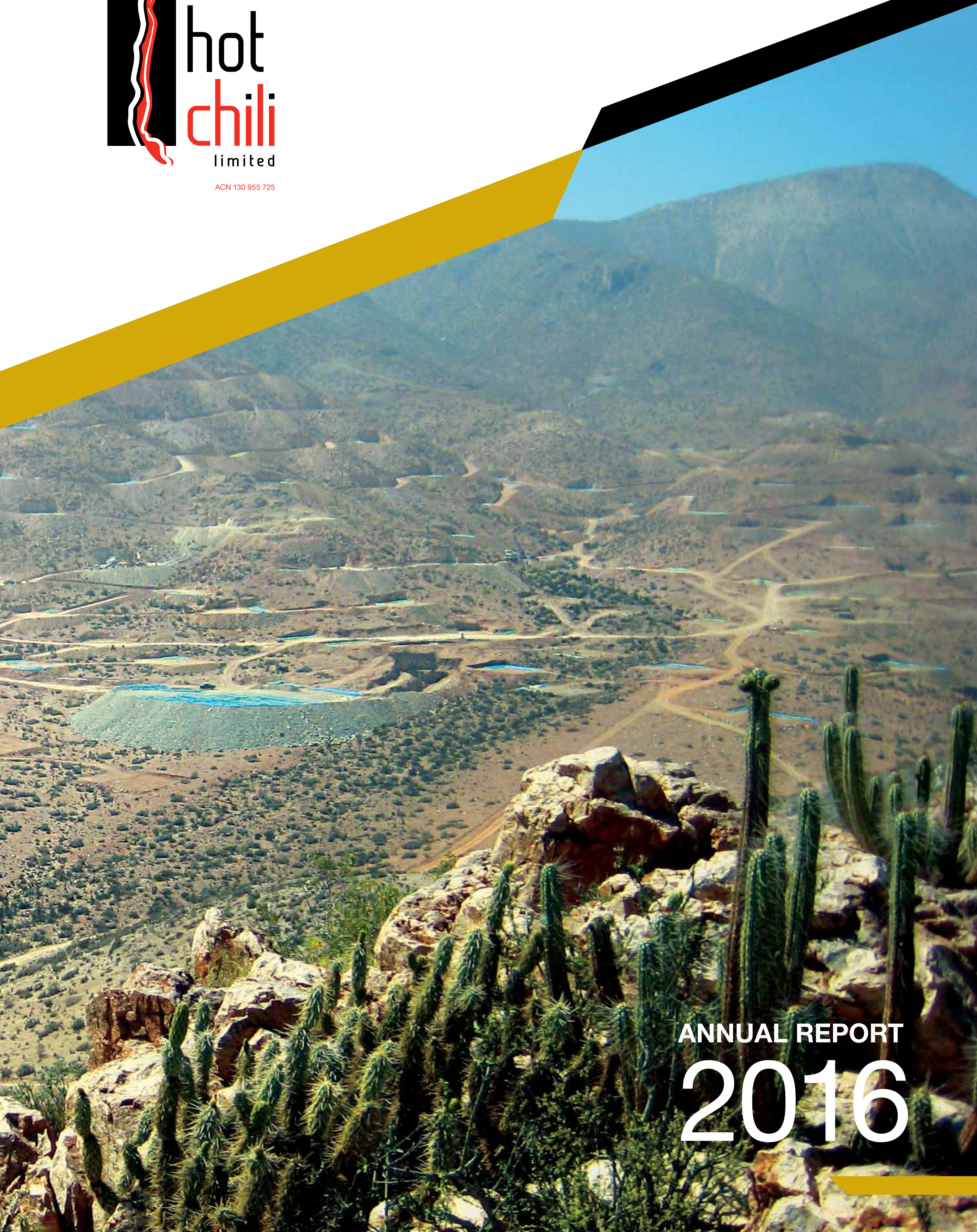
hot chili limited

ACN 130 955 725



ANNUAL REPORT 2016

Contents

2016 Key Highlights

Evaluation of exciting new high-grade gold growth opportunity located in the southern extent of the Productora copper-gold project - The Historical Sierra Zapallo gold deposit.

Four large copper porphyry targets identified by cutting-edge IP/ MT geophysical survey at Productora, with follow up work providing further confidence ahead of drill testing.

Productora Pre-feasibility study (PFS) completed confirming Productora as one of the best low-altitude and infrastructure-rich copper developments in Chile with strong potential to add further mine life and scale.

- Competitive financial metrics for return on investment and capital intensity against global peers.
- 10 year mine life defined, with first 8 years production averaging 66kt copper and 25koz gold annually.
- Mineral Resource expanded to 1.47Mt contained copper and 0.98Moz gold.
- Ore Reserve tonnage near-doubled to 166.9Mt.

Landmark deal with Chilean resource major CMP provides infrastructure and project partner.

Hot Chili substantially strengthened its financial position during the year through:

- An increase in our partner Compañía Minera del Pacífico S.A. (CMP) participation in the Productora copper-gold project in Chile through the purchase of an additional 2.5% interest for US$1.5 million (taking their interest to 20%),
- A significant reduction and extension to the Sprott Loan Facility, and
- Arrangement of a heavily oversubscribed A$4.4 million Placement.
- Completion of A$1.6 Million Placement to Strategic Shareholders- subscribed by two of Hot Chili's largest shareholders - Taurus Funds Management (Taurus) and CAP, the parent company of Compañía Minera del Pacífico S.A. (CMP), Hot Chili's joint venture partner at Productora.

Chairman's Letter

Dear Shareholder,

Given the state of the global resource sector during this past year, I am very pleased to preside over one of the few ASX-listed copper developers which has not only weathered much of the storm in global resource equity markets, but has continued to strengthen its asset base and provide exciting near-term value for our shareholders.

Our Productora project has gone from strength to strength- now positioned with a Pre-feasibility study (PFS) which outlines the project as one of the leaders amongst the next wave of large-scale copper projects to be developed globally. We measure ourselves through our actions and delivering against our targets, to that end I am proud of our team's achievements during this past year.

Copper-gold resources and reserves have continued to grow, financial metrics for the project are robust and several opportunities have been identified to position Productora as a quartile-two cost producer in the future.

Our exploration team has successfully detected a series of large-scale copper porphyry targets which have the potential to transform Productora into a tier-1 copper project of global significance.

In addition, and most notably, Hot Chili has revealed a very exciting high grade gold project located in the southern extent of Productora- Sierra Zapallo. Surface results to date have been exceptional and the Company is preparing to drill confirm the potential for a large, high grade, open pit gold resource. If successful, Sierra Zapallo offers our shareholders exposure to significant value generation in the short to medium term.

I would like to thank our management and staff who have been unrelenting in their efforts to establish Hot Chili as a marquee player in the Chilean resource sector. We look forward to a strong year ahead as we build on our recent achievements and deliver our shareholders near-term exploration success for both copper and gold.

Murray Edward Black
Chairman

Hot Chili geologist conducting surface mapping and collecting samples at Sierra Zapallo gold deposit

"...high grade gold project located in the southern extent of Productora-Sierra Zapallo..."

RC drilling at Sierra Zapallo

Review of Operations

Sierra Zapallo Gold Deposit – An Exciting High-grade Gold Growth Opportunity

During July 2016 Hot Chili commenced evaluation of an exciting new gold growth opportunity located in the southern extent of the Productora copper-gold project - The Historical Sierra Zapallo high-grade gold deposit.

An exploration surface sampling and mapping programme was initiated marking the first stage in the rapid assessment of a high grade gold growth opportunity at Productora, which has the potential to substantially enhance Productora's Mineral Resource inventory which currently totals approximately 1.5Mt of copper metal and 1Moz of gold *(see ASX announcement dated 2nd March 2016)*.

More than thirteen strike-continuous gold-reefs are exposed in outcrop and small-scale workings at Sierra Zapallo. Previous exploration completed by Hot Chili in 2012 indicates that the gold reefs are sub-vertical, average approximately 300 metres in strike length, are generally 0.5 to 2 metres in true width and average over 5g/t Au where sampled and analysed for gold by Hot Chili *(see ASX announcement dated 12th October 2012)*.

First-pass drilling by Hot Chili in 2012 (where gold analysis was undertaken), included 1m grading 57.2g/t gold, 0.3% copper and 12g/t silver from 37m down-hole and 1m grading 5.7g/t gold, 0.5% copper and 5g/t silver from 21m down-hole (previously announced to ASX on 10th October 2012).

High-grade gold is associated with quartz-pyrite veins enriched in silver +/-copper which display strong along-strike continuity.

The majority of gold reefs are densely clustered across a hill (Sierra) indicating possible favourable strip ratios for open cut development of any future defined gold mineralisation.

Importantly, gold was not systematically assayed in the first drilling undertaken over Sierra Zapallo, and drilling was re-directed to the Productora Main Zone prior to the completion of first-pass drilling over the area in 2012.

More recent exploration work has involved a systematic assessment of the width, grade and nature of individual gold-bearing quartz veins (gold reefs) that are exposed at surface over the Sierra Zapallo gold deposit. Results of the programme will be used to refine targets in advance of a gold-focussed drilling campaign, which is set to commence in September.

"High-grade gold is associated with quartz-pyrite veins enriched in silver +/-copper which display strong along-strike continuity."


Hand specimens collected from Sierra Zapallo historical workings

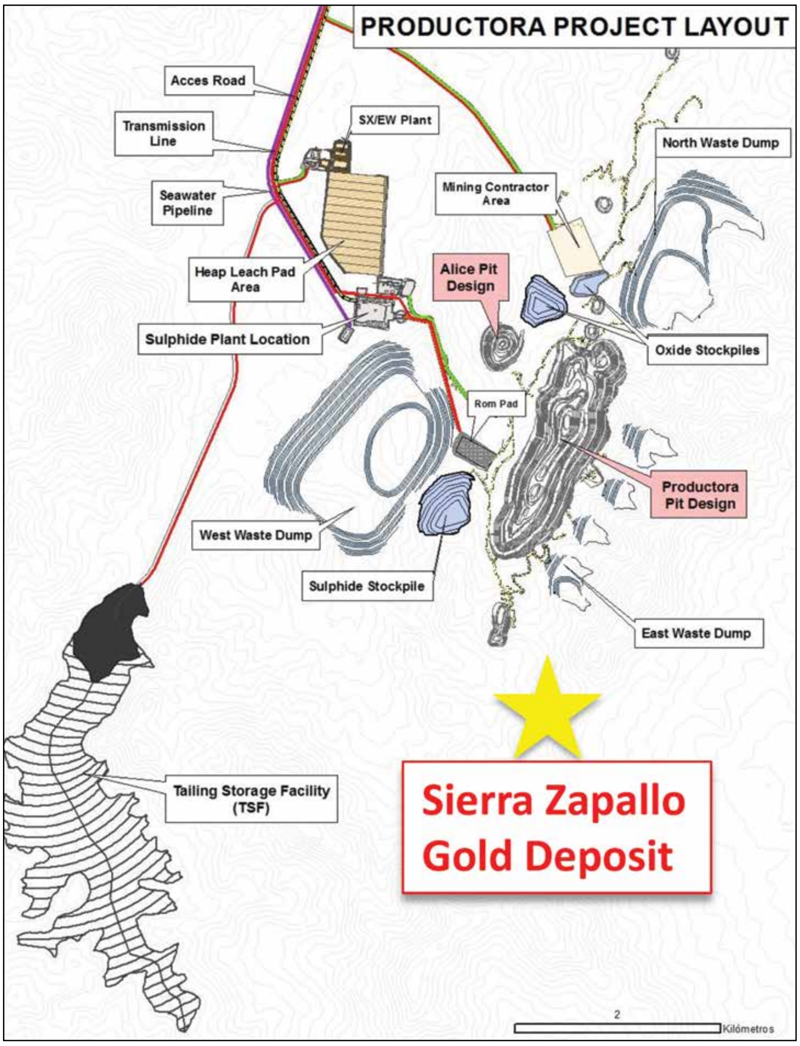


Figure 1. Location of Sierra Zapallo gold deposit within the Productora copper-gold project.

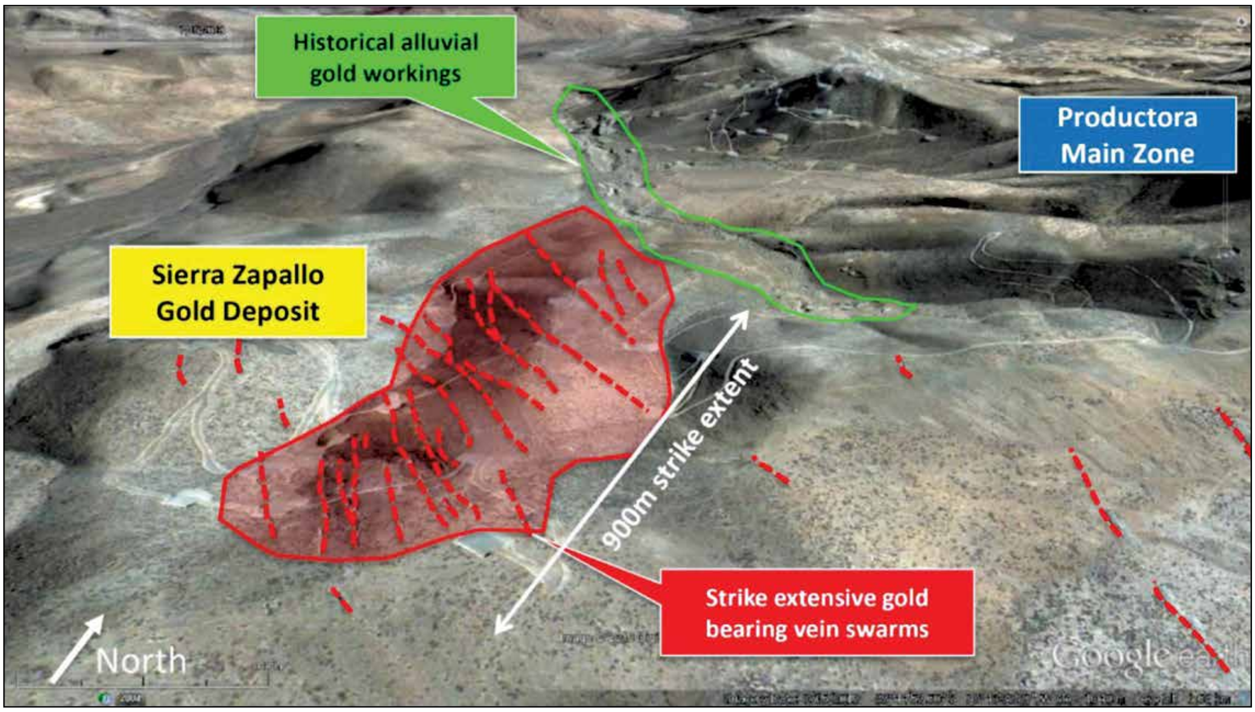


Figure 2. View across the southern extent of the Productora copper-gold project in Chile. A swarm of significant gold reefs (red) have been historically exploited in small-scale workings at Sierra Zapallo. The area also features an area of historical alluvial gold workings (green) located along the valley floor at the base of Sierra Zapallo.

Review of Operations (cont'd)

Potential for Productora to Become a Tier 1 Project – Four Large Porphyry Targets Identified

In mid-2015 the Company commissioned SouthernRock Geophysics S.A. (SRG) to complete a cutting-edge IP/MT geophysical survey at Productora. The results were a revelation, with the survey being successful in identifying four additional large copper porphyry targets, and extensions to the previously discovered Alice copper porphyry deposit, at its flagship Productora copper project in Chile.

The Company regards the discovery of the multiple large copper porphyry targets as a highly significant breakthrough which could transform the Productora project into a Tier-1 copper asset, substantially enhancing the project's economics and mine life.

The latest results are considered exceptionally promising because they could lead to a significant increase in the copper inventory (currently 1Mt of copper and 675,000oz of gold) and therefore the production rate and mine life of Productora.

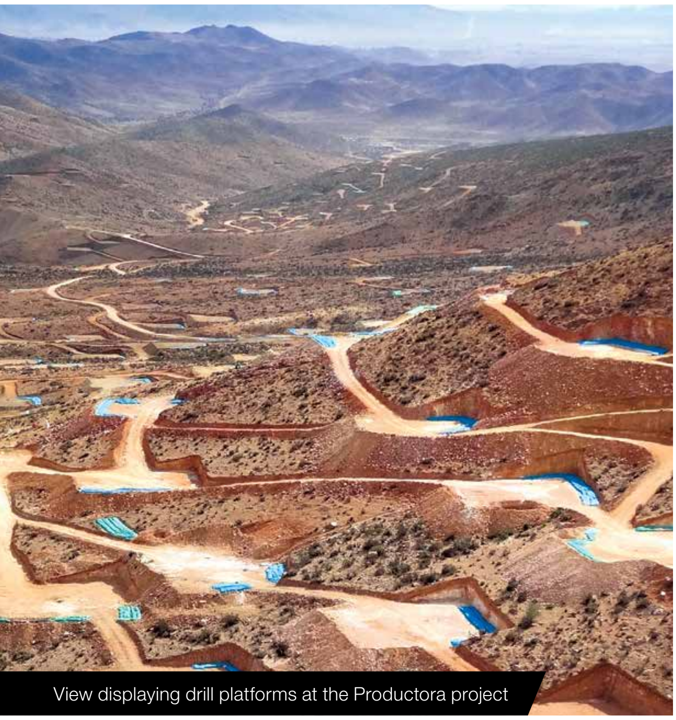
The survey results show that these targets which are in addition to the Alice copper porphyry deposit, are the likely sources of a +6.5km-long copper porphyry footprint previously identified at Productora.

The 150m Pole-Dipole Induced Polarization/ Resistivity & Magneto-Telluric (IP/MT) survey was completed by SRG to provide detailed 2D and 3D mapping of the resistivity and induced polarization parameters over the 6.5km-long porphyry-style target area at Productora.

The 26.7 line km survey enabled reasonable mapping of IP and MT to depths of approximately 700m and 1,500m respectively. Post data collection processing was subsequently completed, with review and integration of the IP/MT data with all other datasets assembled over the porphyry target area.

This review identified four large "Alice look-alike" porphyry targets immediately alongside the Main Zone in addition to potential major depth and strike extensions to the Alice deposit.

An IP/MT type section was completed across Alice to test the signature and response to known and defined copper porphyry mineralisation at the project. This type section detected a chargeable halo surrounding copper mineralisation at Alice, which was strongly correlated to pyrite zonation already defined in drilling. This feature (pyrite shell surrounding copper porphyry mineralisation) is common in other copper porphyry deposits globally and has been identified in all four "Alice look-alike" porphyry targets.


View displaying drill platforms at the Productora project

> "The latest results are considered exceptionally promising because they could lead to a significant increase in the copper inventory (currently 1Mt of copper and 675,000oz of gold) and therefore the production rate and mine life of Productora."

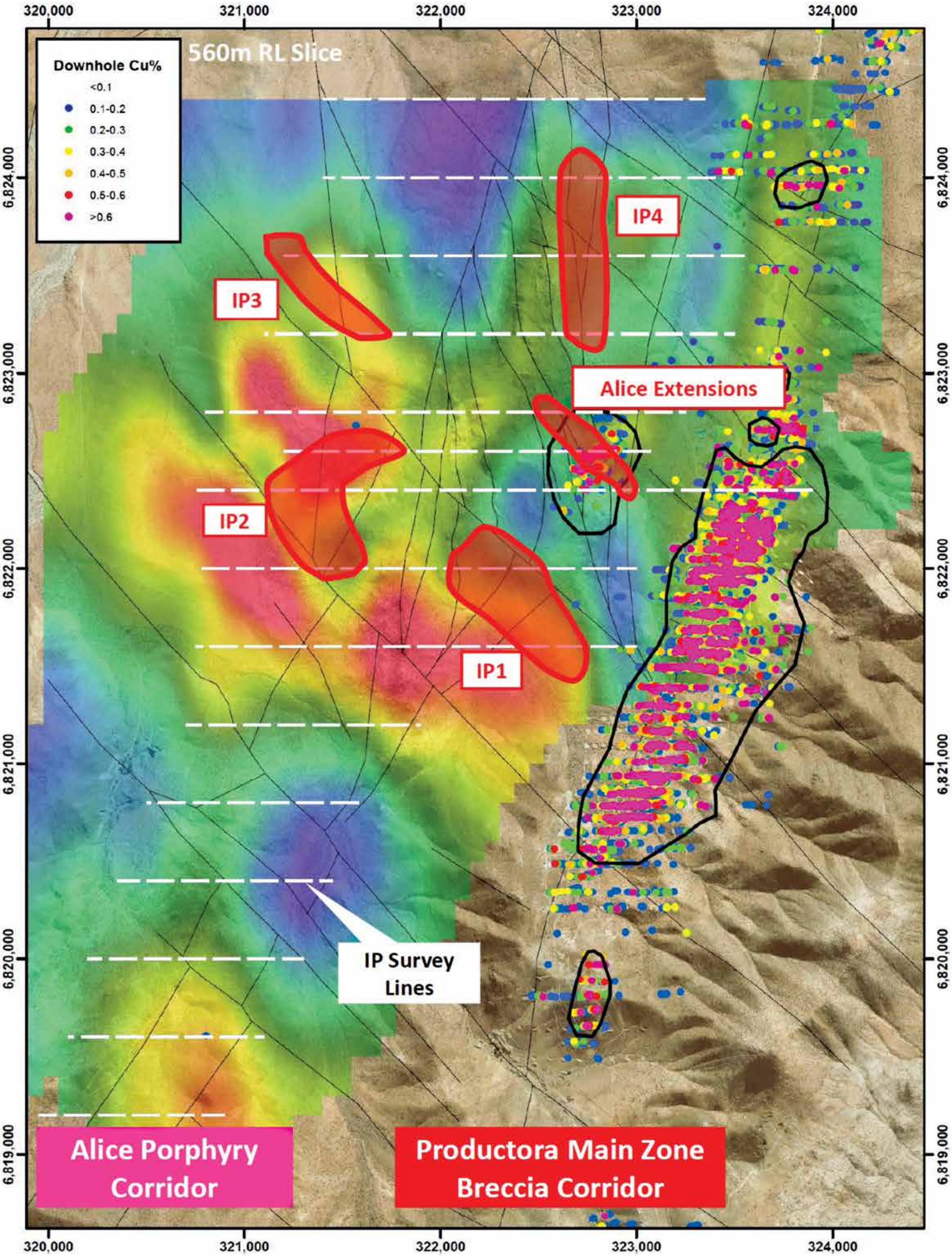
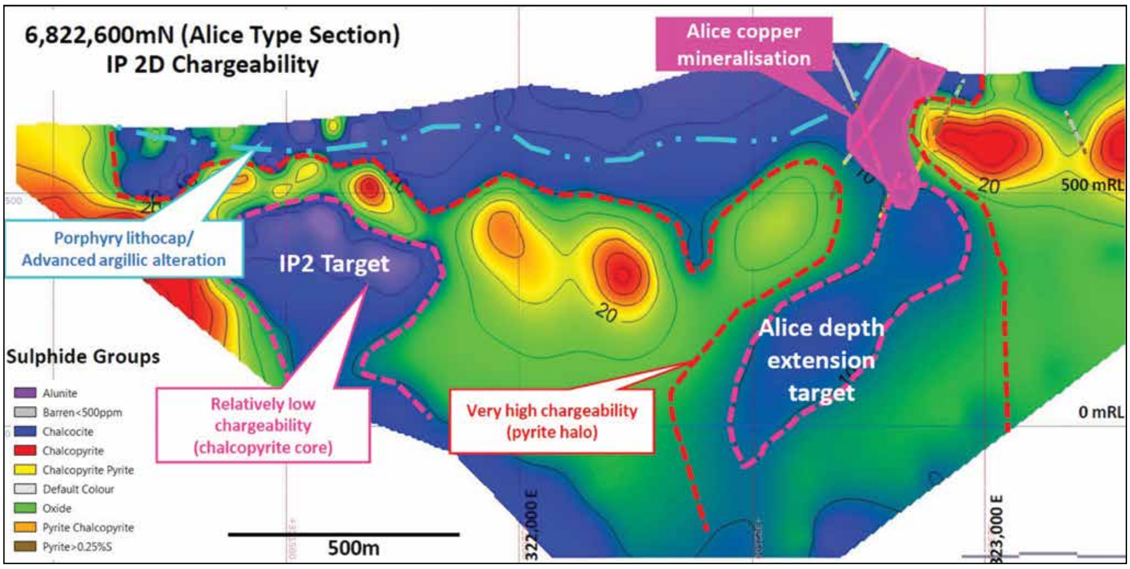


Figure 3. Plan displaying the location of new copper porphyry IP targets in relation to the Alice copper porphyry discovery and planned Productora central pit design.

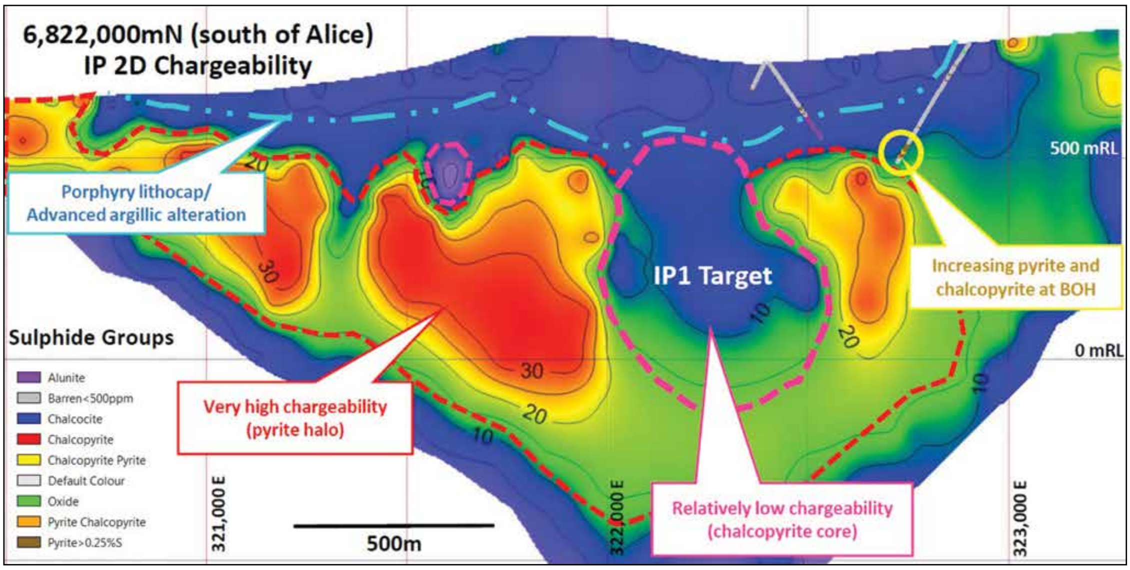
Review of Operations (cont'd)

Potential for Productora to Become a Tier 1 Project – Four Large Porphyry Targets Identified (cont'd)



Drillholes displaying sulphide alteration

Figure 4. Type Cross section across Alice copper porphyry deposit displaying the chargeability response in relation to location of new copper drilling intersections at Productora. Note the depth extension potential below Alice and also the IP2 target 1km west of Alice. Both show similar chargeability halos (interpreted pyrite zonation).



Drillholes displaying sulphide alteration

Figure 5. IP section across the IP1 copper porphyry target displaying a large chargeability halo around an elliptical large chargeability low. The interpreted lithocap overlying the target is approximately 200m in thickness from surface.

Significant exploration has been undertaken over the +6.5km long Productora copper porphyry corridor over the past 2 years since the discovery and definition of the Alice copper porphyry resource. This work has included extensive litho-structural mapping, surface geochemical surveys, geochemical drilling programmes, advanced IP/MT (Induced Polarisation & Magneto-Telluric) geophysical surveys, diamond core analysis, 3-dimensional integrated litho-chemical modelling, age dating of copper mineralisation, advanced 3-dimensional keyhole modelling as well as field work by some of the world's leading geological authorities on copper porphyry deposits.

The definition of multiple large-scale copper porphyry IP targets within the same NW-trending structural corridor that bounds the highest grade section of the Productora Main Zone mineralisation (containing the planned central pit) has provided confidence as to the potential source for copper bearing fluids within the Productora mineral system.

"Mineral Resource expanded to 1.47Mt contained copper and 0.98Moz gold from surface- and growing, and Ore Reserve tonnage near-doubled to 166.9Mt."

View over Sierra Zapallo displaying extensive historical workings at surface

Review of Operations (cont'd)

Productora Next Steps to Drive Immediate Value

Hot Chili was able to achieve or beat guidance on all of its targeted goals for the PFS. This was particularly pleasing given that a number of key study improvements had not been completed at the time the PFS was released and so were not incorporated into the study. These included the completion of a lower cost mining approach (Owner-operator) and specific capital and operating cost reduction strategies.

Despite these remaining improvements not being captured, financial benchmarking against some of the world's leading copper developments already indicates Productora is a stand-out for capital intensity, with competitive return on investment and cash costs when compared with existing long-life, large-scale global copper producers.

Planning is now underway to pursue and capture these remaining PFS opportunities through an interim engineering study which is likely to strengthen Productora's standing in relation to peer projects in the global copper development pipeline.

Preliminary assessment of work already undertaken has indicated that key metrics for the Productora PFS, including NPV, rate of return, cash costs and payback, will see significant improvement should these improvements be confirmed and captured.

In-particular, Hot Chili is targeting to shift Productora's already competitive cash cost (currently US$1.47/lb including credits) into the second quartile of global copper producers (as shown in figure 4) in advance of the commencement of the final DFS phase of investment at the project.

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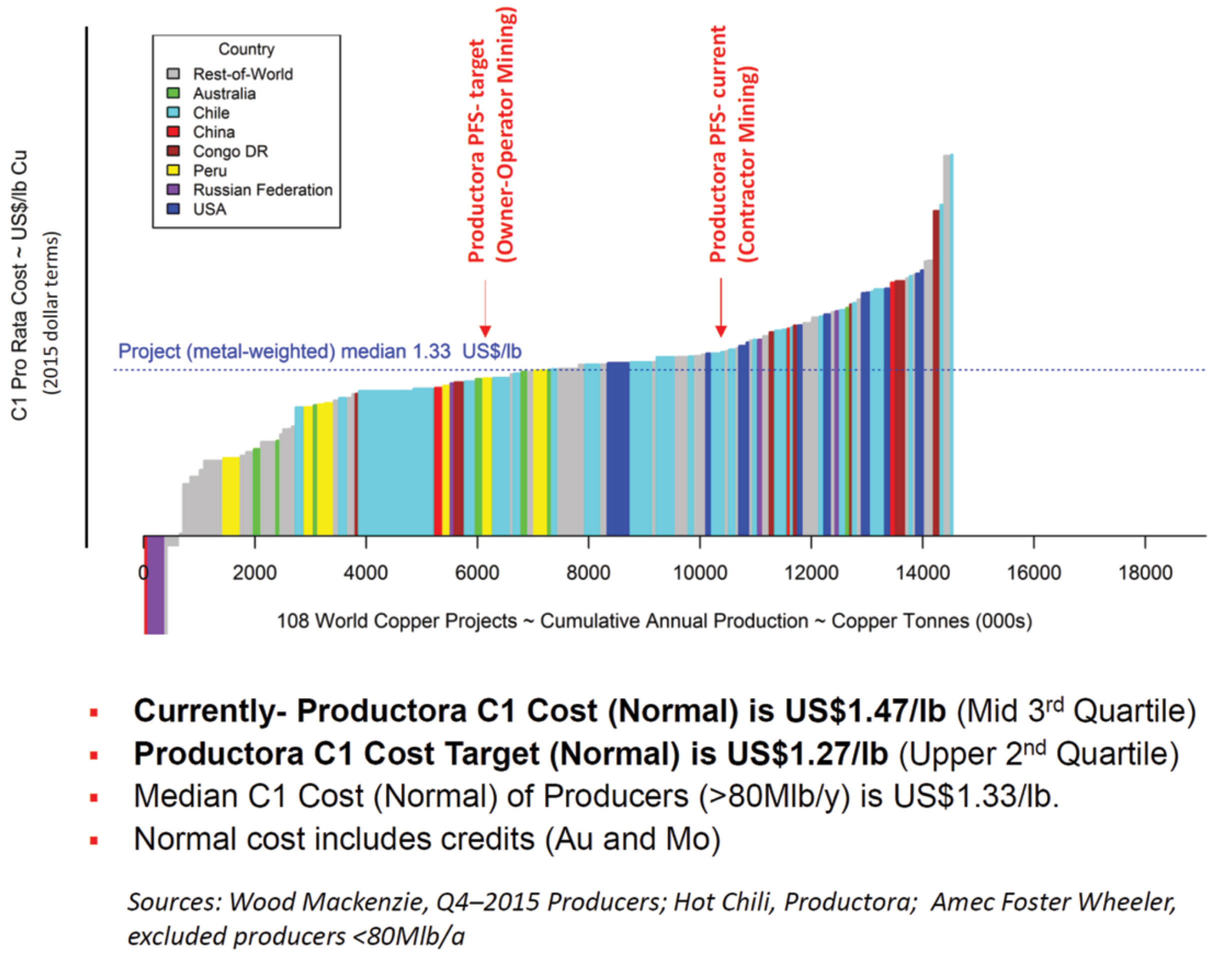


Figure 6. Productora's C1 cash cost (Normal) as per Contractor Mining approach studied in the recent PFS against Productora's targeted C1 cash cost (Normal) utilising an Owner-Operator Mining approach.

Hot Chili and CMP technical and executive teams at Productora

Hot Chili geologists conducting surface mapping and sampling at Sierra Zapallo

Review of Operations (cont'd)

Productora Pre-feasibility Study Completed

Key Study Highlights

Pre-feasibility study (PFS) confirms Productora as one of the best low-altitude and infrastructure-rich copper developments in Chile with strong potential to add further mine life and scale.

Productora already demonstrates competitive financial metrics for return on investment and capital intensity against global peers at PFS level.

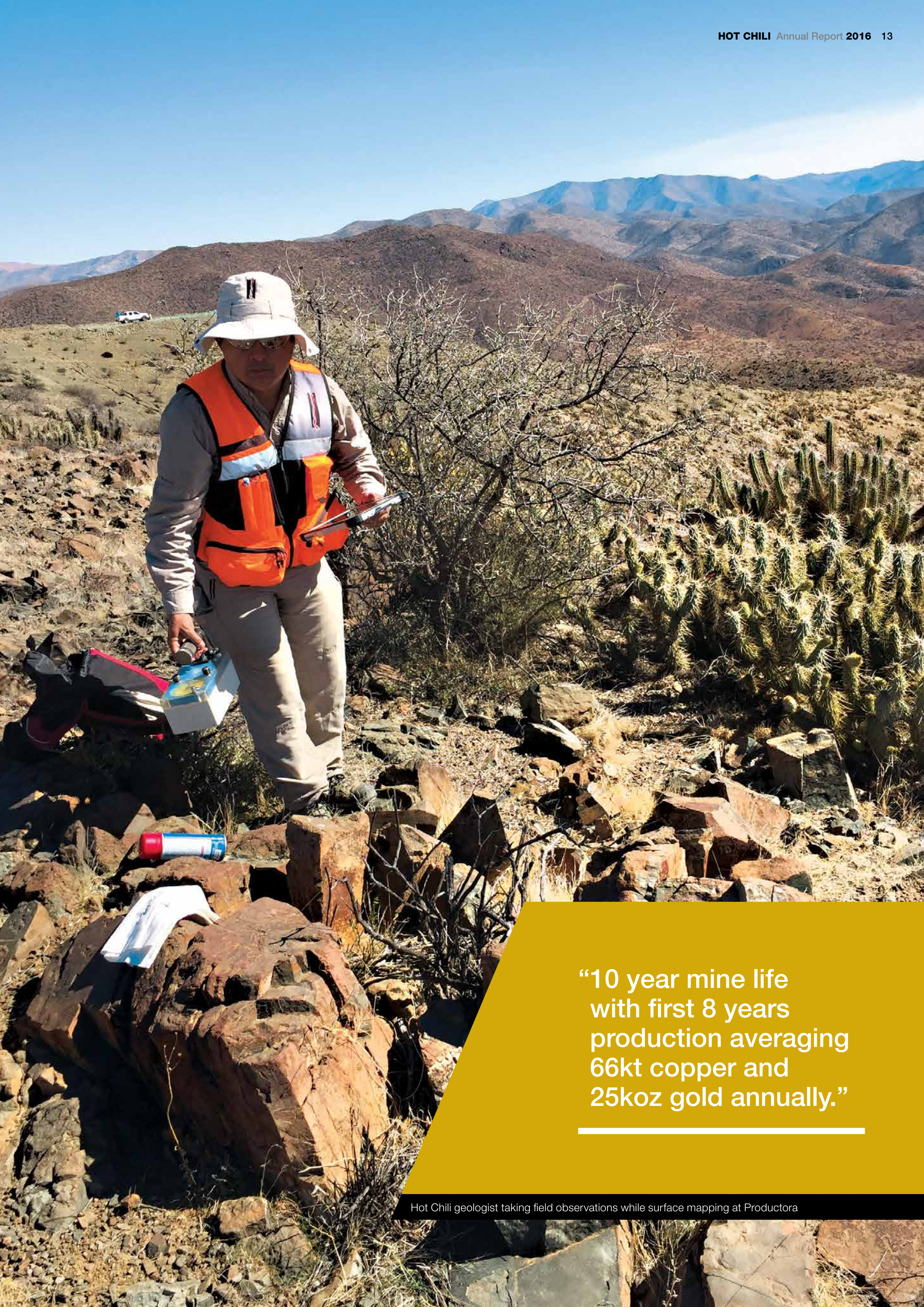
10 year mine life with first 8 years production averaging 66kt copper and 25koz gold annually.

Mineral Resource expanded to 1.47Mt contained copper and 0.98Moz gold from surface- and growing, and Ore Reserve tonnage near-doubled to 166.9Mt.

Studies were based upon open-pit mining of Productora via two large sulphide open pits and five smaller oxide open pits. Processing utilised conventional technology for a 14Mtpa sulphide concentrator and a 3.3Mtpa heap leach and Solvent Exchange and Electro-Winning (SX-EW) circuit.

Importantly the PFS was conducted using a Contractor mining option. A lower cost Owner-operator mining option was not finalised at the time the PFS was released and stands as a key improvement opportunity that the PFS will benefit from.

Diamond core logging facilities at the Productora project



"10 year mine life with first 8 years production averaging 66kt copper and 25koz gold annually."

Hot Chili geologist taking field observations while surface mapping at Productora

Review of Operations (cont'd)

Productora project definition benefits significantly from:

- Sea water processing advantages - Environmentally and economically preferable with increased recoveries in oxide ore, and significant capital cost savings associated with low-cost water pipeline (62km long pipeline and one pump station)
- Ease of connection to grid power - Only 25km of 220Kv transmission lines required to connect to the Maintencillo power substation.
- Nearby port capacity - Las Losas port facility just 40km directly west of Productora. Environmental approval already received to upgrade to a copper export terminal with PFS study scheduled to commence in co-operation with Puerto Las Losas - a Joint Venture between CAP S.A. (51%) and Agrocomercial A.S. Ltda. (49%) (see ASX announcement dated 17th February 2015).

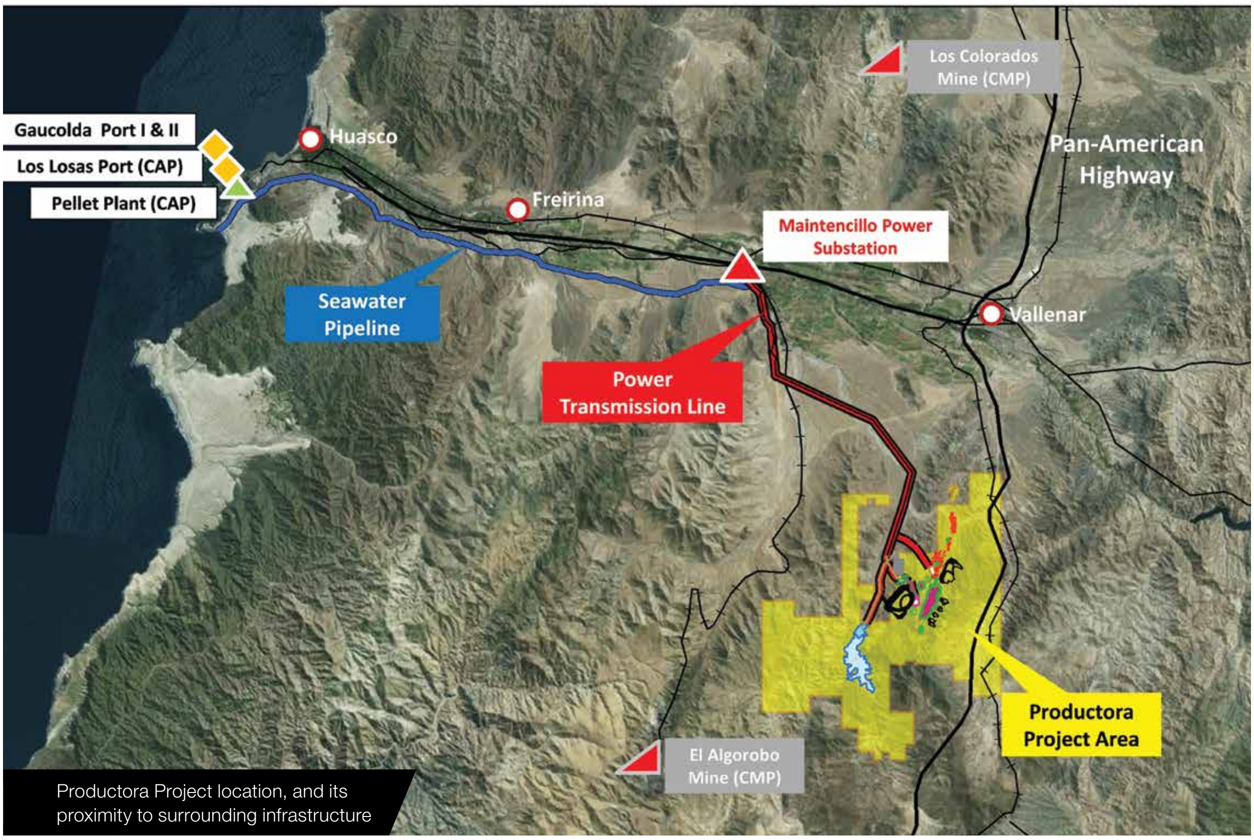
The above advantages have positioned Productora as a low-risk development option with significant infrastructure advantages already secured through completion of the Joint Infrastructure Agreement with the Company's Joint Venture (JV) project partner Compañía Minera del Pacífico S.A (CMP).

At this stage of development, Productora is underpinned by 10 years of mine life with production over the first 8 years averaging 66kt copper and 25koz gold annually. Pre-production capital of US$725 million equates to one of the lowest capital intensity projects (less than US$10,000/t annual copper equivalent production) in the global copper development pipeline.

Financially, Productora achieves a US$220 million post-tax Net Present Value (NPV) and Internal Rate of Return (Real IRR) of 15% assuming a long-term price deck of US$3.00/lb copper, US$1,250/oz gold and US$14.00/lb molybdenum at a real discount rate of 7% (nominal discount rate of 9.5%).

Cost-wise, the project is considered very competitive when compared to global copper producers with C1 cash costs of US$1.47/lb paid metal (including credits) and C3 cash costs of US$2.28/lb paid metal (including credits).

With project revenue of US$4.3 billion and a pay-back period of 3.9 years the project is highly leveraged to any increase in copper price, mine life extension and operating cost improvements.



Productora Project location, and its proximity to surrounding infrastructure

Qualifying Statements

JORC Compliant Ore Reserve Statement

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

Ore Type	Category		Grade			Contained Metal			Payable Metal		
		Tonnage	Cu	Au	Mo	Cu	Au	Mo	Cu	Au	Mo
		(Mt)	(%)	(g/t)	(ppm)	(tonnes)	(ounces)	(tonnes)	(tonnes)	(ounces)	(tonnes)
Oxide	Probable	24.1	0.43	0.08	49	103,000	59,600	1,200	55,600		
Transitional	Probable	20.5	0.45	0.08	92	91,300	54,700	1,900	61,500	24,400	800
Fresh	Probable	122.4	0.43	0.09	163	522,500	356,400	20,000	445,800	167,500	10,400
Total	Probable	**166.9**	**0.43**	**0.09**	**138**	**716,800**	**470,700**	**23,100**	**562,900**	**191,900**	**11,200**

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Note 2: Price assumptions: Cu price - US$3.00/lb; Au price US$1200/oz; Mo price US$14.00/lb. Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%. Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

JORC Compliant Mineral Resource Statements

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

Deposit	Classification		Grade			Contained Metal		
		Tonnage	Cu	Au	Mo	Cu	Au	Mo
		(Mt)	(%)	(g/t)	(ppm)	(tonnes)	(ounces)	(tonnes)
Productora	Indicated	166.8	0.50	0.11	151	841,000	572,000	25,000
	Inferred	51.9	0.42	0.08	113	219,000	136,000	6,000
	Sub-total	*218.7*	*0.48*	*0.10*	*142*	*1,059,000*	*708,000*	*31,000*
Alice	Indicated	15.3	0.41	0.04	42	63,000	20,000	600
	Inferred	2.6	0.37	0.03	22	10,000	2,000	100
	Sub-total	*17.9*	*0.41*	*0.04*	*39*	*73,000*	*23,000*	*700*
Combined	Indicated	182.0	0.50	0.10	142	903,000	592,000	26,000
	Inferred	54.5	0.42	0.08	109	228,000	138,000	6,000
	Total	***236.6***	***0.48***	***0.10***	***135***	***1,132,000***	***730,000***	***32,000***

Reported at or above 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to the nearest thousand, or if less, to the nearest hundred.

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

Deposit	Classification		Grade			Contained Metal		
		Tonnage	Cu	Au	Mo	Cu	Au	Mo
		(Mt)	(%)	(g/t)	(ppm)	(tonnes)	(ounces)	(tonnes)
Productora	Indicated	150.9	0.15	0.03	66	233,000	170,000	10,000
	Inferred	50.7	0.17	0.04	44	86,000	72,000	2,000
	Sub-total	*201.6*	*0.16*	0.04	*60*	*320,000*	*241,000*	*12,000*
Alice	Indicated	12.3	0.14	0.02	29	17,000	7,000	400
	Inferred	4.1	0.12	0.01	20	5,000	2,000	100
	Sub-total	*16.4*	*0.13*	0.02	*27*	*22,000*	*9,000*	*400*
Combined	Indicated	163.2	0.15	0.03	63	250,000	176,000	10,000
	Inferred	54.8	0.17	0.04	43	91,000	74,000	2,000
	Total	***218.0***	***0.16***	***0.04***	**58**	**341,000**	**250,000**	**13,000**

Reported at or above 0.1% Cu and below 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to the nearest thousand, or if less, to the nearest hundred. Metal rounded to the nearest thousand, or if less, to the nearest hundred.

Qualifying Statements (cont'd)

Mineral Resource and Ore Reserve Confirmation

The information in this report that relates to Mineral Resources and Ore Reserve estimates on the Productora copper projects were originally reported in the ASX announcements "Hot Chili Delivers PFS and Near Doubles Reserves at Productora" dated 2nd March 2016. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Competent Person's Statement – Exploration Results

Exploration information in this Announcement is based upon work undertaken by Mr Christian Easterday, the Managing Director and a full-time employee of Hot Chili Limited whom is a Member of the Australasian Institute of Geoscientists (AIG). Mr Easterday has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Easterday consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Competent Person's Statement – Mineral Resources

The information in this Announcement that relates to the Productora Project Mineral Resources, is based on information compiled by Mr J Lachlan Macdonald and Mr N Ingvar Kirchner. Mr Macdonald is a former employee of Hot Chili, and is currently employed by Mining Technical Solutions Pty Ltd, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Kirchner is employed by AMC Consultants (AMC). AMC has been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Mineral Resource estimates. Mr Kirchner is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Member of the Australian Institute of Geoscientists (AIG). Both Mr Macdonald and Mr Kirchner have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code 2012). Both Mr Macdonald and Mr Kirchner consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Productora site tour with CMP and Mitsubishi technical and executive teams

Competent Person's Statement – Ore Reserves

The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Registered Member of the Chilean Mining Commission (RM- a 'Recognised Professional Organisation' within the meaning of the JORC Code 2012) and a full time employee of NCL Ingeniería y Construcción SpA (NCL). Mr Caro is a former employee of Hot Chili Ltd, now working in a consulting capacity for the Company, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Member of the Chilean Mining Commission. Mr Lorenzen is employed by Mintrex Pty Ltd and is a Chartered Professional Engineer, Fellow of Engineers Australia, and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr King is employed by AMEC Foster Wheeler (AMEC FW) and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and AMEC FW have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate.
Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.
Mr Guzmán, Mr Caro, Mr Lorenzen and Mr King consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Forward Looking Statements

This Announcement is provided on the basis that neither the Company nor its representatives make any warranty (express or implied) as to the accuracy, reliability, relevance or completeness of the material contained in the Announcement and nothing contained in the Announcement is, or may be relied upon as a promise, representation or warranty, whether as to the past or the future. The Company hereby excludes all warranties that can be excluded by law. The Announcement contains material which is predictive in nature and may be affected by inaccurate assumptions or by known and unknown risks and uncertainties, and may differ materially from results ultimately achieved.

The Announcement contains "forward-looking statements". All statements other than those of historical facts included in the Announcement are forward-looking statements including estimates of Mineral Resources. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, copper, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade recovery rates from those assumed in mining plans, as well as political and operational risks and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of the Announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. All persons should consider seeking appropriate professional advice in reviewing the Announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of the Announcement nor any information contained in the Announcement or subsequently communicated to any person in connection with the Announcement is, or should be taken as, constituting the giving of investment advice to any person.

"Productora already demonstrates competitive financial metrics for return on investment and capital intensity against global peers at PFS level."

Corporate Activities

The Company is very pleased to have achieved numerous finance arrangements during the year which have significantly strengthened the Company's financial position.

The Company is also continuing to work with its partner CMP towards mapping out Productora's next steps and agreeing to potential amendments which may be incorporated into the existing CMP Option agreement.

Hot Chili Shareholders Approve CMP Transaction

Hot Chili took another key step towards development of its flagship Productora copper project in Chile, with shareholders approving a pivotal transaction with Chilean resources major CMP.

The CMP Transaction, which was approved by shareholders by General Meeting has now been fully implemented, and opens the door to funding options providing access to vital infrastructure, saving time and money in the development of Productora.

CMP is a subsidiary of Compañia de Aceros del Pacifico S.A. (CAP), Chile's largest iron ore miner and integrated steel business, and is also Hot Chili's second-largest shareholder.

Following this transaction CMP received a 17.5 percent stake in Productora in exchange for Productora securing access to critical infrastructure and CMP's interest in certain mining rights at the project. CMP also has an Option to increase its stake in Productora to 50.1 per cent at a price of between US$80 million and US$110 million (see separate ASX announcement re Notice of Meeting and full Independent Expert's Report dated March 19th March, 2015).

The CMP Transaction has provided significant advantages, in particular:

1. Providing the Company with the critical infrastructure necessary to develop the Productora Project faster than otherwise;
2. Providing the Company with funds that it can use to contribute to its portion of development costs for the Productora Project;
3. Introducing a partner at a project level with operational strength and significant local knowledge and experience to assist with the development of the Productora Project; and
4. Reducing the development risk of the Productora Project.

The Company is now strongly positioned to develop a large-scale copper business in partnership with one of Chile's largest mining groups.

The CMP Transaction is the outcome of over two years of co-operation, due diligence and negotiation between Hot Chili and CMP, and is considered a fundamental milestone for the Company.

Hot Chili geologists at Productora

Material terms of CMP Transaction which was completed in August 2015 are outlined below.

In June 2015, Hot Chili entered into binding contracts with its joint venture partner, Compañía Minera del Pacífico S.A (CMP), and its wholly owned subsidiary, CMP Productora SpA (CMP Productora), to undergo a restructure of its joint venture arrangements with CMP (CMP Transaction).

The CMP Transaction saw the establishment of an incorporated joint venture to develop the Productora Project to production. The incorporated joint venture company is Hot Chili's Chilean subsidiary, Sociedad Minera El Águila SpA (SMEA).

The material terms of the CMP Transaction are as follows:

(a) Acquisition of assets and establishment of joint venture

CMP Productora exchanged the following assets for a 17.5% interest in Hot Chili's subsidiary, SMEA:

i) CMP's mining concessions at Productora;

ii) contractual rights to be the beneficiary of mining easements over CMP controlled land related to a proposed water pipeline and electricity lines from Productora to the coast near Huasco; and

iii) certain surface rights over the proposed mining development area of the Productora Project.

CMP Productora merged with SMEA under a Chilean legal process known as merger by incorporation, following which SMEA became a special purpose joint venture company that holds and operates the Productora Project. SMEA is now owned by Hot Chili's subsidiary SMECL (82.5%) and CMP (17.5%).

CMP is currently free-carried (i.e. not required to contribute to funding) until a preliminary feasibility study of the Productora Project (PFS) is completed. CMP will then be responsible for funding its proportionate share of expenditure or it will be subject to dilution of its interest.

(b) Grant of Option

SMEA granted CMP an option to acquire further shares in SMEA such that upon exercise of the option, CMP will be entitled to acquire a further 32.6% interest, taking its total interest up to 50.1%, by acquiring existing shares from SMECL (Option).

CMP paid US$1.5 million for the grant of the Option. This fee and the balance of any loan provided by CMP to Hot Chili or its subsidiaries is to be off-set against any exercise price payable.

The additional 32.6% shareholding interest in SMEA that CMP may acquire (Option Shares) will be determined by reference to a valuation (discussed below) and will have a minimum value of US$80 million and a maximum value of US$110 million.

The Option will be exercisable in two separate tranches on key milestones being satisfied.

Tranche 1

The exercise price for the first tranche of the Option is US$26 million (Tranche 1).

The number of SMEA shares to be acquired under Tranche 1 is to be calculated by dividing US$26 million by the value of SMEA shares.

For this purpose, the price per share will be determined by dividing the total number of shares on issue by the higher of US$245,398,733 and the value determined by an independent valuation of SMEA (Valuation) capped at US$337,423,313.

If Tranche 1 is exercised, CMP's percentage interest in SMEA will be between:

- 10.6% (based on the minimum Valuation of the Option Shares of US$80 million); and
- 7.71% (based on the maximum Valuation of the Option Shares of US$110 million).

Tranche 1 can be exercised following completion of a preliminary feasibility study of the Productora Project, the Valuation being completed and a preliminary decision to mine at Productora being made.

Corporate Activities (cont'd)

Tranche 2

Tranche 2 of the Option allows CMP to increase its shareholding in SMEA to 50.1%, being an acquisition of between:

- 22% for US$54 million if the results of the Valuation are at the low end of the price range; and
- 24.89% for US$84 million if the results of the Valuation are at the high end of the price range.

The Tranche 2 exercise price will be the balance of the amount of the Valuation. The price per share will be the same value as that determined for Tranche 1.

Tranche 2 is exercisable following completion of a definitive/bankable feasibility study of the Productora Project, final project finance being secured and a final decision to mine at Productora being made.

(c) US$13 million loan under CMP facility

CMP is to make a US$13 million secured loan facility available to SMECL following receipt of the exercise price for Tranche 1 (CMP Facility).

The CMP Facility will have a term of up to 24 months from first draw down. The loan will be repayable in full on the earlier of 24 months from becoming available for drawdown and the date on which the exercise price for Tranche 2 is payable.

Interest will accrue on the drawn portion of the loan facility per semester. The interest rate will be, at Hot Chili's election, either a fixed rate of 10% per annum or a rate of 8% per annum with a 1% upfront payment commitment.

The CMP Facility will be secured against substantially all real and personal property assets of SMECL. Both Hot Chili and SMEA will provide secured guarantees.

(d) Exit rights

CMP has certain rights to exit its investment in the joint venture by selling its SMEA shares to SMECL in the following circumstances:

If CMP elects not to exercise Tranche 1 but a preliminary decision to mine is made by Hot Chili, CMP will have the right to either retain its shareholding interest (subject to standard dilution provisions) or to transfer its shareholding interest in SMEA to SMECL for an amount equal to 17.5% of the Valuation (capped at US$59,049,080), payable within 24 months after 4 January 2016.

- If CMP elects not to exercise Tranche 2, it may:
  - retain its shareholding interest (subject to standard dilution provisions);
  - transfer its shareholding interest in SMEA to a third party; or
  - sell its shareholding interest in SMEA to SMECL for an amount proportionate to the interest it holds in SMEA as a percentage of the Valuation amount, with the purchase price to be paid upon project financing for the Productora Project being secured.

If both parties determine not to proceed prior to exercise of Tranche 1, then: the merger between SMEA and CMP Productora will be terminated and deemed not to have had effect; SMEA must transfer back the assets acquired from CMP Productora under the merger; and SMECL must return the US$1.5 million fee paid for the Option.

The exit rights are structures such that if Hot Chili is unable to proceed with the development of the Productora Project for whatever reason, Hot Chili will not be required to pay cash for the acquisition of CMP's interest in SMEA, and may instead transfer back the merger assets to CMP.

"The Placement, which originally targeted A$2.5 million, was heavily oversubscribed and the Company agreed to accept over-subscriptions up to a maximum A$4.4 million."

CMP Purchase Additional Stake in Productora for US$1.5 Million

In June 2016 Hot Chili's Chilean Joint Venture partner Compañía Minera del Pacífico S.A. (CMP) purchased an additional 2.5% interest in the Productora copper project for US$1.5 million.

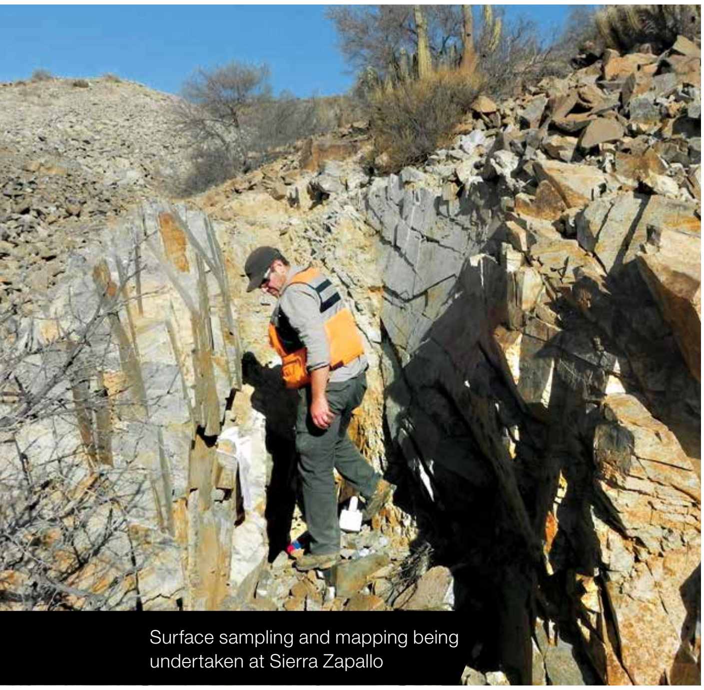
The additional stake now takes CMP's interest in Productora to 20%.

The project level transaction values Hot Chili's 80% interest in Productora at circa A$64 million, several multiples above the Company's current market capitalisation. It also demonstrates CMP's ongoing participation in the development of Productora.

Sprott Loan Reduced and Extended

Funds from the June 2016 CMP Transaction were fully applied to reducing Hot Chili's loan facility (Facility) with Sprott Resource Lending Partnership (Sprott).

On Thursday 30th June, Hot Chili reduced the Sprott Facility balance to US$6.5 million through the payment of US$3 million. In addition, Sprott and Hot Chili have executed a 12 month extension to the Facility which will now be due for repayment on 30th June 2017.



Surface sampling and mapping being undertaken at Sierra Zapallo

Completion of A$1.6 Million Placement to Strategic Shareholders

In the second quarter 2016 Hot Chili closed a A$1.6 million placement to two of its major shareholders with new shares issued at A$0.07 each.

The placement was subscribed by two of Hot Chili's largest shareholders- Taurus Funds Management (Taurus) and CAP, the parent company of Compañía Minera del Pacífico S.A. (CMP), Hot Chili's joint venture partner at Productora.

Funds from the placement assisted in providing further working capital for the Company, including the completion of the Productora Pre-feasibility Study (PFS), which was completed and announced on the 2nd March 2016.

Oversubscribed A$4.4 Million Placement

In July 2016, Hot Chili also successfully arranged a placement to sophisticated and institutional investors through the issue of New Shares at 5 cents per share (the "Placement"). The issue price represented a discount of 10.7% to Hot Chili's previous close of 5.6 cents.

The Placement, which originally targeted A$2.5 million, was heavily oversubscribed and the Company agreed to accept over-subscriptions up to a maximum A$4.4 million.

Funds from the Placement will be used to advance an assessment of the exciting high-grade Sierra Zapallo gold deposit as well as to provide general working capital for Hot Chili.

The Placement saw strong demand from existing major shareholders as well as professional and sophisticated investors in Australia.

Hartleys Limited acted as Sole Lead Manager and Corporate Advisor to the Placement.

Hot Chili Successful with Third VAT Recovery Application

The Company received a VAT refund payment from the Chilean Taxation Authority of A$0.65 million equivalent in Chilean pesos on 5th February 2016. These funds were in turn used as a partial repayment of the Sprott Facility, as outlined previously.

The VAT refund payment relates to the future exporting capacity of Hot Chili's Productora copper project in Chile. Hot Chili is able to claim VAT Refund Payments for ongoing expenditure up to US$643 million over the course of its development activities at Productora.

Hot Chili field team taking field observations at Productora

Directors' Report

Directors' Report

Your Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2016 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
Chairman

Christian E Easterday
Executive Director

Dr Michael Anderson
Non-Executive Director

Dr Allan Trench
Independent Non-Executive Director

Roberto de Andraca Adriasola
Non-Executive Director

Melanie Leighton
Alternate for M Black appointed 6 November 2015

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 41 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 18 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.

Dr Allan Trench
Non-Executive Director

Dr Trench is a geologist/geophysicist and business management consultant with over 25 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Dr Trench holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts or acted as independent director to Pioneer Resources Ltd, commenced 5 September 2008, Enterprise Metals Ltd, commenced 3 April 2012, Trafford Resources Ltd, commenced 7 May 2012, resigned 22 May 2015, and Emmerson Resources Ltd, commenced 3 March 2015.

Dr Trench 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.

Dr Trench maintains academic links as a Professor at the University of Western Australia (UWA) Business School and also research professor at the Centre for Exploration Targeting, UWA.

Dr Michael Anderson
Non-Executive Director

Dr Anderson has more than 23 years industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. Dr Anderson subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited and, as Managing Director at Exco Resources Limited where he oversaw the successful development of the White Dam Gold Project and the sale of the Company's Cloncurry Copper Project to Xstrata.

Dr Anderson joined specialist resource investor Taurus Funds Management Pty Ltd as a Director in August 2011. He was appointed as a Non-Executive Director of Base Resources Ltd on 28 November 2011 and also as a Non-Executive Director of Ampella Mining Ltd on 18 June 2012, resigned 26 February 2014 and P M I Gold Corporation on 15 May 2013, resigned on 6 February 2014.

Directors' Report (cont'd)

Roberto de Andraca Adriasola
Non-Executive Director

Mr de Andraca Adriasola is a business manager with 23 years' experience in the financial and mining business. Over the last five years he has been working in the main Iron Ore and Steel Producer in Chile, CAP S A and is currently the Vice President of Business Development overseeing infrastructure development and new business related to noncore assets. He also oversaw the construction of the first desalination plant dedicated 100% to producing water for mining companies in the north of Chile. Mr de Andraca Adriasola has finance experience working at Chase Manhattan Bank, ABN Amro and Citigroup, working both in Chile and in New York and holds an MBA from the Adolfo Ibanez Business School of Chile. He is currently a director of Puerto Los Losas, a port in the Atacama Region of Chile.

Melanie Leighton
Alternate Director

Ms Leighton holds a degree in Geology from the University of Western Australia, is a Member of the Australian Institute of Geoscientists, and has greater than 16 years' experience within the mineral exploration industry. She has held project and senior geologist roles with several Australian listed companies including Hill 50 Gold and Terra Gold, gaining practical and management experience within the areas of exploration, mining and resource development. Ms Leighton has extensive experience in mineral exploration and resource development and acts in a project management role for Hot Chili in regard to resource estimation, land management, systems development and data integration and stakeholder relations.

Corporate Information

Hot Chili Limited 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 2016 was a loss of $9,588,883 (2015: loss $8,654,770).

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 4 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

In July 2016 Hot Chili successfully completed a placement to sophisticated and institutional investors through the issue of new shares at an average price of 5 cents per share. The Placement, which originally targeted A$2.5 million, was heavily oversubscribed and the Company agreed to accept over-subscriptions to raise A$4.4 million.

Funds from the Placement will be used to advance an assessment of the exciting high-grade Sierra Zapallo gold deposit at Productora, as well as to provide general working capital for the Company.

The Placement saw strong demand from existing major shareholders, as well as professional and sophisticated investors in Australia and Chile.

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2016 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 2016.

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.

Corporate Governance Statement

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. It is committed to administering its corporate governance structures to promote integrity and responsible decision making.

The Company's corporate governance structures, policies and procedures are described in its Corporate Governance Statement which is available on the Company's website at http://www.hotchili.net.au/about/corporate-governance-procedures-and-policies/

Security Holding Interests of Directors

	Ordinary Shares		Options Over Ordinary Shares	
Directors	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**
Murray E Black	-	21,599,242	-	-
Christian E Easterday	300,000	16,750,000	-	-
Dr Allan Trench	-	41,400	-	-
Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	-	40,000	-	-
Melanie Leighton (Alternate for M Black)	40,000	-	-	-

Shares under Option

There were 11,000,000 ordinary shares under option at 30 June 2016.

Shares Issued on the Exercise of Options

There were no ordinary shares of Hot Chili Limited issued during the year ended 30 June 2016 from the exercise of options.

Options Lapsed/ Cancelled During the Year

No options lapsed or were cancelled during the year.

Directors Benefits

Since 30 June 2016, 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 - John Sendziuk

John Sendziuk is a Chartered Accountant. He has 29 years' experience in 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.

Indemnification and Insurance of Auditor

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or related entity.

Directors' Report (cont'd)

Directors' Meetings

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

Directors	Eligible Meetings while in office	Eligible Meetings attended
Murray E Black	16	15
Michael Anderson	16	14
Christian E Easterday	16	15
Dr Allan Trench	16	14
Roberto de Andraca Adriasola	16	10
Melanie Leighton (Alternate for M Black)	1	1

Environmental Issues

The consolidated entity's exploration and mining operations are subject to environment regulation under the law of Chile. No bonds are necessary in respect of the consolidated entity's tenement holdings.

The Directors advise that during the year ended 30 June 2016 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached.

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 2015 to 30 June 2016, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

Occupational Health and Safety

Health and Safety actions are framed within the "Quality, Environment, Safety and Occupational Health Integrated Policy" that states people´s health and safety is safeguarded within the different fields of our activity. Hot Chili Limited strictly follows the Chilean safety rules and communicates a set of key performance indicators to the Chilean Mining Safety Authority on a monthly basis. Health and Safety activities follow an action plan aimed to prevent and control different forms of risk at company operations. The plan covers specific areas such as the Compliance of Legal and Other Standards, Risk Assessment and Control, Occupational Health, Emergency Response, Training, Incidents - Corrective and Preventive Action, Management of Contractors and Suppliers, Audit and Management Review.

Hot Chili Limited provides continuous training to enable employees to perform their work safely and efficiently. Training focuses on six areas where the risks are more evident according to the nature of our operations: Safe Driving, Drilling Platform Operations, Emergency Plans and Protection from Ultraviolet Radiation, Dust and Noise Emissions.

In terms of Safety performance, "Lost Time Incident Frequency Rate (LTIFR*)" is the main indicator we monitor to make sure our action plan remains effective and relevant. Our LTIFR during the last 24 months (until 30th June 2016) is 16.7.

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 Australia Partners, have been disclosed in Note 16.

* *LTIFR: number of lost time injuries in accounting period / total hours worked in accounting period * 1,000,000*

Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and is included within this annual report.

Remuneration Report (Audited)

The information provided in this remuneration report has been audited.

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 1 July 2013. All director fees are periodically recommended for approval by shareholders.

The consolidated entity's policy regarding executive's 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:

	Short-term				Post Employment	Share-based Payments	
Name	**Consulting Fees Related Parties $**	**Salary $**	**Directors' Fee $**	**Other Benefits $**	**Super-annuation $**	**Options $**	**Total $**
2016							
Murray E Black	-	-	29,583	-	3,550	-	**33,133**
Dr Michael Anderson	41,986	-	-	-	-	-	**41,986**
Roberto de Andraca Adriasola	-	-	19,600	-	-	-	**19,600**
Christian E Easterday		291,600	-	-	32,292	-	**323,892**
Dr Allan Trench	-	-	37,800	-	4,186	-	**41,986**
	41,986	**291,600**	**86,983**	**-**	**40,028**	**-**	**460,597**
2015							
Murray E Black	-	-	71,000	-	8,520	-	**79,520**
Dr Michael Anderson	47,040	-	-	-	-	-	**47,040**
Roberto de Andraca Adriasola	-	-	51,660	-	-	-	**51,660**
Christian E Easterday	-	342,000	-	-	41,040	-	**383,040**
Dr Allan Trench	-	-	42,000	-	5,040	-	**47,040**
	47,040	**342,000**	**164,660**	**-**	**54,600**	**-**	**608,300**

Remuneration Report (Audited) (cont'd)

Other Transactions With Directors

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $41,986 (2015: $47,040) in directors and consulting fees.

Blue Spec Sondajes Chile Limitada, a company of which Mr Black is a director, was paid $1,570,540 (2015: $7,249,756) for drilling, out of this balance Nil (2015: $908,343) was still owing to the related party at the end the financial year.

All payments were made at recognised commercial rates.

Remuneration of Key Management Personnel

	Short-term			Post Employment	Share-based Payments	
Name	**Consulting Fees Related Parties $**	**Salary $**	**Other Benefits $**	**Super-annuation $**	**Options $**	**Total $**
2016						
Rodrigo Diaz (Manager Chile) Resigned 16 February 2016	-	252,134	-	-	-	**252,134**
John Sendziuk (Company Secretary)	-	60,000	-	6,575	-	**66,575**
Melanie Leighton (Corporate Projects Manager / Alternate Director)	-	202,500	-	22,425	-	**224,925**
Jose Ignacio Silva (Chief Legal Counsel)	-	193,138	-	-	-	**193,138**
	-	**707,772**	**-**	**29,000**	**-**	**736,772**
2015						
Rodrigo Diaz (Manager Chile)	-	209,896	-	-	-	**209,896**
John Sendziuk (Company Secretary)	-	60,000	-	7,200	-	**67,200**
Melanie Leighton (Corporate Projects Manager)	-	225,000	-	27,000	-	**252,000**
Jose Ignacio Silva (Chief Legal Counsel)	-	209,896	-	-	-	**209,896**
	-	**704,792**	**-**	**34,200**	**-**	**738,992**

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 2016, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, is set out below. There were no shares granted as compensation during the year.

	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
2016				
Directors				
Murray E Black	16,750,000	-	4,849,242	21,599,242
Christian E Easterday	17,050,000	-	-	17,050,000
Dr Allan Trench	41,400	-	-	41,400
Dr Michael Anderson**	-	-	-	-
Roberto de Andraca Adriasola	40,000	-	-	40,000
	33,881,400	**-**	**4,849,242**	**38,730,642**
Key Management Personnel				
John Sendziuk	970,000	-	-	970,000
Rodrigo Diaz*	31,511	-	(31,511)	-
Melanie Leighton	40,000	-	-	40,000
Jose Ignacio Silva	270,000	-	-	270,000
	1,311,511	**-**	**(31,511)**	**1,280,000**
Total	**35,192,911**	**-**	**4,817,731**	**40,010,642**
2015				
Directors				
Murray E Black	16,750,000	-	-	16,750,000
Christian E Easterday	17,050,000	-	-	17,050,000
Dr Allan Trench	41,400	-	-	41,400
Dr Michael Anderson**	-	-	-	-
Roberto de Andraca Adriasola	20,000	-	20,000	40,000
	33,861,400	**-**	**20,000**	**33,881,400**
Key Management Personnel				
John Sendziuk	1,150,000	-	(180,000)	970,000
Rodrigo Diaz	31,511	-	-	31,511
Melanie Leighton	40,000	-	-	40,000
Jose Ignacio Silva	-	-	270,000	270,000
	1,221,511	**-**	**90,000**	**1,311,511**
Total	**35,082,911**	**-**	**110,000**	**35,192,911**

* *Rodrigo Diaz resigned on 16 February 2016.*

** *There are no shares held during the financial year and up to 30 June 2016 by the director.*

Remuneration Report (Audited) (cont'd)

Options

There are no options over ordinary shares held during the financial year, and up to 30 June 2016 by the directors 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

a) 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 $259,200 after voluntary reductions, plus superannuation at the rate of 9.5% 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 9 October 2013. At least 6 months' before the End Date, either party may give notice that the agreement will terminate on the End date.

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 or 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.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016 $	**2015 $**	**2014 $**	**2013 $**	**2012 $**
Revenue	186,665	71,601	538,546	208,525	820,067
Expenses	(9,775,548)	(8,726,371)	(9,152,108)	(4,576,271)	(3,714,549)
EBITDA	(7,153,060)	(6,290,813)	(6,542,811)	(4,277,099)	(2,885,962)
EBIT	(7,234,332)	(6,399,228)	(6,664,920)	(4,367,746)	(2,894,482)
Loss after income tax	(9,588,883)	(8,654,770)	(8,613,562)	(4,367,746)	(2,894,482)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

Share price at financial year end ($)	0.06	0.10	0.19	0.49	0.41
Basic earnings per share (cents per share)	(2.22)	(2.47)	(2.67)	(1.68)	(1.64)

End of Remuneration Report

Dated this 29th day of September 2016 in accordance with a resolution of the Directors and signed for on behalf of the Board by:

Christian E Easterday
Managing Director

Auditors' Independence Declaration

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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 2016, 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
RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2016

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Independent Auditors' Report

RSM

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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 2016, the consolidated statement of profit or loss and other 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, 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.

RSM

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 2016 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of $9,588,883 and had cash outflows from operating activities of $3,270,894 and from investing activities of $5,360,851 for the year ended 30 June 2016. As at that date, the consolidated entity had net current liabilities of $11,268,529. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

RSM

RSM AUSTRALIA PARTNERS

AWhyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2016

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; and

   b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

2. 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.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

Christian E Easterday
Managing Director

Dated this 29th day of September 2016

FOR THE YEAR ENDED 30 JUNE 2016

Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income

		Consolidated Entity	
		2016	2015
	Note	$	$
Interest income	4	18,694	35,475
Other income	5	167,971	36,126
		186,665	**71,601**
Depreciation		(81,272)	(108,415)
Exploration expenses written off	10	(4,631,404)	(1,703,888)
Corporate fees		(80,891)	(115,629)
Legal and professional		(82,234)	(403,939)
Employee benefits expense		(933,990)	(1,177,518)
Administration expenses		(672,670)	(888,154)
Accounting fees		(119,124)	(69,444)
Travel costs		(122,434)	(235,074)
Other expenses		(212,285)	(745,112)
Foreign exchange loss		(484,693)	(1,023,656)
Finance costs		(2,354,551)	(2,255,542)
Loss before income tax		(9,588,883)	(8,654,770)
Income tax expense	6	-	-
Loss after income tax		(9,588,883)	(8,654,770)
Other comprehensive income		-	-
Total Comprehensive Loss		**(9,588,883)**	**(8,654,770)**
Loss attributable to:			
Non-controlling interests		(89,230)	-
Owners of Hot Chili Limited		(9,499,653)	(8,654,770)
		(9,588,883)	**(8,654,770)**
Basic earnings per share (cents)	15	(2.22)	(2.47)
Diluted earnings per share (cents)	15	(2.22)	(2.47)

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

Statement of Financial Position

		Consolidated Entity	
		2016	2015
	Note	$	$
Current Assets			
Cash and cash equivalents	7	221,576	7,112,498
Other current assets	8	133	43,880
Total Current Assets		221,709	7,156,378
Non-Current Assets			
Plant and equipment	9	325,086	406,358
Exploration and evaluation expenditure	10	106,335,730	83,626,283
Total Non-Current Assets		106,660,816	84,032,641
Total Assets		**106,882,525**	**91,189,019**
Current Liabilities			
Trade and other payables	11	2,737,208	1,660,334
Borrowings	12	8,753,030	13,020,833
Total Current Liabilities		11,490,238	14,681,167
Total Liabilities		11,490,238	14,681,167
Net Assets		**95,392,287**	**76,507,852**
Equity			
Contributed equity	13	117,209,608	112,746,883
Option reserve	14(b)	1,125,616	1,125,616
Foreign currency translation reserve	14(c)	1,222	1,222
Accumulated losses	14(a)	(42,515,299)	(37,365,869)
Capital and reserves attributable to owners of Hot Chili Limited		75,821,147	76,507,852
Non-controlling Interests	14(d)	19,571,140	-
Total Equity		**95,392,287**	**76,507,852**

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

FOR THE YEAR ENDED 30 JUNE 2016

Statement of Changes in Equity

Consolidated Entity	Contributed Equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2015	112,746,883	1,125,616	1,222	(37,365,869)	-	76,507,852
Loss for the year	-	-	-	(9,499,653)	(89,230)	(9,588,883)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(9,499,653)**	**(89,230)**	**(9,588,883)**
Shares issued	4,493,253	-	-	-	-	4,493,253
Share issue costs	(30,528)	-	-	-	-	(30,528)
Transactions with non-controlling interests	-	-	-	4,350,223	19,660,370	24,010,593
Balance at 30 June 2016	**117,209,608**	**1,125,616**	**1,222**	**(42,515,299)**	**19,571,140**	**95,392,287**
Balance at 1 July 2014	106,669,091	2,114,926	1,222	(29,700,409)	-	79,084,830
Loss for the year	-	-	-	(8,654,770)	-	(8,654,770)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(8,654,770)**	**-**	**-**
Shares issued	6,114,433	-	-	-	-	6,114,433
Share issue costs	(36,641)	-	-	-	-	(36,641)
Transfer to accumulated losses	-	(989,310)	-	(989,310)	-	-
Balance at 30 June 2015	**112,746,883**	**1,125,616**	**1,222**	**(37,365,869)**	**-**	**76,507,852**

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

Statement of Cash Flows

		Consolidated Entity	
		2016	2015
	Note	$	$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,774,009)	(6,085,871)
Interest payment		(1,683,550)	(1,456,490)
Interest received		18,694	35,475
Other receipts		167,971	36,126
Net cash used in operating activities	18(b)	(3,270,894)	(7,470,760)
Cash Flows from Investing Activities			
Payments for plant and equipment		-	(33,118)
Payments for exploration and evaluation		(6,010,734)	(15,572,023)
VAT refund		649,883	11,123,573
Net cash used in investing activities		(5,360,851)	(4,481,568)
Cash Flows from Financing Activities			
Proceeds from issue of shares		4,493,253	5,463,471
Share issue costs		(30,528)	(36,641)
Finance costs		-	(148,090)
Proceeds from sale of investment		2,030,594	-
Repayment of borrowings		(4,764,579)	-
Net cash provided by financing activities		1,728,740	5,278,740
Net (decrease) in cash held		(6,903,005)	(6,673,588)
Cash and cash equivalents at the beginning of the financial year		7,112,498	12,762,430
Effects of exchange rates on cash holdings in foreign currencies		12,083	1,023,656
Cash and cash equivalents at the end of the financial year	18(a)	**221,576**	**7,112,498**

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

Notes to the Financial Statements

1 Summary Of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held -for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short -term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

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*.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial report was authorised for issue on 29th September 2016 by the Board of Directors.

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

Notes to the Financial Statements(cont'd)

1 Summary of Significant Accounting Policies (cont'd)

Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a net loss of $9,588,883 and had cash outflows from operating activities of $3,270,894 and from investing activities of $5,360,851 for the year ended 30 June 2016. As at that date, the consolidated entity had net current liabilities of $11,268,529.

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors believe there are reasonable grounds to believe that the consolidated entity will be able to continue as going concern, after consideration of the following factors:

- On 8 July 2016, Hot Chili announced that it had successfully arranged a placement to sophisticated and institutional investors through the issue of new shares at 5 cents per share to raise A$4.4 million in funds. The placement, which originally targeted A$2.5 million, was heavily oversubscribed. Funds from the placement are being used to advance an assessment of the exciting high-grade Sierra Zapallo gold deposit as well as to provide general working capital for Hot Chili. This recent capital raising has significantly strengthened the consolidated entity's working capital position. The placement was completed on 26 August 2016. The company will continue to assess opportunities to issue additional shares under the *Corporations Act 2001* to raise further working capital on an ongoing basis.
- As disclosed in Note 24(c), on 24 June 2016, Hot Chili's Chilean joint venture partner Compañía Minera del Pacífico S.A. (CMP), had purchased an additional 2.5% interest in the Productora copper project for US$1.5 million. The additional stake now takes CMP's interest in Productora from 17.5% to 20%. The director's expect that CMP will exercise Tranche 1 of the associated Additional Purchase Option which would raise US$26million or alternatively agree to an amendment to the option agreement, subject to obtaining necessary shareholder approvals, on terms that will still enable the settlement of the Sprott debt facility and provide significant cash flow to the consolidated entity.
- As disclosed in Note 19, the loan Facility balance with Sprott Resource Lending Partnership (Sprott) had reduced to US$6.5 million through the payment of US$3 million to Sprott. In addition, Sprott and Hot Chili have executed a 12 month extension to the Facility which will now be due for repayment on 30 June 2017. Ongoing monthly interest rate payments to Sprott will significantly reduce through the reduction in the facility. The director's expect to negotiate further extensions to the Facility if required.
- The consolidated entity continues to manage its ongoing expenditure prudently. Internal cost reduction initiatives have significantly reduced working capital requirements in the areas of staff numbers, staff wages, corporate overheads and operational overheads. Significant renegotiation with all major contractors and consultants has significantly lowered the operating cost base of the consolidated entity's, exploration, development and corporate activities.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

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 the notes to the financial statements.

b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hot Chili Limited and its controlled entities. 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.

d) 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 balance sheet 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.

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.

e) 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.

1 Summary of Significant Accounting Policies (cont'd)

f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

g) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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).

n) 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.

o) 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.

p) 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.

1 Summary of Significant Accounting Policies (cont'd)

q) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

r) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

s) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Correction of prior-period errors

On 27 August 2015, (Compañía Minera del Pacífico S.A. (CMP) acquired a 17.5% interest in the Hot Chili subsidiary, Sociedad Minera El Águila SpA (SMEA) from the issue of shares by SMEA in exchange for assets sold by CMP comprising surface rights, easements and mining leases (CMP Assets). At 31 December 2015, Hot Chili recognised the fair value of the non-controlling interest in SMEA ($47.25m) the fair value of the CMP Assets acquired ($21.98m) and an impairment loss on exploration acquisition ($25.27m).

During the current reporting period, Hot Chili reviewed its accounting treatment of the transaction, and consequently recognised the share of net assets acquired by the non-controlling interests ($17.21m), the CMP Assets received as consideration for the non-controlling interest ($21.98m) and the difference being recognised within equity ($4.77m).

The impact of the correction of the error on the amounts disclosed in the 31 December 2015 interim financial report is summarised as follows:

	31 December 2015 $	Impact of correction of error $	Restated 31 December 2015 $
Statement of Financial Position (Extract)			
Accumulated losses	(66,489,931)	30,036,023	(36,453,908)
Non-controlling interests	47,187,995	(30,036,023)	17,151,972
Statement of Comprehensive Income (Extract)			
Impairment	(25,270,000)	25,270,000	-
Total comprehensive loss	(29,186,067)	25,270,000	(3,916,067)
Basic and diluted earnings per share (cents)	(6.99)	6.07	(0.92)

The correction of the error did not have any impact on the balances presented for the year ended 30 June 2015.

2 Critical Accounting Judgements, Estimates And Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Consolidation of entities

The directors have concluded that the group controls Sociedad Minera El Aguila SpA (SMEA), even though it holds less than all the voting rights of this subsidiary. This is because the group is the largest shareholder with an 80% equity interest and the ability to appoint 4 of the 5 Directors while the remaining 20% of shares are held by Compañía Minera del Pacífico S.A (CMP) with the ability to appoint the remaining Director. An agreement signed between the group and CMP requires a quorum to hold a Board meeting and adopt a resolution to be of at least three Directors with the right to vote. The accounting treatment of SMEA will be evaluated at each reporting date subject to any developments between the shareholders.

3 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 (2015: 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.

	Geographical Non-current assets	
	2016	**2015**
	$	**$**
Geographical Information		
Australia	64,067	81,297
Chile	106,596,749	83,951,344
	106,660,816	**84,032,641**

4 Interest Income

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Interest income	18,694	35,475
	18,694	**35,475**

5 Other Income

Tax rebate	167,971	36,126
	167,971	**36,126**

6 Income Tax Expense

a) Reconciliation of income tax expense to prima facie tax payable

Loss before income tax	(9,588,883)	(8,654,770)
Prima facie income tax at 28.5% (2015: 30%)	(2,732,832)	(2,596,431)
Tax-effect of amounts not assessable in calculating taxable income	-	-
Tax-effect of amounts not deductible in calculating taxable income	(101,966)	1,353,533
Tax loss not recognised	2,834,798	(1,242,898)
Income tax expense	**-**	**-**

b) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	23,218,773	13,236,073
Potential tax benefit @ 28.5% (2015: 30%)	6,617,350	3,970,822

c) The directors estimate that the potential deferred tax asset at 30 June 2016 in respect of tax losses not brought to account is $6,617,350 (2015: $3,970,822).

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $12,174,371 (2015: $7,803,717).

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.

7 Cash And Cash Equivalents

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Cash at Bank	221,576	7,112,498
	221,576	**7,112,498**

8 Other Current Assets

	2016 $	2015 $
Prepayment	-	43,880
VAT receivable	133	-
	133	**43,880**

9 Plant And Equipment

	2016 $	2015 $
Plant and equipment at cost	835,275	835,275
Less provision for depreciation	(510,189)	(428,917)
	325,086	**406,358**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	406,358	483,748
Additions	-	33,118
Disposals	-	(2,093)
Depreciation	(81,272)	(108,415)
Carrying amount at the end of the year	**325,086**	**406,358**

10 Exploration And Evaluation Expenditure

	2016 $	2015 $
Carrying amount at the beginning of the year	83,626,283	69,805,477
Consideration given for mineral exploration acquisition (i)	21,980,000	-
Capitalise mineral exploration and evaluation	5,360,851	15,524,694
Exploration costs written off	(4,631,404)	(1,703,888)
Carrying amount at the end of the year	**106,335,730**	**83,626,283**

i) *On 27 August 2015, Compañía Minera del Pacífico S.A. (CMP) acquired a 17.5% interest in the Hot Chili subsidiary, Sociedad Minera El Águila SpA (SMEA) from the issue of shares by SMEA in exchange for assets sold by CMP comprising surface rights, easements and mining leases (CMP Assets).*

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

11 Trade And Other Payables

	Consolidated Entity	
	2016	2015
	$	$
Trade payables and accruals	74,716	1,660,334
Unissued shares (i)	523,912	-
Refundable deposit (option fee) (ii)	2,138,580	-
	2,737,208	**1,660,334**

i) *On 8 July 2016, 9,355,569 ordinary shares with a fair value of $513,912 were issued as consideration for Sprott Resource Lending Partnership's extension of the credit facility provided to Hot Chili Limited.*

ii) *Sociedad Minera El Águila SpA (SMEA) granted Compañía Minera del Pacífico S.A. (CMP) an option (Additional Purchase Option) to acquire shares in SMEA such that upon exercise of the option, CMP will be entitled to acquire a further 32.6% interest, taking its total interest up to 52.6%, by acquiring existing shares from Hot Chili subsidiary, SMECL. The additional 32.6% shareholding interest in SMEA that CMP may acquire can be exercised in two tranches and determined by reference to a valuation and will have a minimum value of US$80 million and a maximum value of US$110 million. The Option fee of US$1.5 million had been received following confirmation of the executed merger agreement. In the case where the parties do not execute the option, Hot Chili shall refund CMP the Option fee.*

12 Borrowings

Non-bank loan	8,753,030	13,020,833
	8,753,030	**13,020,833**

Refer to Note 19 for further information on finance facilities.

13 Contributed Equity

a) Share capital

	No. Shares		Consolidated Entity	
	2016	2015	2016	2015
			$	$
At the beginning of the financial year	398,471,912	347,732,196	112,746,883	106,669,091
Shares issued during the financial year	47,251,797	45,493,126	4,493,253	5,469,103
Shares issued for the extension of the finance facility	-	5,246,590	-	645,330
Less cost of issue	-	-	(30,528)	(36,641)
At the end of the financial year	**445,723,709**	**398,471,912**	**117,209,608**	**112,746,883**

b) Terms and Conditions 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.

c) Movement in Unlisted Options

	2016 Options	2015 Options
Balance at beginning of financial year	11,000,000	54,754,097
Issued during the financial year	-	-
Options exercised during the financial year	-	(15,758)
Options lapsed/cancelled during the financial year	-	(43,738,339)
Balance at end of financial year	**11,000,000**	**11,000,000**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2016 (2015: NIL).

d) 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.

14 Reserves, Accumulated Losses And Non-Controlling Interests

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
a) Accumulated losses		
Accumulated losses at the beginning of the year	(37,365,869)	(29,700,409)
Net loss for the year	(9,499,653)	(8,654,770)
Transfer from Reserves	-	989,310
Transactions with non-controlling interests	4,350,223	-
Accumulated losses at the end of the year	**(42,515,299)**	**(37,365,869)**
b) Reserves		
Options reserve		
The options reserve is used to recognise the fair value of options issued.		
As at 30 June 2016, no options to which the reserve relates have been exercised.		
Balance at the beginning of the year	1,125,616	2,114,926
Transfer to Accumulated Losses	-	(989,310)
Movement during the year	-	-
Balance at the end of the year	**1,125,616**	**1,125,616**
c) Foreign transaction reserve		
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**
d) Non-controlling interests		
Balance at the beginning of the year	-	-
Non-controlling interests (i)	17,213,977	-
Non-controlling interests (ii)	2,446,393	-
Share of loss for the year	(89,230)	-
Balance at the end of the year	**19,571,140**	**-**

i) *On 27 August 2015, Compañía Minera del Pacífico S.A (CMP) acquired a 17.5% interest in Sociedad Minera El Aguila SpA (SMEA), a Hot Chili Limited's subsidiary, from the issue of shares by SMEA.*

ii) *On 24 June 2016, CMP acquired an additional 2.5% interest in SMEA from the purchase of shares by CMP from Hot Chili Limited.*

15 Loss Per Share

	2016	2015
Loss after tax attributable to the owners of Hot Chili Limited	(9,499,653)	(8,654,770)
Basic loss per share (cents)	(2.22)	(2.47)
Diluted loss per share (cents)	(2.22)	(2.47)
Unexercised options are not dilutive.		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	427,463,126	349,687,286
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**427,463,126**	**349,687,286**

16 Remuneration Of Auditors

	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Remuneration of the auditor for:		
Auditing and reviewing of financial reports	44,300	46,550
Tax services	6,500	19,228
	50,800	**65,778**

17 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	(Chairman)
Christian E Easterday	(Executive Director)
Dr Michael Anderson	(Non-Executive Director)
Dr Allan Trench	(Independent Non-Executive Director)
Roberto de Andraca Adriasola	(Non-Executive Director)

b) Company Secretary

John Sendziuk

c) Country Manager

Rodrigo Diaz Borquez

d) Corporate Projects Manager

Melanie Leighton (also Alternate Director)

e) Chief Legal Counsel

Jose Ignacio Silva

f) Details of Remuneration of Key Management Personnel for the year ended 30 June 2016:

Directors		
Short-term benefits	420,569	553,700
Post-employment benefits	40,028	54,600
	460,597	**608,300**
Key Management Personnel		
Short-term benefits	707,772	704,792
Post-employment benefits	29,000	34,200
	736,772	**738,992**
Total	**1,197,369**	**1,347,292**

18 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	
	2016	**2015**
	$	**$**
Cash and short term deposits	221,576	7,112,498
	221,576	**7,112,498**

b) Reconciliation of Net Cash used in Operating Activities to Operating

Loss for the year	(9,588,883)	(8,654,770)
Depreciation	81,272	108,415
Effect of exchange rates on holdings in foreign currencies	484,693	1,023,656
Exploration expenditure written off	4,631,404	1,703,888
Finance costs	-	650,962
Net cash flows from operating activities before change in assets and liabilities	**(4,391,514)**	**(5,167,849)**
Change in assets and liabilities during the financial year:		
Other current assets	43,746	(9,163)
Payables	1,076,874	(2,293,748)
Net cash outflow from operating activities	**(3,270,894)**	**(7,470,760)**

c) Non cash investing and financing activities

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

19 Finance Facilities

The consolidated entity received a credit facility of US$25 million on 27 June 2014 from Sprott Resource Lending Partnership ("Sprott"). The principal amount owing to Sprott under the credit agreement as at 30 June 2016 is US$6.5 million. As at 30 June 2016, Sprott had further extended the maturity date of the finance facility to 30 June 2017. The Company and Sprott have agreed that the Company is to issue Extension Shares to Sprott subsequent to year end (refer to Note 21).

The Facility is subject to change of control and management change covenants whereby:

i) The Facility is immediately repayable if a party acquires control of 30% or more of the voting shares in the Company, or if the majority of the Board comprises persons who were not nominated by the Board or persons whose nomination resulted from an actual or threatened solicitation of proxies with a view to removing one or more of the existing directors;

ii) The Facility is repayable within 30 days in the event both Murray Black ceases to be a director and the Chairman of the Company and Christian Easterday ceases to be the Managing Director.

The Facility is subject to various market covenants, including restrictions on incurring further debt and granting security interests in respect of its assets, and minimum working capital covenants, which are considered usual for a facility of this nature.

20 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:

	Consolidated Entity	
	2016	**2015**
	$	**$**
Within one year	511,420	3,211,505
Later than one year but not later than five years	146,120	7,447,583
	657,540	**10,659,088**

b) Operating Leases

The consolidated entity leases office premises under operating leases. The leases have various terms and renewal rights.

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

Within one year	70,331	138,528
Later than one year but not later than five years	-	92,352
Later than five years	-	-
	70,331	**230,880**

21 Events Occurring After Reporting Date

On 8 July 2016, 9,355,569 ordinary shares with a fair value of $513,912 were issued as consideration for Sprott Resource Lending Partnership's extension of the credit facility provided to the Company.

On 8 July 2016, Hot Chili successfully completed a placement to sophisticated and institutional investors through the issue of new shares at an average price of 5 cents per share. The Placement, which originally targeted A$2.5 million, was heavily oversubscribed and the Company agreed to accept over-subscriptions to raise A$4.4 million.

Funds from the Placement will be used to advance an assessment of the exciting high-grade Sierra Zapallo gold deposit at Productora, as well as to provide general working capital for the Company.

The Placement saw strong demand from existing major shareholders, as well as professional and sophisticated investors in Australia and Chile.

22 Related Parties

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $41,986 (2015: $47,040) in directors and consulting fees.

Blue Spec Sondajes Chile Limitada, a company in which Mr Black is a director, was paid $1,570,540 (2015: $7,249,756) for drilling services, out of this balance nil (2015: $908,343) was still owing to the related party at the end the financial year.

All payments were made at recognised commercial rates.

23 Contingent Liabilities

As at 30 June 2016, Hot Chili Limited had accumulated VAT refund payments totalling $11,773,456. Under the terms of the VAT refund arrangements, the consolidated entity has until the 31 December 2019 to commercialise production from Productora and meet certain export targets. Hot Chili also has the right to extend this term. In the event that the term is not extended and Hot Chili does not meet certain export targets, Hot Chili will be required to re-pay the VAT refund payments to the Chilean Tax Authority subject to certain terms and conditions. However, if Hot Chili achieves the export targets from Productora within that timeframe or its renewal, if required, any VAT refund payments will not be required to be repaid.

The consolidated entity has no other contingent liabilities.

24 Interest In Subsidiaries

a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following material subsidiaries, in accordance with the accounting policy described in Note 1:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2016 %	Equity Holding 2015 %
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila SpA*	Chile	Ordinary	80*	100
Sociedad Minera El Huerto Limitada	Chile	Ordinary	- **	100
Sociedad Minera Los Mantos SpA	Chile	Ordinary	100	100
Sociedad Minera Frontera SpA	Chile	Ordinary	100	100
Sociedad Minera Bandera SpA	Chile	Ordinary	100	100

* *The non-controlling interests hold 20% of Sociedad Minera El Aguila SpA (SMEA) - refer to note 24 (b).*
** *Entity was deregistered.*

b) Non-controlling interests (NCI)

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	SMEA 30 June 2016
Summarised statement of financial position	
Current assets	-
Non-current assets	106,227,538
Total assets	106,227,538
Current liabilities	10,717
Non-current liabilities	8,361,128
Total liabilities	8,371,845
Net assets	**97,855,693**
Summarised statement of profit or loss and other comprehensive income	
Revenue	-
Expenses	(509,887)
Loss before income tax expense	(509,887)
Income tax expense	-
Loss after income tax expense	(509,887)
Other comprehensive income	-
Total comprehensive loss	**(509,887)**
Statement of cash flows	
Net cash used in operating activities	(1,751,902)
Net cash used in investing activities	(5,085,293)
Net cash from in financing activities	6,837,195
Net increase/(decrease) in cash and cash equivalents	**-**
Other financial information	
Profit attributable to non-controlling interests	(89,230)
Accumulated non-controlling interests at the end of reporting period	19,571,140

There is no NCI as at 30 June 2015.

24 Interest In Subsidiaries (cont'd)

c) Transactions with NCI

On 27 August 2015, Compañía Minera del Pacífico S.A (CMP) acquired a 17.5% interest in Sociedad Minera El Aguila SpA (SMEA), a Hot Chili Limited's subsidiary, from the issue of shares by SMEA. The Group recognised an increase in non-controlling interests of $17,213,977 and an increase in equity attributable to owners of the parent of $4,766,023. The effect on the equity attributable to the owners of Hot Chili Limited during the year is summarised as follows:

	$
Carrying amount of assets acquired by non-controlling interests	(17,213,977)
Consideration paid by non-controlling interests	21,980,000
Excess of consideration paid on carrying amount of non-controlling interests sold, recognised within equity	**4,766,023**

On 24 June 2016, Hot Chili Limited sold its 2.5% interest in SMEA to CMP, resulted to the increase of CMP's ownership interest in SMEA from 17.5% to 20%. The group recognised an increase in non-controlling interests of $2,446,393 and a decrease in equity attributable to owners of the parent of $415,799. The effect on the equity attributable to the owners of Hot Chili Limited during the year is summarised as follows:

Carrying amount of assets acquired by non-controlling interests	(2,446,393)
Consideration paid by non-controlling interests	2,030,594
Excess of carrying amount of non-controlling interests sold, recognised within equity	**(415,799)**

25 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 is not exposed to interest rate risk. Borrowings are issued at fixed rates (Note 19).

The consolidated entity's bank loans outstanding, totalling $8,753,030 (2015: $13,020,833), are principal and interest payment loans. An official increase/decrease in interest rates of 100 (2015: 100) basis points would have an adverse/favourable effect on profit before tax of $87,530 (2015: $130,208) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts. In addition, the term of the facility is 12 months, with an option to extend for a further 12 months subject to certain conditions and an extension fee of 2% of the amount outstanding, payable in Hot Chili shares.

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 trades 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.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated Entity	
	2016	**2015**
	$	**$**
Finance facilities	USD 6,500,000	USD 8,500,000
	USD 6,500,000	**USD 8,500,000**

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	**Weighted average interest rate %**	**1 year or less $**	**Remaining contractual maturities $**
Non-derivatives			
Non-interest bearing			
Trade payables	-	74,716	74,716
Refundable deposit		2,138,580	2,138,580
Interest-bearing - fixed rate	12		
Finance facilities		8,753,030	8,753,030
Total non-derivatives		**10,966,326**	**10,966,326**

25 Financial Risk Management (cont'd)

Consolidated - 2015	Weighted average interest rate %	1 year or less $	Remaining contractual maturities $
Non-derivatives			
Non-interest bearing			
Trade payables	-	1,660,334	1,660,334
Interest-bearing - fixed rate			
Finance facilities	12	13,020,833	13,020,833
Total non-derivatives		**14,681,167**	**14,681,167**

d) Market risk

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.

	Consolidated Entity	
	Post tax profit	Equity
2016		
AUD/USD + 10%	(874,382)	(874,382)
AUD/USD - 10%	874,382	874,382
2015		
AUD/USD + 10%	(1,153,960)	(1,153,960)
AUD/USD - 10%	1,153,960	1,153,960

26 Parent Entity Disclosures

Financial position

	2016 $	2015 $
Assets		
Current assets	160,174	6,826,265
Non-current assets	85,915,005	83,106,364
Total assets	**86,075,179**	**89,932,629**
Liabilities		
Current liabilities	8,817,029	13,364,376
Total liabilities	**8,817,029**	**13,364,376**
Equity		
Issued capital	117,209,608	112,746,883
Reserves	1,125,616	1,125,616
Accumulated losses	(41,077,074)	(37,304,246)
Total equity	**77,258,150**	**76,568,253**

Financial performance

Loss for the year	(3,772,827)	(8,594,379)
Other comprehensive income	-	-
Total comprehensive income	**(3,772,827)**	**(8,594,379)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016 (30 June 2015 – $Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

27 Share Based Payments

Below are details of share based payments made during the current year and prior financial years.

a) Options issued

No options are currently issued to employees.

Set out below is a summary of options on issue as at 30 June 2016:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Exercised during the year	Balance at end of year	Number exercisable at end of year
27/06/2014	27/06/2019	11,000,000	-	-		11,000,000	11,000,000

27 Share Based Payments (cont'd)

b) Fair value of options issued (Financier – 27 June 2014):

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 2014 included:

i) options are granted for no consideration.
ii) exercise price - $0.30
iii) issue date - 27 June 2014
iv) expiry date – 27 June 2019
v) expected price volatility of the Company's shares: 72%
vi) risk-free interest rate: 3.50%
vii) spot price at date of valuation: $0.195

c) Expenses arising from share-based payment transactions:

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

	2016 $	2015 $
Financing		
Expenses related to extension of finance facility	513,912	645,330
	513,912	**645,330**

Shareholder Information

Information Required by the Australian Securities Exchange Limited

Shareholder Information As At 31 August 2016

a) Spread of holdings

	Shareholders	Units
1 - 1,000	110	36,952
1,001 - 5,000	342	1,023,449
5,001 - 10,000	241	2,029,894
10,001 - 100,000	773	29,505,541
100,001 & Over	334	510,484,442
	1,800	**543,080,278**

b) Substantial shareholders

Kalgoorlie Auto Service Pty Ltd	16,750,000
Westralian Diamond Drillers Pty Ltd	16,750,000
R Leighton	16,750,000
C Easterday	17,050,000
J P Morgan Nominees Australia Ltd	70,716,810
Port Finance Ltd NV	65,725,296
Merrill Lynch Australia Nominees Pty Ltd	32,389,033
Citicorp Nominees Pty Ltd	36,785,109
Blue Spec Sondajes Chile	24,246,210

c) Directors' Shareholdings

	Shares Held Directly	Held by Companies in which Directors' have a beneficial Interest
Murray E Black		21,599,242
Christian E Easterday	300,000	16,750,000
Dr Allan Trench		41,400
Dr Michael Anderson		-
Roberto de Andraca Adriasola		40,000

Shareholder Information (cont'd)

Information Required by the Australian Securities Exchange Limited (cont'd)

d) The names of the twenty largest shareholders as at 31 August 2016 who between them held 69.43% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	J P Morgan Nominees Australia Ltd	70,716,810	13.02
2	Kalgoorlie Auto Service Pty Ltd	67,000,000	12.34
3	Port Finance Ltd NV	38,515,388	7.09
4	Citicorp Nominees Pty Ltd	36,785,109	6.77
5	Merrill Lynch Australia Nominees Pty Ltd	32,389,033	5.96
6	Port Finance Ltd NV	27,209,908	5.01
7	Blue Spec Sondajes Chile	24,246,210	4.46
8	Blue Spec Drilling Pty Ltd	16,000,000	2.95
9	HSBC Custody Nominees Australia Ltd	8,333,897	1.53
10	BO & EJ Stephens	8,210,000	1.51
11	Resource Income Partners Ltd	7,184,262	1.32
12	HSBC Custody Nominees Australia Ltd	6,868,498	1.26
13	Sprott Resource Lending Partnership	4,677,784	0.86
14	Austeridad Inversiones	4,672,804	0.86
15	Graham John Woolford	4,500,000	0.83
16	Ajava Holdings Pty Ltd	4,449,996	0.82
17	M & H Investments WA Pty Ltd	4,378,467	0.81
18	Peralillo Fondo D P	4,000,000	0.74
19	Samlisa Nominees Pty Ltd	4,000,000	0.74
20	Stephens Group Pty Ltd	2,994,000	0.55
		377,132,166	**69.43**

Tenement Schedule

During the year, Hot Chili rationalised its tenement holdings in Chile to ensure its expenditure could be focussed more efficiently towards the development of its Productora copper project. Importantly, the Company has discontinued all Option agreements which involved ongoing expenditure commitments or Option payments to third parties not related to the Productora copper project.

A full tenement schedule is listed in the below table.

Table 1. Productora project tenement schedule

Licence ID	Holder	Interest	Licence Type	Area	Expiration date	Exploration and Expenditure Commitment-Payments
		%		ha	dd/mm/yyyy	
FRAN 1, 1-48	SMEA SpA	100%	Exploitation concession	300		None
FRAN 2, 1-20	SMEA SpA	100%	Exploitation concession	300		None
FRAN 3, 1-60	SMEA SpA	100%	Exploitation concession	300		None
FRAN 4, 1-20	SMEA SpA	100%	Exploitation concession	300		None
FRAN 5, 1-20	SMEA SpA	100%	Exploitation concession	300		None
FRAN 6, 1-60	SMEA SpA	100%	Exploitation concession	300		None
FRAN 7, 1-37	SMEA SpA	100%	Exploitation concession	300		None
FRAN 8, 1-30	SMEA SpA	100%	Exploitation concession	300		None
FRAN 12, 1-40	SMEA SpA	100%	Exploitation concession	200		None
FRAN 13, 1-40	SMEA SpA	100%	Exploitation concession	200		None
FRAN 14, 1-40	SMEA SpA	100%	Exploitation concession	200		None
FRAN 15, 1-60	SMEA SpA	100%	Exploitation concession	300		None
FRAN 18, 1-60	SMEA SpA	100%	Exploitation concession	300		None
FRAN 21, 1-60	SMEA SpA	100%	Exploitation concession	300		None
FRAN 22	SMEA SpA	100%	Exploration concession	400	14/08/2016	None
ALGA 7A, 1-32	SMEA SpA	100%	Exploitation concession	89		None
ALGA VI, 5-24	SMEA SpA	100%	Exploitation concession	66		None
MONTOSA 1-4	SMEA SpA	100%	Exploitation concession	35		3% NSR
CHICA	SMEA SpA	100%	Exploitation concession	1		None
ESPERANZA 1-5	SMEA SpA	100%	Exploitation concession	11		None
LEONA SEGUNDA 1-4	SMEA SpA	100%	Exploitation concession	10		None
CARMEN I, 1-60	SMEA SpA	100%	Exploitation concession	222		None
CARMEN II, 1-60	SMEA SpA	100%	Exploitation concession	274		None
ZAPA 1, 1-10	SMEA SpA	100%	Exploitation concession	100		None
ZAPA 3, 1-23	SMEA SpA	100%	Exploitation concession	92		None
ZAPA 5A, 1-16	SMEA SpA	100%	Exploitation concession	80		None
ZAPA 7, 1-24	SMEA SpA	100%	Exploitation concession	120		None
CABRITO, CABRITO 1-9	SMEA SpA	100%	Exploitation concession	50		None
CUENCA A, 1-51	SMEA SpA	100%	Exploitation concession	255		None
CUENCA B, 1-28	SMEA SpA	100%	Exploitation concession	139		None
CUENCA C, 1-51	SMEA SpA	100%	Exploitation concession	255		None
CUENCA D	SMEA SpA	100%	Exploitation concession	3		None
CUENCA E	SMEA SpA	100%	Exploitation concession	1		None
CHOAPA 1-10	SMEA SpA	100%	Exploitation concession	50		None
ELQUI 1-14	SMEA SpA	100%	Exploitation concession	61		None
LIMARÍ 1-15	SMEA SpA	100%	Exploitation concession	66		None
LOA 1-6	SMEA SpA	100%	Exploitation concession	30		None
MAIPO 1-10	SMEA SpA	100%	Exploitation concession	50		None

Tenement Schedule (cont'd)

Table 1. Productora project tenement schedule (cont'd)

Licence ID	Holder	Interest	Licence Type	Area	Expiration date	Exploration and Expenditure Commitment-Payments
		%		ha	dd/mm/yyyy	
TOLTÉN 1-4	SMEA SpA	100%	Exploitation concession	70		None
CACHIYUYITO 1, 1-60	SMEA SpA	100%	Exploitation concession	300		None
CACHIYUYITO 2, 1-60	SMEA SpA	100%	Exploitation concession	300		None
CACHIYUYITO 3, 1-60	SMEA SpA	100%	Exploitation concession	300		None
LA PRODUCTORA 1-16	SMEA SpA	100%	Exploitation concession	75		None
BUENA SUERTE 1-6	SLM BUENA SUERTE	100%	Exploitation concession	30		Option payment of US$ 600,000 remaining.
PILAR 1-2	SLM PILAR	100%	Exploitation concession	10		
ORO INDIO I, 1-20	JGT	100%	Exploitation concession	82		Option exercise payment of USD 120,000 remaining.
AURO HUASCO I, 1-8	JGT	100%	Exploitation concession	35		
URANIO, 1-70	CCHEN	100%	Exploitation concession	350		2% NSR on all but gold; 4% NSR gold; 5% NSR non-metallic
JULI 1	SMEA SpA	100%	Mining Petition	300		None
JULI 2	SMEA SpA	100%	Mining Petition	300		None
JULI 3	SMEA SpA	100%	Mining Petition	300		None
JULI 4	SMEA SpA	100%	Mining Petition	300		None
JULI 5	SMEA SpA	100%	Mining Petition	100		None
JULI 6	SMEA SpA	100%	Mining Petition	200		None
JULI 7	SMEA SpA	100%	Mining Petition	200		None
JULI 8	SMEA SpA	100%	Mining Petition	300		None
JULI 9	SMEA SpA	100%	Mining Claim	300		None
JULI 10	SMEA SpA	100%	Mining Claim	300		None
JULI 11	SMEA SpA	100%	Mining Petition	300		None
JULI 12	SMEA SpA	100%	Mining Petition	300		None
JULI 13	SMEA SpA	100%	Mining Petition	100		None
JULI 14	SMEA SpA	100%	Mining Petition	300		None
JULI 15	SMEA SpA	100%	Mining Petition	300		None
JULI 16	SMEA SpA	100%	Mining Claim	300		None
JULI 17	SMEA SpA	100%	Mining Claim	200		None
JULI 18	SMEA SpA	100%	Mining Petition	300		None
JULI 19	SMEA SpA	100%	Mining Petition	300		None
JULI 20	SMEA SpA	100%	Mining Petition	300		None
JULI 21	SMEA SpA	100%	Mining Petition	300		None
JULI 22	SMEA SpA	100%	Mining Petition	300		None
JULI 23	SMEA SpA	100%	Mining Petition	300		None
JULI 24	SMEA SpA	100%	Mining Claim	300		None
JULI 25	SMEA SpA	100%	Mining Petition	300		None
JULI 26	SMEA SpA	100%	Mining Petition	300		None
JULI 27	SMEA SpA	100%	Mining Petition	200		None
JULI 28	SMEA SpA	100%	Mining Petition	300		None
JULIETA 1	SMEA SpA	100%	Mining Petition	100		None

Licence ID	Holder	Interest	Licence Type	Area	Expiration date	Exploration and Expenditure Commitment-Payments
		%		ha	dd/mm/yyyy	
JULIETA 2	SMEA SpA	100%	Mining Petition	200		None
JULIETA 3	SMEA SpA	100%	Mining Petition	300		None
JULIETA 4	SMEA SpA	100%	Mining Petition	200		None
JULIETA 5	SMEA SpA	100%	Mining Petition	300		None
JULIETA 6	SMEA SpA	100%	Mining Petition	300		None
JULIETA 7	SMEA SpA	100%	Mining Petition	300		None
JULIETA 8	SMEA SpA	100%	Mining Petition	300		None
JULIETA 9	SMEA SpA	100%	Mining Petition	300		None
JULIETA 10	SMEA SpA	100%	Mining Petition	300		None
JULIETA 11	SMEA SpA	100%	Mining Petition	300		None
JULIETA 12	SMEA SpA	100%	Mining Petition	300		None
JULIETA 13	SMEA SpA	100%	Mining Claim	300		None
JULIETA 14	SMEA SpA	100%	Mining Claim	300		None
JULIETA 15	SMEA SpA	100%	Mining Claim	200		None
JULIETA 16	SMEA SpA	100%	Mining Petition	200		None
JULIETA 17	SMEA SpA	100%	Mining Petition	200		None
JULIETA 18	SMEA SpA	100%	Mining Claim	200		None
JULIETA 19	SMEA SpA	100%	Mining Petition	200		None
ARENA 1	SMEAL	100%	Exploration concession	100		None
ARENA 2	SMEAL	100%	Exploration concession	200		None
ZAPA 1 - 6	SMEA SpA	100%	Exploitation concession	6		1% GR with a buy back option to cancel it for USD 1,000,000

Notes (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 Tamarindo;*
SLM Cabrito	*Sociedad Legal Minera Cabrito de la Sierra Zapallo;*
JGT	*Julio Godoy Torres;*
CCHEN	*Comisión Chilena de Energía Nuclear;*
SMEA SpA	*Sociedad Minera El Aguila SpA.*

SMEA SpA (Sociedad Minera El Aguila SpA) is the holder of the Productora project and is a joint venture company owned 80% by Hot Chili, 20% by CMP.

Table 2. Banderas project tenement schedule

CONEJA 1-10	SMB SpA	100%	Exploitation Concession	100		None
BLANCA 10	SMB SpA	100%	Exploration concession	100	9/01/2017	None
BLANCA 11	SMB SpA	100%	Exploration concession	100	16/12/2016	None
BLANCA 12	SMB SpA	100%	Exploration concession	200	12/03/2017	None
BLANCA 13	SMB SpA	100%	Exploration concession	100	16/12/2016	None
KAYA 4	SMB SpA	100%	Exploration concession	300	9/03/2017	None
KAYA 5	SMB SpA	100%	Exploration concession	300	12/03/2017	None
KAYA 6	SMB SpA	100%	Exploration concession	300	12/03/2017	None

Note: SMB SpA (Sociedad Minera Bandera SpA) is a wholly owned Chilean subsidiary of Hot Chili Limited.

Corporate Directory

Directors

Murray E Black
(Non-Executive Chairman)

Christian E Easterday
(Managing Director)

Dr Allan Trench
(Independent Non-Executive Director)

Dr Michael Anderson
(Non-Executive Director)

Roberto de Andraca Adriasola
(Non-Executive Director)

Melanie Leighton
(Alternate for M Black, appointed 6 November 2015)

Company Secretary

John E Sendziuk

Principal Place of Business and Registered Office

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APPLECROSS WA 6153

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Principal Banker

Westpac Banking Corporation
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KALGOORLIE WA 6430

ASX Code

HCH

"Exciting new Sierra Zapallo high-grade gold growth opportunity located in the southern extent of the Productora copper-gold project."

Hot Chili geologist inspecting historical gold workings at Sierra Zapallo


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