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ASX ANNOUNCEMENT

Thursday 19th February 2015

Oxide project set to boost scale of Productora

Study finds oxide operation could produce toward 10,000 tpa of copper and cut overall costs

- Recently completed Scoping study indicates Productora's copper oxide resources are amenable to conventional heap leach processing.
- Given this, Productora Pre-feasibility Study (PFS) has been expanded to include a sizeable front-end copper oxide project.
- Oxide Resources at Productora total ~25.6Mt grading 0.52% copper, including 15.4Mt grading 0.58% copper which already lie within the planned central pit.
- Oxide project would reduce overall costs because oxide resources were previously considered as pre-strip waste.
- Addition of a heap leach operation also has the potential to increase the scale of copper production, further boosting Productora's economics.

Hot Chili (ASX: HCH) is pleased to announce that the economics of its Productora copper project in Chile are poised to receive another significant boost with a Scoping study highlighting the strong merits of adding an oxide operation to the development.

The independent Scoping study found the addition of an oxide operation is attractive as a complement to the existing Productora copper sulphide project.

In light of these findings, Hot Chili will now expand the Pre-feasibility Study to include a sizeable copper oxide project.

SCOPING STUDY PARAMETERS – CAUTIONARY STATEMENT

The Study referred to in this report is based on low accuracy level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage; or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised.

This announcement has been prepared in compliance with the JORC Code 2012 Edition and the ASX Listing Rules. The Company advises the Study results and production targets reflected in this announcement

ASX Code

HCH

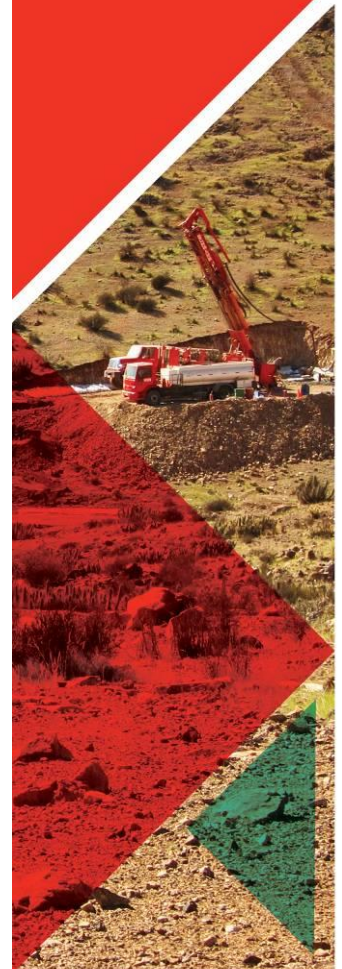
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SCOPING STUDY PARAMETERS – CAUTIONARY STATEMENT CONTINUED

are forecasts and estimates, and are preliminary in nature as conclusions are partly drawn from Inferred Resources, which comprise approximately 20% of the copper in the oxide Mineral Resource inventory. The Study outputs contained in this report relates to 100% of the Productora project.

The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement. The detailed reasons for that conclusion are outlined throughout this announcement and in particular in Qualifying Statements headed "Forward Looking Statements".

The PFS will now include a heap leach operation followed by a Solvent Extraction Electrowinning (SX-EW) circuit with the potential to produce 8,000 to 10,000 tonnes of cathode copper production annually for six to eight years in addition to the targeted annual copper-in-concentrate production of approximately 45,000 to 55,000 tonnes.

With the inclusion of oxide Mineral Resources and the addition of the recent Alice Porphyry copper discovery, Hot Chili expects to deliver a material Mineral Resource and Ore Reserve upgrade for the Productora PFS this year.

Development Strategy

Hot Chili's strategy of project development and de-risking in parallel with resource and reserve growth at Productora is shaping towards another significant uplift as the Company progresses closer to a decision to mine.

On March 31st 2014, Hot Chili announced that Productora's Mineral Resources had grown to over 1 Mt of copper, 675,000 ounces of gold and 29,000 tonnes of molybdenum.

A focus on systematic drilling of the central pit area during 2013 allowed Hot Chili to also announce on March 31st 2014 a first Probable Ore Reserve estimate for Productora of 90.5Mt grading 0.48% copper, 0.11g/t gold and 172 ppm molybdenum containing 433,000t of copper, 308,000oz of gold and 15,500t of molybdenum.

The open pit Ore Reserve estimate was stated as conservative at the time and only estimated for the planned central pit at Productora. Owing to the level of advancement of certain PFS work streams, the estimate was based on conservative assumptions and inputs including:

- All oxide Mineral Resource material was treated as waste.
- No transitional ore was used to drive pit optimisations ensuring the pit design process was considered robust against fresh sulphide ore types only.
- Metallurgical recoveries applied to gold, molybdenum and transitional copper ore types were conservatively applied considering both benchmarking of other similar Chilean copper operations and limited test work results available at that time.



Pit modelling will now contemplate the optimisation of both oxide and sulphide Mineral Resources at Productora which is expected to deliver a significant reduction to overall mining strip ratio and lower pre-strip related start-up capital.

Given Hot Chili's PFS advancements and Scoping study confirmation that the addition of a copper oxide project is robust, the Company expects to report significant growth in open pit Ore Reserves and Mineral Resources with the Productora PFS. This expanded metal inventory will also include the addition of the Alice Porphyry copper discovery, 400m west of the planned central pit.

Recent announcements concerning a proposed joint venture and option agreement with Compañía Minera del Pacífico S.A. (CMP) are progressing towards a General meeting of Hot Chili shareholders in the coming weeks.

Importantly, the agreement is viewed as pivotal for Hot Chili to access key infrastructure as well as securing an experienced major Chilean partner with substantial operational, financial and development capability to jointly develop Productora towards production.

Hot Chili is confident of delivering a strong PFS result in advance of commencing a Definitive Feasibility Study (DFS) for Productora this year.

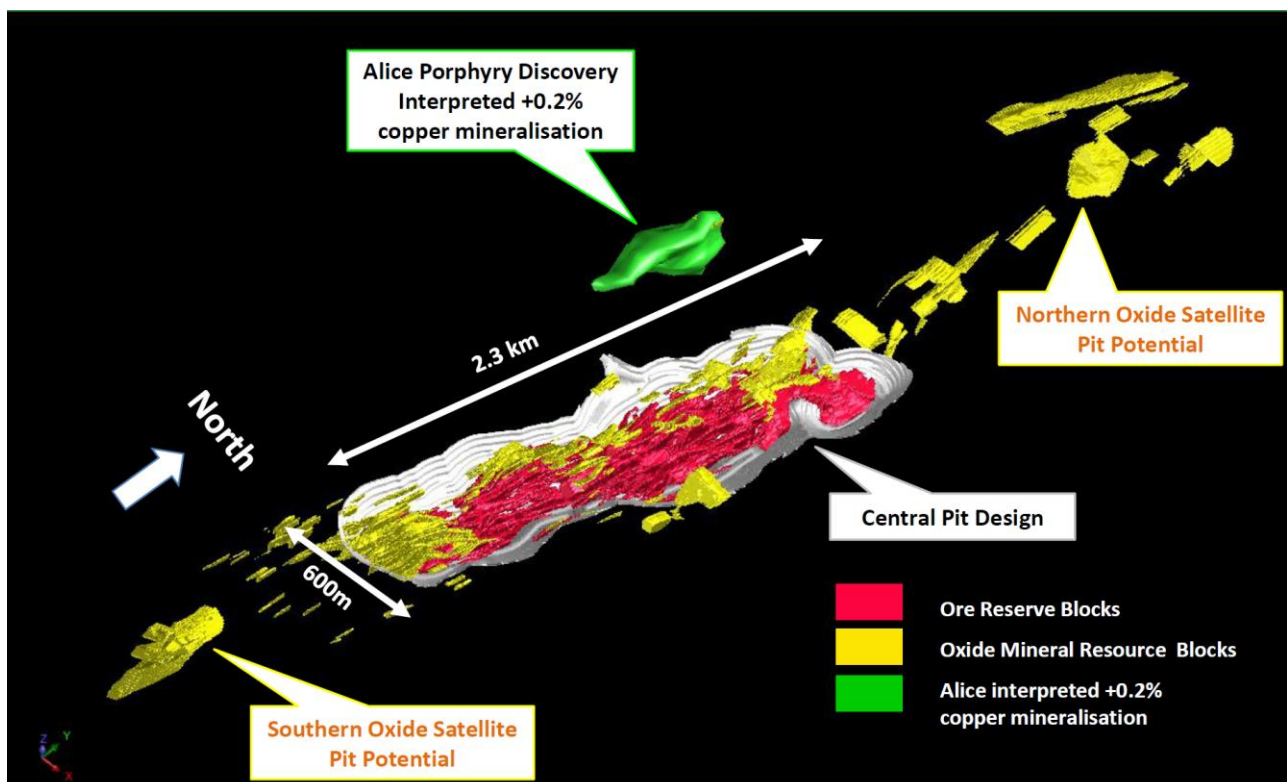


Figure 1 Central pit design displaying Ore Reserve blocks (pink) against oxide Mineral Resource blocks (yellow) and the +0.2% copper mineralisation interpretation at the Alice porphyry discovery.

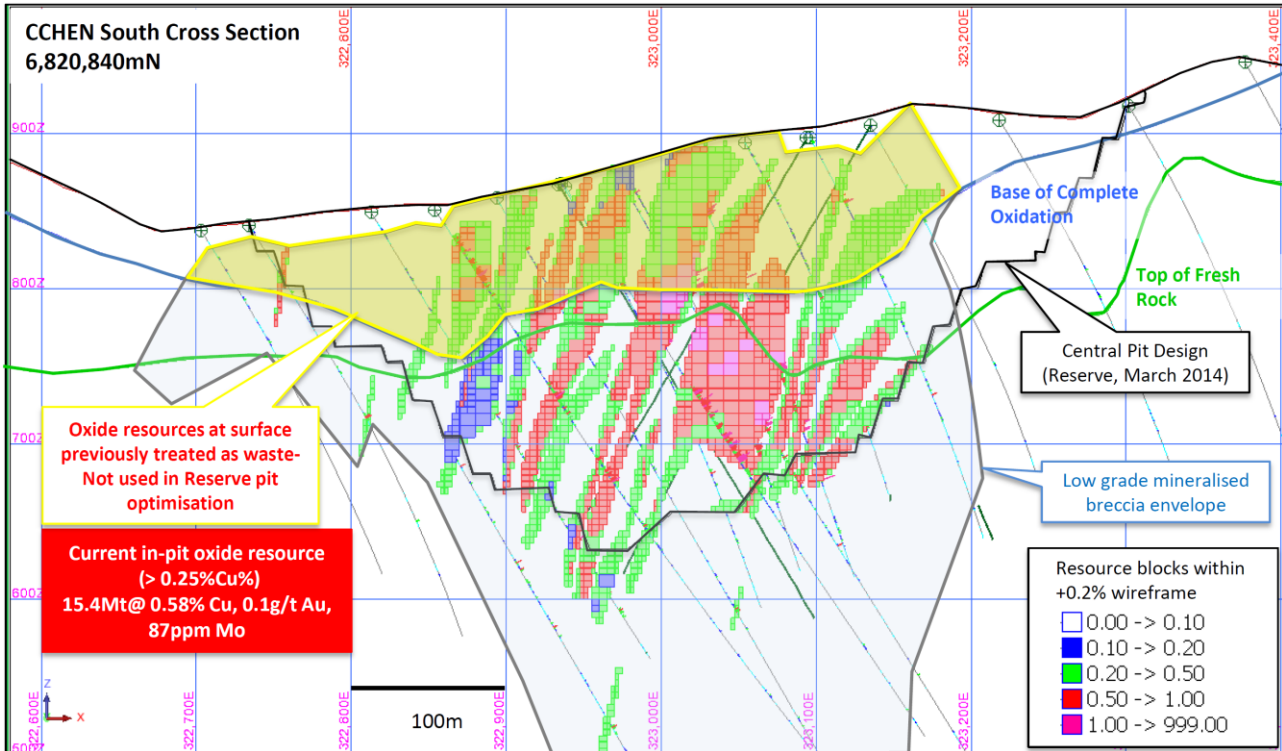


Figure 2 Cross section displaying oxide Mineral Resources within the planned central pit.

Positive Scoping Study Complete for Copper Oxide Addition at Productora

Oxide Scoping Study Outline

Hot Chili initiated an Oxide Scoping study at Productora in August 2014. The Scoping study was managed by Australian engineering consulting and project management group Mintrex. The study was aimed at providing confirmation of oxide project economics and defining the scope of a subsequent PFS.

Several options were assessed to treat up to approximately 30Mt of oxide Mineral Resource (Indicated and Inferred) at variable throughput rates for both heap leach and dump leach processing options.

Work streams undertaken to complete the Scoping study included:

- Review of all previous testwork conducted on oxides.
- Compilation of oxide testwork programmes applicable to Scoping study and PFS, respectively.
- Selection of samples for both Scoping study and PFS testwork programmes.



- Management of testwork programmes for Scoping study (bottle roll tests, comminution tests, mineralogy analysis and hydrodynamic tests) and PFS (1 m and 6 m column tests and further hydrodynamic tests).
- Process Flowsheet Selection for “Front End”
 - Heap leach (2 Mtpa) - material preparation (three stage crushing, screening, agglomeration, stacking and leaching)
 - Dump leach (5 Mtpa) – material preparation (primary crushing, stacking/dumping and dump leaching)
 - Heap (2 Mtpa) and Dump leach (3 Mtpa) - material preparation (crushing, screening, agglomeration, stacking and dump and heap leaching).
- Process Flowsheet Selection for “Back End” – process plant to treat pregnant liquor solution (PLS) – solvent extraction (SX) and electrowinning (EW)/crystallisation (Crystalliser) to produce either copper cathode or copper sulphate pentahydrate, a readily saleable copper intermediate product;
 - New process plant
 - Second hand process plant
 - Toll treatment of PLS and/or electrolyte
- Financial analysis (Capex, Opex, NPV) of the various options excluding mining costs, but including all other associated infrastructure costs.

Oxide Scoping Study Results

Several oxide processing options were studied to determine the most optimal approach to maximise the value of Productora’s oxide Mineral Resources. The study was supported by encouraging acid consumption levels and copper recovery rates as determined by metallurgical testwork.

From this study, Mintrex recommend the best option to continue studying in the PFS is conventional heap leach processing followed by a SX/EW circuit to produce copper cathode. This option is considered the most attractive low-risk option with a positive financial outcome.

The Scoping study has also identified the potential to dump leach process lower grade oxide material at Productora. This option is being pursued in the PFS and has the potential to further increase the scale of the oxide project if certain low cost operating strategies are proven to be applicable.



Scoping study results for a 2Mtpa heap leach option at Productora indicated the following:

	Heap Leach
Throughput	2 Mtpa
Average grade of feed	0.58% copper
Total copper recovery	52 - 56%
Annual cathode production	6,000 – 6,500 tonnes
Plant Operating Cost	USD\$1.00 – 1.15/lb
Capital Cost	USD\$80 - 90 million

Plant operating cost estimates stated above include all “front-end” (power cost, ongoing heap cost, ROM and dump re-handling, acid consumption, maintenance and other costs) and “back-end” (power cost, consumables and maintenance cost) operating costs as well annual G&A and annual labour costs.

Capital cost estimates stated above include direct cost, indirect cost and contingency associated with construction of a new plant for heap leach processing. Second-hand plant and toll treatment options were not progressed in the Scoping study owing to a lack of available and reliable information at this stage of assessment.

Mintrex utilised an oxide mining schedule completed in conjunction with the first Productora Ore Reserve estimate announced to the ASX on March 31st 2014. Mining cost and geotechnical parameters outlined in that announcement are considered appropriate to utilise for combined oxide and sulphide PFS pit optimisation and modelling.

Importantly, mining cost of all in-pit oxide Mineral Resources within the planned central pit have already been accounted for within the current Productora Ore Reserve estimate.

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This announcement has been prepared in compliance with the JORC Code 2012 Edition and the ASX Listing Rules. The Company advises the Study results and production targets reflected in this announcement are forecasts and estimates, and are preliminary in nature as conclusions are partly drawn from Inferred Resources, which comprise approximately 20% of the copper in the oxide Mineral Resource inventory. The Study outputs contained in this report relates to 100% of the Productora project.

The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement. The detailed reasons for that conclusion are outlined throughout this announcement and in particular in Qualifying Statements headed “Forward Looking Statements”.

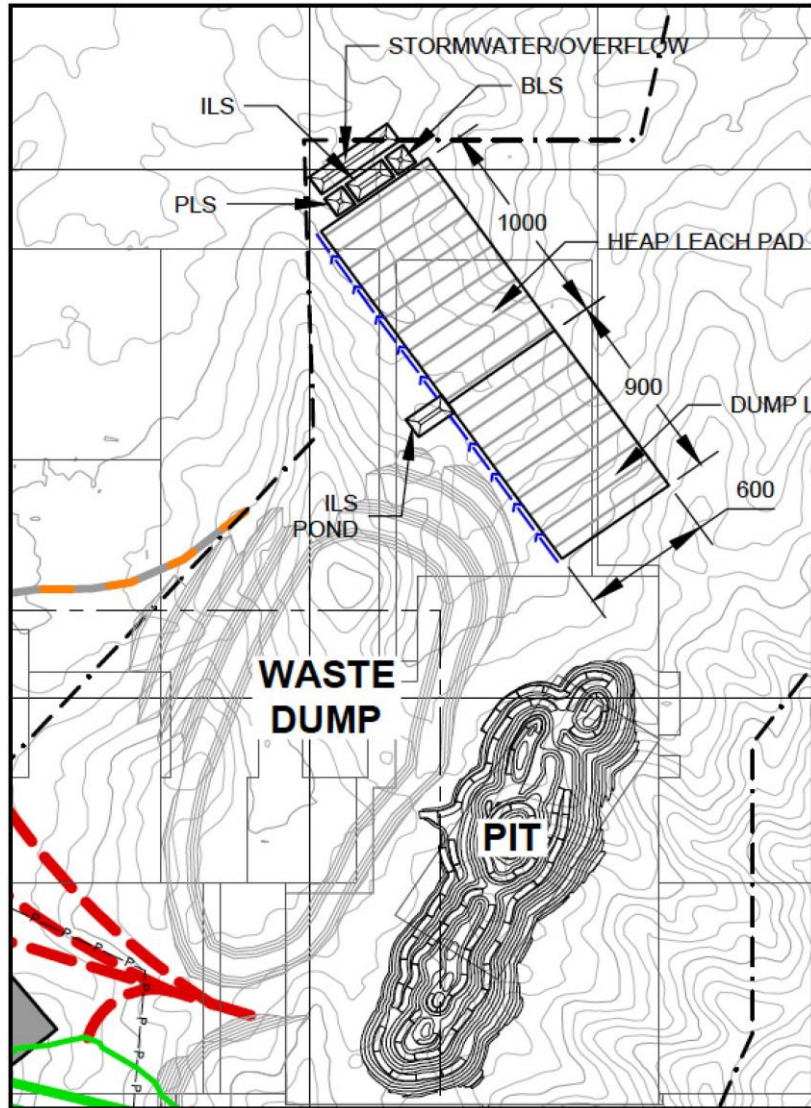


Figure 3 Heap leach and dump leach conceptual project layout design at Productora

Opportunities and Oxide PFS Work Streams Underway

A heap leach project with a throughput of 3 – 4 Mtpa is being studied in the Productora PFS to target production of approximately 8,000 to 10,000 annualised tonnes of copper cathode over 6 to 8 years. The oxide project is expected to be scheduled at the front-end of the sulphide project which is being studied to produce annual copper-in-concentrate of approximately 45,000 to 55,000 tonnes.



A second-hand processing plant is being investigated in the PFS study to target reductions in the Scoping study capital cost estimates. Hot Chili has identified several oxide plants close to Productora which are due to become idle owing to depletion of available oxide ore sources.

In addition, Hot Chili has executed Letters of Intent (LOI) with Empresa Nacional de Minería (ENAMI) and Sociedad de Exploración y Desarrollo Minero SA (EXPLODESA) to co-operate in the technical assessment and negotiation for a possible supply and processing agreement towards the commercialisation of oxide material that is exploited from any future mining development at Productora.

ENAMI is the operator of an oxide and sulphide processing facility located 15km north of Productora in the township of Vallenar, while EXPLODESA is the operator of an oxide processing facility located 40km south of Productora. Hot Chili is progressing well with both groups towards the technical assessment of processing Productora's oxide ore at these nearby plants.

Hot Chili has now commenced PFS level column leach testwork of oxide material as well as open pit modelling to determine the growth impact of including oxide Mineral Resources into open pit mining optimisations.

For more information please contact:

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or visit Hot Chili's website at www.hotchili.net.au



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 for 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 Statement

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 for 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 project was previously reported in the ASX announcement “Maiden Ore Reserve at Productora Set for Strong Growth in 2014”, dated 31st March 2014, a copy of which is available on the ASX website at www.asx.com.au and the Company’s website at www.hotchili.net.au. 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 and Ore Reserves. 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.

