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ASX ANNOUNCEMENT

Wednesday 6th August 2014

Chilean resources major CMP to take 17.5% stake in Productora Copper Project as part of pivotal joint infrastructure deal

*Plus CMP granted option to acquire a further
32.6% stake for minimum of US\$80 million*

Joint Infrastructure Agreement Paves Way for Productora Development

- Hot Chili and project partner, Chilean resource major Compañía Minera del Pacífico S.A (CMP) have executed a Memorandum of Understanding (MOU) to form a Joint Venture to develop the Productora copper project in Chile
- Under the deal, CMP will emerge with a 17.5% stake in Productora in return for providing surface rights, easements and its remaining 35% interest in certain Productora leases
- The CMP assets will enable Hot Chili to build the key infrastructure needed to underpin Productora while saving time and cost
- CMP to be free-carried to completion of a Pre-feasibility Study (PFS), expected to be in first-half of CY2015

Option for CMP to Acquire a further 32.6% of Productora for Minimum of US\$80 Million

- Hot Chili to grant CMP an option to increase its stake in Productora to 50.1% after completion of the PFS
- The Additional Purchase Option will have a minimum exercise price of US\$80 million
- CMP will pay Hot Chili US\$1.5 million for the grant of the Additional Purchase Option
- The MOU is subject to CMP board ratification and the transactions contemplated by the MOU, including the grant and exercise of the Additional Purchase Option, are subject to Hot Chili shareholder approval

ASX Code

HCH

Contact

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Hot Chili (ASX: HCH) is pleased to announce that Chilean resources major Compañía Minera del Pacífico S.A (CMP) will emerge with a 17.5% stake in the Productora Copper Project in Chile under a joint infrastructure agreement.

CMP will contribute surface rights, easements and its 35% interest in certain Productora tenements in return for a 17.5% stake in the project.

The CMP assets will help save time and reduce costs associated with the infrastructure needed to underpin Productora.

The terms of the agreement are contained in a signed binding MOU.

In addition, Hot Chili will grant CMP an Additional Purchase Option under which CMP may acquire a further 32.6% interest in Productora for a minimum of US\$80 million following successful completion of a Pre-feasibility study, expected in the first half of CY2015.

This option compares with Hot Chili's current market capitalisation of A\$70 million at 20c a share.

CMP will pay Hot Chili US\$1.5 million for the grant of the Additional Purchase Option subject to ratification of the MOU by CMP's Board and approval by Hot Chili's shareholders.

Ratification of the MOU is expected at a CMP Board meeting in the current quarter.

Hot Chili will seek shareholder approval of the transactions contemplated by the MOU, including the grant and exercise of the Additional Purchase Option, at Hot Chili's forthcoming annual general meeting. The notice of meeting will be accompanied by an independent expert's report (IER) on the transactions.

The Company also expects to announce shortly an update in regard to port access study negotiations for the Las Losas port facility, approximately 40km west of Productora.

Hot Chili Chairman Murray Black said the agreement would transform the Company.

"The infrastructure and other operational benefits of being in partnership with CMP will play a key role in helping to bring Productora into production," Mr Black said.

"The proposed joint venture will combine Hot Chili's copper expertise with the experience and operational strength of CMP.

"The agreement also highlights the significant value being placed on Productora by CMP."



Hot Chili and CMP Execute Joint Infrastructure Agreement for Productora

Productora is Hot Chili's flagship project in Chile, and lies in the centre of CMP's Huasco and Vallenar iron operations at low altitude, approximately 600km north of Santiago (figure 1).

CMP's parent company, Compañía de Aceros del Pacifico (CAP), is Chile's largest iron ore producer and integrated steel business. CAP is also Hot Chili's second largest shareholder.

Hot Chili and CMP have agreed that CMP will exchange its assets at Productora for 17.5% of the total shares in Sociedad Minera El Aguila SpA (SMEA SpA - Hot Chili's Chilean subsidiary company which holds the Productora Project). These assets include:

1. CMP controlled easements related to the proposed water pipeline route from Productora to the coast near Huasco (figure 2),
2. Certain surface rights over the proposed mining development area of Productora (figure 3), and
3. Remaining 35% interest that CMP holds in certain mining rights at Productora (figure 4)

In addition, CMP shall be free-carried to completion of a PFS - (within the meaning of the JORC Code). Following completion of a PFS, CMP will be responsible for funding its share of expenditure in accordance with its ownership in the shares of SMEA SpA.

The transfer of CMP's 35% interest in certain mining rights will represent the final item of ownership consolidation at Productora, a process that has taken Hot Chili six years to achieve. This, together with the advantage of necessary surface and easement rights, is expected to enable Productora to be developed in a shortened timeframe.

Securing the timeframe advantages offered by CMP's surface and easement rights has been central to the Company's long term strategy of bringing Productora into production against a rising copper price environment, anticipated by consensus market forecasts in 2017/2018.

Additional Purchase Option for CMP to Move to 50.1% Interest in Productora

In consideration for the execution of the MOU, Hot Chili has agreed to grant CMP an option (Additional Purchase Option) to acquire further shares in SMEA SpA such that upon exercise of the Additional Purchase Option CMP will be entitled to acquire a further 32.6% interest, for a total 50.1% shareholding interest in SMEA SpA.

The Additional Purchase Option will have a minimum exercise price of US\$80 million.

The Addition Purchase Option may be exercised by CMP at the election of CMP within 90 days after the receipt by Hot Chili and delivery to CMP of:



1. the results of the PFS; and
2. a valuation report of the Productora Project prepared by a suitably qualified technical expert, jointly appointed by Hot Chili and CMP to value the Productora Project in accordance with the VALMIN Code, which states the technical expert's preferred valuation of a 50.1% economic interest in the Productora Project (the "Valuation"). The expert will be instructed to prepare the Valuation using valuation methodology commonly used within the mining industry and to give due regard for a premium for control of the Productora Project.

The exercise price of the Additional Purchase Option will be the higher of:

- (a) US\$80 million; and
- (b) the value of the further shares in SMEA SpA to be acquired on exercise of the Additional Purchase Option as determined by the Valuation

CMP will pay Hot Chili US\$1.5 million for the grant of the Additional Purchase Option within 30 days after the receipt of all necessary approvals.

The MOU will be subject to ratification by the board of CMP within the current quarter. The transactions contemplated by the MOU, including the grant and exercise of the Additional Purchase Option, will be subject to an IER and shareholder approval at Hot Chili's forthcoming annual general meeting.

For more information please contact:

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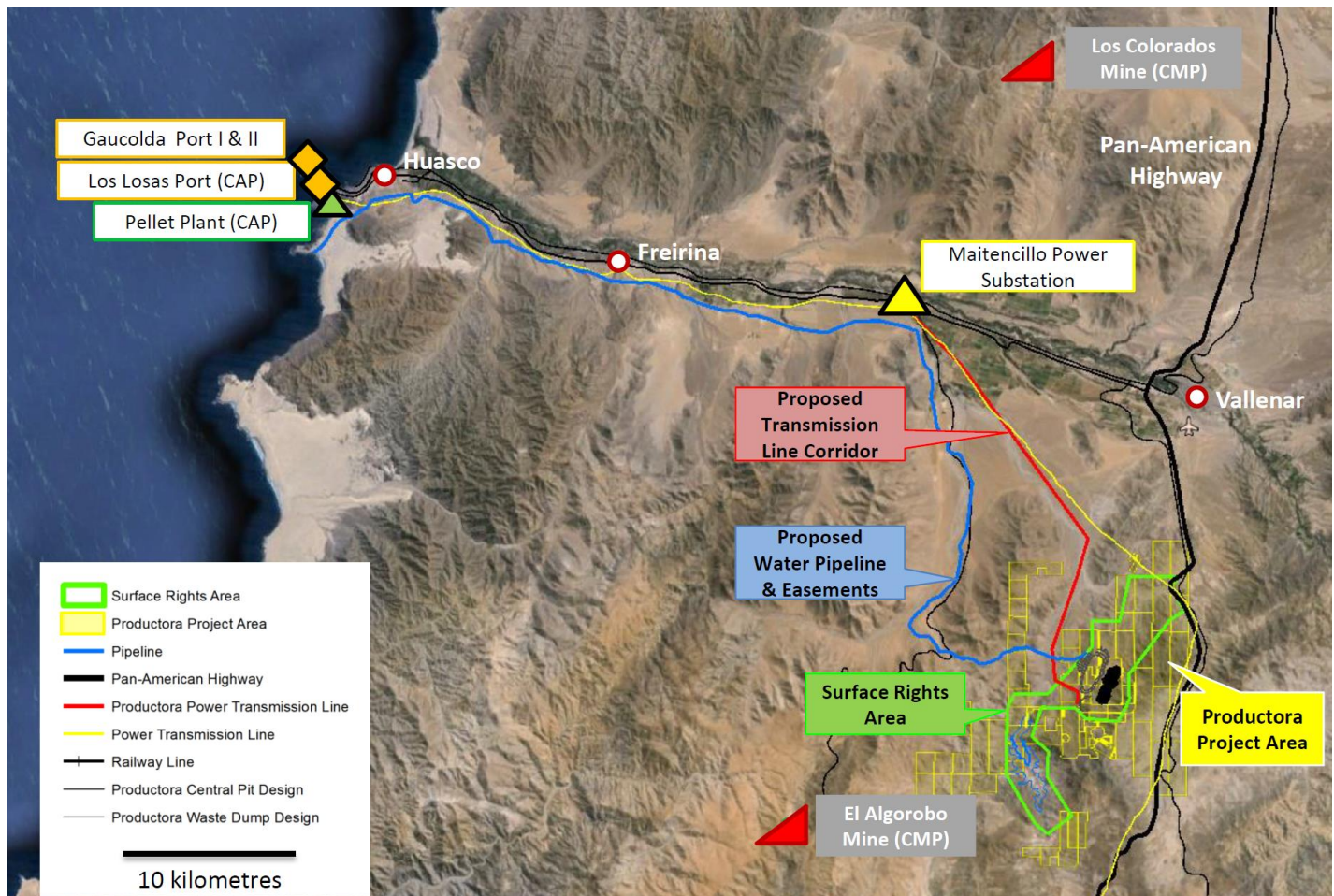


Figure 1. Location and existing infrastructure surrounding the Productora copper project, Region III Chile. Note the proposed water pipeline corridor from Productora to the coast near Huasco. CMP control several areas of easement required to facilitate this proposed pipeline route under the definition of the Joint Infrastructure agreement.

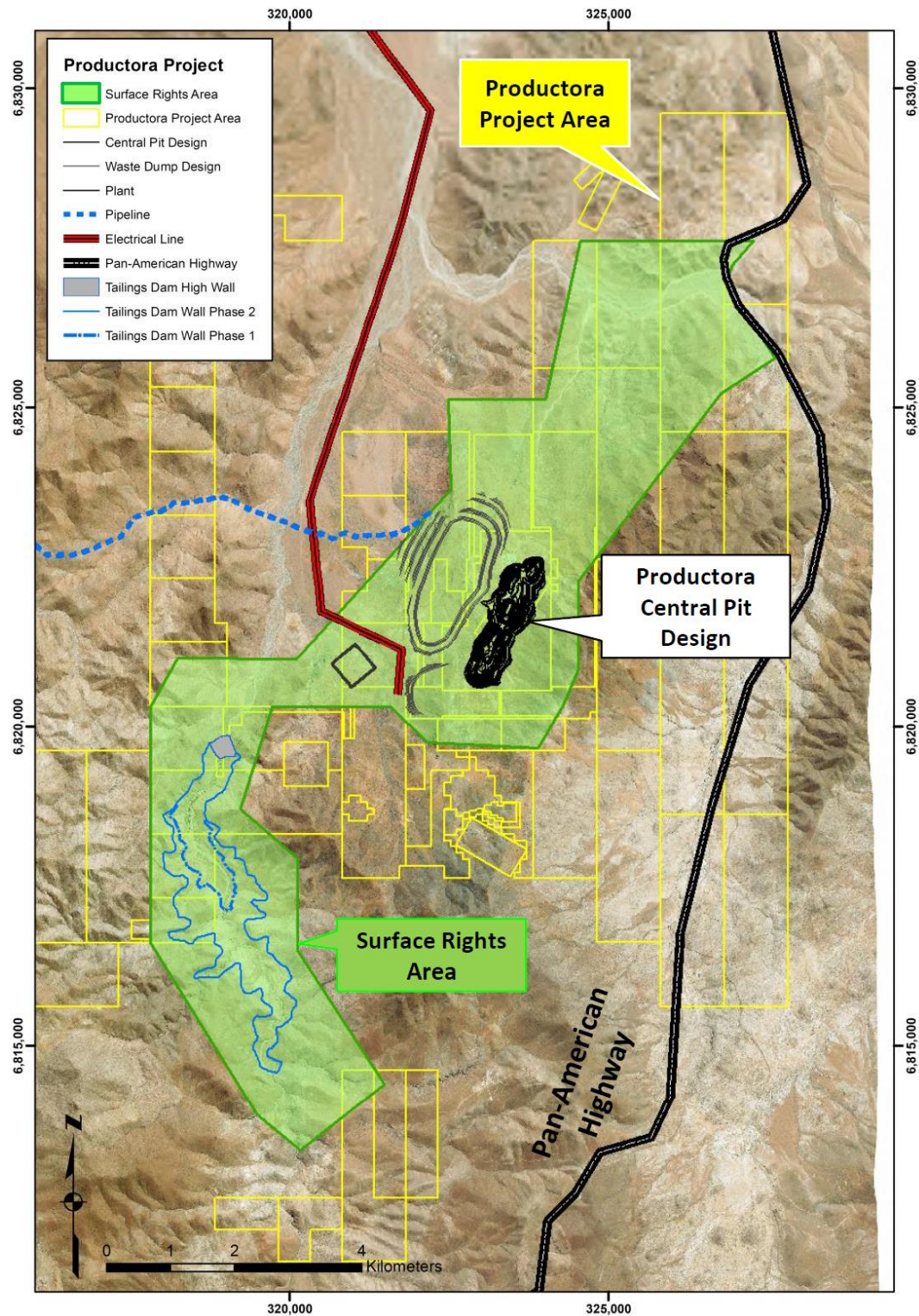


Figure 2. Defined surface rights to be transferred to SMEA SpA as a term of the Joint Infrastructure agreement

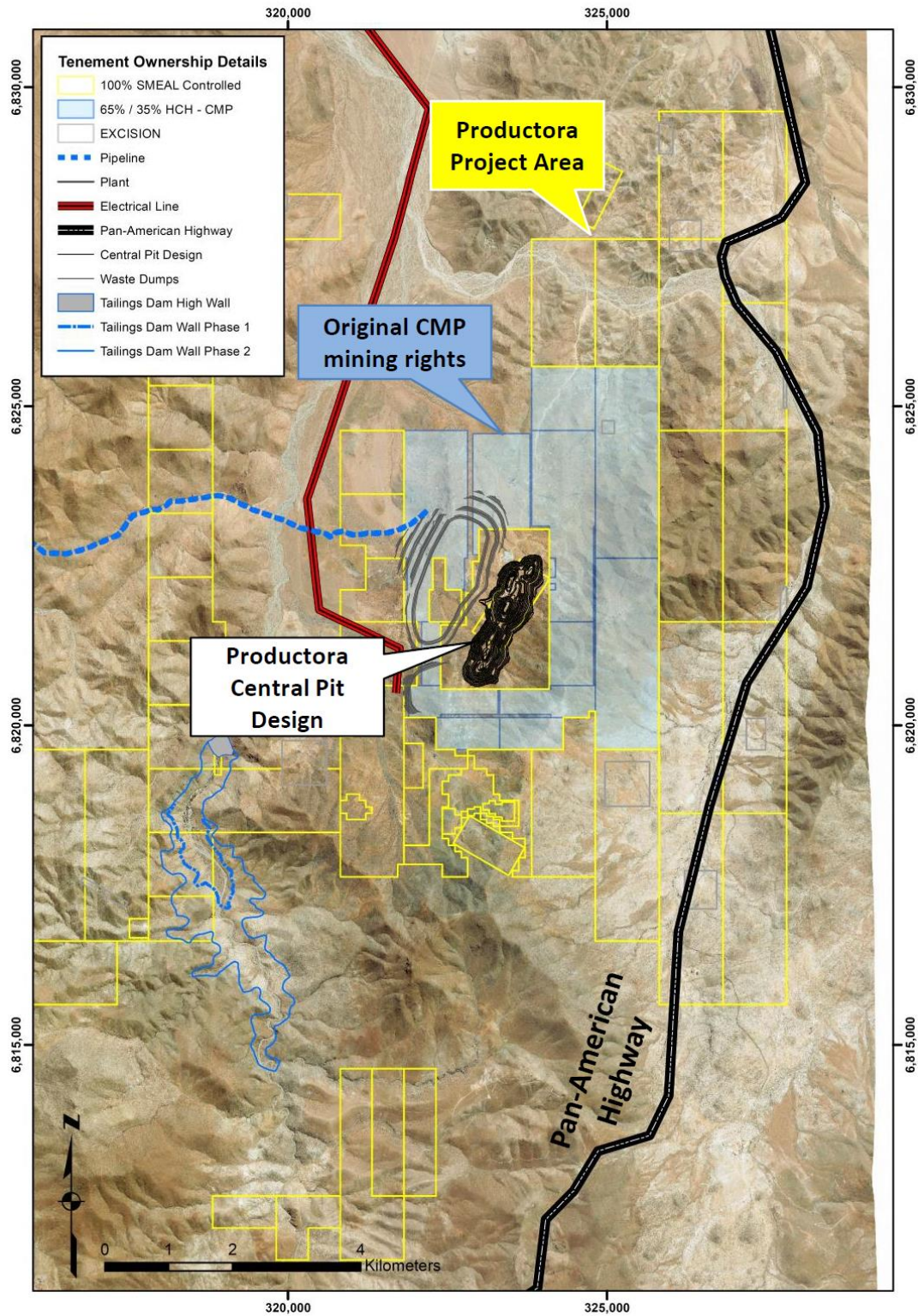


Figure 4. The location of the original CMP mining rights at Productora which will be transferred to SMEA SpA as a term of the Joint Infrastructure agreement



Qualifying Statements

JORC Compliant Ore Reserve Statement

Productora Open Pit Probable Ore Reserve Statement – Reported 31st March 2014

Ore Type	Category	Tonnage (Mt)	Grade			Contained Metal			Payable Metal		
			Copper	Gold	Molybdenum	Copper	Gold	Molybdenum	Copper	Gold	Molybdenum
			(%)	(g/t)	(ppm)	(tonnes)	(ounces)	(tonnes)	(tonnes)	(ounces)	(tonnes)
Transitional	Probable	10.2	0.54	0.10	128	55,000	34,000	1,300	27,000	13,000	1,000
Fresh	Probable	80.3	0.47	0.11	177	378,000	274,000	14,200	323,000	139,000	8,000
Total	Probable	90.5	0.48	0.11	172	433,000	308,000	15,500	350,000	152,000	9,000

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting.

Note 2: Average recoveries applied to Probable Ore Reserve estimate are: Fresh Cu- 88.8%; Fresh Au - 65%; Fresh Mo - 60%, Transitional Cu- 50%, Transitional Au- 50% and Transitional Molybdenum- 50%. Payability factors applied for Cu- 96.5%, Au- 78% and Mo- 98%. The Probable Ore Reserve was estimated using price assumptions of US\$3.00/lb copper, US\$1,250/oz gold and US\$10/lb molybdenum and an exchange rate (AUD:USD) of 0.88.

JORC Compliant Mineral Resource Statements

Productora Mineral Resource Statement – Reported 31st March 2014

Classification (+0.25% Cu)	Tonnage (Mt)	Grade			Contained Metal		
		Copper	Gold	Molybdenum	Copper	Gold	Molybdenum
		(%)	(g/t)	(ppm)	(tonnes)	(ounces)	(tonnes)
Indicated	158.6	0.50	0.11	152	799,000	540,000	24,000
Inferred	55.6	0.41	0.08	97	229,000	133,000	5,000
Total	214.3	0.48	0.10	138	1,029,000	675,000	29,000

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting.

Mineral Resource and Ore Reserve Confirmation

The information in this report that relates to Mineral Resources and Ore Reserve estimates on the Productora copper projects were originally reported in the ASX announcements “Maiden Ore Reserve at Productora Set for Strong Growth in 2014”, dated 31st March 2014. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.



Competent Person's Statement- *Exploration Results*

Exploration information in this announcement is based upon work undertaken by Mr Christian Easterday, the Managing Director and a full-time employee of Hot Chili Limited whom is a Member of the Australasian Institute of Geoscientists (AIG). Mr Easterday has sufficient experience that 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Easterday consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Competent Person's Statement- *Mineral Resources*

The information in this announcement that relates to the Productora Mineral Resource is based on information compiled by Mr J Lachlan Macdonald and Mr N Ingvar Kirchner. Mr Macdonald is a full-time employee of Hot Chili Ltd. Mr Macdonald is a Member of the Australasian Institute of Mining and Metallurgy. Mr Kirchner is employed by Coffey Mining Pty Ltd (Coffey). Coffey has been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Mineral Resource estimate. Mr Kirchner is a Fellow of the Australasian Institute of Mining and Metallurgy and is a Member of the Australian Institute of Geoscientists. Both Mr Macdonald and Mr Kirchner have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2012). Both Mr Macdonald and Mr Kirchner consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Competent Person's Statement- *Ore Reserves*

The information in this announcement that relates to Productora Ore Reserves is based on information compiled by Mr Carlos Guzmán who is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), a Registered Member of the Chilean Mining Commission (RM- a 'Recognised Professional Organisation' within the meaning of the JORC Code 2012) and a full time employee of NCL Ingeniería y Construcción SpA. NCL has been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Ore Reserve estimate. Mr. Guzmán 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guzmán consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Forward Looking Statements

This announcement contains "forward-looking statements". All statements other than those of historical facts included in this announcement are forward-looking statements including estimates of Mineral Resources. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade ore recovery rates from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. All persons should consider seeking appropriate professional advice in reviewing this announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of this announcement nor any information contained in this announcement or subsequently communicated to any person in connection with this announcement is, or should be taken as, constituting the giving of investment advice to any person.