Hot Chili Limited ACN 130 955 725
First Floor, 768 Canning Highway, Applecross, Western Australia 6153
PO Box 1725, Applecross, Western Australia 6953
P: +61 8 9315 9009 **F:** +61 8 9315 5004
www.hotchili.net.au

Quarterly Report

Period Ending September 30th 2016

Quarterly Highlights

- **Preparations underway ahead of plans to test multiple large-scale copper porphyry targets at Productora**
- **Impressive surface results indicate continuous high grade gold mineralization over thirteen gold reefs at Sierra Zapallo. Highlights include gold reef mine widths (true width) of:**
  - **0.9m @ 74.3g/t Au**
  - **1.0m @ 56.7g/t Au**
  - **2.0m @28.2g/t Au**
- **Reverse Circulation drill testing of three gold reefs at Sierra Zapallo completed with gold reefs successfully intersected in majority of holes. Gold results confirm the fertility of the three gold reefs tested, however continuity of high grade controls remain to be resolved**
- **Significant drilling intersections include:**

  1m @ 3.2g/t gold from 83m down-hole depth (PRP0965),

  4m @ 1.5g/t gold from 64m down-hole depth (PRP0956) and

  5m @ 1.3g/t gold from 191m down-hole depth (PRP0958)

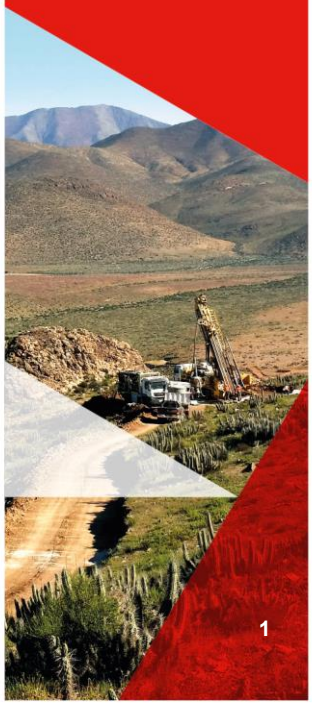
  Including 1m @ 3.1g/t gold from 194m down-hole depth
- **Hot Chili has substantially strengthened the Company's balance sheet through:**
  - **An increase in our partner Compañía Minera del Pacífico S.A. (CMP) participation in the Productora copper-gold project in Chile through the purchase of an additional 2.5% interest for US$1.5 million,**
  - **A significant reduction and extension to the Sprott Loan Facility, and**
  - **Arrangement of a heavily oversubscribed A$4.4 million Placement**

ASX CODE
HCH

Contact
Mr Christian Easterday
Managing Director

E: admin@hotchili.net.au

www.hotchili.net.au



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Summary of Activities

The Company is pleased to report that preparations are underway in advance of plans to commence drill testing of multiple, large-scale copper porphyry targets at Productora.

Consultation with key stakeholders has commenced as part of this process, along with preparation of environmental applications for drill permitting, refinement of the proposed drilling programme and an update of the associated budget.

The Company believes that the copper porphyry targets have strong potential to transform Productora into a copper project of global significance, which in turn could have a substantial impact on the project's mine life and economics.

Surface assessment across the Sierra Zapallo gold deposit area has now been completed, with the results of this work defining 13 sub-vertical gold reefs, which individually average approximately 400m in strike length and 1.1m in true width.

Some of the more impressive surface results returned during the quarter from gold reef mine widths (true width) included 0.9m@ 74.3g/t Au and 1.0m@ 56.7g/t Au.

Late in the quarter, the Company commenced the first phase of a staged Reverse Circulation (RC) drilling programme at Sierra Zapallo. The drilling comprised 15 angled RC holes for 1,968m and targeted 3 of the 13 defined gold reefs at Sierra Zappallo.

Drilling successfully intersected the predicted Sierra Zapallo gold reef structures; however assay results have been unable to extend the higher grade results recorded from surface channel sampling and previous drilling.

The Company is currently reviewing the results of the drilling programme, with further work required to be conducted prior to commencing further drilling at Sierra Zapallo.

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Preparing to Commence Large-scale Copper Porphyry Drill Testing

During the quarter, Hot Chili's technical team refined the Company's exploration plans to drill test multiple large-scale copper porphyry targets, lying immediately adjacent to the Company's planned Productora central pit.

Work streams being progressed include:

1. Consultation with environmental authorities, and preparation of environmental applications for drill permitting;

2. Refinement of proposed drill programme and associated budget, and

3. Consultation with key stakeholders

The porphyry targets were detected in 2015 using an advanced IP/MT (Induced Polarisation & Magneto-Telluric) geophysical survey over a +6.5km long copper porphyry corridor. This followed over two years of copper porphyry exploration at Productora, following the discovery and the Alice porphyry deposit alongside the margin of the Productora Main Zone (Breccia hosted).

The Main Zone hosts the majority of Productora's Mineral Resource inventory of approximately 1.5Mt copper and 1Mt gold. Hot Chili's extensive exploration investment has identified the copper porphyry targets as the source to copper and gold contained within the Productora Main Zone.

The Company believes the copper porphyry targets are potentially game changing for the Productora project with the potential to transform the project. This in turn would also provide further scale and mine life to the project, substantially enhancing the projects economics.

The porphyry targets are outlined on figure 1 below.

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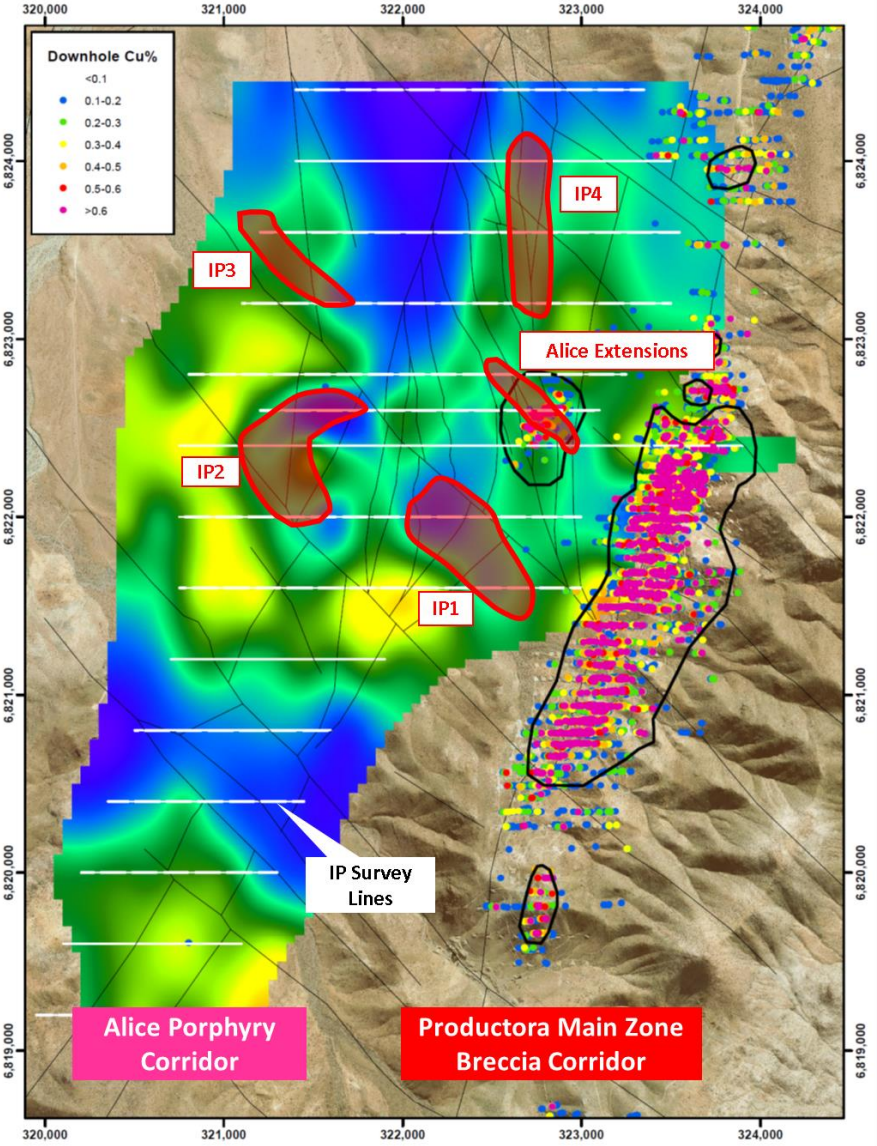

Figure 1. Location of copper porphyry IP targets in relation to the planned Productora central pit.

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Surface Exploration Assessment of the Sierra Zapallo Gold Deposit

An exploration surface sampling and mapping programme was completed over the Sierra Zapallo high-grade gold deposit, located in the southern extent of the Company's flagship Productora copper-gold project in Chile (Figure 2).

More than 13 strike-continuous gold-reefs are exposed in outcrop and small-scale workings at Sierra Zapallo. Previous exploration completed by Hot Chili in 2012 indicates that the gold reefs are sub-vertical, range between 300-400m in strike length, are generally 0.5 to 2 metres in true width and average over 5g/t Au where sampled and analysed for gold by Hot Chili (*see ASX announcement dated 12th October 2012).*

Systematic sampling and mapping across each of the 13 defined gold reefs extended the known strike length of individual gold reefs, and confirmed the continuity of higher grade gold distribution (Figure 3).

An average grade of 6.8g/t Au (30g/t Au top-cut).was recorded from all Sierra Zapallo surface samples (channel and spoil samples).

As outlined in Figure 4, significant surface sample results returned from gold reef mine widths (true width) included:

- 0.9m @ 74.3g/t Au
- 1.0m @ 56.7g/t Au
- 2.0m @28.2g/t Au
- 1.5m @ 37.1g/t Au
- 1.5m @ 32.4g/t Au

Compilation and analysis of all mapping and surface sample results revealed very attractive dimensions and grades demonstrating the potential for significant open pit resource potential at Sierra Zapallo.

The results of the surface mapping and sampling programme were utlised to construct a 3-dimmensional targeting model at Sierra Zapallo in order to plan a prescriptive drilling programme to test the depth extensions to gold reefs mapped from surface and indicated by historical and current underground mine workings.

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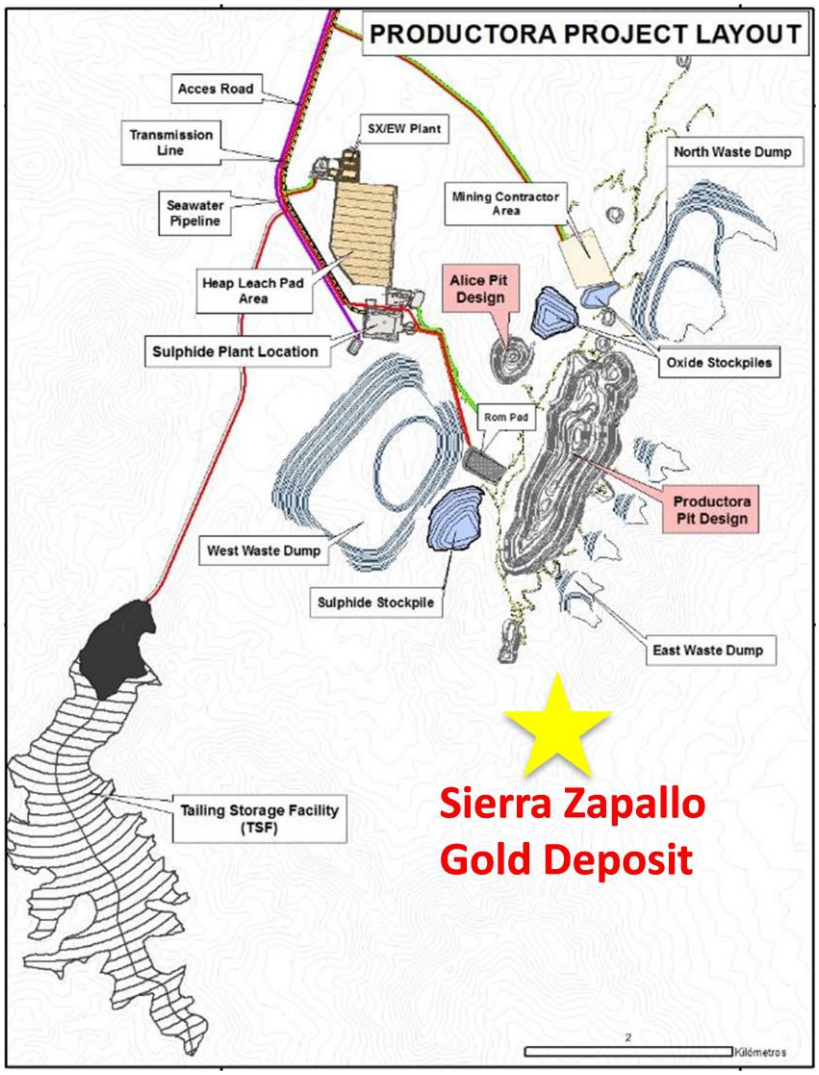

Figure 2. Location of Sierra Zapallo gold deposit within the Productora copper-gold project

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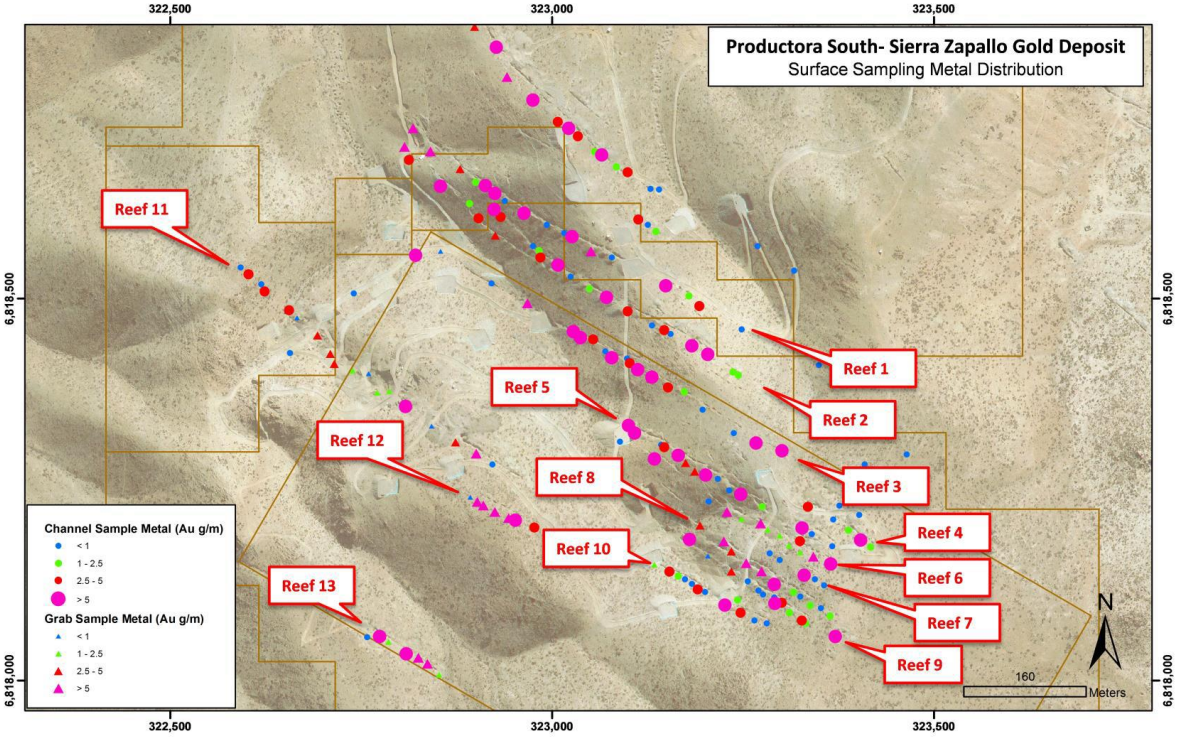

Figure 3. Plan view of the Sierra Zapallo gold deposit displaying the thirteen gold reefs defined by surface sampling of mine working exposure and outcrop.

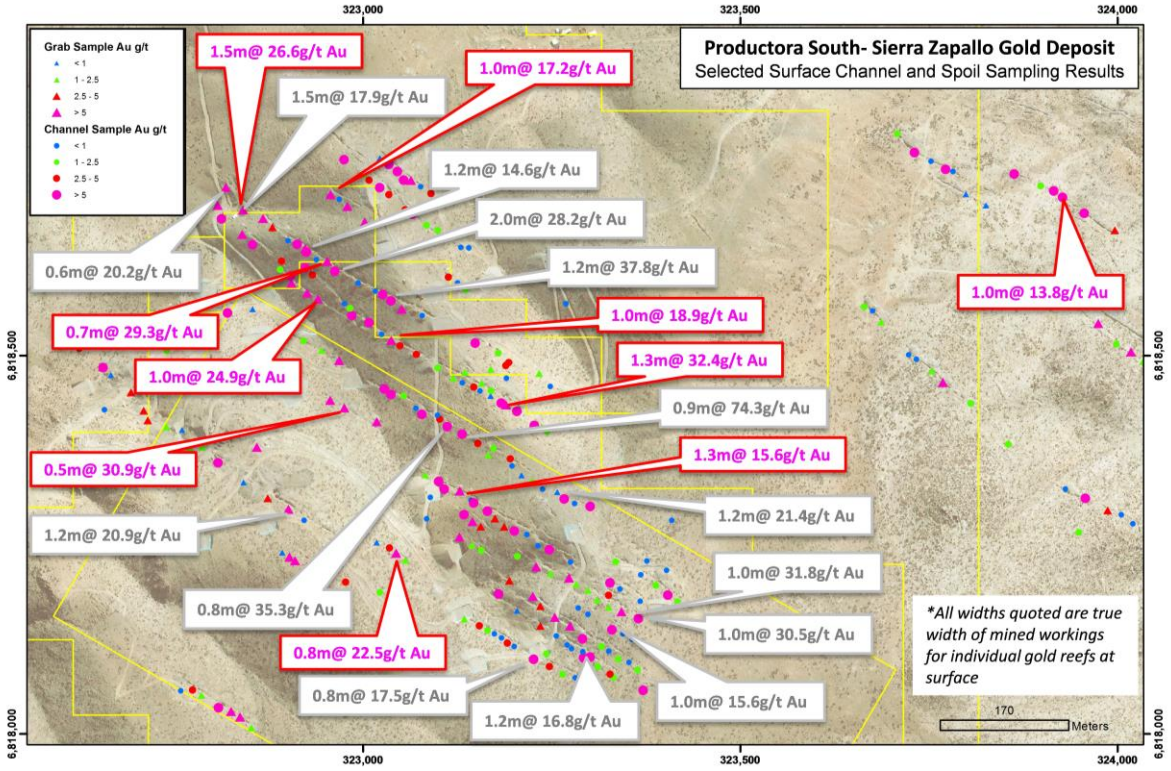

Figure 4. Plan view displaying recently returned surface exploration sample results from Sierra Zapallo.

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First Phase of Drill Testing at Sierra Zapallo

The Company commenced a staged RC drilling programme at Sierra Zapallo late in the quarter. This drilling is the first ever gold-focussed drilling and was designed to test depth continuity to individual high-grade gold reefs.

The initial phase of drilling comprised 15 angled RC holes for 1,968m and focussed on testing Gold Reefs 1, 2 and 3 (refer to Figure 3).

Previous drilling by Hot Chili in 2012 already successfully intersected several of Sierra Zapallo's gold reefs, with significant drilling results from Hot Chili's earlier drilling at Sierra Zapallo including intersections of 1m @ 57.2g/t Au (from 32m down-hole) and 4m @ 8.3g/t Au (from 168m down-hole) as displayed in Figure 5 below.

All assay results from the first phase of drill testing have now been received. While drilling across Gold Reefs 1,2 and 3 intersected gold mineralisation where predicted. The ore control structures related to high-grade gold distribution (+10g/t Au) within the gold reefs remain unresolved.

The Company is now evaluating the recent drilling results in order to make a full assessment, before planning the next steps at the Sierra Zapallo gold deposit. Further surface structural mapping and surface sampling will be undertaken in the near-term to enhance the understanding of structural controls on high grade gold distribution.

Table 1. Sierra Zapallo Recent Significant Drilling Intersections

Hole_ID	Coordinates			Azim.	Dip	Hole Depth	Intersection		Interval	Gold
	North	East	RL				From	To	(m)	(g/t Au)
PRP0956	6818586	322875	984	40	-55	222	64	68	**4**	**1.5**
							160	162	2	0.9
PRP0957	6818537	322918	996	230	-55	72	28	29	1	1.8
PRP0958	6818628	322818	970	55	-55	220	104	105	1	0.7
							107	108	1	0.9
PRP0958	6818628	322818	970	55	-55	*220*	191	196	**5**	**1.3**
	including						**194**	**195**	**1**	**3.1**
PRP0965	6818635	323028	1054	180	-60	100	80	81	1	0.8
							83	**84**	**1**	**3.2**
PRP0967	6818640	323029	1055	270	-60	198	183	184	1	1.5

Notes to Significant Drilling Intersections

- *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 (D); 1m selective cone split samples (RC) and 4m composite samples (RC).*
- *Gold results comprise ICP analysis (Au-ICP21), and Fire assay analysis (Au-AA26, 50 gram FA AA Finish)*
- *All results were analysed by ALS Global (La Serena) laboratories.*

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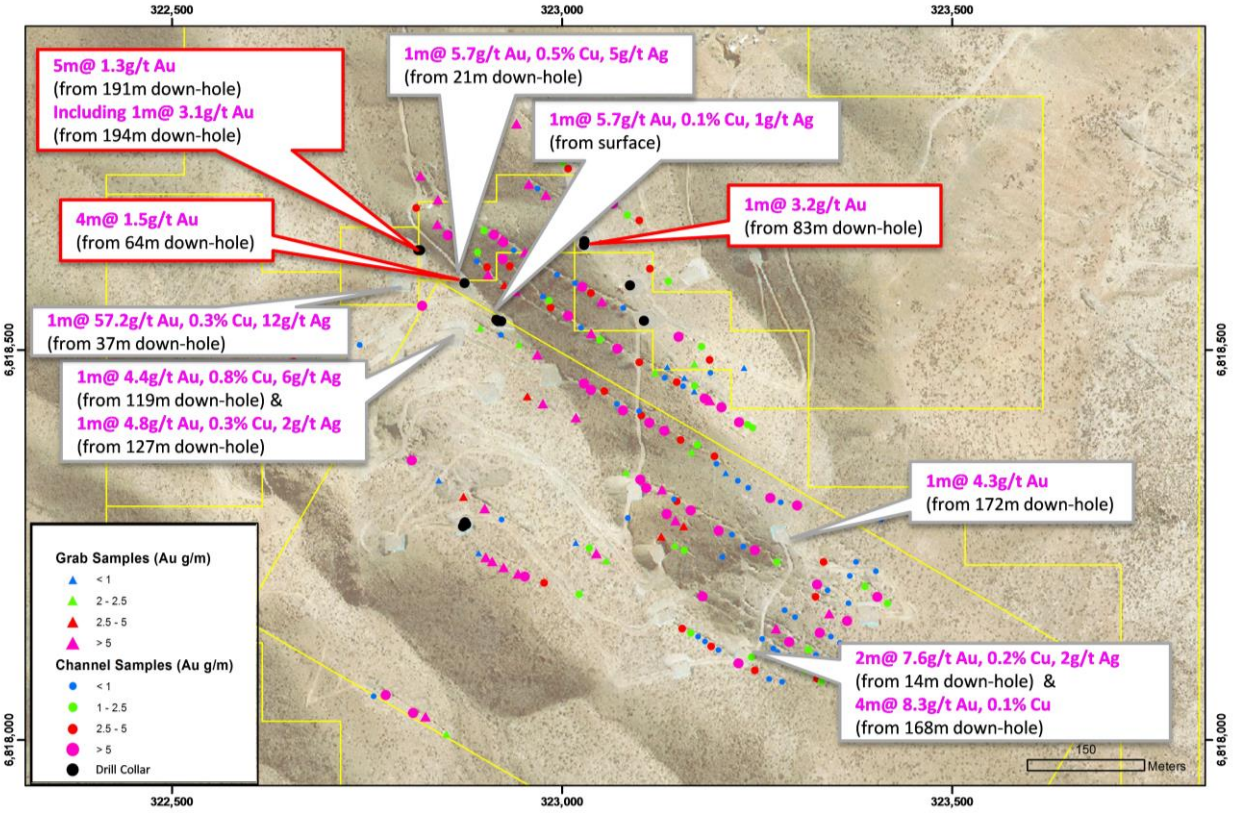

Figure 5. Sierra Zapallo Gold Deposit- Significant gold drilling intersections including latest results (red).

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Strengthened Financial Position

CMP Purchase Additional Stake in Productora for US$1.5 Million

On the 8th of July, Hot Chili announced that its Chilean Joint Venture partner Compañía Minera del Pacífico S.A. (CMP) purchased an additional 2.5% interest in the Productora copper project for US$1.5 million.

The additional stake now takes CMP's interest in Productora to 20%.

The project level transaction values Hot Chili's 80% interest in Productora at circa A$64 million, several multiples above the Company's current market capitalisation. It also demonstrates CMP's ongoing participation in the development of Productora.

Sprott Loan Reduced and Extended

Funds from the CMP transaction have been fully applied to reducing Hot Chili's loan facility (Facility) with Sprott Resource Lending Partnership (Sprott).

On Thursday 30th June, Hot Chili reduced the Sprott Facility balance to US$6.5 million through the payment of US$3 million. In addition, Sprott and Hot Chili executed a 12 month extension to the Facility which will now be due for repayment on 30th June 2017.

Oversubscribed A$4.4 Million Placement

Late in the quarter, Hot Chili also successfully closed a placement to sophisticated and institutional investors through the issue of New Shares at 5 cents per share (the "Placement").

The issue price represented a discount of 10.7% to Hot Chili's previous close of 5.6 cents.

The Placement, which originally targeted A$2.5 million, was heavily oversubscribed and the Company agreed to accept over-subscriptions up to a maximum A$4.4 million. The Placement saw strong demand from existing major shareholders as well as professional and sophisticated investors in Australia.

Funds from the Placement are being applied to advance an assessment of the Sierra Zapallo gold deposit as well as to provide general working capital for Hot Chili.

Hartleys Limited acted as Sole Lead Manager and Corporate Advisor to the Placement.

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Health, Safety, Environment and Quality

Hot Chili's sustainability framework ensures an emphasis on business processes that target long-term economic, environmental and social value. The Company is dedicated to continual monitoring and improvement of health, safety and the environmental systems.

The company is pleased to report that there were no incidents recorded for the quarter. Field operations during the period were limited to geology field tours and general site maintenance to existing drilling platforms and access tracks.

The Company's HSEQ quarterly performance is summarised below:

HSEQ Quarter 3 2016 Performance and Statistics

Item	July-Sep /16	Last 24 Months
LTI events	0	1
NLTI events	0	0
Days lost	0	0
LTIFR index	0	16.4
ISR index	0	420.3
Thousands of mh (1)	0.653	9.481
Environmental incidents	0	0
Headcount (1)	2	2

Notes: HSEQ is the acronym for Health, Safety, Environment and Quality. LTIFR per million man hours. Safety performance is reported on a monthly basis to the National Mine Safety Authority on a standard E-100 form; (1) man-hours; (2) Average monthly headcount

Tenement Changes during the Quarter

No tenement changes occurred during the quarter.

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Qualifying Statements

JORC Compliant Ore Reserve Statement

Productora Open Pit Probable Ore Reserve Statement – Reported 2nd March 2016

Ore Type	Reserve Category	Tonnage	Grade			Contained Metal			Payable Metal		
		(Mt)	Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Oxide	Probable	24.1	0.43	0.08	49	103,000	59,600	1,200	55,600		
Transitional		20.5	0.45	0.08	92	91,300	54,700	1,900	61,500	24,400	800
Fresh		122.4	0.43	0.09	163	522,500	356,400	20,000	445,800	167,500	10,400
Total	Probable	**166.9**	**0.43**	**0.09**	**138**	**716,800**	**470,700**	**23,100**	**562,900**	**191,900**	**11,200**

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Note 2: Price assumptions: Cu price - US$3.00/lb; Au price US$1200/oz; Mo price US$14.00/lb. Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%. Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

JORC Compliant Mineral Resource Statements

Productora Higher Grade Mineral Resource Statement, Reported 2nd March 2016

Deposit	Classification	Tonnage (Mt)	Grade Cu (%)	Au (g/t)	Mo (ppm)	Contained Metal Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Productora	Indicated	166.8	0.50	0.11	151	841,000	572,000	25,000
	Inferred	51.9	0.42	0.08	113	219,000	136,000	6,000
	Sub-total	*218.7*	*0.48*	*0.10*	*142*	*1,059,000*	*708,000*	*31,000*
Alice	Indicated	15.3	0.41	0.04	42	63,000	20,000	600
	Inferred	2.6	0.37	0.03	22	10,000	2,000	100
	Sub-total	*17.9*	*0.41*	*0.04*	*39*	*73,000*	*23,000*	*700*
Combined	Indicated	182.0	0.50	0.10	142	903,000	592,000	26,000
	Inferred	54.5	0.42	0.08	109	228,000	138,000	6,000
	Total	***236.6***	***0.48***	***0.10***	***135***	***1,132,000***	***730,000***	***32,000***

Reported at or above 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred.

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Productora Low Grade Mineral Resource Statement, Reported 2nd March 2016

			Grade			Contained Metal		
Deposit	Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Productora	Indicated	150.9	0.15	0.03	66	233,000	170,000	10,000
	Inferred	50.7	0.17	0.04	44	86,000	72,000	2,000
	Sub-total	*201.6*	*0.16*	*0.04*	*60*	*320,000*	*241,000*	*12,000*
Alice	Indicated	12.3	0.14	0.02	29	17,000	7,000	400
	Inferred	4.1	0.12	0.01	20	5,000	2,000	100
	Sub-total	*16.4*	*0.13*	*0.02*	*27*	*22,000*	*9,000*	*400*
Combined	Indicated	163.2	0.15	0.03	63	250,000	176,000	10,000
	Inferred	54.8	0.17	0.04	43	91,000	74,000	2,000
	Total	***218.0***	***0.16***	***0.04***	***58***	***341,000***	***250,000***	***13,000***

Reported at or above 0.1% Cu and below 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred. Metal rounded to nearest thousand, or if less, to the nearest hundred.

Mineral Resource and Ore Reserve Confirmation

The information in this report that relates to Mineral Resources and Ore Reserve estimates on the Productora copper projects were originally reported in the ASX announcements "Hot Chili Delivers PFS and Near Doubles Reserves at Productora" dated 2nd March 2016. 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 Report 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 Report that relates to the Productora Project Mineral Resources, is based on information compiled by Mr J Lachlan Macdonald and Mr N Ingvar Kirchner. Mr Macdonald is a former employee of Hot Chili, and is currently employed by Mining Technical Solutions Pty Ltd, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Kirchner is employed by AMC Consultants (AMC). AMC has been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Mineral Resource estimates. Mr Kirchner is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Member of the Australian Institute of Geoscientists (AIG). 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.

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Competent Person's Statement- ***Ore Reserves***

The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), 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). Mr Caro is a former employee of Hot Chili Ltd, now working in a consulting capacity for the Company, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Member of the Chilean Mining Commission. Mr Lorenzen is employed by Mintrex Pty Ltd and is a Chartered Professional Engineer, Fellow of Engineers Australia, and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr King is employed by AMEC Foster Wheeler (AMEC FW) and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and AMEC FW have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate. Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are 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, Mr Caro, Mr Lorenzen and Mr King consent 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 Report is provided on the basis that neither the Company nor its representatives make any warranty (express or implied) as to the accuracy, reliability, relevance or completeness of the material contained in the Report and nothing contained in the Report is, or may be relied upon as a promise, representation or warranty, whether as to the past or the future. The Company hereby excludes all warranties that can be excluded by law. The Report contains material which is predictive in nature and may be affected by inaccurate assumptions or by known and unknown risks and uncertainties, and may differ materially from results ultimately achieved.

The Report contains "forward-looking statements". All statements other than those of historical facts included in the Report are forward-looking statements including estimates of Mineral Resources. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade 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 the Report, 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 the Report and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of the Report nor any information contained in the Report or subsequently communicated to any person in connection with the Report is, or should be taken as, constituting the giving of investment advice to any person.

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Appendix- JORC Code, 2012 Edition Table 1

The following table relates to activities undertaken at the Sierra Zapallo gold deposit at the Productora copper-gold project.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Reverse circulation drilling (RC) was used to produce a 1m bulk sample and representative 1m split samples (12.5%, or nominally 3kg) were collected using a cone splitter. • Geological logging was completed and mineralised intervals were determined by the geologists to be submitted as 1m split samples. In logged unmineralised zones 4m composite scoop samples were submitted to the laboratory for analysis. If these 4m composite samples came back with Cu grade > 0.2% the corresponding original 1m split samples were submitted to the laboratory for analysis. • Chipped channel samples were collected within existing workings, and along gold reef strike extensions. • The RC and channel samples were crushed and split at the laboratory, with ~1kg pulversied and a 50 g charge taken for fire assay fusion (for gold), and ~150 g used for ICP-AES (for multi-element including Cu) • The sampling techniques used are deemed appropriate for the style of mineralisation and deposit type.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what*	• Reverse Circulation drilling used 140 to 130mm diameter drill bits. RC drilling employed face sampling hammers ensuring contamination during sample extraction is minimised.

Criteria	JORC Code explanation	Commentary
	method, etc).	
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Drilling techniques to ensure adequate RC sample recovery and quality included the use of "booster" air pressure. Air pressure used for RC drilling was 700-800psi. • Logging of all samples followed established company procedures which included recording of qualitative fields to allow discernment of sample reliability. This included (but was not limited to) recording: sample condition, sample recovery, sample split method. • Overall logging of RC recovery for the deposit; 96% of samples as "good", 3% "moderate" and <1% as "poor". • Sample weights were routinely measured by ALS laboratory. An analysis of these weights and their corresponding grades did not identify any bias concern. • There has not been a comparison between logged sample conditions ("wet", "moist" or "dry"), due to the lack of diamond or twinned holes that would enable a qualitative or quantitative sample recovery analysis. The "scoop" method was only used on holes qualitatively logged as "wet". Future studies will need to address sample quality and recovery in areas where this method was used.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Geological logging of samples followed established company and industry common procedures. Qualitative logging of samples included (but was not limited to) lithology, mineralogy, alteration, veining and weathering. • Every metre (100%) of HCH drilling was geologically logged. • Litho-geochemical logging was undertaken using the assay results from the ICP-AES technique (33 elements).
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the*	• Splitting of RC samples occurred via a cone splitter (24%), riffle splitter (57%) or scoop (19%) by the RC drill rig operators. Splitting of RC drill samples occurred regardless of the sample condition (wet, moist, or dry). The "scoop" method was only used on holes qualitatively logged as "wet". Future studies will need to address sample quality and recovery in areas where this method was used. • All samples were submitted to ALS Coquimbo for multi-element

Criteria	JORC Code explanation	Commentary
	sample preparation technique. • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	analyses. The sample preparation included: • RC and channel samples were crushed such that a minimum of 70% is less than 2 mm, • Samples were then split via a riffle splitter/ rotary splitter to achieve ~1kg split, • This split was then pulverised such that a minimum of 85% passes 75um and 150g was used for the analytical pulp (ICP-AES), and also 50g was used for fire assay fusion (gold). • Sample length, weight and collection methods of RC and channel samples are considered acceptable for of this style of mineralisation.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• All HCH samples were assayed by industry standard methods through commercial laboratories in Chile (ALS Coquimbo): • 150g pulps derived from sample preparation (outlined in the previous section) were used for multi-element analysis. ALS Method ME-ICP61 involves 4-acid digestion (Hydrochloric-Nitric-Perchloric-Hydrofluoric) followed by ICP-AES determination. • Samples that returned Cu grades >10,000ppm were analysed by ALS "ore grade" method Cu-AA62, which is a four-acid digestion, followed by AAS measurement to 0.001% Cu. • Pulp samples were subsequently analysed for gold by ALS Method Au-ICP21 or Au-AA26 (50g Fire Assay). ALS Method Au-ICP21 (and Au-AA26) is a 30/50-gram lead-collection Fire Assay, followed by ICP-OES to a detection limit of 0.001 ppm Au. • Hot Chili utilised several multi-element pulp "mineralised standards" (certified reference material; "CRM") and one certified reference analytical (pulp) "blank", all supplied by Ore Research & Exploration Pty Ltd and GEOTSTATS Pty Ltd. • One "mineralised standard" was chosen at random and inserted every 50th metre into each batch of samples submitted for analysis. One certified "blank" sample was also inserted every 100th sample. The material types and grade ranges for the CRMs correspond to the rock types and mineralisation grades routinely encountered within the drilling on the Productora project. • QA/QC samples and their Insertion Rates (IR), as a percentage of the 3,845 (ICP-AES) samples from Sierra Zapallo drilling were:

Criteria	JORC Code explanation	Commentary
		• 78 Mineralised standard "CRMs", IR 2.0% • 14 "Blank" pulp standards (OREAS 22c), IR 0.4% (note; use of these began at the beginning of 2013) • 71 Coarse (RC) Duplicates, IR 1.8% • Routine Field Duplicates for RC samples were submitted at a rate of 1 in every 50 samples. Diamond core was whole sampled hence field duplicate samples were not able to be taken. However a split sample duplicate was taken after the initial crush stage at the laboratory, whereby the crushed sample was split in half, with one half retained as the primary sample and the second half being used a duplicate sample. This type of duplicate sample cannot test the precision of the primary sampling technique, however it can test the precision of all steps at the laboratory thereafter. • Results from CRM (standards, blanks) and the duplicates gives confidence that acceptable relative levels of accuracy and precision of assay data returned for ALS have been obtained. • The analytical laboratory (ALS) also provided their own routine quality controls within their own practices. The results from their own validations were provided to Hot Chili Ltd.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Routine Umpire laboratory checks have not been performed at Sierra Zapallo, as it is in early stage exploration. All coarse reject and pulp samples are kept in storage on site at Productora should independent verification be required at a later date. • Twinned diamond holes have not been competed at Sierra Zapallo, as it is in early stage exploration. • Hot Chili has strict procedures for data capture, flow and data storage, and validation. • Limited adjustments were made to returned assay data for the resource estimate; values that returned lower than detection level were set to the methodology's detection level and copper values were converted from ppm to %. • Various analytical techniques have been used for analysis of ore grade elements (including Au and Cu). Therefore a ranking has been applied to these elements ensuring the highest priority assay result is used for resource estimation. All assay values (from all analytical techniques) are stored in the database for completeness.

Hot Chili Limited ACN 130 955 725
First Floor, 768 Canning Highway, Applecross, Western Australia 6153
PO Box 1725, Applecross, Western Australia 6953
P: +61 8 9315 9009 **F:** +61 8 9315 5004
www.hotchili.net.au

Criteria	JORC Code explanation	Commentary
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill collars were surveyed by contract surveying company Geotopo Exploraciones Limited using a Topcon HiPer GPS, using dual frequency, Real Time, with +/- 0.1cm accuracy (N, E and RL). • Downhole surveys using a gyroscopic instrument were completed by contract downhole surveying company's Wellfield and North Tracer. All Hot Chili holes at Productora have gyroscopic DH survey measurements commencing at the start of hole with readings taken every 10th metre until end of hole. Gyroscopic surveys are an accurate form of downhole survey as there is no risk of magnetic interference to the measured survey reading. • The WGS84 UTM Zone 19S coordinate system was used for all Hot Chili undertakings. • A detailed topographic survey was supplied by Geoimage from satellite data corrected by regional STRM points. This provided spot heights at a 50cm spacing across the entire project area. Several subsampling steps were undertaken to balance file size vs. local accuracy with a final 20m x 20m grid was chosen as providing a management file size while still honouring and reproducing known local data points. The detail of topography is adequate for modelling.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Drillhole spacing at Sierra Zapallo is nominally 120m x 60m over areas of denser drill coverage, however a systematic drill pattern has not been completed in the area. • The drilling completed was first-pass exploration with the spacing being sufficient for this purpose. • In areas logged as unmineralised, four metre composite samples were taken. These 4m composite samples represent ~18% of the assay sample data, while the 1m split samples comprise ~82% of the samples.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key*	• The drillhole orientation at Sierra Zapallo was chosen to target both steeply-dipping NNE trending copper mineralisation, and the WNW trending sub-vertical high-grade gold reef style mineralisation. Drilling was nominally perpendicular to the high grade sub-vertical gold mineralisation. • Considering the style of mineralisation, the drilling orientation

Criteria	JORC Code explanation	Commentary
	mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	and subsequent sampling is considered to be unbiased in its representation of reported material.
Sample security	• *The measures taken to ensure sample security.*	• Hot Chili has strict chain of custody procedures that are adhered to for drill samples. All samples for each batch have the sample submission number/ticket inserted into each bulk polyweave sample bag with the id number clearly visible. The sample bag is stapled together such that no sample material can spill out and no one can tamper with the sample once it leaves Hot Chili's custody.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• AMC Consultants have reviewed similar procedures for data collection methods used by Hot Chili at the Productora project.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.	• Hot Chili (through its subsidiary company SMEA SpA) controls an area measuring approximately 12.5km N-S by 5km E-W at the project through various agreements with private land holders; CMP (Chile's largest iron ore producer) and government organisations. • There is a joint venture agreement between HCH and CMP that encompasses all leases at the Productora project, whereby HCH owns 80% and CMP owns 20%. • Lease agreements at Sierra Zapallo are owned 100% by the Joint Venture company (80% HCH, 20% CMP). • The leases at Sierra Zapallo are "Exploitation Concessions" (Mining Lease would be the Australian equivalent term).
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Exploration at the Productora Project has been completed by: ○ CCHEN (Chilean Nuclear Commission) in the late 1980's: ▪ Mapping, geochemical sampling, ground spectrometry, magnetometry, trenching, drilling (28 shallow percussion holes). Focus was on near surface, secondary uranium

Criteria	JORC Code explanation	Commentary
		potential). ○ GMC-Teck in the 1990's ▪ Compilation of mapping, surface geochemical sampling, ground geophysics (IP), percussion drilling. ○ Thesis (Colorado School of Mines), 1990's ▪ Thesis completed which involved field mapping, laboratory studies (petrology, whole rock geochemistry, geochronology, x-ray diffraction, sulphur isotope analysis).
Geology	• *Deposit type, geological setting and style of mineralisation.*	• Gold mineralisation at Sierra Zapallo appears to be related to a small-scale fracture-fault network linked to a large northwest oriented cross fault. Primary gold mineralisation is present within numerous narrow fault and quartz-pyrite vein zones (<5m wide gold reefs) that make up the Sierra Zapallo fault corridor. • The Sierra Zapallo fault corridor is at least 2km in length. The most deformed part of the fault corridor is at least 600m wide and hosts significant gold mineralisation developed within small-scale fault segments in both veins and fault gouge. • Numerous historical small-scale workings are located along the line of the gold-mineralised fault segments. Significant gold has been exploited from an extensive gold palaeochannel system located immediately downstream from the primary bedrock mineralisation.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.*	• A complete list of all holes reported as significant exploration results are provided in the body of this announcement in a significant drilling intersections table • This listing includes: ○ collar coordinates (WGS84 Zone 19 South), ○ hole orientation (dip and azimuth- magnetic), ○ downhole intersection depth and length ○ total hole depth ○ length weighted average grade for Au g/t, Cu%, and Ag g/t ○ Length weighted average grade is rounded to one decimal place • No material drillhole information has been excluded

Criteria	JORC Code explanation	Commentary
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• In reported exploration results, length weighted averages are used for any non-uniform intersection sample lengths. Length weighted average is (sum product of interval x corresponding interval assay grade), divided by sum of interval lengths and rounded to one decimal place • For example an aggregation of results could look like the below: **From** **To** **Interval** **Grade Au g/t** 236 240 4 0.623 240 241 1 0.25 241 242 1 0.451 242 243 1 0.861 Weighted average = ((4 x 0.623) + (1 x 0.25) + (1 x 0.451) + (1 x 0.861)) / (4+1+1+1) = **7m @ 0.58g/t Au** • Exploration results are nominally reported where gold results are greater than 1.0g/t Au • No top-cutting of high grade assay results has been applied, nor was it deemed necessary for the reporting of significant intersections. • No metal equivalent values have been reported
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not*	• Sierra Zapallo gold mineralisation trends WNW and is sub-vertical in nature. • Drilling completed at Sierra Zapallo was nominally perpendicular to mineralisation ie. 60 degrees toward 075 (ie. ENE), meaning that intersection widths are broadly representative of the true width of mineralisation. • Where practical the drilling orientation has been designed to intersect mineralisation perpendicular to the lode orientation, however due to topographical conditions this is

Criteria	JORC Code explanation	Commentary
	known').	not always possible.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Refer to figures in announcement. A plan view of reported significant intersection drillhole collar locations is included.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• It is not practical to report all exploration results, as such, unmineralised intervals, <0.5 g/t Au, have not been reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Other exploration data available: ○ Surface geological mapping conducted on behalf of Hot Chili in several mapping campaigns. ○ Geophysical and radiometric surveys (airborne). ○ During the 2013 drilling programme (which represents approximately half the total drilling at Sierra Zapallo), pycnometer analysis was performed on every 25th RC metre.
Further work	• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• Follow up exploration infill and extensional drilling. • Detailed mapping and channel sampling of identified gold bearing reef structures • Drill targeting of conceptual high grade shoots at depth, along strike and down plunge will also be a focus for future exploration. • Dedicated studies are required to test the reliability and representivity of RC samples, where the relationship of wet or deeper RC samples on Au-Cu (etc) grade needs to be defined.

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+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Hot Chili Ltd

ABN	**Quarter ended ("current quarter")**
91130955725	30 September 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(71)	(71)
	(b) development	(8)	(8)
	(c) production		
	(d) staff costs	(236)	(236)
	(e) administration and corporate costs	(212)	(212)
1.3	Dividends received (see note 3)		
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid	(347)	(347)
1.6	Income taxes paid (Municipal Tax)	(157)	(157)
1.7	Research and development refunds		
1.8	Other (provide details if material) GST	(31)	(31)
1.9	**Net cash from / (used in) operating activities**	**(1,056)**	**(1,056)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(3)
	(b) tenements (see item 10) (Lease payment)	(130)	(130)
	(c) investments		
	(d) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(133)**	**(133)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	4,400	4,400
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(233)	(233)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**4,167**	**4,167**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	221	221
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,056)	(1,056)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(133)	(133)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,167	4,167
4.5	Effect of movement in exchange rates on cash held	(38)	(38)
4.6	**Cash and cash equivalents at end of period**	**3,161**	**3,161**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	3,073	133
5.2	Call deposits	88	88
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,161**	**221**

6.	**Payments to directors of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	89
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Directors salaries and superannuation

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7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end**	**Amount drawn at quarter end**
8.1	Loan facilities	18.5 Million USD	6.5 Million USD
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Sprott Resource Lending Partnership fully secured. 12% interest bearing loan repayable 30 June 2017

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	450,000
9.2	Development	
9.3	Production	
9.4	Staff costs	240,000
9.5	Administration and corporate costs	110,000
9.6	Other (Interest Payments)	210,000
9.7	**Total estimated cash outflows**	**1,010,000**

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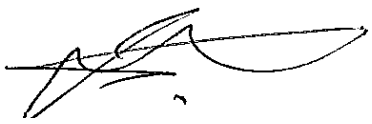
10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

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

Sign here: 

(Company Secretary)

Date: 27th October 2016

Print name: John Sendziuk

Hot Chili Limited ACN 130 955 725
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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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.