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QUARTERLY REPORT

Period Ending December 31st 2012

Highlights

Drilling Continues to Deliver Outstanding Results in Advance of Major Resource Upgrade at Productora

- **Productora continues to deliver more wide, shallow, high grade copper and gold results from new lease (Lease) surrounding existing resource.**
- **Major resource upgrade expected in the early stages of 2013.**

Completion of \$35.5 Million Capital Raising

- **A\$32.5 million private placement and A\$3 million securities purchase offer completed on December 13th 2012 heavily oversubscribed.**
- **Strong cash balance to apply to Productora growth and development in 2013.**

Chilean Resources Major CAP SA to Lift Stake to 5.5% Through \$4.25 million Private Placement

Appointment of Mr Geoff Laing to the Board of Hot Chili

Drilling activities at Hot Chili's Productora copper project in Chile were completed for 2012 in advance of a targeted first major resource upgrade at the project. Importantly, a series of strong results continued to be reported from a key new zone boosting the current economics of a planned 4km long central open pit, the centre piece of the Company's development plan at the project.

Pre-feasibility studies being undertaken in parallel to resource growth activities also continued to advance during the quarter.

The company successfully completed a heavily oversubscribed \$35.5 million capital raising in addition to announcing a \$4.25 million private placement to the company's strategic shareholder, Chilean resources major Compañía de Aceros del Pacifico (CAP).

ASX Code

HCH

Contact

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Managing Director

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PROJECT ACTIVITIES

Productora Project

Major Resource Upgrade Underway at Productora- Drilling Complete for 2012

All resource drilling activities at Productora for 2012 were ceased in mid-December and final drill samples delivered to ALS Chemex laboratories in La Serena. A large volume of assay results are currently being compiled and incorporated into resource modelling over large extensions to the existing JORC compliant central resource (85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum).

During the quarter, the company continued to deliver a series of outstanding drilling results from a new zone representing the direct southern extension to the Productora central resource (Table 1). The results have both expanded and confirmed continuity of a large tonnage zone of the deposit which hosts both high-grade copper and gold from surface (Figure 1). The zone of high-grade copper and gold now extends for over 240m of the 900m strike extent of the new large tonnage zone (Figure 2).

Owing to the growth in size of the new zone, the Company expanded its originally planned drilling programme for the area. These additional drill holes have extended the definition of the new zone and will feature in the forthcoming resource up-grade.

Importantly, recently returned results have continued to intersect substantial high-grade results within very wide zones of copper and gold mineralisation from surface as shown in Figures 3, 4 and 5.

Once all results have been returned, the Company expects to finalise and announce a major resource up-grade early in the New Year.

Clearing applications for a large 85,000m reverse circulation (RC) and 15,000m diamond drilling programme for 2013 have been submitted and drilling activities are scheduled to recommence in mid-January 2013.

Table 1. Significant intersections recorded at Productora during the quarter

Drill Results in New Lease at Productora
<p>188m grading 1.0% Copper Equivalent* (0.8% copper, 0.2g/t gold, 161ppm molybdenum)</p> <p>from 22m down-hole including 12m grading 2.0% Copper Equivalent* (1.7% copper, 0.2g/t gold and 127ppm molybdenum)</p>
<p>171m grading 0.9% Copper Equivalent* (0.7% copper, 0.2g/t gold, 88ppm molybdenum)</p> <p>from 57m down-hole including 30m grading 1.1% Copper Equivalent* (1.0% copper, 0.2g/t gold and 56ppm molybdenum)</p>



134m grading 0.9% Copper Equivalent*
 (0.6% copper, 0.2g/t gold, 202ppm molybdenum,
 from 116m down-hole
including 49m grading 1.5% Copper Equivalent*
 (1.1% copper, 0.3g/t gold and 275ppm molybdenum)

128m grading 0.9% Copper Equivalent*
 (0.7% copper, 0.1g/t gold, 78ppm molybdenum)
 from 98m down-hole
including 25m grading 1.7% Copper Equivalent*
 (1.3% copper, 0.3g/t gold and 185ppm molybdenum)

Notes to Table 1

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

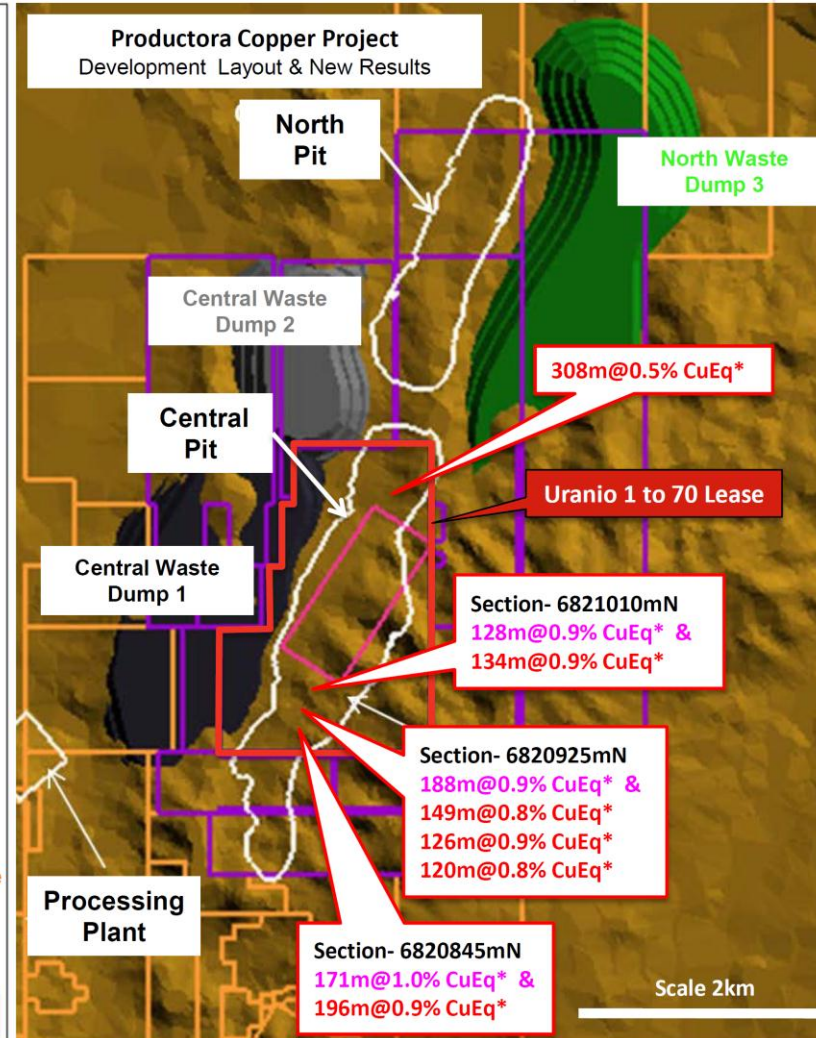
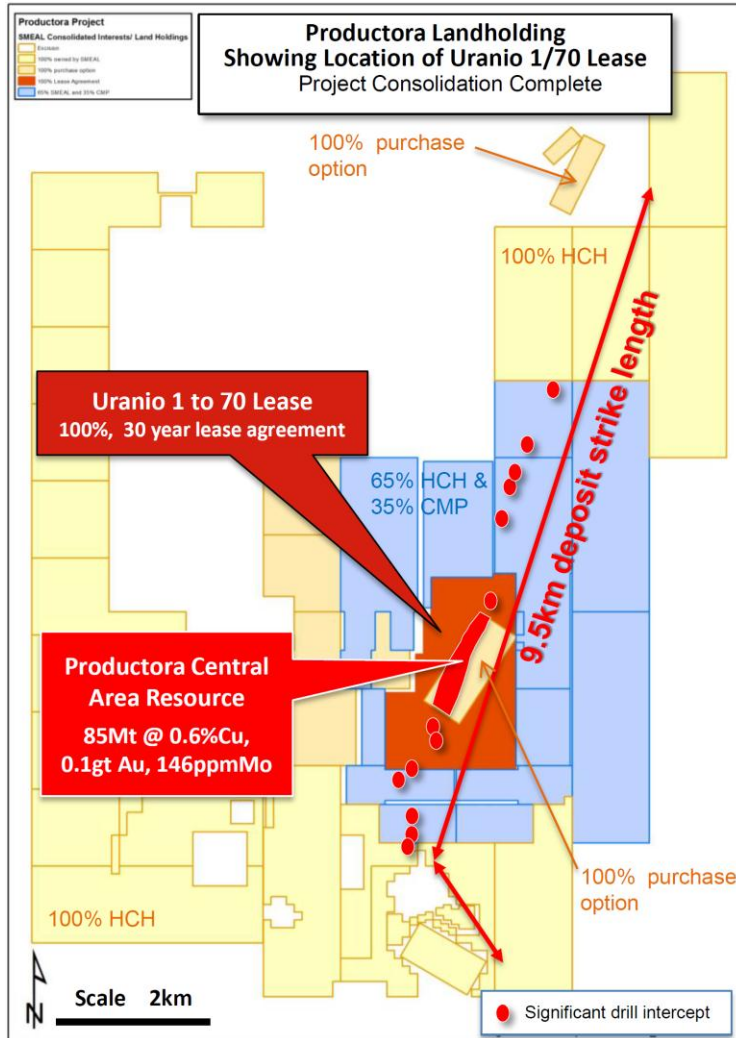


Figure 1. New significant drilling intersections in relation to landholding and development lay-out at Productora

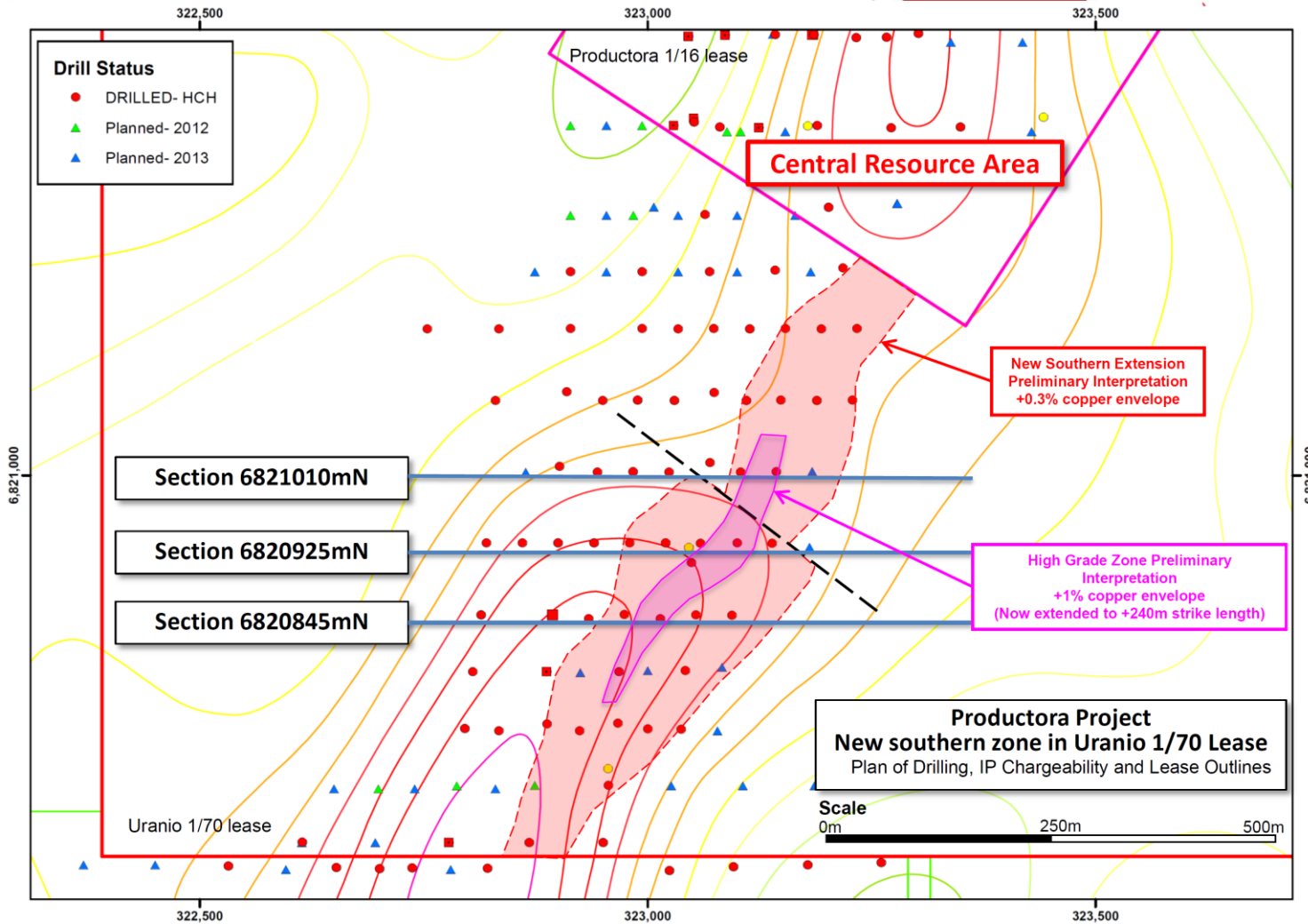


Figure 2. Location of new southern zone of mineralisation within Uranio 1/70 Lease at Productora

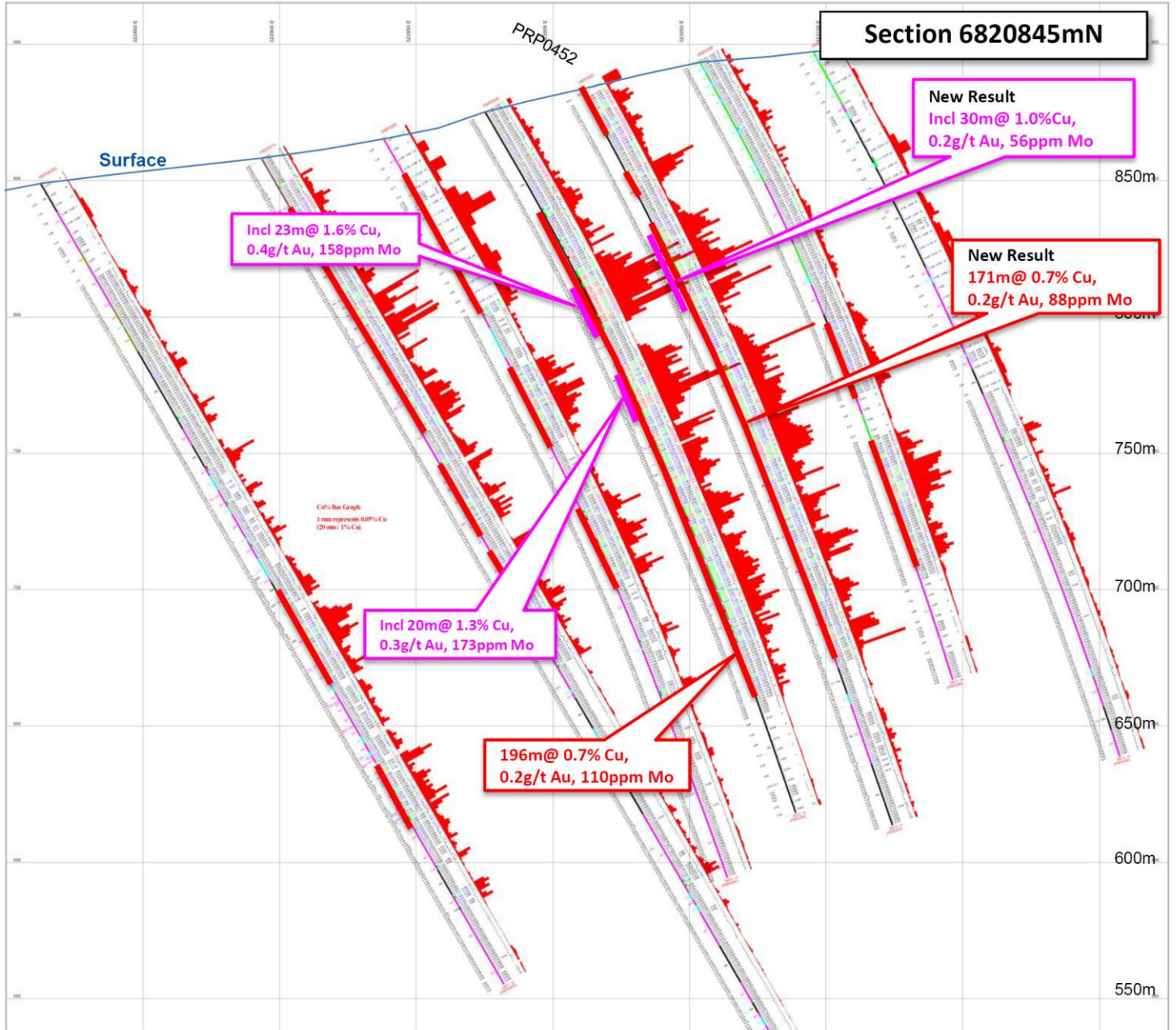
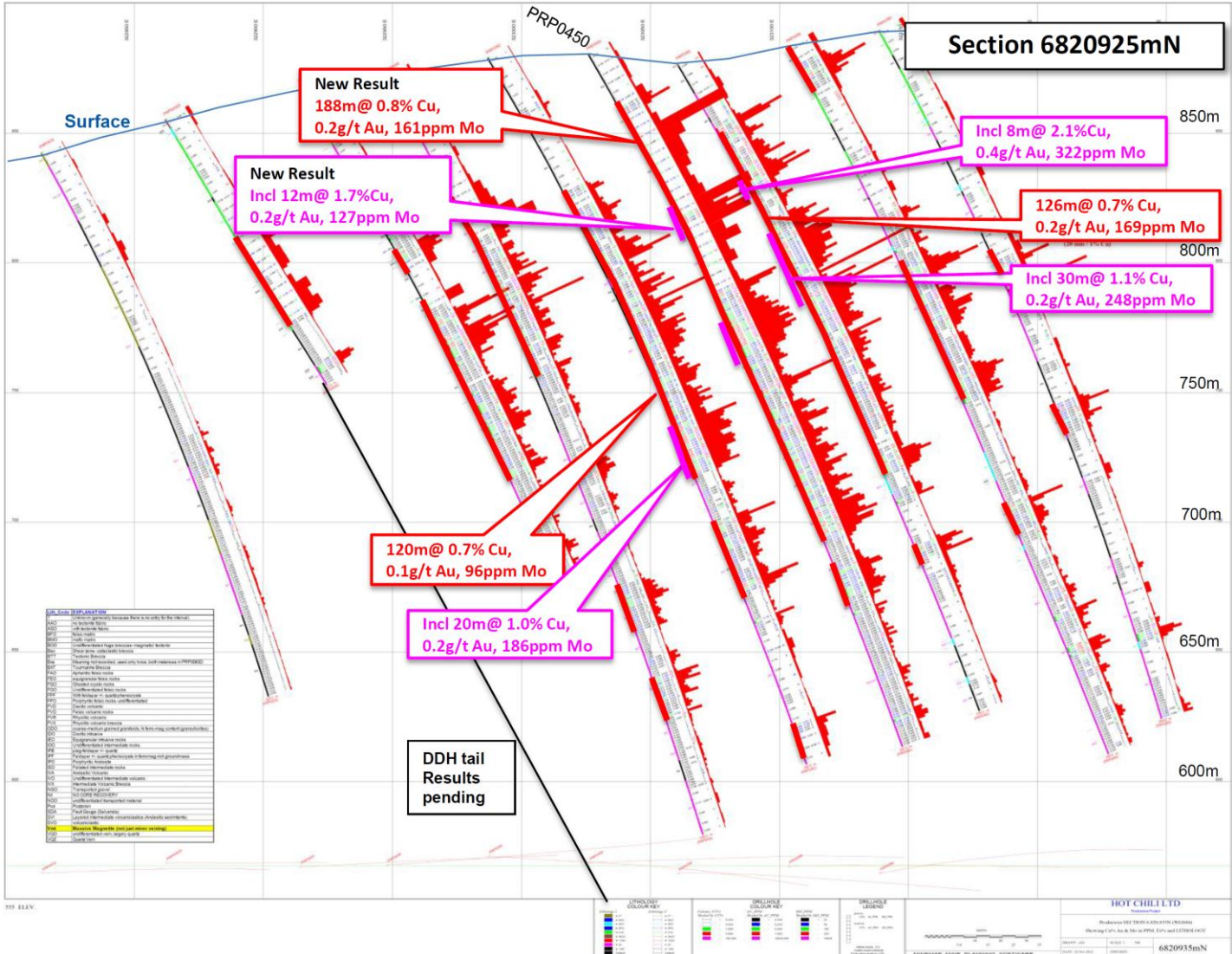


Figure 3 Cross Section 6820845mN within the Uranio 1 to 70 Lease at Productora



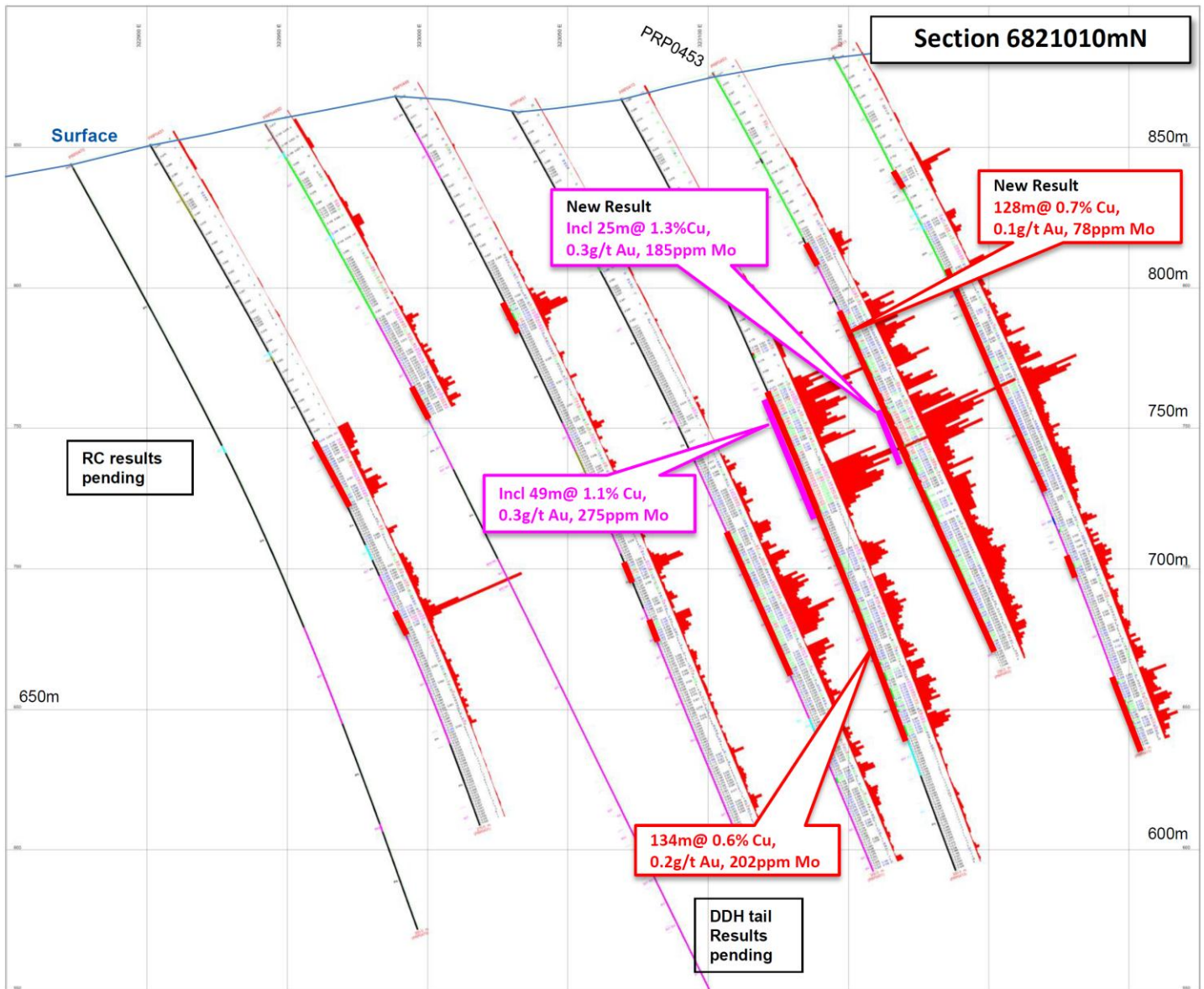


Figure 5. Cross Section 6821010mN within the Uranio 1 to 70 Lease at Productora



Pre-feasibility Study Advancing Well

Hot Chili continued with the pre-feasibility study component of its development studies at Productora during the quarter following the completion of a successful scoping study by Ausenco during 2012. Ausenco have been awarded the contract to complete the pre-feasibility study for Productora to assess a potential 10Mtpa open pit operation over a 20 year life ideally located next to major coastal infrastructure.

Pre-feasibility work streams that were a focus during the quarter included:

- Completion of water intake engineering and field works
- Significant progress on easement corridor studies and preparation
- Completion of power supply study

A fourth drill rig is expected to be added early in 2013 to allow for dedicated development study drilling activities to be undertaken in parallel with resource growth drilling. Drilling activities associated with the pre-feasibility studies will include hydrogeological, metallurgical, geotechnical and civil geotechnical.

Appointment of Mr Geoff Laing to the Board of Hot Chili-

Hot Chili announced the appointment of well-regarded mining executive Mr Geoff Laing to the board of Hot Chili as an executive director. Mr Laing's appointment commences in mid-January 2013 where he will be responsible for managing all aspects of the company's development activities for the Productora copper project in Chile.

Mr Laing is an engineer with more than 20 years' experience in the mining business. Over the past five years Mr Laing was involved in the successful development and operation of Exco Resources Ltd as both Managing Director and General Manager of Corporate and Business Development. Most recently, Mr Laing oversaw the successful conversion of a hostile bid for Exco Resources to an agreed takeover of the company. Prior to that, Mr Laing was involved in the development of a number of major projects including the Tenke Fungurume copper project in the Democratic Republic of Congo (DRC) and Norilsk Nickel Refining Projects. Mr Laing has operational experience in base and precious metals in both Africa and Australia. Mr Laing holds an MBA from the University of Western Australia and is a Member of the Australian Institute of Company Directors.

Hot Chili's development strategy for the Productora copper project will benefit greatly from Mr Laing's recent experience with the development of the Australian copper assets of Exco Resources and his involvement in the successful development of the world-class Tenke Fungurume copper project in the DRC.

The appointment of Mr Laing significantly strengthens the board of Hot Chili as it progresses the Productora copper project towards the delivery of a pre-feasibility study in the second half of 2013 and the commencement of a definitive feasibility study.



Other Projects

Banderas Copper Project

During the quarter, the Company completed its second major litho-structural mapping and surface sampling programme at the Banderas project, approximately 50km north of Productora. Several high-priority targets have been identified within the core area of the project comprising historical high-grade copper underground workings and outcropping surface mineralisation which has not previously been drill tested. Further exploration assessment of the project is scheduled for the first half of 2013 prior to the commencement of drill targeting exercises towards the later stages of 2013.

Frontera Copper Project

Work undertaken at the Frontera copper project, approximately 70km south of Productora involved the design of a first-pass RC drilling programme over the main area of identified mineralisation. Drilling will commence at Frontera in the first half of 2013 following the receipt of regulatory approvals. A preliminary drilling programme comprising approximately 30 angled RC holes for 7,500m has been designed and marked-out.

Los Mantos Copper Project

The Company announced during the quarter that it has significantly increased the size of its Los Mantos copper project in Chile under a farm-in agreement with Compañía Contractual Minera Los Andes (CCMLA), a subsidiary of the Chilean major CODELCO, the world's largest copper producer.

The agreement represents the start of Hot Chili's efforts to significantly expand the size of its Los Mantos copper project and build a substantial exploration land position immediately adjacent to Teck's large-scale Adacollo copper-gold operation.

The agreement is the second agreement Hot Chili has executed with CCMLA a subsidiary of CODELCO concerning coastal range projects in Chile.

Chile Norte Copper Project

Following a thorough technical and strategic review by the Company, Chile Norte was considered a non-core project, owing to the growing focus on projects within the company's Region III and IV production hub.

Late during the quarter, Hot Chili notified CODELCO that it intended to cease its joint venture agreement over the Chile Norte copper project, situated 50km south of the coastal city of Iquique in Region I of Chile. The agreement was officially terminated late in December 2012 following the delivery of a completion report and all associated data collected over the project.



Corporate

Major \$35.5 Million Capital Raising Complete

On the 16th of October 2012, the Company announced that it had arranged a two tranche placement to raise A\$32.5 million at A\$0.50 per share as part of a A\$35.5 million capital raising. Participants in the capital raising also received one free attaching A\$0.75 options expiring on 30 November 2014, for every two new shares subscribed for.

The capital raising also included a \$3 million share purchase plan (SPP) offer to its existing shareholders.

The placement was underpinned by very strong demand from both Australian and North American participants with Taurus Funds Management Pty Ltd (Taurus), affiliates of Sprott Inc. and Canadian based Lundin Mining Corporation anchoring the capital raising.

Funds from the capital raising will be directed towards the continuation of resource growth drilling and development study activities at the Company's flagship Productora copper project located in Chile's coastal range. The \$35.5 million capital raising was complete on the 13th of December along with the quotation of 35.5 million new listed \$0.75 options.

Chilean Resources Major Lifts Sake in Hot Chili through Private Placement

In addition to the \$35.5 million capital raising, the Company announced that it would be undertaking a \$4.25 million private placement to its strategic shareholder Compañía de Aceros del Pacifico (CAP).

The placement was complete on the 23rd of January 2013 and effectively increases CAP's shareholding in Hot Chili to 5.5%, maintaining its position as one of the Company's top-five shareholders.

CAP is the parent company of Compañía Minera del Pacifico S.A. (CMP), Chile's largest iron ore producer and integrated steel business.

Importantly, CMP is a major partner in Productora. Hot Chili recently executed two non-binding Letters of Intent with CMP to negotiate a joint infrastructure and iron exploitation option for the development of Productora.

Productora lies in the heart of CMP's existing coastal infrastructure, including rail, port, easement corridor, magnetite concentrator and iron pellet plant. CMP's infrastructure and the identification of significant iron potential creates substantial operational synergies for both companies and will help underpin rapid development of the project.

Hot Chili and CAP are currently investigating other potential avenues in which to co-operate in the development of Productora for the benefit of both companies.



Qualifying Statements

* Copper Equivalent Calculation

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

Copper Equivalent Formula= Cu % + Mo(ppm)x0.0008 + Au(ppm)x0.6832

Price Assumptions- Cu (US\$1.80/lb), Mo (US\$15/lb), Au (US\$850/oz)

Target Mineralisation

References to exploration target size and target mineralisation in this announcement are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code

JORC Compliant Resource Statement- Reported 7th September 2011

Category	Tonnage (Mt)	Grade(>0.3%Cu)				Contained Metal(>0.3%Cu)			
		Copper %	Gold (g/t)	Molybdenum (g/t)	Copper Eq* %	Copper (Kt)	Gold (KOz)	Molybdenum (Tonnes)	Copper Eq* (Kt)
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: Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting.

Competent Person's Statement- Exploration Reporting

Information in this announcement that relates to exploration results and mineralisation is based on information compiled by Mr Christian Easterday, a Director, who is a Member of The Australian Institute of Geoscientists. Mr Easterday has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Easterday consents to the inclusion in this presentation of the statements based on his information in the form and context in which they appear.

Competent Person's Statement- Resource Reporting

Information in this announcement relating to mineral resources is based on information compiled by Mr. Alfred Gillman, a Fellow of the Australian Institute of Mining and Metallurgy (CP). Mr. Gillman is an independent resource consultant and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code 2004). Mr. Gillman consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.



Appendix 5B- Mining Exploration Entity Quarterly Cash Flow Report

Name of entity

Hot Chili Ltd

ABN

91 130 955 725

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(7,628) (426) (713)	(13,959) (974) (1,545)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	54	59
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other GST	(70)	(84)
Net Operating Cash Flows	(8,783)	(16,503)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(224) (101)	(486) (106)
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	(325)	(592)
1.13 Total operating and investing cash flows (carried forward)	(9,108)	(17,095)



1.13	Total operating and investing cash flows (brought forward)	(9,108)	(17,095)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	36,700	38,720
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Cost of capital raising	(2,287)	(2,287)
1.19	Other (provide details if material)		
	Net financing cash flows	34,413	36,433
	Net increase (decrease) in cash held	25,305	19,338
1.20	Cash at beginning of quarter/year to date	10,349	16,861
1.21	Exchange rate adjustments to item 1.20	(114)	(659)
1.22	Cash at end of quarter	35,540	35,540

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	159
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Salaries , Directors fees and consulting fees at commercial rates.

Non-cash financing and investing activities

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

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



Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	6,000
4.2 Development	2,000
4.3 Production	
4.4 Administration	800
Total	8,800

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	35,470	10,279
5.2 Deposits at call	70	70
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	35,540	10,349



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	Augita 4B, 1/40	65% earn-in	65%	0%
	Quito 11-38 (27 concessions)	65% earn-in	65%	0%
	Apir 1-19 (19 concessions)	65% earn-in	65%	0%
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	286,776,224	286,776,224		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,000,000 71,000,000	6,000,000 71,000,000	20 cents 50 cents	20 cents 50 cents
7.5 *Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				




7.7	Options <i>(description and conversion factor)</i>	24,290,000		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 3/11/2013
		9,361,113		75 cents	9/2/2013
		1,000,000		90 cents	Exercisable after 19/7/2012
					<i>Expiry date</i> 20/7/2014
		2,200,000		90 cents	Exercisable after 19/7/2013
					<i>Expiry date</i> 20/7/2014
		500,000		One dollar	Exercisable after 29/1/2014
					<i>Expiry date</i> 30/1/2015
		300,000		90 cents	Exercisable after 19/7/2013
					<i>Expiry date</i> 20/7/2014
		500,000		One dollar	Exercisable after 26/9/2014
					<i>Expiry date</i> 26/9/2015
7.8	Issued during quarter	500,000		One dollar	Exercisable after 26/9/2014
					<i>Expiry date</i> 26/9/2015
7.9	Exercised during quarter	6,000,000		20 cents	3/11/2013
7.10	Expired during quarter	3,005,226		75 cents	20/12/2012
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 (see note 4).
2. This statement does give a true and fair view of the matters disclosed.
- 3.

Sign here:  Date 31/01/2013
(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.