth in section 243 of the 1983 Mining Code. Such section provides that evidence of full and timely payment of the last four mining patents allows the judge to declare the corresponding “survey act in force”, provided that the registration has not been cancelled at the time of requesting the “in force” declaration. Such declaration infers *de jure* due protection of the mining exploitation concession until the period covered by the latest certified payment. The “in force declaration” was annotated at the margin of the registration of the survey act of the abovementioned mining concession on September 14, 1984. On May 31, 1986, it was annotated at the margin of the

concession “Dalmacia”; (xv) mining exploration concession “Murray 25” partially overlapped by the mining exploitation concession “Santiago 1, 1 to 60” and by the mining exploration concession “Dalmacia”; (xvi) mining exploration concession “Murray 26” partially overlapped by the mining claim “Niebla”; (xvii) mining exploration concession “Murray 29” partially overlapped by the mining claims “Mana 1, 1 to 8” and “Chanabaya 1 to 5”; (xviii) mining exploration concession “Chris 7” completely overlapped by the mining exploration concessions “Renate 1”, “Renate 2” and “Renate 3”; (xix) mining exploration concession “Chris 8” completely overlapped by the mining exploration concessions “Renate 1”, “Renate 2” and “Renate 3”; (xx) mining exploration concession “Chris 9” partially overlapped by the mining exploration concession “Renate 2”; (xxi) mining exploration concession “Chris 14” partially overlapped by the mining exploitation concession “Chipana 12, 1 to 20”; (xxii) mining exploration concession “Chris 18” partially overlapped by the mining exploration concession “Rapel 25”; (xxiii) mining exploration concession “Chris 19” partially overlapped by the mining exploration concession “Rapel 24” and by the mining exploitation concession “Quebradilla 12, 1 to 30”; (xxiv) mining exploration concession “Chris 22” partially overlapped by the mining exploration concessions “Rapel 23” and “Rapel 24”; (xxv) mining exploration concession “Pam 5” partially overlapped by the mining exploitation concession “Quebradilla 4, 1 to 30”; (xxvi) mining exploration concession “Pam 6” partially overlapped by the mining exploitation concession “Quebradilla 5, 1 to 20”; (xxvii) mining exploration concession “Pam 7” partially overlapped by the mining exploitation concessions “Quebradilla 4, 1 to 30”, “Quebradilla 5, 1 to 20” and “Quebradilla 12, 1 to 30”.

same registration the ruling that declared the termination of the concession. The above mentioned creates an issue upon whether it could be interpreted that the above referred mining exploitation concession is still in force or it has terminated. Nevertheless, ACG constituted a “layer” on the top of this mining exploitation concession, by filing the mining exploration concession “Illapel 2” (filed in Andacollo and Ovalle, as stated below). Before ACG’s layer, CMP filed mining rights comprising the same area of the above referred mining exploitation concession; however, CMP and SMEAL have agreed that CMP will not constitute mining property on ACG Mining Properties constituted under the 1932 Mining Code, therefore, ACG’s mining petitions will protect the area; (ii) the constitutive award of the mining exploitation concession “Ensueño 1 to 11” has a mistake in the vertex L8 North of the mining concession “Ensueño 6”. Indeed, the constitutive award says “6,639,990.00” when it should have said “6,639,900.00”. However, actions for requesting the annulment of the concession expired on December 2, 1995. In accordance with technical information provided to us, such mistake causes the reduction of the surface of “Ensueño 6” mining concession from 3 hectares to 1.65 hectares. Nevertheless, please bear in mind that ACG constituted a “layer” on the top of this mining exploitation concession, by filing the mining exploration concessions “Illapel 2” (filed in Andacollo and Ovalle)¹³ and “Illapel 1”. Before SMEAL’s layer, CMP filed mining rights comprising the same area of the above referred mining exploitation concession, however, as stated before, CMP and SMEAL have agreed that CMP will not constitute mining property on ACG Mining Properties constituted under the 1932 Mining Code.

- (b) The mining exploration concessions and the mining exploitation concessions that comprise the ACG Properties are duly registered under the name of ACG and, therefore, are of its sole and exclusive domain, without prejudice of the qualification provided in the preceding section (a) (i).
- (c) No yearly mining patents has been paid in connection with the mining exploration concessions called “Illapel 1”, “Illapel2” (two of them) and “Illapel 3” as they have not being accrued yet. The last three annual mining patents of the mining exploitation concessions that comprise the ACG Properties have been paid. However, as the mining exploitation concessions comprised by the ACG Properties were constituted under the 1932 Mining

¹³ The mining exploration concession “Illapel 2” has been filed twice comprising the same area, at the Civil Court of the city of Andacollo, and at the First Civil Court of the city of Ovalle. The above mentioned action was taken as there was not certainty regarding the competent borough. In fact, the “middle point” of the mining petition, which determines the jurisdiction in accordance with article 37 of the Mining Code, was located in the boundaries of both boroughs (Andacollo and Ovalle).

Code, and we have not seen prove of payments of the mining patents accrued under the 1932 Mining Code, the qualification provided in letter (c) of the Buena Suerte and Pilar Properties applies to the above mentioned mining exploitation concessions.

- (d) The ACG Mining Properties are not subject to liens, prohibitions, embargoes or lawsuits of any kind, with the exception of the prohibition and encumbrance registered in favor of SMEAL by virtue of the ACG Option Agreement, and with the following qualification. The mining exploitation concession "Antonio 1 to 29" is also encumbered by a mortgage and prohibition granted in favor of Empresa Nacional de Minería ("ENAMI") with the purpose of securing a loan granted by such institution to ACG. However, in view of releasing such mortgage and prohibition, SMEAL has undertaken to directly pay ENAMI the outstanding debt, deducting such payments from the installments of the purchase price to be paid to ACG in accordance with ACG Option Agreement.

* * * *

Very truly yours,

Núñez Muñoz & Cía. Ltda., Abogados

Patricia Núñez F.

"Productora is Chile's **largest** and most **advanced** uranium project"

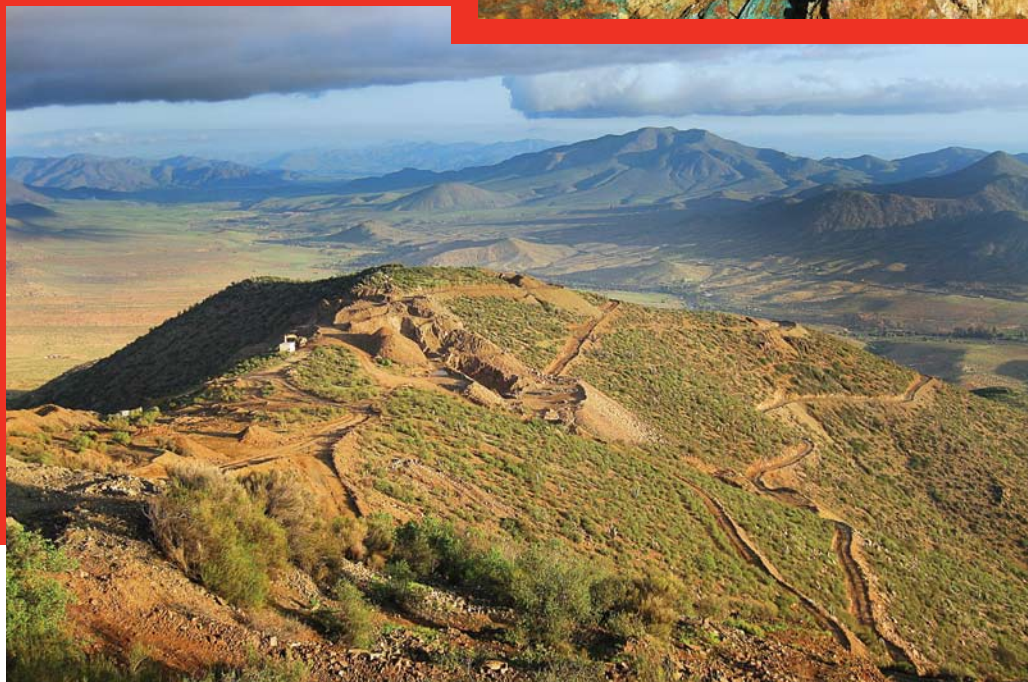


Hot Chili's exploration team,
Productora ROM pad

"**Advanced projects** -
two operating copper mines"

"Uranium, copper and gold ensures **robust** project economics and **diversified investment** to shareholders"

Copper mineralised mantos zone at Los Mantos



Surface development at Los Mantos



RISK FACTORS



8. RISK FACTORS

Investors wishing to subscribe for Shares offered by this Prospectus should read this Prospectus in its entirety in order to make an informed assessment of the effect of the issue of Shares on the Company and the rights attaching to the Shares offered by this Prospectus.

Investors should carefully consider whether Shares in the Company are an appropriate investment for them and should appreciate that share prices can fall as well as rise.

Shares issued under this Prospectus should be viewed as speculative and whilst the Directors recommend the Offer, investors should be aware of, and take into account, the risk factors involved.

This Section is not intended to be an exhaustive list of the considerations to be taken into account by investors in deciding whether to subscribe for Shares, nor all of the risk factors to which the Company is exposed. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, but many are outside the control of the Company and cannot be mitigated.

There are risks associated with investing in any form of business and with investing in the share market generally. All investors should consult their professional advisers if they are in any doubt as to any aspect of this Prospectus, the Offer or any matter relating to an investment in the Company.

8.1 Specific risks associated with the Company

There are also a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its listed securities. In particular, the Company is subject to risks relating to the exploration and development of mineral properties which are not generally associated with other businesses.

Set out below are specific risks that may adversely affect the Company.

Exploration costs

The exploration costs of the Company described in Section 1 are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and,

accordingly, the actual costs may materially differ from these estimates and assumptions. No assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Sovereign risks

While Chile is considered to be one of South America's most politically stable and prosperous nations, it may nevertheless be subject to social and economic uncertainty. Civil and political unrest and outbreaks of hostilities in Chile could affect the Company's access to its projects and subsequent exploration and development.

Adverse changes in government policies or legislation in Chile affecting foreign ownership of mineral interests, taxation, profit repatriation, royalties, land access, labour relations, and mining and exploration activities may affect the operations of the Company.

Commodity price fluctuations

In the event of exploration and development success, any future revenue derived through any future sales of uranium, copper and/or gold exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers and the level of production costs in major commodity-producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities.

Exchange rate fluctuations

The expenditure of the Company are and will be taken into account in Australian, US and Chilean currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the US dollar, the Australian dollar and Chilean currencies as determined in international markets.

8.2 Business risks

Potential investors should understand that uranium, copper and gold exploration and development are high-risk undertakings.

There can be no assurance that exploration of acquired projects or any other exploration properties that may be acquired in the

future, will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no certainty that it can be economically exploited.

Mineral exploration risk

The business of exploration, project development and mining contains risks by its very nature. To prosper, it depends on the successful exploration and/or acquisition of reserves, design and construction of efficient production/processing facilities, competent operation and managerial performance and proficient marketing of the product. In particular, exploration is a speculative endeavour and force majeure circumstances, cost over runs and other unforeseen events can hamper mining operations.

Environmental impact constraints

The Company's exploration programmes will, in general, be subject to approval by governmental authorities. Development of the Company's operations will be dependent on the project meeting environmental guidelines and, where required, being approved by governmental authorities.

Operating risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 6 May 2008, the Company has a minimal exploration history. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its project interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Resource estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by

their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

Title risks

All exploration leases held either by Hot Chili through its Chilean subsidiary company SMEAL or one of its partners, are subject to overlapping applications. Hot Chili has in-place both internal and external land management and land monitoring to ensure appropriate objections are lodged and protection of the leases is maintained.

Refer to the solicitor's report on mining rights set out in Section 7 for further information on mining title in Chile.

Reliance on key management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. No assurance can be given that there will be no detrimental impact on the Company if one or more of these key personnel cease their engagement or employment with the Company.

8.3 General economic and investment risks

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. There are a number of risk factors that investors should consider and seek independent advice on, before deciding whether or not to invest in Shares. The principal risk factors include, but are not limited to, the following:

Economic risks

Economic factors beyond the control of the Company, such as changes in commodity prices, interest rates, inflation, exchange rates and taxation, may negatively affect the Company's exploration, development and production activities, as well as its ability to fund those activities, plus revenue and profitability of the Company.

Share market conditions

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

While Australia is regarded as politically stable, it may nevertheless be subject to social and economic uncertainty. The laws pertaining to tenure of title may change which could slow the activities of the Company, render them uneconomical or affect its financial performance and the value of its assets.

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

Surface litho-structural mapping at Productora



Consultant Dr John Beeson investigating alluvial workings at Productora

A wide-angle photograph of a desert landscape. In the foreground, two white pickup trucks are parked on a dirt road. The terrain is hilly and covered with sparse, dry vegetation. In the background, there are more hills and mountains under a clear blue sky. A large, dark, wavy graphic element is overlaid at the bottom of the image.

SUMMARY OF MATERIAL CONTRACTS

9

9. SUMMARY OF MATERIAL CONTRACTS

9.1 Introduction

Set out below are summaries of various contracts entered into by the Company or the 99.9% owned subsidiary of the Company, Sociedad Minera El Águila Limitada (**SMEAL**), which are considered to be material to the Company or a potential investor in the Company.

9.2 Productora project

(a) Option Agreement between Compañía Minera del Pacífico and SMEAL

On 5 October 2009 SMEAL entered into an option agreement with Compañía Minera del Pacífico (**CMP**), (**CMP Option Agreement**), pursuant to which CMP granted to SMEAL an irrevocable option to purchase 65% of each of the mining exploitation and exploration concessions owned by CMP (**CMP Properties**), as well as 65% of each of the claims and mining exploitation concessions that may be constituted in the future as a result of such exploration concessions.

Purchase price

The purchase price for the option was the amount in Chilean pesos equivalent to US\$100,000, which has been paid by means of a promissory bank note.

Term and exercise of the option

The option may be exercised by SMEAL at any time before 5 October 2014 provided SMEAL has:

- either incurred an amount in Chilean pesos equivalent to US\$4,000,000 in exploration expenses on the CMP Properties, or to the extent that such exploration expenditure has not been incurred, paid the outstanding amount to CMP; and
- either assumed additional expenditure commitments for the conduct of a definitive feasibility study or promised to incur such additional expenditure after exercising the option.

The option term may be extended for up to one year in the event that the audit procedure carried out in connection with the exploration expenses has not been completed, or if a force majeure event occurs.

If SMEAL exercises the option, CMP must transfer a 65% interest in the CMP Properties to SMEAL free of any encumbrance or impediment that may affect their free use, enjoyment or disposition.

Exploration and expenditure commitments

During the term of the agreement, SMEAL is required to conduct exploration on the CMP Properties and is authorised by CMP to conduct exploration, surveying and prospecting at SMEAL's expense. SMEAL is required to incur exploration expenses totalling the Chilean pesos equivalent to US\$4,000,000, as follows:

- US\$750,000 during the first year;
- US\$500,000 during each of the second and third years;
- US\$1,000,000 during the fourth year; and
- US\$1,250,000 during the fifth year.

Expenditure incurred in excess of the requirement for a year shall accrue to the expenditure requirement for the succeeding year.

During the term of the option SMEAL must maintain the CMP Properties at its expense.

Definitive feasibility study

If SMEAL considers the results of the exploration works carried out within the CMP Properties to have achieved positive results (being a matter determined at the exclusive judgment of SMEAL), it may commit to incurring minimum additional expenses for the purpose of completing a definitive feasibility study.

Contractual mining company

If the option is exercised, the agreement recognizes that various registrations under Chilean law shall take place, thereby creating a "legal mining company" which shall acquire all of the CMP Properties. SMEAL shall hold 65% of the shares in the legal mining company and CMP shall hold 35% of the shares in the legal mining company. The parties agree to transform the legal mining company into a contractual mining company, with SMEAL holding 65% of the shares and CMP holding 35% of the shares.

SMEAL and CMP shall share in the profits of the mining company in accordance with their respective shares.

The agreement provides for an agreed form of by-laws of the contractual mining company and a form of shareholders' agreement governing the parties' ownership of the mining company.

Access and occupation easements

CMP shall grant in favour of either the contractual mining company, SMEAL or any of its subsidiaries, the necessary easements, including access and occupation easements. Such easements shall be constituted for a market value and shall cover such areas as agreed between the parties. The expenses resulting from the establishment of such easements shall be borne in accordance with the parties' shares in the mining company.

Non-exercise of option in first year of option term

If SMEAL does not exercise the option during the first year of the option term, SMEAL must pay to CMP the amount not incurred on account of exploration expenses during the first year up to the amount in Chilean pesos equivalent to US\$750,000.

Assignment

SMEAL may assign its rights under the CMP Option Agreement to a subsidiary, parent company or an affiliate of SMEAL, or to a company that is or will be listed publicly on ASX or any other stock exchange that SMEAL considers appropriate to the financing needs of the project to be developed in the CMP Properties.

(b) Ancillary agreement between CAP S.A. and Hot Chili

On 6 August 2009 Hot Chili provided to Compañía de Acero de Pacifico S.A (CAP), the parent company and sole shareholder of CMP, a letter of intent which confirmed that, through its subsidiary SMEAL, it was then engaged in the negotiation of a joint venture option agreement with CMP. Under the letter of intent Hot Chili has given certain undertakings to CAP to the effect that on completion of the Company's listing on ASX, CAP or its nominated wholly-owned subsidiary:

- must hold 5% of the Shares issued by Hot Chili; and
- has a preferential right to participate in future equity raisings by the Company such that CAP (or its subsidiary) may increase its shareholding interest in the Company from 5% to 10%.

(c) Option Agreement between Mr Glenn Burns Dacre and SMEAL

On 8 July 2009 SMEAL entered into an option agreement with Mr Glenn Burns Dacre (GBD), (GBD Option Agreement), pursuant to which GBD granted to SMEAL an irrevocable option to purchase 65% of each of the mining exploitation concessions owned by GBD and included in the agreement (GBD Properties).

Purchase price

The purchase price for the option was the amount in Chilean pesos equivalent to US\$100,000, which has been paid by means of a promissory bank note.

Term and exercise of the option

The option may be exercised by SMEAL at any time before 8 July 2014 provided SMEAL has:

- either incurred an amount in Chilean pesos equivalent to US\$500,000 in exploration expenses on the GBD Properties, and that no less than 65% of this amount has been spent on "in ground" expenses; or
- to the extent that such exploration expenditure has not been incurred, paid the outstanding amount to GBD.

The option term may be extended for up to one year in the event that the audit procedure carried out in connection with the exploration expenses has not been completed, or if a force majeure event occurs.

If SMEAL exercises the option, GBD must transfer a 65% interest in the GBD Properties to SMEAL free from any encumbrance or impediment that may affect their free use, enjoyment or disposition.

Exploration expenses and expenditure commitments

During the term of the agreement SMEAL is required to conduct exploration on the GBD Properties and is authorised by GBD to conduct exploration, surveying and prospecting at SMEAL's expense. SMEAL is required to incur exploration expenses totaling the Chilean pesos equivalent to US\$500,000, as follows:

- US\$100,000 during each of the first, second and third years; and
- US\$200,000 during the fourth year.

Expenditure incurred in excess of the requirement for a year shall accrue to the expenditure requirement for the succeeding year.

During the term of the option SMEAL must maintain the GBD Properties at its expense.

Definitive feasibility study

If SMEAL considers the results of the exploration works carried out within the GBD Properties have achieved positive results (being a matter determined at the exclusive judgment of SMEAL), it may commit to incurring minimum additional expenses for the purpose of completing a definitive feasibility study.

Contractual mining company

If the option is exercised, the agreement recognizes that various registrations under Chilean law shall take place, thereby creating a “legal mining company” which shall acquire all of the GBD Properties. SMEAL shall hold 65% of the shares in the legal mining company and GBD shall hold 35% of the shares in the legal mining company. The parties agree to transform the legal mining company into a contractual mining company, with SMEAL holding 65% of the shares and GBD holding 35% of the shares.

SMEAL and GBD shall share in the profits of the mining company in accordance with their respective shares.

The agreement provides for an agreed form of by-laws of the contractual mining company and a form of shareholders’ agreement governing the parties’ ownership of the mining company.

Non-exercise of option in first year of option term

If SMEAL does not exercise the option during the first year of the option term, SMEAL must pay to GBD the amount not incurred on account of exploration expenses during the first year up to the amount in Chilean pesos equivalent to US\$100,000.

Assignment

SMEAL may assign its rights under the GBD Option Agreement to a subsidiary, parent company or an affiliate of SMEAL, or to a company that is or will be listed publicly on ASX or any other stock exchange that SMEAL considers appropriate to the financing needs of the project to be developed in the GBD Properties.

(d) Option Agreement between Sociedad Legal Minera Productora Uno Sierra Coyigualles and SMEAL

On 18 November 2009 SMEAL entered into an option agreement with Sociedad Legal Minera Productora Uno Sierra Coyigualles (**SLM Productora**), (**SLM Productora Option Agreement**), pursuant to which SLM Productora granted to SMEAL the irrevocable option to purchase SLM Productora mining exploitation concession “Productora Uno al Dieciséis” (Productora 1 to 16) (**SLM Productora Property**).

Purchase price

The purchase price for the SLM Productora Option was the amount in Chilean pesos equivalent to US\$7,750,000. The instalments of the purchase price are to be paid in Chilean pesos equivalent to the following amounts:

- US\$100,000 execution payment, which has already been paid;
- US\$100,000 on 18 November 2010;
- US\$100,000 on 18 November 2011;
- US\$100,000 on 18 November 2012;
- US\$100,000 on 18 November 2013; and
- US\$7,250,000 on 18 November 2014 (exercise payment).

During the term of the option SMEAL is authorised by SLM Productora to conduct exploration, surveying and prospecting, and must maintain the SLM Productora Properties at its expense.

Should SMEAL refuse to exercise the option, the obligation to continue making the purchase price payments shall cease immediately.

Term and exercise of the option

The option may be exercised by SMEAL at any time before 18 November 2014 provided SMEAL has, at the time of exercising the option, paid any outstanding instalments of the purchase price by means of a promissory bank note. SMEAL must give SLM Productora 120 days’ advance notice of its intention to exercise the option.

Encumbrances – lease to third party

The SLM Productora Property is currently burdened by a lease agreement dated 3 September 2008 granted in favour of Sociedad Legal Minera Playa Brava Una de La Sierra Quebrada de las Cañas (**Lessee**), as amended by deed dated 18 November 2009 (together, **Lease**).

The Lease may be terminated by SLM Productora giving 120 days’ notice of termination of the Lease (**Termination Notice**) and paying the Lessee the sum of US\$3,500,000.

Under the Lease and for as long as the SLM Productora Option Agreement is in force, the Lessee undertakes:

- to cease all mining activities in the SLM Productora Property once the Termination Notice is received;

- to remove all assets the Lessee may have on the SLM Productora Property within six months from the date of receipt of the Termination Notice (if such assets are not removed within six months, the assets will belong to the owner of the property);
- not to extract more than 1,300,000 tonnes of gross ore material, with SMEAL having the right to audit the performance of such obligation;
- to provide SMEAL with any technical data it may have regarding the SLM Productora Property; and
- to avoid undertaking any activity that may interfere with the exploration works carried out by SMEAL on such property.

Should the Lease be in force at the time SMEAL exercises the option, SLM Productora authorises SMEAL to pay to the Lessee, as a deduction from the purchase price of the SLM Productora Property, the amount in Chilean pesos equivalent to US\$3,500,000 to terminate the Lease.

Assignment

SMEAL may assign its rights under the SLM Productora Option Agreement to a subsidiary, parent company or an affiliate of SMEAL, or to a company that is or will be listed publicly on ASX or any other stock exchange that SMEAL considers appropriate to the financing needs of the project to be developed in the SLM Productora Property.

If SMEAL were to acquire or constitute mining rights of any nature in the SLM Productora Property during the term of the SLM Productora Option Agreement, SLM Productora shall not oppose such mining rights. If SMEAL does not exercise the option, it shall assign such mining rights to SLM Productora for nominal value.

SLM Productora also undertakes the obligation not to assign the Lease Agreement without the previous and written consent of SMEAL.

(e) Option Agreement between Sociedad Legal Minera Buena Suerte Una de la Sierra Tamarico, Sociedad Legal Minera Pilar Uno de la Sierra Tamarindo and SMEAL

On 18 November 2009 SMEAL entered into an option agreement with Sociedad Legal Minera Buena Suerte Una de la Sierra Tamarico (**Buena Suerte**) and Sociedad Legal Minera Pilar Uno de la Sierra Tamarindo (**Pilar**), (**Buena Suerte and Pilar Option Agreement**), pursuant to which Buena Suerte and Pilar granted to SMEAL the irrevocable option to purchase a mining exploitation concession from Buena Suerte (**Buena Suerte Option**) and a mining exploitation concession from Pilar (**Pilar Option**) (together, **Buena Suerte and Pilar Properties**).

Purchase price

The purchase price for the Buena Suerte Option and the Pilar Option was the amount in Chilean pesos equivalent to US\$700,000 and US\$300,000 respectively, (US\$1,000,000 in total). The instalments of the purchase price are to be paid in Chilean pesos equivalent to the following amounts:

- US\$20,000 execution payment, which has already been paid;
- US\$50,000 on 18 November 2010;
- US\$50,000 on 18 November 2011;
- US\$50,000 on 18 November 2012;
- US\$50,000 on 18 November 2013; and
- US\$780,000 on 18 November 2014 (exercise payment).

During the term of the option SMEAL is authorised by Buena Suerte and Pilar to conduct exploration, surveying and prospecting, and must maintain the Buena Suerte and Pilar Properties at its expense.

Should SMEAL refuse to exercise the option, the obligation to continue making the purchase price payments shall cease immediately.

Term and exercise of the option

The Buena Suerte Option and Pilar Option may be jointly exercised at any time before 18 November 2014 provided SMEAL, at the time of exercising the option, has paid any outstanding instalments of the purchase price by means of a promissory bank note.

Assignment

SMEAL may assign the rights that it is entitled to in the Buena Suerte and Pilar Option Agreement to a subsidiary, parent company or an affiliate of SMEAL, or to a company that is or will be listed publicly on ASX or on any other stock exchange that SMEAL considers appropriate to the financing needs of the project to be developed in the Buena Suerte and Pilar Properties.

If SMEAL were to acquire or constitute mining rights of any nature in the Buena Suerte and Pilar Properties during the term of Buena Suerte and Pilar Option Agreement, Buena Suerte and Pilar shall not oppose such mining rights. If SMEAL does not exercise the option, it shall assign the mining rights to Buena Suerte and Pilar for nominal value.

9.3 Chile Norte Project

(a) Exploration Agreement and Promise of Incorporation between Compañía Contractual Minera Los Andes and SMEAL

On 22 October 2009 SMEAL entered into an exploration agreement and promise of incorporation with Compañía Contractual Mineral Los Andes (**Los Andes**), a subsidiary of CODELCO, (**Los Andes Exploration Agreement**), pursuant to which Los Andes granted to SMEAL the exclusive right to carry out exploration works within the mining rights comprised by the Los Andes Exploration Agreement (**Los Andes Properties**).

Exploration expenses and expenditure commitments

During the term of the agreement SMEAL is required to conduct exploration on the Los Andes Properties and is authorised by Los Andes to conduct exploration and prospecting at SMEAL's expense. SMEAL is required to incur exploration expenses totalling the Chilean pesos equivalent to US\$2,000,000, with instalments of the purchase price being paid as follows:

- US\$150,000 during the first year;
- US\$300,000 during the second year;
- US\$300,000 during the third year;
- US\$500,000 during the fourth year; and
- US\$750,000 during the fifth year.

During the term of the Los Andes Exploration Agreement, SMEAL must reimburse Los Andes for the maintenance of, and all mining patents accrued in respect of, the Los Andes Properties.

SMEAL must also complete a bankable feasibility study.

Provided the exploration expenses and the bankable feasibility study have been completed and upon approval of the decision to construct, adopted by a technical committee comprised of representatives of both parties, SMEAL shall pay to Los Andes the amount in Chilean pesos equivalent to US\$2,000,000 within 30 days from the date on which the decision to construct was adopted.

Promise to incorporate

Upon payment by SMEAL to Los Andes of US\$2,000,000, the parties shall incorporate a company. SMEAL shall hold 65% of the corporate interest and Los Andes shall hold 35% of the corporate interest in the company.

Provided that all expenditure commitments set out above are fulfilled, the company may be incorporated at any time within the 5 year term. SMEAL shall not be obliged to incur exploration expenses that accrue after the adoption of the referred decision to construct.

The agreement provides for an agreed form of by-laws of the contractual mining company and a form of shareholders' agreement governing the parties' ownership of the mining company.

Termination

SMEAL may terminate the Los Andes Exploration Agreement at any time. If SMEAL terminates the agreement during the first year, it shall pay to Los Andes the amounts not disbursed on account of exploration expenses up to the amount in Chilean pesos equivalent to US\$150,000. SMEAL has provided a performance bond to Los Andes, to ensure payment of such amount.

Assignment

Neither Los Andes nor SMEAL are authorised to assign any rights under the Los Andes Exploration Agreement, except to an affiliate company. Written notice shall be given to the other party and the assignee shall agree to undertake all obligations of its assignor under the agreement.

Once the investment of US\$2,000,000 has been satisfied, SMEAL may sell or assign its rights and obligations under the Los Andes Exploration Agreement to a company whose market capital is at least equal to US\$5,000,000,000, according to the appraisal instructions set out in the agreement. SMEAL shall give prior notification to Los Andes, who shall have a pre-emptive right to acquire the rights from SMEAL, in accordance with rules set out in the Los Andes Exploration Agreement.

(b) Agreement to Constitute Mining Property and Sales Promise of Mining Rights between Mr Rodrigo Muñoz Urbina and SMEAL

On 26 November 2008 Mr Rodrigo Muñoz Urbina (**RMU**) and SMEAL entered into an agreement by virtue of which RMU undertook to file in his own name the mining rights in the area known as 'Salar Grande Los Lobos' (**RMU Properties**), and to transfer the RMU Properties to SMEAL once all such properties have been duly constituted and upon SMEAL's request, are free of any encumbrance or impediment that may affect their free use, enjoyment or disposition.

All expenses associated with the constitution, protection and maintenance of the RMU Properties are to be directly borne by SMEAL.

The RMU Properties shall be transferred for nominal value.

9.4 Los Mantos project

(a) Option Agreement between Mr Aldo Cordero Godoy and SMEAL

On 4 June 2009, SMEAL entered into an option agreement with Mr Aldo Cordero Godoy (**ACG**), as complemented by the option agreement dated 19 June 2009 (together, **ACG Option Agreement**), pursuant to which ACG granted to SMEAL an irrevocable option to purchase the mining exploitation and exploration concessions referred to in the agreement (**ACG Properties**).

Purchase price

The purchase price for the option granted in the ACG Option Agreement was the amount in Chilean pesos equivalent to US\$2,470,000. The instalments of the purchase price are to be paid as follows:

- US\$220,000 execution payment, which has already been paid;
- US\$50,000 on 4 June 2010;
- US\$50,000 on 4 June 2011;
- US\$50,000 on 4 June 2012;
- US\$100,000 on 4 June 2013; and
- US\$2,000,000 on 4 June 2014.

During the term of the option SMEAL must pay for the maintenance of, and all mining patents accrued in connection with, the ACG Properties.

Term and exercise of the option

SMEAL may exercise the option at any time before 4 June 2014 provided SMEAL has paid any outstanding instalments of the purchase price at the time of exercising the option.

Royalty

SMEAL undertakes to pay ACG an annual royalty equivalent to 0.5% of all the marketable minerals obtained as a result of the exploitation of ACG Properties within the corresponding year. The royalty will be calculated based on the average sale price obtained by SMEAL during the relevant royalty period.

Further obligations and rights of ACG

During the term of the ACG Option Agreement, ACG undertakes:

- to extract no more than 30,000 tonnes of marketable minerals existing within the ACG Properties;
- to grant SMEAL access to the ACG Properties in order to verify compliance with the above commitment; and
- not to interfere with the exploration works and other activities carried out by SMEAL within the properties.

Encumbrances

The exploitation concession “Antonio 1 al 29” is encumbered by a mortgage and prohibition granted in favour of Empresa Nacional de Minería (**ENAMI**) on account of the debt acquired by ACG by virtue of the Recognition of Mining Resources and/or Reserves and Planning Agreement, executed by the former parties on 31 July 2008.

Throughout the term of the ACG Option Agreement, ACG promises not to contract with ENAMI new debts that are guaranteed by the “Antonio 1 al 29” exploitation concession in excess of the amount in Chilean pesos equivalent to US\$70,103, due on account of the Recognition of Mining Resources and/or Reserves and Planning Agreement. ACG duly authorises SMEAL to directly pay ENAMI, on its behalf, the outstanding amounts that exist on account of the latter agreement. Such payment shall seek to extinguish any pending obligation with ENAMI and allow the release of the mortgage and prohibition that burden “Antonio 1 al 29”. The payment made to ENAMI by SMEAL shall be deducted from the amount that SMEAL shall then pay to ACG upon exercising the offered option.

SMEAL shall pay the outstanding instalments of the purchase price to ENAMI in accordance with the schedule provided in the ACG Option Agreement.

Assignment

SMEAL may assign its rights under the ACG Option Agreement to a subsidiary, parent company or an affiliate of SMEAL, or to a company that is or will be listed publicly on ASX or any other stock exchange that SMEAL considers appropriate to the financing needs of the project to be developed in the ACG Properties.

9.5 DJ Carmichael Mandate

Pursuant to a mandate agreement dated 11 December 2009, the Company has engaged DJ Carmichael Pty Ltd and Carmichael Corporate Pty Ltd (together, **DJ Carmichael**) on an exclusive basis as lead manager, sponsoring broker and corporate adviser to the Company in respect of the Offer and pre-Offer seed capital raising.

A 6% fee was paid to DJ Carmichael for the seed and pre-Offer capital raising. In addition, DJ Carmichael was granted 340,000 Options and paid the sum of \$15,000 for their services in respect of the pre-Offer capital raising.

The fees paid or payable to DJ Carmichael in respect of the Offer comprise:

- a sponsoring broker fee of \$40,000;
- a 5% placement fee based on the total funds raised under the Offer; and
- a 1% management fee of the total funds raised.

DJ Carmichael will also be granted that number of Options equal to 1% of the number of Shares issued under the Offer, being 300,000 Options in the event of minimum subscription to the offer and 400,000 Options if the maximum subscription is achieved. The terms of the Options are set out in Section 10.2.

The terms of the Options are set out in Section 10.2.

Under the agreement, the Company agrees to indemnify DJ Carmichael against all actions, claims, demands or proceedings which may be instituted against DJ Carmichael, and all liabilities, losses, damages, costs and expenses (including reasonable legal costs and expenses) which may be suffered by DJ Carmichael in connection with or arising from this engagement. However, the Company will not be responsible for any liabilities, losses, damages, costs or expenses to the extent to which they result from wilful default or negligence on the part of DJ Carmichael.

9.6 Executive Service Agreement – Christian Easterday

The Company has entered into an executive service agreement with Mr Christian Easterday, as Managing Director of the Company.

Remuneration

Under the agreement, Mr Easterday will receive an annual salary of \$220,000, plus superannuation at the rate of 12% and other entitlements. Mr Easterday's remuneration is subject to annual review.

Term and termination

Mr Easterday is employed for an initial term of 3 years, commencing on 5 April 2010 (**End Date**). At least 6 months' before the End Date, either party may give notice that the agreement will terminate on the End Date.

During the initial 3 year term, the Company may terminate the agreement by providing Mr Easterday with notice of termination or payment in lieu of notice up to an amount equivalent to 6 months' remuneration.

After the initial term, the agreement will continue until either Mr Easterday terminates the agreement by giving the Company 6 months' notice, or the Company terminates the agreement by giving Mr Easterday 6 months' notice or payment in lieu of notice up to an amount equivalent to 6 months' remuneration.

The Company may terminate the agreement summarily for any serious incidents of wrongdoing by Mr Easterday.

Termination entitlements

Upon termination of the agreement, Mr Easterday will be entitled to termination benefits in accordance with Part 2D.2 of the Corporations Act. The termination benefits (including any amount of payment in lieu of notice) must not exceed the amount equal to one times the executive's average annual base salary in the last three years' of service with the Company, unless the benefit has first been approved by Shareholders in a general meeting.

Post termination restraints

Mr Easterday is subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination.



ADDITIONAL INFORMATION

10

10. ADDITIONAL INFORMATION

10.1 Rights and liabilities attaching to Shares

The Shares issued under this Prospectus will be fully paid ordinary shares in the capital of the Company and will rank equally with the Existing Shares.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the Shares. Full details of the rights and liabilities attaching to the Shares are contained in the Constitution of the Company and in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the common law.

The Constitution is available for inspection free of charge at the Company's registered office.

- (a) **Share capital:** All issued ordinary fully paid Shares rank equally in all respects.
- (b) **Voting rights:** At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and in respect of each partly paid Share held, a fraction of a vote equal to the proportion which the amount paid is of the total amounts paid and payable. Where there is an equality of votes, the chairman has a casting vote.
- (c) **Dividend rights:** Subject to the rights of persons entitled to Shares with special rights to dividends (at present there are none), all dividends as declared by the Directors shall be payable on all Shares in proportion to the amount of capital paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividends is paid, unless the Share is issued on terms providing to the contrary.

Dividends are payable only out of the profits of the Company as determined by the Directors. The Directors may, before declaring any dividend, set aside out of the profits of the Company such amounts as they may determine as reserves. The Directors may direct that payment of the dividend be made wholly or in part by the distribution of specific assets or other securities of the Company.

- (d) **Rights on winding-up:** If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

- (e) **Transfer of Shares:** Shares in the Company may be transferred by such means in accordance with the Constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules.

The Directors may refuse to register a transfer of Shares only in those circumstances permitted by the ASX Listing Rules and the ASTC Settlement Rules.

- (f) **Further increases in capital:** Subject to the Constitution, the Corporations Act and the ASX Listing Rules, Shares in the Company are under the control of the Directors, who may allot or dispose of all or any of the Shares to such persons, and on such terms, as the Directors determine.

Subject to the ASX Listing Rules, the Directors have the right to grant Options or other securities with rights of conversion to Shares or pre-emptive rights to any Shares, to any person, for any consideration and for any stock.

- (g) **Variation of rights attaching to Shares:** The rights attaching to the Shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those Shares of that

class, or in certain circumstances, with the written consent of the holders of at least seventy-five percent (75%) of the issued Shares of that class. Such variations are subject to sections 246B and 246E of the Corporations Act.

- (h) **General meeting:** Each holder of Shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Corporations Act and the ASX Listing Rules.
- (i) **ASX Listing Rules compliance:** If the Company is admitted to the Official List, then despite anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

10.2 Options

As at the date of this Prospectus, the Company has granted 40,340,000 Options.

Pursuant to the terms of the DJ Carmichael mandate agreement, the Company will grant DJ Carmichael a further 300,000 Options in the event of minimum subscription to the Offer, or 400,000 Options in the event of maximum subscription to the Offer.

The existing Options and the Options to be granted by the Company have been granted, or will be granted, on the terms and conditions set out below.

- (a) Each option entitles the holder (**Option Holder**) to subscribe for one fully paid ordinary Share in the Company (**Option**).
- (b) No amount is payable on grant of the Options.
- (c) The exercise price of each Option is \$0.20.
- (d) Each Option may be exercised at any time before 5.00pm WST on the day 42 months after the Listing Date (**Expiry Date**). Any Option not exercised by the Expiry Date will automatically expire.
- (e) The Company must give the Option Holder a certificate or Holding Statement stating:
 - (i) the number of Options issued to the Option Holder;
 - (ii) the exercise price of the Options; and
 - (iii) the date of issue of the Options.
- (f) The Options are transferable. Subject to the ASX Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:
 - (i) a proper ASTC transfer or any other method permitted by the Corporations Act; or
 - (ii) a prescribed instrument of transfer.
- (g) An instrument of transfer of an Option must be: in writing; in any usual form or in any other form approved by the Directors that is otherwise permitted by law; subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and delivered to the Company, at the place where the Company's register of Option Holders is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
- (h) The Options are not listed for quotation on ASX.
- (i) The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Options.

- (j) The Option Holder is not entitled to participate in any new issue to Existing Shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with ASX Listing Rules.
- (k) If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue.
- (l) If the Company makes a pro-rata issue of Shares (except a bonus issue) to Existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the exercise price of each Option is reduced in accordance with ASX Listing Rule 6.22.2.
- (m) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Options to which the Option Holder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (n) Any calculations or adjustments which are required to be made will be made by the Company's board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
- (o) The Company must, within a reasonable period, give to the Option Holder notice of any change to the exercise price of any Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Option.
- (p) To exercise Options, the Option Holder must give the Company or its share registry, at the same time:
 - (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and Shares to be issued;
 - (ii) payment of the exercise price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company; and
 - (iii) any certificate for the Options.
- (q) The Option Holder may only exercise Options in multiples of 5,000 Options unless the Option Holder exercises all Options held by the Option Holder.
- (r) Options will be deemed to have been exercised on the date the exercise notice is lodged with the Directors of the Company.
- (s) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:
 - (i) the Option Holder must surrender their Option certificate (if any); and
 - (ii) the Company must cancel the Option certificate (if any) and issue the Option Holder a new Option certificate or Holding Statement stating the remaining number of Options held by the Option Holder.
- (t) Within 10 days after receiving an application for exercise of Options and payment by the Option Holder of the exercise price, the Company must issue the Option Holder the number of Shares specified in the application.
- (u) Subject to the Company's Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) *pari passu* with the existing ordinary shares of the Company at the date of issue.
- (v) These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

10.3 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director nor any entity in which such a Director is a partner or director, has or has had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind have been paid or agreed to be paid (whether in cash, Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or to any entity in which such a Director is a partner or director, either to induce him to become, or to qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company or the Offer.

10.4 Security holding interests of Directors

At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company are as follows:

Director	Shares (direct interest)	Shares (indirect interest)	Options ¹
Murray Edward Black ^{2(a)}	Nil	10,000,000	6,750,000
Christian Ervin Easterday ^(b)	200,000	10,000,000	6,850,000
Bernard Roland Mountford ³	Nil	1,333,333	1,000,000

Notes:

1. Exercisable at \$0.20 each on or before 42 months post public listing date (not quoted on ASX).
2. Kalgoorlie Auto Services Pty Ltd, a company controlled by Murray Black, a Director, holds 40,000,000 Shares and 27,000,000 Options as follows:
 - (a) 10,000,000 Shares and 6,750,000 Options are held in its own right;
 - (b) 10,000,000 Shares and 6,750,000 Options are held on trust for Christian Easterday, a Director; and
 - (c) 20,000,000 Shares and 13,500,000 Options are held on trust for third parties who are not related to Directors (unrelated parties).
3. Norman Lester Mountford holds 1,333,333 Shares and 1,000,000 Options on trust for Bernard Roland Mountford, a Director.

Directors may acquire Shares offered pursuant to this Prospectus.

10.5 Deeds of Access, Indemnity and Insurance

The Company has entered into deeds of indemnity, insurance and access with each Director.

Under the deeds the Company has undertaken, subject to the restrictions in the Corporations Act, to:

- (a) indemnify each Director and officer in certain circumstances;
- (b) maintain directors' and officers' insurance cover (if available) in favour of each Director whilst a Director and for 7 years after the Director or officer has ceased to be a Director;
- (c) cease to maintain directors' and officers' insurance cover in favour of each Director if the Company reasonably determines that the type of coverage is no longer available; and
- (d) provide access to any Company records which are relevant to the Director's holding of office with the Company, for a period of 7 years after the Director has ceased to be a Director.

10.6 Remuneration of Directors

The Constitution of the Company provides that the Directors may be paid for their services as Directors.

The Constitution provides that Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum set by Shareholders in general meeting. The aggregate maximum is presently set at \$600,000.

Details of the remuneration payable to the Managing Director are set out in Section 9.6.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services outside the scope of their normal duties. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

10.7 Expenses of the Offer

In the event that the Offer achieves the minimum subscription of 30,000,000 Shares, the estimated expenses payable by the Company in respect of costs associated with this Prospectus and the Offer are as set out in the following table:

Nature of fees	Amount (\$)
Offer management fees	\$20,000
Legal fees	\$100,000
Accounting fees	\$24,000
Brokerage fees	\$360,000
Sponsoring broker fees	\$40,000
Independent geological expert fees	\$35,000
Printing and design fees	\$25,000
ASIC fees	\$2,000
ASX fees	\$64,000
Total	\$670,000

10.8 Taxation implications

The taxation obligations and the effects of participating in the Offer can vary depending on the circumstances of each individual investor. Investors who are in doubt as to their taxation position should seek professional advice. It is sole responsibility of potential Applicants to inform themselves of their taxation position resulting from participation in the Offer.

The Directors do not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential applicants.

The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to investors.

10.9 Litigation

As at the Prospectus Date, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

10.10 Consents and liability statements

DJ Carmichael has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as lead manager, sponsoring broker and corporate advisor to the Offer in the form and context in which it is named.

McKenzie Moncrieff Pty Ltd (trading as McKenzie Moncrieff Lawyers) has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as solicitors to the Company in the form and context in which it is named.

Núñez Muñoz has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as solicitors reporting on mining rights and to the inclusion of its legal opinion report on mining rights in this Prospectus.

Mr Allen J. Maynard and Al Maynard & Associates Pty Ltd have given and have not, before lodgement of this Prospectus with the ASIC, withdrawn their consent to be named in this Prospectus as Independent Geologist and to the inclusion of the Independent Geologist's Report in this Prospectus.

Dr John Beeson of Jigsaw Geoscience Pty Ltd has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn his consent to the inclusion of statements in the Independent Geologist's Report which are taken from and which are attributed to the report of Dr John Beeson entitled "Reconnaissance mapping and sampling on the Productora project", Republic of Chile (Jigsaw Geoscience) dated August 2009 and being named in the Prospectus in the form and context in which he is named in the Prospectus.

RSM Bird Cameron Corporate Pty Ltd has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as Investigating Accountant in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report in this Prospectus.

RSM Bird Cameron Partners has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as Auditor to the Company in the form and context in which it is named.

Security Transfer Registrars Pty Ltd has given and has not, before lodgement of this Prospectus with the ASIC, withdrawn its consent to be named in this Prospectus as the Company's Share Registry in the form and context in which it is named.

Each of DJ Carmichael, McKenzie Moncrieff Lawyers, Núñez Muñoz, Mr Allen J. Maynard, Al Maynard & Associates Pty Ltd, Dr John Besson, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners and Security Transfer Registrars Pty Ltd:

- (a) did not authorise or cause the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in this Section 10.10; and
- (c) to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with consent of that party as specified in this Section 10.10.

"one of the **world's best**
iron-oxide-copper-gold (IOCG) provinces"

10.11 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (whether in cash, Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offers.

DJ Carmichael is acting as lead manager, sponsoring broker and corporate adviser to the Offer and will be entitled to receive a fee of 6% of the total amount raised under this Prospectus, together with the re-imbursment of any expenses that they incur associated with the Offer. DJ Carmichael will also be entitled to be granted that number of Options equal to 1% of the number of Shares issued under this Prospectus. In addition, DJ Carmichael have been paid or is entitled to be paid approximately \$40,000 (plus GST) and have been granted 340,000 Options for services provided to the Company in the period two years prior to the date of this Prospectus. Further details of the interests of DJ Carmichael are set out in Section 9.5. Directors and employees of DJ Carmichael hold securities in the Company.

McKenzie Moncrieff Lawyers has acted as solicitors to the Company in relation to the Offer and legal due diligence enquiries in respect of the Company and is entitled to be paid up to \$50,000 (plus GST) in respect of these services. In addition, McKenzie Moncrieff Lawyers has been paid or is entitled to be paid approximately \$11,500 (plus GST) for legal services provided to the Company in the period two years prior to the date of this Prospectus.

Núñez Muñoz has acted as solicitors reporting on mining rights and is entitled to be paid up to \$50,000 in respect of these services. In addition, Núñez Muñoz has been paid or is entitled to be paid \$536,620 for legal services provided to the Company in the period two years prior to the date of this Prospectus.

Mr Allen J. Maynard, of Al Maynard & Associates Pty Ltd, has prepared the Independent Geologist's Report. The Company has paid or will pay an amount of approximately \$35,000 for these services.

RSM Bird Cameron Corporate Pty Ltd has prepared the Investigating Accountant's Report. The Company has paid or will pay an amount of approximately \$25,000 for accounting services and the Investigating Accountant's Report.

RSM Bird Cameron Partners acts as auditor of the Company and has been paid \$26,834 (plus GST) for the provision of professional services in relation to the auditing of the financial statements of the Company and other professional services in the period two years prior to the date of this Prospectus.

10.12 Directors' statement

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board by:



Christian Ervin Easterday, Managing Director
for and on behalf of the Company

8 March 2010



GLOSSARY OF TERMS



\$A or A\$ or \$	Australian dollars, unless otherwise indicated.
\$US or US\$	US dollars.
Applicant	A person who applies for Shares in accordance with this Prospectus.
Application	A valid application for Shares offered under this Prospectus.
Application Form	A paper or electronic application form attached to this Prospectus.
Application Monies	Money received from an Applicant in respect of an Application.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.
ASTC Settlement Rules	The rules of ASTC.
ASX	ASX Limited ACN 008 624 691, trading as the Australian Securities Exchange.
ASX Listing Rules	The listing rules of ASX.
Auditor	RSM Bird Cameron Partners.
Board	The Board of Directors of the Company.
CAP	Compañía de Acero del Pacífico S.A.
CCHEN	Comisión Chilena de Energía Nuclear, being the Chilean Commission for Nuclear Energy.
CHES	Clearing House Electronic Subregister System.
Closing Date	The closing date of the Offer, being 16 April 2010 unless otherwise varied by the Company.
CMP	Compañía Minera del Pacífico, a subsidiary of CAP.
CODELCO	Corporación Nacional del Cobre de Chile.
Company	Hot Chili Limited ACN 130 955 725.
Company Secretary	The company secretary of the Company, being Christian Ervin Easterday as at the date of this Prospectus.
Constitution	The constitution of the Company.
Corporate Adviser	DJ Carmichael.
Corporations Act	<i>Corporations Act 2001</i> (Cth).

Directors	Directors of the Company.
DJ Carmichael	D.J. Carmichael Pty Limited ACN 003 058 857, in conjunction with Carmichael Corporate Pty Ltd ACN 088 006 160.
ENAMI	Empresa Nacional de Minería.
Executive Director	An executive Director of the Company, being Christian Ervin Easterday as at the date of this Prospectus.
Existing Shareholder	Those persons or entities who are Shareholders of the Company as at the date of this Prospectus.
Existing Shares	Shares issued by the Company prior to the Opening Date.
Exposure Period	The period during which the Company cannot process applications as described in section 727(3) of the Corporations Act.
Holding Statements	Holding statements for Shares under CHES.
Hot Chili	Hot Chili Limited ACN 130 955 725.
Independent Geologist	Allen J. Maynard for AI Maynard & Associates Pty Ltd ACN 120 492 435.
Independent Geologist's Report	The report of the Independent Geologist contained in Section 5.
Investigating Accountant	RSM Bird Cameron Corporate Pty Ltd ACN 050 508 024.
Investigating Accountant's Report	The report of the Investigating Accountant contained in Section 6.
IOCG	Iron-oxide-copper-gold.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (December 2004 edition).
Lead Manager	DJ Carmichael.
Listing	The quotation of the Shares on the Official List.
Listing Date	The date on which Listing first occurs.
Managing Director	The managing director of the Company, being Christian Ervin Easterday as at the date of this Prospectus.
McKenzie Moncrieff Lawyers	McKenzie Moncrieff Lawyers ACN 120 798 236 trading as McKenzie Moncrieff Lawyers ABN 43 315 824 553.
Núñez Muñoz	Núñez Muñoz y Cia Ltda Abogados, lawyers of Santiago, Chile.
Non-Executive Directors	The non-executive Directors of the Company, being Murray Edward Black and Bernard Roland Mountford as at the date of this Prospectus.
Offer	The offer of 30,000,000 Shares at 20 cents per Share to raise up to \$6,000,000, with provision to accept over-subscriptions of up to a further 10,000,000 Shares to raise up to a further \$2,000,000 Shares pursuant to this Prospectus.
Offer Period	The period between the Opening Date and the Closing Date.

Offer Price	\$0.20 per Share.
Official List	The official list of ASX.
Opening Date	The opening date of the Offer.
Option	An option to subscribe for a Share.
Prospectus	This Prospectus and any supplementary or replacement prospectus.
Prospectus Date	The date of this Prospectus.
Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition).
Section	A section of this Prospectus.
Share Registry	Security Transfer Registrars Pty Ltd ACN 008 894 488.
Shareholder	A holder of a Share.
Share	A fully paid ordinary share in the capital of the Company.
SMEAL	Sociedad Minera El Águila Limitada, a 99.9% owned subsidiary of the Company.
SMECL	Sociedad Minera El Corazón Limitada, a 99.9% owned subsidiary of the Company.
SMEHL	Sociedad Minera El Huerto Limitada, a 99.9% owned subsidiary of the Company.
Sponsoring Broker	DJ Carmichael.
Target Mineralisation	Within the meaning of the JORC Code.
U₃O₈	Uranium oxide.
eU₃O₈	Refers to the equivalent U ₃ O ₈ grade.
WST	Western Standard Time.

HOW TO COMPLETE THIS FORM

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 10,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must either be your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in CHES.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact name, telephone number and email address. These are not compulsory but will assist us if we need to contact you regarding your Application.

F Tax File Number or Exemption

Enter your Tax File Number ("TFN") or exemption category. Where applicable, please enter the TFN for each Joint Applicant. Collection of your TFN is authorised by taxation laws. Providing your TFN is not compulsory and will not affect your Application.

G CHES

Hot Chili Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Applicants in respect of Shares allotted.

If you are CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number.

H Payment

Make your cheque or bank draft payable to "Hot Chili Limited – Application Funds" in Australian dollars and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the space provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Attach, but do not staple, your cheque(s) or bank draft(s) to the Application Form. Cash will not be accepted. Receipt for payment will be forwarded.

Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. Returning the Application Form with your cheque(s) for the Application Monies will constitute your offer to subscribe for Shares in the Company. By lodging the Application Form, the Applicant(s) agrees that this Application for Shares in Hot Chili Limited is upon, and subject to, the terms of this Prospectus and the Constitution of Hot Chili Limited. Furthermore, the Applicant agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate, and declares that a Prospectus, whether in electronic or paper form, has been received in full before applying for Shares. It is not necessary to sign the Application Form.

Lodgement of Applications and Payment

Application Forms must be received by Carmichael Corporate Pty Ltd (Carmichael Corporate) by no later than 5:00pm WST on the Closing Date. You should allow sufficient time for this to occur. Return your completed Application Form with cheque(s) with payment attached to:

By email hotchili@djcarmichael.com.au	OR	By Post Carmichael Corporate PO Box Z5186 Perth WA 6831	OR	In Person Carmichael Corporate, Level 3, London House 216 St. Georges Terrace Perth WA 6000
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Neither Security Transfer Registrars, Carmichael Corporate nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Security Transfer Registrars Pty Ltd (Security Transfer Registrars), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like the details of your personal information held by the Share Registry, or you would like to correct information that is inaccurate, incorrect or out of date, please contact the Share Registry. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting the Share Registry.

If you have any queries concerning your application, please contact Carmichael Corporate.

Correct Forms of Registrable Title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname are required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



ACN 130 955 725

APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay. You should read the entire Prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus. **See reverse for completion guidelines.**

Please complete this form using block letters in blue or black ink

Share Registry Use Only

Broker Code

Adviser Code

A I/we apply for

Number of Shares in Hot Chili Limited at \$0.20 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

A\$

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>
City / Suburb / Town		State
<input type="text"/>		<input type="text"/>
		Postcode
		<input type="text"/>

E Enter your contact details

Contact Name	Telephone Number - Business Hours / After Hours
<input type="text"/>	(<input type="text"/>) <input type="text"/>
Email Address	
<input type="text"/>	

F Enter your Tax File Number

Applicant 1	Applicant 2	Applicant 3
<input type="text"/>	<input type="text"/>	<input type="text"/>

G CHES Participant

Holder Identification Number (HIN)

Please note that if you supply a CHES HIN but the name and address details on your form do not correspond exactly with the registration details held at CHES, your application will be deemed to be made without the CHES HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

PAYMENT DETAILS

Make your cheque or bank draft payable to Hot Chili Limited - Application Funds.

H Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/We declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form. I/We declare that all details and statements by me/us (including the declarations on the reverse of this Application Form) are complete and accurate. I/We agree to be bound by the Constitution of the Company.

HOW TO COMPLETE THIS FORM

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 10,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must either be your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in CHES.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact name, telephone number and email address. These are not compulsory but will assist us if we need to contact you regarding your Application.

F Tax File Number or Exemption

Enter your Tax File Number ("TFN") or exemption category. Where applicable, please enter the TFN for each Joint Applicant. Collection of your TFN is authorised by taxation laws. Providing your TFN is not compulsory and will not affect your Application.

G CHES

Hot Chili Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX Limited. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Applicants in respect of Shares allotted.

If you are CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number.

H Payment

Make your cheque or bank draft payable to "Hot Chili Limited – Application Funds" in Australian dollars and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the space provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Attach, but do not staple, your cheque(s) or bank draft(s) to the Application Form. Cash will not be accepted. Receipt for payment will be forwarded.

Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. Returning the Application Form with your cheque(s) for the Application Monies will constitute your offer to subscribe for Shares in the Company. By lodging the Application Form, the Applicant(s) agrees that this Application for Shares in Hot Chili Limited is upon, and subject to, the terms of this Prospectus and the Constitution of Hot Chili Limited. Furthermore, the Applicant agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate, and declares that a Prospectus, whether in electronic or paper form, has been received in full before applying for Shares. It is not necessary to sign the Application Form.

Lodgement of Applications and Payment

Application Forms must be received by Carmichael Corporate Pty Ltd (Carmichael Corporate) by no later than 5:00pm WST on the Closing Date. You should allow sufficient time for this to occur. Return your completed Application Form with cheque(s) with payment attached to:

By email hotchili@djcarmichael.com.au	OR	By Post Carmichael Corporate PO Box Z5186 Perth WA 6831	OR	In Person Carmichael Corporate, Level 3, London House 216 St. Georges Terrace Perth WA 6000
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Neither Security Transfer Registrars, Carmichael Corporate nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Security Transfer Registrars Pty Ltd (Security Transfer Registrars), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like the details of your personal information held by the Share Registry, or you would like to correct information that is inaccurate, incorrect or out of date, please contact the Share Registry. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting the Share Registry.

If you have any queries concerning your application, please contact Carmichael Corporate.

Correct Forms of Registrable Title(s)

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CORPORATE DIRECTORY

Directors

Murray Edward Black, Non-Executive Chairman
Christian Ervin Easterday, Managing Director
Bernard Roland Mountford, Non-Executive Director

Company Secretary

Christian Ervin Easterday

Lead Manager and Sponsoring Broker

D.J. Carmichael Pty Limited
Level 3 London House, 216 St Georges Terrace
Perth, Western Australia 6000

Phone: +61 8 9263 5200
Fax: +61 8 9263 5289
Email: hotchili@djcarmichael.com.au
Web: www.djcarmichael.com.au

Independent Geologist

Allen J. Maynard and Al Maynard & Associates Pty Ltd
Suite 9, 280 Hay Street
Subiaco, Western Australia 6008

Investigating Accountant

RSM Bird Cameron Corporate Pty Ltd
18 Parry Street
Fremantle, Western Australia 6160

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153

Phone: +61 8 9315 2333
Fax: +61 8 9315 2233
Email: www.securitytransfer.com.au

Registered Office

Federal Road & Wilson Street
Kalgoorlie, Western Australia 6430

Phone: +61 8 9021 3033
Fax: +61 8 9021 6995
Email: ally@hotchili.net.au
Web: www.hotchili.net.au

Solicitors for the Offer

McKenzie Moncrieff Lawyers
Level 5, 37 St Georges Terrace
Perth, Western Australia 6000

Solicitors Reporting on Mining Rights

Núñez Muñoz y Cia. Ltda. Abogados
Av. Isidora Goyenechea
3250, Piso 13, Las Condes
Santiago, Chile

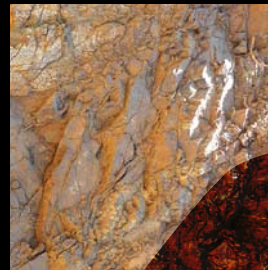
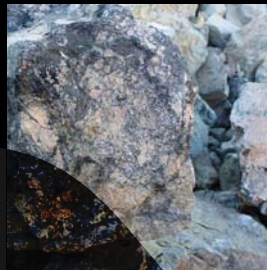
Auditor

RSM Bird Cameron Partners
18 Parry Street
Fremantle, Western Australia 6160

Proposed ASX Code

HCH





Federal Road & Wilson Street
Kalgoorlie Western Australia 6430

Phone: +61 8 9021 3033
Fax: +61 8 9021 6995
Email: ally@hotchili.net.au
Web: www.hotchili.net.au