

## Highlights

### Corporate

- Strengthening of board with the appointment of Dr Allan Trench as a Non-executive Director

### Land Acquisition

- Substantial increase to Productora uranium-copper-gold project with the addition of a further 2.5km strike length due to key land acquisition

### Commencement of Maiden 26,000m Drilling Programme

- Maiden drilling programme underway at company's flagship Productora project in Chile
- Drill-pad clearing for 26,000m drilling programme at Productora and Los Mantos well advanced

### Completion of Major Airborne Survey

- Helicopter-based aeromagnetic and radiometric survey completed over Hot Chili's three uranium-copper-gold projects in Chile totalling over 2,000 line kilometres.

## Exploration Activity

Hot Chili accelerated its exploration activities in Chile during the quarter, undertaking platform clearing for a major 26,000m maiden drilling programme and commencing RC drilling activities at its flagship Productora project. A major airborne radiometric and magnetic survey was also flown over each of the company's Chilean uranium-copper-gold projects; Productora Los Mantos and Chile Norte.

The drilling programme that commenced during the quarter is the culmination of over a year of detailed technical assessment by Hot Chili's exploration team and will represent the first ever significant drilling targeted towards the definition of large-scale uranium-copper-gold resources in Chile.

The company's exploration team is now fully established and Hot Chili's partners have been kept closely informed as to the company's progress in relation to various expenditure commitments.

## Drilling Activities

### Productora Project

Drilling has commenced at the company's Productora project located in Chile's low-altitude coastal range belt, 15km south of the regional mining centre of Vallenar. A drilling programme comprising approximately 16,000m is being directed towards several key areas of the project. Productora is the most advanced of Hot Chili's three Chilean projects, containing an operating underground copper-gold mine and rated by the Chilean Commission for Nuclear Energy (CCHEN) as the country's largest identified uranium project.

Drilling during the quarter centred on exploration targets which lie within northern areas of the project that Hot Chili controls through an earn-in option agreement with CMP, Chile largest iron ore producer and Hot Chili's major partner within the project. This drilling focussed on a zone of significant copper and iron workings associated with a large geophysical induced polarisation (IP) anomaly defined in earlier work by Teck during the 1990's. Importantly, this drilling has ensured that Hot Chili could complete its year 1 exploration commitment to CMP as part of the terms of its earn-in option agreement at the project as well as effectively testing an important target area within the project.

Late in the quarter, drilling commenced in higher-priority areas located in the centre of the Productora project. Previous exploration for copper in this area by Teck and General Minerals during the 1990's recorded several significant drilling intercepts including **112m grading 0.65% copper and 0.1g/t gold from 102m, and 44m grading 0.72% copper and 0.1g/t gold from 52m**. Earlier uranium focused exploration by CCHEN recorded uranium grades ranging between **0.3 - 1.0kg/t eU<sub>3</sub>O<sub>8</sub> over widths of 2 to 15m over a strike extent of approximately 2.4km along the same mineralised corridor**. The central area of the project also contains the operating Productora and abandoned St Innes copper-gold mines.

By the 30<sup>th</sup> of September, a total of 13 RC holes for 2,830m of drilling had been completed at the Productora project.

Hot Chili's drilling at the project will be the first assessment of all of the key commodities contained at Productora, principally uranium, copper and gold. The drilling programme aims to confirm and delineate potential large tonnage copper-gold zones at key areas within the central area of the project where uranium bearing structures have also been identified. Drilling outside of the central area of the project will assess the along strike potential of the main mineralised corridor at Productora.



**Productora Project- RC drilling north of the Productora Mine area, September 2010**

## 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.

During the quarter, Hot Chili completed drilling platform and access clearing to accommodate for a 10,000m RC drilling programme over the project. Drilling is scheduled to commence at Los Mantos late in 2010 following the completion of drilling activities at the Productora project, located approximately 240km to the north of Los Mantos.

Results of surface mapping as well as soil and rock-chip sampling by Hot Chili's exploration team has confirmed over 2.5km cumulative strike length of mantos and vein-hosted copper-gold mineralisation at surface. Similar to the Productora project, Los Mantos displays a zoned metal distribution with increasing uranium-molybdenum content at depth. However, unlike the Productora project where mineralisation is concealed in-part by surface leaching, mineralisation at Los Mantos is prominent in outcrop with demonstrated continuity.



Average rock-chip results from sampling of outcropping mantos (northern zone) and shear-hosted (southern zone) mineralised material over the project are summarised below.

### 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	<b>1.96</b>	4	<b>0.16</b>	56	112	mantos
Southern	52	<b>2.73</b>	<b>61</b>	<b>0.19</b>	<b>268</b>	156	vein/shear

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.



Los Mantos Project- Drilling platform and access clearing in southern mine area, September 2010

## Airborne Survey

During the quarter Hot Chili completed a major helicopter based aeromagnetic and radiometric survey at all three of its uranium-copper-gold projects in Chile. The airborne survey comprised a total of 644

line km's over the Productora project, 308 line km's over the Los Mantos project and 1,219 line km's over the Chile Norte project. A flight line spacing of 100m with a flight height of 50m was chosen in order to maximise resolution of the survey and enable the direct targeting of drill-sites at Productora and Los Mantos.

The survey represents a significant investment in the company's projects and will provide a high-resolution dataset to assist our exploration team in interpreting the existing iron-oxide-copper-gold-uranium (IOCGU) systems, as well as identifying new targets within our land holdings. The datasets will greatly assist in the company's exploration strategy at each of its projects.

Southern Geoscience consultants have been engaged to facilitate processing and completion of final imagery and data analysis. The results of this work are expected to be available in late November and will be incorporated into drill targeting and exploration activities in 2011.



**Geodatos SAIC helicopter based geophysical survey, Chile**

## **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

### Appointment of New Non-Executive Director

On the 19th of July, the company announced the appointment of Dr Allan Trench as a non-executive director to the board of the company. Allan Trench replaced Mr Roland Mountford in this position following Mr Mountford's resignation from the board also effective on the 19<sup>th</sup> of July 2010.

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 20 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Allan holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts as an independent director to a number of emerging resources companies, both in Australia and overseas.

Dr Allan Trench's appointment adds considerable experience and expertise to Hot Chili's board.

Mr Mountford played a key role in the early development of the company and its projects in Chile and will continue his involvement through an ongoing role as a consultant to the company.

## Appendix 5B- Mining Exploration Entity Quarterly Cash Flow Report

Name of entity

Hot Chili Ltd

ABN

91130955725

Quarter ended ("current quarter")

30 September 2010

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(722)	(722)
		(434)	(434)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	9	9
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other GST Refund	46	46
		(1,101)	(1,101)
<b>Net Operating Cash Flows</b>			
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(3)	(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)		
	<b>Net investing cash flows</b>	(3)	(3)
1.13	Total operating and investing cash flows (carried forward)	(1,104)	(1,104)



# Quarterly Report

For the period ending 30<sup>th</sup> September 2010

1.13	Total operating and investing cash flows (brought forward)	(1,104)	(1,104)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>			
<b>Net increase (decrease) in cash held</b>		(1,104)	(1,104)
1.20	Cash at beginning of quarter/year to date	6,608	6,608
1.21	Exchange rate adjustments to item 1.20	(107)	(107)
1.22	<b>Cash at end of quarter</b>	5,397	5,397

## 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	93
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
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## 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

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## 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	1,400
4.2 Development	
4.3 Production	
4.4 Administration	200
<b>Total</b>	<b>1,600</b>

## 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	5,397	6,608
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>5,397</b>	<b>6,608</b>

## 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	FRAN 18	Wholly owned	Nil	100%
	FRAN 21	Wholly owned	Nil	100%
	ALGA VI	Wholly owned	Nil	100%
	ALGA VII	Wholly owned	Nil	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	<b>Preference</b>			
	<b>+securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	124,210,527	64,790,000	

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	40,740,000		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 29/10/2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Date: 29 October 2010

A handwritten signature in blue ink, appearing to read 'Christian Easterday', is written over a light blue horizontal line.

Christian Easterday

Managing Director



## 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.