




# red dot copper



ANNUAL  
REPORT  
**2011**  
ACN 130 955 725





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“Hot Chili made its way to Chile for Tier Two open pitable copper projects capable of achieving relatively near-term production.”





## Directors

Murray E Black (Non Executive Chairman)  
Christian E Easterday (Managing Director)  
Dr Allan Trench (Independent Non Executive Director)

## Solicitors

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## Company Secretary

John E Sendziuk

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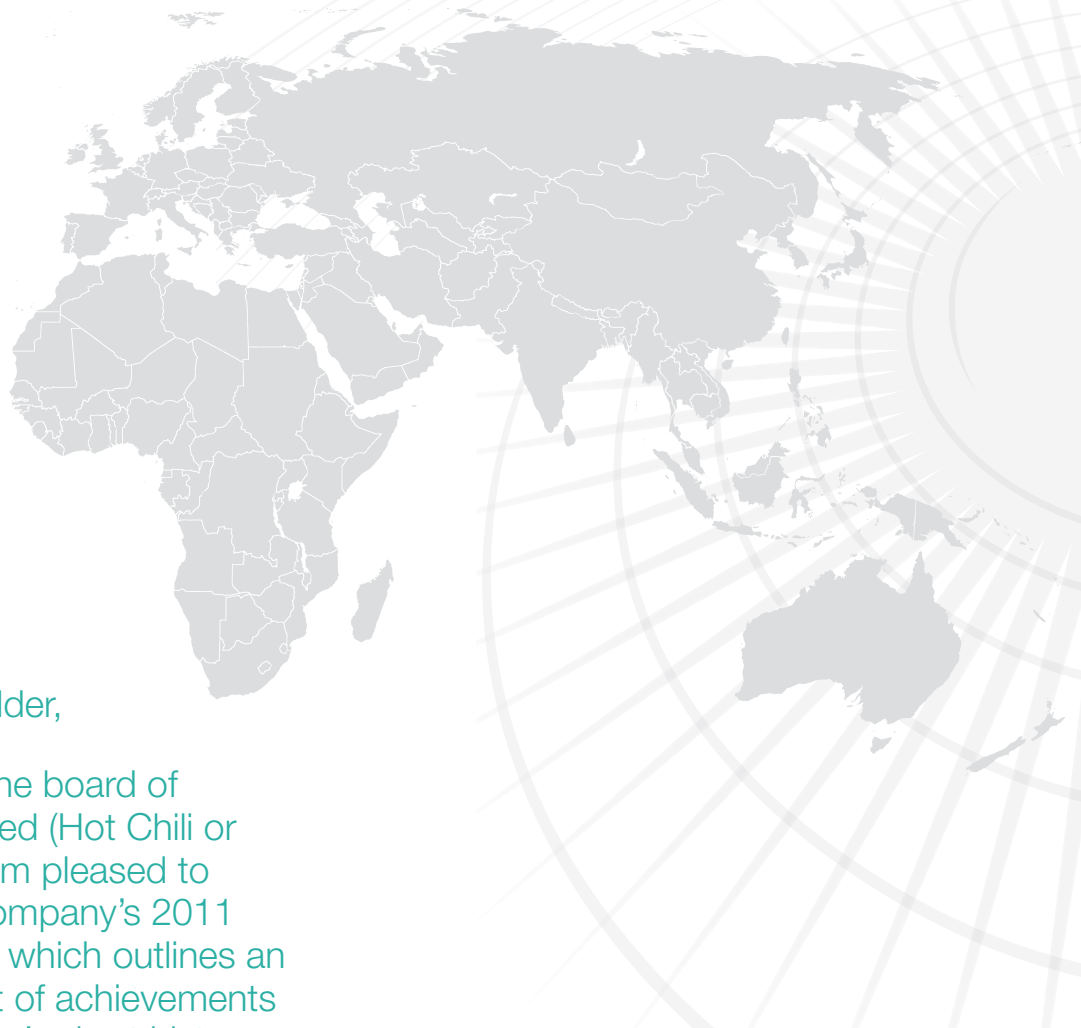
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# chairman's letter



Dear Shareholder,

On behalf of the board of Hot Chili Limited (Hot Chili or Company), I am pleased to present the company's 2011 annual report, which outlines an impressive set of achievements in the company's short history since listing on the Australian Securities Exchange (ASX) in early May 2010.

Over the past year, Hot Chili has wasted no time in positioning the company to make the important transition from explorer to project developer. Aggressive exploration and resource definition work programmes at the company's portfolio of large multi-commodity copper projects in Chile have underpinned rapid growth in the value of the company, allowing Hot Chili to outperform most of its peers during this past year.

Drilling results from our flagship project Productora have revealed the presence of a large at-surface copper-gold-molybdenum deposit. We now look forward to the release of the company's first resource estimate in September 2011 and expect that this will provide a strong platform for future growth and establish Hot Chili's presence within the ranks of emerging mid-tier multi-commodity copper developers.

The rapid success from our activities this past year has been due to the efforts and dedication of our talented board, management and exploration team. Four years of hard work have gone into the preparation for this success and we could not have achieved this without the support of our Chilean partners. We have strived to develop our company's cooperative relationships in Chile and direct the benefits of our investment back into the local community in which we operate.

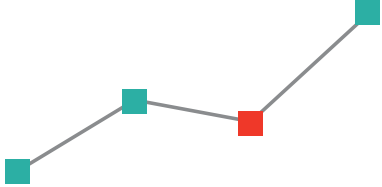
Finally I would like to thank the strong and continuing support from our shareholders. While it has been quite a journey from our early beginnings, it has been a journey worth the wait. I look forward to reporting on our next year of activity in which the company anticipates achieving even greater milestones.

**Murray Edward Black**  
Non Executive Chairman





Commodities



“positioning the company to make the important transition from explorer to project developer.”

# projects overview

Hot Chili's projects lie along Chile's coastal cordillera, one of the world's largest iron-oxide-copper-gold (IOCG) provinces hosting several significant deposits, including Candelaria, Mantos Blancos, Manto Verde and El Soldado. All of Hot Chili's projects are low altitude (<1,000m elevation) and are close to major infrastructure.

The 2011 reporting year involved an intensive period of exploration and resource work programmes over each of the company's multi-commodity copper projects in Chile. The focus at each project was to rapidly confirm the work of earlier exploration results and to assess the potential for each project to host significant deposits amenable to large open-pit operations. This work involved extensive mapping, geochemistry, and airborne surveys. Large drilling programmes were undertaken over Hot Chili's two advanced projects Productora and Los Mantos.

The company is now at an advanced stage of estimating a first resource at the Productora copper-gold-molybdenum project that is anticipated to be released in September 2011. The results of resource development drilling indicate that a large initial resource is emerging within the project that will give the company confidence to commence economic scoping studies later in 2011.

Hot Chili's team was expanded during the year to accommodate for the rapid growth in drilling activities in Chile. A strong management and operational team is now in-place to continue this work and capitalise on the company's achievements during this past year.

The company has continued to work closely with its Chilean partners, in particular CMP and CODELCO. Further land additions and some relinquishments occurred as all projects were further consolidated and rationalised around known mineralised areas.

**In order of focus, the three projects and their key features are:**

## Productora

Productora is Hot Chili's flagship multi-commodity copper project. The project is at an advanced stage, with an underground mine (operating under a capped production arrangement as part of the company's purchase option agreement over the central lease at Productora), significant historical drilling and extensive supporting geological work already undertaken. Hot Chili has undertaken intensive resource drilling within the central 1.4km strike extent of the project, revealing wide zones of copper, gold and molybdenum hosted within a breccia intruded fault corridor. Hot Chili controls over 12.5 kilometres of strike extent across the main mineralised corridor at Productora.

The identified footprint of the copper-gold-molybdenum mineralised corridor at Productora is greater than 9.5km in strike length. Extensional drilling has successfully intersected breccia hosted multi-commodity mineralisation for over 3.7km of this strike extent. Drilling confirms that a magnetic anomaly delineated by an airborne survey completed by the company in mid 2010 relates to a magnetite zone along the western margin of the mineralised breccia corridor. A major drilling programme is now underway to test the 9.5km mineralised trend, and the first stage of this programme is to be completed over the coming year of exploration at Productora.

Approximately 28,000m of reverse circulation (RC) and 5,500m of diamond drilling was completed at the project during the past year. A programme comprising 65,000m of RC and 8,000m of diamond is planned to be undertaken at Productora during the coming year. This drilling is aimed toward rapid resource growth along strike, adjacent to and at depth to the anticipated first resource within central area of Productora.



RESOURCE TYPE:

- Cu** Copper
- Au** Gold
- Mo** Molybdenum

## Los Mantos

Los Mantos is at an advanced stage with an operating small-scale mine, and extensive historical underground and surface development. The Company has recognised a zoned multi-commodity IOCG system at the project. Extensive mantos and breccia style mineralisation is exposed over 2.5km in strike length in surface development and outcrop.

During the year an 11,500m first-pass RC drilling programme was undertaken over the project. Drilling returned multiple zones of shallow, moderate width, multi-commodity copper intersections across 1.5km of strike extent.

Work undertaken by Hot Chili and the current mining activities indicate that Los Mantos may potentially be higher-grade than Productora. The company is pleased with the results of the first-pass drilling programme and will be planning to undertake a second-pass programme in which to potentially define a second shallow multi-commodity copper resource in Chile.

## CHILE NORTE

Currently undergoing Drilling Exploration Programmes.

- Cu** **Au** **Mo**

## PRODUCTORA

Currently undergoing Resource Drilling Programmes.

- Cu** **Au** **Mo**

## LOS MANTOS

Currently undergoing Drilling Exploration Programmes.

- Cu** **Au** **Mo**

## Chile Norte

Hot Chili is in its second year of a five-year agreement with CODELCO to earn an interest in a large contiguous land holding that adjoins the Company's own landholding in the project area.

Chile Norte is at an early stage of advancement. Historical work undertaken to date includes copper multi-commodity exploration investigations, minor drilling activity, trenching and surface geochemical assaying complete. Over 17km strike length of multi-commodity anomalism has been identified in the area and further extensions along strike are inferred.

Exploration by Hot Chili has included airborne magnetic and radiometric surveying, ground mapping and geochemical sampling. Four large target areas have been prioritised for assessment within the 65km strike extent of land position at the project. A more focused phase of surface geochemistry and mapping is planned to advance the project towards a drill readiness status in the coming year.



# review of operations

continued

The year has seen the company complete extensive drilling programmes at both of its advanced projects Productora and Los Mantos.

These campaigns were very successful in delineating large shallow multi-commodity copper mineralisation at both projects. Drilling results at Productora have far exceeded the company's earlier estimates of potential at the projects, while drilling at Los Mantos confirmed the potential predicted.

First stage drilling at Productora commenced on the 17th August 2011, with the use of a single RC drill rig. First-pass drilling intersected wide zones of copper-gold and molybdenum in 22 of the first 23 RC drill holes at Productora, which gave the company encouragement to increase the size and scope of the drilling campaign. Continued success with drilling over the ensuing months saw the drill programme expand and the company utilised up to six RC drilling rigs, and five diamond drilling rigs in an effort to expedite the delineation of a maiden resource for Productora.

Further work at Productora involved an extensive litho-structural mapping and geochemical rock chip sampling programme along strike extensions of the Productora mine area to further enhance the company's understanding of the mineralised system within the area.

Hot Chili completed a major helicopter based aeromagnetic and radiometric survey over the Productora project area. These geophysical surveys, in conjunction with mapping and geochemical sampling programmes, will be used for further target generation for the next phase of extensional drilling due to commence at Productora in September 2011.

A first pass RC drill programme was undertaken at Los Mantos during May and June 2011. Significant intersections were reported in the majority of drill holes completed on the project, confirming moderate width, multi-commodity copper mineralisation across 1.5km of the 2.5km strike extent of mineralisation tested at the project.

Drilling targeted substantial copper-gold shear-hosted and mantos zones that are currently being exploited from both surface and underground small-scale development.

The first drilling results confirm Hot Chili's earlier surface exploration mapping and geochemical sampling which indicated a zoned metal distribution between the northern and southern zones of the deposit.

The northern zone of the deposit hosts a sequence of moderately east-dipping mantos zones. First drilling across this zone has successfully returned several moderate width intersections of copper and gold at shallow depths. Higher-grade mineralisation is associated with sediments and breccia zones related to cross faults locations.

Mineralisation in the southern zone of Los Mantos is hosted by a series of west-dipping shears. Several orientations of drilling were utilised owing to the presence of mineralised cross faults. Many of the individual drill holes returned multiple intersections, recording significant multi-commodity copper results in breccia.

Hot Chili also completed a major helicopter based aeromagnetic and radiometric survey over the Los Mantos project area. These geophysical surveys, in conjunction with mapping and geochemical sampling programmes, will be used for further target generation for the next phase of exploration drilling at Los Mantos.

At Chile Norte a large aeromagnetic and radiometric survey was conducted which identified a series of anomalies. These anomalies were then investigated by a helicopter-supported reconnaissance mapping and sampling survey. Based on the geophysical work and the follow-up field checking and sampling, four areas of interest have been prioritised for follow-up work.







# Productora

“Initial drill results from the first stage of drilling were extremely encouraging”

Above: looking north across resource drilling platforms at Productora

## Productora Project

The Productora project is located in Chile's low-altitude coastal range belt, 15km south of the regional mining centre of Vallenar. Productora is the most advanced of Hot Chili's three Chilean projects, containing an operating underground copper mine and historical exploration results.

### Exploration and Resource Drilling Activities

The company commenced first drilling at Productora in August 2010 and continued until late June 2011. The first stage drilling programme was directed towards several key target areas within the project which were located primarily within the central and northern areas of the project. Drilling focussed on a zone of significant copper and gold workings associated with a large geophysical induced polarisation (IP) anomaly defined in earlier work by Teck during the 1990's.

Initial drill results from the first stage of drilling were extremely encouraging with the intersection of numerous wide zones of mineralisation which warranted the need for the addition of a second RC drill rig in late 2010 to accelerate drilling activities.

Hot Chili reported significant intersections in 22 of the first 23 RC drill holes completed within the central area of Productora. Wide zones of breccia hosted copper, gold and molybdenum mineralisation have been recorded over 1.4km strike within the central area, which was the focus for the company's preliminary resource at Productora.

Resource drilling was directed from initial shallow RC drilling to deeper diamond drilling at the beginning of April 2011 which was completed by late June 2011. During this time, Hot Chili utilised up to six RC drill rigs and five diamond drill rigs on site in an effort to expedite the delineation of a resource over a 1.4km strike extent within the central area of the project.

Resource drilling returned several higher-grade results during the drilling campaign, highlighting enriched grade within numerous shallow areas within the deposit.

In addition to the higher-grade drilling results, wide zones of moderate grade mineralisation were also intersected. These results highlight the shallow nature of the deposit and clearly demonstrate that a number of potentially large tonnage zones are present from surface particularly within the southern extent of the central area. Significant intercepts from the drilling are in the following table.

# review of operations

continued

## Productora Project (continued)

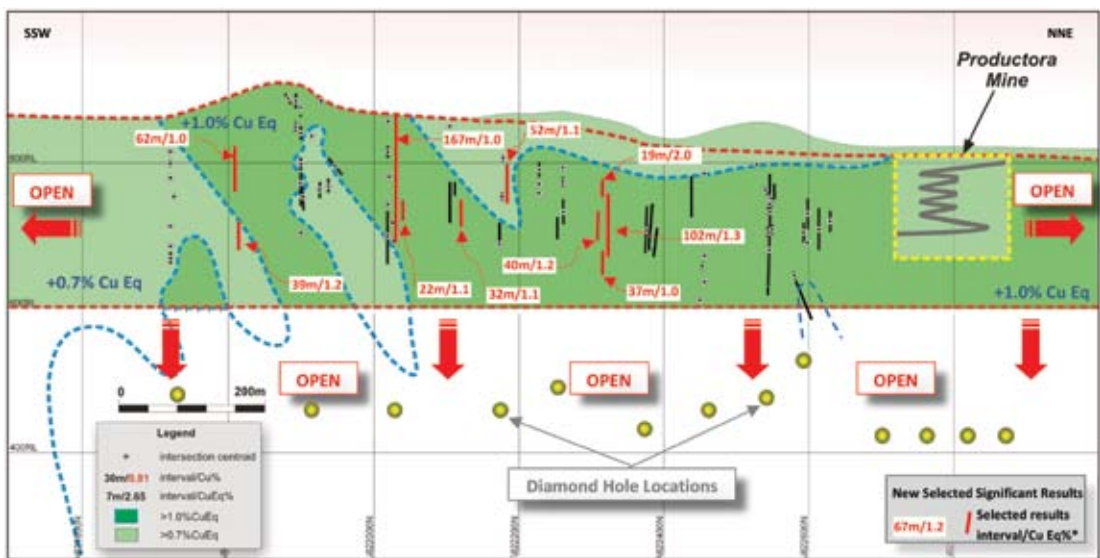
### Exploration and Resource Drilling Activities (continued)

**Table of Selected Significant Intersections at Productora**

Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)		
	North	East			From	To							
PRP0014	6821893	323470	90	-60	12	38	26	0.73	0.1	85	0.88		
					<b>including</b>	<b>13</b>	<b>24</b>	<b>11</b>	<b>1.15</b>	<b>0.2</b>	<b>110</b>	<b>1.35</b>	
PRP0018D	6822595	323545.3	90	-60	103	227	124	0.50	0.1	175	0.71		
					<b>including</b>	<b>189</b>	<b>212</b>	<b>23</b>	<b>0.90</b>	<b>0.2</b>	<b>220</b>	<b>1.22</b>	
PRP0023	6822230	323550	90	-60	77	103	26	0.93	0.3	232	1.30		
					<b>including</b>	<b>97</b>	<b>102</b>	<b>5</b>	<b>2.34</b>	<b>0.6</b>	<b>441</b>	<b>3.12</b>	
PRP0027	6822380	323580	90	-60	111	188	77	0.60	0.1	142	0.79		
					<b>Open to end of hole</b>	<b>including</b>	<b>112</b>	<b>133</b>	<b>21</b>	<b>1.00</b>	<b>0.2</b>	<b>196</b>	<b>1.30</b>
PRP0049	6821900	323420	90	-60	108	161	53	0.60	0.1	255	0.88		
					<b>including</b>	<b>142</b>	<b>161</b>	<b>17</b>	<b>1.00</b>	<b>0.1</b>	<b>208</b>	<b>1.24</b>	
PRP0062	6822020	323420	90	-60	122	208	86	0.50	0.1	146	0.69		
PRP0066D	6822380	323500			98	160	62	0.60	0.1	178	0.82		
PRP0069	6822143	323436.3	90	-60	88	148	60	0.50	0.1	196	0.73		
PRP0077	6822460	323720	90	-60	74	141	67	0.70	0.2	141	0.95		
					<b>including</b>	<b>105</b>	<b>137</b>	<b>32</b>	<b>1.00</b>	<b>0.3</b>	<b>203</b>	<b>1.37</b>	
PRP0079	6822550	323600	90	-60	101	129	28	0.70	0.1	214	0.95		
					<b>including</b>	<b>101</b>	<b>112</b>	<b>11</b>	<b>1.00</b>	<b>0.2</b>	<b>278</b>	<b>1.37</b>	
PRP0081	6822366	323476.4	90	-60	121	161	40	0.70	0.1	254	0.98		
					<b>Open to end of hole</b>								
PRP0082	6822364	323549.3	90	-60	91	193	102	0.70	0.2	301	1.09		
					<b>including</b>	<b>92</b>	<b>100</b>	<b>8</b>	<b>2.20</b>	<b>0.2</b>	<b>195</b>	<b>2.50</b>	
					<b>including</b>	<b>181</b>	<b>192</b>	<b>11</b>	<b>1.00</b>	<b>0.2</b>	<b>1107</b>	<b>2.05</b>	
PRP0084	6822366	323515.7	90	-60	63	82	19	1.20	0.1	340	1.55		
PRP0090	6821868	323326.6	90	-60	30	92	62	0.60	0.1	107	0.76		
					<b>including</b>	<b>57</b>	<b>65</b>	<b>8</b>	<b>1.10</b>	<b>0.1</b>	<b>115</b>	<b>1.26</b>	
PRP0096	6822224	323525.2	90	-60	75	127	52	0.70	0.1	118	0.87		
					<b>including</b>	<b>103</b>	<b>114</b>	<b>11</b>	<b>1.00</b>	<b>0.1</b>	<b>119</b>	<b>1.17</b>	
PRP0100	6822065	323448.8	90	-60	0	167	167	0.60	0.1	180	0.82		
					<b>including</b>	<b>67</b>	<b>88</b>	<b>21</b>	<b>1.30</b>	<b>0.2</b>	<b>153</b>	<b>1.56</b>	
PRP0101	6821869	323486.4	90	-60	211	250	39	0.60	0.2	169	0.88		
					<b>Open to end of hole</b>							0.	
PRP0102	6821946	323508	90	-60	92	127	35	0.60	0.0	366	0.90		
					<b>including</b>	<b>116</b>	<b>121</b>	<b>5</b>	<b>1.70</b>	<b>0.1</b>	<b>1760</b>	<b>3.22</b>	
PRP0104	6822365	323601	90	-60	88	144	56	0.80	0.1	207	1.04		
					<b>including</b>	<b>88</b>	<b>96</b>	<b>8</b>	<b>2.40</b>	<b>0.2</b>	<b>421</b>	<b>2.88</b>	
						189	221	32	0.80	0.2	316	1.20	
					<b>Open to end of hole</b>	<b>including</b>	<b>196</b>	<b>210</b>	<b>14</b>	<b>1.20</b>	<b>0.3</b>	<b>386</b>	<b>1.72</b>
PRP0109	6822311	323616	90	-60	62	91	29	0.90	0.1	170	1.11		
					<b>including</b>	<b>76</b>	<b>83</b>	<b>7</b>	<b>2.20</b>	<b>0.3</b>	<b>322</b>	<b>2.67</b>	
PRP0111	6822365	323435	90	-60	110	174	64	0.60	0.1	186	0.82		
PRP0112	6822548	323531	90	-60	132	215	83	0.50	0.1	187	0.72		
					<b>including</b>	<b>133</b>	<b>140</b>	<b>7</b>	<b>1.10</b>	<b>0.2</b>	<b>329</b>	<b>1.51</b>	
PRP0113	6822504	323615	90	-60	104	128	24	0.80	0.2	186	1.09		
					<b>including</b>	<b>108</b>	<b>116</b>	<b>8</b>	<b>1.10</b>	<b>0.3</b>	<b>187</b>	<b>1.46</b>	
PRP0115	6821770	323236	90	-60	64	126	62	0.50	0.1	133	0.68		
PRP0117	6822542	323607	90	-60	135	164	29	0.80	0.3	411	1.34		
					<b>including</b>	<b>145</b>	<b>155</b>	<b>10</b>	<b>1.40</b>	<b>0.3</b>	<b>754</b>	<b>2.23</b>	



**Long Section of Productora Central Area - selected drilling results and diamond hole location**



“rapid resource definition...”

The results from the later resource definition RC drilling confirmed the presence of additional wide vertical zone of mineralisation along the eastern extent of the deposit (locally referred to as the eastern breccia) not previously recognised in earlier first-pass drilling within the central area. The results also indicated the presence of additional shallow dipping zones located near-surface and adjacent to the main mineralised vertical breccia zone. At present, these new shallow dipping zones are interpreted to be related to shallow dipping mantos horizons that lie in close proximity to the main mineralised vertical breccia zone.

The successful and rapid resource development of the project has positioned the company to announce its maiden resource for the Productora project in September 2011.

Drilling at Productora during the year has seen the completion of 143 drill holes on the project for total drill metres of 33,001.92m.

**Litho-Structural Mapping and Rock Chip Sampling**

Hot Chili's consultant structural mapping team Jigsaw Geoscience continued with a detailed litho-structural mapping campaign over the Productora project during the year. Reconnaissance mapping and rock chip sampling at Productora focused on the newly-acquired Sierra Zapolla area located along the southern strike extension of the Productora fault system.

A total of 283 samples were collected during the year and were assayed using a comprehensive multi-element suite. Significant copper, gold and molybdenum results were obtained from this sample assaying. These results define a number of anomalous mineralised trends associated with a swarm of northwest-trending narrow veins that typically show strike lengths in excess of 200m.

The vein swarm at Sierra Zapolla is developed over an area of at least 1.5km x 1.5km, and is interpreted to extend beyond this.

Investigations of historical drill sites, trenching and mine development areas has also provided further confirmation of the extent and results of historical exploration activities already undertaken over the project.

Further mapping is planned to extend coverage along the remaining strike extent of the main mineralised corridor at Productora.



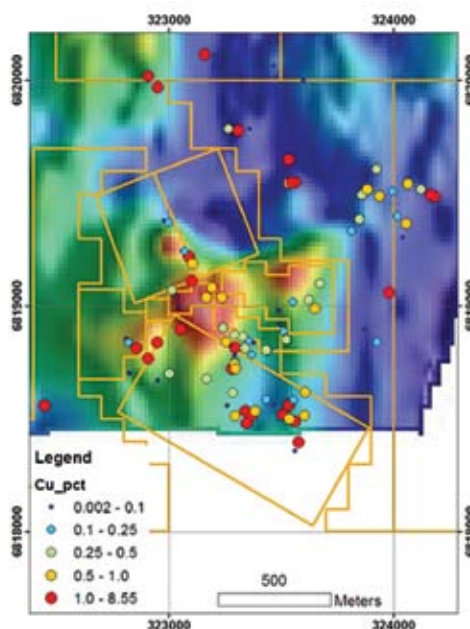
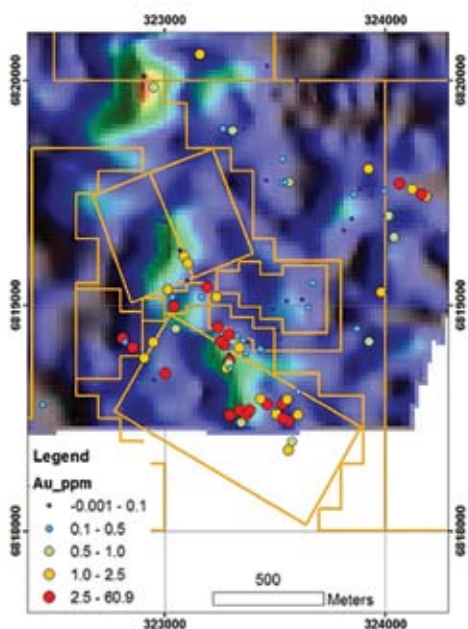
# review of operations

continued

## Productora Project (continued)

### Surface rock-chip copper-gold-molybdenum results at Productora South (Sierra Zapollo) overlaid on magnetic image

Note: the high-grade nature of preliminary copper and gold results on the southern most extent of Productora's 9.5km mineralised corridor.

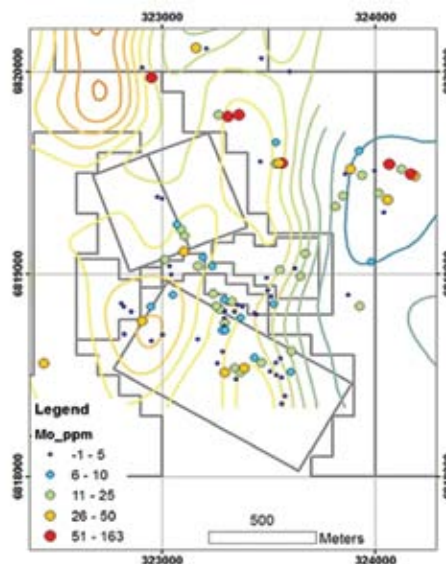


### Airborne Survey

During the third quarter of 2010, Hot Chili completed a major helicopter based aeromagnetic and radiometric survey over the Productora project area as part of large-scale survey over all three of its projects in Chile.

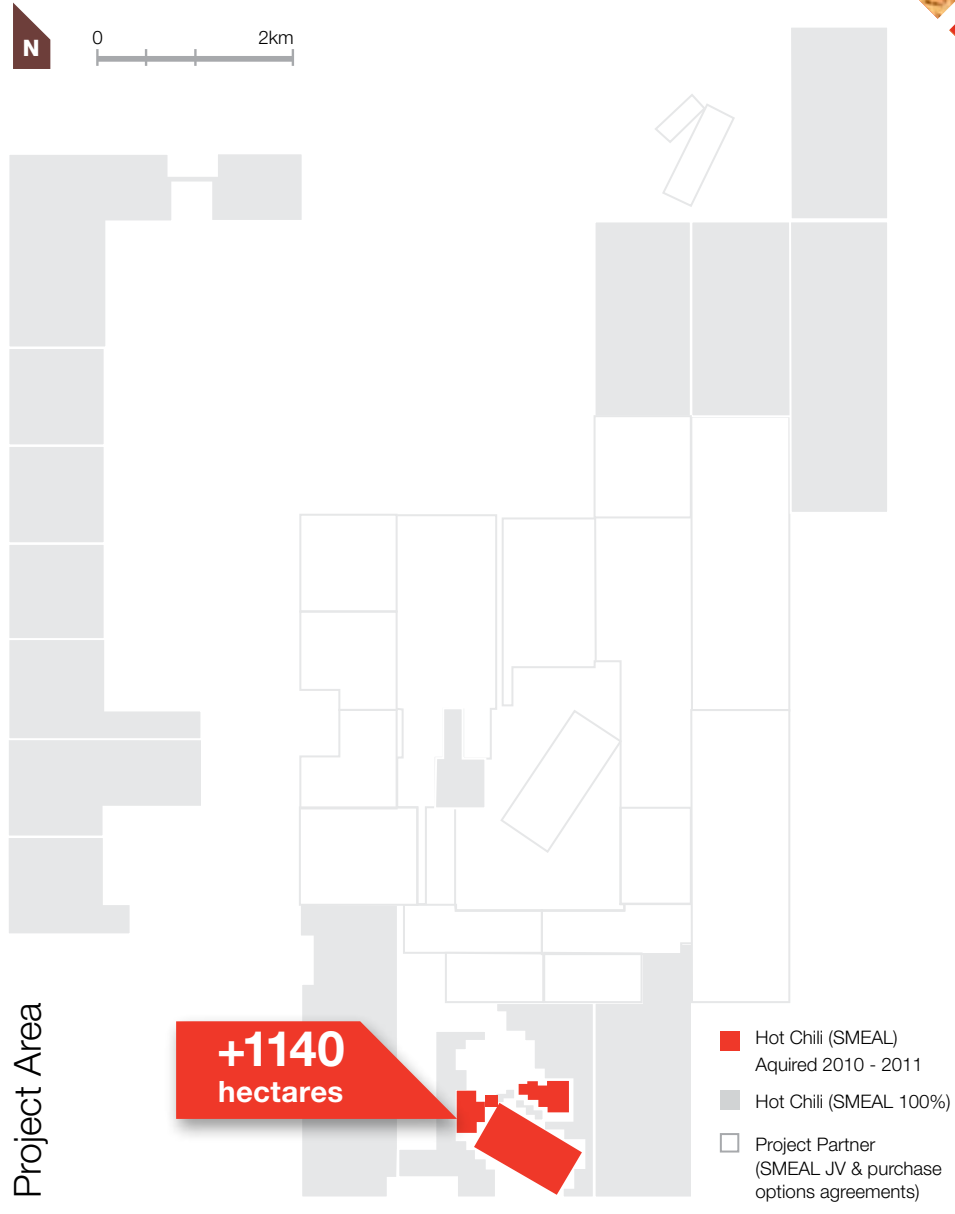
The airborne survey comprised a total of 644 line kilometres over the Productora project. A flight line spacing of 100m with a flight height of 50m was chosen in order to maximise resolution of the survey and enable the direct targeting of drill-sites at Productora.

Southern Geoscience Consultants were engaged to facilitate processing and completion of final imagery and data analysis.





**Map of Tenement Land Holding displaying aquired land**



Project Area

**Land acquisitions**

A series of substantial increases to the land holding at the Productora project during the year saw an additional 1140 hectares of prospective ground being added to the project area which has increased the strike length of the project by 2.5km's primarily in the southern extent of the project (Sierra Zapolla area).

All new land concessions secured during the year lie in extensional areas of the project and have expanded the prospectivity and potential size of the Productora target mineralisation.

“expanded the prospectivity and potential size of the Productora target mineralisation”

# review of operations

continued

## Los Mantos

“Significant intersections were reported in the majority of drill holes

Above: Los Mantos Project - drilling platform and access clearing in southern mine area

### 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 had not been drill tested until Hot Chili's drilling campaign which commence in early 2011. 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.

#### First-pass Exploration Drilling Activities

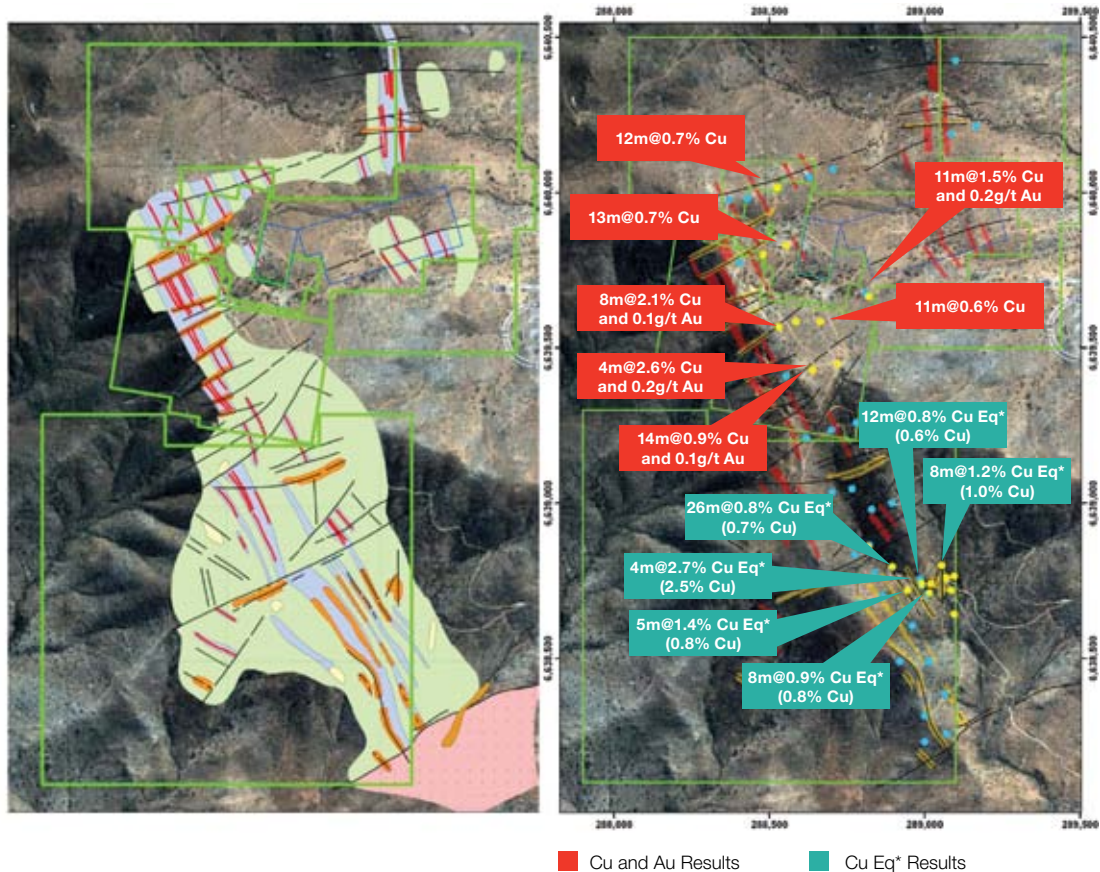
A first-pass RC drilling programme comprising 57 drill holes for 11,515 metres was completed at Los Mantos during the second quarter (Q2 2011). Significant intersections were reported in the majority of drill holes reported to date over the project, confirming moderate width, copper multi-commodity mineralisation across 1.5km of the 2.5km strike extent project. To date, results for the first 21 RC holes have been compiled and reported to the market.

Results from the drilling have confirmed Hot Chili's earlier surface exploration which indicated a zoned metal distribution between the northern and southern zones of the deposit.

The northern zone of the deposit hosts a sequence of moderately east-dipping mantos zones. Drilling across this zone successfully returned several moderate width intersections of copper and gold at shallow depths. Higher grade mineralisation is associated with sediments and breccia zones related to cross faults locations. To date drilling intersections in the northern zone average 8m width (down-hole), 1.2% copper and 0.1g/t gold. The average cumulative width of mineralisation in each of the first drill holes directed towards the northern zone is 14m (down-hole). Higher grade intercepts from the northern zone include:

- 8m grading 2.1% copper and 0.1g/t gold from 56m down-hole
- 14m grading 0.9% Copper and 0.1g/t gold from 72m down-hole
- 11m grading 1.5% copper and 0.2g/t gold from 77m down-hole

## Los Mantos structural mapping and significant drill intercepts



Mineralisation in the southern zone of Los Mantos is hosted by a series of west-dipping shears. Several orientations of drilling were utilised owing to the presence of mineralised cross faults. Many of the individual drill holes returned multiple intersections, recording significant multi-commodity results within breccia. The multi-commodity drilling intersections individually average 6m width (down-hole), 0.8% copper, 0.1g/t gold and 118 ppm molybdenum. The average cumulative width of mineralisation in each of the first drill holes directed towards the southern zone is 28m (down-hole). High Grade intercepts from the southern zone include:

- 26m grading 0.8% copper equivalent\* from 56m down-hole
- 8m grading 1.2% copper equivalent\* from 25m down-hole

“further successful results may allow the company to define a second large-scale multi-commodity copper resource”

The company is currently analysing all data from the successful first-pass drilling campaign at Los Mantos with an outlook to commencing a second-pass programme at the project. It is anticipated that further successful results may allow the company to define a second large-scale multi-commodity copper resource in Chile.



# review of operations

continued

## Los Mantos Project (continued)

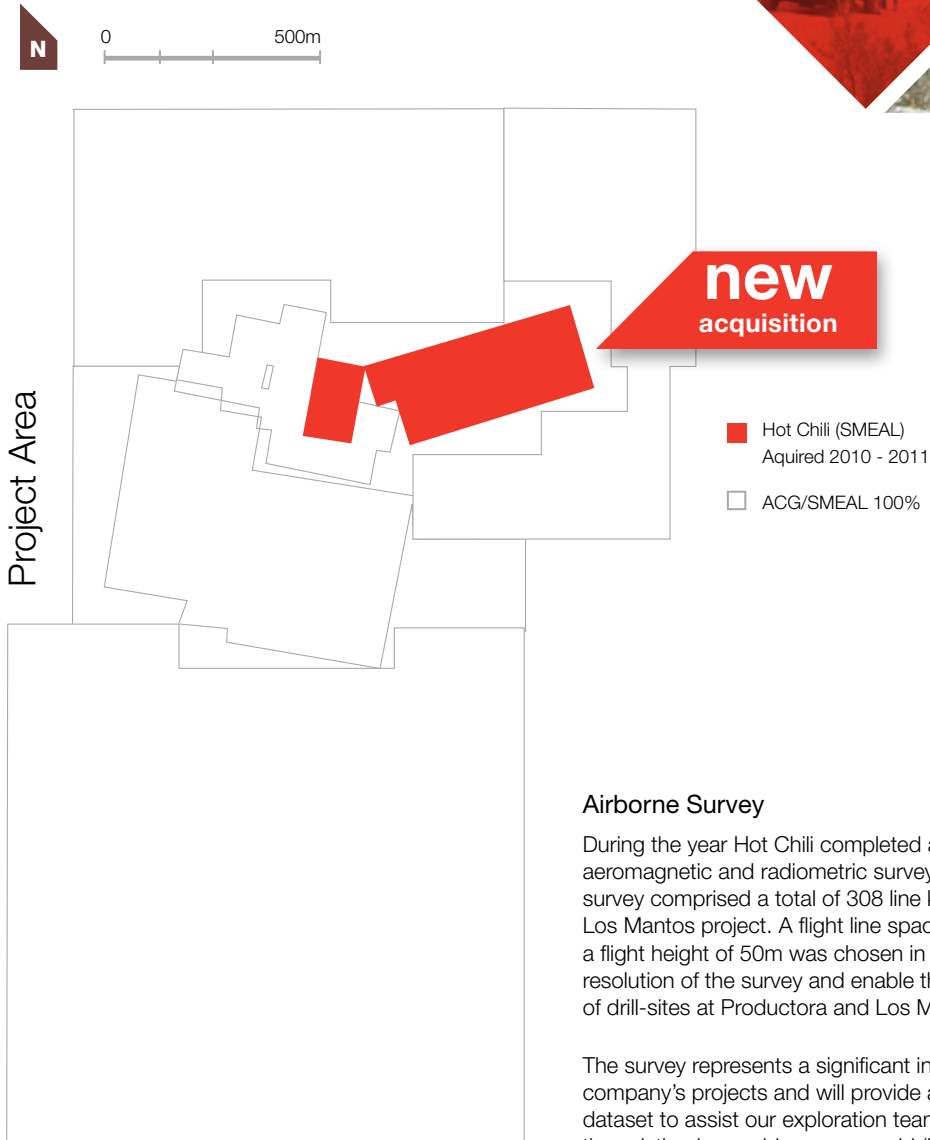
### First-pass Exploration Drilling Activities (continued)

**Significant intercepts from the Southern Zone of Los Mantos Project are tabulated below**

Hole_ID	Coordinates		Azim.	Dip	Intersection		Interval (m)	Copper (% Cu)	Gold (g/t Au)	Molybdenum (ppm Mo)	Copper Eq* (% Cu)	
	North	East			From	To						
MNP0001	6638740	289020	75	-60	4	9	5	0.33	0.0	33	0.37	
					18	24	6	0.40	0.0	165	0.57	
					30	33	3	0.39	0.0	84	0.47	
					51	62	11	0.33	0.0	138	0.47	
					73	79	6	0.31	0.0	225	0.52	
MNP0002	6638740	288991	345	-59.6	103	115	12	0.56	0.1	176	0.75	
					47	49	2	2.95	0.1	472	3.40	
					75	83	8	0.63	0.1	55	0.71	
					88	92	4	2.50	0.3	25	2.72	
MNP0003	6638800	289055	345	-59.7	131	134	3	0.56	0.0	87	0.66	
					49	51	2	0.56	0.0	51	0.61	
MNP0004	6638765	289095	360	-90	26	28	2	2.54	0.0	5	2.57	
					37	39	2	2.03	0.2	204	2.30	
MNP0005	6638711	289016	345	-58.6	13	21	8	0.80	0.1	24	0.86	
					28	31	3	0.79	0.1	170	0.99	
					47	51	4	0.50	0.0	65	0.58	
					63	71	8	0.26	0.0	208	0.45	
					80	85	5	0.33	0.0	18	0.37	
					119	123	4	0.94	0.1	9	1.01	
					154	160	6	0.44	0.0	8	0.45	
					164	168	4	0.59	0.0	2	0.60	
MNP0006	6638720	288945	75	-59	180	183	3	1.42	0.1	8	1.47	
					196	206	10	0.65	0.0	7	0.68	
					3	9	6	0.36	0.0	42	0.40	
					32	40	8	0.66	0.0	56	0.72	
					46	51	5	0.77	0.1	674	1.40	
					125	131	6	0.31	0.1	8	0.37	
					163	173	10	0.50	0.0	10	0.52	
					199	217	18	0.28	0.0	8	0.31	
MNP0008	6638795	288896	75	-58.5	79	105	26	0.68	0.1	88	0.80	
					<b>including</b>	80	90	10	1.22	0.1	146	1.41
					182	184	2	0.98	0.0	618	1.50	
MNP0009	6638760	289070	345	-59.8	2	13	11	0.48	0.0	14	0.50	
					25	33	8	1.01	0.0	224	1.23	
					160	164	4	0.68	0.0	106	0.78	
					171	173	2	0.67	0.1	101	0.79	
MNP0010	6638720	289085	345	-58.1	186	188	2	0.71	0.1	67	0.80	
					21	27	6	0.29	0.0	37	0.34	
					50	52	2	1.09	0.0	84	1.17	
					84	88	4	0.99	0.1	220	1.24	
MNP0012	6639450	288720	75	-59.8	115	121	6	0.68	0.1	8	0.76	
MNP0013	6639430	288640	75	-59	235	240	5	0.60	0.1	14	0.65	
					51	55	4	2.63	0.2	6	2.79	
MNP0014	6639430	288640	255	-59	72	86	14	0.86	0.1	5	0.96	
					<b>including</b>	81	86	5	1.84	0.3	9	2.02
MNP0015	6639800	288480	255	-59.2	71	77	6	0.81	0.2	72	1.00	
					<b>including</b>	75	76	1	3.73	0.5	267	4.29
MNP0016	6639567	288531	255	-59.2	56	64	8	2.14	0.1	6	2.18	
					99	106	7	0.36	0.0	5	0.39	
MNP0018	6640017	288526	255	-60.9	8	20	12	0.67	0.0	5	0.68	
MNP0019	6639830	288555	255	-73.2	20	33	13	0.72	0.0	12	0.73	
					52	64	12	0.42	0.0	16	0.44	
MNP0020	6639584	288664	255	-59.3	46	55	11	0.64	0.0	7	0.65	
MNP0023	6639665	288820	345	-59.9	12	20	8	0.73	0.1	141	0.94	
					77	88	11	1.51	0.2	3	1.62	



**Map of Tenement Land Holding displaying aquired land**



**Litho-Structural Mapping and Rock chip sampling**

Results of surface mapping in conjunction with 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 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.

**Airborne Survey**

During the year Hot Chili completed a helicopter based aeromagnetic and radiometric survey. The airborne survey comprised a total of 308 line kilometres over the Los Mantos 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 (IOCG) 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 were engaged to facilitate processing and completion of final imagery and data analysis. The results of this work will be incorporated into drill targeting and exploration activities in 2012.

**Land Acquisitions**

During the period a purchase option agreement with private central mining lease owners Cruz Riviera Emilia was executed, this added the Libertad 1-3 lease to the inventory of Hot Chili. This is a significant deal for Hot Chili and means that the company now controls a contiguous land package of 1.5km wide by 2.5km in length.

# review of operations

continued

## Chile Norte

“exploring to locate a large iron-oxide-copper gold style target”

Above: looking east across CODELCO and Hot Chili's project position

### Chile Norte Project

The Chile Norte project is located in Chile's low-altitude coastal range belt, approximately 50km south of the coastal city of Iquique. Hot Chili has assembled a substantial landholding in the area and in addition the company has a formal agreement with CODELCO to gain access to a large contiguous tenement holding at Chile Norte. Hot Chili is exploring to locate a large iron-oxide-copper gold style target within the Chile Norte project that may be associated with significant at-surface, uranium evaporite style mineralisation.

### Airborne Survey

During the year Hot Chili completed a helicopter based aeromagnetic and radiometric survey. The airborne survey comprised a total of 1,219 line kilometres 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.

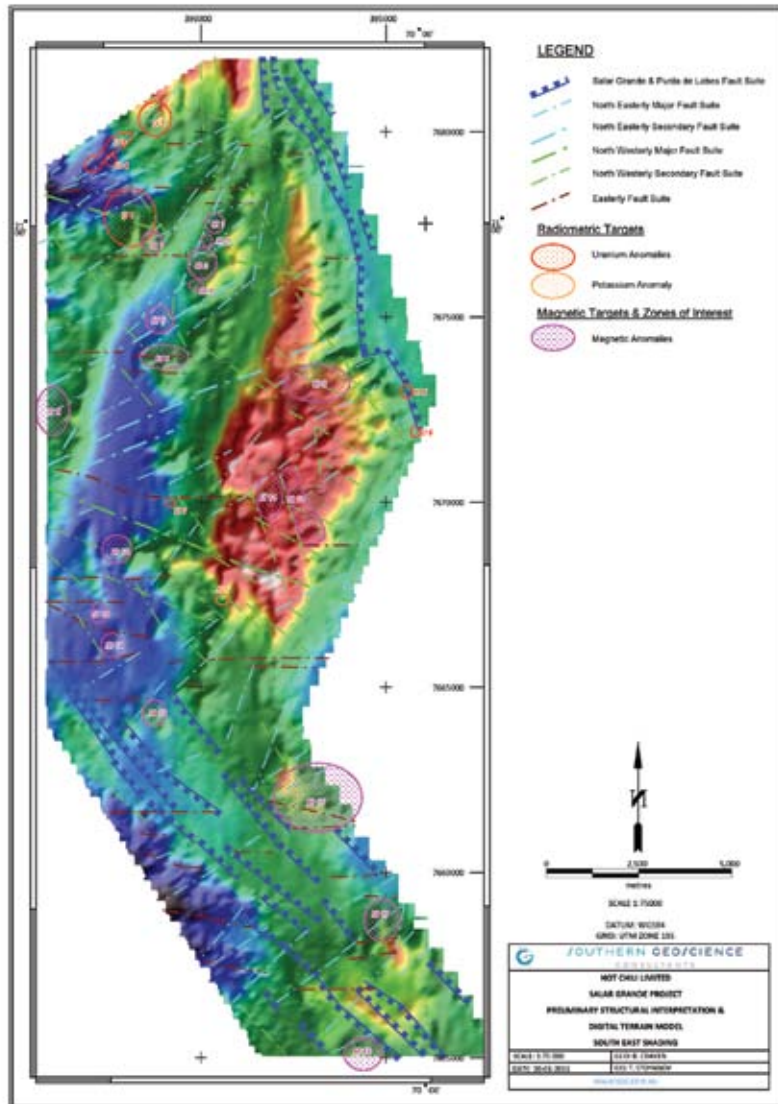
Southern Geoscience Consultants (SGC) were engaged to facilitate processing and completion of final imagery and data analysis. Southern Geoscience identified a total of 18 magnetic anomalies and 4 uranium anomalies in the review which warranted further investigation.

The target review was confined to the limits of the airborne survey undertaken exclusively over CODELCO's land position, where the company has a 5 year 65% earn-in exploration agreement in place. The results of this work will be incorporated into drill targeting and exploration activities in 2011 and 2012.

### Reconnaissance Field Work

Ten days of helicopter-supported reconnaissance mapping and sampling was completed by Hot Chili at the Chile Norte project during May 2011. Reconnaissance was completed over the priority targets identified by interrogation of the geophysical survey within CODELCO's land position as well as other priority areas of interest within Hot Chili's own large contiguous land holding at Chile Norte.

## Southern Geoscience Magnetic and Uranium Anomalies



Each of these anomalies was assessed on the ground to determine the causes of each anomaly, and to locate any associated alteration or mineralisation with the anomalies. Work completed during this reconnaissance survey included the following:

- 260 soil samples collected on lines across each anomaly (nominal 80m spacing),
- Geological observations (lithology, structure, alteration, mineralisation),
- Geophysical observations (scintillometer and magnetic susceptibility readings),
- 131 rock chip samples of typical rock types, interesting alteration and mineralisation.

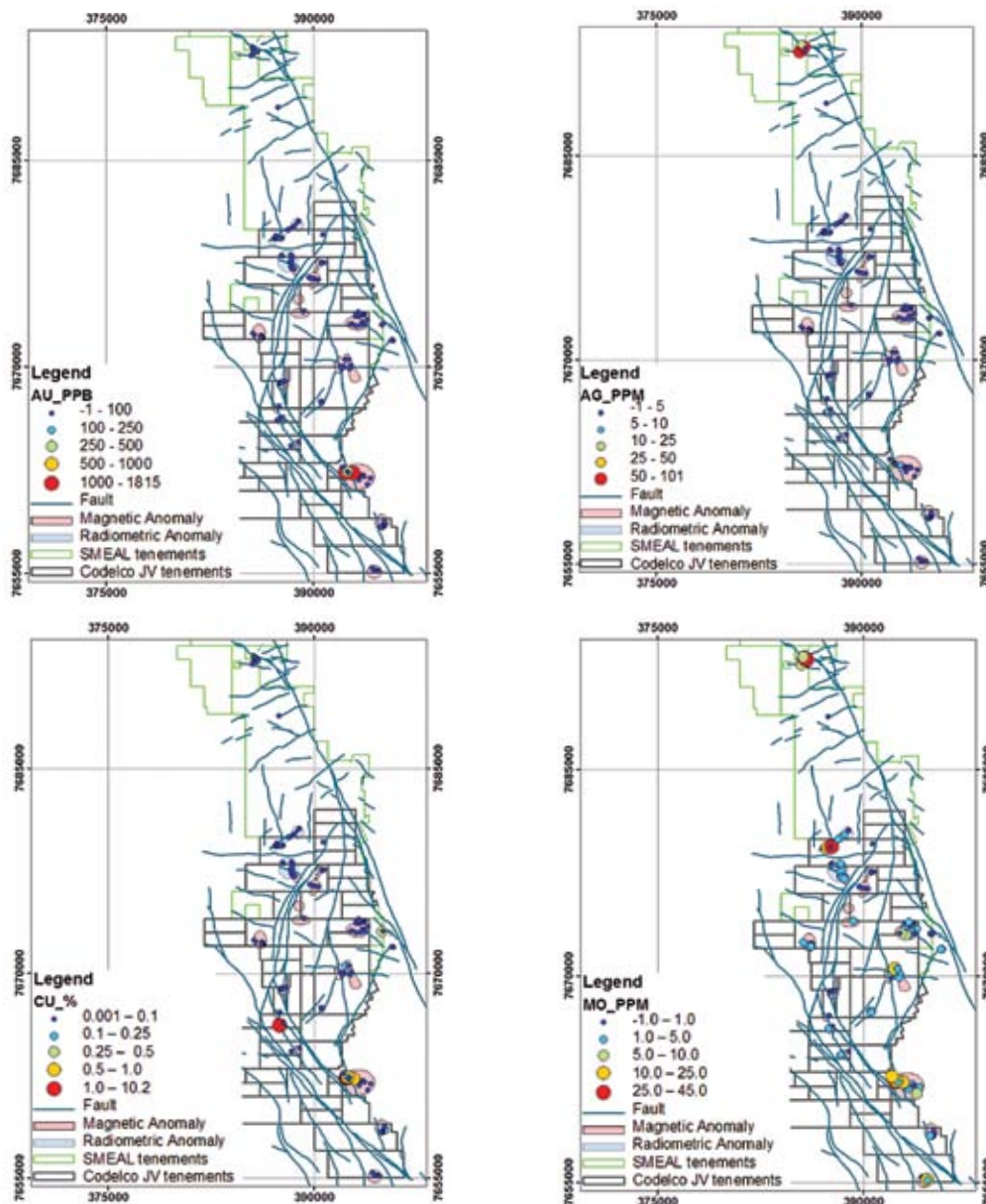
In addition to these ground surveys a large but disjointed package of tenements in the south and southeast of the project area were overflowed as far south as the Rio Loa canyon to provide some idea of ground access, exposure level and basic geology. Finally, the Red Hill area (at the far north of the project) was overflowed and geological observations plus sampling was completed over a series of old workings associated with a prominent NW-striking fault segment of the Salar Grande Fault.

# review of operations

continued

## Chile Norte Project (continued)

### Surface rock-chip results from mapping and sampling activities at Chile Norte during 2011

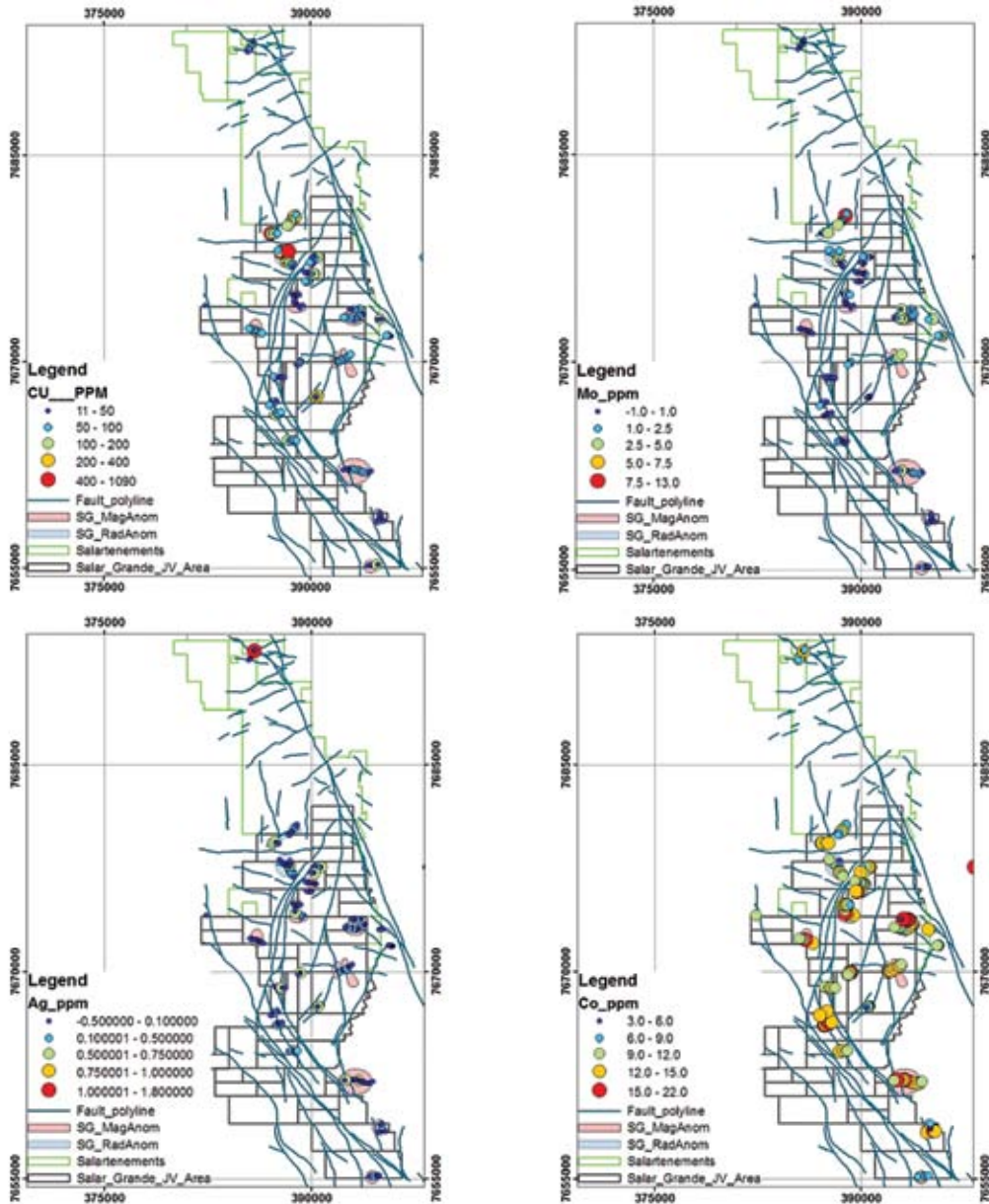


### Reconnaissance Field Work (continued)

Four targets have now been confirmed for follow-up soil geochemical surveys and additional prospect-scale mapping. All of these areas are easily accessible by road from Iquique. The company has completed planning for a second airborne magnetic and radiometric survey over its own northern landholding at Chile Norte. This survey is expected to commence in September 2011.



Surface soil results from mapping and sampling activities at Chile Norte during 2011



“Four targets have now been confirmed for follow-up”

# review of operations

continued

Map of Tenement Land Holding displaying aquired land



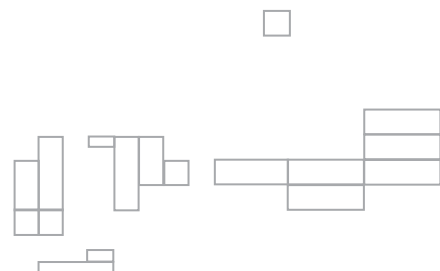
“substantial increases to the land holding at the Chile Norte project... which equates to 2km’s of prospective ground”

## Chile Norte Project (continued)

### Land acquisitions

A series of substantial increases to the land holding at the Chile Norte project during the year saw an additional 1700 hectares which equates to 2km’s of prospective ground added to the northern extension of the project through the pegging of leases Murray 35 to Murray 40.

There were also a number of tenements which were relinquished due to exploration expiries. The land which was relinquished was deemed to be of low prospectivity allowing remaining expenditure to be directed toward only those tenements with moderate to high prospectivity.





## Notes to Review of Operations

### \* 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 =**

$\text{Cu \%} + \text{Mo(ppm)} \times 0.0008 + \text{Au(ppm)} \times 0.6832$

#### **Price Assumptions -**

Cu (US\$1.60/lb) to the Cu (US\$1.80/lb)

### 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.

### 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 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 announcement of the statements based on his information in the form and context in which they appear.

# tenement schedule and details

## Productora

“close working relationships with both government and private stakeholders...”

Above: looking south across the newly acquired Productora South area

### Productora Tenement Details

Outside of the Company's own landholding, Hot Chili has executed an agreement with several private parties, government organisations and major miners. Importantly, these parties together with Hot Chili control over 85% of the strike extent of defined mineralisation within this land position including the central mining lease of Productora which contains an operating underground copper mine.

Hot Chili recently successfully acquired a further four concessions along the southern extension to the Productora project. The new concessions extend the strike length of the Productora Project by 2.5km, or 20 per cent, providing further up-side to Hot Chili's plans to delineate and develop significant copper-gold-molybdenum resources at the project.

Hot Chili has established close working relationships with both government and private stakeholders, of particular note is the major local partnership with CMP (Chile's largest iron ore producer).

An underground copper mine is in operation within the central mining lease of the Productora project. Under the terms of Hot Chili's (SMEAL's) agreement with the owners of this mining lease (Coyigualles) agreement the lease mining agreement will be allowed to continue throughout SMEAL's five year exploration purchase option period with extraction limited to 1.3 million tonnes of ore, and mining terminated with a 120 day notice period upon exercise of the option at any time within the five year exploration period. The lease mining company will have 6 months from exercise of the option agreement in which to remove all equipment.

The details of the tenement holding for the Productora project are presented in the following table.



## Productora project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
FRAN 1, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 2, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 3, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 4, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 5, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 6, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 7, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 8, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 9, 1-20	SMEAL	100%	Mining Claim	100		None		Being processed
FRAN 11, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed
FRAN 12, 1-40	SMEAL	100%	Mining Claim	200	1,643.00	None		Being processed
FRAN 13, 1-40	SMEAL	100%	Mining Claim	200	1,643.00	None		Being processed
FRAN 14, 1-40	SMEAL	100%	Mining Claim	200	1,643.00	None		Being processed
FRAN 15, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 16, 1-20	SMEAL	100%	Mining Claim	200		None		Being processed
FRAN 17, 1- 40	SMEAL	100%	Mining Claim	200		None		Being processed
FRAN 18, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 21, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
FRAN 22	SMEAL	100%	Mining Application	400	657.00	None		Being processed
ALGA 7A, 1-32	SMEAL	100%	Mining Exploitation	89	731.23	None		SMEAL 100% Purchase
ALGA VI, 5-24	SMEAL	100%	Mining Exploitation	66	542.26	None		SMEAL 100% Purchase
MONTOSA 1-4	SMEAL	100%	Mining Exploitation	35	95.80	None		SMEAL 100% Purchase
CHICA	SMEAL	100%	Mining Exploitation	1	8.20	None		SMEAL 100% Purchase
ESPERANZA 1-5	SMEAL	100%	Mining Exploitation	11	90.30	None		SMEAL 100% Purchase
LEONA SEGUNDA 1-4	SMEAL	100%	Mining Exploitation	10	82.16	None		SMEAL 100% Purchase
CABRITO, CABRITO 1-9	SLM Cabrito	60%	Mining Exploitation	50	410.00	None		SMEAL 100% Purchase (pending acquisition of 40%)
ZAPA 1, 1-10	GBD	65%	Mining Exploitation	100	821.60	Total Exploration Expenditure Commitment of US\$500,000 over 5 years (US\$100,000 pa). Exercise Payment- US\$100,000		5 Year- 65% JV Earn-in option Agreement executed
ZAPA 3, 1-23	GBD	65%	Mining Exploitation	92	755.80			
ZAPA 5A, 1-16	GBD	65%	Mining Exploitation	80	657.20			
ZAPA 7, 1-24	GBD	65%	Mining Exploitation	120	985.90			

# tenement schedule and details

continued

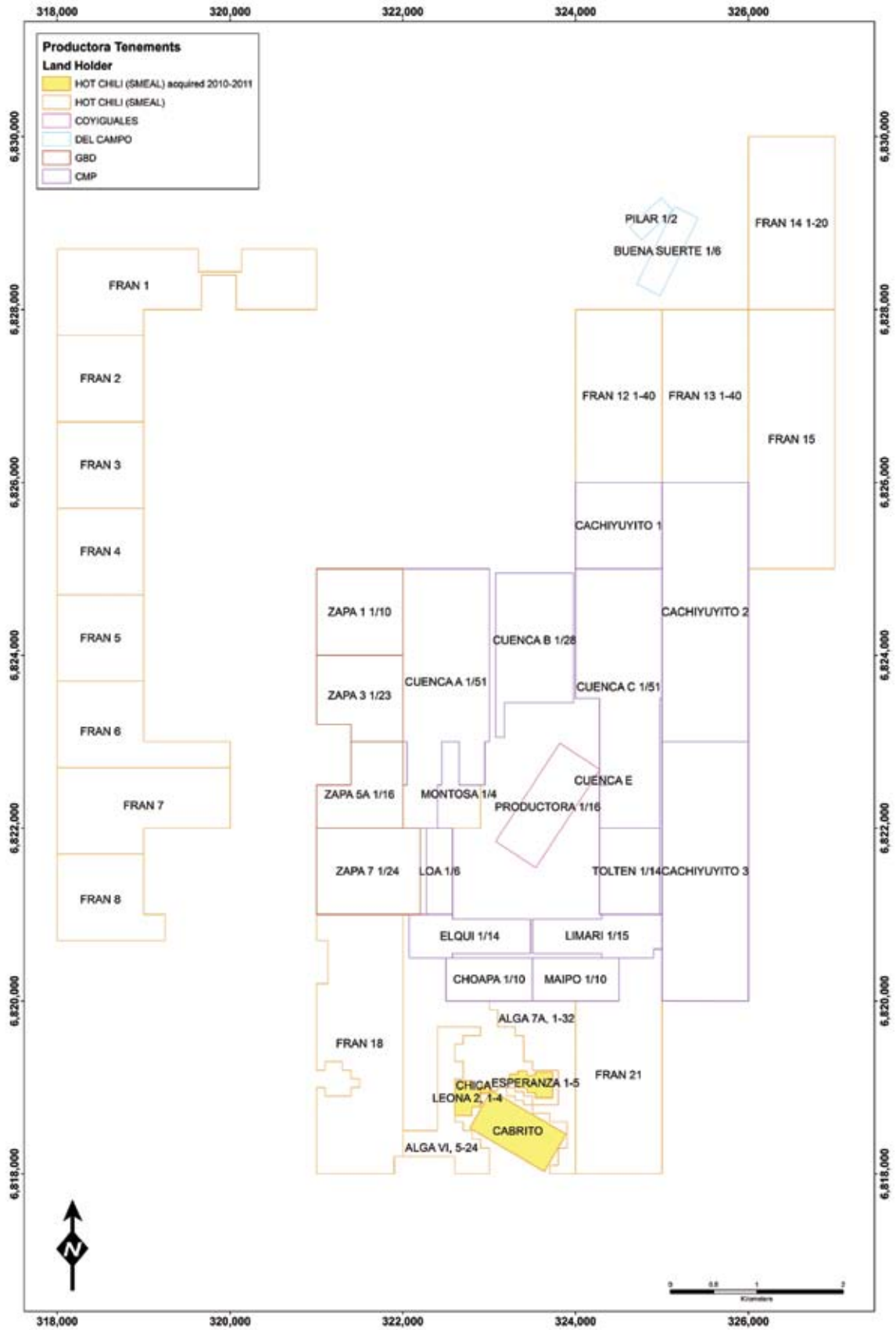
## Productora Tenement Details (continued)

### Productora project tenement details (continued)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
CUENCA A, 1-51	CMP	65%	Mining Exploitation	255	2,095.00	Total Exploration Expenditure Commitment of US\$4,000,000 over 5 years (Yr1- US\$750,000, Yr2 US\$500,000, Yr3- US\$500,000, Yr4- US\$1,000,000, Yr5- US\$1,250,000). Exercise Payment (price) of US\$100,000	5 Year- 65% JV Earn-in option Agreement executed	
CUENCA B, 1-28	CMP	65%	Mining Exploitation	139	1,142.00			
CUENCA C, 1-51	CMP	65%	Mining Exploitation	255	2,095.00			
CUENCA D	CMP	65%	Mining Exploitation	3	25.00			
CUENCA E	CMP	65%	Mining Exploitation	1	8.21			
CHOAPA 1-10	CMP	65%	Mining Exploitation	50	410.00			
ELQUI 1-14	CMP	65%	Mining Exploitation	61	501.00			
LIMARÍ 1-15	CMP	65%	Mining Exploitation	66	542.00			
LOA 1-6	CMP	65%	Mining Exploitation	30	246.00			
MAIPO 1-10	CMP	65%	Mining Exploitation	50	410.00			
TOLTÉN 1-4	CMP	65%	Mining Exploitation	70	575.00			
CACHIYUYITO 1, 1-60	CMP	65%	Mining Claim	300	2,465.00			
CACHIYUYITO 2, 1-60	CMP	65%	Mining Claim	300	2,465.00			
CACHIYUYITO 3, 1-60	CMP	65%	Mining Claim	300	2,465.00			
LA PRODUCTORA 1-16	SLM Productora	100%	Mining Exploitation	75	614.00	Total price of USD 7,750,000. USD 100,000 paid upon signature. Payments of US\$100,000 pa for Yr. 1, 2, 3 and 4. US\$7,250,000 Exercise Payment at the end of Yr. 5	5 Year- 100% Purchase-option Agreement executed	
BUENA SUERTE 1-6	SLM Buena Suerte	100%	Mining Exploitation	30	246.00	Total price of USD 1,000,000. USD 20,000 paid upon signature.	5 Year- 100% Purchase-option Agreement executed	
PILAR 1-2	SLM Pilar	100%	Mining Exploitation	10	82.00	Payments of US\$50,000 pa for Yr. 1, 2, 3 and 4. Exercise Payment of USD 780,000 at the end of Yr 5.	5 Year- 100% Purchase-option Agreement executed	
					<b>28,138.00</b>	<b>Total Expenditure in Exploration Commitments (5 Yrs)- US\$ 4,500,000</b>		
						<b>Total Exercise Payment Commitments (or price) US\$ 8,950,000</b>		

Note: (1) CMP = Compañía Minera del Pacífico; SLM Productora = Sociedad Legal Minera La Productora 1 de la Sierra Coyigualles; SLM Buena Suerte = Sociedad Legal Minera Buena Suerte 1 de la Sierra Tamarico; SLM Pilar = Sociedad Legal Minera Pilar 1 de la Sierra Tamarico; SLM Cabrito = Sociedad Legal Minera Cabrito de la Sierra Zapallo. (2) In accordance with the approximate observed dollar exchange rate published on August 4th, 2009 (CH\$460), by the Central Bank of Chile. (3) This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2011 (4) Mining Patents represent yearly rent and rate fees for mining rights in Chile. (5) Values may suffer variations according to the value of the Monthly Tax Unit.

### Productora project tenement location plan



# tenement schedule and details

continued

## Los Mantos

“6 Mining Exploitations  
and 4 Exploration  
Licences...”

Above: view across the  
Los Mantos Project

### Los Mantos Tenement Details

The Los Mantos project comprises 10 licences in total, including 6 Mining Exploitations and 4 Exploration Licences. The Exploration Licences have been constituted as a layer of protection and do not add to the landholding of the project, defined only by the 6 Mining Exploitation Licences. The Mining Exploitation Licences cover approximately 275 ha.

Hot Chili, through its Chilean subsidiary company Sociedad Minera El Aguila (SMEAL), has entered into a five year option agreement for the 100% purchase of the Los Mantos project. The private purchase-option agreement with local Chilean landholder and mine operator Mr. Aldo Cordero Godoy was executed on the 11th of June 2009, with the payment of US\$220,000. The right to purchase 100% of the Aldo Cordero concession is exercisable at any time within the five year option period following satisfaction of all remaining yearly option payments and an exercise payment of US\$2,000,000.

Mr. Aldo Cordero Godoy will receive a 0.5% Gross Production Royalty on all marketable minerals produced from the project and a 30,000 tpa mining concession during the five year option period.

In addition, SMEAL has also entered into a similar 100% purchase option agreement with the owners of mining concession Libertad 1-3. SMEAL has a private purchase-option agreement with local Chilean landholders and mine operator Cruz Riviera Family was executed on the 24th of June 2011, with the payment of US\$321,000. The right to purchase 100% of the Libertad is exercisable at any time within the four year option period following satisfaction of all remaining yearly option payments which total US\$2,086,870 (including the execution payment which has already been made).

The Cruz Riviera Family will receive a 1.5% Gross Production Royalty on all marketable minerals produced from the project and a 20,000 tpa mining concession during the four year option period.

### Los Mantos project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Expenditure-Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
ILLAPEL 1	ACG	100%	Exploration	200	329.00	Total of USD 2,470,000. USD 220,000 paid upon signature; Payments of US\$50,000 pa at the end of Yr 1,2,3 and US\$100,000 in Yr 4. Exercise Payment of US\$2,000,000 at the end of Yr 5.	14.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 2	ACG	100%	Exploration	200	329.00		15.10.2011	
ILLAPEL 2	ACG	100%	Exploration	200	329.00		30.10.2011	
ILLAPEL 3	ACG	100%	Exploration	200	329.00		30.10.2011	
ANTONIO 1-29	ACG	100%	Exploitation	139	1,142.00			
ESPADA 1-12	ACG	100%	Exploitation	36	295.78			
ROSITA 1-6	ACG	100%	Exploitation	30	246.48			
ALINDER-AMIENTO Y OTRAS	ACG	100%	Exploitation	9	73.94			
ENSUEÑO 1-11	ACG	100%	Exploitation	50	410.80			
LIBERTAD 1-3	SMEAL	100%	Exploitation	11.4	94.00	Total of ~US\$ 1,747,247. US\$ 326,087 paid upon signature, plus 8 instalments every six months of USD 177,645 (first coming instalment on the 24th of December 2011; last instalment on the 24th of December 2015).		4 Year-100% Purchase-option Agreement executed
					<b>3,579.00</b>	<b>Total Exercise Payment Commitments (or price) US\$4,217,247</b>		

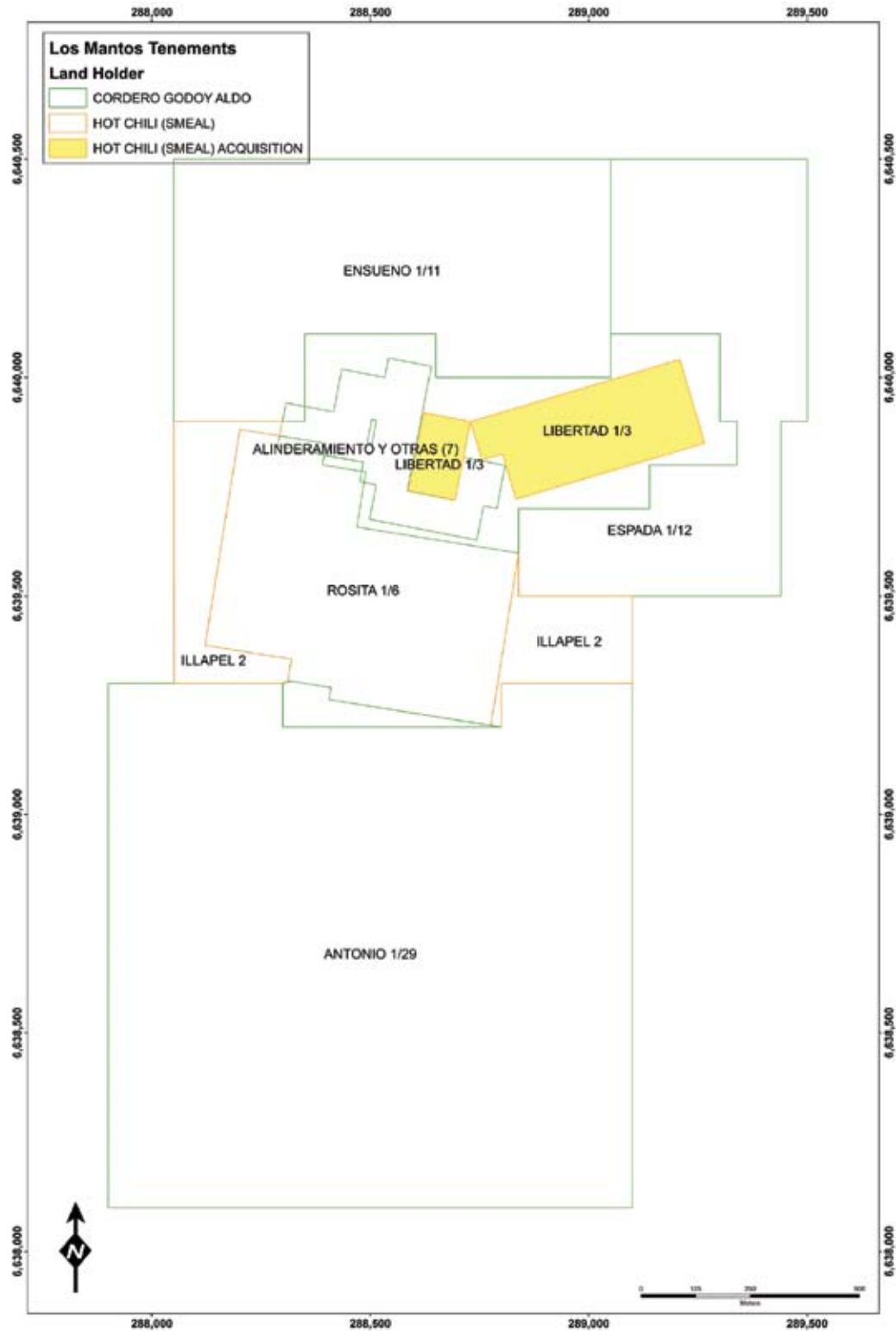
Note: (1) SMEAL = Sociedad Minera El Águla Limitada; ACG = Aldo Cordero Godoy. (2) In accordance with an approximate dollar exchange rate (CH\$460). (3) The Libertad 1-3 value is only referential. It is calculated by taking into account a monetary unit known as UF which is established and readjusted on daily basis. Hence, it will depend on the UF existing at each payment day. (4) Mining Patents represent yearly rent and rate fees for mining rights in Chile. (5) Values may suffer variations according to the value of the Monthly Tax Unit.

# tenement schedule and details

continued

## Los Mantos Tenement Details (continued)

### Los Mantos project tenement plan





# Chile Norte

“131 mining and exploration licences over areas considered to be highly prospective...”

Above: view across the Chile Norte Project

## Chile Norte Tenement Details

The Company's tenements comprise 131 mining and exploration licences over areas considered to be highly prospective for the definition of a large IOCG deposit. Of these licenses, 94 have been approved and 37 are in the process of being approved (constituted). Hot Chili's exploration licences cover the northern and southern extensions of a large identified uranium anomaly in the area.

The Company executed an "Exploration and Promise to Incorporate" agreement with CODELCO on the 22nd of October, 2009.

Hot Chili intends to actively pursue future discussions in relation to gaining further land positions in the area.

# tenement schedule and details

continued

## Chile Norte Tenement Details (continued)

### Chile Norte project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
CHRIS 1	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 2	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 3	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 4	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 5	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 6	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 7	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 8	SMEAL	100%	Exploration	300	493.00	None	23.11.2011	
CHRIS 9	SMEAL	100%	Exploration	200	329.00	None	23.11.2011	
MURRAY B1	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B2	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B3	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B4	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B5	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B6	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B7	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B8	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B12	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B13	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B14	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B15	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B16	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B17	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B18	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B19	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B20	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B21	SMEAL	100%	Mining Application	100		None		Being processed
MURRAY B22	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B23	SMEAL	100%	Mining Application	200		None		Being processed
MURRAY B24	SMEAL	100%	Mining Application	300		None		Being processed
MURRAY B25	SMEAL	100%	Mining Application	100		None		Being processed



Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
MURRAY B26	SMEAL	100%	Mining Application	100		None		Being processed
MURRAY B27	SMEAL	100%	Mining Application	100		None		Being processed
MURRAY 29	SMEAL	100%	Exploration	200	329.00	None	27.07.2012	Constituted
MURRAY 30	SMEAL	100%	Exploration	200	329.00	None	27.07.2012	Constituted
MURRAY 31	SMEAL	100%	Exploration	300	493.00	None	27.07.2012	Constituted
MURRAY 32	SMEAL	100%	Exploration	300	493.00	None	27.07.2012	Constituted
MURRAY 33	SMEAL	100%	Exploration	300	493.00	None	27.07.2012	Constituted
MURRAY 34	SMEAL	100%	Exploration	100	165.00	None	27.07.2012	Constituted
MURRAY 35	SMEAL	100%	Mining Application	200	307.60	None		Awaiting constitutive award
MURRAY 36	SMEAL	100%	Mining Application	300	461.40	None		Awaiting constitutive award
MURRAY 37	SMEAL	100%	Mining Application	300	461.40	None		Awaiting constitutive award
MURRAY 38	SMEAL	100%	Mining Application	300	461.40	None		Awaiting constitutive award
MURRAY 39	SMEAL	100%	Mining Application	300	461.40	None		Awaiting constitutive award
MURRAY 40	SMEAL	100%	Mining Application	300	461.40	None		Awaiting constitutive award
MURRAY 9, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 10, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 11, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed
MURRAY 21, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 23, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 25, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 26, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
MURRAY 27, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed
MURRAY 28, 1-20	SMEAL	100%	Mining Claim	100		None		Being processed
CHRIS 6	SMEAL	100%	Mining Application	300		None		Being processed
CHRIS 15	SMEAL	100%	Mining Application	300		None		Being processed
CHRIS 14, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed
CHRIS 15, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
CHRIS 17, 1-60	SMEAL	100%	Mining Claim	300		None		Being processed
CHRIS 19, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed

# tenement schedule and details

continued

## Chile Norte Tenement Details (continued)

### Chile Norte project tenement details (continued)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
CHRIS 19, 1-40	SMEAL	100%	Mining Claim	200		None		Being processed
CHRIS 22	SMEAL	100%	Mining Application	300		None		Being processed
PAM 1	SMEAL	100%	Exploration	100	153.80	None	29.12.2011	
PAM 2	SMEAL	100%	Exploration	200	307.60	None	29.12.2011	
PAM 3	SMEAL	100%	Exploration	300	461.40	None	29.12.2011	
PAM 5	SMEAL	100%	Exploration	300	461.40	None	29.12.2011	
PAM 6	SMEAL	100%	Exploration	200	307.60	None	29.12.2011	
PAM 8	SMEAL	100%	Exploration	300	461.40	None	29.12.2011	
PAM 9	SMEAL	100%	Exploration	100	153.80	None	29.12.2011	
PAM 10	SMEAL	100%	Exploration	100	153.80	None	22.10.2011	
PAM 11	SMEAL	100%	Exploration	100	153.80	None	22.10.2011	
PAM 12	SMEAL	100%	Exploration	300	461.40	None	22.10.2011	
PAM 13	SMEAL	100%	Exploration	300	461.40	None	22.10.2011	
PAM 14	SMEAL	100%	Exploration	300	461.40	None	22.10.2011	
PAM 15	SMEAL	100%	Exploration	300	461.40	None	22.10.2011	
PAM 16	SMEAL	100%	Exploration	300	461.40	None	22.10.2011	
PAM 17	SMEAL	100%	Exploration	100	153.80	None	29.12.2011	
BRAVO 1	SMEAL	100%	Exploration	300	493.00	None	02.02.2012	
BRAVO 2	SMEAL	100%	Exploration	300	329.00	None	30.09.2011	
BRAVO 3	SMEAL	100%	Exploration	300	493.00	None	30.09.2011	
BRAVO 4	SMEAL	100%	Exploration	200	329.00	None	27.10.2011	
BRAVO 5	SMEAL	100%	Exploration	200	329.00	None	26.10.2011	
BRAVO 8	SMEAL	100%	Exploration	200	329.00	None	26.10.2011	
BRAVO 9	SMEAL	100%	Exploration	100	165.00	None	23.10.2011	
BRAVO 10	SMEAL	100%	Exploration	200	329.00	None	26.10.2011	
BRAVO 11	SMEAL	100%	Exploration	300	493.00	None	23.10.2011	
BRAVO 12	SMEAL	100%	Exploration	200	329.00	None	26.02.2012	
PAM 1	SMEAL	100%	Exploration	100	153.80	None	31.08.2011	
PAM 2	SMEAL	100%	Exploration	200	307.60	None	31.08.2011	
PAM 3	SMEAL	100%	Exploration	300	461.40	None	31.08.2011	

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 US\$ (7)-(8)	Exploration and Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
AUGITA 4B, 1-40	CODELCO	65%	Mining	400	400.00			
QUITO B 1	CODELCO	65%	Exploration	300	493.00		30.05.2013	
QUITO B 2	CODELCO	65%	Exploration	300	329.00		30.05.2013	
QUITO B 3	CODELCO	65%	Exploration	300	493.00		30.05.2013	
QUITO B 4	CODELCO	65%	Exploration	300	493.00		30.05.2013	
QUITO B 5	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 6	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 7	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 8	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 9	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 10	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 11	CODELCO	65%	Exploration	300	493.00		20.04.2013	
QUITO B 12	CODELCO	65%	Exploration	300	493.00		05.05.2013	
QUITO B 13	CODELCO	65%	Exploration	300	493.00		05.05.2013	
QUITO B 14	CODELCO	65%	Exploration	300	493.00		31.05.2013	
QUITO B 15	CODELCO	65%	Exploration	300	493.00		26.05.2013	
QUITO B 16	CODELCO	65%	Exploration	300	493.00		26.05.2013	
QUITO B 17	CODELCO	65%	Exploration	300	493.00		26.05.2013	
QUITO B 18	CODELCO	65%	Exploration	200	329.00	I. Promise of incorporation value USD2,000,000. II. Exploration expenses:	30.05.2013	
QUITO B 19	CODELCO	65%	Exploration	200	329.00	(i) Between October 22nd, 2009, and October 22nd, 2010	30.05.2013	
QUITO B 20	CODELCO	65%	Exploration	300	493.00	USD150,000; (ii) Between October 23rd, 2010, and October 22nd, 2011,	30.05.2013	
QUITO B 21	CODELCO	65%	Exploration	300	493.00	USD300,000; (iii) Between October 23rd, 2011, and October 22nd, 2012,	30.05.2013	
QUITO B 22	CODELCO	65%	Mining Application	300	493.00	USD300,000; (iv) Between October 23rd, 2012, and October 22nd, 2013,	30.05.2013	
QUITO B 23	CODELCO	65%	Exploration	300	493.00	USD750,000		
QUITO B 24	CODELCO	65%	Exploration	200	329.00		31.05.2013	
QUITO B 25	CODELCO	65%	Exploration	300	493.00		31.05.2013	
QUITO B 26	CODELCO	65%	Exploration	300	493.00		31.05.2013	
QUITOS 35	CODELCO	65%	Exploration	300	493.00		25.11.2012	5 Year- 65% JV Option Agreement executed
APIR B 1	CODELCO	65%	Exploration	800	800.00		20.04.2013	
APIR B 2	CODELCO	65%	Mining Application	1200	1200.00			
APIR B 3	CODELCO	65%	Exploration	600	600.00		20.04.2013	
APIR B 4	CODELCO	65%	Mining Application	1200	1200.00			
APIR B 5	CODELCO	65%	Mining Application	1000	1000.00			
APIR B 6	CODELCO	65%	Mining Application	1200	1200.00			
APIR B 7	CODELCO	65%	Exploration	800	800.00		05.05.2013	
APIR B 8	CODELCO	65%	Exploration	600	600.00		05.05.2013	
APIR B 9	CODELCO	65%	Exploration	600	600.00		05.05.2013	
APIR B 10	CODELCO	65%	Exploration	100	100.00		05.05.2013	
APIR B 11	CODELCO	65%	Exploration	1000	1000.00		05.05.2013	
APIR B 12	CODELCO	65%	Exploration	400	400.00		05.05.2013	
APIR B 13	CODELCO	65%	Mining Application	1200	1200.00			
APIR B 14	CODELCO	65%	Mining Application	1200	1200.00			
APIR B 15	CODELCO	65%	Exploration	200	200.00		26.05.2013	
APIR B 16	CODELCO	65%	Exploration	600	600.00		26.05.2013	
APIR B 17	CODELCO	65%	Exploration	200	200.00		26.05.2013	
APIR B 18	CODELCO	65%	Exploration	200	200.00		26.05.2013	
APIR B 19	CODELCO	65%	Exploration	200	200.00		26.05.2013	
APIR 20	CODELCO	65%	Mining Application	200	200.00		16.03.2012	
					<b>36,748.00</b>	<b>Total Exploration Expenditure Commitment (5 Yrs)- US\$2,000,000</b>		
						<b>Total Exercise Payment Commitment (or price) US\$2,000,000</b>		

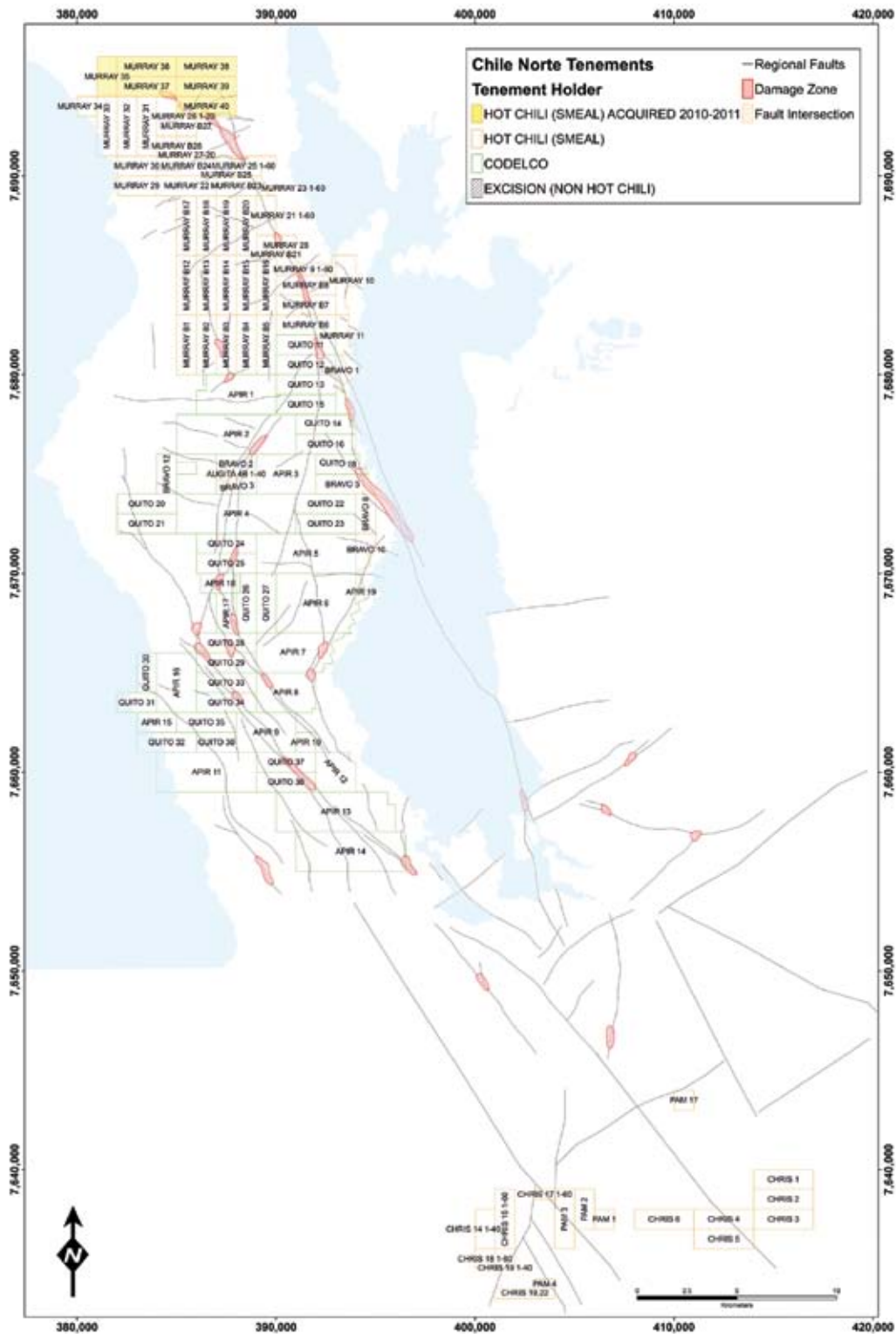
Note (1) SMEAL = Sociedad Minera El Águla Limitada; CODELCO (CCMLA) = Compañía Contractual Minera Los Andes a subsidiary of CODELCO. (2) In accordance with the approximate observed dollar exchange rate published on August 4th, 2009 (CH\$460), by the Central Bank of Chile. (3) This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2011. (4) Mining Patents represent yearly rent and rate fees for mining rights in Chile. (5) Exercise Payment Commitment of US\$2,000,000 is due following the completion of a Bankable Feasibility Study and 30 days after decision to construct has been taken.

# tenement schedule and details

continued

## Chile Norte Tenement Details (continued)

### Chile Norte project regional structural setting and tenement map



# corporate governance statement

## Corporate governance procedures and policies

### The Board

The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The Board is committed to administering its corporate governance structures to promote integrity and responsible decision making.

### Board charter

The Board has adopted a board charter. Under the board charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- a) setting the strategic direction of the Company, establishing goals to ensure that these strategic objectives are met and monitoring the performance of management against these goals and objectives;
- b) ensuring there are adequate resources available to meet the Company's objectives;
- c) appointing the managing director and company secretary and chief financial officer of the Company;
- d) evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- e) approving and monitoring financial reporting and capital management;
- f) approving and monitoring the progress of business objectives;
- g) ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licences;
- h) ensuring that adequate risk management procedures exist and are being used;
- i) ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility;
- j) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company; and
- k) ensuring procedures are in place for ensuring the Company's compliance with the law.

### Conflicts of interest

In accordance with the Corporations Act and the Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned will not receive the relevant papers and will not be present at the Board meeting whilst the matter is being considered.

### Independent professional advice

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

### Corporate governance policies

The Board has adopted the corporate governance policies described below. Copies of the policies are available on the Company's website at: [www.hotchilli.net.au](http://www.hotchilli.net.au).

As the Company's activities develop in size, nature and scope, the implementation of additional corporate governance policies will be given further consideration.

### Code of conduct

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

The Company has established a corporate code of conduct (**Code**) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour with which the Directors, officers, managers, employees and consultants of the Company are expected to comply.

The Code sets out the Company's policies on various matters, including the following:

- a) conflicts;
- b) fair dealing;
- c) Company assets and property;
- d) computer, email and internet use;
- e) health, safety and environment;
- f) employment practices; and
- g) gifts and entertainment.

# corporate governance

## statement continued

### Corporate governance procedures and policies (continued)

#### Code of conduct (continued)

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

The Code also outlines the procedure for reporting any breaches of the Code and the possible disciplinary action the Company may take in respect of any breaches.

#### Continuous disclosure policy

Once listed, the Company will be a "disclosing entity" pursuant to section 111AR of the Corporations Act and, as such, will need to comply with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company's website.

The Company has adopted a continuous disclosure policy, the purpose of which is to:

- a)** ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- b)** provide Shareholders and the market with timely, direct and equal access to information issued by the Company; and
- c)** promote investor confidence in the integrity of the Company and its securities.

#### Securities dealing policy

The Company has in place a securities dealing policy which sets out the requirements for all Directors, executives, employees, contractors, consultants and advisers of the Company dealing in the Company's securities.

Directors and senior executives of the Company may not deal in the Company's securities without first notifying the Managing Director and the Company Secretary of the intention to trade. There is a blackout period of two weeks before the periodic reports are lodged with the ASX and twenty four hours after the reports are lodged during which trading is prohibited. The Managing Director may not deal in the Company's securities without prior approval of the Chairman, and notifying the Company Secretary of the intention to trade. The Company Secretary must be subsequently notified of any trade that has occurred.

#### Shareholder communication policy

The Company has adopted a shareholder communication policy which outlines the processes through which the Company will endeavour to ensure timely and accurate information is provided equally to all Shareholders and the broader market.

The Company supports Shareholder participation in general meetings. Mechanisms for enabling Shareholder participation will be reviewed regularly to encourage the highest level of Shareholder participation.

#### Risk management policy

The Company has established a risk management policy, the purpose of which is to:

- a)** provide a framework for identifying, assessing, monitoring and managing risk;
- b)** communicate the roles and accountabilities of participants in the risk management system; and
- c)** highlight the status of risks to which the Company is exposed, including any material changes to the Company's risk profile.
- d)** The Board is responsible for:
- e)** risk management and oversight of internal controls;
- f)** establishing procedures which provide assurance that business risks are identified, consistently assessed and adequately addressed; and
- g)** for the overseeing of such procedures.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis.

## Corporate governance – exceptions to ASX recommendations

The Company sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practice departs from the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (2nd edition) (**Recommendations**) to the extent that they are currently applicable to the Company.

### **Recommendations 1.2 and 2.5 (process for evaluation)**

The Company does not have in place a formal process for evaluation of the Board, its committees, individual Directors and key executives.

The small size of the Board and the nature of the Company’s activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the management, Directors and the Board as a whole.

### **Recommendation 2.1 (independent directors)**

At present, the Board does not comprise a majority of “independent directors”. There is one Director who satisfies the criteria for independence as outlined in Recommendation 2.1. Dr Allan Trench holds no shares in the company and is not involved in the day-to-day management of the company. However, given the size and scope of the Company’s operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from both a long-term strategic and operational perspective.

The Board intends to appoint further independent non-executive directors as suitably qualified candidates are identified, and the size and scale of the Company’s operations determine.

### **Recommendation 2.2 (independent chairman)**

The Chairman of the Company, Mr Murray Black, is not an independent director in accordance with the criteria for independence as outlined in Recommendation 2.1. However, given the size and scope of the Company’s operations, the Board considers that Mr Black has the relevant experience in the exploration and mining industry and his appointment as Chairman is in the best interests of the Company and its Shareholders.

### **Recommendation 2.4 (nomination committee)**

There is no nomination committee. The full Board, which comprises two (2) Non-Executive Directors and one (1) Executive Director, considers the matters and issues that would fall to the nomination committee. The Board considers that, given the current size and scope of the Company’s operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company’s operations grow and evolve.

### **Recommendations 4.1, 4.2, 4.3 and 4.4 (audit committee)**

There is no audit committee. The role of the audit committee is undertaken by the full Board, which comprises two (2) Non-Executive Directors and one (1) Executive Director. The Board considers that, given the current size and scope of the Company’s operations and that only one (1) Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee at present.

As the Company’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

### **Recommendation 8.1 (remuneration committee)**

The Company has not established a separate remuneration committee and does not have a formal remuneration policy in place. The role of the remuneration committee is undertaken by the full Board. The Board considers that, given its current size and that only one (1) Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

As the Company’s operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

# directors' report

## Directors' Report

Your Directors have pleasure in presenting their report together with the financial statements for the year ended 30 June 2011 and the auditor's report thereon.

### Directors

The names of the Directors of Hot Chili Limited during the financial year and to the date of this report are:

Murray E Black	(Non Executive Chairman)
Christian E Easterday	(Executive Director)
Bernard R Mountford	(Non Executive Director - Resigned 19 July 2010)
Dr Allan Trench	(Non Executive Director - Appointed 19 July 2010)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Directors Information

#### **Murray Edward Black, Non-Executive Chairman**

Mr Black has over 36 years' experience in the mineral exploration and mining industry and has served as an executive director and chairman for several listed Australian exploration and mining companies. He part-owns and manages a substantial private Australian drilling business, has interests in several commercial developments and has significant experience in capital financing.

#### **Christian Ervin Easterday, Managing Director**

Mr Easterday is a geologist with over 13 years' experience in the mineral exploration and mining industry. He holds an Honours Degree in Geology from the University of Western Australia, a Masters degree in Mineral Economics from Curtin University of Technology and a Masters Degree in Business Administration from Curtin's Graduate School of Business. Mr Easterday has held several senior positions and exploration management roles with top-tier gold companies including Placer Dome, Hill 50 Gold and Harmony Gold, specialising in structural geology, resource development and mineral economic valuation. For the past five years, Mr Easterday has been involved in various aspects of project negotiation drawing together his commercial, financial and project valuation skills. This work has involved negotiations and valuations covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a Member of The Australian Institute of Geoscientists.

#### **Bernard R Mountford, Non-Executive Director (Resigned 19 July 2010)**

Mr Bernard R Mountford is a geologist with over 36 years' experience in the mineral exploration industry and has served as an executive director for several listed Australian exploration and mining companies. His background spans a wide spectrum of commodities, with expertise in gold, uranium and base metals. Mr Mountford has been the principal consultant for Hawkeye Resources Pty Ltd, a private geological consultancy, since 1983. Mr Mountford is a Member of The Australian Institute of Mining and Metallurgy.

#### **Dr Allan Trench, Non-Executive Director (Appointed 19 July 2010)**

Allan has previously worked with McKinsey & Company as a management consultant, with Woodside Petroleum in strategy development and with WMC both as a geophysicist and exploration manager. He is an Associate Consultant with international metals and mining advisory firm CRU Group and has contributed to the development of that company's uranium practice, having previously managed the CRU Group global copper research team.

Allan maintains academic links as an Adjunct Professor to the Western Australian School of Mines, Curtin University of Technology.

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

### Corporate Information

Hot Chili Ltd is a Company limited by shares and is domiciled in Australia.

### Principal Activities

During the year, the consolidated entity was involved in mineral exploration.

### Results of Operations

The results of the consolidated entity for the year ended 30 June 2011 was a loss of \$11,065,643 (2010: loss \$3,182,794).

### Dividends

No dividends were paid or declared since the end of the previous year. The Directors do not recommend the payment of a dividend.

### Review of Operations

Refer to Operations Report on pages 6 to 21.



## Significant Changes in the State of Affairs

There were no significant changes to the state of affairs, subsequent to the end of the reporting period, other than what has been reported in other parts of this report.

## Matters Subsequent to the End of the Financial Year

Since the end of the financial year, the consolidated entity placed 13,333,334 shares at 60 cents to boost the working capital by \$8,000,000 less costs of \$240,000.

The initial resource report for Productora was completed and announced on 6 September 2011.

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2011 that has significantly affected or may significantly affect:

- i) the operations of the consolidated entity;
- ii) the results of its operations; or
- iii) the state of affairs of the consolidated entity subsequent to 30 June 2011.

## Likely Developments and Expected Results of Operations

Further information on the likely developments in the operations of the consolidated entity and the expected results of operations have been included in the review of operations.

## Security Holding Interests of Directors

Directors	Ordinary Shares		Options Over Ordinary Shares	
	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest
Murray E Black	-	10,000,000	-	6,750,000
Christian E Easterday	200,000	10,000,000	100,000	6,750,000
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-

## Shares Under Option

There were, 40,590,000 ordinary shares under option at 30 June 2011.

## Shares Issued on the Exercise of Options

There were 150,000 ordinary shares of Hot Chili Limited issued during the year ended 30 June 2011 from the exercise of options.

## Directors Benefits

Since 30 June 2011, no Director of the consolidated entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the consolidated entity with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Company Secretary - J Sendziuk

John Sendziuk is a Chartered Accountant. He has been in practice for 24 years providing corporate secretarial, taxation and business advice to a diverse group of business clients and public companies.

## Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity maintained an insurance policy which indemnifies the Directors and Officers of Hot Chili Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the consolidated entity. The consolidated entity's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

# directors' report

continued

## Directors' Report (continued)

### Directors' Meetings

The number of directors' meetings attended and number of written resolutions signed by each of the Directors of the Company during the year were:

Director	No. of Meetings while in office	No. of Meetings attended
Murray E Black	14	14
Bernard R Mountford (Resigned 19 July 2010)	-	-
Christian E Easterday	14	14
Dr Allan Trench (Appointed 19 July 2010)	14	14

### Environmental Issues

The consolidated entity's exploration and mining operations are subject to environment regulation under the law of Chile. The consolidated entity holds exploration/mining tenements in Chile thus is subject to the Mining Acts of that country each with specific conditions relating to environmental management. In some jurisdictions Cash Bonds must be lodged with the relevant Department until conditions are fulfilled. There are no bonds currently in place in respect of the consolidated entity's tenement holdings.

The Directors advise that during the year ended 30 June 2011 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, 1 July 2010 to 30 June 2011, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

### Shares under Option

At the date of this report, there were 40,590,000 unissued ordinary shares under options.

### Options Lapsed During the Year

No options lapsed during the year.

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

The consolidated entity was not a party to any such proceedings during the year.

### Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Non audit services that have been provided by the entity's auditor, RSM Bird Cameron Partners, have been disclosed in Note 14.

### Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 43 of annual report.

## Remuneration Report (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine amount and nature of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that executive reward satisfies the following key criteria for good reward governance practises:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from 23 March 2010. All director fees are periodically recommended for approval by shareholders.

The consolidated entity's policy regarding executives remuneration is that the executives are paid a commercial salary and benefits based on the market rate and experience.

Details of Remuneration of Key Management Personnel of the consolidated entity and Remuneration of Directors

Details of the nature and amount of each element of remuneration of each Director of the consolidated entity for the financial year are as follows:-

2011	Short Term		Post Employment	Share-based Payments		
Name	Consulting Fees Related Parties \$	Salary \$	Directors' Fee \$	Super-annuation \$	Options \$	Total \$
Murray E Black	-	-	65,000	7,800	-	<b>72,800</b>
Bernard R Mountford (Resigned 19 July 2010)	-	-	2,043	-	-	<b>2,043</b>
Christian E Easterday	-	220,000	-	26,400	-	<b>246,400</b>
Dr Allan Trench (Appointed 19 July 2010)	-	-	37,957	4,555	-	<b>42,512</b>
	<b>-</b>	<b>220,000</b>	<b>105,000</b>	<b>38,755</b>	<b>-</b>	<b>363,755</b>

2010	Short Term		Post Employment	Share-based Payments		
Name	Consulting Fees Related Parties \$	Salary \$	Directors' Fee \$	Super-annuation \$	Options \$	Total \$
Murray E Black	-	-	14,896	1,787	-	<b>16,683</b>
Bernard R Mountford (Resigned 19 July 2010)	68,551	-	6,667	800	-	<b>76,018</b>
Christian E Easterday	215,110	-	50,417	6,050	-	<b>271,577</b>
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-	-	<b>-</b>
	<b>283,661</b>	<b>-</b>	<b>71,980</b>	<b>8,637</b>	<b>-</b>	<b>364,278</b>

### Remuneration of Key Management Personnel

2011	Short Term		Post Employment	Share-Based Payments	
Name	Consulting Fees \$	Salary \$	Super-annuation \$	Options \$	Total \$
Rodrigo Dias (Manager Chile)	-	187,425	-	-	<b>187,425</b>
John Sendziuk (Company Secretary)	-	7,000	28,000	-	<b>35,000</b>
	<b>-</b>	<b>194,425</b>	<b>28,000</b>	<b>-</b>	<b>222,425</b>

2010	Short Term		Post Employment	Share-Based Payments	
Name	Consulting Fees \$	Salary \$	Super-annuation \$	Options \$	Total \$
Rodrigo Dias (Manager Chile Appointed 17 May 2010)	-	26,028	-	-	<b>26,028</b>
John Sendziuk (Company Secretary Appointed 14 May 2010)	-	5,000	600	-	<b>5,600</b>
	<b>-</b>	<b>31,028</b>	<b>600</b>	<b>-</b>	<b>31,628</b>

# directors' report

continued

## Remuneration Report (Audited) (continued)

### Remuneration of Key Management Personnel (continued)

There were no termination benefits paid during the year to any director or key management personnel.

There were no key management personnel employed by the Company during the year for which disclosure of remuneration is required, apart from the remuneration details disclosed above.

At the date of this report, the Company had no employees that fulfilled the role of key management personnel, other than those disclosed above.

### Service Contracts

The Company has entered into an executive service agreement with Mr Christian Easterday, as Managing Director of the Company.

### Remuneration

Under the agreement, Mr Easterday will receive an annual salary of \$220,000, plus superannuation at the rate of 12% and other entitlements. Mr Easterday's remuneration is subject to annual review.

### Term and termination

Mr Easterday is employed for an initial term of 3 years, commencing on 5 April 2010 (End Date). At least 6 months' before the End Date, either party may give notice that the agreement will terminate on the End Date.

During the initial 3 year term, the Company may terminate the agreement by providing Mr Easterday with notice of termination or payment in lieu of notice up to an amount equivalent to 6 months' remuneration.

After the initial term, the agreement will continue until either Mr Easterday terminates by giving the Company 6 months' notice, or the Company terminates by giving Mr Easterday 6 months' notice or payment in lieu of notice up to an amount equivalent to 6 months' remuneration.

The Company may terminate the agreement summarily for any serious incidents of wrongdoing by Mr Easterday.

### Termination entitlements

Upon termination of the agreement, Mr Easterday will be entitled to termination benefits in accordance with Part 2D.2 of the Corporations Act. The termination benefits (including any amount of payment in lieu of notice) must not exceed the amount equal to one times the executive's average annual base salary in the last 3 years' of service with the Company, unless the benefit has first been approved by Shareholders in a general meeting.

### Post termination restraints

Mr Easterday is subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination.

### Other Information

Director and executive remuneration contains no bonus cash or option components.

No directors have received loans from the consolidated entity.

The share price of the Company has fluctuated with the markets since the listing on 3 May 2010 at 20 cents. The shares have reached a high of 85 cents and a low of 17 cents.

Dated this 21st day of September 2011 in accordance with a resolution of the Directors and signed for on behalf of the Board by:



**Christian E Easterday**

Managing Director

# auditor's independence declaration continued

**RSM Bird Cameron Partners**  
Chartered Accountants

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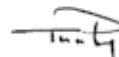
## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants



TUTU PHONG  
Partner

Perth, WA  
Dated: 21 September 2011

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# independent audit report to the members

**RSM Bird Cameron Partners**  
Chartered Accountants

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOT CHILI LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Hot Chili Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## RSM Bird Cameron Partners

Chartered Accountants

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hot Chili Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

- (a) the financial report of Hot Chili Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

### **Report on the Remuneration Report**

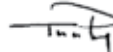
We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Hot Chili Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants



TUTU PHONG  
Partner

Perth, WA  
Dated: 21 September 2011

# directors' declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Christian E Easterday**

Managing Director

Dated this 21st day of September 2011



# statement of comprehensive income

For the year ended 30 June 2011

	Note	Consolidated Entity	
		2011	2010
		\$	\$
Interest income	2	104,498	32,434
Other income	3	-	66,074
		<b>104,498</b>	<b>98,508</b>
Depreciation		(41,017)	(4,587)
Consulting fees		(452,924)	(537,190)
Exploration expenses		(8,031,965)	(250,821)
Corporate fees		(101,602)	(84,590)
Legal and professional		(584,036)	(563,579)
Employee benefits expense		(1,204,618)	(113,159)
Administration expenses		(258,809)	(52,858)
Accounting fees		(34,642)	(23,416)
Travel costs		(134,180)	(212,478)
Other expenses		(144,592)	(84,259)
Foreign exchange loss		(181,756)	-
Loss from continuing operations before income tax		(11,065,643)	(1,828,429)
Income tax expense	5	-	-
Loss after income tax		(11,065,643)	(1,828,429)
Other comprehensive income		-	-
<b>Total comprehensive income attributable to members of Hot Chili Limited</b>		<b>(11,065,643)</b>	<b>(1,828,429)</b>
Basic earnings per share (cents)	13	(8.11)	(2.14)
Diluted earnings per share (cents)	13	(8.11)	(2.14)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# statement of financial position

As at 30 June 2011

	Note	Consolidated Entity	
		2011	2010
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	6	4,220,660	6,607,586
Trade and other receivables	7	9,151	55,430
Other current assets		-	173,017
<b>Total Current Assets</b>		<b>4,229,811</b>	<b>6,836,033</b>
<b>Non-Current Assets</b>			
Plant and equipment	8	243,984	167,874
Exploration and evaluation expenditure	9	2,342,138	1,829,495
<b>Total Non-Current Assets</b>		<b>2,586,122</b>	<b>1,997,369</b>
<b>Total Assets</b>		<b>6,815,933</b>	<b>8,833,402</b>
<b>Current Liabilities</b>			
Trade and other payables	10	1,327,701	99,093
<b>Total Current Liabilities</b>		<b>1,327,701</b>	<b>99,093</b>
<b>Total Liabilities</b>		<b>1,327,701</b>	<b>99,093</b>
<b>Net Assets</b>		<b>5,488,232</b>	<b>8,734,309</b>
<b>Equity</b>			
Contributed equity	11	19,239,321	11,419,755
Option reserve	12(b)	72,308	72,308
Foreign currency translation reserve	12(c)	1,222	1,222
Accumulated losses	12(a)	(13,824,619)	(2,758,976)
<b>Total Equity</b>		<b>5,488,232</b>	<b>8,734,309</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# statement of changes in equity

As at 30 June 2011

Consolidated Entity	Contributed Equity	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	1,682,400	-	1,222	(930,547)	753,075
Loss for the year	-	-	-	(1,828,429)	(1,828,429)
<b>Total Comprehensive Income for the year</b>	-	-	-	(1,828,429)	(1,828,429)
Share options issued	-	72,308	-	-	72,308
Shares issued	10,642,105	-	-	-	10,642,105
Share issue costs	(904,750)	-	-	-	(904,750)
<b>Balance at 30 June 2010</b>	<b>11,419,755</b>	<b>72,308</b>	<b>1,222</b>	<b>(2,758,976)</b>	<b>8,734,309</b>
<b>Balance at 1 July 2010</b>	11,419,755	72,308	1,222	(2,758,976)	8,734,309
Loss for the year	-	-	-	(11,065,643)	(11,065,643)
<b>Total Comprehensive Income for the year</b>	-	-	-	(11,065,643)	(11,065,643)
Shares issued	8,330,017	-	-	-	8,330,017
Share issue costs	(510,451)	-	-	-	(510,451)
<b>Balance at 30 June 2011</b>	<b>19,239,321</b>	<b>72,308</b>	<b>1,222</b>	<b>(13,824,619)</b>	<b>5,488,232</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# statement of cash flows

For the year ended 30 June 2011

	Consolidated Entity		
	2011	2010	
	Note	\$	\$
<b>Cash Flows From Operating Activities</b>			
Payments to suppliers and employees		(9,499,464)	(2,148,759)
Interest received		104,498	32,434
Net cash (used in) operating activities	16(b)	(9,394,966)	(2,116,325)
<b>Cash Flows From Investing Activities</b>			
Payments for plant and equipment		(117,127)	(172,461)
Payments for mineral exploration areas		(512,643)	(198,763)
Net cash (used in) investing activities		(629,770)	(371,224)
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of shares		8,330,017	9,400,000
Share issue costs		(510,451)	(832,440)
Net cash provided by financing activities		7,819,566	8,567,560
Net increase (decrease) in cash held		(2,205,170)	6,080,011
Cash and cash equivalents at the beginning of the financial year		6,607,586	461,502
Effects of exchange rates on cash holdings in foreign currencies		(181,756)	66,073
Cash and cash equivalents at the end of the financial year	16(a)	<b>4,220,660</b>	<b>6,607,586</b>

The above Statement of Cash Flows should be read on conjunction with the accompanying notes.

# notes to the financial statements continued

## 1 Summary of Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements.

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial report was authorised for issue on 21 September 2011 by the Board of Directors.

The functional and presentation currency of Hot Chili Limited is Australian Dollars.

#### *Compliance with IFRSs*

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements of Hot Chili Limited comply with International Financial Reporting Standards (IFRSs).

#### *New Accounting Standards and Interpretations*

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure only

The consolidated entity has decided against early adoption of these standards.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

#### *Critical accounting estimates*

The preparation of financial statements in conformity of AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 24.

# notes to the financial statements continued

## 1 Summary of Significant Accounting Policies (continued)

### b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hot Chili Ltd and its controlled entities, Sociedad Minera El Corazon Limitada, Sociedad Minera El Aguila Limitada and Sociedad Minera El Huerto Limitada. Control exists where the consolidated entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the consolidated entity to achieve the objectives of the consolidated entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits and losses have been eliminated on consolidation.

Non controlling interests in the results and equity of the consolidated entities are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control commences. Where control ceases, de-consolidation occurs from that date.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control. Investments in subsidiaries are recognised at cost less impairment losses.

### c) Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Hot Chili Limited and its wholly-owned Chilean subsidiaries have not formed an income tax consolidated group under the Tax Consolidation Regime.

### d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

#### i) Interest Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### ii) Other Services

Other debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided.

#### e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against operating results in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are amortised over the life of the project area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### f) Plant and equipment

##### *Plant and equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

##### *Depreciation*

The depreciable amount of all plant and equipment is depreciated on a diminishing value over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### g) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid, together with assets ordered before the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition.

#### h) Equity-based payments

Equity-based compensation benefits can be provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

# notes to the financial statements continued

## 1 Summary of Significant Accounting Policies (continued)

### i) Earnings per share

#### i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### j) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

### k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### m) Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

### n) GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated as inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## 2 Interest Income

	Consolidated Entity	
	2011	2010
	\$	\$
Interest income	104,498	32,434
	<b>104,498</b>	<b>32,434</b>



### 3 Other Income

	Consolidated Entity	
	2011	2010
	\$	\$
Foreign exchange gain	-	66,074
	<b>-</b>	<b>66,074</b>

### 4 Segment Information

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity operates as a single segment which is mineral exploration.

The consolidated entity is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located.

Operating revenues of approximately Nil (2010 - Nil) are derived from a single external party.

All the assets relate to mineral exploration. Segment assets are allocated to segments based on the purpose for which they are used.

### 5 Income Tax Expense

#### a) Income tax expense:

Current tax	-	-
Deferred tax	-	-
	-	-
Loss before income tax	(11,065,643)	(1,828,429)
Prima facie income tax at 30% (2010: 30%)	(3,319,693)	(548,529)
Tax-effect of amounts not assessable in calculating taxable income:	-	-
Tax-effect of amounts not deductible in calculating taxable income	3,004,370	254,733
Tax loss not recognised	(315,323)	(293,796)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

#### b) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised	2,539,841	1,375,824
Potential tax benefit @ 30%	761,952	412,747

c) The directors estimate that the potential deferred tax asset at 30 June 2011 in respect of tax losses not brought to account is \$761,952 (2010 : \$412,747).

In addition, Chilean subsidiaries of Hot Chili Ltd also have tax losses that are a potential deferred tax asset of \$985,246 (2010: \$124,510). The companies will be taxed independently in Chile.

d) The benefit for tax losses will only be obtained if:

- i) The consolidated entity and the subsidiaries derive income, sufficient to absorb tax losses.
- ii) There is no change to legislation to adversely affect the consolidated entity and its subsidiaries in realising the benefit from the deduction of the losses.

# notes to the financial statements continued

## 6 Cash and Cash Equivalents

	Consolidated Entity	
	2011	2010
	\$	\$
Cash at bank	4,220,660	6,607,586
	<b>4,220,660</b>	<b>6,607,586</b>

## 7 Trade and Other Receivables

Trade and other receivables	9,151	55,430
	<b>9,151</b>	<b>55,430</b>

There are no impaired receivables or any provision for impairment against the receivables.

## 8 Plant and Equipment

Plant and equipment at cost	289,588	172,461
Less provision for depreciation	(45,604)	(4,587)
	<b>243,984</b>	<b>167,874</b>

### Reconciliations:

#### Plant and equipment

Carrying amount at the beginning of the year	167,874	-
Additions	117,127	172,461
Depreciation	(41,017)	(4,587)
<b>Carrying amount at the end of the year</b>	<b>243,984</b>	<b>167,874</b>

## 9 Exploration and Evaluation Expenditure

Mining tenements at cost	2,342,138	1,829,495
	<b>2,342,138</b>	<b>1,829,495</b>

### Tenements

Carrying amount at the beginning of the year	1,829,495	388,628
Purchase of mineral interests	512,643	1,440,867
Exploration costs written off	-	-
<b>Carrying amount at the end of the year</b>	<b>2,342,138</b>	<b>1,829,495</b>

The future realisation of these non-current assets is dependent on further exploration and funding necessary to commercialise the resources or realisation through sale.

## 10 Trade and Other Payables

	Consolidated Entity	
	2011	2010
	\$	\$
Trade payables	1,265,704	32,472
Other payables	61,997	66,621
	<b>1,327,701</b>	<b>99,093</b>

## 11 Contributed Equity

	No. Shares	No. Shares	Consolidated Entity	
	2011	2010	2011	2010
			\$	\$
<b>a) Share capital</b>				
At the beginning of the financial year	124,210,517	80,000,000	11,419,755	1,682,400
Shares issued during the year	24,833,361	60,210,527	8,330,017	10,642,105
Shares cancelled during the year	-	(16,000,000)		
Less cost of issue	-	-	(510,451)	(904,750)
<b>At the end of the financial year</b>	<b>149,043,888</b>	<b>124,210,527</b>	<b>19,239,321</b>	<b>11,419,755</b>

### b) Terms and Condition of Contributed Equity

#### *Ordinary Shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2011	2010
	Options	Options
<b>c) Movement in Unlisted Options</b>		
Balance at beginning of year	40,740,000	40,200,000
Issued during the year	-	540,000
Options exercised during the year	(150,000)	-
Options lapsed during the year	-	-
<b>Balance at end of year</b>	<b>40,590,000</b>	<b>40,740,000</b>

### d) Listed Options

There are no listed options over ordinary shares in the company at 30 June 2011 (2010: nil).

### e) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders.

Capital is calculated as 'equity' as shown in the statement of financial position, and is monitored on the basis of funding exploration activities.

# notes to the financial statements continued

## 12 Reserves and Accumulated Losses

	Consolidated Entity	
	2011	2010
	\$	\$
<b>a) Accumulated losses</b>		
Accumulated losses at the beginning of the year	(2,758,976)	(930,547)
Net loss for the year	(11,065,643)	(1,828,429)
Accumulated losses at the end of the year	<b>(13,824,619)</b>	<b>(2,758,976)</b>
<b>b) Reserves</b>		
Options reserve		
The options reserve is used to recognise the fair value of options issued. As at 30 June 2011, no options to which the reserve relates have been exercised.		
Balance at the beginning of the year	72,308	-
Movement during the year	-	72,308
Balance at the end of the year	<b>72,308</b>	<b>72,308</b>
<b>c) Foreign transaction reserve</b>		
Balance at the beginning of the year	1,222	1,222
Additions during the year	-	-
Balance at the end of the year	1,222	1,222
<b>Total Reserves and Accumulated Losses</b>	<b>(13,751,089)</b>	<b>(2,685,446)</b>

## 13 Loss Per Share

Loss after tax attributable to members of Hot Chili Limited	(11,065,643)	(1,828,429)
Basic loss per share (cents)	(8.11)	(2.14)
Diluted loss per share (cents)	(8.11)	(2.14)
Unexercised options are not dilutive		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	136,403,634	85,543,187
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	136,403,634	85,543,187

## 14 Remuneration of Auditors

Remuneration of the auditor for:

- Auditing and reviewing of financial reports	33,500	18,000
- Preparation an investigating accountants report for inclusion in the IPO prospectus	-	10,000
	<b>33,500</b>	<b>28,000</b>

## 15 Key Management Personnel Disclosures

### a) Directors

The following persons were Directors of Hot Chili Limited during the financial year and up to the date of this report:

Murray E Black	(Non Executive Chairman)
Bernard R Mountford	(Non Executive Director) (Resigned 19 July 2010)
Christian E Easterday	(Executive Director)
Dr Allan Trench	(Non Executive Director) (Appointed 19 July 2010)

### b) Company Secretary

John Sendziuk

### c) Country Manager

Rodrigo Diaz Borquez

Details of Remuneration of Key Management Personnel for the year ended 30 June 2011:

	Consolidated Entity	
	2011	2010
	\$	\$
Short-term benefits	519,425	386,669
Post-employment benefits	66,755	9,237
Share based payment	-	-
	<b>586,180</b>	<b>395,906</b>

### d) Key Management Personnel Interests in the Shares and Options of the Company

#### Shares

The number of shares in the company held during the financial year, and up 30 June 2011, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, are set out below. There were no shares granted as compensation during the year.

2011	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Murray E Black	10,000,000	-	-	10,000,000
Christian E Easterday	10,200,000	-	-	10,200,000
Dr Allan Trench	-	-	-	-
John Sendziuk	1,100,000	-	(100,000)	1,000,000
	<b>21,300,000</b>	<b>-</b>	<b>(100,000)</b>	<b>21,200,000</b>

2010	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Murray E Black	13,500,000	-	(3,500,000)	10,000,000
Christian E Easterday	13,700,000	-	(3,500,000)	10,200,000
Bernard R Mountford	2,000,000	-	(666,667)	1,333,333
Dr Allan Trench	-	-	-	-
John Sendziuk	700,000	-	400,000	1,100,000
	<b>29,900,000</b>	<b>-</b>	<b>(7,266,667)</b>	<b>22,633,333</b>

# notes to the financial statements continued

## 15 Key Management Personnel Disclosures (continued)

### d) Key Management Personnel Interests in the Shares and Options of the Company (continued)

#### Options

The number of options over ordinary shares in the company held during the financial year, and up to 30 June 2010, by each Key Management Personnel of Hot Chili Ltd including their personally related parties are set out below:

2011	Balance at start of the year	Acquired during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Murray E Black	6,750,000	-	-	-	6,750,000	6,750,000
Christian E Easterday	6,850,000	-	-	-	6,850,000	6,850,000
Dr Allan Trench	-	-	-	-	-	-
John Sendziuk	350,000	-	-	-	350,000	350,000
	<b>13,950,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,950,000</b>	<b>13,950,000</b>

2010	Balance at start of the year	Acquired during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Murray E Black	6,750,000	-	-	-	6,750,000	6,750,000
Christian E Easterday	6,850,000	-	-	-	6,850,000	6,850,000
Bernard R Mountford	1,000,000	-	-	-	1,000,000	1,000,000
Dr Allan Trench	-	-	-	-	-	-
John Sendziuk	350,000	-	-	-	350,000	350,000
	<b>14,950,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,950,000</b>	<b>14,950,000</b>

## 16 Notes to Statement of Cash Flows

### a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity	
	2011	2010
	\$	\$
Cash and short term deposits	4,220,660	6,607,586
	<b>4,220,660</b>	<b>6,607,586</b>

	Consolidated Entity	
	2011	2010
	\$	\$
<b>b) Reconciliation of Net Cash used In Operating Activities to Operating Loss after Income Tax</b>		
Loss for the year	(11,065,643)	(1,828,429)
Depreciation	41,017	4,587
Effect of exchange rates on holdings in foreign currencies	181,756	(66,074)
<b>Net cash flows from operating activities before change in assets and liabilities</b>	<b>(10,842,870)</b>	<b>(1,889,916)</b>
Change in assets and liabilities during the financial year:		
Other current assets	219,296	(219,974)
Payables	1,228,608	(6,435)
<b>Net cash outflow from operating activities</b>	<b>(9,394,966)</b>	<b>(2,116,325)</b>

**c) Non cash investing and financing activities**

There were no non cash investing and financing activities during the year.

## 17 Finance Facilities

No credit standby facility arrangement or loan facilities existed at 30 June 2011.

## 18 Commitments for Expenditure

**a) Exploration Commitments**

In order to maintain current rights of tenure to exploration and mining tenements, the consolidated entity has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations are not provided for in the financial statements and are payable:

Within one year	1,481,156	1,401,313
Later than one year but not later than five years	14,291,323	19,291,403
	<b>15,772,479</b>	<b>20,692,716</b>

**b) Operating Leases**

The consolidated entity leases office premises under an operating lease expiring in three years. The lease has various terms and renewal rights and commenced on 1 May 2010.

Commitments for minimum lease payments in relation to operating leases are payable as follows:

Within one year	21,450	34,943
Later than one year but not later than five years	-	42,900
Later than five years	-	-
	<b>21,450</b>	<b>77,893</b>

# notes to the financial statements continued

## 19 Events Occurring after Reporting Date

Since the end of the financial year, the company placed 13,333,334 shares at 60 cents to boost the working capital by \$8,000,000 less costs of \$240,000.

Apart from the matter disclosed above, there are other no matters or circumstances that have arisen since 30 June 2011 that has significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the consolidated entity.

## 20 Related Parties

There were no related party transactions during the year.

## 21 Contingent Liabilities

There are no contingent liabilities at reporting date (2010: Nil).

## 22 Investment in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2011	2010
			%	%
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila Limitada	Chile	Ordinary	100	100
Sociedad Minera El Huerto Limitada	Chile	Ordinary	100	100

## 23 Financial Risk Management

The consolidated entity's principal financial instruments comprise receivables, payables cash and short-term deposits. The consolidated entity manages its exposure to key financial risks in accordance with the consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets while protecting future financial security.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.



## Risk Exposures and Responses

### a) Interest rate risk exposure

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's cash balances and short-term deposits. The consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

The consolidated entity's cash balance is available at call and is held at a floating interest rate, all creditors and debtors are non interest bearing and are payable and receivable on commercial terms.

The consolidated entity has considered the sensitivity relating to its exposure to interest rate risk at reporting date. This analysis considers the effect on current year results and equity which could result in a change in this risk. Management have considered the potential impact on the profit and equity and considered that it would not be a material amount.

### b) Credit risk exposure

Credit risk arises from the financial assets of the consolidated entity, which comprise deposits with banks and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the consolidated entity's maximum exposure to credit risk in relation to those assets.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

The consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securities it trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the consolidated entity.

### c) Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and, the availability of funding through the ability to raise further equity or through related party entities. Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding through management of its cash resources. The consolidated entity has no financial liabilities at the year-end other than normal trade and other payables incurred in the general course of business.

### d) Fair values

The fair values of the consolidated entity's financial assets and liabilities are summarised in the table below;

2011	Consolidated Entity	
	Carrying amount	Fair value
	\$	\$
Cash and cash	4,220,660	4,220,660
Trade and other receivables	9,151	9,151
Trade and other payables	1,327,701	1,327,701

2010	Consolidated Entity	
	Carrying amount	Fair value
	\$	\$
Cash and cash	6,607,586	6,607,586
Trade and other receivables	55,430	55,430
Trade and other payables	99,093	99,093

# notes to the financial statements continued

## 23 Financial Risk Management (continued)

### Risk Exposures and Responses (continued)

#### e) Foreign exchange risk

The consolidated entity has considered the sensitivity relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis considers the effect on current year results and equity which could result in a change in the USD / AUD rate. The consolidated entity is exposed to foreign exchange risk through its USD cash holdings at reporting date.

The table below summarises the impact of + / - 10% strengthening / weakening of the AUD against the USD on the consolidated entities post tax profit for the year and equity. The analysis is based on a 10% strengthening /weakening of the AUD against the USD at reporting date with all other factors remaining equal.

2011	Consolidated Entity	
	Post tax profit	Equity
	\$	\$
AUD/USD + 10%	296,976	296,976
AUD/USD - 10%	(296,976)	(296,976)

2010	Consolidated Entity	
	Post tax profit	Equity
	\$	\$
AUD/USD + 10%	(514,657)	(514,657)
AUD/USD - 10%	514,657	514,657

## 24 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Recoverability of exploration expenditure

The directors tests annually whether the exploration and evaluation expenditure incurred in identifiable areas of interest is expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of reserves and further work is expected to be performed. All expenditure that does not meet these criteria is expensed to the statement of comprehensive income.

## 25 Parent Entity Disclosures

### Financial position

	2011	2010
	\$	\$
<b>Assets</b>		
Current assets	4,158,943	6,618,396
Non-current assets	1,397,234	2,173,641
<b>Total assets</b>	<b>5,556,177</b>	<b>8,792,037</b>
<b>Liabilities</b>		
Current liabilities	67,945	69,393
<b>Total liabilities</b>	<b>67,945</b>	<b>69,393</b>
<b>Equity</b>		
Issued capital	19,239,321	11,419,755
Reserves	72,308	72,308
Accumulated losses	(13,823,397)	(2,769,419)
<b>Total equity</b>	<b>5,488,232</b>	<b>8,722,644</b>

### Financial performance

Loss for the year	(11,053,978)	(1,840,094)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(11,053,978)</b>	<b>(1,840,094)</b>

### Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

### Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2011 (30 June 2010 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

# notes to the financial statements continued

## 26 Share Based Payments

The company has not made any share based payments in the current year. Below are details of share based payments made in the prior year.

### a) Options issued

The Company issued options to a consultant as part payment of share issue costs.

Set out below is a summary of options on issue as at 30 June 2011:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Balance at end of year	Number exercisable at end of year
01/05/2009	29/10/2014	200,000	-	-	200,000	200,000
10/01/2010	29/10/2014	140,000	-	-	140,000	140,000
29/04/2010	29/10/2014	400,000	-	-	400,000	400,000

#### *Fair value of options issued:*

The fair value at issue date was determined using a Black-Scholes option pricing model that takes into account the exercise price, the share price at issue date and expected price volatility of the underlying share, and the risk free interest rate for the term of the loan.

The model inputs for options granted during the year ended 30 June 2010 included:

- i) options are granted for no consideration.
- ii) exercise price - \$0.20.
- iii) issue date - 1 May 2009, 10 January 2010, 29 April 2010
- iv) expiry date - 29 October 2014.
- v) expected price volatility of the Company's shares: 110%.
- vi) risk-free interest rate: 5.36%.
- vii) spot price at date of valuation: \$0.05, \$0.10 and \$0.20.

### b) Expenses arising from share-based payment transactions

Total transactions arising from share-based payment transactions recognised during the year were as follows:

	2011	2010
	\$	\$
Expenses related to options issued to consultants	-	72,308
Shares issued for option payment on Chilean mining rights	-	1,242,105
	<b>-</b>	<b>1,314,413</b>

The option payment on Chilean mining rights were issued at the date of listing and consisted of 6,210,525 shares at the listing price of \$0.20.

# shareholder information

required by the asx

## Shareholder Information as at 29 August 2011

	Shareholders	Units
<b>a) Spread of Holdings</b>		
1 - 1,000	56	40,157
1,001 - 5,000	221	693,804
5,001 - 10,000	272	2,348,876
10,001 - 100,000	707	28,727,457
100,001 & Over	154	130,616,928
	<b>1,410</b>	<b>162,427,222</b>

	Option Holders	Units
<b>b) Spread of Holdings</b>		
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	13	1,100,000
100,001 & Over	27	39,440,000
	<b>40</b>	<b>40,540,000</b>

### c) Substantial Shareholders

Kalgoorlie Auto Service Pty Ltd	40,000,000
Harbour Group (Consolidated)	8,161,530
Port Finance Ltd NV	6,210,527
Panoramic Copper Pty Ltd	6,666,667
Taurus Funds Management (Consolidated)	6,666,667
Fitel Nominees Ltd	4,471,750

### d) Directors' Shareholdings:

	Shares Held Directly	Held by Companies in which Directors have a beneficial interest
Murray E Black	-	10,000,000
Christian E Easterday	200,000	10,200,000
Dr Allan Trench (Appointed 19 July 2010)	-	-

# shareholder information

required by the asx continued

## Shareholder Information as at 29 August 2011 (continued)

e) The names of the twenty largest shareholders as at 29 August 2011, who between them held 56.62% of the issued capital are listed below:

	Number of Ordinary Shares	%
1 Kalgoorlie Auto Service Pty Ltd	40,000,000	24.63
2 Panoramic Copper Pty Ltd	6,666,667	4.10
3 Taurus Funds Management Pty Ltd	6,290,223	3.87
4 Port Finance Ltd NV	6,210,527	3.82
5 Fitel Nominees Ltd	4,471,750	2.75
6 Norman Lester Mountford	4,000,000	2.46
7 Harbour Seager Rex	3,931,696	2.42
8 Graham John Woolford	2,577,000	1.59
9 Miro & Helen Cecich	2,533,334	1.56
10 Campari Holdings Pty Ltd	2,077,500	1.28
11 Ajava Holdings Pty Ltd	2,000,000	1.23
12 Harbour Foundation	1,916,667	1.18
13 SHL Pty Ltd	1,750,000	1.08
14 UBS Wealth Management Australia Nominees	1,486,381	0.92
15 BO & EJ Stephens	1,140,000	0.70
16 Leilani Investments Pty Ltd	1,030,000	0.63
17 Romulus Pty Ltd	1,020,000	0.63
18 Miro Cecich	1,000,000	0.62
19 Timothy James Carter	950,000	0.58
20 Gary Dene Gale	925,000	0.57
	<b>91,976,745</b>	<b>56.62</b>

f) The names of the twenty largest optionholders as at 29 August 2011, who between them held 94.08% of the issued options are listed below:

	Number of Options	%
1 Kalgoorlie Auto Service Pty Ltd	27,000,000	66.60
2 Norman Lester Mountford	3,000,000	7.40
3 Ajava Holdings Pty Ltd	2,500,000	6.17
4 BO & EJ Stephens	800,000	1.97
5 Miro Cecich	500,000	1.23
6 Campari Holdings Pty Ltd	500,000	1.23
7 DJ Carmichael Pty Ltd	429,000	1.06
8 Romulus Pty Ltd	350,000	0.86
9 Jacqueline Tracey Hunter	300,000	0.74
10 Oakstream Pty Ltd	250,000	0.62
11 Ian William Dorrington	250,000	0.62
12 Talltree Holdings Pty Ltd	250,000	0.62
13 L & TE King Russell	250,000	0.62
14 Oregonwood Pty Ltd	250,000	0.62
15 Rowan Radford	250,000	0.62
16 Alf's Crew Pty Ltd	250,000	0.62
17 Mancini Management Pty Ltd	250,000	0.62
18 James Douglas Coote	250,000	0.62
19 Hahn Properties Pty Ltd	250,000	0.62
20 Gary Dene Gale	250,000	0.62
	<b>38,129,000</b>	<b>94.08</b>



“Company remains focused on successful exploration and advancing the projects toward development.”

