Hot Chili Limited ACN 130 955 725
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QUARTERLY REPORT

Period Ending September 30th 2011

Highlights

- **First resource estimate at Productora reported- 85.1Mt grading 0.6% copper, 0.1g/t gold and 146g/t molybdenum**
- **Contained metal of 483,000 tonnes of copper, 290,000 ounces of gold and 12,418 tonnes of molybdenum**
- **Shallow resource from surface (no pre-strip)**
- **Resource confined to central 1.4km extent of project, representing only 15% of Productora's 9.5km mineralised trend.**
- **Rapid resource growth targeted at Productora- large drilling programme underway**
- **Completion of AU$8 million placement to Panoramic Resources (Panoramic) and Taurus Funds Management (Taurus)**
- **Panoramic and Taurus each secure 4.1% cornerstone positions in Hot Chili**

Summary of Activities

Early during the quarter, the company completed an AU$8 million private placement with Panoramic and Taurus at AUD$0.60 cents per share. Following the issue of new shares, both Panoramic and Taurus now each hold 4.1% of Hot Chili's expanded capital structure. The participation of both Panoramic and Taurus as cornerstone investors earlier in the quarter was a strong vote of confidence in Hot Chili's projects and development strategy prior to the announcement of its first resource at Productora.

Hot Chili delivered its first major milestone late during the quarter, announcing a first resource at its flagship Productora copper-gold-molybdenum project in Chile. The important milestone comes after an intensive 10 month drilling effort and just 15 months since the company listed on the ASX. A large extensional RC and diamond drilling programme is underway aimed at delivering rapid resource growth at Productora.

ASX Code
HCH

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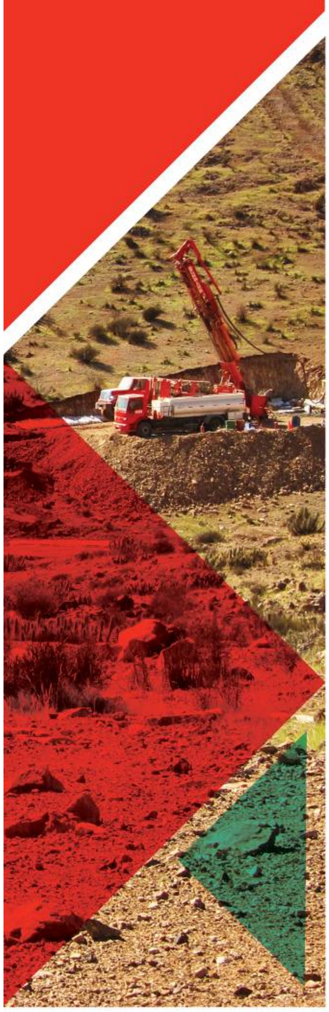

PROJECT ACTIVITIES

Productora Project

Hot Chili was successful in achieving its first milestone resource at Productora during the quarter enabling the company to commence the transition from explorer to project developer. This follows the completion of a first phase drilling programme at Productora comprising approximately 28,000m of RC and 5,400m of diamond drilling.

The resource lies within the central area of the project representing just 15% or 1.4km of Productora's identified 9.5km strike extent mineralised footprint. Importantly, the first resource demonstrates a robust and rapidly emerging new Chilean copper development, well located to major coastal infrastructure.

In early September, the company commenced a major second phase drilling programme at Productora comprising approximately 65,000m reverse circulation (RC) and 8,000m diamond (DD) drilling. The programme aims to rapidly expand the initial resource adjacent to, along strike, and at depth. Two dedicated RC/Diamond drilling rigs are on-site to complete the programme.

Late during the quarter, Hot Chili finalised preparation for the commencement of development studies at Productora. A team of international consultants have been assembled to undertake preliminary high-level planning of development studies prior to the appointment of a dedicated development team late during the fourth quarter of 2011. The scoping phase of economic studies at Productora is anticipated to commence at the beginning of 2012, with environmental baseline studies already underway.

Productora Central Area Resource

In September 2011, the company announced its **first JORC compliant resource** for the project which currently stands at **85million tonnes grading 0.6% copper, 0.1g/t gold, 146g/t molybdenum for 482,000 tonnes of copper metal, 290,000 ounces of gold and 12,400 tonnes of molybdenum metal**. The first resource is confined to the central lease of the project and represents a 1.4km strike length section of a 9.5km mineralised footprint which the company has identified at Productora. Extensional drilling to the north and south of the central area resource has already confirmed similar grades and widths over approximately 3.7km.

Productora is located along Chile's coastal cordillera, 15km south of the regional mining centre of Vallenar. The project is well situated to infrastructure, lying adjacent to the PanAmerican highway and centrally located to our project partner CMP's (Chile largest iron ore producer) rail and port (40km to the coast).

Hot Chili controls 12.5km of strike extent along the main mineralised trend at Productora through its own 100% tenure, purchase-option agreements and a 65% earn-in agreement with CMP (Chile's largest iron ore producer) over its landholdings at the project.

The central lease where the resource has been estimated also contains the operating Productora underground copper mine (excluded from the resource estimate). Hot Chili has a 100% purchase option right with the owners of the central lease which it intends to exercise when convenient over the course of the remaining 3 year term of the agreement. The company intends to ensure that mining by the lease mining company is allowed to continue under a capped production arrangement during the company's development phase allowing direct access to the orebody to expedite development studies.

The independently estimated mineral resource within the central area is shown in table 1 and includes the results from all RC and diamond drilling completed to the end of July 2011. The resource estimate also utilised a large underground drilling database and development models provided by the operators of the Productora underground mine.

Table 1 - Productora Central Area Resource *(Released September 6th 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)
Indicated	31.1	0.6	0.1	159	0.8	185	110	4,942	248
Inferred	54.0	0.6	0.1	138	0.7	298	180	7,476	395
Total	**85.1**	**0.6**	**0.1**	**146**	**0.8**	**483**	**290**	**12,418**	**644**

Note: The resource has been estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting.

A nominal +0.3% copper grade-shell model was utilised to constrain the block model resource estimation. The distribution of gold and molybdenum within the deposit only represents those metals in co-association with copper.

Approximately 37% of the resource estimate comprises indicated material and 63% inferred material. The majority of the indicated resource lies within the first 200m from surface. The quantity of higher grade copper within the deposit with increasing cut-off grade is outlined in figure1.

Importantly, the component of higher copper grade material within the resource, equating to approximately 28 million tonnes grading 0.8% copper, also lies within the first 200m from surface. This in addition to no pre-strip requirement, provides an early indication of potential reduced capital and operating costs in the early stages of any potential future open pit development,

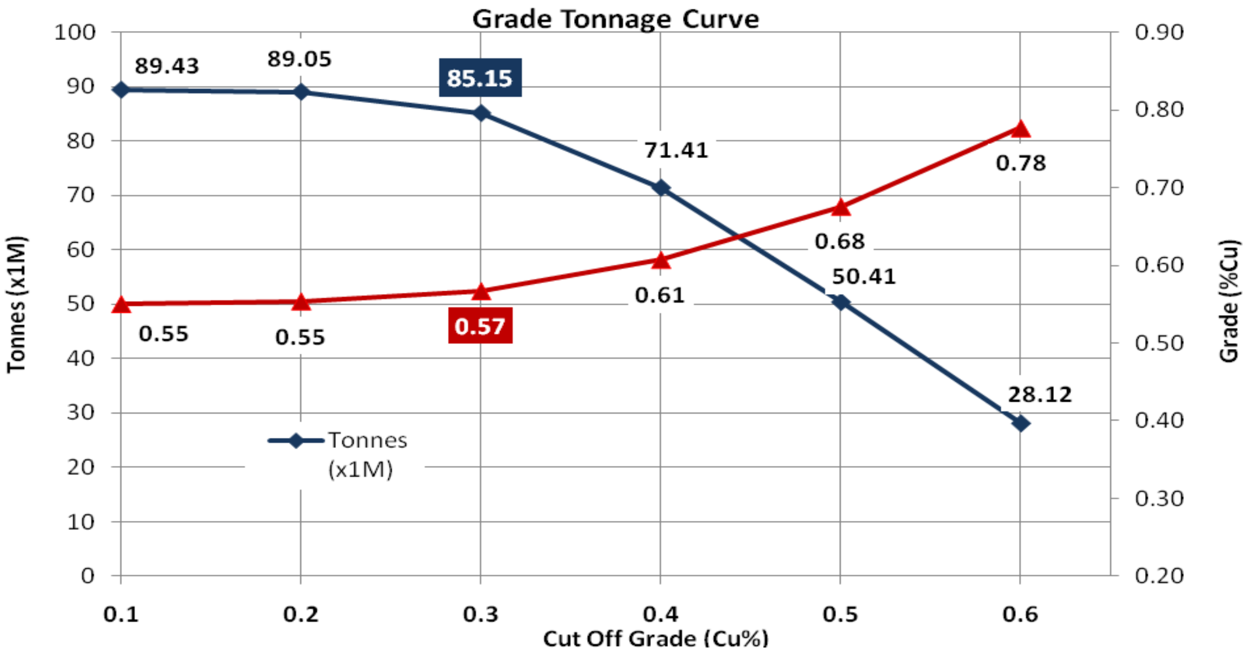

Figure 1 - Distribution of grade and tonnes with increasing copper cut-off grade

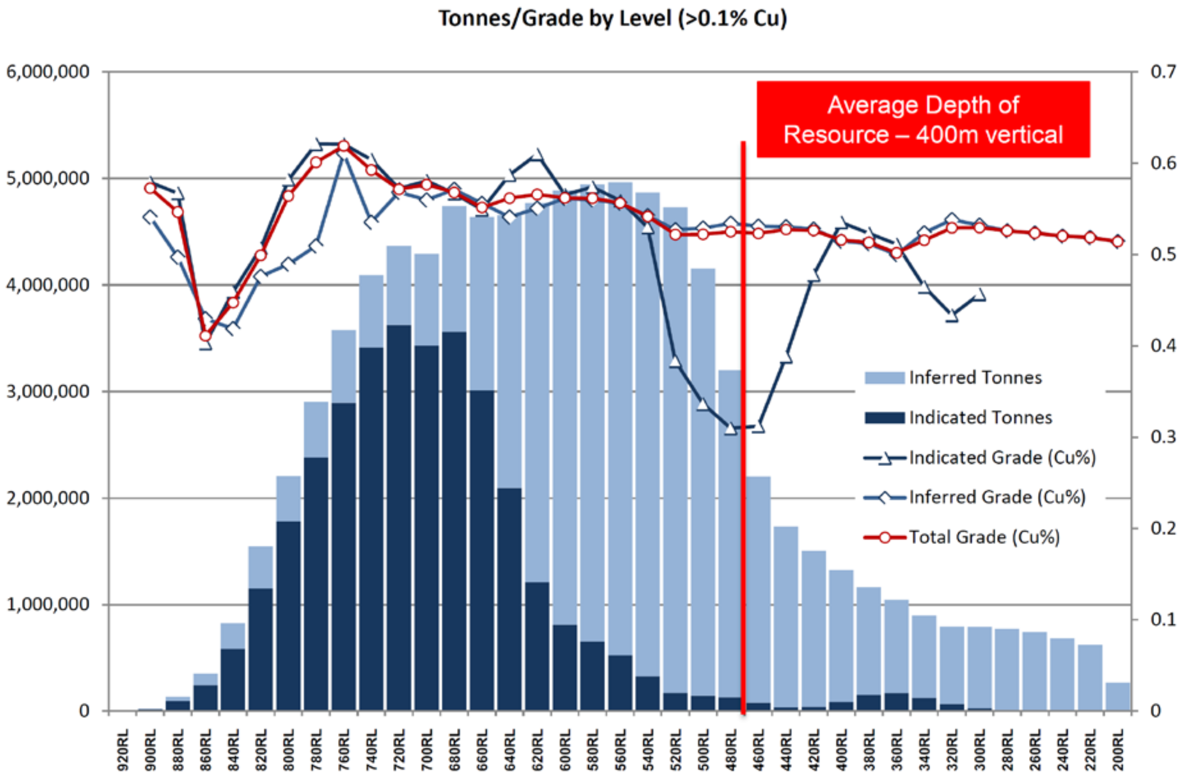

Figure 2 - Distribution of grade and tonnes with increasing depth

The average depth of the resource base is approximately 400m from surface as shown in figure 2. The resource correlates well with the location and indicative production grade of the Productora underground mine.

Mineralisation is associated with a series of vertical lodes and some minor subhorizontal lodes (mantos zones) within a felsic volcanic country rock. The felsic volcanic sequence has been extensively intruded by a tourmaline-breccia along the main mineralised north-east trend. The breccia host corridor provides strong geological confidence in along strike continuations of the resource.

Sulphide ore mineralogy comprises pyrite, chalcopyrite, bornite and molybdenite developed as breccia, vein and cavity fill, as well as disseminations within the brecciated host rocks. Within the oxide zone, copper is dominantly associated with malachite. The resource extends from surface and the average oxidation depth across the resource is approximately 70m vertical depth.

Figure 3 shows an oblique view of the 1.4km strike length resource at the 60m depth level, exposing the resource copper grade distribution, underground mine location and a reference cross section.

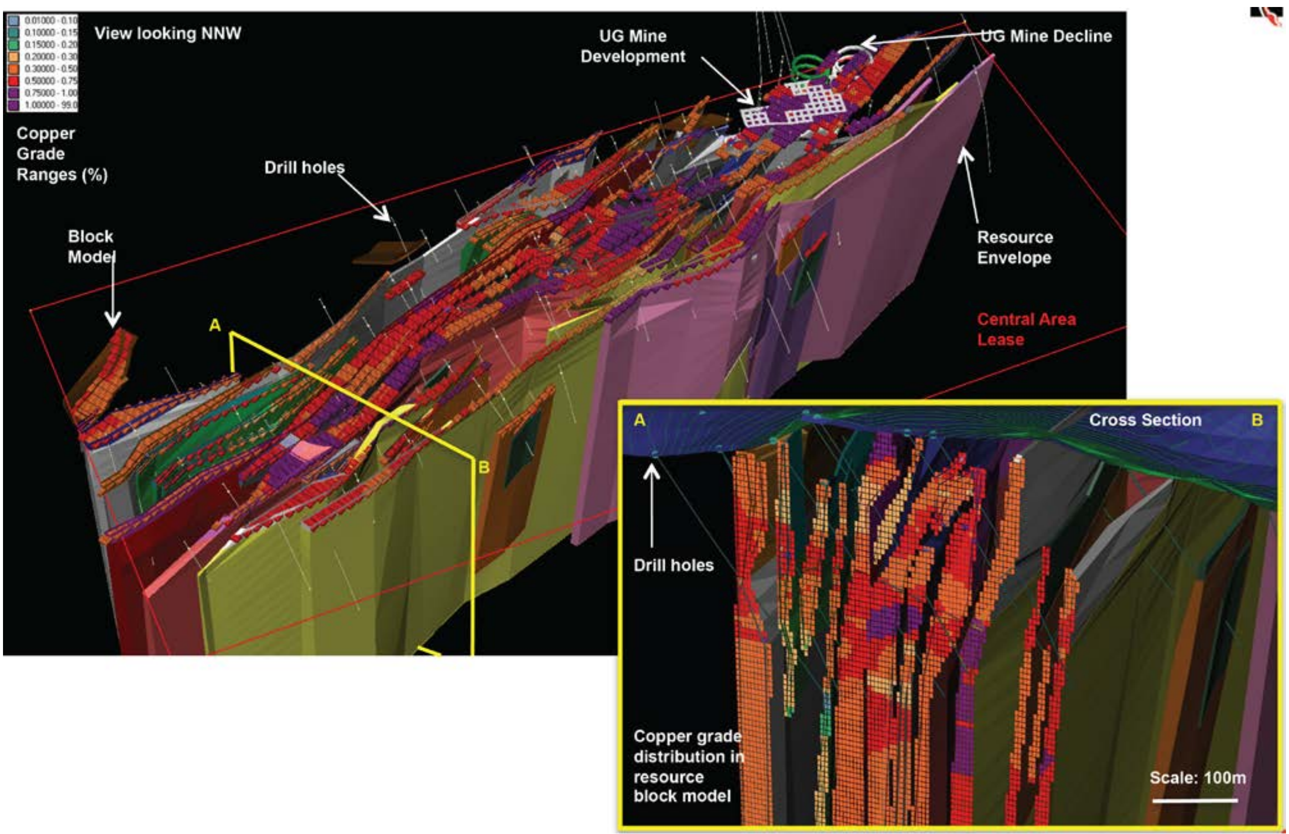

Figure 3 - Oblique view of the central area resource (looking northwest) at the 60m depth level- showing the distribution of copper grade across the resource.

Productora Deposit Footprint and Revised Target Mineralisation

The main mineralised corridor at Productora relates to a coincident NNE trending magnetic and induced polarisation (IP) chargeability anomaly that is approximately 9.5km in strike length. Extensional drilling along strike from the central area resource has already successfully intersected breccia hosted multi-commodity mineralisation for over 3.7km of this strike extent. Drilling confirms that the magnetic anomaly relates to a magnetite zone along the western margin of the mineralised breccia corridor. The deposit footprint is shown in figure 4 below.

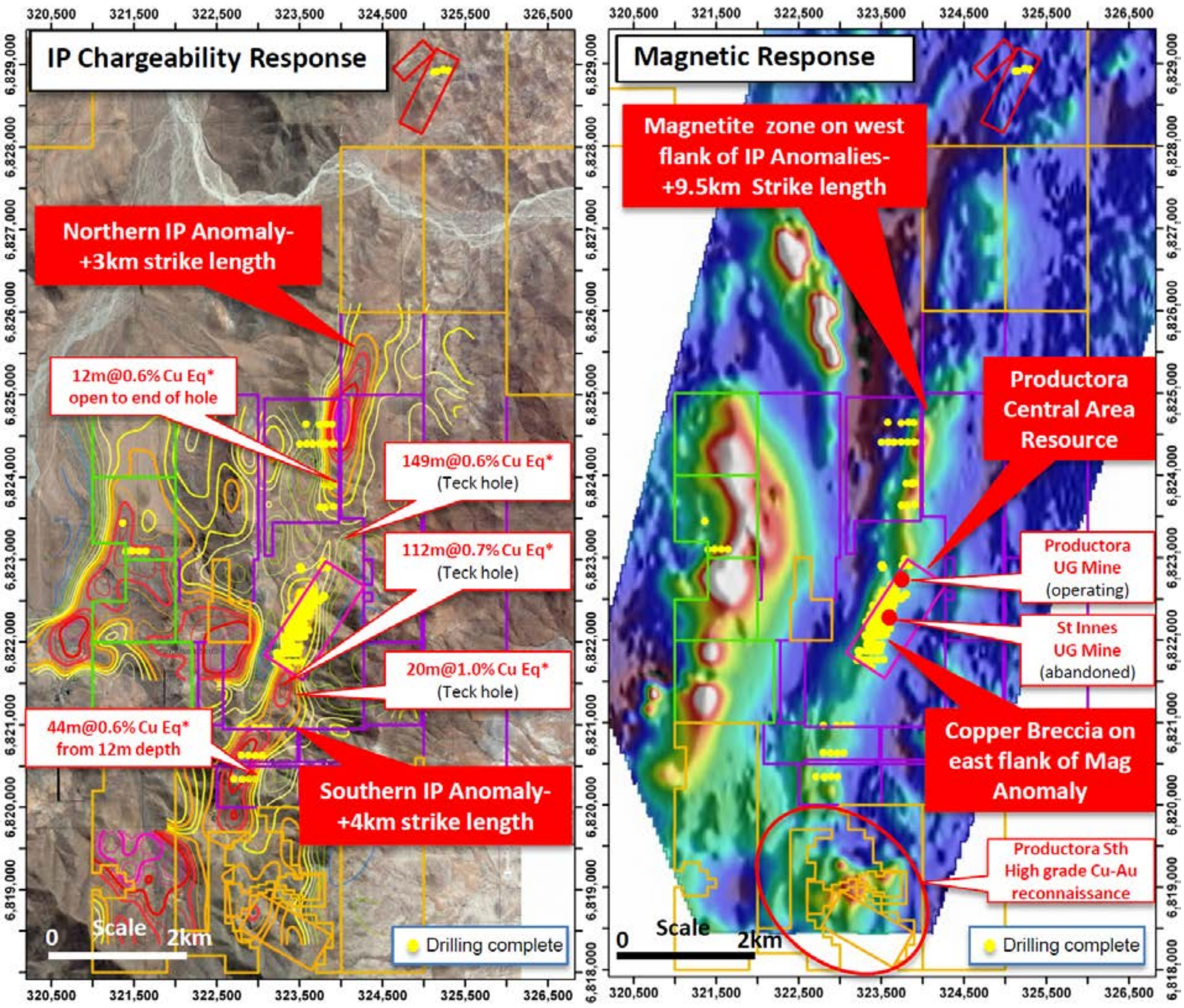

Figure 4 - Selected extensional drilling results, magnetic and IP chargeability response of the Productora mineralised system- +9.5km in strike length.

Based on the expanded understanding of the project, Hot Chili has revised its target mineralisation at Productora. The revised target mineralisation is summarised in table 2 below.

Table 2- Target Mineralisation

	Target Mineralisation							
	Tonnage (Mt)		Grade			Contained Metal		
	From	To	Unit	From	To	Unit	From	To
Copper	280	320	%	0.5	0.7	Mt	1.4	2.2
Gold	280	320	(g/t)	0.1	0.2	Moz	0.9	2.1
Molybdenum	280	320	(g/t)	120	180	Kt	34	58
Copper Eq*	280	320	%	0.7	1.0	Mt	1.9	3.2

Note: Figures in the above table are rounded to one significant figure

References to exploration target size and target mineralisation in this report 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.

Commencement of Major Extensional Drilling Programme

A major drilling programme comprising 65,000m of RC drilling and 8,000m of diamond drilling commenced in early September to expand the initial resource adjacent to, along strike, and at depth. A component of the diamond drilling programme will aim to up-grade the categorisation of the central area resource from inferred to indicated.

Approximately 40,000m of RC and 4,000m of diamond drilling is already designed and being prepared with platform clearing as shown on figure 5. The remaining 25,000m of RC and 4,000m of diamond drilling will be designed to infill this initial drilling.

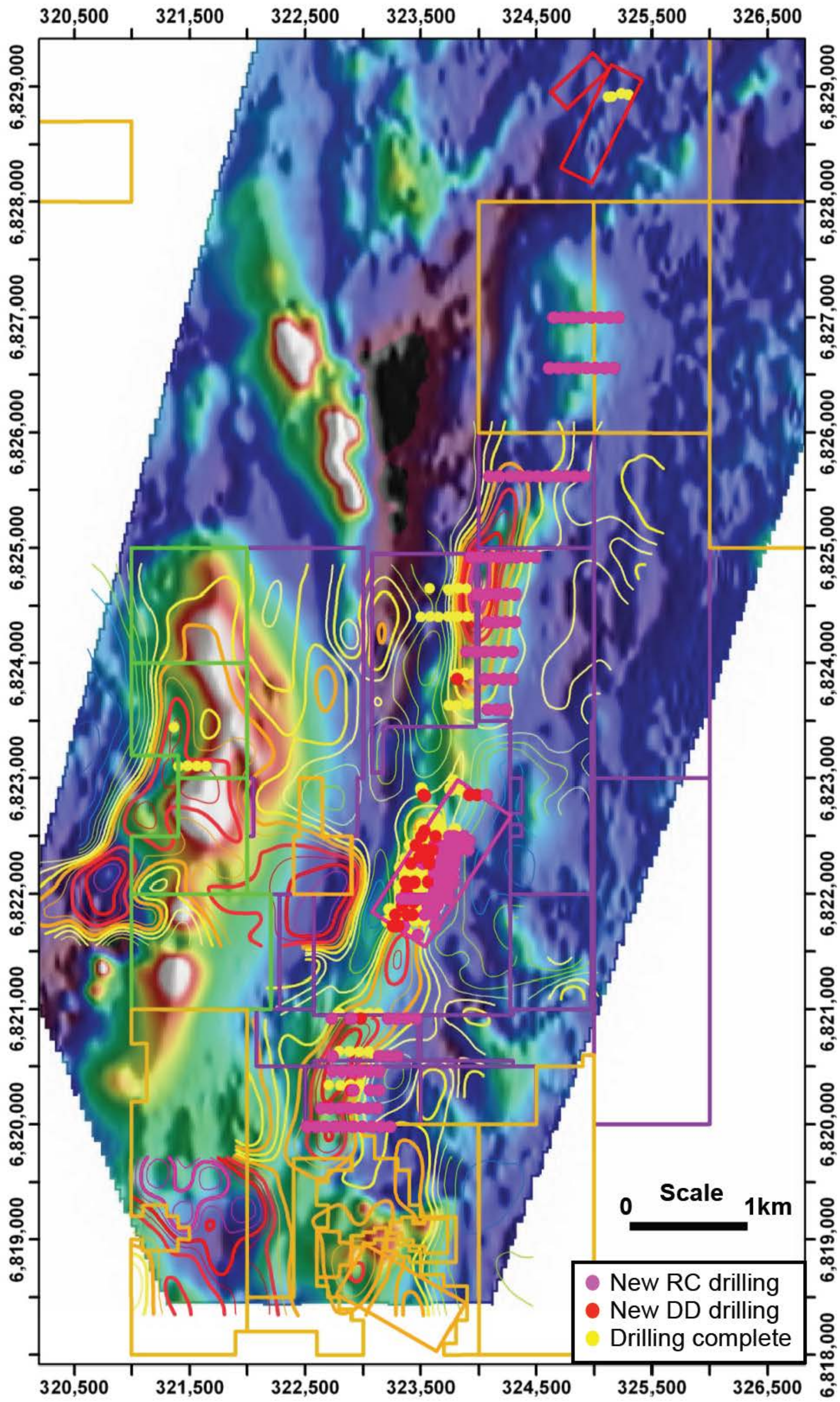

Figure 5 - Second Phase drilling programme in relation to magnetic and IP chargeability footprint.

Los Mantos Project

All remaining drilling samples from the first pass 10,000m RC drilling programme at Los Mantos were submitted for analysis during the quarter. Final analysis of all results from this drilling programme is planned to be undertaken early in the coming quarter. This work will allow for the planning of future drilling programmes which will aim to further test extensive surface mineralisation and follow-up existing first pass significant drilling intersections. Any future drilling activity at Los Mantos will be staged around the company's current focus on the Productora project.

Further work activities at Los Mantos are planned to commence in the new year.

Chile Norte Project

The company completed its second major airborne magnetic and radiometric survey over the Chile Norte project. The survey was designed to extend the original survey to additional areas over the company's own northern landholdings as well as those of CODELCO, Hot Chili's partner at the project. The survey was completed in August and the company is now processing the data in preparation for imaging and analysis.

The airborne dataset will further support planned exploration activity over a number of large targets identified within the northern extent of the project. Planning is underway for a first-pass surface geochemical programme to be undertaken in the new year.

CORPORATE ACTIVITIES

Early during the quarter, Hot Chili completed a private placement with Panoramic and Taurus to raise AU$8 million in funds. Both Panoramic and Taurus were issued cornerstone positions of 6,666,667 new shares at AUD$0.60 cents per share. Each now hold 4.1% of Hot Chili's expanded capital structure.

The participation of both Panoramic and Taurus as cornerstone investors is a strong vote of confidence in Hot Chili's projects and development strategy prior to the announcement of the company's first resource at Productora.

The funds raised are being utilised to undertake continued drilling efforts and commence the scoping phase of economic development studies at Productora.

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

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.

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 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(2,505)	(2,505)
	(b) development		
	(c) production		
	(d) administration	(529)	(529)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	21	21
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other GST	(11)	(11)
	Net Operating Cash Flows	(3,024)	(3,024)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(9)	(9)
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)		
	Net investing cash flows	(9)	(9)
1.13	Total operating and investing cash flows (carried forward)	(3,033)	(3,033)

1.13	Total operating and investing cash flows (brought forward)	(3,033)	(3,033)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,010	8,010
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Cost of capital raising	(246)	(246)
1.19	Other (provide details if material)		
	Net financing cash flows	7,764	7,764
	Net increase (decrease) in cash held	4,731	4,731
1.20	Cash at beginning of quarter/year to date	4,221	4,221
1.21	Exchange rate adjustments to item 1.20	152	152
1.22	**Cash at end of quarter**	9,104	9,104

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	114
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 and Directors fees

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

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	3,000
4.2	Development	
4.3	Production	
4.4	Administration	450
	Total	3,450

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	9,104	4,221
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	9,104	4,221

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	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	162,427,222	115,057,222		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	13,383,334	13,383,334		

7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	40,540,000		*Exercise price* *20 cents*	*Expiry date* *3/11/2013*
7.8	Issued during quarter				
7.9	Exercised during quarter	50,000		20 cents	3/11/2013
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

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: 28/10/2011

(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.