

Highlights

Corporate

- Completion of AU\$4.65 million capital raising to provide additional funds to accelerate drilling activities in Chile

Land Acquisition

- Incremental increases to both the Productora and Chile Norte projects with the addition of a further 2,900 ha of prospective land holding

First Drilling Results at Productora

- Strong drilling results highlight large resource potential at Productora multi-commodity project

Acceleration of Drilling Programmes

- First stage RC drilling programme at company's flagship Productora project in Chile nearing completion
- In-fill RC and diamond drilling programme ready to commence in central area of Productora to facilitate first resource calculation
- RC drilling programme to commence shortly at the Los Mantos project

Exploration Activity

Hot Chili's exploration activities in Chile during the quarter gained momentum following the receipt of drilling assays from within the centre of the company's multi-commodity Productora project in Chile which revealed wide zones of copper, molybdenum, gold, uranium and cobalt. Drilling has provided firm evidence of the potential for a large-tonnage resource over a 1.4km strike length in the centre of the project with sixteen of seventeen drill holes in this area recording significant intersections.

An additional in-fill drilling programme comprising 7,000m of reverse circulation (RC) drilling and 3,000m of diamond drilling will commence soon to facilitate a preliminary resource calculation within the centre of the Productora project. Drilling will also commence shortly at the company's other advanced project Los Mantos, where a 10,000m RC programme is drill-ready.

A second RC drill rig was added in November 2010 to assist in fast-tracking the current drilling programmes and the company is also looking to secure additional drill rigs to ensure the company achieves its objective of reporting preliminary resources during the second quarter of 2011.

The company has commenced work using its newly acquired airborne magnetic and radiometric data with a view to identifying a series of new targets within the company's three Chilean iron-oxide-copper-gold-uranium (IOCGU) projects.

Further incremental land acquisitions have been made at both the Productora and Chile Norte projects equating to an additional 2,900 ha of land holdings.

Drilling Activities

Productora Project

A drilling programme comprising approximately 16,000m is well advanced at the company's Productora project located in Chile's low-altitude coastal range belt, 15km south of the regional mining centre of Vallenar. Hot Chili controls over 12.5 kilometres of strike extent across the main mineralised corridor at the Productora iron-oxide-copper-gold-uranium (IOCGU) project.

By the end of 2010, a total of 47 RC holes for 9,200m have been completed within central and extensional areas of the project.

The central area of the project including the existing mine, where Hot Chili has a 5 year option agreement to acquire the encompassing tenement, is a key portion of the Productora project and equates to some 1.4km of strike extent along the main mineralised corridor. During the quarter sixteen significant intersections were recorded from seventeen shallow drillholes completed within the central area. Several of these shallow holes ended in mineralisation with the highest copper grades encountered at the end of hole, below a zone of surface leaching.

A remaining series of deeper RC drill holes are being completed in the central area and will further test the deeper portions of mineralisation. Mineralisation is hosted within a wide vertical breccia zone which the company is tracking across the project. The breccia zone hosted mineralisation has now been identified over 1.4km within the central area and is being targeted in extensional areas to the north and south.

An in-fill RC programme comprising an additional 7,000m has been designed to further test continuity of mineralisation within central area prior to the calculation of potential resource. In late November 2010, a second RC drill rig, was added to assist in accelerating these drilling activities.

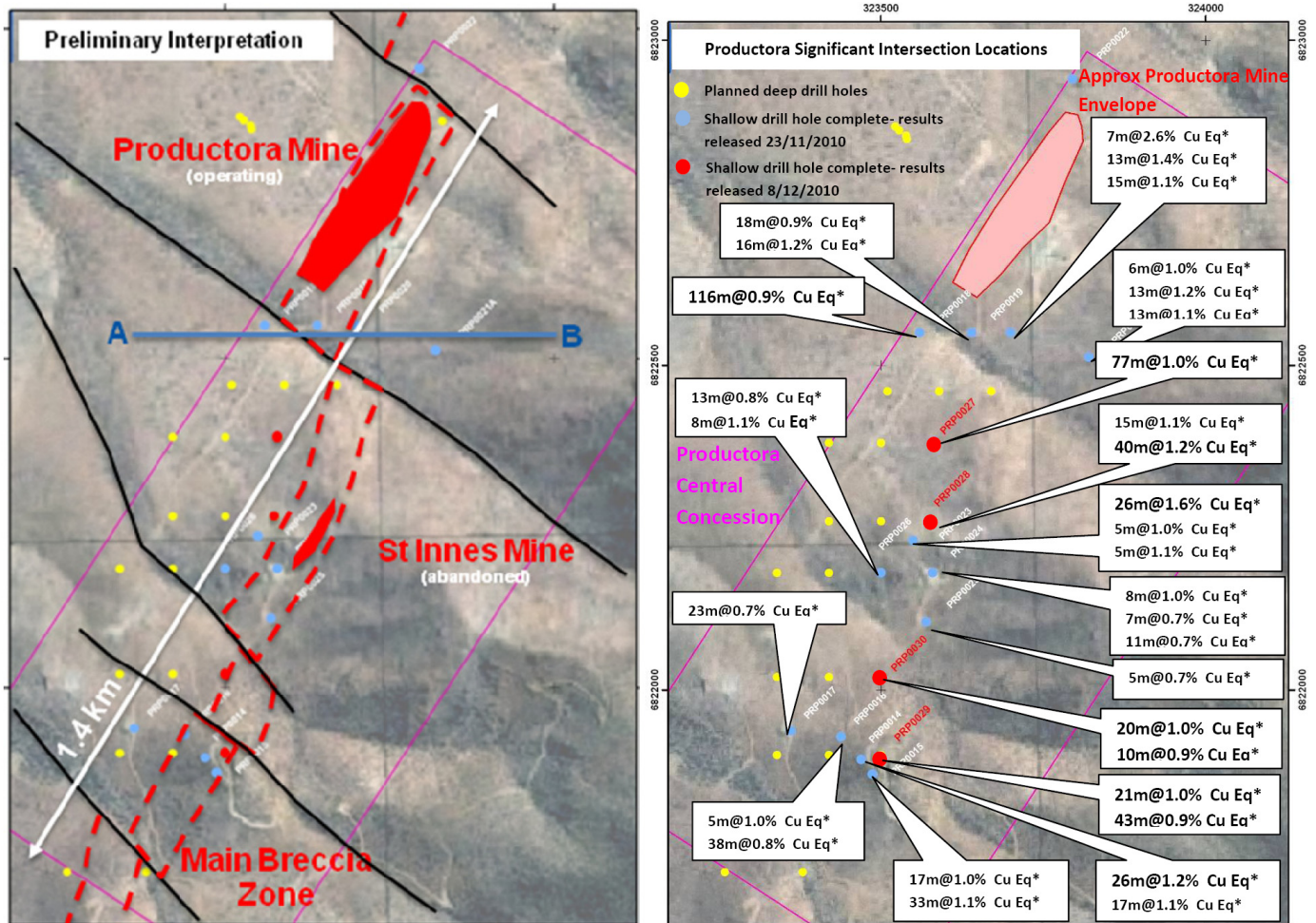
The company is also in the process of securing a diamond drill rig to complete a series of deep diamond drill holes that will target mineralisation below the Productora underground copper-gold mine. The diamond drill rig will also be used to extend several drillholes that have ended in mineralisation. Approximately 3,000m of diamond drilling is planned to commence shortly.

First-pass shallow drilling is being directed towards priority locations along the larger 12.5km strike extent of the Productora project under Hot Chili's control. Four exploration areas to the north, south and west of the central area of the project are currently being tested.

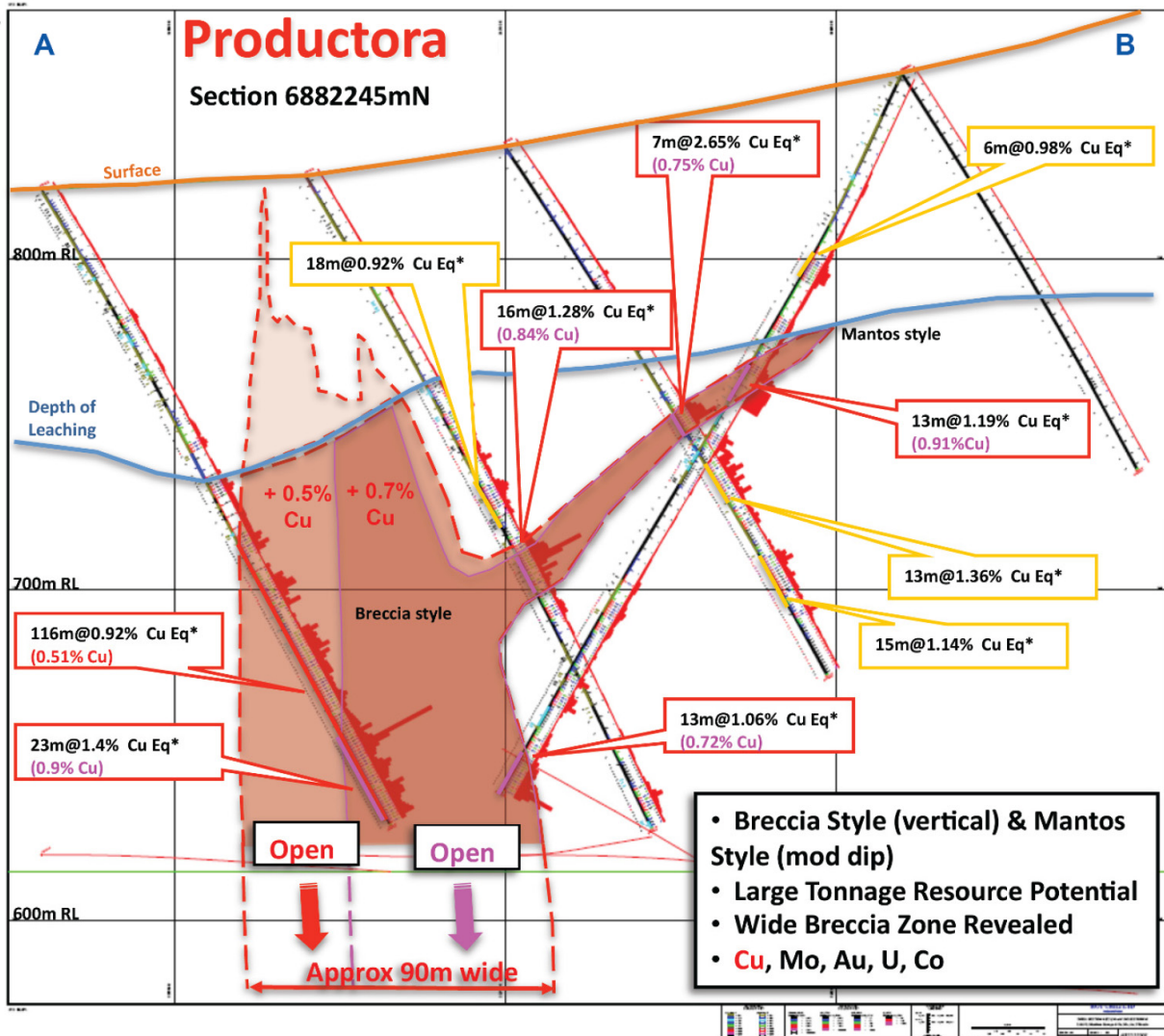
Selected significant intersections released from Productora during the quarter included:

Productora First Drilling Results
<p>116m grading 0.9% Copper Equivalent* from 103m down-hole (0.5% copper, 181ppm molybdenum, 0.1g/t gold, 18ppm uranium and 125ppm cobalt) <i>Hole Finishes in Mineralisation</i></p> <p>including 23m grading 1.4% Copper Equivalent* (0.9% copper, 220ppm molybdenum, 0.2g/t gold, 13ppm uranium and 136ppm cobalt)</p>
<p>26m grading 1.6% Copper Equivalent* from 77m down-hole (0.9% copper, 232ppm molybdenum, 0.3g/t gold, 42ppm uranium and 171ppm cobalt) <i>Hole Finishes in Mineralisation</i></p> <p>including 5m grading 3.5% Copper Equivalent* (2.3% copper, 441ppm molybdenum, 0.6g/t gold, 45ppm uranium and 193ppm cobalt)</p>
<p>26m grading 1.2% Copper Equivalent* from 12m down-hole (0.7% copper, 85ppm molybdenum 0.1g/t gold, 56ppm uranium and 130ppm cobalt)</p> <p>including 11m grading 1.6% Copper Equivalent* (1.2% copper, 110ppm molybdenum 0.2g/t gold, 55ppm uranium and 120ppm cobalt)</p>
<p>77m grading 1.0% Copper Equivalent* from 111m down-hole (0.6% copper, 142ppm molybdenum, 0.1g/t gold, 24ppm uranium and 119ppm cobalt) <i>Hole Finishes in Mineralisation</i></p> <p>including 21m grading 1.6% Copper Equivalent* (1.0% copper, 196ppm molybdenum, 0.2g/t gold, 32ppm uranium and 227ppm cobalt)</p>
<p>40m grading 1.2% Copper Equivalent* from 136m down-hole (0.5% copper, 235ppm molybdenum, 0.1g/t gold, 100ppm uranium and 80ppm cobalt)</p> <p>including 12m grading 1.4% Copper Equivalent* (0.3% copper, 148ppm molybdenum, 0.1g/t gold, 252ppm uranium and 58ppm cobalt)</p>

Please refer to ASX announcements by Hot Chili dated 23rd of November 2010 and 8th December 2010 for tables of all significant intersections recorded in drilling at Productora to date.



Summary of Results and Interpretation of Main Mineralised Breccia Zone within the Central Area of the Productora Project



Cross Section of Drilling Results Immediately South of the Productora Underground Mine (Copper Envelope Interpretation)

Los Mantos Project

The Los Mantos project is located in Chile's low-altitude coastal range belt, 60km south of the coastal city of La Serena and 15km west of the large Andacollo copper-gold mine. The project has seen significant small-scale historical surface and underground mining activity but as yet has not been drill tested. Under the terms of Hot Chili's five year purchase-option agreement, the owners of Los Mantos have been granted a concession to continue their small-scale surface and underground copper mining activity limited to a rate of 30,000 tonnes per annum.

Drilling platform and access clearing for a 10,000m RC drilling programme is complete and drilling is expected to commence during February 2011 following the completion of the first stage RC drilling activities at the Productora project.

The forthcoming drilling programme at Los Mantos will target multiple positions along the strike extent of mineralisation at the project exploring for, copper, gold, uranium and molybdenum. In particular drilling will look to confirm the grade and widths of substantial copper-gold mantos zones that are currently being exploited from both surface and underground small-scale development at the project.

To date, results of surface mapping as well as soil and rock-chip sampling confirm over 2.5 kilometre cumulative strike length of mantos and vein-hosted copper-gold mineralisation at surface. Average rock-chip results indicate copper grades at Los Mantos may potentially be higher than those being recorded in RC drilling at Productora.

Average Surface Rock-Chip Sample Results from Northern and Southern Zones at Los Mantos

Zone	Samples	Average Grade					Mineralisation Style
		Copper	Uranium	Gold	Molybdenum	Cobalt	
		(%)	(ppm)	(ppm)	(ppm)	(ppm)	
Northern	154	2.0	4	0.2	56	112	mantos
Southern	52	2.7	61	0.2	268	156	vein/shear

Airborne Survey

During the quarter Hot Chili completed preliminary processing of a helicopter based aeromagnetic and radiometric survey that the company had earlier undertaken at all three of its uranium-copper-gold projects in Chile. Southern Geoscience consultants have now completed final processing and imagery of this data, and the company is utilising this to interpret the existing IOCGU systems, as well as identify new targets that the survey has located within the company's land holdings.

The results of this work will be announced to the market when complete.

Incremental Land Additions

A series of incremental land additions were secured during the quarter over the Productora and Chile Norte projects. The acquisitions added a further 2,900 hectares of land holding to the company's projects (an additional 1,200 hectares at Productora and an additional 1,700 hectares at Chile Norte). All new land concessions secured during the quarter lie in extensional areas of both projects and expand the prospectivity of each project.

Drilling Results Information

- All drill holes are reverse circulation (RC)
- Results comprise ICP analysis (ME-ICP61) of all 1m selective (riffle split samples) and 4 composite samples.
- Priority AAS analysis (CU-AA62 ore grade analysis) results were utilised where analysis was undertaken for copper results greater than 0.2%.
- 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.
- Significant intersections are a combination of both 1m selective sample intervals as well as 4m composite intervals.
- All results were analysed by ALS Chemex (La Serena) laboratories.

* Copper Equivalent Calculation

Copper Equivalent (also Cu Eq*) Calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. However it is the company's opinion that elements considered here have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines elsewhere in the world. Copper equivalent conversion factors and long-term price assumptions used follow:

Copper Equivalent Formula= $Cu \% + Mo(ppm) \times 0.0009 + Au(ppm) \times 0.7808 + U(ppm) \times 0.0031 + Co(ppm) \times 0.0008$
Price Assumptions- Cu (US\$1.60/lb), Mo (US\$15/lb), Au (US\$850/oz), U (US\$50/lb), Co (US\$12/lb)

Competent Person's statement

Information in this announcement that relates to exploration results or mineral resources is based on information compiled by Mr Christian Easterday, a Director, who is a Member of The Australian Institute of Geoscience. 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 report of the statements based on his information in the form and context in which they appear.

Corporate Activity

Completion of AU\$4.65 Million Capital Raising

In early November 2010, Hot Chili completed a AUD\$4.65 million capital raising following the issue of 18,600,000 new shares at AUD\$0.25.

The private placement capital raising was made to institutional, sophisticated and experienced investor clients of DJ Carmichael, Shaw Stockbroking and WH Ireland, with DJ Carmichael acting as lead manager for the raising.

The funds are being directed towards an acceleration of drilling activities at both of its advanced multi-commodity uranium-copper-gold projects in Chile as well as allowing the company to more aggressively pursue potential future acquisition opportunities.

Appendix 5B- Mining Exploration Entity Quarterly Cash Flow Report

Name of entity

Hot Chili Ltd

ABN

91130955725

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,627)	(2,349)
		(391)	(825)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	11	20
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other GST	(23)	23
		(2,030)	(3,131)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	(3)
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)		
			(3)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(2,030)	(3,134)

1.13	Total operating and investing cash flows (brought forward)	(2,030)	(3,134)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	4,364	4,364
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(8)	(8)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	4,356	4,356
	Net increase (decrease) in cash held	2,326	1,222
1.20	Cash at beginning of quarter/year to date	5,397	6,608
1.21	Exchange rate adjustments to item 1.20	(303)	(410)
1.22	Cash at end of quarter	7,420	7,420

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	91
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

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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	3,000
4.2 Development	
4.3 Production	
4.4 Administration	350
Total	3,350

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	4,420	5,397
5.2 Deposits at call	3,000	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,420	5,397

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	Murray 35-40	Application	0%	100%
	FRAN 18	Application	0%	100%
	FRAN 21	Application	0%	100%
	FRAN 22	Application	0%	100%
	ALGA 7A, 1-32	Auction	0%	100%
	ALGA VI, 5-24	Auction	0%	100%
	CHICA	Purchase	0%	100%
	ESPERANZA 1-5	Purchase	0%	100%
	MONTOSA 1-4	Agreement	0%	100%

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	142,810,527	83,390,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,600,000	18,600,000	25 cents	25 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	40,740,000		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 3/11/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <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.
2. This statement does give a true and fair view of the matters disclosed.

Date: 31 January 2011

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

John Sendziuk
Company Secretary

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.