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## QUARTERLY REPORT

Period Ending June 30th 2012

### Highlights

#### Consolidation of Productora Complete

- Last critical lease within the centre of Productora secured, drilling to commence shortly.

#### Joint Infrastructure Negotiations Commence

- Two non-binding letter of intent (LOI) signed with Chilean iron ore major CMP to commence infrastructure negotiation and assess any potential future magnetite production at Productora.

#### Productora Development Studies On-Track

- Test-work indicates high copper recoveries of 93.5 - 96% at coarse grind size with +27% commercial concentrate grades

#### Resource Growth Drilling Continuing

- Resource drilling continues to return higher copper grades at Productora central area resource, Chile

The development of the Productora copper project in Chile took several major steps forward during the quarter. In July, Hot Chili confirmed that the last critical lease at the project had been secured and that the company's partner, Chilean iron ore major CMP, had signed two non-binding Letters of Intent (LOI) in relation to infrastructure and iron potential at Productora. Both milestones have provided a significant boost to the company's fully funded development plan for Productora in 2012.

Drilling activities at Productora are progressing well. Reverse Circulation (RC) resource drilling is being directed towards a number of areas located on the northern and southern extents of Productora, while resource diamond drilling continues to assess the deeper extent of the central area resource.

Scoping studies to assess a 10Mtpa, 20 year mine life open pit copper project are also on-track. Metallurgical test work results during the quarter confirmed high copper recoveries could be expected from a coarse grind size and that Productora ore is

#### ASX Code

HCH

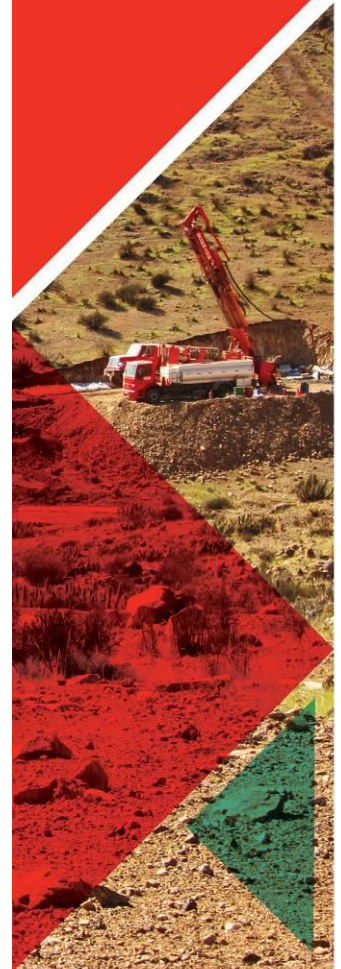
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amenable to processing using a conventional crushing – SAG mill – ball mill grinding circuit followed by sulphide flotation.

The company remains fully funded and on-track to achieve its 2012 growth and development targets at the Productora copper project. Next quarter will see the company completing several work streams in the lead-up to a first resource up-grade at Productora in association with the release of the Company's scoping study.

## PROJECT ACTIVITIES

### Productora Project

#### Consolidation of Productora Complete

The Uranio 1 to 70 lease lies within the centre of Hot Chili's flagship Productora copper project, forming an encircling landholding (Figure 1) around the Company's existing JORC compliant central resource (85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum). Securing the Uranio 1 to 70 lease has been a key goal for Hot Chili since it commenced project consolidation activities at Productora over four years ago

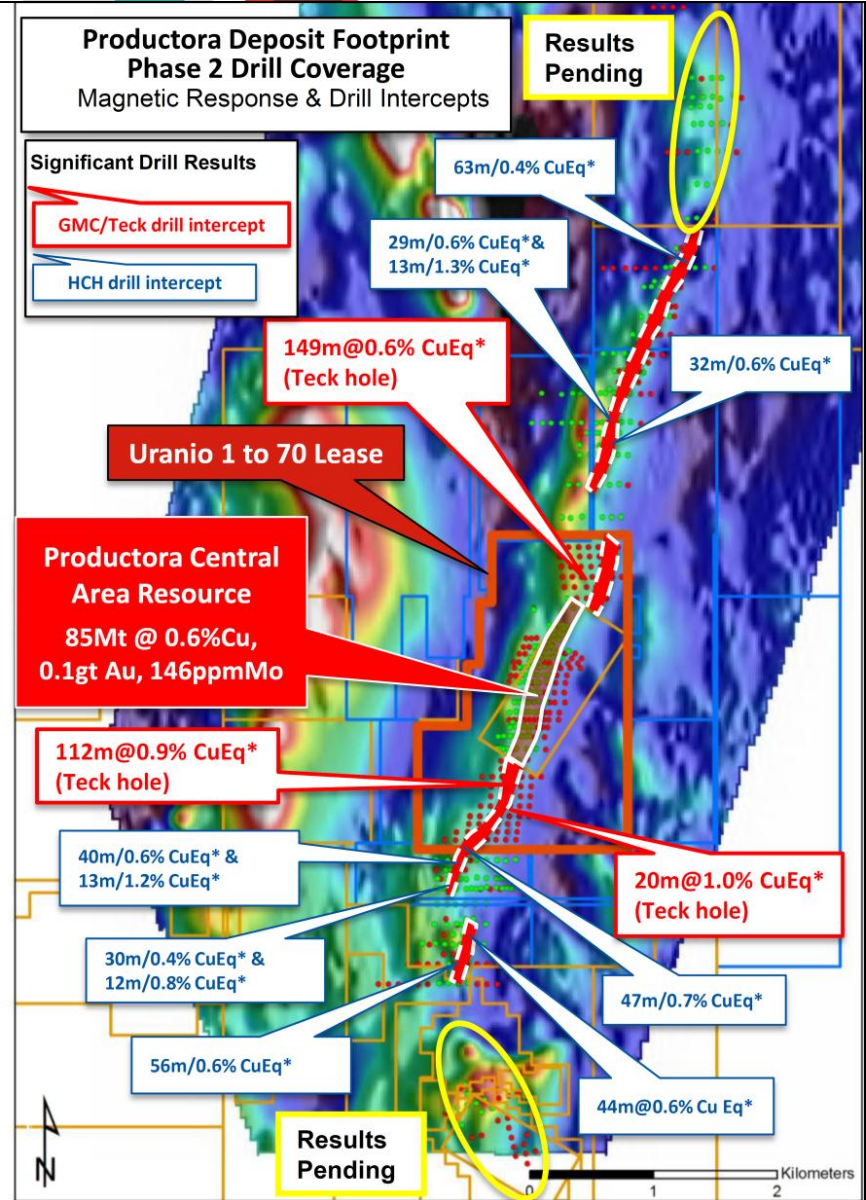
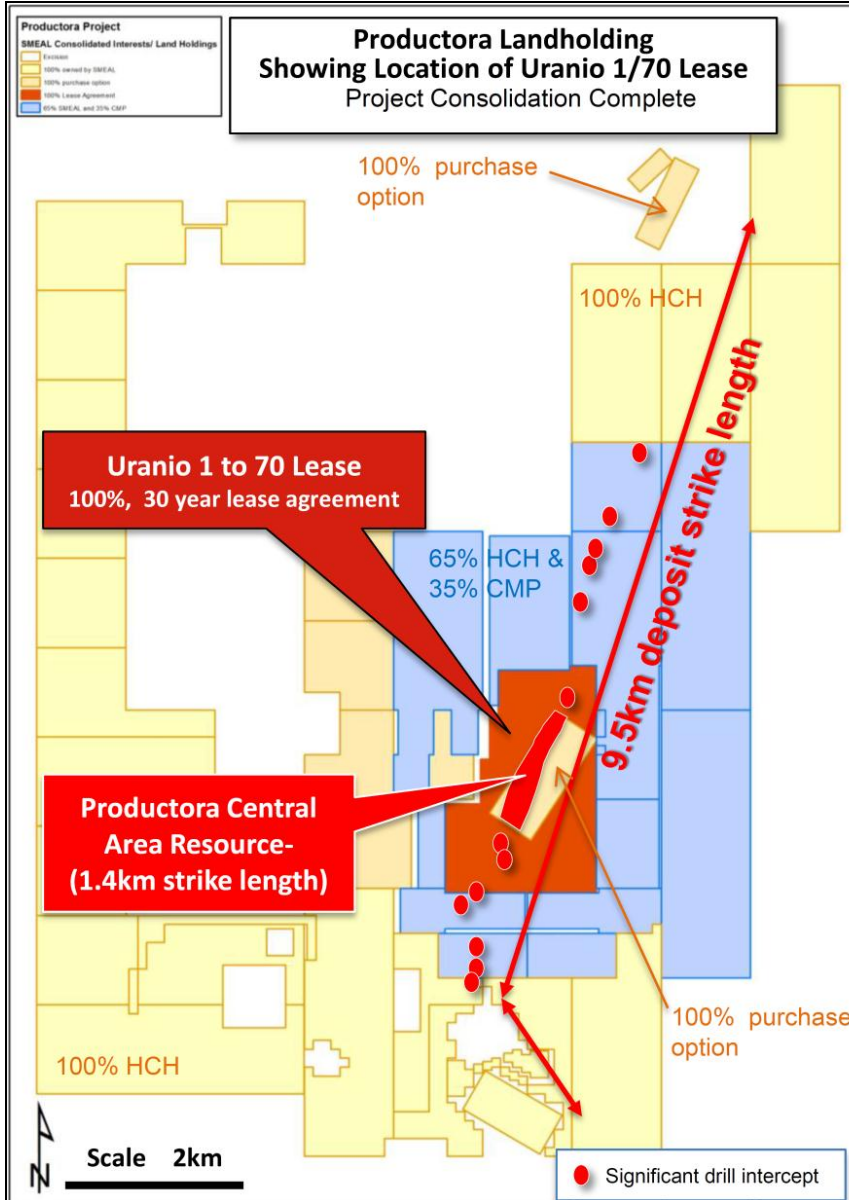
In April 2012, the Chilean Commission for Nuclear Energy (CCHEN- the owners of Uranio 1 to 70) commenced a public bidding process for a long-term lease agreement over the Uranio 1 to 70 lease. Hot Chili, through its 100% owned Chilean subsidiary Sociedad Minera El Aguila (SMEAL), submitted a bid for the Lease on June 18<sup>th</sup>. The public bid was held under specific minimum bidding conditions which Hot Chili was able to satisfy given that it already had a consolidated project position and was at an advanced development phase at the Productora project. .

Hot Chili has now been officially notified that it has been successful in its bid for the Uranio 1 to 70 lease. A 30 year exploration and exploitation agreement is currently being prepared by CCHEN with drilling activities scheduled to commence during September.

Importantly, the lease contains the direct extensions to the central area resource where historical drilling undertaken by Teck recorded several very wide drilling intersection including **112m grading 0.7% copper, 0.1g/t gold and 160ppm molybdenum** from 102 m down-hole depth **and 149m grading 0.4% copper, 0.1g/t gold and 90ppm molybdenum** from 200m down-hole depth.

The addition of this final Lease to the Productora copper project allows the Company to consider a large central pit option within its current development study plan as outlined on Figure 2. Hot Chili is now well positioned to maximise the size and life of any potential future copper operation at the Productora project.

The addition of the Lease provides a significant boost to the Company's current resource growth and development activities aimed at fast-tracking a decision to mine on one of Chile's fastest emerging, major, coastal-range, copper developments.



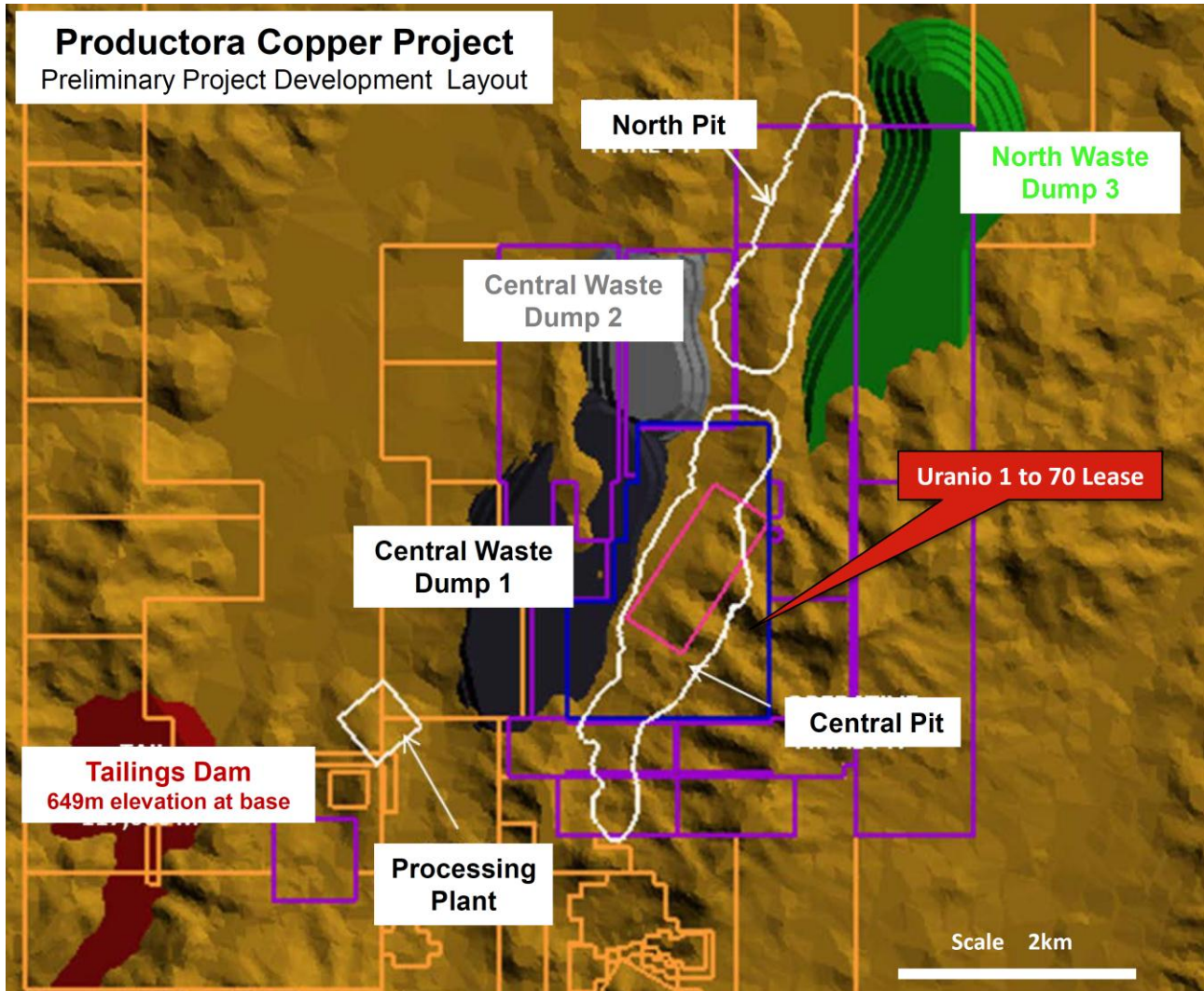


Figure 2. Preliminary project development lay-out for the Productora copper project

### Two Letters of Intent signed with Chilean Iron Ore Major CMP

At the end of the quarter, Hot Chili confirmed that it had signed two non-binding LOI's with its partner, Chilean iron ore major Compañía Minera del Pacífico S.A. (CMP). Over the coming 18 months, the two companies intend to formally co-operate on technical studies and commence negotiation for a joint infrastructure and iron production option for the Productora copper project.

Compañía de Aceros del Pacífico (CAP) is Chile's largest iron ore mining company and fully integrated steel business. The company is listed on the Chilean stock exchange with a market capitalisation as at June 28th 2012 of US\$5.34 billion and is a 3.7% shareholder of Hot Chili. CAP's operating company CMP is a major partner in the Company's flagship Productora copper project.



Productora lies in the heart of CMP's existing coastal infrastructure, including rail, port, easement corridor, magnetite concentrator and iron pellet plant. This infrastructure at the project is owned, operated and controlled by CMP. Successful negotiation would provide the Productora copper project with the potential to be established in a shorter timeframe and at a lower start-up capital cost than other comparable large-scale emerging copper projects.

Significant iron potential (primarily magnetite) has been identified by Hot Chili within the Productora copper project. Any such future development of an additional iron source in such close proximity to CMP's existing iron processing and transport network has the potential to add significantly to CMP's current production expansion at its existing operations. It also has the potential to add another valuable revenue stream to Productora.

Hot Chili believes the negotiations to be held under the LOIs have great potential to fast-track the development of Productora and generate substantial synergies and benefits for both companies.

### **Productora Development Studies**

As part of the ongoing Productora Scoping Study the Company has completed preliminary metallurgical testwork (mineralogy, comminution and flotation) on three composite samples of sulphide ore from within the current central area resource.

Initial results have provided early encouragement indicating that the Productora ore will be amenable to processing through a conventional crushing - SAG mill - ball mill grinding circuit followed by a contemporary sulphide flotation sequence. Ausenco, who is managing the Productora Scoping Study along with Hot Chili's own development study management team, has significant experience in the design and construction of similar copper processing circuits elsewhere in the world.

Rougher sulphide flotation results from within the Productora central area resource indicate particularly high copper recoveries of 93.5% to 96% over a relatively coarse grind size (212  $\mu\text{m}$  - 180  $\mu\text{m}$ , respectively). Clean flotation test work has now been complete, indicating a commercial concentrate grade of +27% copper may be expected following two stages of cleaning.

In addition to metallurgical test work, the company is well advanced with study deliverables for:

- Project development lay-out and pit design (Figure 2)
- Infrastructure design for sulphide processing plant, water pipeline and port option
- Capital and operating cost estimation
- Environmental baseline studies and assessment
- Easement corridor and maritime/surface permitting assessment
- Advanced financial modelling and risk analysis

A number of pre-feasibility work streams are being planned to commence in the coming months in the lead-up to the planned submission of an Environmental Impact Assessment for Productora in early 2013.



## Resource Growth Drilling Programme

The major second phase drilling programme at Productora comprising approximately +65,000m reverse circulation (RC) and +5,000m diamond (DD) drilling continued at pace during the quarter. One diamond (DD) drill rig and two Reverse Circulation (RC) drill rigs have been in operation at the project throughout the quarter.

All first-pass drilling over the entire 9.5km footprint has been completed and the company is now well advanced with resource definition drilling over along strike extensions within the northern and southern areas of the project. Resource definition drilling in these areas is expected to be completed late in the third quarter to facilitate a first resource up-grade for Productora.

Better results recorded by extensional RC drilling **included 56m grading 0.5% copper and 0.1g/t gold from surface and 40m grading 0.5% copper, 0.1g/t gold and 122ppm molybdenum from 122m down-hole depth**. These new extensional results are summarised on Figure 1.

Drill planning is well advanced to prepare for a large drilling programme over the direct extensions to the central resource, following the announcement that the company has now secured the last critical lease within the centre of the project. This now allows the company to test wider and higher value portions of the identified deposit footprint where previous drilling by General Minerals and Teck recorded their widest drilling intersections at the project during the late 1990's.

In addition to extensional RC drilling, DD drilling being directed towards up-grading the depth component of the central area resource has continued to record strong widths and copper grades. DD results included **47.3m grading 0.9% copper, 0.2g/t gold and 327ppm molybdenum from 225.7m down-hole** within the southern extent of the central area resource. This and other new diamond drill results are summarised on Figure 3.

The results add further weight to the Company's observation that larger sample size produces better copper grade estimation at Productora.

The second phase resource DD drilling programme is planned to continue for the remainder of 2012 and aims to increase the amount of indicated resources within the central area in parallel with the progress of development studies. The diamond drilling programme aims to facilitate a resource grade revision over the central area resource once complete.

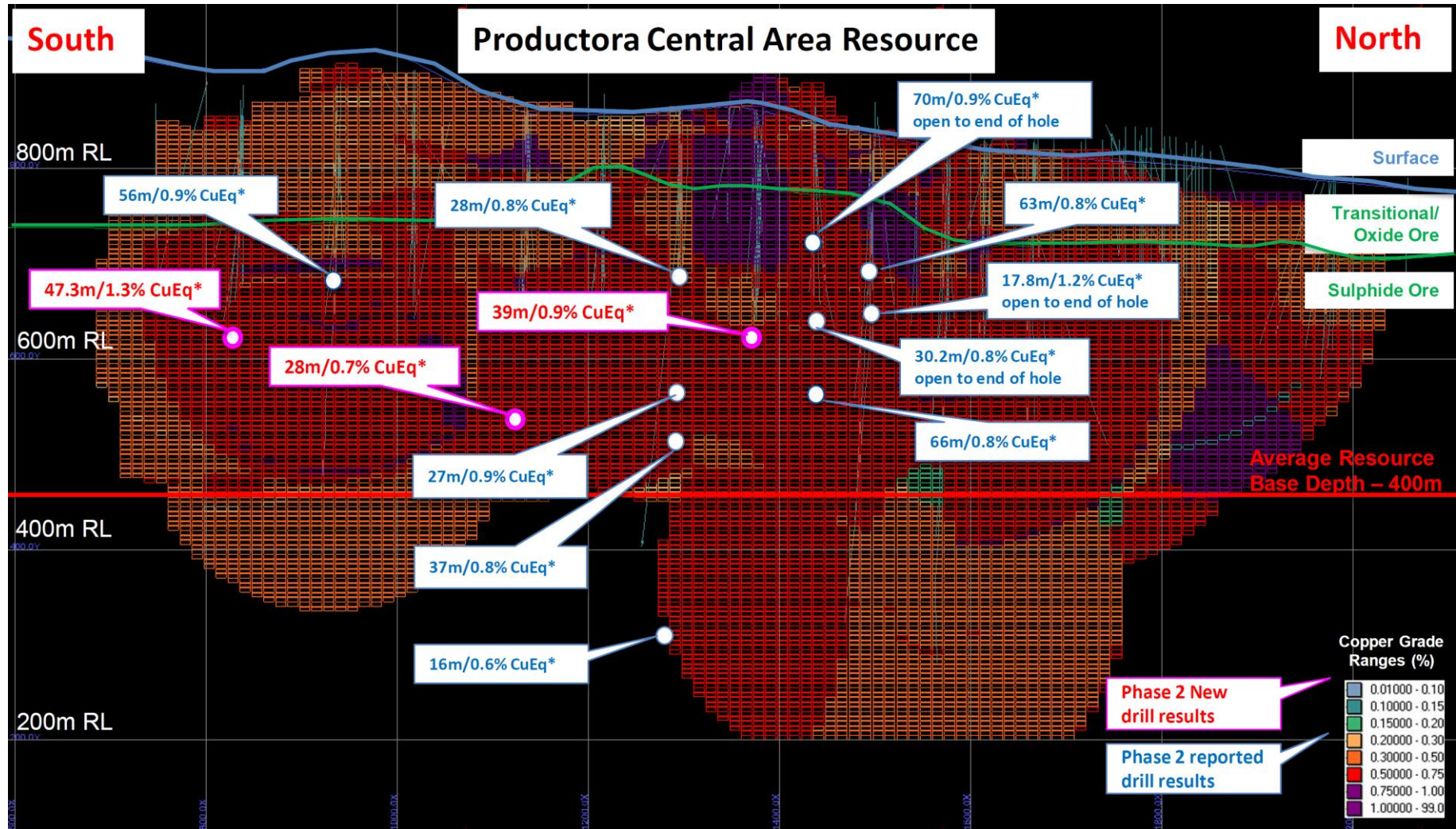


Figure 3. Phase 2 Significant Diamond Drilling Intersections at the Productora Central Area Resource



**Productora Project- Significant Drilling Intersections During the Quarter**

Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)	Comments
	North	East			From	To						
PRP0173	6820554	323179	90	-60	75	96	21	0.2	0.1	11	0.3	South Extension
PRP0175	6820554	323099	90	-60	188	196	8	0.2	0.0	11	0.3	South Extension
PRP0178	6820562	322699	90	-60	28	44	16	0.5	0.1	26	0.5	South Extension
					170	210	40	0.5	0.1	122	0.6	
					221	234	13	0.9	0.2	239	1.2	
PRP0179	6820484	322619	90	-60	70	85	15	0.2	0.0	11	0.3	South Extension
PRP0180	6820491	322699	90	-60	114	144	30	0.4	0.1	1	0.4	South Extension
					157	178	21	0.2	0.0	164	0.4	
					192	203	11	0.4	0.1	47	0.4	
					236	248	12	0.6	0.1	41	0.8	
PRP0194	6820334	322939	90	-60	72	76	4	0.8	0.1	226	1.0	South Extension
PRP0197	6820334	323099	90	-60	80	95	15	0.2	0.1	10	0.3	South Extension
PRP0201	6820254	322539	90	-60	80	92	12	0.3	0.0	62	0.4	South Extension
PRP0202	6820334	322539	90	-60	96	106	10	0.3	0.0	12	0.3	South Extension
PRP0204	6820504	322539	90	-60	100	104	4	0.9	0.1	18	0.9	South Extension
					116	132	16	0.3	0.0	10	0.3	
					276	300	24	0.3	0.0	86	0.4	
PRP0205	6820524	323099	90	-60	76	96	20	0.3	0.1	20	0.4	South Extension
PRP0210	6819804	322759	90	-60	4	13	9	0.6	0.8	6	1.1	South Extension
					64	72	8	0.5	0.2	28	0.6	
PRP0213	6819804	322439	90	-60	228	244	16	0.5	0.1	13	0.6	South Extension
PRP0214	6819644	322714	90	-60	0	56	56	0.5	0.1	9	0.6	South Extension
PRP0216	6819644	322794	90	-60	0	4	4	0.5	0.3	22	0.7	South Extension
PRP0035D	6821384	323059	90	-60	225.7	273	47.3	0.9	0.2	327	1.3	Central Resource
					296	313	17	0.6	0.1	288	0.9	
					325	339	14	0.4	0.1	475	0.9	
PRP0106D	6821764	323169	90	-60	281	296	15	0.3	0.1	104	0.5	Central Resource
					344	360	16	0.3	0.1	135	0.5	





Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)	Comments
	North	East			From	To						
					377	405	28	0.5	0.1	195	0.7	
					418	428	10	1.0	0.1	628	1.6	
					450	454	4	1.4	0.2	899	2.3	
PRP028D	6821924	323373	90	-60	236	246	10	0.6	0.1	299	0.9	Central Resource
					253	292	39	0.6	0.2	155	0.9	
					330	341	11	0.2	0.1	44	0.3	
					347	362	15	0.2	0.1	14	0.3	

**Note:**

- All drill holes with pre-fix "PRP" are reverse circulation (RC) and all drill holes with suffix "D" are diamond holes.
- Results comprise ICP analysis (ME-ICP61) of all 1m whole core samples; 1m selective riffle split samples and 4m composite samples.
- Priority AAS analysis (CU-AA62 ore grade analysis) results were utilised where analysis was undertaken for copper results greater than 1.0%.
- Priority MS analysis (ME-MS61) results were utilised where analysis was undertaken for uranium results greater than 50ppm.
- Gold analysis only undertaken over copper results greater than 0.2%. All gold results comprise ICP analysis (Au-ICP21). Gold significant intersections may in some instances represent the average of gold results within the zone of intersection. In these instances generally gold analysis has been undertaken over 90 percent of the samples taken within the length of the intersection.
- All results were analysed by ALS Chemex (La Serena) laboratories.



## Other Projects

During the quarter, the Company focussed its attention towards the fast-tracking of resource growth and development studies at its Productora copper project in Chile. No field-based activities were carried out over the Chile Norte and Los Mantos projects during the quarter.



## Qualifying Statements

### \* 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

### JORC Compliant Resource Statement- Reported 7<sup>th</sup> September 2011

Category	Tonnage (Mt)	Grade(>0.3%Cu)				Contained Metal(>0.3%Cu)			
		Copper %	Gold (g/t)	Molybdenum (g/t)	Copper Eq* %	Copper (Kt)	Gold (KOz)	Molybdenum (Tonnes)	Copper Eq* (Kt)
<b>Indicated</b>	31.1	0.6	0.1	159	0.8	185	110	4,942	248
<b>Inferred</b>	54.0	0.6	0.1	138	0.7	298	180	7,476	395
<b>Total</b>	<b>85.1</b>	<b>0.6</b>	<b>0.1</b>	<b>146</b>	<b>0.8</b>	<b>483</b>	<b>290</b>	<b>12,418</b>	<b>644</b>

Note: Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting.

### 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.

### Competent Person's Statement- 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.



## Appendix 5B- Mining Exploration Entity Quarterly Cash Flow Report

Name of entity

Hot Chili Ltd

ABN

91 130 955 725

Quarter ended ("current quarter")

30 June 2012

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(5,453) (518) (846)	( 13,600) (518) (2,605)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	7	54
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other GST	12	2
<b>Net Operating Cash Flows</b>	<b>(6,798)</b>	<b>(16,667)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(649) (99)	(649) (134)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(748)</b>	<b>(783)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(7,546)</b>	<b>(17,450)</b>



1.13	Total operating and investing cash flows (brought forward)	(7,546)	(17,450)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	10	30,299
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Cost of capital raising		(972)
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	10	29,327
	<b>Net increase (decrease) in cash held</b>	(7,536)	11,877
1.20	Cash at beginning of quarter/year to date	24,004	4,221
1.21	Exchange rate adjustments to item 1.20	393	763
1.22	<b>Cash at end of quarter</b>	16,861	16,861

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	143
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Salaries , Directors fees and consulting fees at commercial rates.

### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest




### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	6,000
4.2 Development	
4.3 Production	
4.4 Administration	600
<b>Total</b>	<b>6,600</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	16,791	24,004
5.2 Deposits at call	70	
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>16,861</b>	<b>24,004</b>



## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			



### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	199,676,224	199,676,224		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	50,000	50,000	20 cents	20 cents
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				





7.7	<b>Options</b> <i>(description and conversion factor)</i>	40,390,000 3,005,226 9,361,113 1,000,000		<i>Exercise price</i> 20 cents 75 cents 75 cents 90 cents	<i>Expiry date</i> 3/11/2013 20/12/2012 9/2/2013 <i>Exercisable after</i> 19/7/2012 <i>Expiry date</i> 20/7/2014 <i>Exercisable after</i> 19/7/2013 <i>Expiry date</i> 20/7/2014
		2,200,000		<b>90 cents</b>	<i>Exercisable after</i> 19/7/2013 <i>Expiry date</i> 20/7/2014
		500,000		<b>One dollar</b>	<i>Exercisable after</i> 29/1/2014 <i>Expiry date</i> 30/1/2015
		300,000		<b>90 cents</b>	<i>Exercisable after</i> 19/7/2013 <i>Expiry date</i> 20/7/2014
7.8	Issued during quarter				
7.9	Exercised during quarter	50,000		20 cents	3/11/2013
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				



## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

A handwritten signature in black ink, appearing to read "John Sendziuk", written over a horizontal line.

.. Date: 26/07/2012

( Company secretary)

Print name: John Sendziuk..

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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