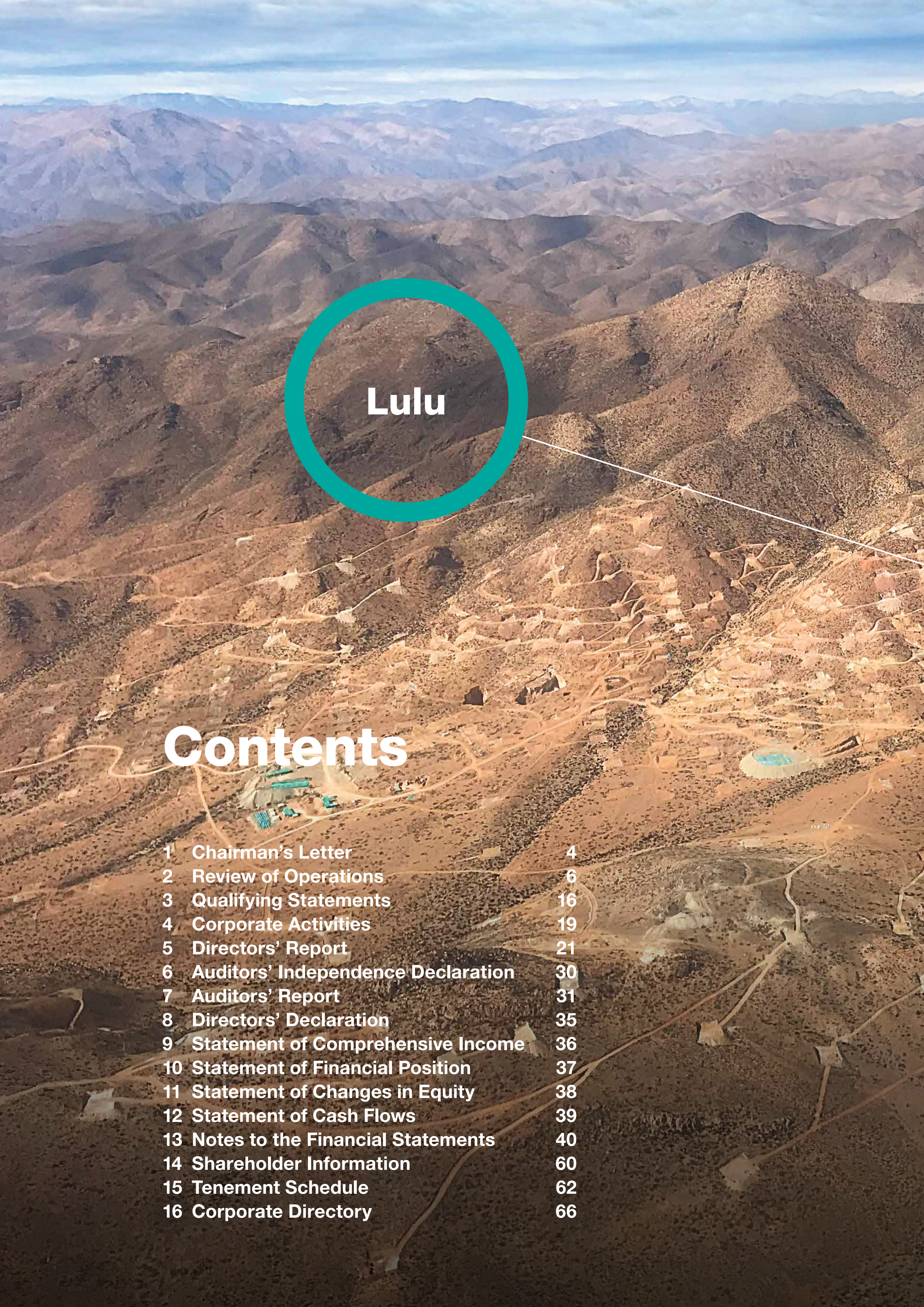
hot chili limited

ANNUAL REPORT **2018**



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2018 Key Highlights

Significantly leveraged to improving copper price, Hot Chili is one of thelargest and most advanced copper developments on the ASX

Exploration

- Critical mass achieved with formation of newly consolidated El Fuego high grade coastal copper project in Chile, comprising the collective landholdings across three exciting high grade areas (San Antonio, Lulu & Valentina), all located within short trucking distance of Productora, and containing- or directly adjacent to - some of the area's most substantial underground high grade copper mines.
- Completion of a 5,000m maiden drilling programme across San Antonio and Valentina, with impressive shallow, wide, high grade copper drilling intersections confirming significant strike and depth extensions to high grade copper mineralisation at the San Antonio and Valentina copper mines.
- San Antonio and Valentina set to become key additions to Hot Chili's large-scale open pit resource inventory with the potential to add further scale and make a positive material impact on the head grade of the Company's future copper production plans.
- Activities underway in preparation for initiation of geophysical surveys and environmental applications in advance of a second campaign of drilling at both San Antonio and Valentina, in an effort to accelerate the definition and incorporation of new high grade copper resources into the Company's expanding coastal copper portfolio in Chile.
- Multiple large scale targets identified through regional exploration across the El Fuego copper project, with targets being assessed by detailed mapping ahead of initiating drilling.
- Partnerships for other expansion opportunities gaining in momentum, with Hot Chili well placed to leverage off almost 10 years operating in Chile.

View across San Antonio to Valentina Corrido El Fuego Copper Project, Chile.

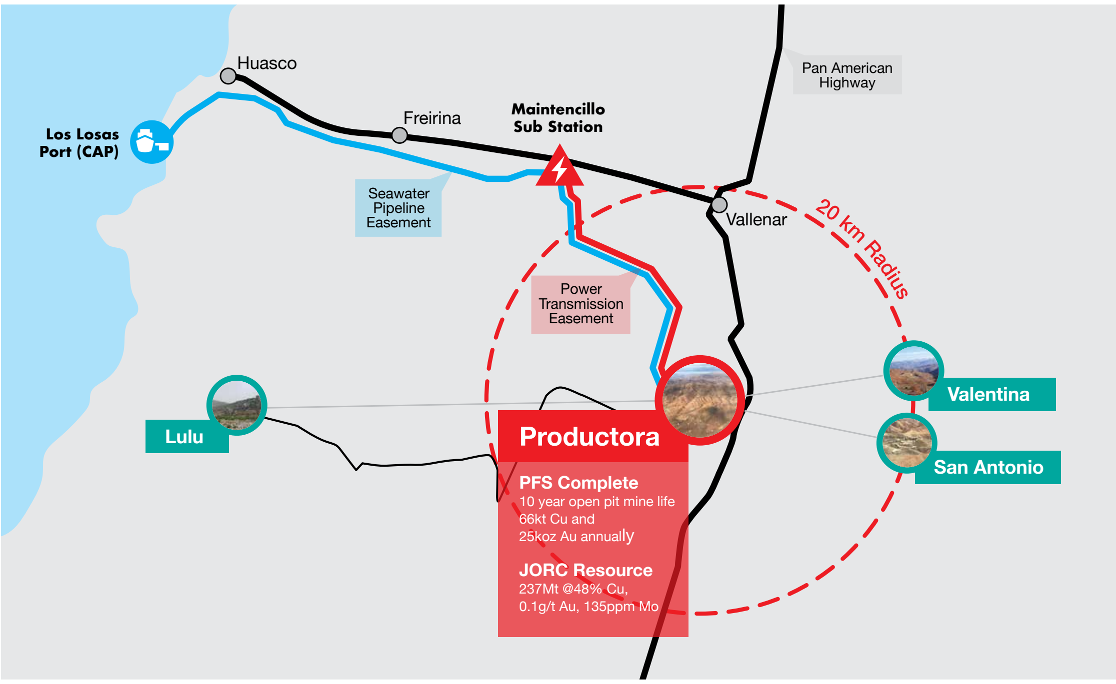


Figure 1. The new consolidated El Fuego copper project in relation to the Company's existing large-scale Productora copper project

Clearing a path forward to advance the Company's flagship Productora copper project through the final stages of growth and development

Corporate

- A $4 million Placement to sophisticated and institutional investors was successfully closed in May 2018, with the Placement cornerstoned by existing major shareholders Exploration Capital Partners (affil. Sprott), Taurus and Blue Spec Drilling, an associate of Hot Chili's chairman Murray Black).
- 133,333,334 New Shares were issued at $0.03 each, and 66,666,667 free attaching unlisted options, (exercise price of $0.10, expiry 31st May 2020).
- A Share Purchase Plan was successfully completed in November 2017, with 28,757,205 New Shares issued at A$0.035 each, raising A$1,006,500 before costs.
- Sprott representative Randall Nickson welcomed to the Board as a Non-Executive Director, with Mr Nickson's experience considered a valuable asset in the growth and advancement of Productora toward production.

1 Chairman's Letter

Dear Shareholder,

I would like to thank my fellow directors, our management team and staff for their tireless efforts in delivering the beginnings of a resurgence for our Company this year.

Our team has been very successful in securing numerous opportunities that promise to deliver critical mass to our Productora project and cement Hot Chili as the largest copper developer on the ASX.

Our strategy to propel Hot Chili toward this goal is simple - add higher grade and more mine life to the credentials of our flagship Chilean copper asset.

The past year has seen the consolidation of three high grade mines which sit close to Productora. First pass drilling at two of these (San Antonio and Valentina) has met with strong results and confirmed the first of several satellite resource opportunities that look set to transform Productora into a regional copper production hub.

It is an exciting time to be a copper developer, let-alone a copper developer with a US$100 million head-start towards developing a mine.

We believe the fundamentals for forecast higher copper prices in the near-term are underpinned by a lack of quality large copper developments. Large copper projects that can be developed at low capital intensity and in safe/stable jurisdictions, such as Productora, are rare.

Over the coming year we have a great opportunity to re-establish Hot Chili as a copper sector leader on the ASX.

I look forward to a strong year ahead as we focus on delivering further success across exploration, resource growth and acquisitions for our Company and our shareholders.

Murray Edward Black
Chairman

Our strategy to propel Hot Chili toward this goal is simple - add higher grade and more mine life to the credentials of our flagship Chilean copper asset

2 Review of Operations

Securing El Fuego provides renewed vigour to successfully execute Hot Chili's strategy to significantly re-rate the Company and generate substantial shareholder value in the near term

Hot Chili benefits from almost ten years operating in Chile, during which time the Company has fostered many partnerships, allowing for rapid review and evaluation of expansion opportunities. This year has been no exception, with Hot Chili continuing to actively pursue further suitable projects in its strategy to build a large-scale copper production centre in Chile.

The Company is very pleased that its efforts this year have culminated in achieving critical mass with formation of the El Fuego high grade copper project, comprising collective landholdings across three exciting high grade mine areas (San Antonio, Lulu and Valentina).

The El Fuego copper project is located within trucking distance of Productora, and provides an enriched pipeline of opportunity which builds on the Company's existing large asset base. The addition of a high grade blend from satellite ore sources and extension of the project's bulk tonnage mine life aims to provide critical mass for the expansion of Productora into a higher margin and larger scale copper operating centre.

Productora Copper Project

The Productora copper project currently stands as one of the largest copper developments controlled by an ASX listed company.

Productora's 2016 Pre-feasibility Study (US$3.00/lb Cu and US$1,250/oz Au) already outlines a 10 year open pit mine life with the first eight years forecast to produce 66kt of copper metal and 25koz of gold annually, at a strip ratio of 2.7:1.

Productora sits in a commanding position within the global development pipeline, where large-scale, low cost, long life projects in tier-one mining jurisdictions with very low capital intensities, are rare.

Hot Chili's growth strategy is now in full thrust, with the Company capitalising on exciting project acquisition opportunities and executing three Joint Venture Option Agreements within the past year, to secure a stable of high-grade copper projects - collectively named El Fuego – located within close development distance of Productora, as seen in Figure 1.

El Fuego has the potential to host high-grade ore sources which can take advantage of Productora's planned large-scale, low-cost processing facilities.

The impending improving copper price environment and its strong leverage to Productora's existing asset value means that Hot Chili is poised for a significant re-rate.

Figure 2 below outlines Productora's significant exposure and economic sensitivity to long term copper price as outlined in the Company's 2016 PFS (as announced to ASX on 2nd March 2016).

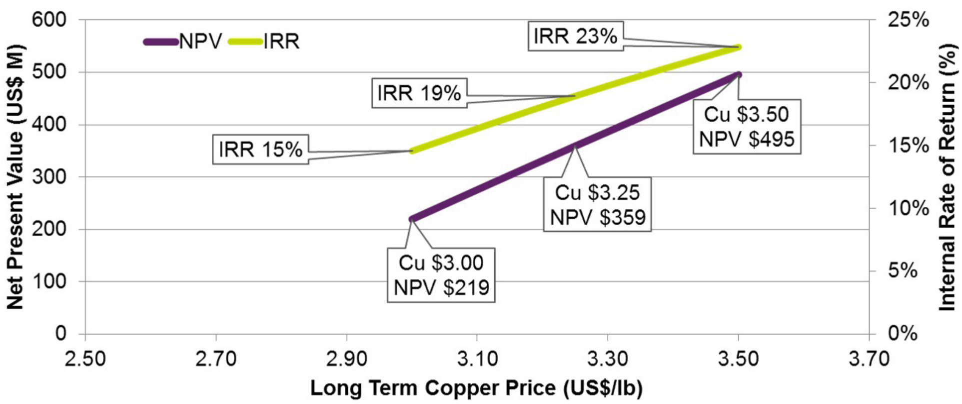


Figure 2. Financial analysis of Productora PFS valuation in relation to copper price.

2 Review of Operations (cont'd)

San Antonio

Valentina

Lulu

El Fuego Copper Project

Hot Chili is excited to have secured the newly consolidated El Fuego high grade coastal copper project in Chile, comprising the collective landholdings across three high grade areas within a 30 kilometre radius of the Company's flagship Productora copper project (as seen in Figure 1). These are:

- San Antonio
- Valentina
- Lulu

Securing El Fuego marks the beginning of Hot Chili's expanded growth strategy to secure and successfully delineate multiple, high grade satellite resources capable of supplying approximately 1Mtpa of high grade ore to Productora's planned 14-15Mtpa, low-cost production base.

This strategy aims to transform Productora by increasing margins and lowering production costs through higher head grade and expanded metal output.

Hot Chili's strategy to define high grade copper resource opportunities is gathering momentum with drill results from a maiden 5000 metre drilling campaign confirming a large extensional discovery at both the San Antonio and Valentina copper mines.

These results provide further confidence in the Company's ability to build a stable of high grade additions to Productora.

San Antonio

Hot Chili is pleased to have executed a formal agreement to earn a 90% interest in the San Antonio high grade copper project, located within a short 20km trucking distance, directly east of the Company's Productora copper project in Chile (see Figure 1). For further details on the Joint Venture please refer to the Tenement section of this report.

The San Antonio project has been privately owned for several decades and contains a substantial underground mine which historically produced some 2Mt grading 2% copper and 0.3g/t gold from shallow depths. The mine has been exploited over a 200m strike length to a vertical depth of 130m, at an average true width ranging between 7m and 30m.

Following its acquisition, the Company undertook an intensive period of data compilation which culminated in the creation of the first ever 3D geological model for San Antonio. The model integrated historical underground mine development plans and surveys, historical drilling and underground channel assay data, current mining data, and Hot Chili's own detailed surface and underground mapping and geochemical sampling.

The creation of an integrated 3D model enabled Hot Chili's technical team to design and prioritise its maiden drilling campaign with confidence, targeting depth and strike extensions to known high grade copper mineralisation, resulting in multiple impressive significant copper intersections exceeding the Company's expectations, as listed below:

- **19m grading 2.0% copper** from 61m down-hole depth (including 11m grading 2.4% copper)
- **9m grading 2.0% copper** from 132m down-hole depth
- **6m grading 2.1% copper** from 65m down-hole depth
- **5m grading 2.5% copper** from 31m down-hole depth (including 2m grading 4.3% copper)
- **15m grading 1.7% copper** from 80m down-hole depth,
- **16m grading 1.1% copper** from 93m down-hole (including 5m grading 2.7% copper)
- **13m grading 1.3% copper** from 17m down-hole depth (including 5m grading 2.3% copper)
- **53m grading 0.9% copper** from 72m down-hole depth (including 27m grading 1.3% copper),
- **10m grading 1.6% copper** from 58m down-hole depth (including 4m grading 2.7% copper)
- **18m grading 1.3% copper** from 52m down-hole depth (including 5m grading 2.1% copper), and
- **11m grading 1.6% copper** from 83m down-hole depth

San Antonio (cont'd)

Mineralisation at San Antonio remains open at depth and along strike as displayed in Figures 3, 4 and 5.

Given the shallow, high grade nature of mineralisation, San Antonio looks set to become a key addition to Hot Chili's large-scale open pit resource inventory with the potential to make a positive material impact on the head grade of the Company's future copper production plans. In addition, gold and silver co-products at San Antonio could potentially provide valuable additional credits.

Drill planning is underway in advance of submission of regulatory applications to commence follow-up and resource definition drilling at San Antonio.

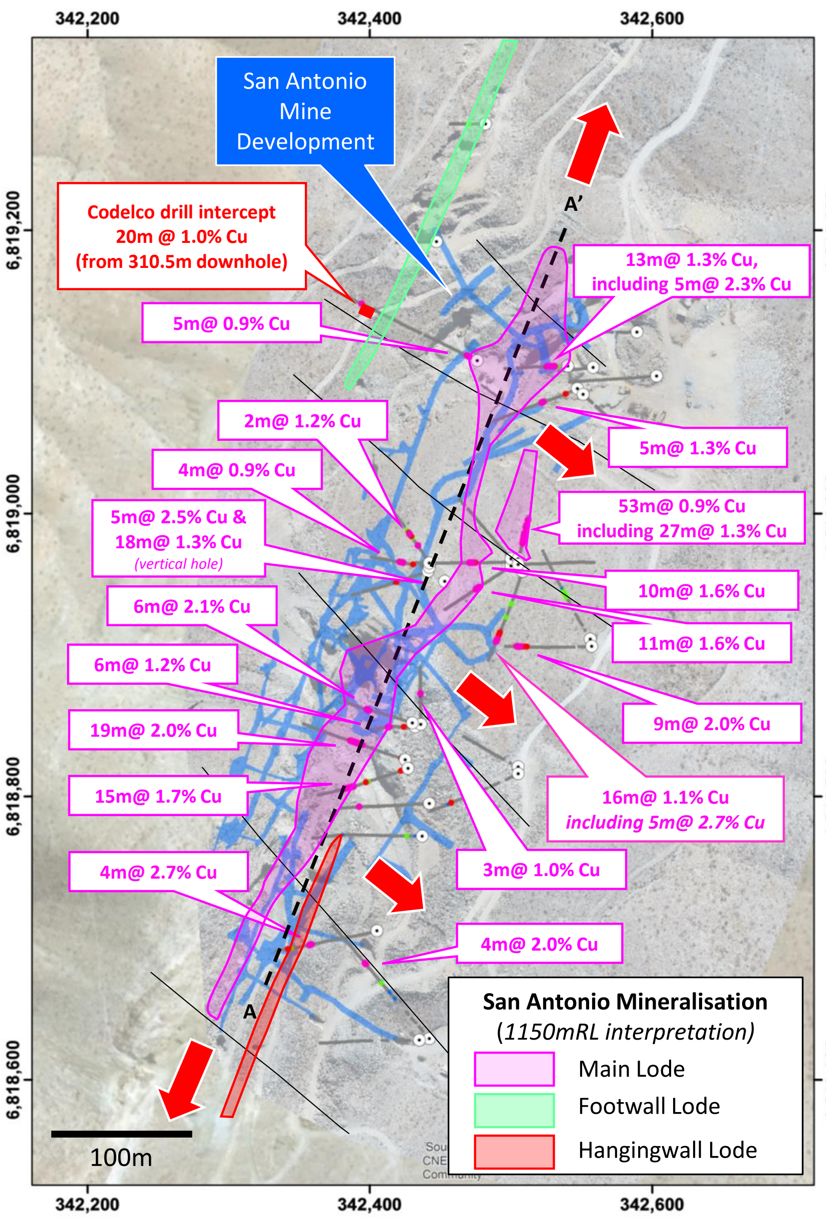


Figure 3. Plan displaying the location of significant drill intercepts in relation to the San Antonio underground development and interpretation of high grade copper mineralisation approximately 50m below surface (1,150m RL).

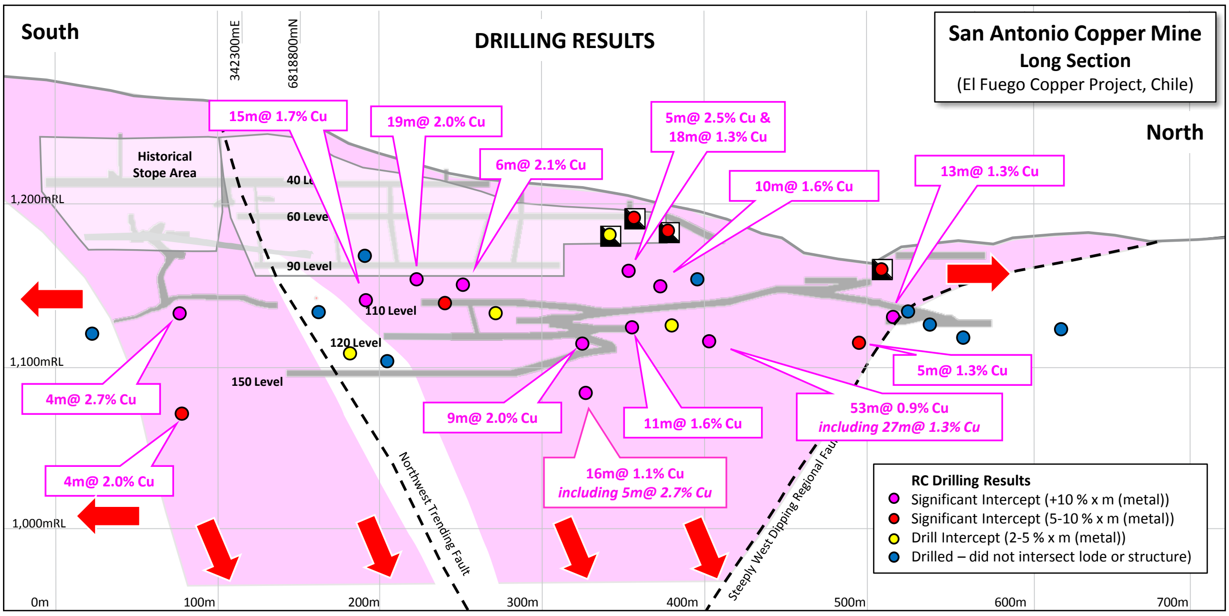


Figure 4. Long Section (looking west) displaying the pierce point locations of stand-out drill results (circles) at San Antonio.

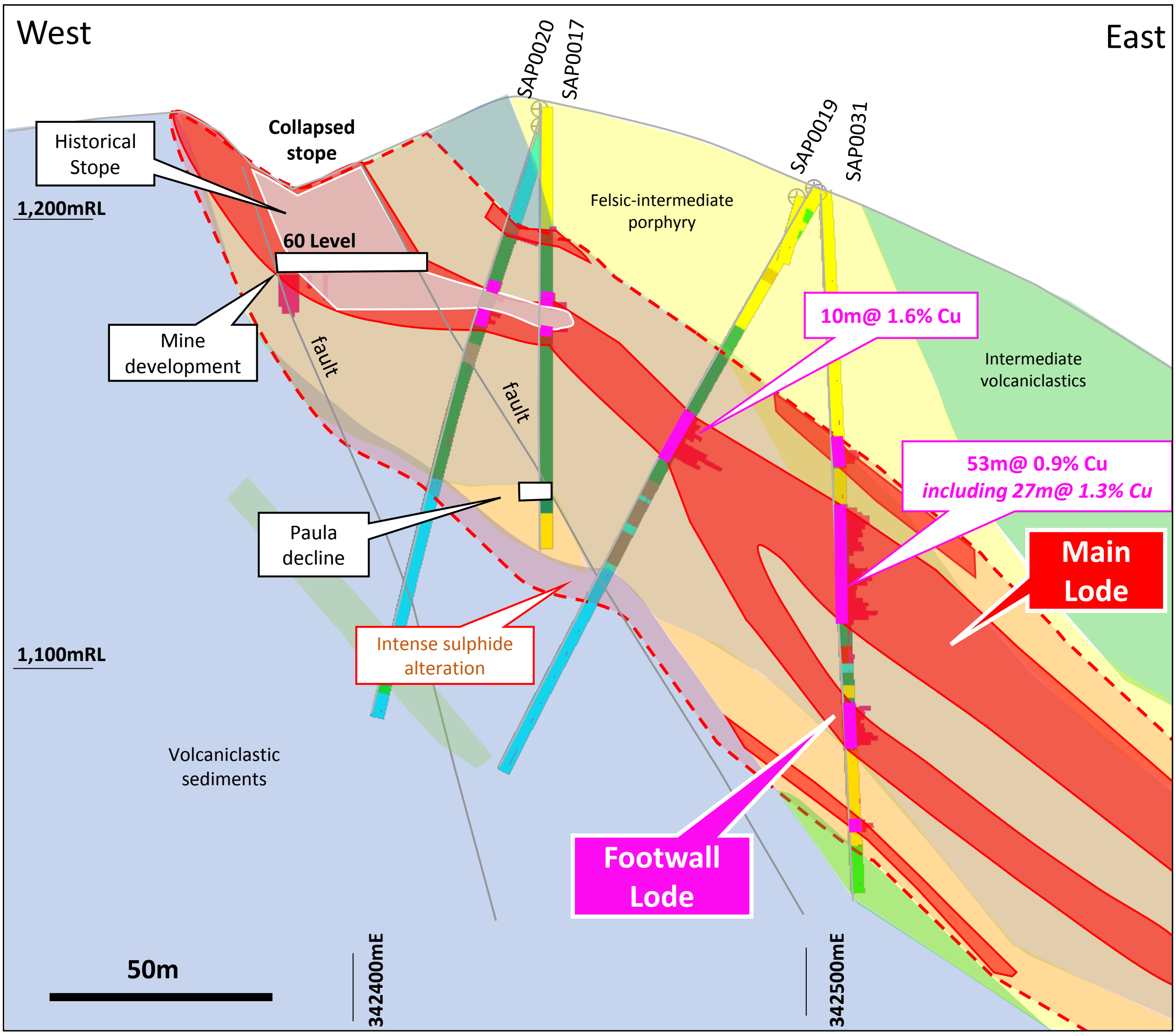


Figure 5. Cross Section (looking north) displaying the continuation of the San Antonio Main Lode below the existing underground mine development as confirmed by recent drill results. Note the shallow dip of high grade copper mineralisation and confirmation of wide high grade copper.

2 Review of Operations (cont'd)

San Antonio (cont'd)

Mapping over the wider San Antonio project has identified and confirmed a number of mineralised copper targets, including shear-zone hosted vein and replacement systems, brecciated zones, manto zones and porphyry copper occurrences.

The San Antonio East target, located along the eastern flank of San Antonio, is the largest target identified and comprises occurrences of porphyry copper mineralisation (associated with chalcopyrite, bornite and copper oxides/carbonates evident as replacements and in veins) and a K-feldspar tourmaline breccia zone that extends over a strike length of at least 600m.

Five large targets have been defined within a domain extending over approximately 3km south of San Antonio as shown in Figure 6.

Each of the five targets show attractive size and surface metal distribution (from surface rock chip and soil data) and are considered high priority based on a combination of structural setting; evidence of copper mineralisation; copper soil anomalism; and visual alteration.

A programme of infill soil geochemistry and detailed target mapping is planned to assist with future drill design and scheduling against a growing number of high grade copper targets that the Company is assembling within the El Fuego copper project.

Hot Chili's exploration team has also commenced planning and preparation for the initiation of geophysical surveys to further refine these targets in addition to San Antonio and Valentina.

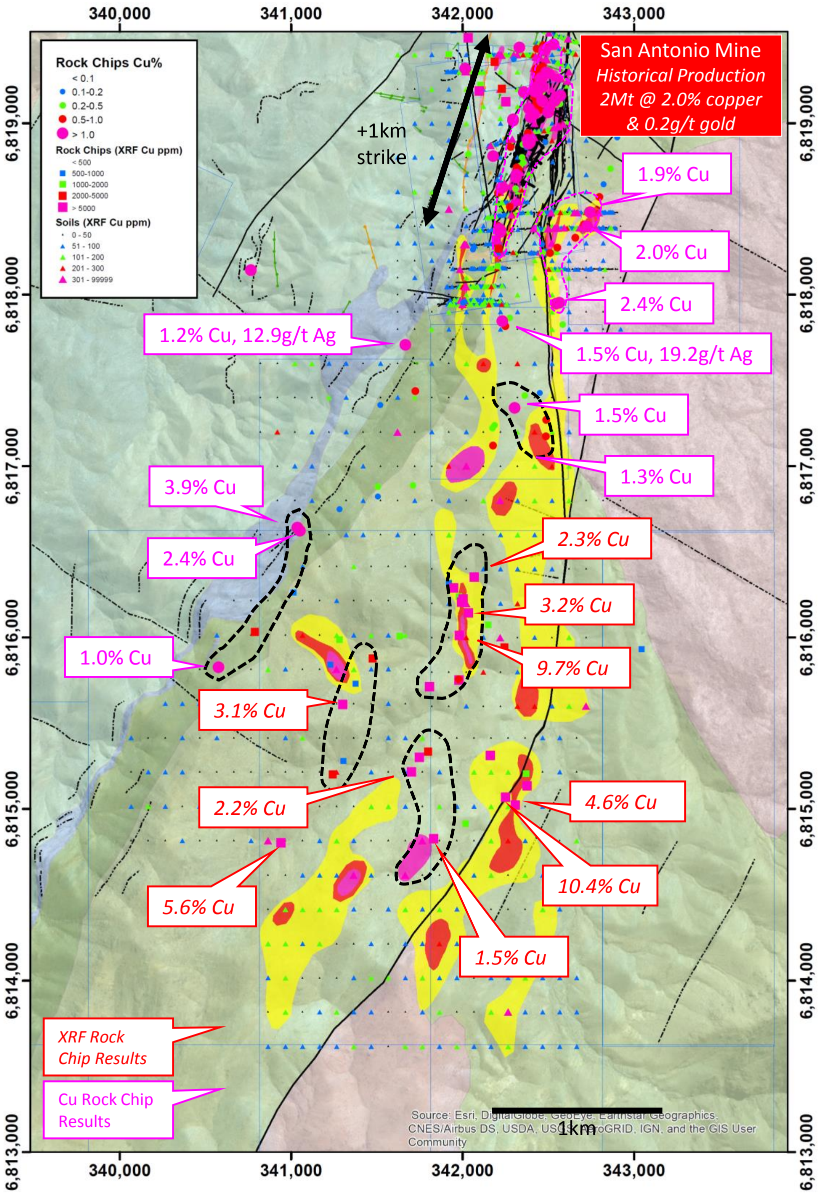


Figure 6. High priority targets in relation to surface rock chip, surface rock XRF results and earlier defined copper soil anomalies south of the San Antonio mine area.

Valentina

The Company is pleased to have executed a Joint Venture Option Agreement to earn a 90% interest in the Valentina project, located 5 kilometres north of San Antonio (see Figure 1). For further details on the Joint Venture please refer to the Tenement section of this report.

Due diligence work by Hot Chili confirmed Valentina as a potential high grade copper opportunity to define resources from a shallow high grade copper mine which has been privately owned for several decades.

Copper mineralisation is fault hosted within a sequence of andesites and volcaniclastics that have been locally intruded by felsic porphyry dykes, with high grade copper sulphide mineralisation present from near surface and associated with chalcopyrite and bornite.

Certified historical mine production data, recorded in 1997, from the shallow small-scale Valentina underground mine, logged ore parcels grading between 3.4% and 4.8% copper over mined widths of 1 to 5 metres.

Although Hot Chili's 5,000m first-pass drilling programme across El Fuego primarily focussed on assessing the potential of the San Antonio copper mine area, three shallow drill holes were also completed across the southern extent of the shallowly developed Valentina copper mine.

Two of these holes recorded significant drilling intersections including:

- 12m grading 1.5% copper from 28m down-hole depth (including 6m grading 2.7% copper), and
- 8m grading 2.0% copper from 124m down-hole depth (including 2m grading 4.8% copper)

Importantly, the drill holes have successfully confirmed significant strike and depth extensional potential to high grade copper mineralisation immediately south of the Valentina underground mine development.

Valentina is now the second high grade copper mine to deliver successful extensional results, with recent drilling results providing further confidence in Hot Chili's ability to build a stable of high grade resource additions to Productora.

Hot Chili next aims to confirm and advance the Valentina copper mine toward the commencement of resource definition.

Lulu

The Company has executed a Joint Venture Option Agreement to earn a 70% interest in the Lulu copper project, located 30km directly west of Productora (see Figure 1). For further details on the Joint Venture please refer to the Tenement section of this report.

Importantly, the project represents the direct extension of one of the regions highest grade substantial underground mines, with the mine reportedly exploiting 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.

Mining in the area surrounding the Lulu project dates back to the late 19th century. However, fractured ownership by multiple private landholders has restricted modern exploration, preserving highly prospective areas, such as the Lulu project, which have never been drill tested.

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.

Hot Chili has confirmed the presence of the main copper-gold hosting structure, extending from the historical underground mine over a strike extent of approximately 800m within the Lulu project. Evidence of the strike extensive outcropping carbonate vein, and small-scale surface workings can be observed across Lulu as displayed in Figure 7.

Preliminary surface results have confirmed significant shallow vein hosted mineralisation, with rock chip samples returning grades of up to 2.8% copper and 3.9g/t gold highlighting high grade copper and gold resource potential (see Figure 8). The high gold grades will add significant value to the economics of any potential ore that may eventually be exploited from the project.

Given that surface samples were taken from copper oxide material, there is a potential for an elevation in grades in copper sulphide material similar to that recognised in the adjacent underground mine, with average production grades of 6% copper and 3g/t gold associated with sulphide mineralogy comprising chalcopyrite, bornite pyrrhotite and magnetite.

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

Additional surface sampling and focussed mapping is planned to commence in the coming months at Lulu to assist with prioritising target areas for drill testing.

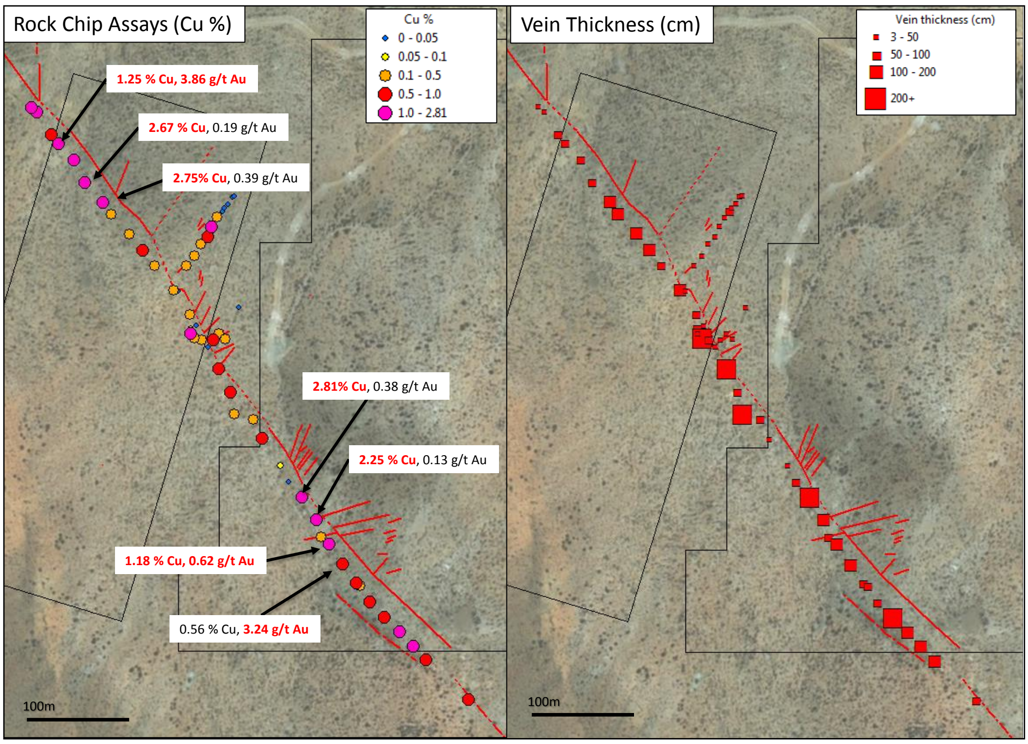


Figure 7. Plan displaying surface rock chip results in relation to vein width mapping across Lulu's 800m copper-gold bearing structure.

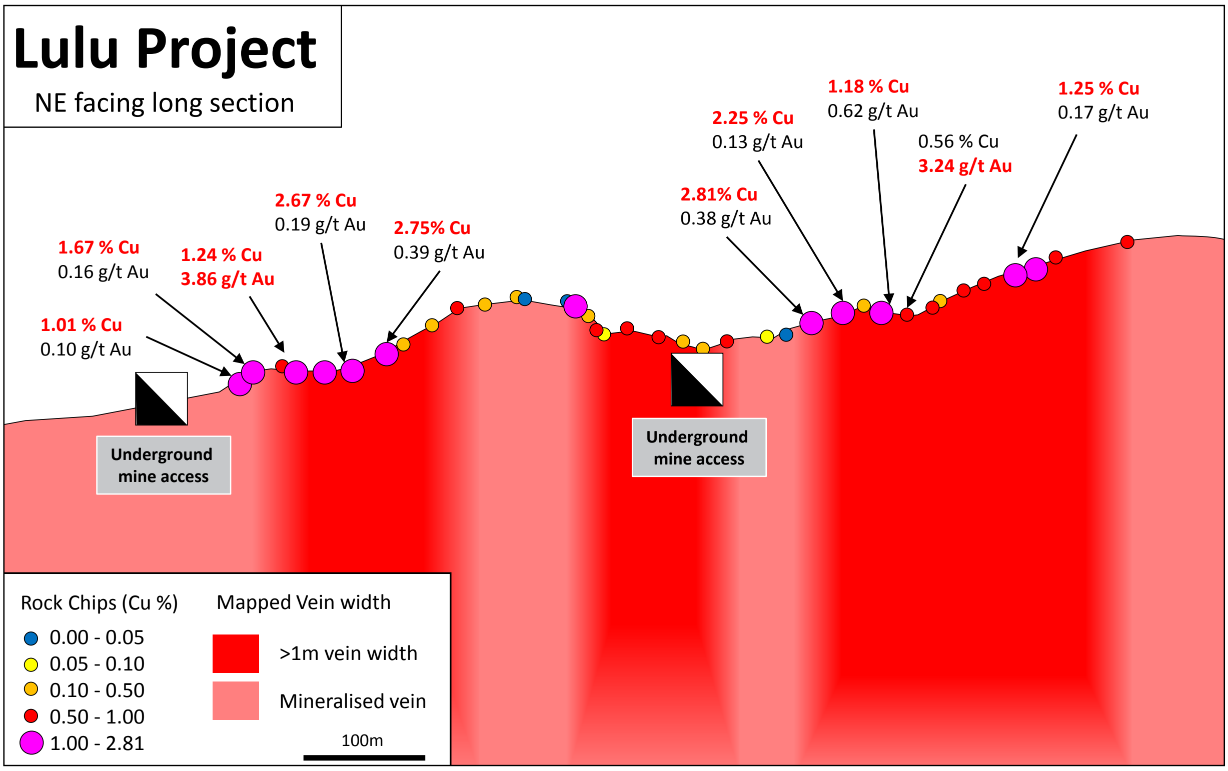


Figure 8. Long section displaying significant surface samples returned over an 800m strike extent

Further consolidation opportunities continue to be pursued as part of the Company's strategy to add critical mass and establish Hot Chili as the leading copper developer listed on the ASX

3 Qualifying Statements

JORC Compliant Ore Reserve Statement

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

			Grade			Contained Metal			Payable Metal		
Ore Type	Reserve Category	Tonnage (Mt)	Cu (%)	Au (g/t)	Mo (ppm)	Cu (tonnes)	Au (ounces)	Mo (tonnes)	Cu (tonnes)	Au (ounces)	Mo (tonnes)
Oxide		24.1	0.43	0.08	49	103,000	59,600	1,200	55,600		
Transitional	Probable	20.5	0.45	0.08	92	91,300	54,700	1,900	61,500	24,400	800
Fresh		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

			Grade			Contained Metal		
Deposit	Classification	Tonnage (Mt)	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

			Grade			Contained Metal		
Deposit	Classification	Tonnage (Mt)	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 nearest thousand, or if less, to the nearest hundred. Metal rounded to nearest thousand, or if less, to the nearest hundred.

Mineral Resource and Ore Reserve Confirmation

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

Competent Person's Statement *- Exploration Results*

Exploration information in this 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*

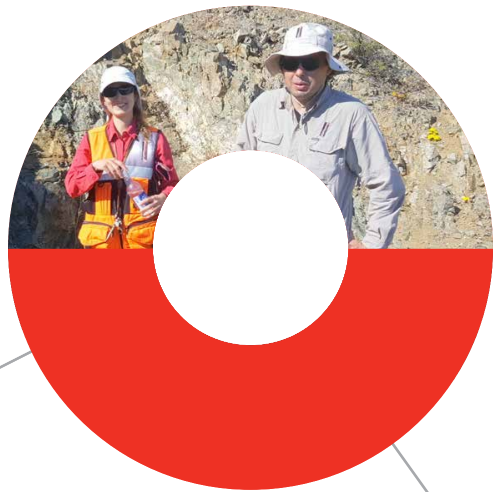
The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Registered Member of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

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.



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 El Fuego.

Share Purchase Plan

A Share Purchase Plan was also successfully completed, with 28,757,205 New Shares issued at A$0.035 each, for A$1,006,502 before costs.

A$4.0 Million Placement

On 30 April 2018 the Company announced its intention to raise approximately $4,000,000 (before costs) by way of a placement of Shares and free-attaching Offer Options exercisable at $0.10 each on or before 31 May 2020 to various sophisticated and professional investors in Australia, and to investors in other jurisdictions, including the United States, on the basis of one free-attaching Offer Option for every two Shares subscribed for under the Placement.

The Placement saw strong demand from existing major shareholders as well as professional and sophisticated investors in Australia. EverBlu Capital Pty Ltd acted as Corporate Advisor to the Placement. Continued support was received from Blue Spec (a related party of Murray Black) and the Managing Director, Christian Easterday, who participated in the placement following shareholder approval.

Funds from the Placement were used to advance exploration and drilling work at El Fuego as well as to provide general working capital for Hot Chili.

Convertible Notes

Quarterly interest on convertible notes was paid to convertible note holders in the form of shares, pursuant to the terms and conditions of the convertible notes. The following issues of shares in lieu of cash took place during the year:

Date	Interest due $	VWAP	Shares
31 July 2017	21,536	N/a	N/a
2 October 2017	223,644	0.03710	6,028.186
4 January 2018	229,411	0.03523	6,511,789
4 April 2018	224,389	0.03679	6,099,183
3 July 2018	226,900	0.02840	7,989,446

4 Corporate Activities (cont'd)

Hot Chili looks forward to a strong year ahead with a focus on delivering further success across exploration, resource growth and acquisitions

5 Directors' Report

Your Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2018 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 43 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. Mr Black Is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

Christian Ervin Easterday
Managing Director

Mr Easterday is a geologist with over 20 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. Mr Easterday has not held any directorships in any public listed company in Australia in the last three years.

Dr Allan Trench
Independent Non-Executive Director

Dr Trench is a geologist/geophysicist and business management consultant with over 28 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 25 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 25 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 36 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. Mr Nickson has not held any directorships in any public listed company in Australia in the last three years.

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 almost 20 years' experience within the mineral exploration industry. She has held project and senior geologist roles with several Australian listed companies including Hill 50 Gold, Harmony, 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. Ms Leighton is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

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 2018 was a loss of $4,010,556 (2017: loss $2,498,476).

Dividends

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

Review of Operations

Refer to Operations Report on pages 6 to 14.

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 3 July 2018 quarterly interest of $226,900 was settled by the issue of 7,989,446 ordinary fully paid shares using a VWAP of $0.0284.

There were no other significance events occurring after the balance date 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		Convertible Notes	
Directors	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest
Murray E Black	-	71,795,243	-	6,666,666	-	3,834
Christian E Easterday	300,000	20,764,065	-	833,333	-	-
Dr Allan Trench	-	174,258	-	-	-	-
Michael Anderson	-	-	-	-	-	-
Roberto de Andraca Adriasola	1,000,000	-	-	-	-	-
George Randall Nickson (Appointed 17 August 2017)	-	-	-	-	-	-
Melanie Leighton (Alternate for M Black)	140,000	-	-	-	-	-

Shares under Option

There were 108,666,667 ordinary shares under option at 30 June 2018 (2017: 39,000,000).

Shares Issued on the Exercise of Options

There were no ordinary shares of Hot Chili Limited issued during the year ended 30 June 2018 (2017: nil) from the exercise of options.

Options Lapsed/ Cancelled During the Year

No options lapsed or were cancelled during the year.

Convertible Notes

There are 113,009 convertible notes on issue as at 30 June 2018 (2017: 109,175). There were no shares issued during the financial year on redemption, conversion or repayment. Quarterly interest payable on the convertible notes was settled by the issue of shares.

Directors Benefits

Since 30 June 2018, 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 – Lloyd Flint

Lloyd Flint is a Chartered Accountant. He has 25 years' experience in providing corporate secretarial, financial 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	5	5
Dr Michael Anderson	5	5
Christian E Easterday	5	5
Dr Allan Trench	5	5
Roberto de Andraca Adriasola	5	4
George Randall Nickson (Appointed 17 August 2017)	4	4
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 2018 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 2017 to 30 June 2018, 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

HHealth 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 2018) 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 2018 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 practices:

- 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 Directors

2018	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	-	-	36,178	-	-	-	**36,178**
Randall Nickson (Appointed 17 August 2017)	-	-	32,144	-	-	-	**32,144**
	36,792	**259,200**	**101,922**	**-**	**27,816**	**-**	**425,730**

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**

Remuneration of Key Management Personnel

2018	Short Term			Post-Employment	Share-based Payments	
Name	**Consulting Fees Related Parties $**	**Salary $**	**Other Benefits $**	**Super-annuation $**	**Options $**	**Total $**
John Sendziuk (Company Secretary)[1]	-	45,000	-	4,188	-	**49,188**
Melanie Leighton (Corporate Projects Manager / Alternate Director)	-	180,000	-	17,100	-	**197,100**
Jose Ignacio Silva (Chief Legal Counsel)	-	163,212	-	-	-	**163,212**
	-	**388,212**	**-**	**21,288**	**-**	**409,500**

[1] Resigned 3 April 2018

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

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 to 30 June 2018, 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.

2018	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	25,599,242	-	46,196,001	71,795,243
Christian E Easterday	17,050,000	-	4,014,065	21,064,065
Dr Allan Trench	41,400	-	132,858	174,258
Dr Michael Anderson**	-	-	-	-
Roberto de Andraca Adriasola	40,000	-	960,000	1,000,000
George Randall Nickson**	-	-	-	-
	42,730,642	**-**	**51,302,924**	**94,033,566**
Key Management Personnel				
John Sendziuk	970,000	-	[1](970,000)	-
Melanie Leighton	40,000	-	100,000	140,000
Jose Ignacio Silva	270,000	-	3,720,834	3,990,834
	1,280,000	-	2,850,834	4,130,834
Total	**44,010,642**	**-**	**54,153,758**	**98,164,400**

[1] Net changes during the period to date of resignation

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**

* Resigned on 3 April 2018

** There are no shares held during the financial year and up to 30 June 2018 by the director.

5 Directors' Report (cont'd)

Options

Pursuant to participating in a placement of share to raise funds some directors and key management personnel were granted free attaching options during the year (2017: Nil). 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. Directors and key management personnel holdings of options are as followed:

2018	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	-	-	6,666,666	6,666,666
Christian E Easterday	-	-	833,333	833,333
Key Management Personnel				
Jose Ignacio Silva	-	-	1,666,667	1,666,667
	-	**-**	9,166,666	**9,166,666**

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 2018 are summarised below:

	2018	2017	2016	2015	2014
Revenue	140,513	1,356,693	186,665	71,601	538,546
Expenses	(4,151,069)	(3,855,169)	(9,775,548)	(8,726,371)	(9,152,108)
EBITDA	(2,419,012)	(1,311,457)	(7,153,060)	(6,290,813)	(6,542,811)
EBIT	(2,431,564)	(1,327,339)	(7,234,332)	(6,399,228)	(6,664,920)
Loss after income tax	(4,010,556)	(2,498,476)	(9,588,883)	(8,654,770)	(8,613,562)

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

	2018	2017	2016	2015	2014
Share price at financial year end ($)	0.03	0.023	0.06	0.10	0.19
Basic earnings per share (cents per share)	(0.65)	(0.44)	(2.22)	(2.47)	(2.67)

Other transactions with directors, key management personnel and their related parties

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2017: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2018 (2017: Nil).

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, a director, following shareholder approval. Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $25,110 for the year was settled by the issue of 753,266 shares. ($7,698 was payable as at June 2018 which was settled by issue of 271,054 shares on 3 July 2018).

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director, was paid $49,171 (2017: $276,499) for rent and drilling services. There were no amounts payable as at 30 June 2018 (2017: Nil).

All transactions were made at commercial terms.

End of Remuneration Report

Dated this 28th day of September 2018 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

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 2018, 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

Perth, WA
Dated: 28 September 2018

ALASDAIR WHYTE
Partner

7 Auditors' Report

RSM

RSM Australia Partners

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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 2018, 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 2018 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.

7 Auditors' Report (cont'd)

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 $4,010,556 and had cash outflows from operating activities of $2,163,922 and from investing activities of $1,596,499 during the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $5,644,344. 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 $108,743,662 as at 30 June 2018. 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 of 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 the successful development or by sale. This included the assessment of the key inputs, design and accuracy of the Productora Asset pre-feasibility financial model that supported management's assessment; 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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Accounting for Convertible Notes issued

Refer to Note 12 and Note 13 in the financial statements</td></tr>
<tr><td>The Group has 113,009 unsecured convertible notes with a face value of $100 each as at 30 June 2018. 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 ($3,814,764), and the conversion option classified as a derivative financial liability ($7,010,455).

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.</td><td>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;
• 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.</td></tr>
</table>

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 2018, 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.

RSM

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 2018.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2018, 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

Perth, WA
Dated: 28 September 2018

ALASDAIR WHYTE
Partner

8 Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 200*1, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Director

Christian E Easterday
Managing Director

Dated this 28th day of September 2018

9 Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Profit or Loss & Other Comprehensive Income

		Consolidated Entity	
		2018	**2017**
	Note	**$**	**$**
Interest income	4	6,708	14,179
Other income	5	133,805	1,342,514
		140,513	**1,356,693**
Depreciation		(12,552)	(15,882)
Convertible notes expenses		(77,474)	(788,723)
Exploration expenses written off	10	(422,109)	(114,375)
Corporate fees		(94,722)	(81,522)
Legal and professional		(219,196)	(136,523)
Employee benefits expense		(824,946)	(799,244)
Administration expenses		(183,913)	(175,266)
Accounting fees		(63,142)	(114,078)
Travel costs		(29,229)	(84,383)
Other expenses		(350,116)	(374,036)
Foreign exchange loss		(76,081)	-
Loss on revaluation of derivative liability		(218,597)	-
Finance costs		(1,578,992)	(1,171,137)
Loss before income tax		(4,010,556)	(2,498,476)
Income tax expense	6	-	-
Loss after income tax		(4,010,556)	(2,498,476)
Other comprehensive income		-	-
Total Comprehensive Loss		**(4,010,556)**	**(2,498,476)**
Loss attributable to:			
Non-controlling interests		(106,610)	(155,296)
Owners of Hot Chili Limited		(3,903,946)	(2,343,180)
		(4,010,556)	**(2,498,476)**
Basic earnings per share (cents)	16	(0.65)	(0.44)
Diluted earnings per share (cents)	16	(0.65)	(0.44)

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

10 Statement of Financial Position

AS AT 30 JUNE 2018

		Consolidated Entity	
		2018	2017
	Note	$	$
Current Assets			
Cash and cash equivalents	7	3,656,560	2,402,980
Other current assets	8	12,086	113,438
Total Current Assets		3,668,646	2,516,418
Non-Current Assets			
Plant and equipment	9	193,353	219,928
Exploration and evaluation expenditure	10	108,743,662	107,555,248
Total Non-Current Assets		108,937,015	107,775,176
Total Assets		**112,605,661**	**110,291,594**
Current Liabilities			
Trade and other payables	11	2,302,535	2,571,093
Derivative financial instruments	13	7,010,455	6,451,250
Total Current Liabilities		9,312,990	9,022,343
Non-Current Liabilities			
Borrowings	12	3,814,764	3,184,082
Total Non-Current Liabilities		3,814,764	3,184,082
Total Liabilities		**13,127,754**	**12,206,425**
Net Assets		**99,477,907**	**98,085,169**
Equity			
Contributed equity	14	127,432,848	122,053,043
Option reserve	15(b)	1,497,028	1,473,539
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(48,762,425)	(44,858,479)
Capital and reserves attributable to owners of Hot Chili Limited		80,168,673	78,669,325
Non-controlling interests	15(d)	19,309,234	19,415,844
Total Equity		**99,477,907**	**98,085,169**

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 2018

Consolidated Entity	Contributed Equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2017	122,053,043	1,473,539	1,222	(44,858,479)	19,415,844	98,085,169
Loss for the year	-	-	-	(3,903,946)	(106,610)	(4,010,556)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(3,903,946)**	**(106,610)**	**(4,010,556)**
Shares issued	5,703,116	-	-	-	-	5,703,116
Share issue costs	(323,311)	-	-	-	-	(323,311)
Share based payments	-	23,489	-	-	-	23,489
Balance at 30 June 2018	**127,432,848**	**1,497,028**	**1,222**	**(48,762,425)**	**19,309,234**	**99,477,907**
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**

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 2018 $	2017 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,159,372)	(1,874,137)
Interest payment		(145,063)	(1,141,946)
Interest received		6,708	14,179
Other receipts		133,805	122,269
Net cash used in operating activities	19(b)	(2,163,922)	(2,879,635)
Cash Flows from Investing Activities			
Payments for plant and equipment		(15,029)	(45,344)
Payments for exploration and evaluation		(1,581,470)	(1,333,893)
Net cash used in investing activities		(1,596,499)	(1,379,237)
Cash Flows from Financing Activities			
Proceeds from issue of shares		5,006,380	4,400,050
Share issue costs		(299,698)	(231,653)
Proceeds from issuance of Convertible Note		383,400	10,917,500
Repayment of borrowings		-	(8,664,357)
Net cash provided by financing activities		5,090,082	6,421,540
Net increase / (decrease) in cash held		1,329,661	2,162,668
Cash and cash equivalents at the beginning of the financial year		2,402,980	221,576
Effects of exchange rates on cash holdings in foreign currencies		(76,081)	18,736
Cash and cash equivalents at the end of the financial year	19(a)	**3,656,560**	**2,402,980**

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.

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 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

The consolidated entity has adopted AASB 2016-1 from 1 July 2017. The amendments to AASB 112 'Income Taxes' clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

The consolidated entity has adopted AASB 2016-2 from 1 July 2017. The amendments to AASB 107 'Statement of Cash Flows' require the disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

The consolidated entity has adopted AASB 2017-2 from 1 July 2017. The amendments to AASB 12 'Disclosure of Interests in Other Entities' clarify that the disclosure requirements of AASB 12 (other than the requirements for summarised information for subsidiaries, joint ventures and associates) apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners, or discontinued operations in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

(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 28th September 2018 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.

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.

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 $4,010,556 and had cash outflows from operating activities of $2,163,922 and from investing activities of $1,596,499 for the year ended 30 June 2018. As of that date, the consolidated entity had net current liabilities of $5,644,344.

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.

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

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 liability of $7,010,455 (Note 13) and debt component of $3,814,764 (Note 12) attributed to granting an option to the convertible note holder that may be converted at any time prior to maturity. The convertible note is redeemable at the option of the company and thus will not be a drain on the company's funds;
- Included in current liabilities a refundable deposit option fee of $2,029,500 (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
- Other sources of funding may also be contemplated. This may include the issue of additional equity securities under the *Corporations Act 2001* to raise further working capital.

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 entity is shown separately in the consolidated statement of profit or loss and other comprehensive income and the 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 profit and loss and comprehensive income from the date on which control commences. Where control ceases, de-consolidation occurs from that date.

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

(d) Income tax

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

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

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

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

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

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

(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 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 become 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been Issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the Impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

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 not expected to have a material impact on 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.

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 (2017: 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 2018 $	2017 $
Australia	53,521	51,044
Chile	108,883,494	107,724,132
	108,937,015	**107,775,176**

4. INTEREST INCOME

	Consolidated Entity 2018 $	2017 $
Interest income	6,708	14,179
	6,708	**14,179**

5. OTHER INCOME

Foreign exchange gain	-	227,745
Gain on revaluation of derivative liability	-	992,500
Other	133,805	122,269
	133,805	**1,342,514**

6. INCOME TAX EXPENSE

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

Loss before income tax	(4,010,556)	(2,498,476)
Prima facie income tax at 27.5% (2017: 27.5%)	(1,102,903)	(687,081)
Tax-effect of amounts not deductible in calculating taxable income	471,044	(128,557)
Tax loss not recognised	631,859	815,638
Income tax expense	**-**	**-**

(b) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised	21,574,064	19,353,868
Potential tax benefit at 27.5% (2017: 27.5%)	5,932,868	5,322,314

(c) The directors estimate that the potential deferred tax asset at 30 June 2018 in respect of tax losses not brought to account is $5,932,868 (2017: $5,322,314).

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $20,713,268 (2017: $17,726,786).

6. INCOME TAX EXPENSE (CONT'D)

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

i. i. The consolidated entity and the subsidiaries derive income, sufficient to absorb tax losses.

ii. 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	
	2018	**2017**
	$	**$**
Cash at bank	3,656,560	2,402,980
	3,656,560	**2,402,980**

8. OTHER CURRENT ASSETS

Prepayment	-	35,449
Accounts receivable	11,953	77,856
VAT receivable	133	133
	12,086	**113,438**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	723,395	708,366
Less provision for depreciation	(530,042)	(488,438)
	193,353	**219,928**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	219,928	325,086
Additions	15,029	45,344
Disposals and scrapped	-	(84,170)
Depreciation (i)	(41,604)	(66,332)
Carrying amount at the end of the year	**193,353**	**219,928**

(i) Depreciation of $29,052 (2017: $50,450) was capitalised into exploration costs.

10. EXPLORATION AND EVALUATION EXPENDITURE

Carrying amount at the beginning of the year	107,555,248	106,335,730
Consideration given for mineral exploration acquisition	173,741	-
Capitalised mineral exploration and evaluation	1,436,782	1,333,893
Exploration costs written off	(422,109)	(114,375)
Carrying amount at the end of the year (i)	**108,743,662**	**107,555,248**

(i) 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	
	2018	2017
	$	$
Trade payables and accruals	273,035	619,721
Refundable deposit (option fee) (i)	2,029,500	1,951,372
	2,302,535	**2,571,093**

(i) 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	
	2018	2017
NON-CURRENT	$	$
Convertible note – debt component[1]	3,814,764	3,184,082
	3,814,764	**3,184,082**

[1] There are a total of 113,009 convertible notes on issue (2017: 109,175). On 22 June 2017, the consolidated entity issued 109,175, 8% five-year convertible notes, with a face value of $100 each and a further 3,834 convertible notes were issued on 8 September 2017 for total proceeds of $11,300,900. 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; and

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 2018 $	Consolidated Entity 2017 $
Balance Brought forward	3,184,082	-
Proceeds from Issue	383,400	10,917,500
Derivative liability at inception	(340,608)	(7,443,750)
Transaction costs	(2,140)	(299,716)
	3,224,734	3,174,034
Interest expense	1,494,376	29,190
Interest paid	(904,346)	(19,142)
At the end of the financial year	**3,814,764**	**3,184,082**

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity 2018 $	Consolidated Entity 2017 $
Derivative Liability - Convertible Note	7,010,455	6,451,250
	7,010,455	**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 2018 $	Consolidated Entity 2017 $
Balance at beginning of period	6,451,250	-
Derivative liability at inception	340,608	7,443,750
Net Change in fair value during the period	218,597	(992,500)
At the end of the financial year	**7,010,455**	**6,451,250**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2018	2017	2018	2017
			$	$
At the beginning of the financial year	554,381,254	445,723,709	122,053,043	117,209,608
Shares issued during the financial year	162,090,539	88,001,000	5,006,502	4,400,050
Shares issued in lieu of convertible note costs	19,404,971	11,300,976	696,614	282,514
Shares issued for the extension of the finance facility	-	9,355,569		523,912
Less cost of issue	-	-	(323,311)	(363,041)
At the end of the financial year	**735,876,764**	**554,381,254**	**127,432,848**	**122,053,043**

(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

	2018 Options	2017 Options
Balance at beginning of financial year	39,000,000	11,000,000
Issued during the financial year	69,666,667	28,000,000
Balance at end of financial year	**108,666,667**	**39,000,000**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2018 (2017: 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	
	2018	2017
	$	$
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(44,858,479)	(42,515,299)
Net loss for the year	(3,903,946)	(2,343,180)
Accumulated losses at the end of the year	**(48,762,425)**	**(44,858,479)**

(b) Option reserve

The options reserve is used to recognise the fair value of options issued.

As at 30 June 2018, no options to which the reserve relates have been exercised.

	2018 $	2017 $
Balance at the beginning of the year	1,473,539	1,125,616
Movement during the year	23,489	347,923
Balance at the end of the year	**1,497,028**	**1,473,539**
(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	19,415,844	19,571,140
Share of loss for the year	(106,610)	(155,296)
Balance at the end of the year	**19,309,234**	**19,415,844**

16. LOSS PER SHARE

	Consolidated Entity	
	2018	2017
	$	$
Loss after tax attributable to the owners of Hot Chili Limited	(3,903,946)	(2,343,180)
Basic loss per share (cents)	(0.65)	(0.44)
Diluted loss per share (cents)	(0.65)	(0.44)
Unexercised options are not dilutive.		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	596,376,912	537,703,601
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**596,376,912**	**537,703,601**

17. REMUNERATION OF AUDITORS

	Consolidated Entity	
	2018	2017
	$	$
Remuneration of the auditor for:		
- Auditing and reviewing of financial reports	46,000	44,300
- Tax services	18,434	22,636
	64,434	**66,936**

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	(Independent Non-Executive Director, appointed 17 August 2017)

(b) Company Secretary

John Sendziuk (Resigned 3 April 2018)

Lloyd Flint (Appointed 3 April 2018)

(c) Corporate Projects Manager

Melanie Leighton (also Alternate Director)

(d) Chief Legal Counsel and country manager

Jose Ignacio Silva

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

	Consolidated Entity	
	2018	2017
	$	$
Directors		
Short-term benefits	397,914	336,337
Post-employment benefits	27,816	27,816
	425,730	**364,153**
Key Management Personnel		
Short-term benefits	388,212	405,495
Post-employment benefits	21,288	22,800
	409,500	**428,295**
Total	**835,230**	**792,448**

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	
	2018	2017
	$	$
Cash and short term deposits	3,656,560	2,402,980
	3,656,560	**2,402,980**

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

Loss for the year	(4,010,556)	(2,498,476)
Depreciation	12,552	66,332
Effect of exchange rates on holdings in foreign currencies	76,081	(227,745)
Exploration expenditure written off	422,109	114,375
Gain on revaluation of derivative liability	218,597	(992,500)
Loss on scrapped plant	-	84,170
Amortised finance costs	587,888	-
Non-cash finance costs	677,443	-
Shares issued in lieu of convertible note transaction costs	-	192,116
Options issued in lieu of convertible note transaction costs	19,170	146,381
Net cash flows from operating activities before change in assets and liabilities	**(1,996,716)**	**(3,115,347)**
Change in assets and liabilities during the financial year:		
Other current assets	101,352	(113,305)
Trade and other payables	(268,558)	349,017
Net cash outflow from operating activities	**(2,163,922)**	**(2,879,635)**

(c) Non cash investing and financing activities

66,666,667 options exercisable at 10c per share expiring on 31 May 2020 were issued as free attaching on a one option issued for every two shares successfully applied for in a placement of shares announced 30 April 2018. A further 3,000,000 of the same series of options were issued to EverBlu Capital Pty Ltd as fees for managing the placement.

Quarterly convertible note interest that accrued to noteholders was settled through the issue of fully paid ordinary shares calculated on the 5 day volume weighted average price (VWAP) prior to quarter end:

Quarter ended	Date paid	Interest due $	VWAP	Shares issued
30 September 2017	2 October 2017	223,644	0.03710	6,028,186
31 December 2017	4 January 2018	229,411	0.03520	6,511,789
31 March 2018	4 April 2018	224,389	0.03679	6,099,183
30 June 2018	3 July 2018	226,900	0.02840	7,989,446

There were no non cash investing and financing activities during the 2017 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	
	2018	2017
	$	$
Within one year	105,116	78,000
Later than one year but not later than five years	-	-
	105,116	**78,000**

(b) Exploration Commitments

During the year the consolidated entity entered into a formal agreement to acquire a 90% interest in the San Antonio Project, a 70% interest in Lulu project and a 90% interest in the Valentina Project over a four-year period. The Joint ventures involves an Option agreement whereby the full interest of 90%, 70% and 90% respectively of the mining rights of the project will be transferred upon satisfaction of the following Option payments committed as at 30 June 2018:

Within one year	101,475	-
Later than one year but not later than five years	18,197,808	-
	18,299,283	**-**

(c) 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	113,300
Later than one year but not later than five years	75,533	188,833
	188,833	**302,133**

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 3 July 2018 quarterly interest of $226,900 was settled by the issue of 7,989,446 ordinary fully paid shares using a VWAP of $0.0284. 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 (2017: $36,792) in directors and consulting fees.

There were no amounts payable as at 30 June 2018 (2017: Nil).

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. Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $25,110 for the year was settled by the issue of 753,266 shares. ($7,698 was payable as at June 2018 which was settled by issue of 271,054 shares on 3 July 20180.

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director, was paid $49,171 (2017: $276,499) for rent and drilling services. There were no amounts payable as at 30 June 2018 (2017: Nil).

All transactions were made at recognised commercial terms.

23. CONTINGENT LIABILITIES

As at 30 June 2018, Hot Chili Limited had accumulated VAT refund payments totalling $12,602,329 (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 2018 %	Equity Holding 2017 %
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-18	SMEA 30-Jun-17
Summarised statement of financial position		
Current assets	185,614	139,094
Non-current assets	108,133,390	107,354,922
Total assets	108,319,004	107,494,016
Current liabilities	-	25,169
Non-current liabilities	25,521,627	24,138,425
Total liabilities	25,521,627	24,163,594
Net assets	82,797,377	83,330,422
Summarised statement of profit or loss and other comprehensive income		
Revenue	133,805	-
Expenses	(666,849)	(776,482)
Loss before income tax expense	(533,044)	(776,482)
Income tax expense	-	-
Loss after income tax expense	(533,044)	(776,482)
Other comprehensive income	-	-
Total comprehensive loss	**(533,044)**	**(776,482)**
Statement of cash flows		
Net cash used in operating activities	(620,874)	(700,527)
Net cash used in investing activities	(778,468)	(1,265,909)
Net cash from in financing activities	1,383,201	2,028,521
Net increase in cash and cash equivalents	(16,141)	62,085
Other financial information		
Profit / (loss) attributable to non-controlling interests	(106,610)	(155,296)
Accumulated non-controlling interests at the end of reporting period	19,309,234	19,415,844

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.

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

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 - 2018	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	-%	273,035	-	273,035	273,035
Refundable deposit	-%	2,029,500	-	2,029,500	2,029,500
Convertible note debt – fixed rate	8%	-	11,300,900	11,300,900	3,814,764
Total non-derivatives		**2,302,535**	**11,300,900**	**13,603,435**	**6,117,299**
Derivatives					
Convertible note debt	-%	7,010,455	-	7,010,455	7,010,455
Total derivatives		**7,010,455**	**-**	**7,010,455**	**7,010,455**

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
Interest-bearing - 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**
Trade payables	-%	6,451,250	-	6,451,250	6,451,250
Refundable deposit	-%	**6,451,250**	**-**	**6,451,250**	**6,451,250**

(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
2018		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-
		Post tax profit	**Equity**
2017		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-

26. PARENT ENTITY DISCLOSURES

Financial position	2018 $	2017 $
Assets		
Current assets	3,419,774	2,357,525
Non-current assets	90,470,785	87,986,425
Total assets	**93,890,559**	**90,343,950**
Liabilities		
Current liabilities	7,283,490	7,045,801
Non-current liabilities	3,814,764	3,184,082
Total liabilities	**11,098,254**	**10,229,883**
Equity		
Issued capital	127,432,859	122,053,054
Reserves	1,497,029	1,473,539
Accumulated losses	(46,137,583)	(43,412,526)
Total equity	**82,792,305**	**80,114,068**
Financial performance		
Loss for the year	(2,992,689)	(1,811,540)
Other comprehensive income	-	-
Total comprehensive income	**(2,992,689)**	**(1,811,540)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2018 or 30 June 2017.

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 2018:

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[2]	06/09/2018	8,000,000	-	-	-	8,000,000	8,000,000
06/06/2017[3]	20/06/2019	20,000,000	-	-	-	20,000,000	20,000,000
09/05/2018[1]	31/05/2020	-	52,189,305	-	-	52,189,305	52,189,305
21/06/2018[1]	31/05/2020	-	17,477,362			17,477,362	17,477,362
Total		**39,000,000**	**69,666,667**	**-**	**-**	**108,666,667**	**108,666,667**

(1) Weighted average exercise price for options issued during the financial year was $0.10 (2017: $0.052).

(2) The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.2 years (2017: 1.71 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.

2018

(1) 69,666,667 options exercisable at 10c each expiring 31 May 2020 were issued pursuant to a placement announced 30 April 2018 and a prospectus dated 2 May 2018. 66,666,667 of the options were free attaching options issued to successful places on a "one option for every two shares" successfully applied for. 3,000,000 of the options were a share based payment forming part of the fees paid for managing the placement. The inputs for the fair value model for fee options were as follows:

a) options are granted for no consideration.
b) exercise price - $0.10
c) issue date – 9 May 2018
d) expiry date – 31 May 2020
e) expected price volatility of the Company's shares: 100%
f) risk-free interest rate: 2.01%
g) spot price at date of issue: $0.03
h) fair value of 0.783c per option

2017

(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 - $0.10
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

(3) 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 19,404,971 shares (2017: 11,300,976) at a fair value of $923,514 (2017: $282,524) in lieu of interest and transaction costs related to the convertible note issue. As at 30 June 2018 interest of $226,900 had accrued and the 7,989,446 shares issued on 3 July 2018 are included in total issued for the year.

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

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

	2018	2017
Options issued in lieu of capital raising costs	23,490	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
Convertible note interest and transaction costs	923,514	-
	947,004	630,447

14 Shareholder Information

AS AT 24 SEPTEMBER 2018

Information Required by the Australian Securities Exchange Limited

(a) Spread of Holdings

			Shareholders	Units
1	-	1,000	113	32,113
1,001	-	5,000	275	793,514
5,001	-	10,000	189	1,569,023
10,001	-	100,000	726	28,925,717
100,001	&	Over	446	712,545,843
			1,749	**743,866,210**

There are 859 holders of unmarketable parcels comprising 743,866,210 shares.

(b) Substantial Shareholders (from substantial shareholder notices)

Taurus SM Holdings Pty Ltd	93,340,695	12.68%
CAP SA	66,153,868	8.89%

(c) Directors' Shareholdings

	Shares Held Directly	Held by Companies in which Directors' have a beneficial Interest	%
Murray E Black	-	71,795,243	9.65%
Christian E Easterday	300,000	20,764,065	2.83%
Dr Allan Trench	-	174,258	0.02%
Dr Michael Anderson	-	-	-
Roberto de Andraca Adriasola	-	1,000,000	0.13%
George Randall Nickson	-	-	-

(d) The names of the twenty largest shareholders as at 24 September 2018, who between them held 65.34% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	J P MORGAN NOMINEES AUSTRALIA	100,588,142	13.52%
2	CITICORP NOMINEES PTY LIMITED	76,562,624	10.29%
3	KALGOORLIE AUTO SERVICE PTY	67,000,000	9.01%
4	CAP S A	66,153,868	8.89%
5	BLUE SPEC DRILLING PTY LTD	30,799,033	4.14%
6	BLUE SPEC SONDAJES CHILE SPA	24,246,210	3.26%
7	HSBC CUSTODY NOMINEES	21,746,447	2.92%
8	MR BERNARD OWEN STEPHENS &	17,000,000	2.29%
9	SAMLISA NOMINEES PTY LTD	14,000,000	1.88%
10	YARANDI INVESTMENTS PTY LTD	11,293,473	1.52%
11	TWO TOPS PTY LTD	9,294,243	1.25%
12	SAFARI CAPITAL PTY LTD	7,277,036	0.98%
13	REPLAY HOLDINGS PTY LTD	5,928,572	0.80%
14	AUSTERIDAD INVERSIONES	5,872,804	0.79%
15	EXPLORATION CAPITAL PARTNERS	5,717,518	0.77%
16	MR GRAHAM JOHN WOOLFORD	5,000,000	0.67%
17	AMC INVESTMENTS (WA) PTY LTD	4,920,467	0.66%
18	AJAVA HOLDINGS PTY LTD	4,449,996	0.60%
19	INVERSIONES CANTO DEL AGUA	4,152,813	0.56%
20	INVERSIONES PIMPOLLEDA	3,990,834	0.54%
		485,994,080	**65.34%**

(e) As at 24 September 2018 there are 18 holders of the 113,009 Convertible Notes on issue. Convertible Note holders holding more than 20% of the notes:

		Number Held	%
1	Exploration Capital Partners 2008 Ltd Partnership	80,873	71.56%

There are no voting rights attached to Convertible Notes

(f) As at 24 September 2018 there are 91 holders of the 100,666,667 Options over shares on issue. There are no Option holders holding more than 20% of the options. There are no voting rights attached to Options

(g) As at 24 September 2018 there is no current on-market buyback under way.

15 Tenement Schedule

Hot Chili has significantly added to its landholdings in Chile with addition of the San Antonio, Valentina and Lulu projects during the year.

Productora

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, 1-60	SMEA SpA	80%	Exploitation concession	220		
FRAN 2, 1-20	SMEA SpA	80%	Exploitation concession	100		
FRAN 3, 1-20	SMEA SpA	80%	Exploitation concession	100		
FRAN 4, 1-20	SMEA SpA	80%	Exploitation concession	100		
FRAN 5, 1-20	SMEA SpA	80%	Exploitation concession	100		
FRAN 6, 1-26	SMEA SpA	80%	Exploitation concession	130		
FRAN 7, 1-37	SMEA SpA	80%	Exploitation concession	176		
FRAN 8, 1-30	SMEA SpA	80%	Exploitation concession	120		
FRAN 12, 1-40	SMEA SpA	80%	Exploitation concession	200		
FRAN 13, 1-40	SMEA SpA	80%	Exploitation concession	200		
FRAN 14, 1-40	SMEA SpA	80%	Exploitation concession	200		
FRAN 15, 1-60	SMEA SpA	80%	Exploitation concession	300		
FRAN 18, 1-60	SMEA SpA	80%	Exploitation concession	273		
FRAN 21, 1-46	SMEA SpA	80%	Exploitation concession	226		
ALGA 7A, 1-32	SMEA SpA	80%	Exploitation concession	89		
ALGA VI, 5-24	SMEA SpA	80%	Exploitation concession	66		
MONTOSA 1-4	SMEA SpA	80%	Exploitation concession	35		NSR 3%
CHICA	SMEA SpA	80%	Exploitation concession	1		
ESPERANZA 1-5	SMEA SpA	80%	Exploitation concession	11		
LEONA 2A 1-4	SMEA SpA	80%	Exploitation concession	10		
CARMEN I, 1-50	SMEA SpA	80%	Exploitation concession	222		
CARMEN II, 1-60	SMEA SpA	80%	Exploitation concession	274		
ZAPA 1, 1-10	SMEA SpA	80%	Exploitation concession	100		
ZAPA 3, 1-23	SMEA SpA	80%	Exploitation concession	92		
ZAPA 5A, 1-16	SMEA SpA	80%	Exploitation concession	80		
ZAPA 7, 1-24	SMEA SpA	80%	Exploitation concession	120		
CABRITO, CABRITO 1-9	SMEA SpA	80%	Exploitation concession	50		
CUENCA A, 1-51	SMEA SpA	80%	Exploitation concession	255		
CUENCA B, 1-28	SMEA SpA	80%	Exploitation concession	139		
CUENCA C, 1-51	SMEA SpA	80%	Exploitation concession	255		
CUENCA D	SMEA SpA	80%	Exploitation concession	3		
CUENCA E	SMEA SpA	80%	Exploitation concession	1		
CHOAPA 1-10	SMEA SpA	80%	Exploitation concession	50		
ELQUI 1-14	SMEA SpA	80%	Exploitation concession	61		
LIMARÍ 1-15	SMEA SpA	80%	Exploitation concession	66		
LOA 1-6	SMEA SpA	80%	Exploitation concession	30		
MAIPO 1-10	SMEA SpA	80%	Exploitation concession	50		
TOLTÉN 1-14	SMEA SpA	80%	Exploitation concession	70		
CACHIYUYITO 1, 1-20	SMEA SpA	80%	Exploitation concession	100		
CACHIYUYITO 2, 1-60	SMEA SpA	80%	Exploitation concession	300		
CACHIYUYITO 3, 1-60	SMEA SpA	80%	Exploitation concession	300		

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd.mm.yyyy)	Exploration and Expenditure Commitment-Payments
LA PRODUCTORA 1-16	SMEA SpA	80%	Exploitation concession	75		
ORO INDIO 1A, 1-20	SMEA SpA	80%	Exploitation concession	82		
AURO HUASCO I, 1-8	SMEA SpA	80%	Exploitation concession	35		
URANIO, 1-70	CCHEN	80%	Exploitation concession	350		Lease agreement USD 250,000 per Yr (average for the 25 year term); plus 2% NSR all but gold; 4% NSR gold; 5% NSR non-metallic
JULI 9, 1-60	SMEA SpA	80%	Exploitation concession	300		
JULI 10, 1-60	SMEA SpA	80%	Exploitation concession	300		
JULI 11 1/60	SMEA SpA	80%	Exploration concession	300		
JULI 12 1/42	SMEA SpA	80%	Exploration concession	210		
JULI 13 1/20	SMEA SpA	80%	Exploration concession	100		
JULI 14 1/50	SMEA SpA	80%	Exploration concession	250		
JULI 15 1/55	SMEA SpA	80%	Exploration concession	275		
JULI 16, 1-60	SMEA SpA	80%	Exploitation concession	300		
JULI 17, 1-20	SMEA SpA	80%	Exploitation concession	100		
JULI 19	SMEA SpA	80%	Exploration concession	300	16/03/2020	
JULI 20	SMEA SpA	80%	Exploration concession	300	21/03/2020	
JULI 21 1/60	SMEA SpA	80%	Exploration concession	300		
JULI 22	SMEA SpA	80%	Exploration concession	300	15/03/2018	
JULI 23 1/60	SMEA SpA	80%	Exploration concession	300		
JULI 24, 1-60	SMEA SpA	80%	Exploitation concession	300		
JULI 25	SMEA SpA	80%	Exploration concession	300	16/03/2020	
JULI 27 1/30	SMEA SpA	80%	Exploration concession	150		
JULI 27 B 1/10	SMEA SpA	80%	Exploration concession	50		
JULI 28 1/60	SMEA SpA	80%	Exploration concession	300		
JULIETA 5	SMEA SpA	80%	Exploration concession	200	27/03/2020	
JULIETA 6	SMEA SpA	80%	Exploration concession	200	14/03/2020	
JULIETA 7	SMEA SpA	80%	Exploration concession	100	15/03/2020	
JULIETA 8	SMEA SpA	80%	Exploration concession	100	15/03/2020	
JULIETA 9	SMEA SpA	80%	Exploration concession	100	21/03/2020	
JULIETA 10 1/60	SMEA SpA	80%	Exploration concession	300		
JULIETA 11	SMEA SpA	80%	Exploration concession	300	15/03/2020	
JULIETA 12	SMEA SpA	80%	Exploration concession	300	15/03/2020	
JULIETA 13, 1-60	SMEA SpA	80%	Exploitation concession	298		
JULIETA 14, 1-60	SMEA SpA	80%	Exploitation concession	269		
JULIETA 15, 1-40	SMEA SpA	80%	Exploitation concession	200		
JULIETA 16	SMEA SpA	80%	Exploration concession	200	16/03/2020	
JULIETA 17	SMEA SpA	80%	Exploration concession	200	14/03/2020	
JULIETA 18, 1-40	SMEA SpA	80%	Exploitation concession	200		
ARENA 1 1-6	SMEA SpA	80%	Mining Claim	40		
ARENA 2 1-17	SMEA SpA	80%	Mining Claim	113		
ZAPA 1 - 6	SMEA SpA	80%	Exploitation concession	6		NSR 1%

Notes SMEA SpA (Sociedad Minera El Aguila SpA) is a wholly owned Chilean subsidiary of Hot Chili Limited; CMP= Compañía Minera del Pacífico; CCHEN= Comisión Chilena de Energía Nuclear.

15 Tenement Schedule (cont'd)

San Antonio

The Company has executed a Joint Venture Option Agreement to earn a 90% interest in the San Antonio project, located 20km trucking distance to the east of Productora. The Joint Venture (JV) involves an Option agreement whereby full ownership of 90% of the mining rights of the project will be transferred upon satisfaction of the following Option payment schedule:

1. US$nil paid on execution of a formal JV Option agreement (executed 7 November 2017)
2. US$300,000 36 months from execution of a formal JV Option agreement
3. US$6,700,000 48 months from execution of a formal JV Option agreement

Exploration by Hot Chili at San Antonio 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.

Along with entering into a 90% JV option agreement, the Company has successfully doubled the size of the San Antonio project through exploration lease applications over available prospective land positions around the project, with the landholding now standing at almost 4000 hectares. A schedule of tenements is tabled below.

Table 2. San Antonio project tenement schedule

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd.mm.yyyy)	Exploration and Expenditure Commitment-Payments
Santiago 21 al 36	Arnaldo Del Campo	90%	Exploitation concession	76		90% (HCH)-10% JV. 4 years term. USD 300,000 to be paid on year 3 -Nov 7th 2020. USD 6,700,000 as a final exercise payment on year 4..
Santiago 37 al 43	Arnaldo Del Campo	90%	Exploitation concession	26		
Santiago A, 1 al 26	Arnaldo Del Campo	90%	Exploitation concession	236		
Santiago B, 1 al 20	Arnaldo Del Campo	90%	Exploitation concession	200		
Santiago C, 1 al 30	Arnaldo Del Campo	90%	Exploitation concession	300		
Santiago D, 1 al 30	Arnaldo Del Campo	90%	Exploitation concession	300		
Santiago E, 1 al 30	Arnaldo Del Campo	90%	Exploitation concession	300		
Prima Uno	Arnaldo Del Campo	90%	Exploitation concession	1		
Prima Dos	Arnaldo Del Campo	90%	Exploitation concession	2		
Santiago 15 al 19	Arnaldo Del Campo	90%	Exploitation concession	25		
San Antonio 1 al 5	Arnaldo Del Campo	90%	Exploitation concession	25		
Santiago 1 AL 14 Y 20	Arnaldo Del Campo	90%	Exploitation concession	75		
Mercedes 1 al 3	Arnaldo Del Campo	90%	Exploitation concession	50		
CORTADERA 1	Frontera SpA	100%	Exploration Concession	200	02/02/2020	
CORTADERA 2	Frontera SpA	100%	Exploration Concession	200	28/02/2020	
CORTADERA 3	Frontera SpA	100%	Exploration Concession	200	08/03/2020	
CORTADERA 4	Frontera SpA	100%	Exploration Concession	200	28/02/2020	
CORTADERA 5	Frontera SpA	100%	Exploration Concession	200	02/03/2020	
CORTADERA 6	Frontera SpA	100%	Exploration Concession	300	19/02/2020	
CORTADERA 7	Frontera SpA	100%	Exploration Concession	100	06/03/2020	
SAN ANTONIO 1	Frontera SpA	100%	Exploration Concession	200	02/03/2020	
SAN ANTONIO 2	Frontera SpA	100%	Exploration Concession	200	28/02/2020	
SAN ANTONIO 3	Frontera SpA	100%	Exploration Concession	300	06/03/2020	
SAN ANTONIO 4	Frontera SpA	100%	Exploration Concession	300	20/02/2020	
SAN ANTONIO 5	Frontera SpA	100%	Exploration Concession	300	02/03/2020	
DORO 1	Frontera SpA	100%	Exploration Concession	200	25/07/2020	
DORO 2	Frontera SpA	100%	Exploration Concession	200	06/08/2020	
DORO 3	Frontera SpA	100%	Exploration Concession	300	25/07/2020	

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

Valentina

The Company has executed a Joint Venture Option Agreement to earn a 90% interest in the Valentina project, located 20km east of Productora. The Joint Venture (JV) involves an Option agreement whereby full ownership of 90% of the mining rights of the project will be transferred upon satisfaction of the following Option payment schedule:

1. US$nil paid on execution of a formal JV Option agreement (executed 4 June 2018)
2. US$150,000 36 months from execution of a formal JV Option agreement
3. US$4,000,000 48 months from execution of a formal JV Option agreement

Exploration by Hot Chili at Valentina shall be at its discretion other than for the requirement that 1,500 meters of drilling be completed during the first 24 months of the JV by Hot Chili.

A schedule of tenements is tabled below.

Table 3. Valentina project tenement schedule

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd.mm.yyyy)	Exploration and Expenditure Commitment-Payments
SAN JUAN SUR 1/5	Arnaldo Del Campo	90%	Exploitation concession	10		90% (HCH)-10% JV. 4 years term. USD 150,000 to be paid on year 3 -June 1st 2020. USD 4,000,000 as a final exercise payment on year 4.
SAN JUAN SUR 6/23	Arnaldo Del Campo	90%	Exploitation concession	90		

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

Lulu

The 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 (executed 3 November 2017)
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 Hot Chili 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. A schedule of tenements is tabled below.

Table 4. Lulu project tenement schedule

Licence ID	Holder	% Interest	Licence Type	Area (ha)	Expiration date (dd.mm.yyyy)	Exploration and Expenditure Commitment-Payments
El Sarco 1 al 16	Hernán Callejas	70%	Exploitation concession	40		70% (HCH)-30% JV. 4 years term. USD 75,000 paid upon execution -3 Nov 2017-. USD 75,000 after one year; USD 150,000 after 2 years; USD 150,000 after 3 years and final exercise payment of USD 2,000,000 year 4.
La Gringa 1-40 (23 y 24)	Hernán Callejas	70%	Exploitation concession	10		

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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

Lloyd Flint

Chief Legal Counsel

Jose Ignacio Silva

Principal Place of Business and Registered Office

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APPLECROSS WA 6153

Telephone: 08 9315 9009
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Email: admin@hotchili.net.au
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Solicitors

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PERTH WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
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APPLECROSS WA 6153

Telephone: 08 9315 0933
Facsimile: 08 9315 2233

Auditors

RSM Australia Partners
Level 32 Exchange Tower
2 The Esplanade
PERTH WA 6000

Principal Banker

Westpac Banking Corporation
Hannan Street
KALGOORLIE WA 6430

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