hot chili limited

ANNUAL REPORT **2017**

Contents

2017 Key Highlights

Exploration

- Expanded growth strategy to strengthen Hot Chili's Productora copper project in Chile gathers momentum with the execution of a two non-binding Letters of Intent (LOI) to secure high-grade copper-gold satellite projects.

- Both projects located on highly prospective landholdings, have been privately held for several decades, and had very little modern exploration.

- **Lulu Project:**
  - Located ~ 30km west of Productora, a LOI has been executed to acquire a 70% interest.
  - High grade copper-gold project containing the direct extension of a substantial historical underground mine which reportedly exploited vein-hosted ore material to 600m depth, over widths ranging between 1.5m and 2m and grades averaging 6% copper and 3g/t gold.

- **San Antonio Project:**
  - Located 20km trucking distance from Productora, a LOI has been executed to acquire a 90% interest.
  - High grade copper-gold project containing a historical underground mine which produced approximately 2Mt of ore grading 2% copper and 0.3g/t gold during its operation.

- **Productora Project:**
  - First phase of porphyry copper exploration drilling complete at Productora, with four key targets identified from reconnaissance drilling. Productora porphyry drilling undertaken by Blue Spec Sondajes Chile (a company associated with Hot Chili's chairman Murray Black) at its own cost and at no risk to Hot Chili.

Corporate

- A$11.3 million private placement was completed via issue of unsecured Convertible Notes to key major shareholders. Funding led by Sprott Capital Partners, with strong participation by Taurus Funds Management Pty Ltd and supported by Blue Spec Drilling Pty Ltd, (a company associated with Hot Chili's Chairman, Murray Black).
- All outstanding debt fully repaid to Sprott Resource Lending Partnership and all loan securities discharged over Hot Chili and its subsidiaries.
- Shareholder approval for Blue Spec offer to accept up to a maximum of US$1 million in Hot Chili shares in consideration for drilling services.

Improving Market Conditions

- Global copper prices have risen ~ 50% in the past year to around US$3.00/lb as increasing demand exposes a tight supply balance ahead of a widely expected deep supply deficit in future years.
- Hot Chili is significantly leveraged to improving copper price as one of the largest and most advanced copper developments on the ASX.
- For every US5c/lb movement upwards in the copper price we roughly add the equivalent of our current market capitalisation (fully dilute) in Net Present Value to the valuation of Productora (against spot prices).
- The positive outlook for copper price, and the Company's expanded growth strategy have the potential to significantly re-rate Hot Chili.

1 Chairman's Letter

Dear Shareholder,

This year saw a dramatic turn-around in global copper prices as strengthening demand signalled the early stages of a looming supply deficit and a new dawn for the copper sector.

With copper prices expected to rise further in the medium term, the market is beginning to focus on the next wave of copper developers, and those that are best positioned to take advantage of a sustained price recovery.

Setting Hot Chili apart in this group is size; we are one of the largest scale and most advanced copper developers listed on the ASX, and with that comes outstanding leverage to the onset of a rising copper market. This could not have been achieved without the ongoing support of our major shareholders, who this year positioned Hot Chili with a strengthened balance sheet to pursue a series of exceptional growth opportunities.

Our management have unveiled an expanded growth strategy, which if successfully executed, will establish Hot Chili as Australia's leading and largest scale new copper producer.

Exploration was accelerated during the year at our flagship Productora copper project on Chile's coastal range. Reconnaissance drilling has now confirmed potential for significant large-scale porphyry copper resource growth, outlining numerous mineralised porphyry targets located in the heart of Productora's planned development area.

In addition, Hot Chili secured Joint Venture Option deals over two exciting high grade satellite copper projects within short trucking distance of Productora. Both projects contain or are adjacent to substantial historical high-grade copper and gold underground mines which have seen little drill testing.

These and other nearby opportunities being pursued by Hot Chili have the potential to significantly increase planned head-grade and annual metal production, expanding Productora into a future low-cost, large-scale operating centre.

I would like to thank our Board, management and staff for their continued efforts and dedication to Hot Chili's success. We look forward to an exciting year of growth and optimism for our company and shareholders as the light once again shines on copper.

Murray Edward Black
Chairman

Exploration was accelerated during the year at our flagship Productora copper project on Chile's coastal range

2 Review of Operations

Productora Copper Project

Productora positioned as a leading global large-scale copper development.

Productora is one of the best located new large-scale copper developments globally - (located at low altitude in Region III, on the coastal range of Chile, surrounded by infrastructure, boasting low capital intensity).

Productora is already positioned as one of the leading large-scale copper projects in the global development pipeline. Given Productora's level of advancement (PFS complete, 10 year mine life established and 1.5Mt copper and 1Moz gold resource) and infrastructure/ location advantages, further large-scale exploration success is expected to move the project into the next class of development options available to the copper sector in order to meet forecast future copper demand requirements.

Outside of the Company's growth efforts to drive value creation at Productora through further exploration success, Productora's existing asset value is strongly leveraged to the improving copper price environment.

Productora's 2016 PFS was completed using a long-term copper price of US$3.00/lb, however over the past 12 months the copper price has improved significantly, rising from approximately US$2.00/lb in early 2016 to an average copper price of US$3.06/lb in August 2017.

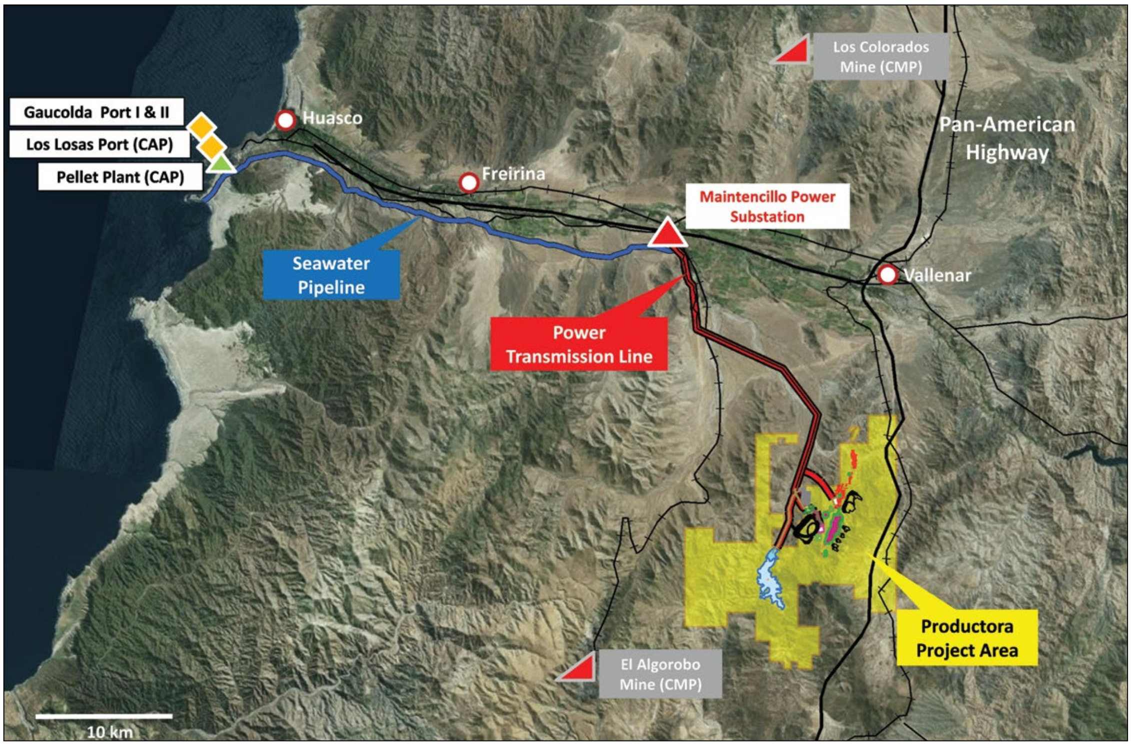

Figure 1. Productora Project location, and its proximity to surrounding infrastructure.

Figure 2 below outlines Productora's economic sensitivity to copper price as outlined in the Company's 2016 PFS (announced to ASX on 2nd March 2016 "Hot Chili Delivers PFS and Near Doubles Reserves at Productora").

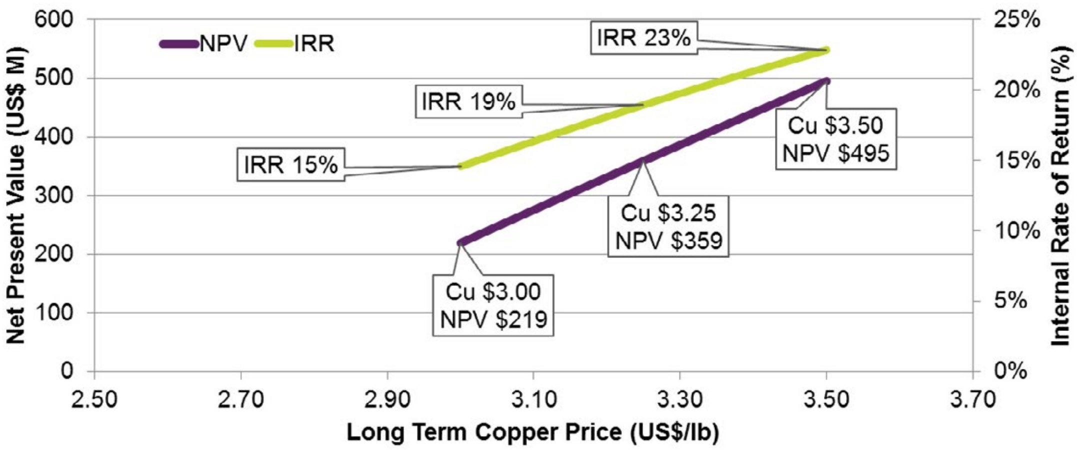

Figure 2. Financial analysis of Productora PFS valuation in relation to copper price.

Potential to Transform Productora into Copper Project of Global Significance

Productora's porphyry copper potential was revealed after the detection of a cluster of large-scale targets identified from a deep penetrating IP-MT geophysical survey. The survey was commissioned following discovery of the Alice porphyry copper deposit, located immediately adjacent to Productora's planned central pit.

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

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

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

Successful drill testing of these large-scale porphyry copper targets has the potential to transform Productora into a copper project of global significance, which in turn could have a substantial impact on the project's mine life and economics.

2 Review of Operations (cont'd)

Productora Porphyry Copper Drilling

Hot Chili accelerated its exploration efforts at Productora in 2017, with reconnaissance drilling completed providing significant insight into the large-scale porphyry copper system.

Reconnaissance drilling has identified and tested two distinct domains associated with a 6km long porphyry lithocap; the western domain (magnetite rich) and eastern domain (magnetite poor) as shown in Figure 3.

Drilling directed toward targets located within the magnetite rich western domain has confirmed that it is largely the distal margin of the porphyry copper system. However, drilling along the eastern domain has provided significant encouragement. Zones of copper oxide (chalcocite and malachite) and primary copper sulphide (chalcopyrite) mineralisation in association with molybdenum enrichment was recognised in several drill holes over moderate widths.

Phase 1 reconnaissance exploration drilling is now complete and the Company is awaiting receipt of results before finalising the design and commencement of Phase 2 porphyry copper drilling programme. Four large-scale porphyry copper targets located along the eastern domain are now the focus for Hot Chili.

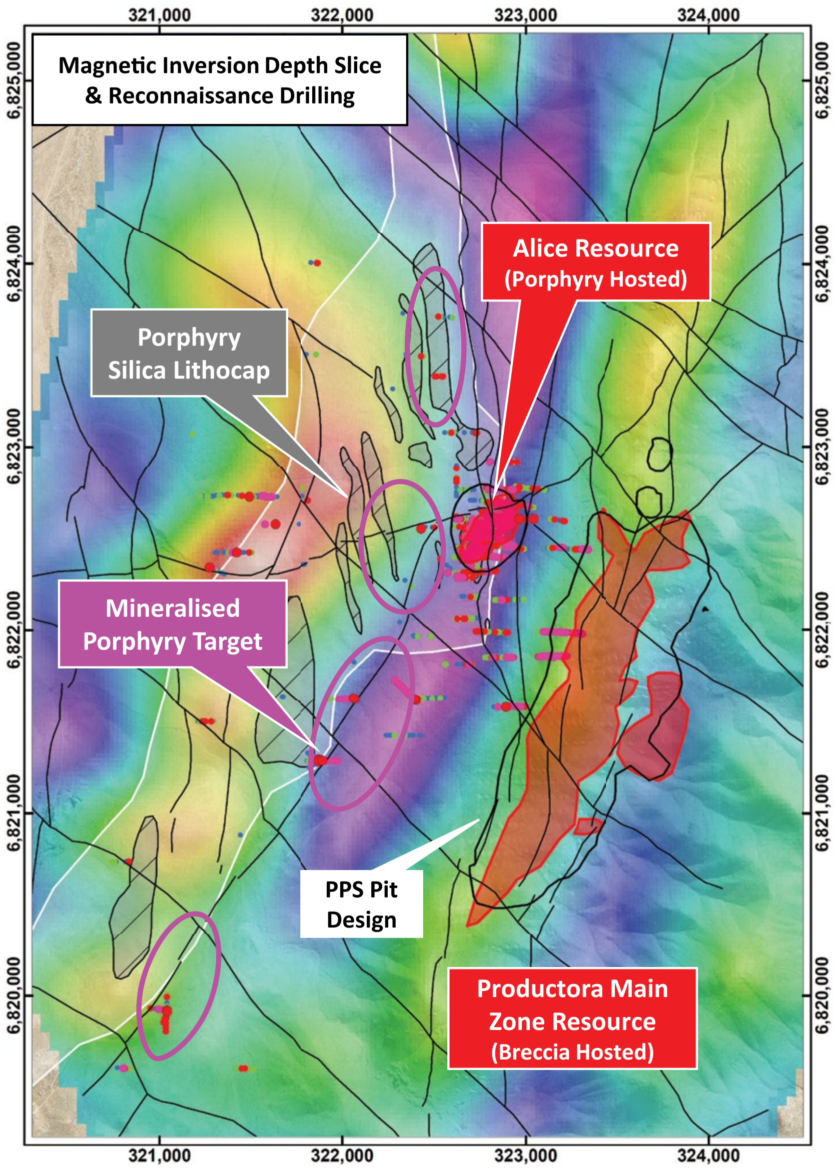

Figure 3. Location of reconnaissance drill holes in relation to key datasets (geophysics, faults, silica caps) covering the Productora porphyry copper lithocap.

Expanded Growth Strategy to Strengthen Productora

Since delivering a Pre-feasibility Study in 2016 outlining an annual production base of 66ktpa copper and 25koz gold over the first 8 years of mine life, the Company has focussed its efforts on unlocking opportunities to increase mine life and scale at Productora.

Exploration during this time has been largely directed towards large-scale porphyry copper potential identified immediately adjacent to Productora's planned central pit development.

In support of this bulk tonnage growth strategy, Hot Chili is now also focused on opportunities to increase Productora's future head-grade and annual metal production via the incorporation of nearby high-grade exploration and development satellite projects.

Several satellite projects are currently being evaluated for their potential to host and deliver future high-grade ore sources that can take advantage of Productora's planned large-scale, low-cost processing facilities.

Hot Chili is pleased that its growth strategy to increase the grade and future metal production capacity of Productora is gathering momentum, with the Company having executed two deals to secure a stable of high-grade satellite projects within close development distance of Productora, as seen in Figure 4.

Securing high-grade opportunities to feed into Productora has the potential to establish Hot Chili as the premier large-scale copper developer listed on the ASX.

The Company envisages Productora as a future large-scale operating centre in Chile, with Productora already being one of the largest and most advanced ASX listed copper developments by scale.

Increasing the grade and metal production capability of Productora by incorporating numerous high grade satellite ore sources is very material for Hot Chili. Successful execution of this strategy could have the potential to dramatically enhance the value of Productora, in addition to the leverage the project already has to the rising copper price.

The combined positive outlook for copper price, and the Company's expanded growth strategy has the potential to significantly re-rate Hot Chili.

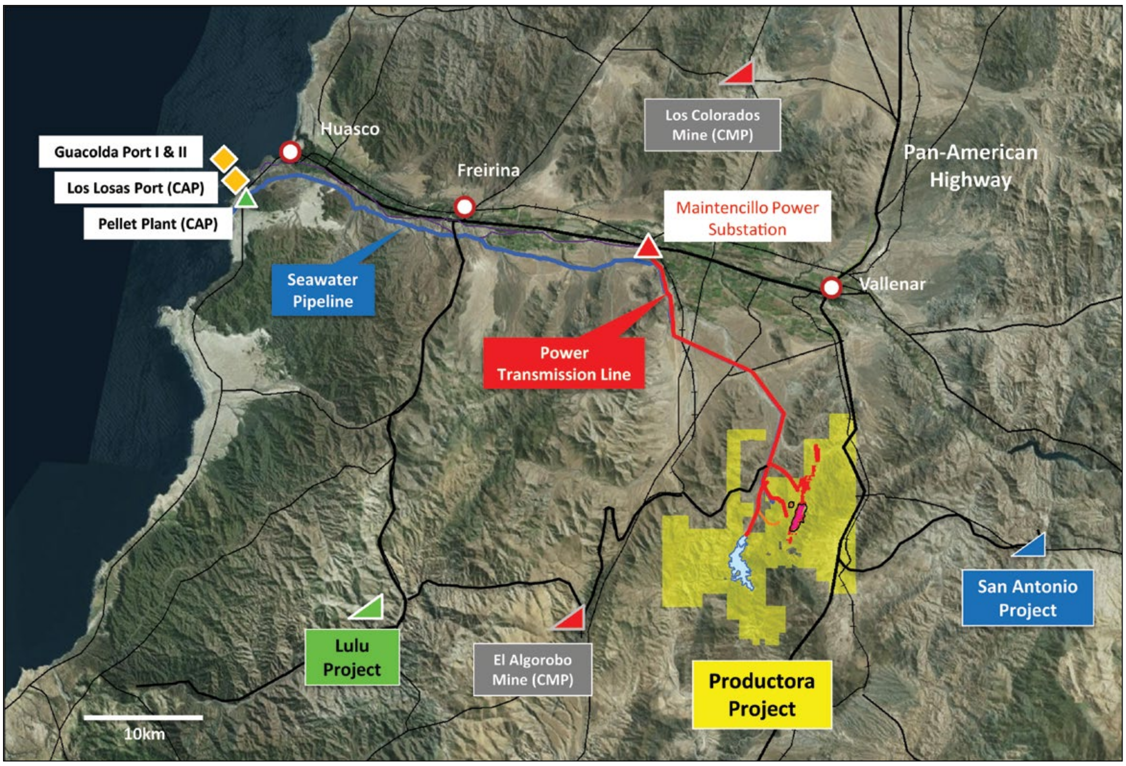

Figure 4. Productora copper project in relation to San Antonio and Lulu satellite projects and coastal range infrastructure position.

2 Review of Operations (cont'd)

Lulu Copper-Gold Project

The Lulu copper-gold project lies 30km directly west of Productora (figure 4) in Region IV of Chile at low altitude (~950m). Lulu is a relatively early stage exploration project which has not previously been drill tested and comprises two exploitation leases covering 40ha.

Importantly, the project represents the direct extension of one of the regions highest grade substantial underground mines. This mine reportedly exploited vein hosted material to 600m depth, over widths ranging between 1.5m and 2m and grades averaging 6% copper and 3g/t gold.

Higher grade ore shoots within the historical underground mine, adjacent to the Lulu project, exploited vein widths up to 7m with grades averaging 12% copper and 5g/t gold.

Preliminary surface mapping undertaken by Hot Chili within the Lulu project has confirmed a strike continuous 800m extension of the main ore hosting structure to the south of the main historical underground mine as displayed in Figure 5.

Copper mineralisation at Lulu is hosted within a moderately (60 - 70°) southwest dipping carbonate vein which varies in width between 0.7m and 4.1m (where observed). The main carbonate vein trends NW-SE and transects a granodiorite which has also been variably intruded by andesitic dykes. Brecciation and secondary veining occurs within a 10m to 15m wide zone encompassing the main copper-bearing carbonate vein.

Oxidation at Lulu occurs to a depth of approximately 75m vertical, where oxide copper mineralisation is associated with malachite, chrysocolla and cuprite. Sulphide copper is associated with chalcopyrite, bornite and minor covellite.

Hot Chili's 100% owned subsidiary Sociedad Minera Frontera SpA (Frontera) has executed a non-binding LOI with a private party to earn a 70% interest in the Lulu copper-gold project over a four-year period. The proposed Joint Venture (JV) involves an Option agreement whereby full ownership of 70% of the mining rights of the project will be transferred upon satisfaction of the following Option payment schedule:

1. US$75,000 upon execution of a formal JV Option agreement
2. US$75,000 12 months from execution of a formal JV Option agreement
3. US$150,000 24 months from execution of a formal JV Option agreement
4. US$150,000 36 months from execution of a formal JV Option agreement, and
5. US$2 million 48 months from execution of a formal JV Option agreement

Exploration by Frontera at Lulu shall be at its discretion and during the first 36 months of the JV the owner will be able to exploit up to 50,000 tonnes of ore per year from within the Project.

The LOI is subject to favourable legal due diligence along with agreement and approval of final terms of a formal agreement by the Board of Hot Chili.

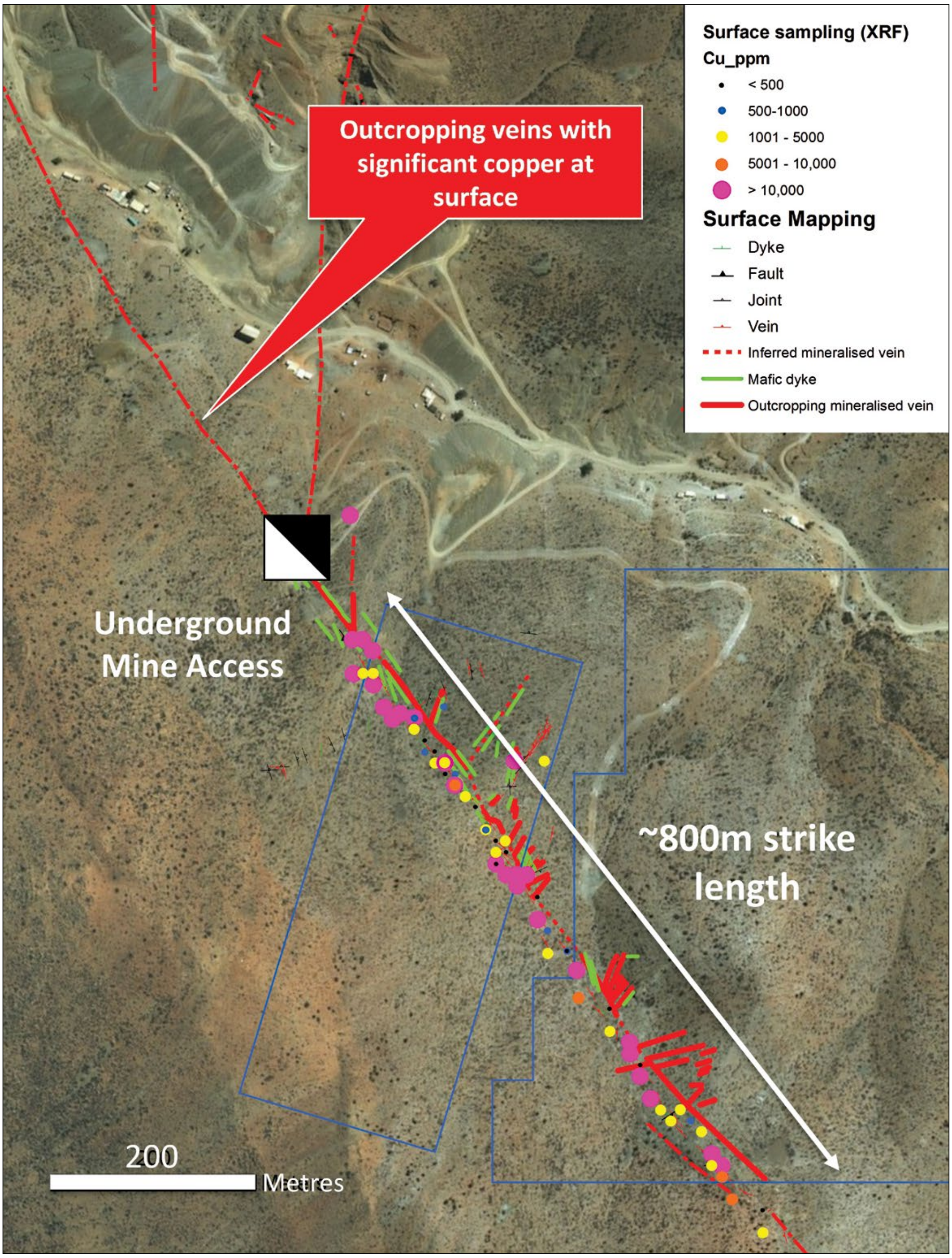

Figure 5. Lulu copper-gold project landholding and preliminary surface mapping of the main copper-bearing vein system.

2 Review of Operations (cont'd)

San Antonio Copper-Gold Project

The Company has executed a non-binding Letter of Intent (LOI) for a Joint Venture Option Agreement to earn a 90% interest in the San Antonio project, located 20km directly east of Productora in Region IV of Chile at low altitude (800m).

Importantly, the project has been privately owned for several decades and contains a substantial underground mine which historically produced some 2Mt of ore material with an average grade of approximately 2% copper and 0.3g/t gold. The mine has been exploited over a 200m strike length to a vertical depth of 130m.

Little modern exploration and drilling has been undertaken over the project which comprises 12 exploitation leases covering 1,566ha.

Copper mineralisation is associated with a sequence of moderately east-dipping sandstone and limestone/andesite units which have seen extensive skarn alteration adjacent to a granitic contact along the projects eastern margin. The zone of skarn alteration has been recognised over a 2.5km strike extent within the project.

Andesite units host the majority of mineralisation which was exploited underground at true widths ranging between 7m and 30m (10m average). Sulphide copper is associated with chalcopyrite, minor bornite, pyrrhotite and magnetite.

Hot Chili's 100% owned subsidiary Sociedad Minera Frontera SpA (Frontera) has executed a non-binding LOI with a private party to earn a 90% interest in the San Antonio copper-gold project over a four-year period. The proposed JV involves an Option agreement whereby full ownership of 90% of the mining rights of the project will be transferred upon satisfaction of a payment of US$300,000 in 36 months and then a final payment of US$6,700,000 in 48 months.

Importantly, the LOI provides for no payments and no exploration commitments over the first three years of the Option.

Exploration by Frontera at San Antonio shall be at its discretion and the owner will have the right to lease to any third party the exploitation of the mining rights of up to 50,000 tonnes of ore per year until exercise of the Option.

The LOI is subject to favourable legal due diligence along with agreement and approval of final terms of a formal agreement by the Board of Hot Chili.

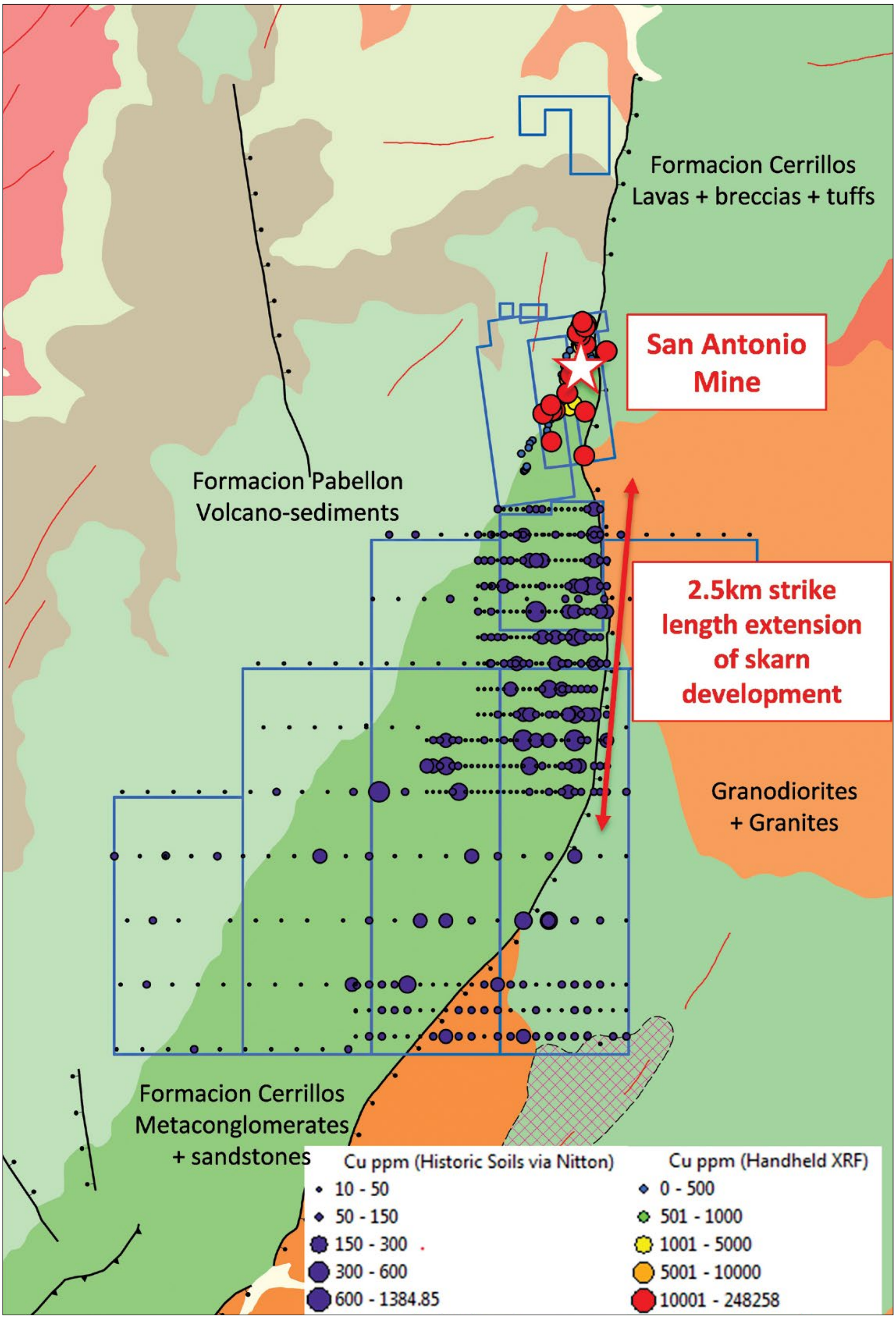

Figure 6. San Antonio copper-gold project landholding, regional geology and surface geochemistry displaying Cu ppm.

3 Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

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

JORC Compliant Mineral Resource Statements

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

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	**Au** (g/t)	**Mo** (ppm)	**Cu** (tonnes)	**Au** (ounces)	**Mo** (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	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	**Au** (g/t)	**Mo** (ppm)	**Cu** (tonnes)	**Au** (ounces)	**Mo** (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.

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

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, 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.

3 Qualifying Statements (cont'd)

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.

Hot Chili is significantly leveraged to improving copper price as one of the largest and most advanced copper developments for an ASX listed company

4 Corporate Activities

The Company is very pleased to have achieved financing arrangements during the year which have significantly strengthened the Company's financial position and allowed It to focus on growth activities at Productora.

Convertible Note

Following shareholder approval at a general meeting held on 6th June 2017, the Company successfully closed a A$11.3 million private placement (Funding) with key major shareholders and other sophisticated investors via an offering of unsecured Convertible Notes (Notes).

The Funding was led by Sprott Capital Partners, a division of Sprott Private Wealth LP, and affiliates (collectively Sprott) and supported by Taurus Funds Management Pty Ltd (Taurus) and Blue Spec Drilling Pty Ltd (Blue Spec), a company associated with Hot Chili's Chairman, Murray Black.

On 22 June 2017, following receipt of A$10.92 million, Hot Chili issued 109,175 Notes with a face value A$100 each. Sprott and sophisticated investors as arranged by Sprott, have been issued a total of 88,833 Notes and Taurus have been issued 20,342 Notes.

In addition, on 7 September 2017, Blue Spec were issued with 3,834 Notes following shareholder approval and receipt of a further A$383,400.

The terms of the Notes are as follows:

- Unsecured Notes have a maturity of 5 years and a conversion price of A$0.03333 per Ordinary Share (a strong premium to Hot Chili closing price of A$0.025 on 16th March 2017, when the Funding was announced).
- All Notes will automatically be converted on the maturity date at the lower of $0.03333 or 95% of the VWAP traded on the ASX for the 10 consecutive trading days preceding the maturity date.
- Annual Coupon Rate of 8% based on the face value, will be paid to Note holders on a quarterly basis (in arrears), payable in cash or Ordinary Shares at the election of Hot Chili.
- Hot Chili can redeem the Notes early in cash for the face value plus interest accrued. This can only occur on or after the second anniversary of the issue date of the Notes, and provided the VWAP for the shares traded on the ASX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 300% of the Conversion Price of A$0.03333 per share;

The terms are as stated in the Company's Notice of General Meeting released to ASX on 3 May 2017. The Notes will not be listed on ASX at this time.

Hot Chili also welcomed Sprott representative Randall Nickson to the Board as a Non-executive Director in August 2017, and looks forward to Randall's contribution toward the growth and advancement of Productora toward production.

The Funding has allowed the Company to repay all outstanding debt and also provides additional funds for exploration and general working capital requirements.

Paying off the Company's debt ensures that Hot Chili is financially well-positioned, and achieves a key near-term financing target. The Company is now significantly de-risked and able to take advantage of rising copper market conditions and success from the drill bit.

With the Company's balance sheet now strengthened, Hot Chili is able to fully focus on its growth activities at Productora.

Blue Spec Shows Continued Support

A General Meeting held on the 31st August 2017 saw shareholders approve the issue of shares to Blue Spec Sondajes Chile SpA (Blue Spec) for drilling services.

Blue Spec have offered to accept up to a maximum of US$1 million in Hot Chili shares in consideration for any further drilling that Hot Chili may decide to undertake.

The Company is very pleased with the continuing support of Blue Spec to ensure that further exploration drill testing of Productora's potential scale can be achieved with minimal cash expenditure.

4 Corporate Activities (cont'd)

Oversubscribed A$4.4 Million Placement

In July 2016, Hot Chili 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.

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.

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

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 held on 30th April 2015 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:

- Providing the Company with the critical infrastructure necessary to develop the Productora Project faster than otherwise;
- Providing the Company with funds that it can use to contribute to its portion of development costs for the Productora Project;
- 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
- 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.

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.

4 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.

5 Directors' Report

Your Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2017 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

George Randall Nickson
Non-Executive Director
(Appointed 17 August 2017)

Melanie Leighton
Alternate for M Black

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 42 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 19 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
Independent Non-Executive Director

Dr Trench is a geologist/geophysicist and business management consultant with over 26 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 he resigned on 31 August 2017. He was appointed as a Non- Executive Director of Heemskirk Consolidated Ltd on 31 May 2017 on a temporary basis and resigned on 25 August 2017.

Roberto de Andraca Adriasola
Non-Executive Director

Mr de Andraca Adriasola is a business manager with 24 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. 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 a director of Puerto Los Losas, a port in the Atacama Region of Chile. He was elected to the board of directors of CAP S.A. on April 18th 2017, until that date he held the position of VP of Business Development.

5 Directors' Report (cont'd)

Directors (cont'd)

George Randall Nickson

Non-Executive Director
(Appointed 17 August 2017)

Mr. Nickson has more than 35 years of global experience in the mining industry, including 14 years based in Chile devoted to copper exploration. His career includes work across a range of base and precious metals, bulk commodities and energy. He holds an honours degree in Geological Engineering and a Masters degree in Business Administration.

Mr Nickson is currently engaged as an independent consultant to the exploration sector, specializing in business development, commercial advisory and business evaluations. Prior to that he spent 16 years with BHP, where he worked in a variety of senior technical, exploration management and business development roles while based in Chile, Brazil and Australia. He is a member of the Australasian Institute of Mining & Metallurgy and the Prospectors and Developers Association of Canada.

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 17 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 2017 was a loss of $2,498,476 (2016: loss $9,588,883).

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 18.

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

On 17 August 2017 the company announced the appointment of Mr George Randall Nickson as a Non-Executive Director.

On 8 September 2017 the company issued 3,834 convertible notes with a face value of $100 to raise $383,400. The company also issued 766,800 ordinary shares pursuant to the subscription agreement for the convertible notes. The convertible notes and shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, following shareholder approval.

There were no other matters subsequent to the end of the financial year that require reporting.

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	-	25,790,942	-	-
Christian E Easterday	300,000	16,750,000	-	-
Dr Allan Trench	-	41,400	-	-
Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	-	40,000	-	-
George Randall Nickson (Appointed 17 August 2017)	-	-	-	-
Melanie Leighton (Alternate for M Black)	40,000	-	-	-

Shares under Option

There were 39,000,000 ordinary shares under option at 30 June 2017.

Shares Issued on the Exercise of Options

There were no ordinary shares of Hot Chili Limited issued during the year ended 30 June 2017 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 2017, 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 30 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.

5 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:

Director	Eligible Meetings while in office	Eligible Meetings attended
Murray E Black	16	16
Dr Michael Anderson	19	19
Christian E Easterday	17	17
Dr Allan Trench	19	19
Roberto de Andraca Adriasola	19	15
George Randall Nickson (Appointed 17 August 2017)	-	-
Melanie Leighton (Alternate for M Black)	-	-

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 2017 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 2016 to 30 June 2017, 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. The LTIFR during the last 24 months (until 30th June 2017) is 0.

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

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 17.

Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 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:

2017	Short Term				Post-Employment	Share-based Payments	
Name	**Consulting Fees Related Parties $**	**Salary $**	**Directors' Fee $**	**Other Benefits $**	**Super-annuation $**	**Options $**	**Total $**
Murray E Black	-	-	-	-	-	-	**-**
Dr Michael Anderson	36,792	-	-	-	-	-	**36,792**
Christian E Easterday	-	259,200	-	-	24,624	-	**283,824**
Dr Allan Trench	-	-	33,600	-	3,192	-	**36,792**
Roberto de Andraca Adriasola	-	-	6,745	-	-	-	**6,745**
	36,792	**259,200**	**40,345**	**-**	**27,816**	**-**	**364,153**

2016	Short Term				Post-Employment	Share-based Payments	
Name	**Consulting Fees Related Parties $**	**Salary $**	**Directors' Fee $**	**Other Benefits $**	**Super-annuation $**	**Options $**	**Total $**
Murray E Black	-	-	29,583	-	3,550	-	**33,133**
Dr Michael Anderson	41,986	-	-	-	-	-	**41,986**
Christian E Easterday	-	291,600	-	-	32,292	-	**323,892**
Dr Allan Trench	-	-	37,800	-	4,186	-	**41,986**
Roberto de Andraca Adriasola	-	-	19,600	-	-	-	**19,600**
	41,986	**291,600**	**86,983**	**-**	**40,028**	**-**	**460,597**

5 Directors' Report (cont'd)

OTHER TRANSACTIONS WITH DIRECTORS

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2016: $41,986) in directors and consulting fees. No amounts were owing as at 30 June 2017 (2016: Nil).

Blue Spec Sondajes Chile Limitada, a company of which Mr Black is a director, was paid $276,499 (2016: $1,570,540) for drilling services. No amounts were owing as at 30 June 2017 (2016: Nil).

All payments were made at recognised commercial rates.

Remuneration of Key Management Personnel

2017	Short Term			Post-Employment	Share-based Payments	
	Consulting Fees Related Parties	Salary	Other Benefits	Super-annuation	Options	Total
Name	$	$	$	$	$	$
John Sendziuk (Company Secretary)	-	60,000	-	5,700	-	**65,700**
Melanie Leighton (Corporate Projects Manager / Alternate Director)	-	180,000	-	17,100	-	**197,100**
Jose Ignacio Silva (Chief Legal Counsel)	-	165,495	-	-	-	**165,495**
	-	**405,495**	**-**	**22,800**	**-**	**428,295**

2016	Short Term			Post-Employment	Share-based Payments	
	Consulting Fees Related Parties	Salary	Other Benefits	Super-annuation	Options	Total
Name	$	$	$	$	$	$
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)	-	202,500	-	22,425	-	**224,925**
Jose Ignacio Silva (Chief Legal Counsel)	-	193,138	-	-	-	**193,138**
	-	**707,772**	**-**	**29,000**	**-**	**736,772**

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 2017, 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.

2017	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	21,599,242	-	4,000,000	25,599,242
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
	38,730,642	**-**	**4,000,000**	**42,730,642**
Key Management Personnel				
John Sendziuk	970,000	-	-	970,000
Melanie Leighton	40,000	-	-	40,000
Jose Ignacio Silva	270,000	-	-	270,000
	1,280,000	-	-	1,280,000
Total	**40,010,642**	**-**	**4,000,000**	**44,010,642**

2016	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
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**

* Rodrigo Diaz resigned on 16 February 2016.

** There are no shares held during the financial year and up to 30 June 2017 by the director.

Options

There are no options over ordinary shares held during the financial year, and up to 30 June 2017 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

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 was 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 2017 are summarised below:

	2017 $	2016 $	2015 $	2014 $	2013 $
Revenue	1,356,693	186,665	71,601	538,546	208,525
Expenses	(3,855,169)	(9,775,548)	(8,726,371)	(9,152,108)	(4,576,271)
EBITDA	(1,261,007)	(7,153,060)	(6,290,813)	(6,542,811)	(4,277,099)
EBIT	(1,327,339)	(7,234,332)	(6,399,228)	(6,664,920)	(4,367,746)
Loss after income tax	(2,498,476)	(9,588,883)	(8,654,770)	(8,613,562)	(4,367,746)

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

	2017	2016	2015	2014	2013
Share price at financial year end ($)	0.023	0.06	0.10	0.19	0.49
Basic earnings per share (cents per share)	(0.44)	(2.22)	(2.47)	(2.67)	(1.68)

[End of Remuneration Report]

Dated this 29th day of September 2017 in accordance with a resolution of the Directors and signed for on behalf of the Board by:

Christian E Easterday

Managing Director

6 Auditors' Independence Declaration

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 2017, 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

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2017

7 Auditors' Report

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

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

Opinion

We have audited the financial report of Hot Chili Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

RSM

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $2,498,476 and had cash outflows from operating activities of $2,879,635 and from investing activities of $1,379,237 during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by $6,505,925. As stated in Note 1, these events or conditions, along with other matters as set forth in Note1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Carrying value of Exploration and Evaluation Expenditure Refer to Note 10 in the financial statements	
The Group has capitalised a significant amount of exploration and evaluation expenditure, with a carrying value of $107,555,248 as at 30 June 2017. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, including: • Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest; • Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be assessed; and • Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss.	Our audit procedures in relation to the carrying value exploration and evaluation expenditure included: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure; • Agreeing a sample of additions to capitalised exploration and evaluation expenditure during the year to supporting documentation and ensuring that the amounts were capital in nature and relate to the area of interest; • Reviewing and enquiring with management the basis on which they have determined that the exploration and evaluation of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exists; • Enquiring with management and reviewing budgets and plans to test that the Group will incur substantive expenditure on further exploration for and evaluation of mineral resources in the specific area; • Reviewing whether management has received sufficient data to conclude that the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. This included assessment of the key inputs, design and accuracy of the Productora Asset pre-feasibility study financial model; and • Reviewing minutes of director meetings and Australian Securities Exchange announcements to ensure that the Group has not resolved to discontinue activities in the specific area of interest.

Key Audit Matter	How our audit addressed this matter
Accounting for Convertible Notes issued Refer to Note 12 and Note 13 in the financial statements	
During the financial year the Group issued 109,175 unsecured convertible notes with a face value of $100 each to raise $10,917,500 (before costs). The convertible notes have been treated as a compound financial instrument, with the debt component classified in the consolidated statement of financial position as borrowings ($3,184,082), and the conversion option classified as a derivative financial liability ($6,451,250). The accounting for the convertible notes issued was considered to be a key audit matter due to the following: • It is a significant liability of the Group; and • The accounting is technically complex and requires judgement in valuing the derivative financial liability.	Our audit procedures in relation to the accounting for convertible notes issued included: • Reviewing the convertible note deed to understand the transaction and the related accounting considerations; • Obtaining direct confirmation from the convertible note holders of the number of notes held and the key terms to the notes as at balance date; • Evaluating the accounting treatment to determine whether the accounting for the convertible notes issued were in compliance with Australian Accounting Standards; • Reviewing the valuation of the derivative financial liability at both inception and subsequent measurement as at balance date, including the reasonableness of key inputs to the valuation model; and • Assessing the appropriateness of the disclosures in respect of the borrowings and derivative financial liability.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2017

8 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 2017 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.

C Easterday

Director

Christian E Easterday
Managing Director

Dated this 29th day of September 2017

9 Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

Statement of Profit or Loss and Other Comprehensive Income

		Consolidated Entity	
		2017	**2016**
	Note	**$**	**$**
Interest income	4	14,179	18,694
Other income	5	1,342,514	167,971
		1,356,693	**186,665**
Depreciation		(66,332)	(81,272)
Convertible notes expenses	12	(788,723)	-
Exploration expenses written off	10	(114,375)	(4,631,404)
Corporate fees		(81,522)	(80,891)
Legal and professional		(136,523)	(82,234)
Employee benefits expense		(799,244)	(933,990)
Administration expenses		(175,266)	(672,670)
Accounting fees		(114,078)	(119,124)
Travel costs		(84,383)	(122,434)
Other expenses		(323,586)	(212,285)
Foreign exchange loss		-	(484,693)
Finance costs		(1,171,137)	(2,354,551)
Loss before income tax		(2,498,476)	(9,588,883)
Income tax expense	6	-	-
Loss after income tax		(2,498,476)	(9,588,883)
Other comprehensive income		-	-
Total Comprehensive Loss		**(2,498,476)**	**(9,588,583)**
Loss attributable to:			
Non-controlling interests		(155,296)	(89,230)
Owners of Hot Chili Limited		(2,343,180)	(9,499,653)
		(2,498,476)	**(9,588,883)**
Basic earnings per share (cents)	16	(0.44)	(2.22)
Diluted earnings per share (cents)	16	(0.44)	(2.22)

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

10 Statement of Financial Position

AS AT 30 JUNE 2017

		Consolidated Entity	
		2017	2016
	Note	$	$
Current Assets			
Cash and cash equivalents	7	2,402,980	221,576
Other current assets	8	113,438	133
Total Current Assets		2,516,418	221,709
Non-Current Assets			
Plant and equipment	9	219,928	325,086
Exploration and evaluation expenditure	10	107,555,248	106,335,730
Total Non-Current Assets		107,775,176	106,660,816
Total Assets		**110,291,594**	**106,882,525**
Current Liabilities			
Trade and other payables	11	2,571,093	2,737,208
Borrowings	12	-	8,753,030
Derivative financial instruments	13	6,451,250	-
Total Current Liabilities		9,022,343	11,490,238
Non-Current Liabilities			
Borrowings	12	3,184,082	-
Total Non-Current Liabilities		3,184,082	-
Total Liabilities		**12,206,425**	**11,490,238**
Net Assets		**98,085,169**	**95,392,287**
Equity			
Contributed equity	14	122,053,043	117,209,608
Option reserve	15(b)	1,473,539	1,125,616
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(44,858,479)	(42,515,299)
Capital and reserves attributable to owners of Hot Chili Limited		78,669,325	75,821,147
Non-controlling interests	15(d)	19,415,844	19,571,140
Total Equity		**98,085,169**	**95,392,287**

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

11 Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity	Contributed Equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2016	117,209,608	1,125,616	1,222	(42,515,299)	19,571,140	95,392,287
Loss for the year	-	-	-	(2,343,180)	(155,296)	(2,498,476)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(2,343,180)**	**(155,296)**	**(2,498,476)**
Shares issued	5,206,476	-	-	-	-	5,206,476
Share issue costs	(363,041)	-	-	-	-	(363,041)
Share based payments	-	347,923	-	-	-	347,923
Balance at 30 June 2017	**122,053,043**	**1,473,539**	**1,222**	**(44,858,479)**	**19,415,844**	**98,085,169**
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**

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

12 Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity 2017 $	2016 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,874,137)	(1,774,009)
Interest payment		(1,141,946)	(1,683,550)
Interest received		14,179	18,694
Other receipts		122,269	167,971
Net cash used in operating activities	19(b)	(2,879,635)	(3,270,894)
Cash Flows from Investing Activities			
Payments for plant and equipment		(45,344)	-
Payments for exploration and evaluation		(1,333,893)	(6,010,734)
VAT refund		-	649,883
Net cash used in investing activities		(1,379,237)	(5,360,851)
Cash Flows from Financing Activities			
Proceeds from issue of shares		4,400,050	4,493,253
Share issue costs		(231,653)	(30,528)
Proceeds from issuance of Convertible Note		10,917,500	-
Proceeds from sale of investment		-	2,030,594
Repayment of borrowings		(8,664,357)	(4,764,579)
Net cash provided by financing activities		6,421,540	1,728,740
Net increase / (decrease) in cash held		2,041,074	(6,903,005)
Cash and cash equivalents at the beginning of the financial year		221,576	7,112,498
Effects of exchange rates on cash holdings in foreign currencies		18,736	12,083
Cash and cash equivalents at the end of the financial year	19(a)	**2,402,980**	**221,576**

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

13 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. The impact of the new leases standard is that leased 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 and 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.

(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 26th September 2017 by the Board of Directors.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 $2,498,476 and had cash outflows from operating activities of $2,879,635 and from investing activities of $1,379,237 for the year ended 30 June 2017. As of that date, the consolidated entity had net current liabilities of $6,505,925.

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:

- Included in current liabilities is a derivative financial liability of $6,451,250 (Note 13) attributed to the convertible notes issued during the year and representing the component of the convertible notes of granting an option to the note holder to convert to equity at any time prior to maturity. The derivative financial liability component of the convertible note is redeemable at the option of Hot Chili and thus will not be a drain on the company's funds;
- Included in current liabilities a refundable deposit option fee of $1,951,372 (Note 11). The option fee is refundable at the option of Campania Minera del Pacífico S.A. (CMP). The directors are working co-operatively with CMP to co-ordinate the exercise of Tranche 1 of the associated Additional Purchase Option, which would raise USD $26m, enable the potential settlement of the convertible facility and provide significant cash flow to the consolidated entity; and
- The company expects to issue additional equity securities under the Corporations Act 2001, to raise further working capital. Other sources of funding may also be contemplated, including alternate funding options.

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(s) 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.

(t) 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.

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.

Derivative financial instruments

The directors have determined that the convertible notes issued during the year are a compound financial Instrument with both a debt component and derivative financial liability representing the conversion option. The accounting for the derivative financial instrument requires management judgements and estimates in determining the fair value.

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.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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 (2016: 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 INFORMATION	**Geographical Non-current assets**	
	2017	**2016**
	$	**$**
Australia	51,044	64,067
Chile	107,724,132	106,596,749
	107,775,176	**106,660,816**

4. INTEREST INCOME

	Consolidated Entity	
	2017	**2016**
	$	**$**
Interest income	18,694	35,475
	18,694	**35,475**

5. OTHER INCOME

Foreign exchange gain	227,745	-
Gain on revaluation of derivative liability	992,500	-
Other	122,269	167,971
	1,342,514	**167,971**

6. INCOME TAX EXPENSE

(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(2,498,476)	(9,588,883)
Prima facie income tax at 27.5% (2016: 28.5%)	(687,081)	(2,732,832)
Tax-effect of amounts not assessable in calculating taxable income	-	-
Tax-effect of amounts not deductible in calculating taxable income	(128,557)	(101,966)
Tax loss not recognised	815,638	2,834,798
Income tax expense	**-**	**-**

(b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	19,440,724	23,218,773
Potential tax benefit at 27.5% (2016: 28.5%)	5,346,199	6,617,350

(c) The directors estimate that the potential deferred tax asset at 30 June 2017 in respect of tax losses not brought to account is $5,346,199 (2016: $6,617,350).

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $17,726,786 (2016: $12,174,371).

6. INCOME TAX EXPENSE (CONT'D)

(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	
	2017	**2016**
	$	**$**
Cash at bank	2,402,980	221,576
	2,402,980	**221,576**

8. OTHER CURRENT ASSETS

Prepayment	35,449	-
Accounts receivable	77,856	-
VAT receivable	133	133
	113,438	**133**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	708,366	835,275
Less provision for depreciation	(488,438)	(510,189)
	219,928	**325,086**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	325,086	406,358
Additions	45,344	-
Disposals and scrapped	(84,170)	-
Depreciation	(66,332)	(81,272)
Carrying amount at the end of the year	**219,928**	**325,086**

10. EXPLORATION AND EVALUATION EXPENDITURE

Carrying amount at the beginning of the year	106,335,730	83,626,283
Consideration given for mineral exploration acquisition (i)	-	21,980,000
Capitalised mineral exploration and evaluation	1,333,893	5,360,851
Exploration costs written off	(114,375)	(4,631,404)
Carrying amount at the end of the year (ii)	**107,555,248**	**106,335,730**

(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).

(ii) Management have determined that the capitalised expenditure relating to the projects in Chile are still in the exploration phase and are to be classified as Exploration and Evaluation expenditure. In accordance with *AASB 6 Exploration for and evaluation of Mineral Resources* management have assessed whether there are any indicators of impairment on the capitalised expenditure as at balance date. In making this assessment management have considered whether sufficient data exists to conclude that the exploration and evaluation assets are unlikely to be recovered in full from successful development or sale. This included management engaging an independent consultant to review and update the key drivers within the Productora pre-feasibility financial model including the long term copper price, discount rate and the operating and capital costs. Based on this review, management are satisfied that there are no impairment indicators as at balance date.

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	
	2017	2016
	$	$
Trade payables and accruals	619,721	74,716
Unissued shares (i)	-	523,912
Refundable deposit (option fee) (ii)	1,951,372	2,138,580
	2,571,093	**2,737,208**

(i) On 8 July 2016, 9,355,569 ordinary shares with a fair value of $523,912 were issued as consideration for Sprott Resource Lending Partnership's extension of the credit facility provided to Hot Chili Limited. Refer to note 14.

(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

	Consolidated Entity	
	2017	2016
CURRENT	$	$
Non-bank loan[1]	-	8,753,030
	-	**8,753,030**

[1] The non-bank loan payable to Sprott Resources Lending Partnership of US$6.5 million was repaid during the year.

	Consolidated Entity	
	2017	2016
NON-CURRENT	$	$
Convertible note – debt component[2]	3,184,082	-
	3,184,082	**-**

[2] On 22 June 2017 the consolidated entity issued 109,175, 8% five year convertible notes, with a face value of $100 each, for total proceeds of $10,917,500. Interest is paid quarterly in arrears at a rate of 8% per annum based on the face value. The maturity date of the notes is 22 June 2022. The conversion rights associated with the convertible notes are:

a) The holder of the notes may convert into ordinary shares of the parent entity at any time prior to maturity at a conversion price of A$0.03333 per share;

b) The company can redeem the notes early in cash for the face value plus interest accrued, only after two years since the issue date provided the VWAP for the shares traded on the ASX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 300% of the conversion price of A$0.03333 per share;

c) The Convertible note will automatically be converted on the maturity date at the lower of $0.03333 or 95% of the VWAP traded on the ASX for the 10 consecutive trading days preceding the maturity date.

12. BORROWINGS (CONT'D)

Convertible note - reconciliation

	Consolidated Entity	
	2017	**2016**
NON-CURRENT	**$**	**$**
Proceeds from Issue	10,917,500	-
Derivative liability at inception	(7,443,750)	-
Transaction costs[1]	(299,716)	-
	3,174,034	-
Interest expense	29,190	-
Interest payable – included in other payables (refer note 11)	(19,142)	-
At the end of the financial year	**3,184,082**	**-**

[1] Total transaction costs from the convertible notes issued were $1,088,439, of which $299,716 were capitalised to Borrowings and $788,723 were expensed.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity	
	2017	**2016**
	$	**$**
Derivative Liability - Convertible Note	6,451,250	-
	6,451,250	**-**

The holders of the convertible notes have the option to convert into ordinary share capital of the Company. Refer to Note 12.

Fair value hierarchy

The consolidated entity using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable inputs for the asset or liability

The derivative liability is determined to be Level 2 and has been valued using quoted market prices at the end of the reporting period. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific measurements.

Derivative liability - reconciliation

	Consolidated Entity	
	2017	**2016**
	$	**$**
Derivative liability at inception	7,443,750	-
Change in fair value	(992,500)	-
At the end of the financial year	**6,451,250**	**-**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2017	2016	2017	2016
			$	$
At the beginning of the financial year	445,723,709	398,471,912	117,209,608	112,746,883
Shares issued during the financial year	88,001,000	47,251,797	4,400,050	4,493,253
Shares issued in lieu of convertible note costs	11,300,976	-	282,514	-
Shares issued for the extension of the finance facility	9,355,569	-	523,912	-
Less cost of issue	-	-	(363,041)	(30,528)
At the end of the financial year	**554,381,254**	**445,723,709**	**122,053,043**	**117,209,608**

(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

	2017 Options	2016 Options
Balance at beginning of financial year	11,000,000	11,000,000
Issued during the financial year	28,000,000	-
Balance at end of financial year	**39,000,000**	**11,000,000**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2017 (2016: 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.

15. RESERVES, ACCUMULATED LOSSES AND NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2017	2016
	$	$
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(42,515,299)	(37,365,869)
Net loss for the year	(2,343,180)	(9,499,653)
Transactions with non-controlling interests	-	4,350,223
Accumulated losses at the end of the year	**(44,858,479)**	**(42,515,299)**
(b) Option reserve		
The options reserve is used to recognise the fair value of options issued.		
As at 30 June 2017, no options to which the reserve relates have been exercised.		
Balance at the beginning of the year	1,125,616	1,125,616
Movement during the year	347,923	-
Balance at the end of the year	**1,473,539**	**1,125,616**
(c) Foreign currency translation 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	19,571,140	-
Non-controlling interests (i)	-	17,213,977
Non-controlling interests (ii)	-	2,446,393
Share of loss for the year	(155,296)	(89,230)
Balance at the end of the year	**19,415,844**	**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.

16. LOSS PER SHARE

	Consolidated Entity 2017 $	Consolidated Entity 2016 $
Loss after tax attributable to the owners of Hot Chili Limited	(2,343,180)	(9,499,653)
Basic loss per share (cents)	(0.44)	(2.22)
Diluted loss per share (cents)	(0.44)	(2.22)
Unexercised options are not dilutive.		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	537,703,601	427,463,126
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**537,703,601**	**427,463,126**

17. REMUNERATION OF AUDITORS

Remuneration of the auditor for:		
- Auditing and reviewing of financial reports	44,300	44,300
- Tax services	22,636	6,500
	66,936	**50,800**

18. 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)
George Randall Nickson	(Non-Executive Director, appointed 17 August 2017)

(b) Company Secretary

John Sendziuk

(c) Corporate Projects Manager

Melanie Leighton (also Alternate Director)

(d) Chief Legal Counsel and country manager

Jose Ignacio Silva

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(e) Details of Remuneration of Key Management Personnel for the year ended 30 June 2017:

	Consolidated Entity	
	2017	2016
	$	$
Directors		
Short-term benefits	336,337	420,569
Post-employment benefits	27,816	40,028
	364,153	**460,597**
Key Management Personnel		
Short-term benefits	405,495	707,772
Post-employment benefits	22,800	29,000
	428,295	**736,772**
Total	**792,448**	**1,197,369**

19. 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	
	2017	2016
	$	$
Cash and short term deposits	2,402,980	221,576
	2,402,980	**221,576**

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

Loss for the year	(2,498,476)	(9,588,883)
Depreciation	66,332	81,272
Effect of exchange rates on holdings in foreign currencies	(227,745)	484,693
Exploration expenditure written off	114,375	4,631,404
Gain on revaluation of derivative liability	(992,500)	-
Loss on scrapped plant	84,170	-
Shares issued in lieu of convertible note transaction costs	192,116	-
Options issued in lieu of convertible note transaction costs	146,381	-
Net cash flows from operating activities before change in assets and liabilities	**(3,115,347)**	**(4,391,514)**
Change in assets and liabilities during the financial year:		
Other current assets	(113,305)	43,746
Trade and other payables	349,017	1,076,874
Net cash outflow from operating activities	**(2,879,635)**	**(3,270,894)**

(c) Non cash investing and financing activities

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

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	
	2017	**2016**
	$	**$**
Later than one year but not later than five years	-	146,120
	78,000	**657,540**

(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	113,300	70,331
Later than one year but not later than five years	188,833	-
	302,133	**70,331**

The Company sub leases its head office premises for 50% of the total cost under the lease agreement. The above operating lease commitments does not include the benefit under this sub lease arrangement.

21. EVENTS OCCURRING AFTER REPORTING DATE

On 17 August 2017 the company announced the appointment of Mr Randall Nickson as a Non-Executive Director.

On 8 September 2017 the company issued 3,834 convertible notes with a face value of $100 to raise $383,400. The company also issued 766,800 ordinary shares pursuant to the subscription agreement for the convertible notes. The convertible notes and shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, following shareholder approval.

There were no other significance events occurring after the balance date that require reporting.

22. RELATED PARTIES

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2016: $41,986) in directors and consulting fees. There were no amounts payable as at 30 June 2017 (2016: Nil).

Blue Spec Sondajes Chile Limitada, a company in which Mr Black is a director, was paid $276,499 (2016: $1,570,540) for drilling services. There were no amounts payable as at 30 June 2017 (2016: Nil).

All payments were made at recognised commercial rates.

23. CONTINGENT LIABILITIES

As at 30 June 2017, Hot Chili Limited had accumulated VAT refund payments totalling $11,737,047 (CLP 6,018,998,141). Under the terms of the VAT refund payment, 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. Given potential delays to Productora's planned future production target, owing to depressed global copper price conditions, the Company intends to exercise its right to extend the date of commercial production from Productora with the Chilean Tax Authority.

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 2017 %	Equity Holding 2016 %
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila SpA*	Chile	Ordinary	80*	80*
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)

(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-Jun-17	SMEA 30-Jun-16
Summarised statement of financial position		
Current assets	139,094	-
Non-current assets	107,354,922	106,227,538
Total assets	107,494,016	106,227,538
Current liabilities	25,169	10,717
Non-current liabilities	24,138,425	8,361,128
Total liabilities	24,163,594	8,371,845
Net assets	**83,330,422**	**97,855,693**
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Expenses	(776,482)	(509,887)
Loss before income tax expense	(776,482)	(509,887)
Income tax expense	-	-
Loss after income tax expense	(776,482)	(509,887)
Other comprehensive income	-	-
Total comprehensive loss	**(776,482)**	**(509,887)**
Statement of cash flows		
Net cash used in operating activities	(700,527)	(1,751,902)
Net cash used in investing activities	(1,265,909)	(5,085,293)
Net cash from in financing activities	2,028,521	6,837,195
Net increase in cash and cash equivalents	**62,085**	-
Other financial information		
Profit / (loss) attributable to non-controlling interests	(155,296)	(89,230)
Accumulated non-controlling interests at the end of reporting period	19,415,844	19,571,140

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 summarized 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 12).

(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	
	2017	**2016**
	$	**$**
Finance facilities	-	USD 6,500,000
	-	**USD 6,500,000**

25. FINANCIAL RISK MANAGEMENT (CONT'D)

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 - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	619,721	-	619,721	619,721
Refundable deposit	-%	1,951,372	-	1,951,372	1,951,372
Convertible note debt – fixed rate	8%	-	10,917,500	10,917,500	3,184,082
Total non-derivatives		**2,571,093**	**10,917,500**	**13,488,593**	**5,755,175**
Derivatives					
Convertible note debt	-%	6,451,250	-	6,451,250	6,451,250
Total derivatives		**6,451,250**	**-**	**6,451,250**	**6,451,250**

Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	74,716	-	74,716	74,716
Refundable deposit	-%	74,716	-	74,716	74,716
Interest-bearing - fixed rate	-%	2,138,580		2,138,580	2,138,580
Finance facilities	12%	8,753,030	-	8,753,030	8,753,030
Total non-derivatives		**10,966,326**	**-**	**10.966,326**	**10.966,326**

(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**
2017	**$**	**$**
AUD/USD + 10%	-	-
AUD/USD - 10%	-	-
	Post tax profit	**Equity**
2016	**$**	**$**
AUD/USD + 10%	(874,382)	(874,382)
AUD/USD - 10%	874,382	874,382

26. PARENT ENTITY DISCLOSURES

Financial position	2017 $	2016 $
Assets		
Current assets	2,357,525	160,174
Non-current assets	87,986,425	85,915,005
Total assets	**90,343,950**	**86,075,179**
Liabilities		
Current liabilities	7,045,801	9,340,941
Non-current liabilities	3,184,082	-
Total liabilities	**10,229,883**	**9,340,941**
Equity		
Issued capital	122,053,054	117,209,608
Reserves	1,473,539	1,125,616
Accumulated losses	(43,412,526)	(41,600,986)
Total equity	**80,114,068**	**76,734,238**
Financial performance		
Loss for the year	(1,811,540)	(3,772,827)
Other comprehensive income	-	-
Total comprehensive income	**(1,811,540)**	**(3,772,827)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2017 (30 June 2016 – $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 2017:

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
24/08/2016[1]	6/09/2018	-	8,000,000	-	-	8,000,000	8,000,000
06/06/2017[2]	20/06/2019		20,000,000	-	-	20,000,000	20,000,000
Total			**28,000,000**	**-**	**-**	**39,000,000**	**39,000,000**

[1] Weighted average exercise price for options issued during the financial year was $0.052 (2016: Nil).

[2] The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.71 years (2016: 3 years).

27. SHARE BASED PAYMENTS (CONT'D)

(b) Fair value of options issued

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

(1) The model inputs for options granted during the year ended 30 June 2017 included:

a) options are granted for no consideration.
b) exercise price – $0.10
c) issue date – 24 August 2016
d) expiry date – 6 September 2018
e) expected price volatility of the Company's shares: 94%
f) risk-free interest rate: 1.50%
g) spot price at date of valuation: $0.05

(2) The model inputs for options granted during the year ended 30 June 2017 included:

a) options are granted for no consideration.
b) exercise price – $0.033
c) issue date – 6 June 2017
d) expiry date – 20 June 2019
e) expected price volatility of the Company's shares: 94%
f) risk-free interest rate: 1.50%
g) spot price at date of valuation: $0.030

(c) Shares issued as share-based payment transactions:

During the year the Company issued 11,300,976 shares at a fair value of $282,524 in lieu of transaction costs related to the convertible note issue.

During the year the Company issued 9,355,509 shares at a fair value of $523,912 as consideration for the extension of the finance facility. This amount was expensed during the year ended 30 June 2016 but the shares were issued in July 2017.

(d) Expenses arising from share-based payment transactions:

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

	2017	2016
Options issued in lieu of capital raising costs	132,657	-
Shares issued for convertible note costs - expensed	192,116	-
Shares issued for convertible note costs - capitalised borrowing cost	90,408	-
Options issued for convertible note costs - expensed	146,381	-
Options issued for convertible note costs - capitalised borrowing cost	68,885	-
Extension of finance facility	-	523,912
	630,447	523,912

14 Shareholder Information

AS AT 23 AUGUST 2017

Information Required by the Australian Securities Exchange Limited

(a) Spread of Holdings

			Shareholders	Units
1	-	1,000	111	35,417
1,001	-	5,000	310	914,177
5,001	-	10,000	209	1,748,103
10,001	-	100,000	733	28,157,782
100,001	&	Over	307	523,525,775
			1,670	**554,381,254**

(b) Substantial Shareholders

J P Morgan Nominees Australia Ltd	75,023,704
Port Finance Ltd NV	65,725,296
Citicorp Nominees Pty Ltd	40,926,771
Merrill Lynch Australia Nominees Pty Ltd	25,856,514
Blue Spec Sondajes Chile	24,246,210
C Easterday	17,050,000
Kalgoorlie Auto Service Pty Ltd	16,750,000
Westralian Diamond Drillers Pty Ltd	16,750,000
R Leighton	16,750,000
Blue Spec Drilling Pty Ltd	16,000,000

(c) Directors' Shareholdings

	Shares Held Directly	Held by Companies in which Directors' have a beneficial Interest
Murray E Black		25,599,242
Christian E Easterday	300,000	16,750,000
Dr Allan Trench		41,400
Dr Michael Anderson		-
Roberto de Andraca Adriasola		40,000
George Randall Nickson		

(d) The names of the twenty largest shareholders as at 23 August 2017, who between them held 72.60% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	J P Morgan Nominees Australia Ltd	75,023,704	13.53
2	Kalgoorlie Auto Service Pty Ltd	67,000,000	12.09
3	Port Finance Ltd NV	65,725,296	11.86
4	Citicorp Nominees Pty Ltd	40,926,771	7.38
5	Merrill Lynch Australia Nominees Pty Ltd	25,856,514	5.96
6	Blue Spec Sondajes Chile	24,246,210	4.37
7	HSBC Custody Nominees Australia Ltd	18,522,650	3.34
8	Blue Spec Drilling Pty Ltd	16,000,000	2.89
9	BO & EJ Stephens	11,000,000	1.98
10	Samlisa Nominees Pty Ltd	10,000,000	1.80
11	Resource Income Partners Ltd	7,184,262	1.30
12	HSBC Custody Nominees Australia Ltd	7,179,227	1.29
13	Austeridad Inversiones	5,872,804	1.06
14	Graham John Woolford	5,000,000	0.90
15	AMC Investments WA Pty Ltd	4,878,467	0.88
16	Ajava Holdings Pty Ltd	4,449,996	0.80
17	Limitada Inversiones C D	4,152,813	0.75
18	Robert Gemelli	3,852,488	0.69
19	Gecko Resources Pty Ltd	3,000,000	0.54
20	Campari Holdings Pty Ltd	2,730,000	0.49
		402,601,202	**72.60**

15 Tenement Schedule

Hot Chili has rationalised its tenement holdings in Chile to ensure its expenditure is focussed towards the development of its Productora copper project.

A full tenement schedule is listed in the below tables.

Table 1. Productora project tenement schedule

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd. mm.yyyy)	Exploration and Expenditure Commitment-Payments
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
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
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

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd. mm.yyyy)	Exploration and Expenditure Commitment-Payments
LA PRODUCTORA 1-16	SMEA SpA	100%	Exploitation concession	75		None
ORO INDIO I, 1-20 AURO HUASCO I, 1-8	JGT JGT	100% 100%	Exploitation concession Exploitation concession	82 35		Total purchase price of US$500,000. US$100,000 paid upon signature. Payments of US$80,000 pa for Yr. 1, 2, 3. Also, US$60,000 was paid in Yr. 4 and a final exercise payment of US$60,000 is scheduled for January 2018.
URANIO, 1-70	CCHEN	100%	Exploitation concession	350		Exploration phase US$100,000 per Yr plus US$6,000,000 minimum exploration commitment (commitment already met). Exploitation phase US$250,000 per Yr plus 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

15 Tenement Schedule (cont'd)

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd. mm.yyyy)	Exploration and Expenditure Commitment-Payments
JULIETA 1	SMEA SpA	100%	Mining Petition	100		None
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		

Notes SMEA SpA (Sociedad Minera El Aguila SpA) is a wholly owned Chilean subsidiary of Hot Chili Limited; CMP= Compañía Minera del Pacífico; SLM Productora= Sociedad Legal Minera La Productora 1 de la Sierra Coyigualles; SLM Cabrito= Sociedad Legal Minera Cabrito de la Sierra Zapallo; JGT= Julio Godoy Torres; CCHEN= Comisión Chilena de Energía Nuclear.

Table 2. Banderas project tenement schedule

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd. mm.yyyy)	Exploration and Expenditure Commitment-Payments
CONEJA 1-10	SMB SpA	100%	Exploitation Concession	100		None

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

16 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)

George Randall Nickson
Non-Executive Director, appointed 17 August 2017)

Melanie Leighton
(Alternate for M Black)

Company Secretary

John E Sendziuk

Chief Legal Counsel

Jose Ignacio Silva

Principal Place of Business and Registered Office

First Floor 768 Canning Highway
APPLECROSS WA 6153

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Email: admin@hotchili.net.au
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PERTH WA 6000

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Security Transfer Registrars Pty Ltd
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APPLECROSS WA 6153

Telephone: 08 9315 0933
Facsimile: 08 9315 2233

Auditors

RSM Australia Partners
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PERTH WA 6000

Principal Banker

Westpac Banking Corporation
Hannan Street
KALGOORLIE WA 6430

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