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## QUARTERLY REPORT

Period Ending September 30th 2012

### Highlights

#### **Drilling over New Lease Significantly Bolsters Forthcoming Resource Up-grade at Productora**

- **First drilling over new lease secured at Productora returns best results to date at project**
- **Resource drilling of new lease being fast-tracked to include in forthcoming resource up-grade at Productora**

#### **High- Grade Drilling Results Returned at Productora**

- **High-grade copper and gold intersected by drilling in the northern and southern extents of Productora**

#### **Pre-Feasibility Studies Commence at Productora**

#### **Largest Shareholder Converting Options Early**

- **Kalgoorlie Auto Services (KAS) commences early conversion of 20 cent options making payments of \$2 million to the Company**

Development studies and drilling activities at Hot Chili's Productora copper project in Chile continued at a rapid pace during the quarter. Pre-feasibility study activity streams commenced following the successful completion a scoping study at Productora and the Company made significant progress towards a planned major resource up-grade.

Drilling directed towards a newly secured lease located within the central development area of Productora has produced the best results to date at the project. These results in combination with high-grade copper and gold results being returned from the northern and southern extents of the project have substantially enhanced the economics of Productora.

In addition, the Company's largest shareholder, Kalgoorlie Auto Services (KAS), commenced a programme of early option conversion. During the quarter, KAS converted 10,000,000, 20-cent unlisted options through the payment of \$2 million to the company.

#### ASX Code

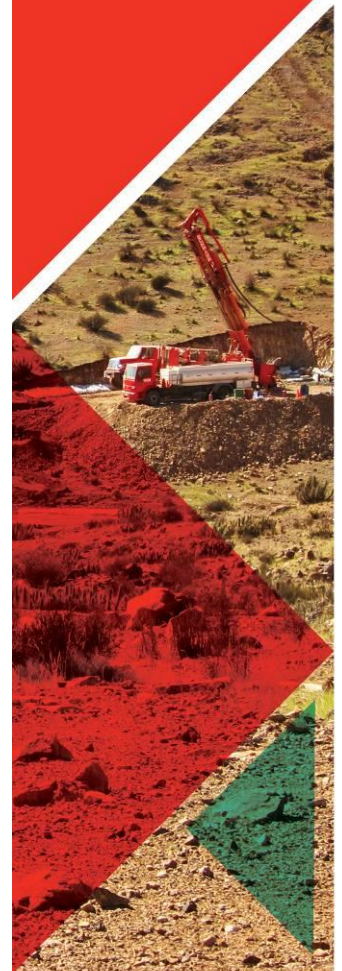
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#### Contact

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Managing Director

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## PROJECT ACTIVITIES

### Productora Project

#### Best Results to Date Pave Way for Substantial Resource Up-grade

On the 17<sup>th</sup> of July 2012, following over four year of consolidation efforts, Hot Chili announced that it had finally secured the last critical lease at Productora- Uranio 1 to 70.

The Uranio 1 to 70 lease lies within the centre of Hot Chili's flagship Productora copper project, forming an encircling landholding around the Company's existing JORC compliant central resource (85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum). The Lease represents the last critical portion of the central resource development area to be consolidated at Productora and added a further 1.2km of strike length to the project as shown in Figure 1.

Early during the quarter, a first pass drilling programme within the new Lease returned a series of exciting results confirming the presence of potential large tonnage, direct extensions to the north and south of the central area resource. The results contained in this zone are the widest and highest grade results recorded to date at Productora and importantly all lie within the companies planned central pit development as shown on Figure 1. Selected significant intersections are outlined in Table 1.

**Table 1. Significant intersections recorded in the Uranio 1 to 70 Lease during the quarter**

<b>Drill Results in New Lease at Productora</b>
<p><b>196m grading 0.9% Copper Equivalent*</b>            (0.7% copper, 0.2g/t gold, 128ppm molybdenum,  <b>from 40m down-hole</b>  <b>including 23m grading 2.1% Copper Equivalent*</b>            (1.6% copper, 0.4g/t gold and 158ppm molybdenum)</p>
<p><b>126m grading 0.9% Copper Equivalent*</b>            (0.7% copper, 0.2g/t gold, 169ppm molybdenum)  <b>from 54m down-hole</b>  <b>including 30m grading 1.5% Copper Equivalent*</b>            (1.1% copper, 0.2g/t gold and 248ppm molybdenum)</p>
<p><b>120m grading 0.9% Copper Equivalent*</b>            (0.7% copper, 0.1g/t gold, 96ppm molybdenum)  <b>from 60m down-hole</b>  <b>including 20m grading 1.3% Copper Equivalent*</b>            (1.0% copper, 0.2g/t gold and 186ppm molybdenum)</p>



**149m grading 0.8% Copper Equivalent\***

(0.6% copper, 0.2g/t gold, 141ppm molybdenum)

**from 29m down-hole**

**including 35m grading 1.2% Copper Equivalent\***

(1.0% copper, 0.2g/t gold and 51ppm molybdenum)

Hot Chili's assumed continuation of mineralisation in the new Lease had not considered such widths or grades prior to the commencement of drilling. It is considered that these first drill results are likely to have a major impact on in-pit resource additions at the project.

Figure 2 and 3 display the significant intersections recorded in the southern extent of the new Lease as two cross sections.

The latest results are expected to underpin a significant resource upgrade for Productora and provide a substantial boost to the economics of a planned 4km long central open pit, the centre piece of the Company's development plan at the project.

Following receipt of these results, Hot Chili brought forward drilling within the new Lease. Two Reverse Circulation (RC) drill rigs and a diamond (DD) drill rig are currently expanding drill coverage around the newly identified high-value zone to include this in the forthcoming resource up-grade at the project.

### **High Grade Copper and Gold Drill Results Add Further Upside to Productora**

A number of high-grade copper and gold drill results have been returned from drilling in the northern and southern extents of the Productora copper project during the quarter. The results highlight further exploration up-side in addition to the current development study base-case which aims to investigate the potential for a 10Mtpa open pit operation at the project.

In the northern extent of Productora, RC drilling being completed as part of the Company's current resource up-grade drilling programme returned the projects first high-grade copper-gold intersection. The drilling result returned 7m grading 5% copper, 1.4g/t gold and 642ppm molybdenum within a broader drilling intersection of 45m grading 1.3% copper, 0.5g/t gold and 352ppm molybdenum from 93m down-hole(see Figure 1)..

Preliminary interpretation indicates that this drilling intersection may be related to a high-grade shoot control within the broader north-northeast trending main mineralised corridor. Follow-up drilling will test the extent of the high-grade shoot position within the northern extent of Productora

In the southern extent of Productora, the Company returned several shallow, high-grade; narrow-vein gold intersections from a limited first-pass RC drilling programme (see Figure 1).

The area represents the historical Sierra Zapallo gold zone- boasting over 900m in strike length of surface and underground workings which had not previously been drill tested (see Figure 4).

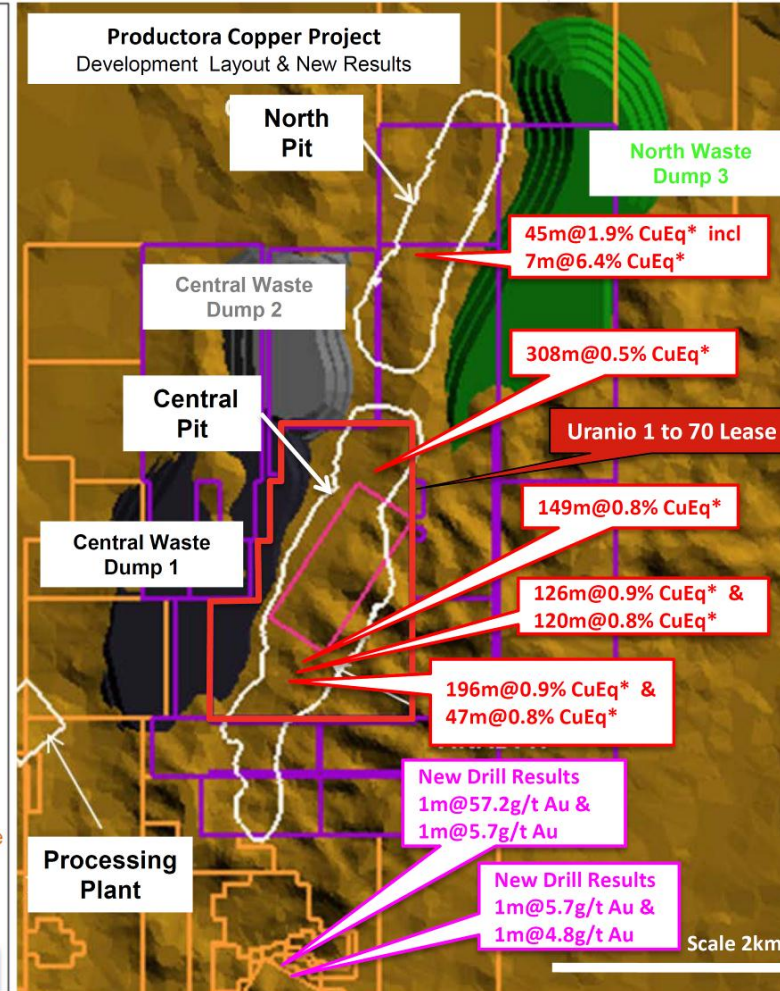
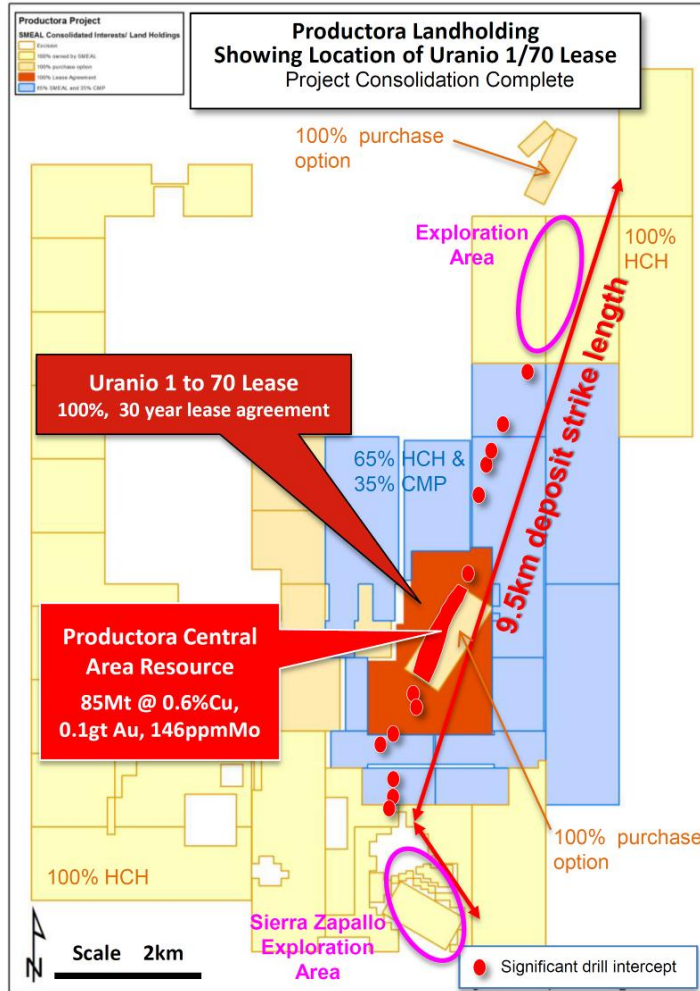


Figure 1. New significant drilling intersections in relation to landholding and development lay-out at Productora

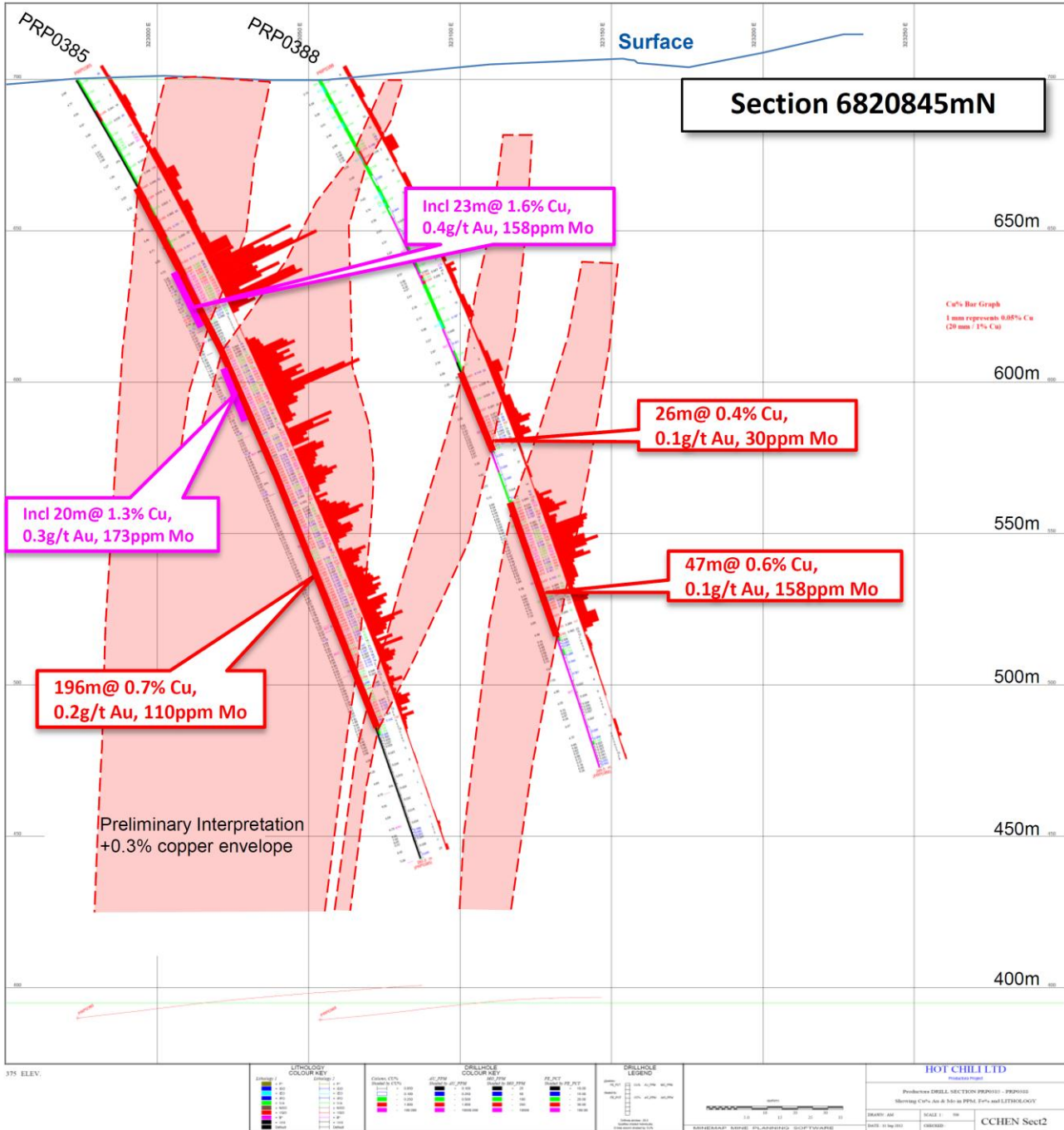


Figure 2. Cross Section 6820845mN within the Uranio 1 to 70 Lease at Productora

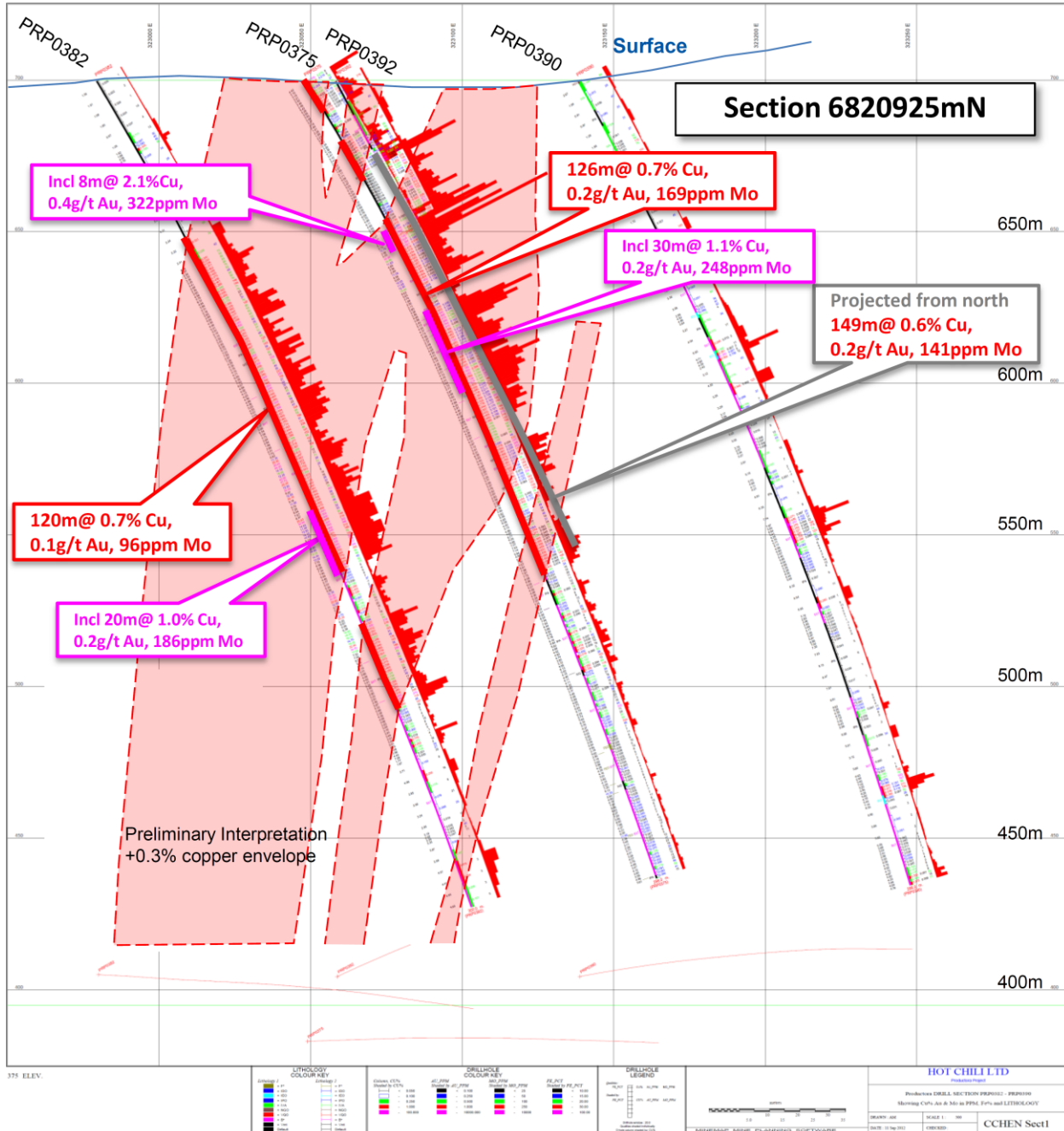
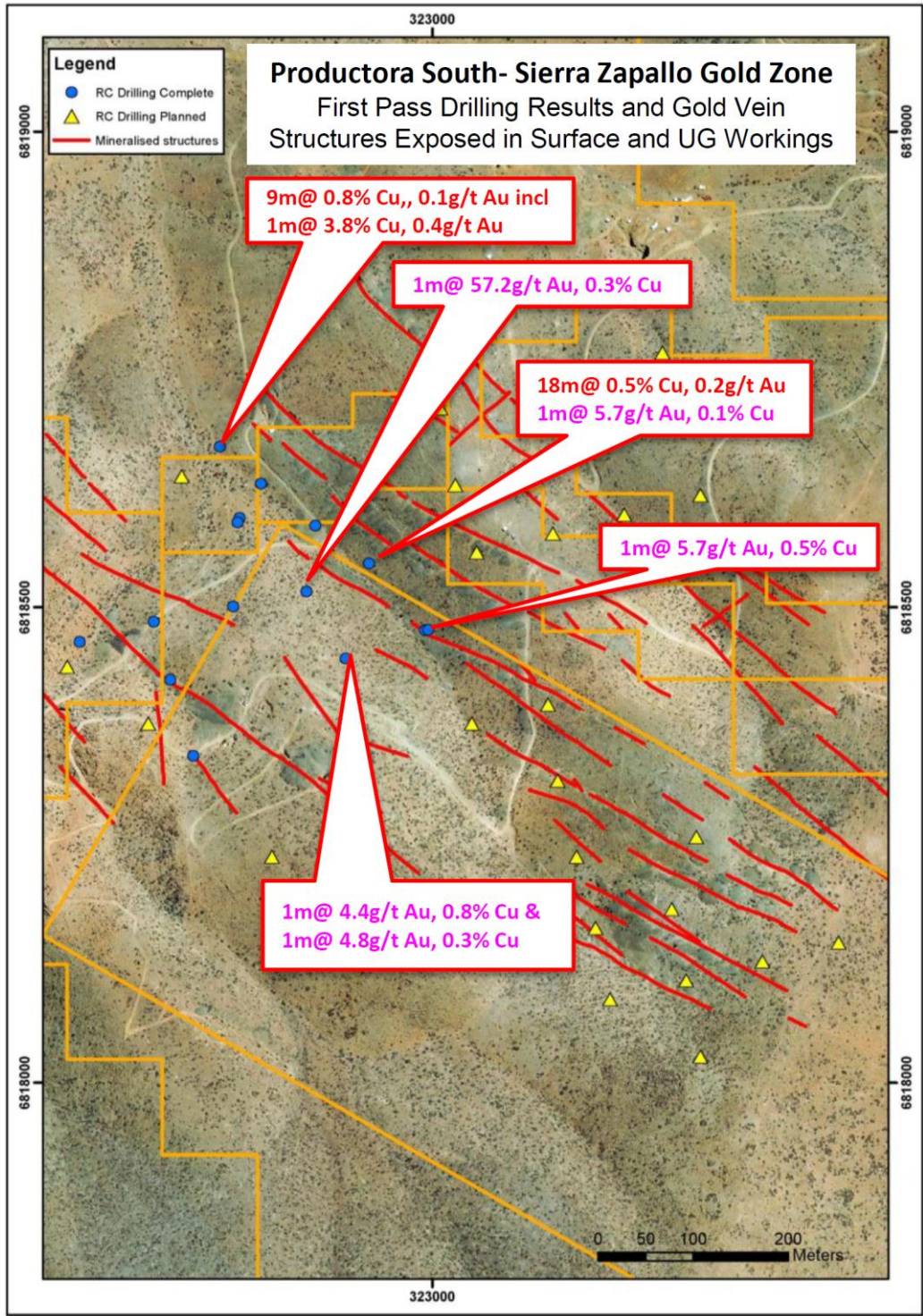


Figure 3. Cross Section 6820925mN within the Uranio 1 to 70 Lease at Productora



**Figure 4 Location of first-pass drilling within the Sierra Zapallo gold zone- southern most extent of Productora**



Drilling planned over the Sierra Zapallo gold zone comprised approximately 33 angled RC holes. However, due to on-going resource development drilling commitments, the first-pass drilling programme was terminated after only completing an initial 13 RC holes.

Although the drilling programme is incomplete, initial results confirm the presence of high-grade gold below substantial workings in four drill holes. High-grade gold is associated with narrow (0.5 - 2m true width), quartz-pyrite veins enriched in copper and silver and displaying strong along-strike continuity (see Fig 2).

The remaining first-pass drilling in the Sierra Zapallo area will be re-commenced once the current resource up-grade drilling programme is complete. All platforms are constructed and the remainder of the first-pass drilling programme is drill ready.

High grade results returned from the northern and southern extents of the project during the quarter are summarised below in table 2

**Table 2. High grade copper and gold drilling intersections recorded during the quarter**

<b>Productora North High-Grade Drill Result</b>
<p><b>7m grading 5.0% Copper, 1.4g/t Gold</b> (6.4% CuEq* also includes 642ppm molybdenum)</p> <p><b>Included within a broader drill intersection of:</b></p> <p><b>45m grading 1.9% Copper Equivalent*</b> (1.3% copper, 0.5g/t gold and 352ppm molybdenum)</p> <p><b>from 93m down-hole</b> <b>Open up/down dip and along strike for over 160m</b></p>
<b>Productora South High-Grade Drill Results</b>
<p><b>1m grading 57.2g/t Gold</b> (intersection also includes 0.3% copper and 12g/t silver)</p> <p><b>from 37m down-hole</b></p>
<p><b>1m grading 5.7 g/t Gold</b> (intersection also includes 0.5% copper and 5g/t silver)</p> <p><b>from 21m down-hole</b></p>
<p><b>1m grading 5.7g/t Gold</b> (intersection also includes 0.1% copper and 1g/t silver)</p> <p><b>from surface</b></p>





#### **Notes to Table 1 and 2:**

- All drill holes with pre-fix "PRP" are reverse circulation (RC) and all drill holes with suffix "D" are diamond holes. All results contained in table 1 and 2 of this report are RC drilling results.
- 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.

### **Pre-Feasibility Study Commences at Productora**

During the quarter the company successfully completed the scoping study component of the Productora development studies. Early work streams related to a pre-feasibility study are now underway. Results from the scoping study are anticipated to be released once resource upgrades have been completed in association with pit re-designs to account for future resource conversions.

Preliminary pe-feasibility work streams which are underway include:

- Water intake engineering and field works
- Expanded metallurgical test work programme design
- Easement corridor studies and preparation
- Completion of expressions of interest to identified power suppliers

Ausenco have been appointed to continue the management of the Productora development studies in association with the Company's own development study management team. In addition, the Company is currently expanding its internal development study team and plans to announce several key appointments over the coming months.

### **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, Los Mantos, Banderas and Frontera projects during the quarter.



## Corporate

Hot Chili's largest shareholder, Kalgoorlie Auto Services (KAS), exercised a total of 10 million, 20-cent unlisted options through the payment of \$2 million to the company during the quarter. The exercise of option occurred on Friday August 24, 2012 (\$1 million) and Wednesday the 26th of September 2012 (\$1 million).

Through the exercise of these options, KAS has increased its shareholding in Hot Chili from 20.1% to 23.8%. KAS now holds 50 million shares and 17 million remaining 20-cent unlisted options (expiring in November 2013) in the company.

Hot Chili's non-executive chairman Murray Black and managing director Christian Easterday, who are major shareholders in Hot Chili indirectly through KAS, each contributed 25% to the early exercise of these options.

KAS has indicated to the Company that it expects to continue with its programme of monthly option conversions.

The move by KAS is a strong vote of confidence by the company's largest shareholder in the growth and development activities being undertaken over the company's flagship Productora copper project in Chile.



## 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)x0.0008 + Au(ppm)x0.6832

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)				ContainedMetal(>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 September 2012

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3months) \$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	(6,331) (548) (832)	( 6,331) (548) (832)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other GST	(14)	(14)
	(7,720)	(7,720)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(262) (5)	(262) (5)
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)		
	(267)	(267)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(7,987)	(7,987)



1.13	Total operating and investing cash flows (brought forward)	(7,987)	(7,987)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,020	2,020
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Cost of capital raising		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	<b>2,020</b>	<b>2,020</b>
<b>Net increase (decrease) in cash held</b>			
		(5,967)	(5,967)
1.20	Cash at beginning of quarter/year to date	16,861	16,861
1.21	Exchange rate adjustments to item 1.20	( 545)	( 545)
1.22	<b>Cash at end of quarter</b>	<b>10,349</b>	<b>10,349</b>

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	137
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	5,500
4.2 Development	500
4.3 Production	
4.4 Administration	700
<b>Total</b>	<b>6,700</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	10,279	16,791
5.2 Deposits at call	70	70
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>10,349</b>	<b>16,861</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> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	209,776,224	209,776,224		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,100,000	10,100,000	20 cents	20 cents
7.5 <b>*Convertible debt securities</b> (description)				
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>	30,290,000 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	10,100,000		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:  ..... Date 31/10/2012  
 ( 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.

**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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