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## ASX ANNOUNCEMENT

Friday 28th November 2011

# Productora Activity Up-date Drilling and Development Work

### Productora Project

- Two dedicated RC/Diamond drill rigs operating since early October
- Visually encouraging copper zones intersected in northern extensional drilling
- Drilling results expected in the coming weeks
- Advanced planning of scoping study complete
- Preliminary benchmarking indicates robust open-pit economics
- Scoping team expected to be announced in the coming weeks

Hot Chili Limited (ASX Code: HCH) is pleased to announce that its second-phase extensional drilling programme at the company's Productora project in Chile is on-track with two drill rigs in operation since early October. The company has confirmed visually encouraging copper zones in several extensional drill holes, increasing the strike length of drill-defined mineralised breccia at Productora to 4.5km, an increase of approximately 800m.

The second-phase drilling programme is targeting rapid resource additions to the company's first 85Mt JORC compliant copper-gold-molybdenum resource, defined within the central 1.4km extent of the project.

Hot Chili is also well advanced with several work streams in the lead-up to the formal commencement of scoping studies. **Preliminary work has provided further confidence and highlighted robust economics for the successful development of Productora as a potentially significant new Chilean large-scale, open pit copper operation, ideally located in the coastal range adjacent to existing infrastructure.**

### ASX Code

HCH

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## Productora Drilling Up-date

Two dedicated multi-purpose reverse circulation/diamond (RC/DD) drill rigs have been secured to complete the company's second phase of drilling at Productora comprising approximately 65,000m of RC and 8,000m of DD drilling. The drilling programme, which commenced in early October, aims to achieve two objectives:

1. Provide early drill confirmation across the identified 9.5km deposit footprint at Productora.
2. Define significant resource additions adjacent to, along strike and at depth to the current JORC compliant resource (**85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum**) reported in September 2011 within the central area.

Since re-commencing drilling activities, the company has completed 9 DD holes for approximately 1,500m and 18 RC holes for approximately 4,750m. Drill platform clearing is well advanced with approximately half of the platforms for the planned RC drilling programme already complete.

Diamond drilling has focussed on further in-fill drilling of the deeper inferred component of the established resource defined within the central 1.4km extent of the project. This drilling is focussing on up-grading the inferred component of the resource to an indicated category within the vertical depth range of 200-400m. Several significant zones of visual chalcopyrite mineralisation have been confirmed in expected positions of the inferred component of the resource model, providing early confidence in the accuracy of the geological model used to constrain the first resource calculation. Results from this drilling are expected within the coming weeks.

A major component of the company's second phase drilling programme is dedicated towards a large extensional RC drilling assessment of the entire Productora deposit footprint which has been defined over a strike extent of 9.5km. Drilling undertaken by Hot Chili and previous explorer Teck during the 1990's has already confirmed 3.7km of shallow, strike continuous copper-gold-molybdenum mineralisation.

Initial extensional RC drilling is focussing on delineating the northern extensions to the mineralised NNE trending vertical breccias zone which hosts the Productora copper-gold-molybdenum resource. Geological logging of this northern extensional drilling has confirmed that the host-breccia corridor has been successfully intersected in multiple drill lines. Several zones of visually encouraging chalcopyrite mineralisation have been identified within this drilling. Significantly, the mineralised breccia which hosts the Productora resource has now been confirmed by drilling over 4.5km in strike extent. Hot Chili plans to assess a 9.5km deposit footprint with the current drilling programme as displayed on figures 1 and 2 later in this announcement.

## Productora Development Studies

Hot Chili has completed a detailed three day planning workshop related to the commencement of development studies for the Productora project. The planning workshop has produced a development study roadmap for Productora which aims to complete the scoping phase of the development studies by the beginning of the third quarter 2012, and complete sufficient work streams to allow for the immediate commencement of pre-feasibility studies in the second half of 2012.



The planning workshop was facilitated by Global Resource Solutions (feasibility management consulting group) and involved key consultants from Chile and Australia representing the fields of infrastructure, resources, engineering, metallurgy, environmental and legal permitting. **An important outcome was that no fatal flaws or significant material issues were identified and preliminary benchmarking indicates robust economics.** This has provided the company with further confidence for the successful development of Productora as a potentially significant new Chilean large-scale, open pit copper operation, ideally located in the coastal range adjacent to existing infrastructure.

The company has also pre-emptively commenced critical work streams in the lead-up to the announcement of a dedicated scoping study team, in particular:

1. Completion of a base-line flora survey to take advantage of the current bloom season,
2. Completing the final stages of a tendering process for scoping study proposals from several leading feasibility consulting groups,
3. Commencement of an economic benchmarking study of neighbouring, similar-scaled coastal range copper developments in Chile,
4. Commencement of preliminary infrastructure discussions with various key stakeholders in Chile, and
5. Finalising preparations to commence preliminary copper soluble test-work on the oxide and transitional component of the Productora central area resource.

Hot Chili aims to finalise its decision in relation to the management of the Productora scoping studies and announce a dedicated scoping team within the coming weeks.

**The directors of Hot Chili are very pleased with the progress achieved in the early stages of the project development phase of the Productora copper-gold-molybdenum project. The company looks forward to reporting the results of ongoing drilling activities and the appointment of a scoping study team shortly.**

**For more information please contact:**

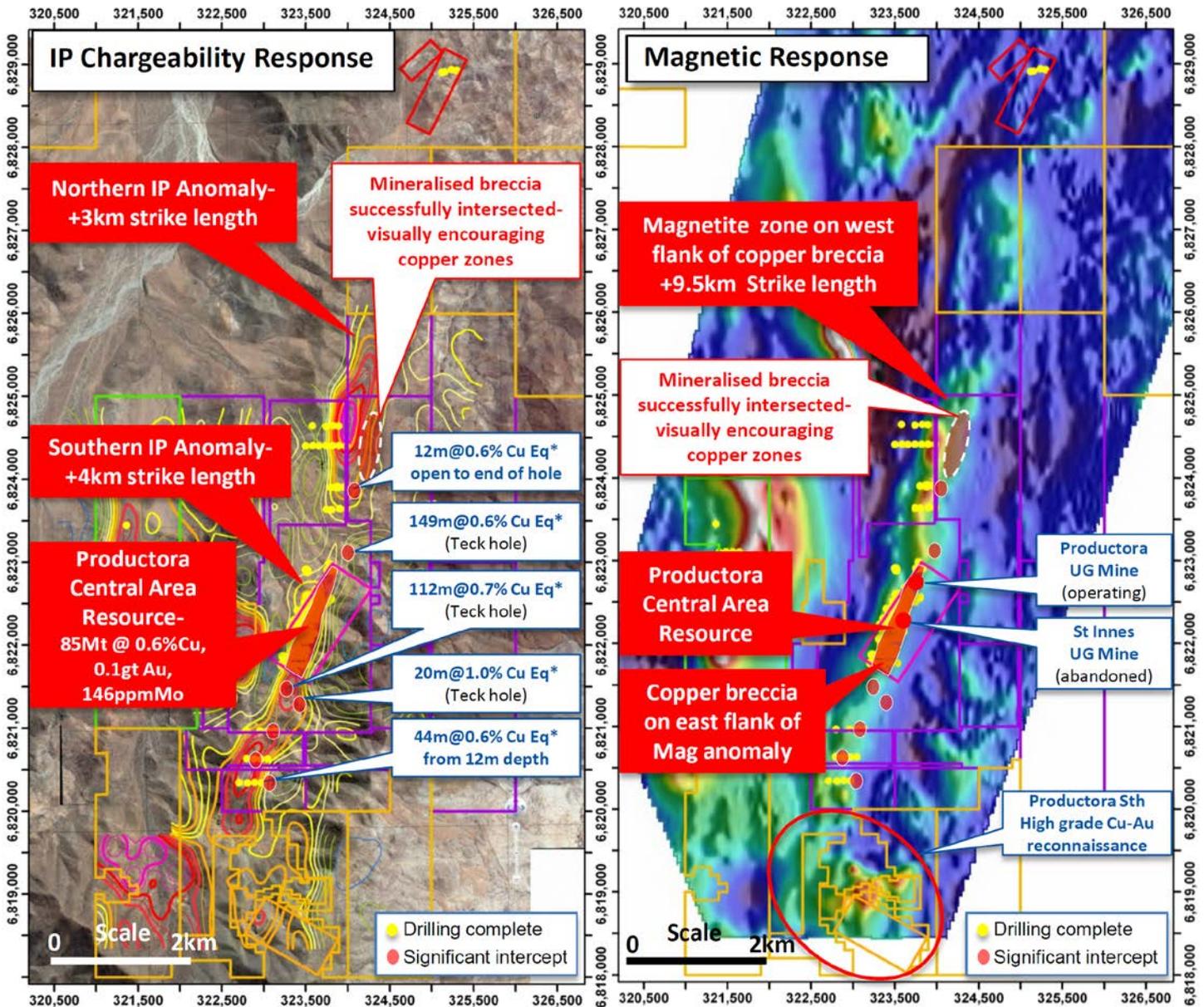
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**Figure 1- Selected extensional drilling results, magnetic and IP chargeability response of the Productora mineralised system- +9.5km in strike length.**

Hot Chili's exploration team have developed a predictive geological model that to date has been confirmed by significant drilling intersections over 3.7 km of the 9.5km deposit footprint. Key to this is the presence of a magnetite zone which parallels the main breccia-host unit and acts as a marker horizon for forward drill planning. This has proved successful in drill targeting that has now expanded the known extent of the mineralised breccia to approximately 4.5km of strike extent.

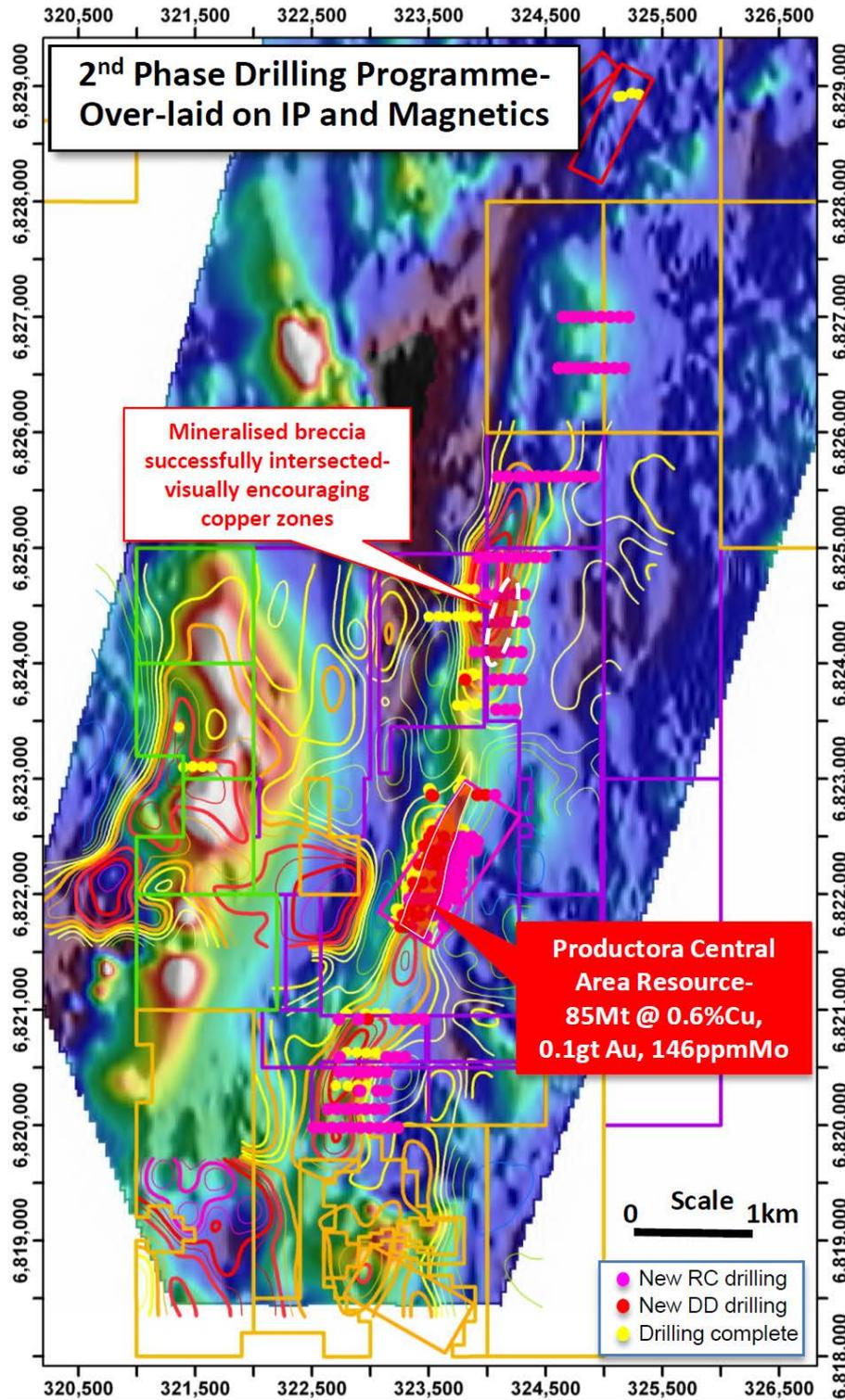


Figure 2- Second Phase Drilling Programme- Location of new RC and DD holes being completed (pink points and red points, respectively)



#### \* Copper Equivalent Calculation

Copper Equivalent (also Cu Eq\*) Calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. However it is the company's opinion that elements considered here have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines elsewhere in the world. Copper equivalent conversion factors and long-term price assumptions used follow:

Copper Equivalent Formula=  $Cu \% + Mo(ppm) \times 0.0008 + Au(ppm) \times 0.6832$

Price Assumptions- Cu (US\$1.80/lb), Mo (US\$15/lb), Au (US\$850/oz)

#### Target Mineralisation

References to exploration target size and target mineralisation in this announcement are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code

#### Competent Person's Statement

##### Exploration Reporting

Information in this announcement that relates to exploration results and mineralisation is based on information compiled by Mr Christian Easterday, a Director, who is a Member of The Australian Institute of Geoscientists. Mr Easterday has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Easterday consents to the inclusion in this presentation of the statements based on his information in the form and context in which they appear.

##### Resource Reporting

Information in this announcement relating to mineral resources is based on information compiled by Mr. Alfred Gillman, a Fellow of the Australian Institute of Mining and Metallurgy (CP). Mr. Gillman is an independent resource consultant and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code 2004). Mr. Gillman consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.