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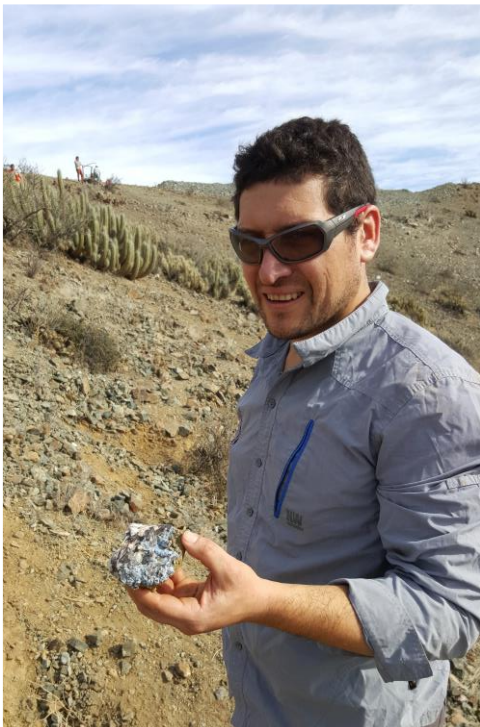


Quarterly Report

Period Ending December 31 2016

Quarterly Highlights

- **Hot Chili set to pursue large resource growth potential at Productora in 2017**
- **Discussions advancing with several parties in relation to future funding options**
- **Technical studies highlight Productora porphyry copper project to be comparable in scale and footprint to other global Tier 1 copper porphyry deposits**
- **Preparations underway to test multiple large-scale porphyry copper targets at Productora, with environmental applications well advanced**



Hot Chili geologists conducting surface mapping and geochemical sampling at the Productora project

ASX CODE

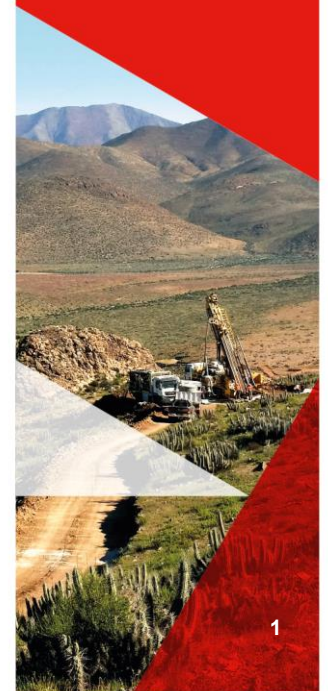
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Contact

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Managing Director

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Summary of Activities

The Company believes that successful drill testing of the porphyry copper targets has the 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.

Productora is one of the best located new large-scale copper developments globally- (Chile, low altitude, infrastructure rich, low capital intensity). The project has a PFS complete and is highly leveraged to copper price rally and resource growth.

2017 will see Hot Chili accelerate its exploration efforts at Productora. During the quarter, the Company advanced its environmental surveys and applications to allow drill testing of multiple large-scale porphyry copper targets.

In parallel, Hot Chili is advancing discussions with several parties in relation to future funding options to strengthen Hot Chili's balance sheet and enable the next phase of exciting resource growth at Productora. Rising copper prices during the quarter have also provided an encouraging backdrop to the Company's efforts to position Productora as a leading global copper project, development ready for the next copper price cycle.

Productora's porphyry copper potential was revealed in late 2015 following the detection of a cluster of large scale targets. The targets were identified from a deep penetrating IP-MT geophysical survey which was commissioned following discovery of the Alice porphyry copper deposit, located immediately adjacent to Productora's planned central pit. Further studies, data integration and 3D modelling have been completed since the IP targets were detected, with the Company now well positioned to progress to drill testing.

A recently completed study on technical characteristics of the Productora porphyry copper project has highlighted that Productora sits within a Giant (+5Mt) Chilean Copper Camp setting. The study also highlighted Productora to be comparable in scale and footprint (geochemical and geophysical signature) to other Tier 1 global porphyry copper deposits such as SolGold's Cascabel deposit in Ecuador.

More than two years of exploration studies over Productora's porphyry copper potential has provided significant confidence in the Company's strategy to realise large resource growth potential at Productora in advance of commencing the final stage of development studies.

3D modelling of IP porphyry copper targets indicates that Productora has the potential to grow its current resource base by several multiples.

Regulatory applications and stakeholder discussions are well advanced to facilitate drill testing of the large-scale porphyry copper targets, with a new and exciting discovery drilling phase planned to commence at Productora in the New Year.

Productora Porphyry Copper Study

Chilean Tier 1 (+5Mt) copper camps generally form in clusters at regular spacings (130km), typically at the intersection of regional transfer faults and the Atacama (AFZ) and Western Fisher Fault Zones (WFZ). Productora sits within a Giant Copper Camp setting- the ideal location to discover a “missing” Tier 1 copper deposit as illustrated below in figure 1.

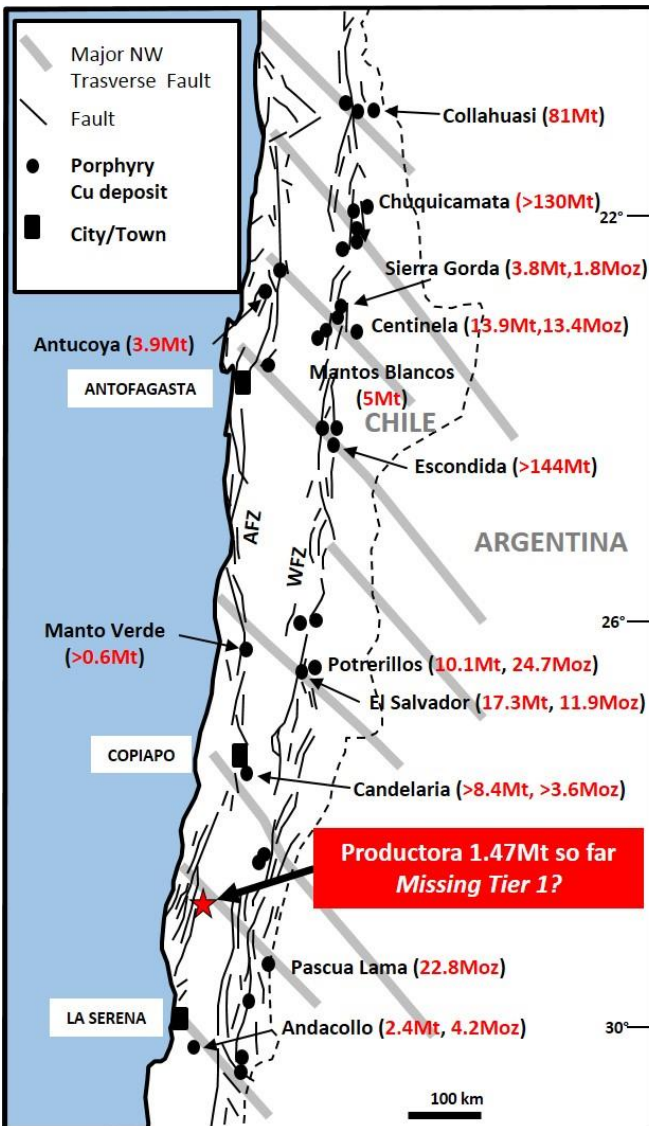


Figure 1. Productora project location in relation to giant copper camp settings in Chile

A major 6km x 4km porphyry lithocap (advanced argillic alteration) was discovered by geochemical sampling to lie immediately next to Productora Main Zone, host to the majority of Productora’s 1.5Mt copper and 1Moz gold resource.

Studies of several porphyry copper deposits have demonstrated that sulphur endowment in porphyry systems can be used as a proxy for contained copper, with sulphur volumes measured at Productora indicating potential Tier 1 copper endowment.

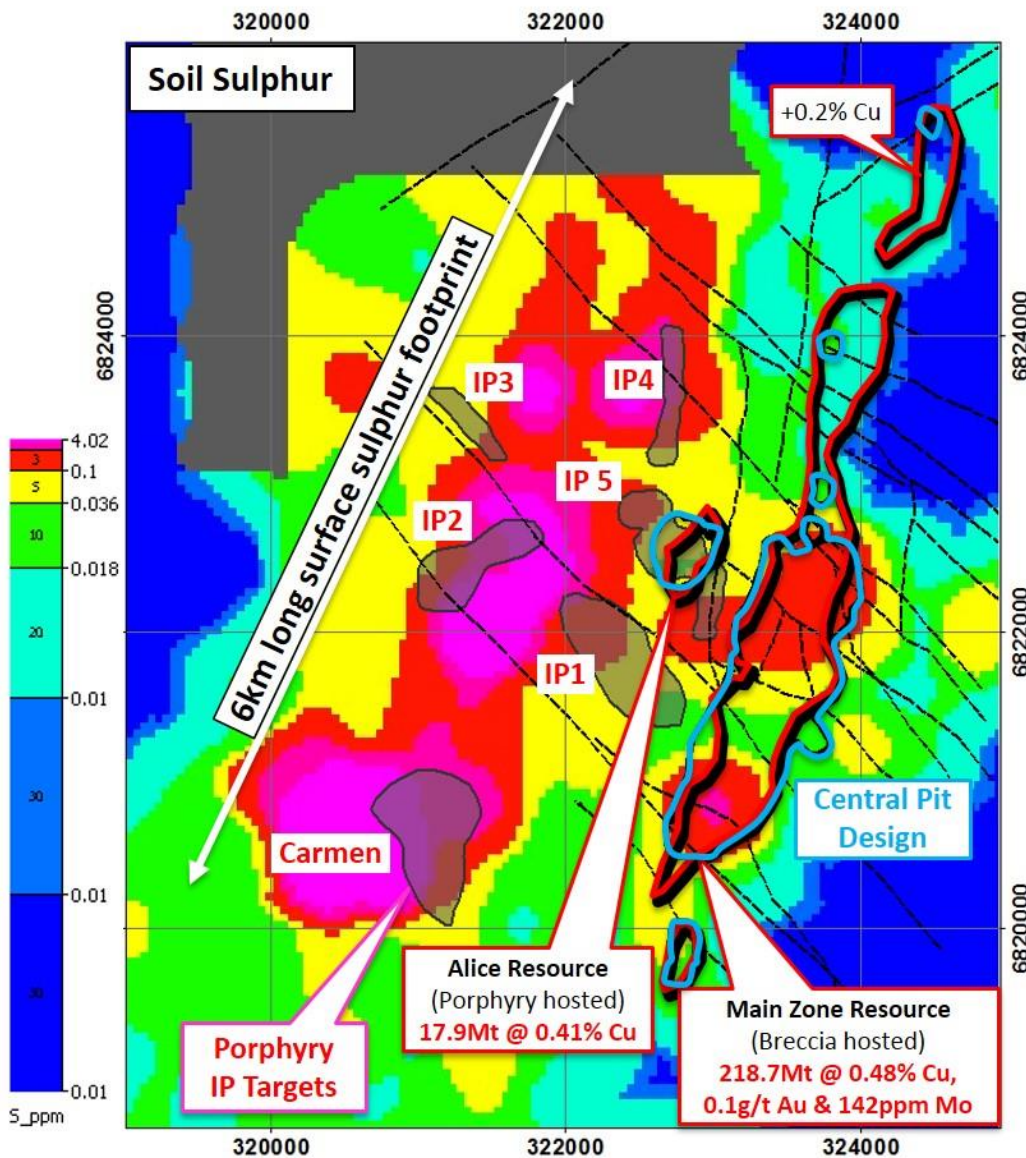


Figure 2. Advanced argillic surface footprint in relation to detected porphyry centres

Discovery of the Alice porphyry copper deposit in late 2014 revealed a small window into the much larger potential at Productora, in the first ever exploration drilling outside the Main Zone. The Alice porphyry copper deposit is outcropping at surface and a preserved major porphyry lithocap has been recognised along the western flank of the Man Zone.

The large-scale surface alteration and geophysical porphyry footprint (several large-scale IP chargeability targets detected near-surface) provides further evidence to support Productora as a potential Tier 1 copper deposit.

Dating evidence that Productora’s Main Zone resource of 1.5Mt copper and 1Moz gold originates from, and is part of, a much larger porphyry copper system adds further confidence to the potential scale of the primary porphyry copper source.

3D modelling of near-surface IP porphyry copper targets indicate Productora has the potential to grow its current resource base by several multiples as illustrated in figure 3.

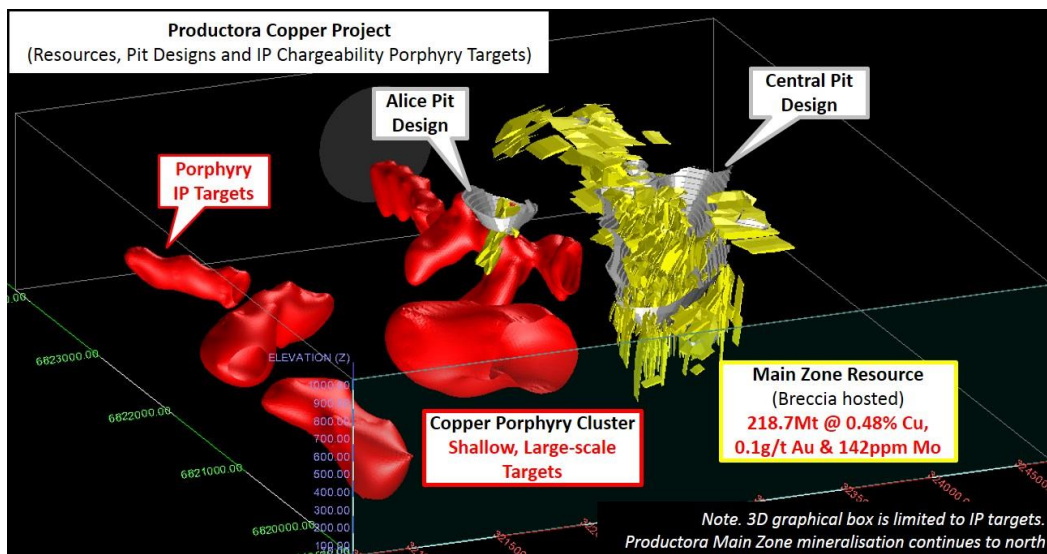


Figure 3. Productora main zone and Alice resource wireframes (yellow) and IP chargeability porphyry targets (red)

For further information on the Productora Tier 1 porphyry copper potential please refer to ASX announcement “Hunting Giants Presentation”, released 8th December 2016.



Sierra Zapallo High-Grade Gold

The Company has now completed 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 Zapallo.

Drilling successfully intersected the predicted Sierra Zapallo gold reef structures; however, assay results were 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 in an effort to better understand the controls on high-grade gold mineralisation.

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 included geology field tours, environmental and archaeological surveys and the completion of drilling and associated field activities at Sierra Zapallo.

The Company's HSEQ quarterly performance is summarised below:

HSEQ Quarter 4 2016 Performance and Statistics

Item	Oct-Dec /16	Last 24 Months
LTI events	0	0
NLTI events	0	0
Days lost	0	0
LTIFR index	0	0
ISR index	0	0
Thousands of mh (1)	0.28	12.23
Environmental incidents	0	0
Headcount (1)	21	3.6

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

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Tenement Changes during the Quarter

No tenement changes occurred during the quarter.



Qualifying Statements

JORC Compliant Ore Reserve Statement

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

Ore Type	Reserve Category	Tonnage (Mt)	Grade			Contained Metal			Payable Metal		
			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			Contained Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	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
	<i>Sub-total</i>	<i>218.7</i>	<i>0.48</i>	<i>0.10</i>	<i>142</i>	<i>1,059,000</i>	<i>708,000</i>	<i>31,000</i>
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
	<i>Sub-total</i>	<i>17.9</i>	<i>0.41</i>	<i>0.04</i>	<i>39</i>	<i>73,000</i>	<i>23,000</i>	<i>700</i>
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.



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

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			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
	<i>Sub-total</i>	<i>201.6</i>	<i>0.16</i>	<i>0.04</i>	<i>60</i>	<i>320,000</i>	<i>241,000</i>	<i>12,000</i>
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
	<i>Sub-total</i>	<i>16.4</i>	<i>0.13</i>	<i>0.02</i>	<i>27</i>	<i>22,000</i>	<i>9,000</i>	<i>400</i>
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
	<i>Total</i>	<i>218.0</i>	<i>0.16</i>	<i>0.04</i>	<i>58</i>	<i>341,000</i>	<i>250,000</i>	<i>13,000</i>

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 Ingvor Kirchner. Mr Macdonald is a part time employee of Hot Chili, 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.



+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	31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(123)	(194)
(b) development	-	(8)
(c) production		
(d) staff costs	(193)	(429)
(e) administration and corporate costs	(241)	(453)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	10
1.5 Interest and other costs of finance paid	(298)	(645)
1.6 Income taxes paid (Municipal Tax)	-	(157)
1.7 Research and development refunds		
1.8 Other (provide details if material) GST	20	(11)
Research and Development	(26)	(26)
1.9 Net cash from / (used in) operating activities	(857)	(1,913)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(3)
	(b) tenements (see item 10) (Lease payment)	(82)	(212)
	(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	(82)	(215)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes	-	4,400
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(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



Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	3,161	221
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(857)	(1,913)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(82)	(215)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	4,167
4.5 Effect of movement in exchange rates on cash held	1	(37)
4.6 Cash and cash equivalents at end of period	2,223	2,223

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	2,135	3,073
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)	2,223	3,161

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	



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 <i>Add notes as necessary for an understanding of the position</i>	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	350
9.2 Development	0
9.3 Production	0
9.4 Staff costs	240
9.5 Administration and corporate costs	110
9.6 Other (interest payments)	250
9.7 Total estimated cash outflows	950





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: 20th January 2017

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 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.



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