

HOT CHILI

RESOURCESTOCKS

SCORCHING YEAR FOR NEW CHILE EXPLORER

Within six months of listing the company on the Australian Securities Exchange in May 2010, Chilean explorer Hot Chili has delivered a series of exciting drill results at its flagship Productora project.

THE RESULTS FOLLOW a long period of work by the company to secure a portfolio of three large multi-commodity projects in Chile's coastal range, involving partnerships with two of Chile's largest local mining companies; CMP and Codelco.

Since announcing these results, the company wasted no time in stepping-up its drilling campaign to build on its early momentum and ensure it delivers a preliminary JORC compliant resource at its two advanced projects, Productora and Los Mantos, by late in the second quarter of 2011.

The initial results from the multi-commodity Productora project in Chile revealed wide zones of copper, molybdenum, gold, uranium and cobalt over a strike extent of 1.4 kilometres.

Results included 116 metres grading 0.9% copper equivalent (from 103m and finishing in mineralisation) and 77m grading 1% copper equivalent (from 111m and finishing in mineralisation).

Productora is located in a low altitude coastal range belt 15 kilometres south of the regional mining centre of Vallenar.

Hot Chili managing director Christian Easterday said 16 of the first 17 drill holes completed within the centre of the project recorded significant intersections.

This sparked keen interest from investors more than doubling the Australian company's share price from 25c at the start of December to 53c by New Year's Day.

The results were located in the central area of the project, where the company has secured an agreement to purchase the central concession at any time within a five-year period.

While only representing 1.4km of the 12.5km that Hot Chili controls over the project, the central area contains a sizeable operating underground copper mine. It was the obvious place to start drilling.

A 16,000m reverse-circulation drilling program is wrapping up at Productora. In addition to this, a further 7000m of infill RC drilling and 3000m of diamond drilling also will be completed in the centre of the project to facilitate the first resource calculation.

"We saw Productora as a large iron-oxide-copper-gold-uranium project that had been de-risked significantly through previous exploration by Teck-General Minerals

and CCHEN," Easterday said.

While Chile is well known for its world-class copper mines, little is known of the country's uranium potential.

However, this is set to change with Chile recently signing a bi-national agreement with France to consider developing a future nuclear energy option.

Additionally, the Chilean state owned mining company Codelco, the world's largest copper producer, commenced uranium production in Chile in October last year.

"The question mark as to whether uranium can be produced in Chile has already been answered," Easterday said.

The Productora project was an obvious target for Hot Chili as it was rated by the Chilean Commission for Nuclear Energy as the country's largest identified uranium project.

Productora was secured with the support of CMP, Chile's largest iron-ore miner.

Upon Hot Chili's listing on the ASX, CMP became the second largest shareholder (5%) and remains one of the company's most important local partners.

Uniquely, Hot Chili could at any time make the move from explorer to miner, with operating mines existing at each of its advanced projects.

Production at each is only relatively small-scale – 250,000 tonnes per annum at Productora and 20,000tpa at Los Mantos. However, the mines provide evidence of economic quantities of copper and allow easy access for future metallurgical test work.

"The strategy is to build some very large assets and then optimise them for sizeable open cut

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CHRISTIAN EASTERDAY
HOT CHILI





operations," Easterday said.

A recent independent research note by brokers DJ Carmichael estimated the company had the potential to deliver a preliminary JORC compliant resource of 40-60Mt of +1% copper equivalent.

"The company considers there to be considerable up-side potential in addition to the targeted preliminary resource," the note says.

With the RC drill program wrapping-up at its flagship project, the drill rigs will be moved to the second advanced project Los Mantos – 240km south of Productora.

Drill platforms for a 10,000m RC drill program have already been constructed.

Los Mantos is secured by a five-year purchase option agreement and lies adjacent to the 1 billion tonne Andacolla copper-gold mine.

Although the project has had continued small scale surface and underground copper mining for more than 40 years, Hot Chili will be the first to undertake drilling.

Geochemistry results, as well as the ore that is being extracted, indicates the copper grade at Los Mantos may be considerably higher than Productora.

The company's third project Chile Norte comprises exploration licences

covering extensional areas to Chile's second largest uranium project. An exploration agreement with Codelco also allowed access to large adjacent landholdings.

Airborne magnetic and radiometric surveys were completed over the project late last year.

Although not as advanced as Productora or Los Mantos, the project provides Hot Chili with plenty of blue-sky potential and is rated as Chile's second largest uranium project.

"We have managed to put our hands on some of Chile's largest identified IOCGU projects," Easterday said.

"The metals contained in these projects are all enjoying a strong period of price growth, and the company is confident in the future demand fundamentals for copper and uranium in particular.

"Having partnerships with local mining companies CMP and Codelco cannot be understated.

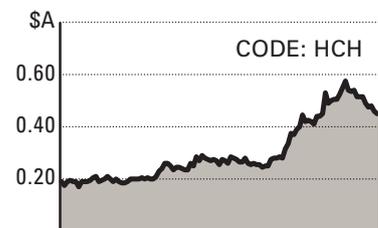
"The preliminary JORC compliant resource will be released late in the second quarter of 2011.

"Pending the results we will then commence economic scoping studies and accelerate our drilling programmes to expand the resources and progress the projects towards a decision to mine."

– **Sam Jordan Jones**

Drilling at the company's flagship Productora project

HOT CHILI AT A GLANCE



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MARKET CAPITALISATION

\$A64.26 million (at press time)

QUOTED SHARES ON ISSUE

142,810,500

MAJOR SHAREHOLDER

Kaloorlie Auto Services Pty Ltd 32.2%
Port Finance Limited NV 5%
AJAVA Holdings Pty Ltd 4%
Norman Mountford 3.2%