



# Growth & Development

ANNUAL REPORT **2012**



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A wide-angle photograph of a mining site. The landscape is dominated by terraced, reddish-brown hillsides. A dirt road winds through the valley. In the background, a small blue structure is visible on a hillside. The sky is clear and blue. In the top right corner, there is an inset image showing two people in safety gear standing on a dirt path. The entire image is overlaid with geometric shapes: a teal triangle in the top right, a red triangle in the middle right, and a white arrow pointing right on the left side.

“ Our vision is ambitious, our strategic positioning, strong funding support and dedication to move quickly, ensures that this vision is achievable.”

# chairman's letter

Dear Shareholder,

Over the past year, as chairman of the board of Hot Chili Limited (Hot Chili or Company), I have had the pleasure of seeing our Company take great strides towards establishing a new and exciting, Australian mid-tier copper producer in the lucrative Chilean copper space.

Against a backdrop of uncertainty in global equity markets and a cooling in commodity prices, the fundamentals for copper have remained strong. Continuing delays in new supply, depletion in global stockpiles and an ever decreasing grade of new copper discoveries and developments have ensured that demand and prices for the metal – now and into the medium term – remain high. For these reasons, access to high-quality, low-cost and long-life copper supply in a tier-one jurisdiction is a rare opportunity that the Company is pursuing with great vigour.

The Company's 2012 annual report outlines the achievement of a number of major milestones at our flagship Productora copper project which have laid a strong foundation for the Company's future growth. The rapid rise of Productora – from discovery in September 2010 – to a rapidly emerging top four Chilean coastal copper development, has established Hot Chili as a stand-out emerging copper producer on the Australian Securities Exchange (ASX).

Like any success, our people have been key to our achievements. I would like to thank our board, management and staff for their tireless effort in tackling and achieving the Company's aggressive growth plan during the year. This dedication and ability to move fast is the soul of Hot Chili.

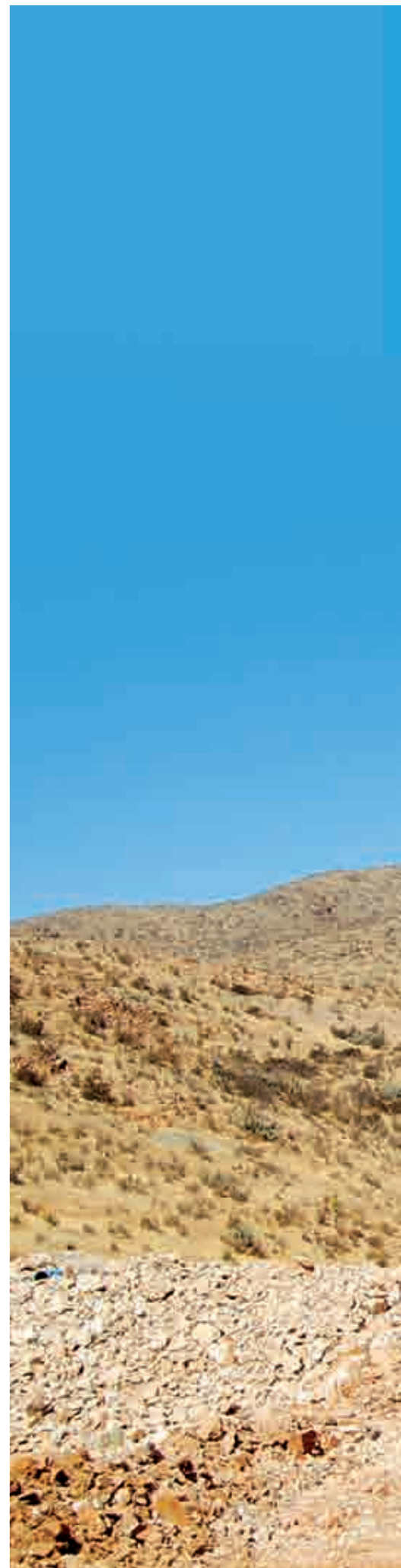
I would like to also thank our shareholders for their continuing support and commitment through a year where Hot Chili invested significantly in laying the foundations for future growth. In the coming year, shareholders can expect to see the Productora copper resource tripled in size and a pre-feasibility delivered on the project. In addition, the company aims to unveil further details around a targeted production hub in central Chile capable of producing towards 150,000 tonnes of copper per annum.

Ultimately, we have set ourselves on a journey that will see shareholders invested in a Company aiming to establish itself as one of Australia's largest emerging copper producers in the coming years. While our vision is ambitious, our strategic positioning, strong funding support and dedication to move quickly, ensures that this vision is achievable. Our track record of delivery is something we are very proud of and our future growth milestones are now Hot Chili's complete focus.

On closing, I wish to particularly thank Mr Christian Easterday our Managing Director, for his work and efforts in achieving such an excellent result.



**Murray Edward Black**  
Non Executive Chairman



“ Our track record of delivery is something we are very proud of and our future growth milestones are now Hot Chili’s complete focus.”



# projects overview

“...transitioned from explorer to developer...”

Hot Chili has assembled a portfolio of five large copper projects in the world class iron-oxide-copper-gold (IOCG) belt of the Chilean coastal range. All of these projects lie to the north of Santiago, are close to existing coastal infrastructure and lie at low altitude (<1,000m elevation).

Although the company continued to assess all of its projects and add further to its project landholdings, the majority of Hot Chili's activities were focussed towards fast-tracking the development of its flagship Productora copper project.

In less than two years since listing the Company on the Australian Securities Exchange (ASX), Hot Chili has transitioned from explorer to project developer through the emergence of a large-scale copper discovery at Productora. The company is fast-tracking the development of Productora as its lead development project while undertaking exploration work on its earlier stage projects. Hot Chili's project pipeline and project advancement strategy is summarised in Table 1 (page 5).

Hot Chili continued to develop its relationships with key partners Compañía Minera del Pacífico S.A. (CMP – Chile's largest iron ore producer) and CODELCO (the world's largest copper producer). Importantly, Hot Chili's and CMP, executed two non-binding letters of intent to negotiate a joint infrastructure and an iron exploitation option over the Productora copper project. CMP is one of Hot Chili's largest shareholders and is also a major project partner at Productora.

Throughout the year, Hot Chili's team has continued to expand. The company's operating structure has been organised into four critical departments to manage Hot Chili's activity streams, namely; geology, project development, technical services and legal/ corporate services.



Table 1. Hot Chili's copper project development pipeline in Chile

|                                 | Projects    | Current Status | 2012                 | 2013                  | 2014                        | 2015 | 2016                  | 2017 |
|---------------------------------|-------------|----------------|----------------------|-----------------------|-----------------------------|------|-----------------------|------|
| Central Chile<br>Production Hub | Productora  | Advanced       | Resource Development |                       | Target for Dev/Construction |      | Target for Production |      |
|                                 | Frontera    | Advanced       | Exploration          | Resource Development? |                             |      |                       |      |
|                                 | Banderas    | Exploration    | Exploration          |                       | Resource Development?       |      |                       |      |
|                                 | Los Mantos  | Advanced       | Exploration          |                       | Resource Development?       |      |                       |      |
|                                 | Chile Norte | Exploration    | Exploration          |                       |                             |      |                       |      |



Figure 1. Location of Hot Chili's projects within central Chile



# review of operations

“ The project benefits greatly from its location to near-by existing infrastructure including the PanAmerican Highway, rail, power and port...”

## Productora Project

The Productora project is Hot Chili's flagship project in Chile. The project is located 15km south of the township of Vallena, at low altitude (less than 1,000m) in Chile's III region. The project benefits greatly from its location to near-by existing infrastructure including the PanAmerican Highway, rail, power and port (40km distance) as shown on Figure 2.

Since drilling commenced in August 2010, the Company has completed over 70,000m of drilling and outlined a large-scale, bulk tonnage copper-gold-molybdenum deposit amenable to open pit mining. In September 2011, the Company defined its first resource estimate from within the central 1.4km extent of the project, reporting a JORC compliant resource of 85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum (0.8% copper equivalent) for 483,000 tonnes of copper, 290,000 ounces of gold, 12,418 tonnes of molybdenum (644,000 tonnes of copper equivalent).

Significant exploration has outlined a 9.5km deposit footprint at Productora where extensional drilling by Hot Chili and previous explorer Teck has now confirmed significant drilling intersections over 6.0km of strike extent so far.





Figure 2. Productora project location and associated coastal infrastructure position

The Company formally commenced a scoping study over Productora in early January 2012. Leading engineering and project development group Ausenco have been appointed to manage the scoping study with the assistance of Hot Chili's own development study management team. The study is assessing a base-case 10Mtpa open pit mine with the potential to produce approximately 60,000 tonnes of copper metal per annum in concentrate over a 20 year life.

The Company is aiming to establish a significant resource base at Productora from an identified 280-320M tonne target mineralisation at similar grade to that estimated in the first resource announced from the centre of the project. This larger resource is targeted to be in-place within the coming year following the completion of a major resource drilling programme that is currently underway.

The Productora target mineralisation is summarised in Table 2 below.

Table 2. Productora Target Mineralisation

|                   | Productora Target Mineralisation |     |              |       |     |               |                 |           |
|-------------------|----------------------------------|-----|--------------|-------|-----|---------------|-----------------|-----------|
|                   | Tonnage (Mt)                     |     |              | Grade |     |               | Contained Metal |           |
|                   | From                             | To  | Unit         | From  | To  | Unit          | From            | To        |
| <b>Copper</b>     | 280                              | 320 | %            | 0.5   | 0.7 | <b>Tonnes</b> | 1,400,000       | 2,240,000 |
| <b>Gold</b>       | 280                              | 320 | <b>(g/t)</b> | 0.1   | 0.2 | <b>Ounces</b> | 900,223         | 2,057,653 |
| <b>Molybdenum</b> | 280                              | 320 | <b>(g/t)</b> | 120   | 180 | <b>Tonnes</b> | 33,600          | 57,600    |
| <b>Copper Eq*</b> | 280                              | 320 | %            | 0.7   | 1.0 | <b>Tonnes</b> | 1,876,000       | 3,168,000 |

Note: References to exploration target size and target mineralisation in this announcement are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code.

# review of operations

continued

## Los Mantos Project

Los Mantos is located approximately 60km south of the coastal city of La Serena, at low altitude and adjacent to the Pan American Highway in Chile's IV region. The project is at an advanced stage with an operating small-scale mine, and extensive historical underground and surface development. The Company has recognised a zoned multi-commodity IOCG system at the project. Extensive mantos and breccia style mineralisation is exposed over 2.5km in strike length in surface development and outcrop.

Final assay results received from an 11,500m Reverse Circulation (RC) drilling programme completed in 2011 highlighted the potential for Los Mantos to contain breccia-hosted bulk tonnage copper-gold mineralisation. The last assay results from this drilling included the widest drilling intersection recorded to date at Los Mantos, with hole MNP0056 intersecting **36m grading 1.4% copper and 0.2g/t gold from 49m down-hole**. The result is contained within the southern extent of the project where further drilling by Hot Chili has confirmed the location of a large potassic-altered tourmaline breccia as shown in Figure 3.

Although little work was undertaken over the project during the year owing to Hot Chili's focus on Productora, exploration is scheduled to recommence at the project in the coming year. Work will focus on delineating the size potential of high-grade, bulk tonnage copper mineralisation intersected by drilling within the southern extent of the project.

## Chile Norte Project

Chile Norte is located approximately 50km south of the coastal city of Iquique, at low altitude and adjacent to the Pan American Highway in Chile's IV region. Hot Chili is in its third year of a five-year agreement with CODELCO to earn an interest in a large contiguous land holding that adjoins the Company's own landholding in the project area.

The company completed its second major airborne magnetic and radiometric survey over the Chile Norte project during the year as well as a concerted surface mapping and geochemical rock-chip sampling programme over a number of high-priority targets.

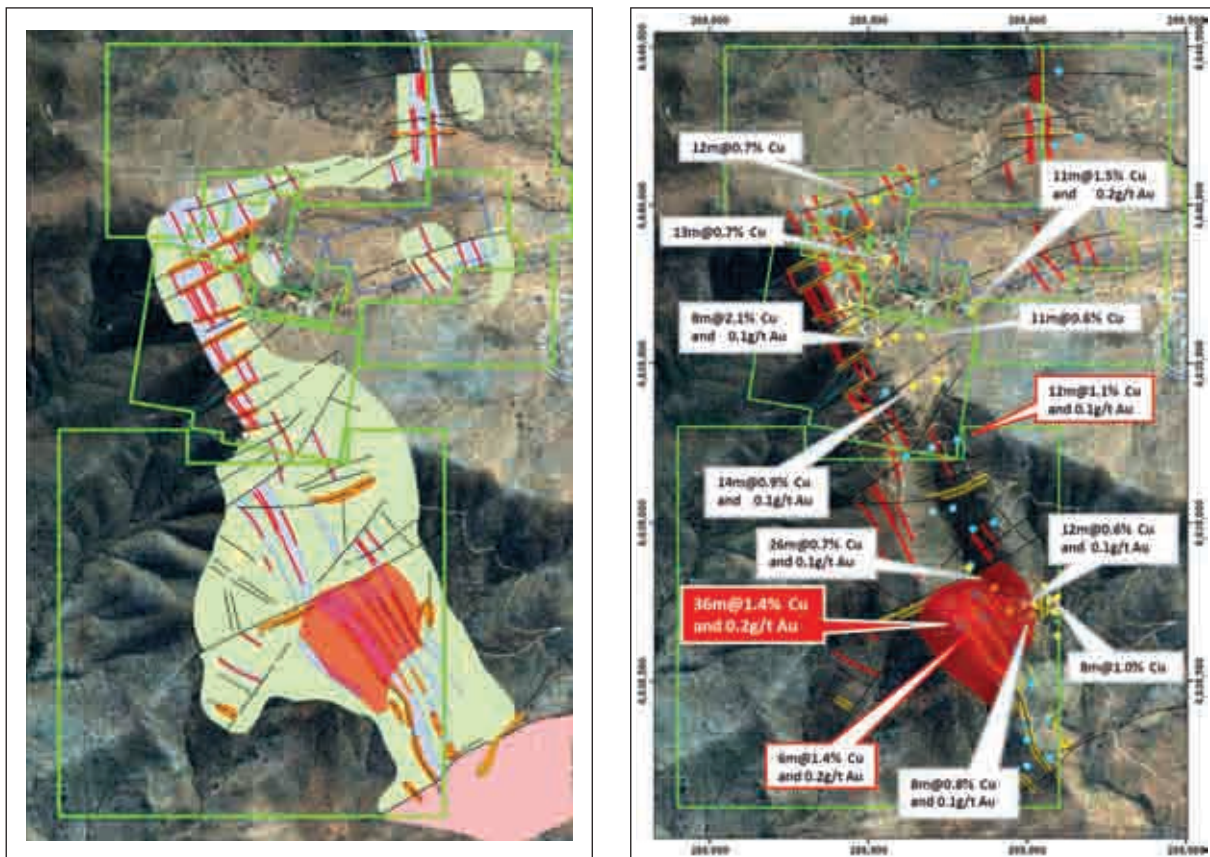


Figure 3. Drilling has confirmed a large tourmaline breccia with significant copper mineralisation at Los Mantos



Helicopter Sampling Campaign at Chile Norte

Hot Chili is currently planning its next phase of copper exploration at the project which may involve further site geochemical programmes and detailed mapping of identified high-priority alterations systems identified in work to date,

Early stage litho-structural mapping and reconnaissance rock-chipping was undertaken over the project in June and July. Further follow-up work is planned in the coming year to prepare for a first-pass drilling programme at the project in late 2013.

## Banderas Project

During July 2012, Hot Chili executed several agreements to acquire major interests in the Banderas copper project. The project is located at low altitude (<1,000m), approximately 50km directly north of the Company's Productora project adjacent to the Pan America Highway in Region III of Chile. The project is at an early exploration stage and has seen some historical, small-scale, copper mining within an extensive, large-scale alteration system.

Along with the Frontera project, Hot Chili intends to explore the project in the coming years for the potential to identify and delineate near-by copper resources as an additional supply source to a copper production hub centred around Productora.

## Frontera Project

In July 2012, Hot Chili announced that it had exercised a 100% purchase option agreement to acquire several leases at the Frontera copper project. The Frontera project lies 70km directly south of Productora in Region IV of Chile and is located adjacent to the PanAmerican highway and existing power transmission corridor.

Frontera is a relatively advanced exploration stage project with some historical drilling and a small-scale, historical, copper-oxide open pit within the project. First-pass reconnaissance mapping and rock-chip sampling has identified significant potential for copper-porphyry style mineralisation at the project. Like Banderas, the project was acquired as an exploration project that had potential to host additional near-by copper resource potential for a production hub centred at Productora. Further follow-up exploration work is planned at the project in 2013.



Reconnaissance exploration at the Banderas copper project



Hot Chili management reviewing plans at the Frontera project



# productora copper project

“the company is now well advanced with resource definition drilling...”



## Productora First Resource September 2011

Following nine months of intensive resource drilling comprising 141 RC holes and 22 diamond (DD) holes, in September 2011, the Company announced its first JORC compliant resource for the project. **The first resource was estimated at 85million tonnes grading 0.6% copper, 0.1g/t gold, 146g/t molybdenum for 482,000 tonnes of copper metal, 290,000 ounces of gold and 12,400 tonnes of molybdenum metal.** The first resource is confined to the central lease of the project and represents a 1.4km strike length section of a 9.5km mineralised footprint which the company has identified at Productora.

The independently estimated mineral resource within the central area is shown in Table 1 and includes the results from all RC and diamond (DD) drill holes (141 RC holes and 22 DD) completed to the end of July 2011. The resource estimate also utilised a large underground drilling database and development models provided by the operators of the Productora underground mine.

A nominal +0.3% copper grade-shell model was utilised to constrain the block model resource estimation. The distribution of gold and molybdenum within the deposit only represents those metals in co-association with copper.

Approximately 37% of the resource estimate comprises indicated material and 63% inferred material. The majority of the indicated resource lies within the first 200m from surface and the average depth of the resource base is approximately 400m from surface.

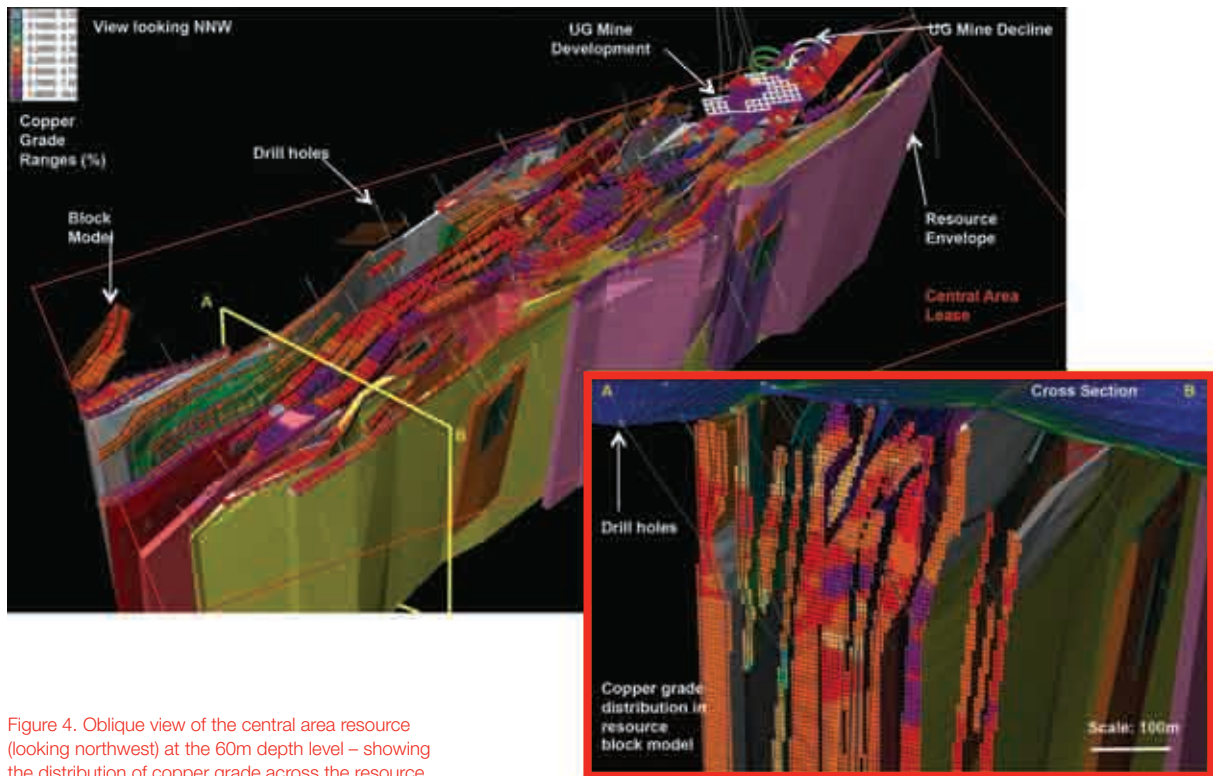


Figure 4. Oblique view of the central area resource (looking northwest) at the 60m depth level – showing the distribution of copper grade across the resource

Importantly, the component of higher copper grade material within the resource, equating to approximately 28 million tonnes grading 0.8% copper, also lies within the first 200m from surface. This, in addition to no pre-strip requirement, provided an early indication of potential for reduced capital and operating costs in the early stages of any potential future open pit development.

Mineralisation is associated with a series of vertical lodes and some minor subhorizontal lodes (mantos zones) within a felsic volcanic country rock. The felsic volcanic sequence has been extensively intruded by a tourmaline-breccia along the main mineralised north-east fault corridor. The subvertical breccia host corridor provides strong geological confidence in along strike and depth continuations of the resource.

Sulphide ore mineralogy comprises pyrite, chalcopyrite, bornite and molybdenite developed as breccia, vein and cavity fill, as well as disseminations within the brecciated host rocks. Within the oxide zone, copper is dominantly associated with malachite. The resource extends from surface and zones of oxide and transitional material appear to be localised in specific locations across the deposit. The resource is a sulphide from surface with localised zones of preferentially developed oxide bowls.

Figure 4 shows an oblique view of the 1.4km strike length resource at the 60m depth level, exposing the resource copper grade distribution, underground mine location and a reference cross section.

Table 3. Productora Central Area Resource (Released 6 September 2011)

| Category         | Tonnage<br>(Mt) | Grade (>0.3% Cu) |               |                     |                | Contained Metal (>0.3% Cu) |                  |                        |                   |
|------------------|-----------------|------------------|---------------|---------------------|----------------|----------------------------|------------------|------------------------|-------------------|
|                  |                 | Copper<br>%      | Gold<br>(g/t) | Molybdenum<br>(g/t) | CopperEq*<br>% | Copper<br>(Kt)             | Gold<br>(Tonnes) | Molybdenum<br>(Tonnes) | CopperEq*<br>(Kt) |
| <b>Indicated</b> | 31.1            | 0.6              | 0.1           | 159                 | 0.8            | 185                        | 110              | 4,942                  | 248               |
| <b>Inferred</b>  | 54.0            | 0.6              | 0.1           | 138                 | 0.7            | 298                        | 180              | 7,476                  | 395               |
| <b>Total</b>     | <b>85.1</b>     | <b>0.6</b>       | <b>0.1</b>    | <b>146</b>          | <b>0.8</b>     | <b>483</b>                 | <b>290</b>       | <b>12,418</b>          | <b>644</b>        |

Note: The resource has been estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting.

# productora copper project

continued

## Resource Growth Drilling Programme

The deposit footprint of Productora was recognised to be approximately 9.5km in strike length owing to a parallel magnetite zone along the western flank of the breccia host corridor. In September 2011 the company commenced a major second phase drilling programme at Productora. Australian drill rigs and drillers were implemented to increase the speed of drilling a reduce costs. Following ramp-up, the company dedicated one DD drill rig and two RC drill rigs to complete a major 65,000m RC and 5,000m drilling programme. Since commencement this was increased to an 85,000m drilling programme owing to cost savings gained through the implementation of new drill rigs.

All first-pass drilling over the entire 9.5km deposit footprint has been completed and the company is now well advanced with resource definition drilling over northern and southern strike extensions of the project. Resource definition drilling in these areas is expected to be completed in the last quarter of 2012 to facilitate a first resource up-grade for Productora.

Better results recorded by first-pass extensional RC drilling included 56m grading 0.5% copper and 0.1g/t gold from surface and 40m grading 0.5% copper, 0.1g/t gold and 122ppm molybdenum from 122m down-hole depth. These new extensional results are summarised on Figure 5.

Drill planning is well advanced to prepare for a large drilling programme over the direct extensions to the central resource, following the announcement in July that the company had secured the last critical lease within the centre of the project (encircling the central area resource). This now allows the company to test wider and higher value portions of the identified deposit footprint where previous drilling by General Minerals and Teck recorded their widest drilling intersections at the project during the late 1990's.

In addition to extensional RC drilling, DD drilling being directed towards up-grading the depth component of the central area resource has recorded strong widths and copper grades. DD results included 47.3m grading 0.9% copper, 0.2g/t gold and 327ppm molybdenum from 225.7m down-hole within the southern extent of the central area resource. Results to-date for the second phase diamond drilling programme over the central area resource are summarised on Figure 6.

The results add further weight to the Company's observation that larger sample size produces better copper grade estimation at Productora.

The second phase resource DD drilling programme is planned to continue for the remainder of 2012 and aims to increase the amount of indicated resources within the central area in parallel with the progress of development studies. The diamond drilling programme aims to facilitate a resource grade revision over the central area resource once complete.

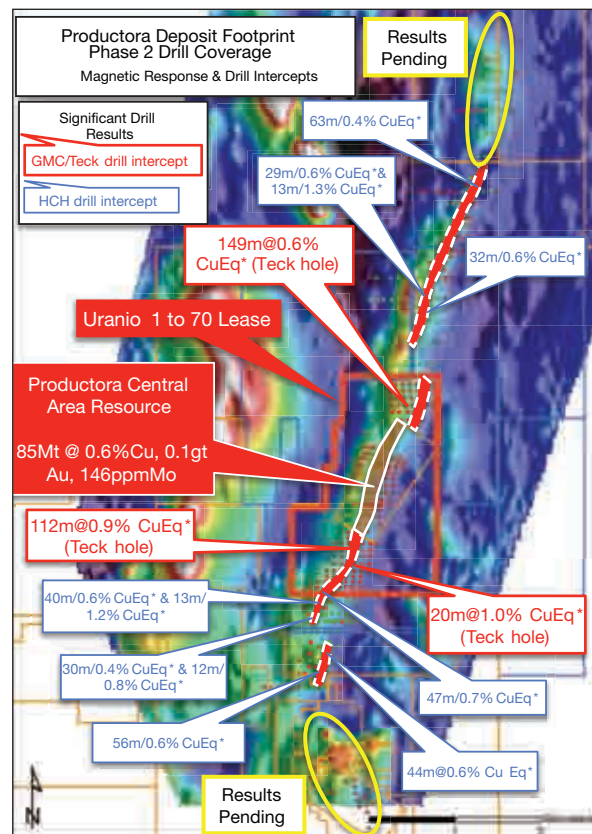


Figure 5. Selected first-pass drilling results across the 9.5km Productora deposit footprint. Note the strong geological continuity of the magnetite zone along the western flank of the copper corridor

“reduced capital and operating costs...”

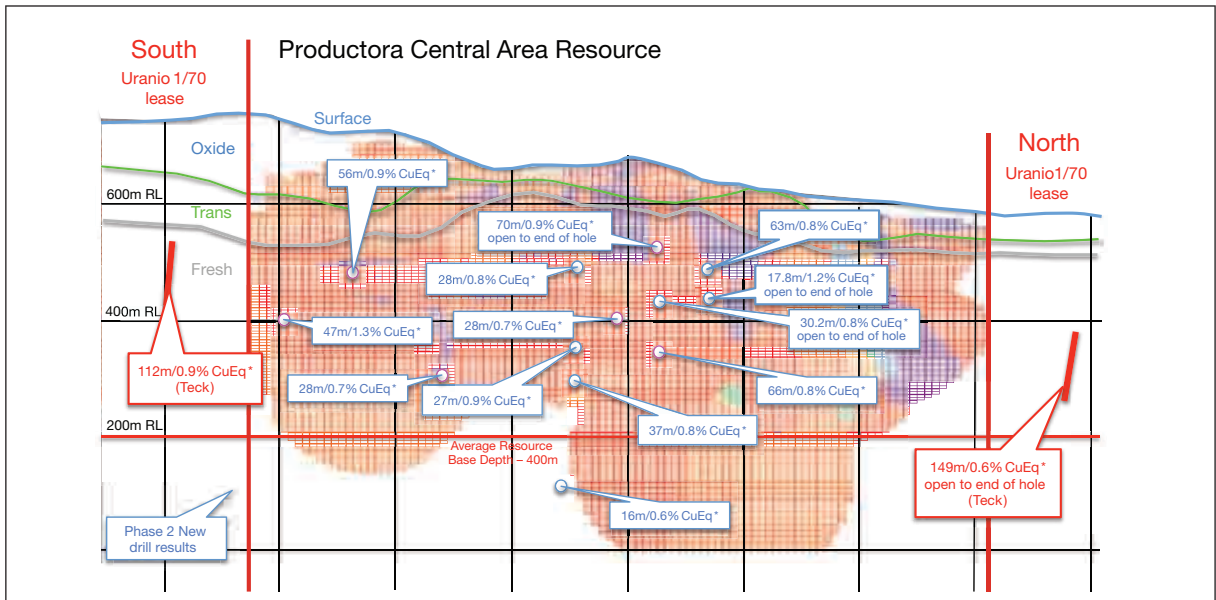


Figure 6. Long Section displaying significant drilling intersections from second-phase diamond drilling of the inferred component of the central area resource

## Completion of Project Consolidation

The Uranio 1 to 70 lease lies within the centre of Hot Chili's flagship Productora copper project, forming an encircling landholding (Figure 7) around the Company's existing JORC compliant central area resource. Securing the Uranio 1 to 70 lease has been a key goal for Hot Chili since it commenced project consolidation activities at Productora over four years ago.

In April 2012, the Chilean Commission for Nuclear Energy (CCHEN – the owners of Uranio 1 to 70) commenced a public bidding process for a long-term lease agreement over the Uranio 1 to 70 lease. Hot Chili, through its 100% owned Chilean subsidiary Sociedad Minera El Aguila Limitada (SMEAL), submitted a bid for the Lease on June 18 2012. The public bid was held under specific minimum bidding conditions which Hot Chili was able to satisfy given that it already had a consolidated project position and was at an advanced development phase at the Productora project.

Hot Chili has now officially executed a 30 year exploration and exploitation agreement over Uranio 1 to 70 lease.

Importantly, the lease contains the direct extensions to the central area resource where historical drilling undertaken by Teck recorded several very wide drilling intersection including **112m grading 0.7% copper, 0.1g/t gold and 160ppm molybdenum** from 102m down-hole depth and **149m grading 0.4% copper, 0.1g/t gold and 90ppm molybdenum** from 200m down-hole depth.

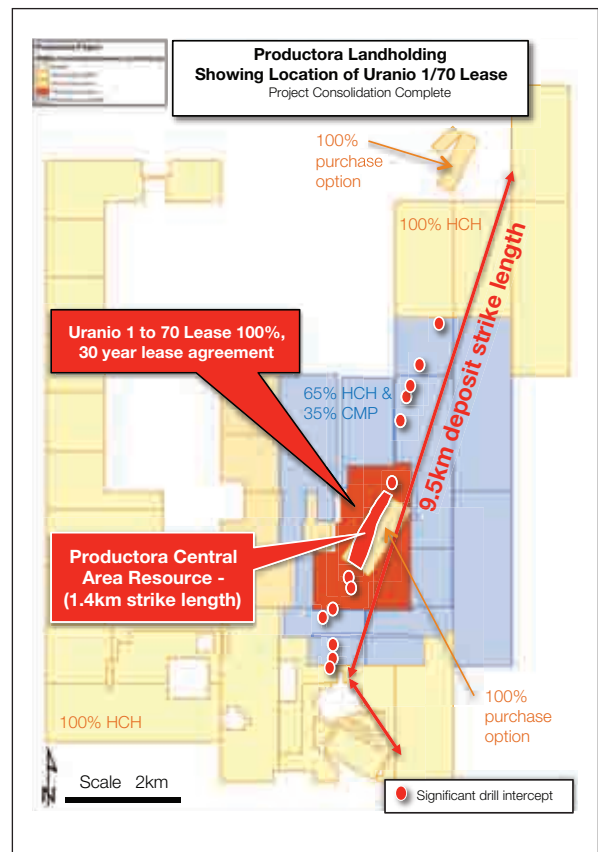


Figure 7. Hot Chili landholding of the Productora copper project – consolidation complete with the final addition of the Uranio 1 to 70 lease

# productora copper project

continued

The addition of this final Lease to the Productora copper project allows the Company to consider a large central pit option within its current development study plan as outlined on Figure 8. Hot Chili is now well positioned to maximise the size and life of any potential future copper operation at the Productora project.

Drilling within the new lease is scheduled to commence in August 2012 with site preparation and drill platform construction already underway. Securing the Uranio 1 to 70 lease marks the end of over 4 years of consolidation efforts by Hot Chili to secure the Productora copper project.

## Strategic Alignment of CMP and Hot Chili at Productora

Compañía de Aceros del Pacifico (CAP) is listed on the Chilean stock exchange with a market capitalisation as at June 28 2012 of US\$5.34 billion. CAP is the parent company of Compañía Minera del Pacifica (CMP), an iron ore mining company producing concentrate and iron ore pellets with projects in the III and IV regions of the iron ore belt district in northern Chile. The company is a vertically integrated steel producer which also supplies Chile with steel from its plant in the southern city of Talcahuano. Mitsubishi is a 19.1% shareholder of CAP and 25% shareholder of CMP as at December 31 2011.

CMP is a major partner in the Company's flagship Productora copper project and its parent company CAP is a 3.7% shareholder of Hot Chili following their recent participation in the Company's last capital raising in late December 2011.

In early July 2012, Hot Chili executed two non-binding Letters of Intent (LOI) to formally cooperate on technical studies and commence negotiation for a joint infrastructure and iron production option for the Productora copper project. Following the execution of the LOI's, both companies formed a technical working committee and are currently progressing towards formal agreements with both negotiations.

Productora lies in the heart of CMP's existing coastal infrastructure, including rail, port, easement corridor, magnetite concentrator and iron pellet plant. CMP's infrastructure and the identification of significant iron potential creates substantial operational synergies for both companies.

Successful negotiation of a joint infrastructure agreement would provide the Productora copper project with the potential to be established in a shorter timeframe and at a lower start-up capital cost than other comparable large-scale emerging copper projects.

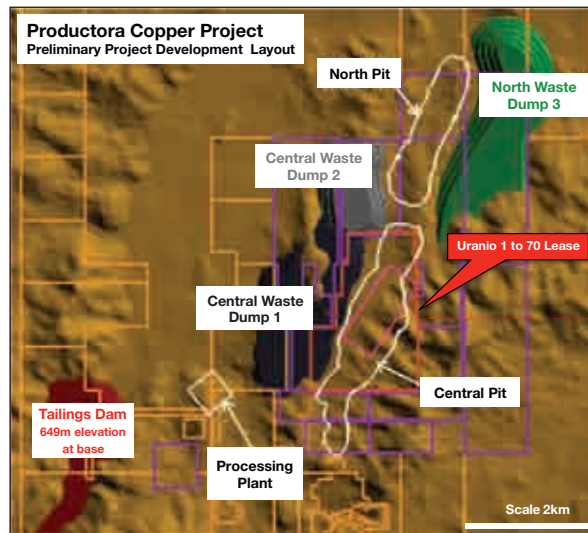


Figure 8. Preliminary project development layout of the Productora copper project showing the proposed location of the main open pits, waste dumps, and tailings dam

In addition, any future development of an additional iron source in such close proximity to CMP's existing iron processing and transport network has the potential to add significantly to CMP's current production expansion at its existing operations. It also has the potential to add another valuable revenue stream to Productora.

Formal agreements are expected to be finalised on an infrastructure and iron exploitation option for the development of Productora during 2013.

## Development Studies

In late December 2011, Hot Chili formally commenced a scoping study to assess a 10Mtpa open pit copper operation at the Productora copper project. Leading engineering and project development group Ausenco have been appointed to undertake the study in cooperation with the Company's own development study management team.

Highlights from the development studies include the completion of preliminary metallurgical testwork (mineralogy, comminution and flotation) on three composite samples of sulphide ore from within the current central area resource.

Initial results have provided early encouragement indicating that the Productora ore will be amenable to processing through a conventional crushing – SAG mill – ball mill grinding circuit followed by a contemporary sulphide flotation sequence. Ausenco has significant experience in the design and construction of similar copper processing circuits elsewhere in the world.



“ the company is now well advanced with resource definition drilling...”



Figure 9. Location of new underground development at the Productora central area copper resource

Rougher sulphide flotation results from within the Productora central area resource indicate particularly high copper recoveries of 93.5% to 96% over a relatively coarse grind size (212µm-180µm, respectively). Clean flotation test work has now also been completed, indicating a commercial concentrate grade of +27% copper may be expected following two stages of cleaning.

In addition to metallurgical test work, the company is well advanced with study deliverables for:

- Project development lay-out and pit design (Figure 8)
- Infrastructure design for sulphide processing plant, water pipeline and port option
- Capital and operating cost estimation
- Environmental baseline studies and assessment
- Easement corridor and maritime/surface permitting assessment
- Advanced financial modelling and risk analysis.

A number of pre-feasibility work streams are being planned to commence in the lead-up to the planned submission of an Environmental Impact Assessment for Productora in early 2013.

During March 2012, the Company announced that development studies at Productora had been significantly strengthened by the commencement of a new 250,000 tonnes underground mining operation.

In co-operation with lease mining company Playa Brava, Hot Chili will be allowed access to conduct detailed reconciliation over a new 250,000 tonne underground mining operation that Playa Brava will mine within the centre of the Productora central resource.

Under the terms of Hot Chili's current 100% purchase-option agreement over the central lease at Productora, Playa Brava are able to mine a capped amount of production prior to the exercise of the option which is planned by Hot Chili in the near future. Playa Brava is currently mining approximately 120,000 tonnes pa of ore material from the Productora underground operation located within the northern extent of the Productora central area resource (excised from the resource).

The agreement with Playa Brava will see the lease miner able to secure 250,000 tonnes of total ore production at the new underground located approximately 400m to the south of the current Productora underground as shown on Figure 9. In return, Hot Chili will gain the right to undertake a detailed resource-mining-processing reconciliation project over the course of life at the operation.

The company is very pleased with the opportunity to be able to significantly enhance the rigour and value of its development studies through its co-operative relationship with lease miner Playa Brava. The results of the trial mining reconciliation project will be used to assess copper grade performance with a mine-scale sample size and ultimately support a decision to mine at Productora targeted for late 2013.

## Qualifying Statements

### \* Copper Equivalent Calculation

Copper Equivalent (also Cu Eq\*) Calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result. However it is the Company's opinion that elements considered here have a reasonable potential to be recovered as evidenced in similar multi-commodity natured mines elsewhere in the world. Copper equivalent conversion factors and long-term price assumptions used follow:

- Copper Equivalent Formula =  $Cu\% + Mo(ppm) \times 0.0008 + Au(ppm) \times 0.6832$
- Price Assumptions – Cu (US\$1.80/lb), Mo (US\$15/lb), Au (US\$850/oz)

# productora copper project

continued

Table 4. JORC Compliant Resource Statement – Reported 7 September 2011

| Category         | Tonnage<br>(Mt) | Grade (>0.3% Cu) |            |            |            | Contained Metal (>0.3% Cu) |            |               |            |
|------------------|-----------------|------------------|------------|------------|------------|----------------------------|------------|---------------|------------|
|                  |                 | Copper           | Gold       | Molybdenum | CopperEq*  | Copper                     | Gold       | Molybdenum    | CopperEq*  |
| <b>Indicated</b> | 31.1            | 0.6              | 0.1        | 159        | 0.8        | 185                        | 110        | 4,942         | 248        |
| <b>Inferred</b>  | 54.0            | 0.6              | 0.1        | 138        | 0.7        | 298                        | 180        | 7,476         | 395        |
| <b>Total</b>     | <b>85.1</b>     | <b>0.6</b>       | <b>0.1</b> | <b>146</b> | <b>0.8</b> | <b>483</b>                 | <b>290</b> | <b>12,418</b> | <b>644</b> |

Note: Figures in the above table are rounded to one significant figure in accordance with Australian JORC code 2004 guidance on mineral resource reporting

## Target Mineralisation

References to exploration target size and target mineralisation in this announcement are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code.

## Competent Person's Statement – Exploration Reporting

Information in this announcement that relates to exploration results and mineralisation is based on information compiled by Mr Christian Easterday, a Director, who is a Member of The Australian Institute of Geoscientists. Mr Easterday has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). Mr Easterday consents to the inclusion in this presentation of the statements based on his information in the form and context in which they appear.

## Competent Person's Statement – Resource Reporting

Information in this announcement relating to mineral resources is based on information compiled by Mr. Alfred Gillman, a Fellow of the Australian Institute of Mining and Metallurgy (CP). Mr. Gillman is an independent resource consultant and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code 2004). Mr. Gillman consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

# tenement schedule and details

“ Hot Chili recently successfully acquired further tenements along the southern extension to the Productora project.”

## Productora Tenement Details

Outside of the Company's own landholding, Hot Chili has executed agreements with several private parties, government organisations and major miners. Importantly, these parties together with Hot Chili control 100% of the strike extent of defined mineralisation within this land position including the central mining lease of Productora which contains an operating underground copper mine.

Hot Chili recently successfully acquired further tenements along the southern extension to the Productora project. The new tenements extend the strike length of the Productora Project, providing further up-side to Hot Chili's plans to delineate and develop significant copper-gold-molybdenum resources at the project.

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

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

The lease mining company will have 6 months from exercise of the option agreement in which to remove all equipment.

Importantly, on August 22 2012, SMEAL secured a 30 year lease agreement for the Uranio 1 to 70 mining tenement. This tenement lies within the centre of the Productora project, forming an encircling landholding around the Company's existing JORC compliant central resource (85.1Mt grading 0.6% copper, 0.1g/t gold and 146ppm molybdenum).

The lease represents the last critical portion of the central resource development area to be consolidated and adds a further 1.2km of strike length to the project.

The details of the tenement holding for the Productora project are listed in Table 5 (page 18).



# tenement schedule and details

continued

Table 5. Productora project tenement details

| Licence ID              | Holder <sup>(1)</sup> | % Interest | Licence Type               | Area (ha) | Mining Patents**<br>2012-2013<br>US\$ <sup>(2)</sup> | Exploration and<br>Expenditure<br>Commitment-Payments   | Expiration date of<br>the concession<br>(dd.mm.yyyy) | Comments   |
|-------------------------|-----------------------|------------|----------------------------|-----------|--|---|--|--|
| FRAN 1, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 2, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 3, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 4, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 5, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 6, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 7, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 8, 1-60            | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 12, 1-40           | SMEAL                 | 100%       | Mining Claim               | 200       | 1,582,80   | None  |  | Constituted  |
| FRAN 13, 1-40           | SMEAL                 | 100%       | Mining Claim               | 200       | 1,582,80   | None  |  | Constituted  |
| FRAN 14, 1-40           | SMEAL                 | 100%       | Exploitation<br>concession | 200       | 1,582,80   | None  |  | Constituted  |
| FRAN 15, 1-60           | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 18, 1-60           | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 21, 1-60           | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| FRAN 22                 | SMEAL                 | 100%       | Exploration<br>concession  | 400       | 633  | None  | 06/02/2014   | Constituted  |
| ALGA 7A, 1-32           | SMEAL                 | 100%       | Exploitation<br>concession | 89        | 707,36   | None  |  | Constituted  |
| ALGA VI, 5-24           | SMEAL                 | 100%       | Exploitation<br>concession | 66        | 522,32   | None  |  | Constituted  |
| MONTOSA 1-4             | SMEAL                 | 100%       | Exploitation<br>concession | 35        | 279  | None  |  | Constituted  |
| CHICA                   | SMEAL                 | 100%       | Exploitation<br>concession | 1         | 7,91   | None  |  | Constituted  |
| ESPERANZA 1-5           | SMEAL                 | 100%       | Exploitation<br>concession | 11        | 87   | None  |  | Constituted  |
| LEONA SEGUNDA<br>1-4    | SMEAL                 | 100%       | Exploitation<br>concession | 10        | 79,1   | None  |  | Constituted  |
| CARMEN I, 1-60          | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| CARMEN II, 1-60         | SMEAL                 | 100%       | Mining Claim               | 300       | 2,374,20   | None  |  | Being processed  |
| ZAPA 1, 1-10            | SMEAL                 | 100%       | Exploitation<br>concession | 100       | 791  | None  |  | Constituted  |
| ZAPA 3, 1-23            | SMEAL                 | 100%       | Exploitation<br>concession | 92        | 728,08   | None  |  | Constituted  |
| ZAPA 5A, 1-16           | SMEAL                 | 100%       | Exploitation<br>concession | 80        | 633,12   | None  |  | Constituted  |
| ZAPA 7, 1-24            | SMEAL                 | 100%       | Exploitation<br>concession | 120       | 949,68   | None  |  | Constituted  |
| CABRITO, CABRITO<br>1-9 | SLM Cabrito           | 80%        | Exploitation<br>concession | 50        | 395,7  | None  |  | Constituted  |
| CUENCA A, 1-51          | CMP                   | 65%        | Exploitation<br>concession | 255       | 2.018  | Total Exploration Expenditure Commitment of US\$4,000,000<br>over 5 years<br>(Yr 1 US\$750,000, Yr 2 US\$500,000,<br>Yr 3 US\$500,000, Yr 4 US\$1,000,000,<br>Yr 5 US\$1,250,000).<br><br>Exploration expenditure commitment already satisfied.<br>Exercise Payment (price)of US\$100,000 |  | 5 Year – 65% JV Earn-in option<br>Agreement executed<br>Expiration date<br>October 5, 2014 |
| CUENCA B, 1-28          | CMP                   | 65%        | Exploitation<br>concession | 139       | 1.100  |   |  |  |
| CUENCA C, 1-51          | CMP                   | 65%        | Exploitation<br>concession | 255       | 2.018  |   |  |  |
| CUENCA D                | CMP                   | 65%        | Exploitation<br>concession | 3         | 24   |   |  |  |
| CUENCA E                | CMP                   | 65%        | Exploitation<br>concession | 1         | 7,91   |   |  |  |
| CHOAPA 1-10             | CMP                   | 65%        | Exploitation<br>concession | 50        | 395,7  |   |  |  |
| ELQUI 1-14              | CMP                   | 65%        | Exploitation<br>concession | 61        | 482  |   |  |  |
| LIMARÍ 1-15             | CMP                   | 65%        | Exploitation<br>concession | 66        | 522  |   |  |  |
| LOA 1-6                 | CMP                   | 65%        | Exploitation<br>concession | 30        | 238  |   |  |  |
| MAIPO 1-10              | CMP                   | 65%        | Exploitation<br>concession | 50        | 395,7  |   |  |  |



| Licence ID          | Holder <sup>(1)</sup> | % Interest | Licence Type            | Area (ha) | Mining Patents** 2012-2013 US\$ <sup>(2)</sup> | Exploration and Expenditure Commitment-Payments   | Expiration date of the concession (dd.mm.yyyy) | Comments  |  |
|---------------------|-----------------------|------------|-------------------------|-----------|--|---|--|---|--|
| TOLTÉN 1-4          | CMP                   | 65%        | Exploitation concession | 70        | 553  | Total Exploration Expenditure Commitment of US\$4,000,000 over 5 years (Yr 1 US\$750,000, Yr 2 US\$500,000, Yr 3 US\$500,000, Yr 4 US\$1,000,000, Yr 5 US\$1,250,000).<br><b>Exploration expenditure commitment already satisfied.</b><br>Exercise Payment (price) of US\$100,000 |  | 5 Year – 65% JV Earn-in option Agreement executed<br>Expiration date October 5, 2014                            |  |
| CACHIYUYITO 1, 1-60 | CMP                   | 65%        | Mining Claim            | 300       | 2374,2   |   |  |   |  |
| CACHIYUYITO 2, 1-60 | CMP                   | 65%        | Mining Claim            | 300       | 2374,2   |   |  |   |  |
| CACHIYUYITO 3, 1-60 | CMP                   | 65%        | Mining Claim            | 300       | 2.374,20                                       |   |  |   |  |
| LA PRODUCTORA 1-16  | SLM Productora        | 100%       | Exploitation concession | 75        | 593,55   | Total price of USD\$7,750,000. USD\$100,000 paid upon signature. Payments of US\$100,000 pa for Yr 1, 2, 3 payments already complete.<br>A further payment of US\$100,000 for Yr 4 and US\$7,250,000 exercise payment at the end of Yr 5  |  | 5 Year – 100% Purchase-option Agreement executed<br>Expiration date November 18, 2014                           |  |
| BUENA SUERTE 1-6    | SLM Buena Suerte      | 100%       | Exploitation concession | 30        | 238  | Total price of USD\$1,000,000. USD\$20,000 paid upon signature. Payments of US\$50,000 pa for Yr 1, 2, 3 payments already complete.<br>A further payment of US\$50,000 for Yr 4. Exercise payment of USD\$780,000 at the end of Yr 5.   |  | 5 Year – 100% Purchase-option Agreement executed<br>Expiration date November 18, 2014                           |  |
| PILAR 1-2           | SLM Pilar             | 100%       | Exploitation concession | 10        | 79,1   | Total price of USD\$20,000 paid upon signature. Payments of US\$50,000 pa for Yr 1, 2, 3 payments already complete.<br>A further payment of US\$50,000 for Yr 4. Exercise payment of USD\$780,000 at the end of Yr 5.   |  | 5 Year – 100% Purchase-option Agreement executed<br>Expiration date November 18, 2014                           |  |
| ORO INDIO I, 1-20   | JGT                   | 100%       | Exploitation concession | 82        | 648,94   | Total price of USD 500,000. USD 100,000 already paid upon signature. Payments of US\$80,000 pa for Yr 1, 2, 3, 4. Exercise payment of USD 80,000 at the end of Yr 5.  |  | 5 Year – 100% Purchase-option Agreement executed<br>Expiration date February 13, 2017                           |  |
| AURO HUASCO I, 1-8  | JGT                   | 100%       | Exploitation concession | 35        | 277  | Total price of USD 500,000. USD 100,000 already paid upon signature. Payments of US\$80,000 pa for Yr 1, 2, 3, 4. Exercise payment of USD 80,000 at the end of Yr 5.  |  | 5 Year – 100% Purchase-option Agreement executed<br>Expiration date February 13, 2017                           |  |
| URANIO, 1-70        | CCHEN                 | 100%       | Exploitation concession | 350       | 2.770,00                                       | <b>Exploration phase</b> (first 5 years) USD\$100,000 payment per Yr plus USD\$6,000,000 minimum exploration expenditure commitment. <b>Exploitation phase</b> USD\$250,000 per Yr plus 2% NSR for metallic (not incl gold); 4% NSR for gold; 5% NSR for non-metallic             |  | 5 year (renewable to 30 years) exploration and exploitation lease agreement<br>Termination date August 22, 2042 |  |
|                     |                       |            |                         |           | 60.910   | <b>Total Expenditure in Exploration Commitments due (next 5 Yrs) US\$6,000,000</b>  |  |   |  |
|                     |                       |            |                         |           |  | <b>Total Exercise Payment Commitments due (or price) US\$8,680,000</b>  |  |   |  |
|                     |                       |            |                         |           |  | <b>Total lease price next 5 Yrs USD\$400,000</b>  |  |   |  |

Obs.: (1) CMP = Compañía Minera del Pacífico; SLM Productora = Sociedad Legal Minera La Productora 1 de la Sierra Coyigualles; SLM Buena Suerte = Sociedad Legal Minera Buena Suerte 1 de la Sierra Tamarico; SLM Pilar = Sociedad Legal Minera Pilar 1 de la Sierra Tamarindo; SLM Cabrito = Sociedad Legal Minera Cabrito de la Sierra Zapallo; JGT = Julio Godoy Torres; CCHEN = Comisión Chilena de Energía Nuclear. (2) In accordance with an estimate dollar exchange rate (CH\$500).

# tenement schedule and details

continued

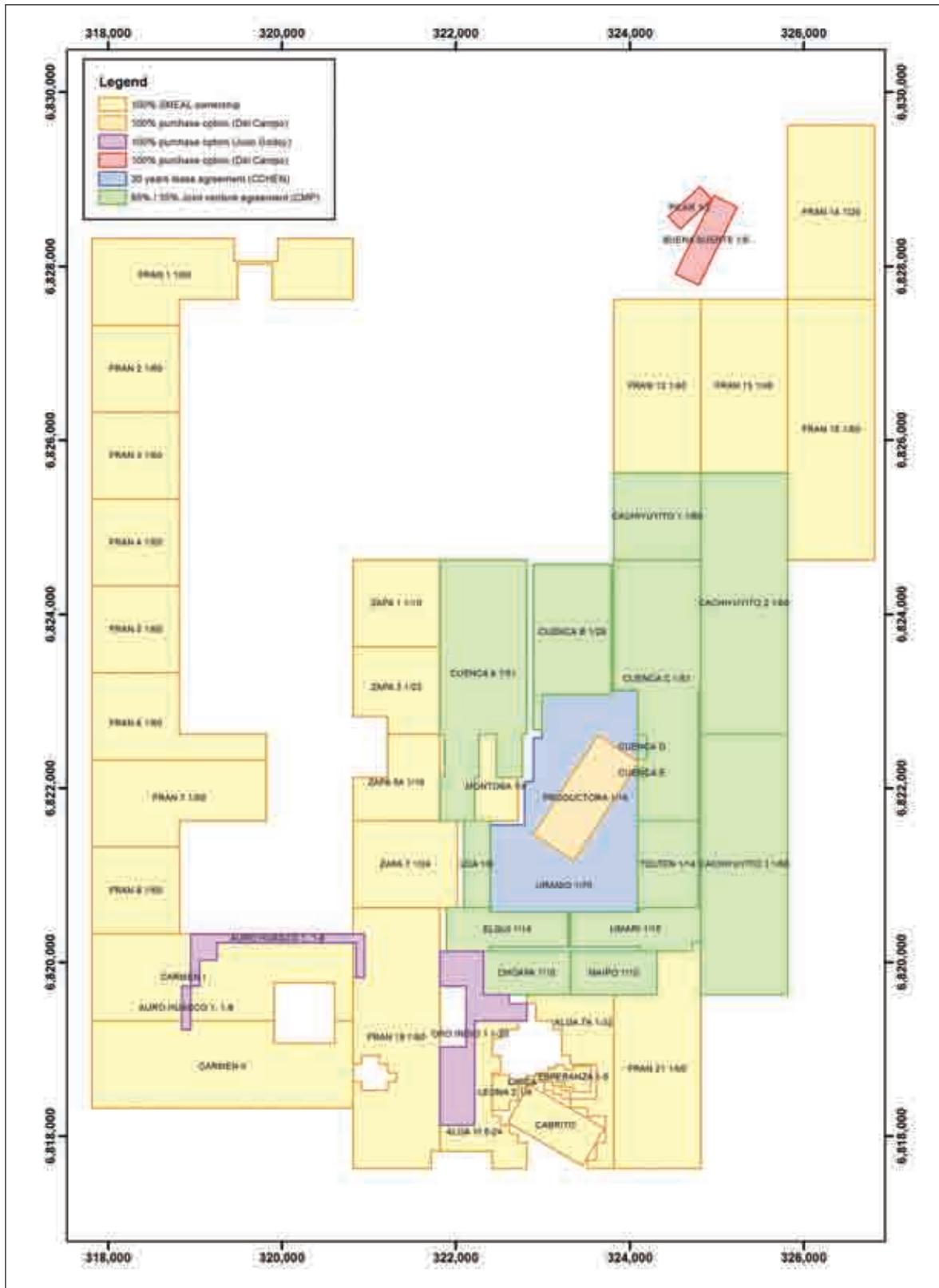


Figure 10. Productora project tenement location plan



## Los Mantos Tenement Details

The Los Mantos project comprises 9 licences in total, including 5 Mining Exploitation and 4 Exploration Licences. The Exploration Licences have been constituted as a layer of protection and add very little to the landholding of the project, defined only by the 5 Mining Exploitation Licences. The Mining Exploitation Licences cover approximately 264ha.

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

Table 6. Los Mantos project tenement details

| Licence ID             | Holder <sup>(1)</sup> | % Interest | Licence Type | Area (ha)    | Mining Patents** 2012-2013 US\$ <sup>(2)</sup>                         | Exploration and Expenditure Commitment-Payments  | Expiration date of the concession (dd.mm.yyyy) | Comments   |
|------------------------|-----------------------|------------|--------------|--------------|--|--|--|--|
| FELIZ DIECIOCHO 1      | ICS                   | 100%       | Exploration  | 200          | 317  | None   | 03.05.2014                                     | Floor of Protection licences only.   |
| FELIZ DIECIOCHO 2      | ICS                   | 100%       | Exploration  | 200          | 317  | None   | 12.06.2014                                     |  |
| FELIZ DIECIOCHO 3      | ICS                   | 100%       | Exploration  | 200          | 317  | None   | 12.06.2014                                     |  |
| FELIZ DIECIOCHO 4      | ICS                   | 100%       | Exploration  | 200          | 317  | None   | 12.06.2014                                     |  |
| ANTONIO 1-29           | ACG                   | 100%       | Exploration  | 139          | 1  | Total of USD\$2,470,000. USD\$20,000 already paid upon signature. <b>Payments of US\$50,000 pa at the end of Yr 1, 2, 3 already complete.</b> US\$100,000 in Yr 4. Exercise Payment of US\$2,000,000 at the end of Yr 5. |  | 5 Year – 100% Purchase-option Agreement executed. Expiration date July 4, 2014 |
| ESPADA 1-12            | ACG                   | 100%       | Exploration  | 36           | 284,9  |  |  |  |
| ROSITA 1-6             | ACG                   | 100%       | Exploration  | 30           | 237,42   |  |  |  |
| ALINDERAMIENTO Y OTRAS | ACG                   | 100%       | Exploration  | 9            | 71,22  |  |  |  |
| ENSUEÑO 1-11           | ACG                   | 100%       | Exploration  | 50           | 395,7  |  |  |  |
|                        |                       |            |              | <b>2.258</b> | <b>Total Exercise Payment Commitments due (or price) US\$2,100,000</b> |  |  |  |

Obs.: (1) ICS = Irwin Cordova Sepulveda; ACG = Aldo Cordero Godoy. (2) In accordance with an approximate dollar exchange rate (CH\$500).

# tenement schedule and details

continued

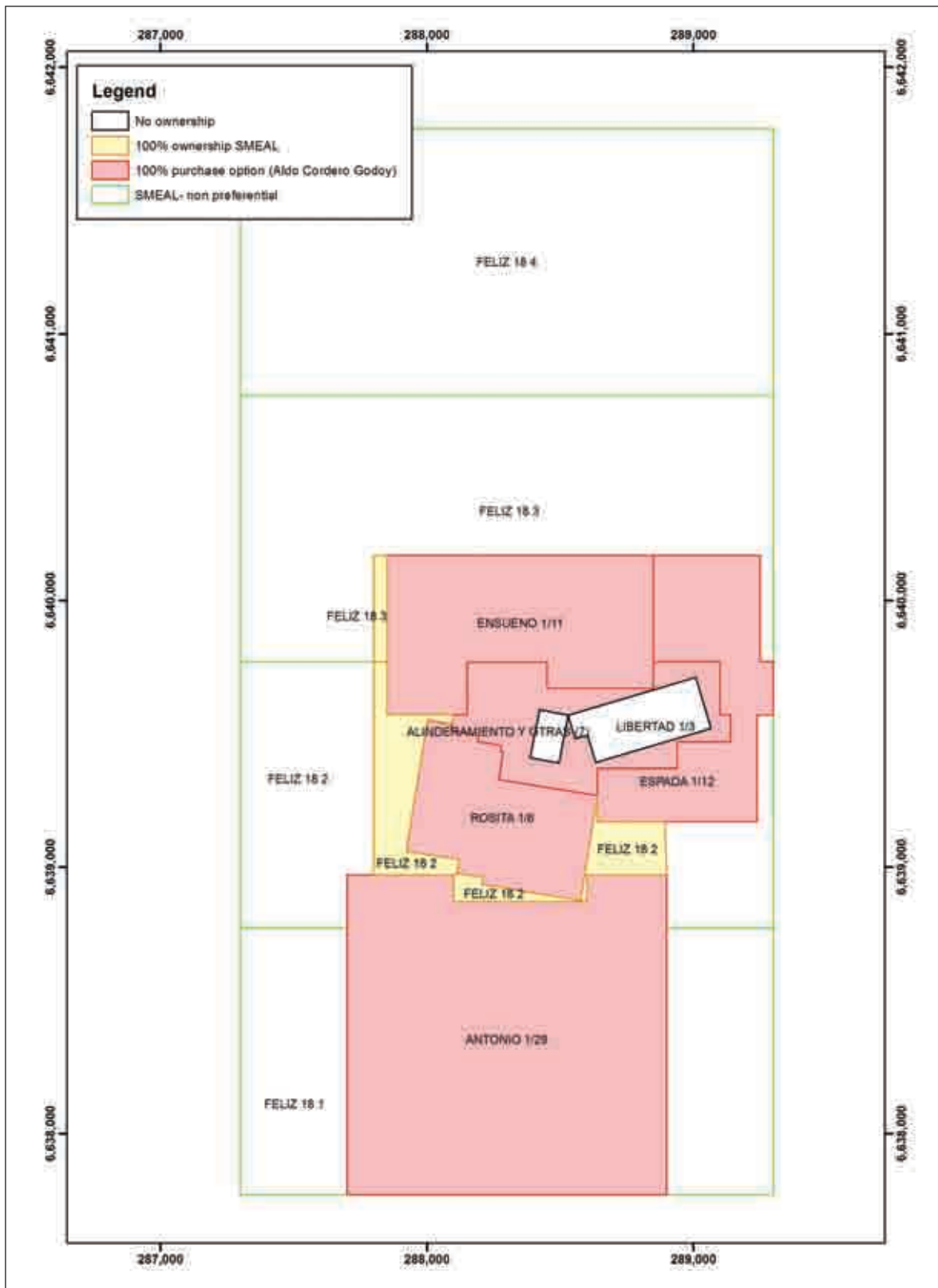


Figure 11. Los Mantos project tenement plan





## Chile Norte Tenement Details

The Company's tenements comprise 102 mining and exploration licences over areas considered to be highly prospective for the definition of a large IOCG deposit. Of these licenses, 54 have been approved and 48 are in the process of being approved (constituted). Hot Chili's exploration licences cover the northern and southern extensions of a large segment of the Atacama fault zone.

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

Table 7. Chile Norte project tenement details

| Licence ID | Holder <sup>(1)</sup> | % Interest | Licence Type           | Area (ha) | Mining Patents* 2012-2013 US\$ <sup>(2)-(3)</sup> | Exploration and Expenditure Commitment-Payments | Expiration date of the concession (dd.mm.yyyy) | Comments        |
|------------|-----------------------|------------|------------------------|-----------|---|---|--|-----------------|
| MURRAY B1  | SMEAL                 | 100%       | Exploration concession | 300       | 478,84  | None  | 15.12.2013                                     | Constituted     |
| MURRAY B2  | SMEAL                 | 100%       | Exploration concession | 300       | 478,84  | None  | 15.12.2013                                     | Constituted     |
| MURRAY B3  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B4  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 09.07.2012                                     | Constituted     |
| MURRAY B5  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B6  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B7  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 13.07.2014                                     | Constituted     |
| MURRAY B8  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B12 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B13 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B14 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 09.07.2012                                     | Constituted     |
| MURRAY B15 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B16 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B17 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B18 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B19 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B20 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| MURRAY B21 | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  | 06.03.2014                                     | Constituted     |
| MURRAY B22 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B23 | SMEAL                 | 100%       | Exploration concession | 200       | 317   | None  | 15.12.2013                                     | Constituted     |
| MURRAY B24 | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 06.07.2014                                     | Constituted     |
| MURRAY B25 | SMEAL                 | 100%       | Exploration concession | 100       | 158,28  | None  | 15.12.2013                                     | Constituted     |
| MURRAY B26 | SMEAL                 | 100%       | Exploration concession | 100       | 158,28  | None  | 15.12.2013                                     | Constituted     |
| MURRAY B27 | SMEAL                 | 100%       | Exploration concession | 100       | 158,28  | None  | 15.12.2013                                     | Constituted     |
| MURRAY 29  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 30  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 31  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  |  | Being processed |
| MURRAY 32  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  |  | Being processed |
| MURRAY 33  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  |  | Being processed |
| MURRAY 34  | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  |  | Being processed |
| MURRAY 35  | SMEAL                 | 100%       | Mining Petition        | 200       | 307,6   | None  |  | Being processed |
| MURRAY 36  | SMEAL                 | 100%       | Mining Petition        | 300       | 461,4   | None  |  | Being processed |
| MURRAY 37  | SMEAL                 | 100%       | Mining Petition        | 300       | 461,4   | None  |  | Being processed |
| MURRAY 38  | SMEAL                 | 100%       | Mining Petition        | 300       | 461,4   | None  |  | Being processed |
| MURRAY 39  | SMEAL                 | 100%       | Mining Petition        | 300       | 461,4   | None  |  | Being processed |
| MURRAY 40  | SMEAL                 | 100%       | Mining Petition        | 300       | 461,4   | None  |  | Being processed |
| MURRAY 9   | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  |  | Being processed |
| MURRAY 10  | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  |  | Being processed |
| MURRAY 11  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 21  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 23  | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  |  | Being processed |
| MURRAY 25  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 26  | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |
| MURRAY 27  | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  |  | Being processed |
| MURRAY 28  | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  |  | Being processed |
| BRAVO 1    | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 05.07.2014                                     | Constituted     |
| BRAVO 2    | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 12.07.2014                                     | Constituted     |
| BRAVO 3    | SMEAL                 | 100%       | Mining Petition        | 300       | 478,84  | None  | 27.06.2014                                     | Constituted     |
| BRAVO 4    | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  | 05.07.2014                                     | Constituted     |
| BRAVO 5    | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  | 05.07.2014                                     | Constituted     |
| BRAVO 8    | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  | 05.07.2014                                     | Constituted     |
| BRAVO 9    | SMEAL                 | 100%       | Mining Petition        | 100       | 158,28  | None  | 05.07.2014                                     | Constituted     |
| BRAVO 10   | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  | 12.07.2014                                     | Constituted     |
| BRAVO 12   | SMEAL                 | 100%       | Mining Petition        | 200       | 317   | None  |  | Being processed |

# tenement schedule and details

continued

| Licence ID      | Holder <sup>(1)</sup> | % Interest | Licence Type            | Area (ha)     | Mining Patents** 2012-2013 US\$ <sup>(2)-(3)</sup>                          | Exploration and Expenditure Commitment- Payments | Expiration date of the concession (dd.mm.yyyy) | Comments |
|-----------------|-----------------------|------------|-------------------------|---------------|---|--|--|----------|
| AUGITA 4B, 1-40 | CODELCO               | 65%        | Exploitation concession | 400           | 3165,6  |  |  |          |
| QUITO B 1       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 2       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 3       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 4       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 5       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 6       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 7       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 8       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 9       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 10      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 11      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 20.04.2013                                     |          |
| QUITO B 12      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 05.05.2013                                     |          |
| QUITO B 13      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 05.05.2013                                     |          |
| QUITO B 14      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 31.05.2013                                     |          |
| QUITO B 15      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 26.05.2013                                     |          |
| QUITO B 16      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 26.05.2013                                     |          |
| QUITO B 17      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 26.05.2013                                     |          |
| QUITO B 18      | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 30.05.2013                                     |          |
| QUITO B 19      | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 30.05.2013                                     |          |
| QUITO B 20      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 21      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 22      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 30.05.2013                                     |          |
| QUITO B 23      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 31.05.2013                                     |          |
| QUITO B 24      | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 30.05.2013                                     |          |
| QUITO B 25      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 31.05.2013                                     |          |
| QUITO B 26      | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 31.05.2013                                     |          |
| QUITOS 35       | CODELCO               | 65%        | Exploration concession  | 300           | 478,84  |  | 25.11.2012                                     |          |
| APIR B 1        | CODELCO               | 65%        | Exploration concession  | 800           | 1266,24   |  | 20.04.2013                                     |          |
| APIR B 2        | CODELCO               | 65%        | Exploration concession  | 1200          | 1899,36   |  | 09.09.2013                                     |          |
| APIR B 3        | CODELCO               | 65%        | Exploration concession  | 600           | 949,68  |  | 20.04.2013                                     |          |
| APIR B 4        | CODELCO               | 65%        | Exploration concession  | 1200          | 1899,36   |  | 09.09.2013                                     |          |
| APIR B 5        | CODELCO               | 65%        | Exploration concession  | 1000          | 1582,8  |  | 31.05.2013                                     |          |
| APIR B 6        | CODELCO               | 65%        | Exploration concession  | 1200          | 1899,36   |  | 09.09.2013                                     |          |
| APIR B 7        | CODELCO               | 65%        | Exploration concession  | 800           | 1266,24   |  | 05.05.2013                                     |          |
| APIR B 8        | CODELCO               | 65%        | Exploration concession  | 600           | 949,68  |  | 05.05.2013                                     |          |
| APIR B 9        | CODELCO               | 65%        | Exploration concession  | 600           | 949,68  |  | 05.05.2013                                     |          |
| APIR B 10       | CODELCO               | 65%        | Exploration concession  | 100           | 158,28  |  | 05.05.2013                                     |          |
| APIR B 11       | CODELCO               | 65%        | Exploration concession  | 1000          | 1582,8  |  | 05.05.2013                                     |          |
| APIR B 12       | CODELCO               | 65%        | Exploration concession  | 400           | 633   |  | 05.05.2013                                     |          |
| APIR B 13       | CODELCO               | 65%        | Exploration concession  | 1200          | 1899,36   |  | 09.09.2013                                     |          |
| APIR B 14       | CODELCO               | 65%        | Exploration concession  | 1200          | 1899,36   |  | 09.09.2013                                     |          |
| APIR B 15       | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 26.05.2013                                     |          |
| APIR B 16       | CODELCO               | 65%        | Exploration concession  | 600           | 949,68  |  | 26.05.2013                                     |          |
| APIR B 17       | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 26.05.2013                                     |          |
| APIR B 18       | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 26.05.2013                                     |          |
| APIR B 19       | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 26.05.2013                                     |          |
| APIR B 20       | CODELCO               | 65%        | Exploration concession  | 200           | 317   |  | 16.03.2012                                     |          |
|                 |                       |            |                         | <b>57.750</b> |   |  |  |          |
|                 |                       |            |                         |               | <b>Total Exploration Expenditure Commitment due (5 Yrs) – US\$1,437,352</b> |  |  |          |
|                 |                       |            |                         |               | <b>Total Exercise Payment Commitment due (or price) US\$2,000,000</b>       |  |  |          |

I. Promise of incorporation value USD\$2,000,000. II. Exploration expenses:  
(i) 1 year USD\$150,000 – met; (ii) 2 year USD\$300,000 – met;  
(iii) 3 year USD\$300,000; (iv) 4 year USD\$500,000; (v) 5 year USD\$750,000

5 Year – 65% JV Option Agreement executed

Obs.: (1) SMEAL = Sociedad Minera El Águla Limitada; CCMLA = Compañía Contractual Minera Los Andes. (2) In accordance with an approximate dollar exchange rate (CH\$460). (3) Exercise Payment Commitment of US\$2,000,000 is due following the completion of a Bankable Feasibility Study and 30 days after decision to construct has been taken.



Figure 12. Chile Norte project tenement map

# tenement schedule and details

continued

## Banderas Tenement Details

The Banderas project is located at low altitude (<1,000m) approximately 50km north of Hot Chili's Productora project, adjacent to the Pan American highway in Region III of Chile. The project is at an early exploration stage and has seen some historical, small-scale, copper mining within an extensive, large-scale alteration system.

Sociedad Minera El Aguila Limitada (SMEAL – Hot Chili's wholly owned Chilean subsidiary) has entered into several option agreements to purchase 65% and 100% interests in each of the mining exploitation and exploration concessions at the Banderas project owned by a number of private Chilean individuals.

The option exercise period for each of the 65% purchase-option agreements is five years, while the exercise period for the 100% purchase-option agreement is four years.

In addition, SMEAL has 100% ownership over some 157ha of tenements in the area.

Table 8. Banderas project tenement details

| Licence ID       | Holder <sup>(1)</sup> | % Interest | Licence Type           | Area (ha) | Mining Patents** 2012-2013 US\$ <sup>(2)</sup> | Exploration and Expenditure Commitment-Payments  | Expiration date of the concession (dd.mm.yyyy) | Comments   |  |                 |
|------------------|-----------------------|------------|------------------------|-----------|--|--|--|--|--|-----------------|
| COTOTO 1         | IPL                   | 65%        | Exploration concession | 200       | 317  | Total price of USD\$180,000. USD\$30,000 already paid upon signature. Payments of US\$30,000 pa for Yr 1, 2, 3, 4. Exercise payment of USD\$30,000 at the end of Yr 5. | 13.04.2014                                     | 5 Year – 65% JV Earn-in option Agreement executed<br>Expiration date July 23, 2017 |  |                 |
| COTOTO 2         | IPL                   | 65%        | Exploration concession | 200       | 317  |  | 31.01.2014                                     |  |  |                 |
| COTOTO 3         | IPL                   | 65%        | Exploration concession | 200       | 317  |  | 13.04.2014                                     |  |  |                 |
| COTOTO 4         | IPL                   | 65%        | Exploration concession | 200       | 317  |  | 31.01.2014                                     |  |  |                 |
| COTOTO 5         | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 31.01.2014                                     |  |  |                 |
| PIMPOLLA 1       | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 31.04.2014                                     |  |  |                 |
| PIMPOLLA 2       | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 31.01.2014                                     |  |  |                 |
| PIMPOLLA 3       | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 27.04.2014                                     |  |  |                 |
| PIMPOLLA 4       | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 31.01.2014                                     |  |  |                 |
| COTOTO A1        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 20.12.2013                                     |  |  |                 |
| COTOTO A2        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 05.01.2014                                     |  |  |                 |
| COTOTO A3        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 05.01.2014                                     |  |  |                 |
| COTOTO A4        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 05.01.2014                                     |  |  |                 |
| COTOTO A5        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 06.01.2014                                     |  |  |                 |
| COTOTO A6        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 06.01.2014                                     |  |  |                 |
| COTOTO A7        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 10.01.2014                                     |  |  |                 |
| COTOTO A8        | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 10.01.2014                                     |  |  |                 |
| PIMPOLLA A1      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 10.01.2014                                     |  |  |                 |
| PIMPOLLA A2      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 10.01.2014                                     |  |  |                 |
| PIMPOLLA A3      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 10.01.2014                                     |  |  |                 |
| PIMPOLLA A4      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 26.12.2013                                     |  |  |                 |
| PIMPOLLA A5      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 26.12.2013                                     |  |  |                 |
| PIMPOLLA A6      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 26.12.2013                                     |  |  |                 |
| PIMPOLLA A7      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 26.12.2013                                     |  |  |                 |
| PIMPOLLA A8      | IPL                   | 65%        | Exploration concession | 300       | 475,00   |  | 26.12.2013                                     |  |  |                 |
| TITIRUTA 2, 1-20 | SMEAL                 | 100%       | Mining claim           | 57        | 451,00   |  | None   |  |  | Being processed |



| Licence ID  | Holder <sup>(1)</sup> | % Interest | Licence Type            | Area (ha)      | Mining Patents** 2012-2013 US\$ <sup>(2)</sup>                       | Exploration and Expenditure Commitment-Payments  | Expiration date of the concession (dd.mm.yyyy) | Comments  |
|---|-----------------------|------------|-------------------------|----------------|--|--|--|---|
| RENACIMIENTO 1-10                                 | JSR                   | 65%        | Exploitation Concession | 44             | 348,20   | Total price of USD\$180,000. USD\$30,000 already paid upon signature. Payments of US\$30,000 pa for Yr 1, 2, 3, 4. Exercise payment of USD\$30,000 at the end of Yr 5.             |  | 5 Year – 65% JV Earn-in option Agreement executed Expiration date December 12, 2016 |
| ESCONDIDA 1-10                                    | ADC                   | 65%        | Exploitation Concession | 50             | 395,7  | Total price of USD\$180,000. USD\$30,000 already paid upon signature. Payments of US\$30,000 pa for Yr 1, 2, 3, 4. Exercise payment of USD\$30,000 at the end of Yr 5.             |  | 5 Year – 65% JV Earn-in option Agreement executed Expiration date February 28, 2017 |
| BANDERITA 1-5                                     | SLM BANDERITA         | 100%       | Exploitation Concession | 5              | 40,00  | Total price of US\$42,000 already paid upon signature. Payments of US\$42,000 pa for Yr 1, 2. Payment of US\$70,000 pa year 3. Exercise payment of US\$284,000 at the end of Yr 4. |  | 4 Year – 100% Purchase-option Agreement executed Expiration date November 29, 2015  |
| RESGUARDO 1, 2, 3, 4, 5, 6, 7, 8, 12, 13, 14 y 20 | SLM RESGUARDO         | 100%       | Exploitation Concession | 60             | 474,84   |  |  |   |
| RESGUARDO 9, 10, 11, 15, 16, 17, 18 y 20          | SLM RESGUARDO         | 100%       | Exploitation Concession | 40             | 316,56   |  |  |   |
| CONEJA 1-10                                       | SMEAL                 | 100%       | Exploitation Concession | 100            | 791  | None   |  | Constituted   |
|   |                       |            |                         | <b>14060,3</b> | <b>Total Exercise Payment Commitments due (or price) US\$888,000</b> |  |  |   |

Obs.: (1) IPL = Inversiones Pimpollada Limitada; SMEAL = Sociedad Minera El Águila Ltda.; JSR = Julio Salomon Richards; ADC = Arnaldo Del Campo; SLM Banderita Uno de la Sierra Algarrobo; and, SLM Resguardo = Sociedad Legal Minera Resguardo Uno de la Sierra Algarrobo. (2) In accordance with an estimate dollar exchange rate (CH\$500).

# tenement schedule and details

continued

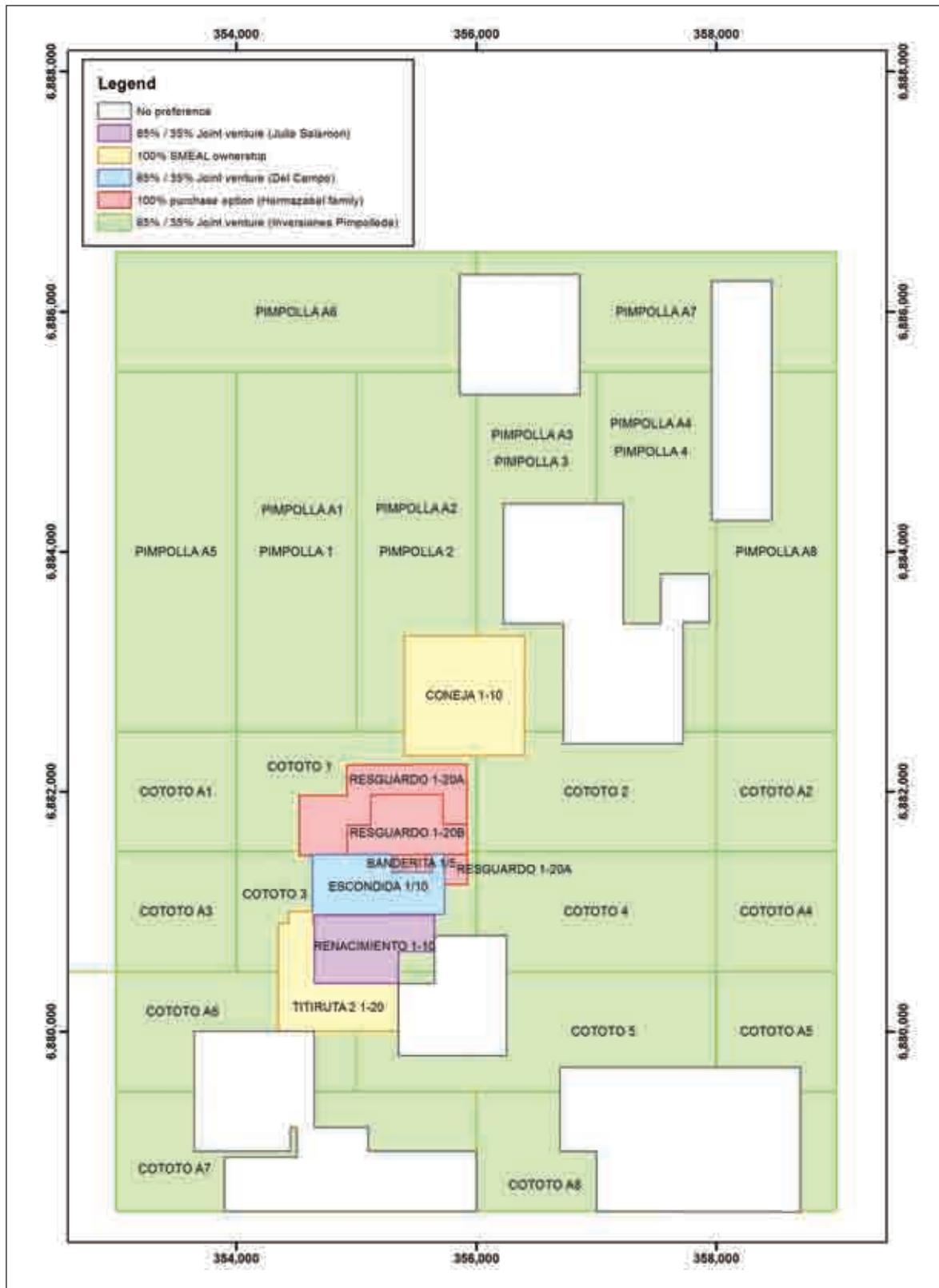


Figure 13. Banderas project tenement plan



## Frontera Tenement Details

The Frontera project lies 70km directly south of Productora in Region IV of Chile. Frontera is a relatively advanced exploration stage project with some historical drilling and a small-scale, historical, copper-oxide open pit within the project.

Future outstanding payments include US\$300,000 due in 18 months and a final purchase price of US\$5,000,000 due 12 months later. In addition, SMEAL has committed to complete 10,000m of drilling at the project within the first 24 month period.

SMEAL has entered into a 30 month, 100% purchase-option agreement with private Chilean company Compañía Minera Taruca SCM. The agreement has been executed with a US\$600,000 payment.

Table 9. Frontera project tenement details

| Licence ID   | Holder                     | % Interest | Licence Type            | Area (ha)      | Mining Patents** 2012-2013 US\$ <sup>(1)</sup>                         | Exploration and Expenditure Commitment-Payments  | Expiration date of the concession (dd.mm.yyyy) | Comments  |
|--------------|----------------------------|------------|-------------------------|----------------|--|--|--|---|
| LA UNION 1-2 | Compañía Minera Taruca SCM | 100%       | Exploitation Concession | 10             | 791  | Total price of US\$5,900,000. US\$255,000 already paid prior to the execution. US\$344,000 already paid upon execution of agreement. US\$300,000 due to be paid 18 month after the execution of the agreement. Exercise payment of USD 5,000,000 at the end of month 30. |  | 30 month – 100% Purchase-option Agreement executed<br>Expiration date November 30, 2015 |
| JOTA 1       | Compañía Minera Taruca SCM | 100%       | Mining Claim            | 1              | 7,91   |  |  |   |
| MADRID 1     | Compañía Minera Taruca SCM | 100%       | Mining Petition         | 100            | 158,28   |  |  |   |
| MADRID 2     | Compañía Minera Taruca SCM | 100%       | Mining Petition         | 300            | 478,84   |  |  |   |
|              |                            |            |                         | <b>1436,03</b> | <b>Total Exercise Payment Commitments due (or price) US\$5,300,000</b> |  |  |   |

Obs.: (1) In accordance with an approximate dollar exchange rate (CH\$500).

# tenement schedule and details

continued

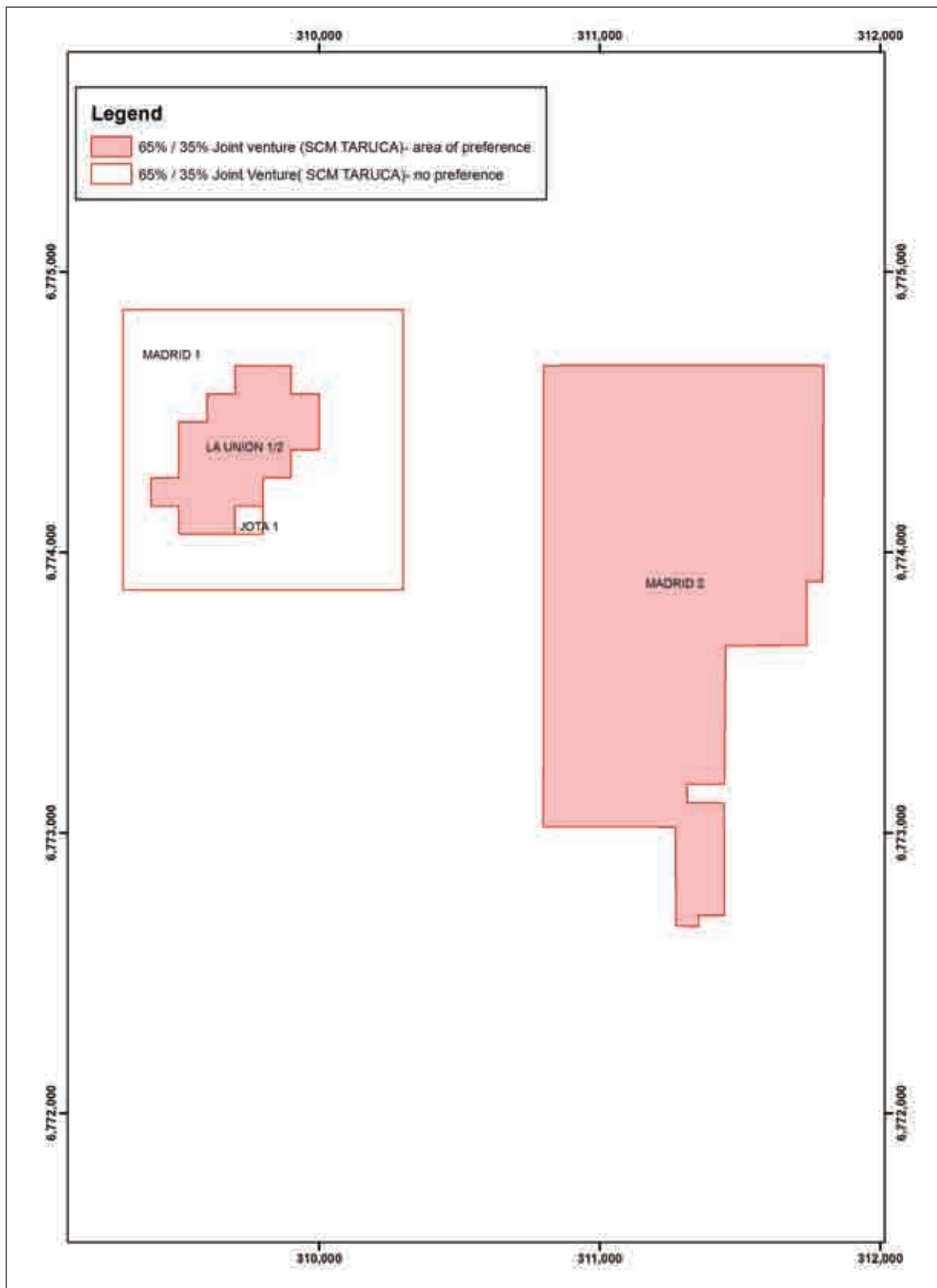


Figure 14. Frontera project tenement plan



# corporate governance statement

“...the highest standards  
of ethical behaviour  
and accountability.”



# corporate governance statement

continued

## Corporate governance procedures and policies

### The Board

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

### Board charter

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

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

### Conflicts of interest

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

### Independent professional advice

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

### Corporate governance policies

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

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

### Code of conduct

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

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

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

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

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

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

### Continuous disclosure policy

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

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

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

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

### Securities dealing policy

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

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

### Shareholder communication policy

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

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

### Risk management policy

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

- a) provide a framework for identifying, assessing, monitoring and managing risk;
- b) communicate the roles and accountabilities of participants in the risk management system; and
- c) highlight the status of risks to which the Company is exposed, including any material changes to the Company’s risk profile.

The Board is responsible for:

- a) risk management and oversight of internal controls;
- b) establishing procedures which provide assurance that business risks are identified, consistently assessed and adequately addressed; and
- c) for the overseeing of such procedures.

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

# corporate governance statement

continued

## Corporate governance – exceptions to ASX recommendations

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

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

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

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

### Recommendation 2.1 (independent directors)

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

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

### Recommendation 2.2 (independent chairman)

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

### Recommendation 2.4 (nomination committee)

There is no nomination committee. The full Board, which comprises three (3) Non-Executive Directors and one (1) Executive Director, considers the matters and issues that would fall to the nomination committee. The Board considers that, given the current size and scope of the Company’s operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company’s operations grow and evolve.

### Recommendation 3.4 (gender diversity)

The Company has a policy to employ the best available person for the position. Appointments are made on ability and availability, not necessarily on gender. However, the policy has enabled the Company to employ a Corporate Projects Manager, a Resource Development Manager, two Senior Geologists, one Junior Geologist and three administration staff, who are women and comprise approximately 35% of all the staff and almost 50% of the technical staff.

The Directors are aware of their responsibility to the community, the staff and the Company.

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

There is no audit committee. The role of the audit committee is undertaken by the full Board, which comprises three (3) Non-Executive Directors and one (1) Executive Director. The Board considers that, given the current size and scope of the Company’s operations and that only one (1) Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee at present.

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

### Recommendation 8.1 (remuneration committee)

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

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

# directors' report

## Directors' Report

Your Directors have pleasure in presenting their report together with the financial statements for the year ended 30 June 2012 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)                                     |
| Michael Anderson      | (Non Executive Director –<br>Appointed 12 December 2011) |
| Dr Allan Trench       | (Non Executive Director)                                 |

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

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

Mr Easterday is a geologist with over 15 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. Mr Easterday has significant experience in project identification, valuation and negotiation covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a Member of The Australian Institute of Geoscientists.

#### **Dr Allan Trench, Non-Executive Director**

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 22 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Allan holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts as independent director to Venturex Resources Ltd, commenced 12 November 2008, Pioneer Resources Ltd, commenced 5 September 2003, Navigator Resources Ltd, commenced 14 November 2005, Kimberley Rare Earths Ltd, commenced 2 December 2010, Enterprise Metals Ltd, commenced 3 April 2012, Tratford Resources Ltd, commenced 7 May 2012.

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

Allan maintains academic links as an Adjunct Professor to the Western Australian School of Mines, Curtin University of Technology. Dr Allan Trench's appointment adds considerable experience and expertise to Hot Chili's board.

#### **Michael Anderson, Non-Executive Director (Appointed 12 December 2011)**

Mr Anderson has more than 20 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. Mr Anderson subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited and, most recently, 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. He had joined the Board in April 2006 and resigned on 5 August 2011.

Mr Anderson joined specialist resource investor Taurus Funds Management Pty Limited as a Director in August 2011. He was appointed as a Non-Executive Director of Base Resources Ltd on 28 November 2011 and also as a Non Executive Director of Ampella Mining Ltd on 18 June 2012.

# directors' report

continued

## Directors' Report (continued)

### Corporate Information

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

### Principal Activities

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

### Results of Operations

The results of the consolidated entity for the year ended 30 June 2012 was a loss of \$2,894,482 (2011: loss \$11,065,643).

### 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 16.

### Security Holding Interests of Directors

| Directors                                     | Ordinary Shares |                   | Options Over Ordinary Shares |                   |
|---|-----------------|-------------------|------------------------------|-------------------|
|   | Direct Interest | Indirect Interest | Direct Interest              | Indirect Interest |
| Murray E Black                                | -               | 10,000,000        | -                            | 6,750,000         |
| Christian E Easterday                         | 200,000         | 10,000,000        | 100,000                      | 6,750,000         |
| Dr Allan Trench                               | -               | -                 | -                            | -                 |
| Michael Anderson (Appointed 12 December 2011) | -               | -                 | -                            | -                 |

### Shares Under Option

There were 56,756,336 ordinary shares under option at 30 June 2012.

### Shares Issued on the Exercise of Options

There were 200,000 ordinary shares of Hot Chili Limited issued during the year ended 30 June 2012 from the exercise of options.

### Directors Benefits

Since 30 June 2012, 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.

### 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

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2012 that has significantly affected or may significantly affect:

- the operations of the consolidated entity;
- the results of its operations; or
- the state of affairs of the consolidated entity subsequent to 30 June 2012.

### 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.

### Company Secretary – J Sendziuk

John Sendziuk is a Chartered Accountant. He has 25 years experience in providing corporate secretarial, taxation and business advice to a diverse group of business clients and public companies.

### Indemnification and Insurance of Directors and Officers

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

## Directors' Meetings

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

| Director                                      | No. of Meetings while in office | No. of Meetings attended |
|---|---------------------------------|--------------------------|
| Murray E Black                                | 20                              | 20                       |
| Michael Anderson (Appointed 12 December 2011) | 10                              | 10                       |
| Christian E Easterday                         | 20                              | 20                       |
| Dr Allan Trench                               | 20                              | 20                       |

## Environmental Issues

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

The Directors advise that during the year ended 30 June 2012 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, 1 July 2011 to 30 June 2012, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

## Shares under Option

At the date of this report, there were 51,656,336 unissued ordinary shares under options.

## Options Lapsed During the Year

No options lapsed during the year.

## Proceedings on Behalf of Company

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

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

## Non-Audit Services

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

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

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

## Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and is included within this annual report.

# directors' report

continued

## Remuneration Report (Audited)

The information provided in this remuneration report has been audited.

### Principles used to determine amount and nature of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from 1 July 2011. All director fees are periodically recommended for approval by shareholders.

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

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

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

| Name   | Short-term                            |                |                      | Other Benefits<br>\$ | Post Employment       | Share-based Payments | Total<br>\$    |
|--|---------------------------------------|----------------|----------------------|----------------------|-----------------------|----------------------|----------------|
|  | Consulting Fees Related Parties<br>\$ | Salary<br>\$   | Directors' Fee<br>\$ |                      | Super-annuation<br>\$ | Options<br>\$        |                |
| <b>2012</b>                                      |                                       |                |                      |                      |                       |                      |                |
| Murray E Black                                   | -                                     | -              | 78,000               | -                    | 9,360                 | -                    | <b>87,360</b>  |
| Michael Anderson<br>(Appointed 12 December 2011) | 40,088                                | -              | -                    | -                    | -                     | -                    | <b>40,088</b>  |
| Christian E Easterday                            | -                                     | 285,000        | -                    | 8,164                | 34,200                | -                    | <b>327,364</b> |
| Dr Allan Trench                                  | -                                     | -              | 46,000               | -                    | 5,520                 | -                    | <b>51,520</b>  |
|  | <b>40,088</b>                         | <b>285,000</b> | <b>124,000</b>       | <b>8,164</b>         | <b>49,080</b>         | <b>-</b>             | <b>506,332</b> |
| <b>2011</b>                                      |                                       |                |                      |                      |                       |                      |                |
| Murray E Black                                   | -                                     | -              | 65,000               | -                    | 7,800                 | -                    | <b>72,800</b>  |
| Bernard R Mountford<br>(Resigned 19 July 2010)   | -                                     | -              | 2,043                | -                    | -                     | -                    | <b>2,043</b>   |
| Christian E Easterday                            | -                                     | 220,000        | -                    | -                    | 26,400                | -                    | <b>246,400</b> |
| Dr Allan Trench<br>(Appointed 19 July 2010)      | -                                     | -              | 37,957               | -                    | 4,555                 | -                    | <b>42,512</b>  |
|  | <b>-</b>                              | <b>220,000</b> | <b>105,000</b>       | <b>-</b>             | <b>38,755</b>         | <b>-</b>             | <b>363,755</b> |

### Remuneration of Key Management Personnel

| Name                              | Short-term                            |                |          | Other Benefits<br>\$ | Post Employment       | Share-based Payments | Total<br>\$    |
|-----------------------------------|---------------------------------------|----------------|----------|----------------------|-----------------------|----------------------|----------------|
|                                   | Consulting Fees Related Parties<br>\$ | Salary<br>\$   |          |                      | Super-annuation<br>\$ | Options<br>\$        |                |
| <b>2012</b>                       |                                       |                |          |                      |                       |                      |                |
| Rodrigo Diaz (Manager Chile)      | -                                     | 212,684        | -        | -                    | -                     | 106,767              | 319,451        |
| John Sendziuk (Company Secretary) | -                                     | 20,000         | -        | -                    | 40,000                | 45,757               | 105,757        |
|                                   | <b>-</b>                              | <b>232,684</b> | <b>-</b> | <b>-</b>             | <b>40,000</b>         | <b>152,524</b>       | <b>425,208</b> |
| <b>2011</b>                       |                                       |                |          |                      |                       |                      |                |
| Rodrigo Diaz (Manager Chile)      | -                                     | 187,425        | -        | -                    | -                     | -                    | 187,425        |
| John Sendziuk (Company Secretary) | -                                     | 7,000          | -        | -                    | 28,000                | -                    | 35,000         |
|                                   | <b>-</b>                              | <b>194,425</b> | <b>-</b> | <b>-</b>             | <b>28,000</b>         | <b>-</b>             | <b>222,425</b> |



The employee options issued to the key management personnel have a strike price of 90 cents and are exercisable by 19 July 2014.

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

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

The model inputs for options granted during the year ended 30 June 2012 included:

- a) options are granted for no consideration
- b) exercise price – \$0.90
- c) issue date – 20 July 2011
- d) expiry date – 19 July 2014
- e) expected price volatility of the Company's shares – 80%
- f) risk-free interest rate – 5.25%
- g) spot price at date of valuation – \$0.58.

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

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

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

#### **Service Contracts**

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

#### **Remuneration**

Under the agreement, Mr Easterday will receive an annual salary of \$285,000, plus superannuation at the rate of 12% and other entitlements. Mr Easterday's remuneration is subject to annual review.

#### **Term and termination**

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

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

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

The Company may terminate the agreement summarily for any serious incidents 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.

Dated this 19 day of September 2012 in accordance with a resolution of the Directors and signed for on behalf of the Board by:



**Christian E Easterday**  
Managing Director

# auditor's independence declaration



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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 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM BIRD CAMERON PARTNERS

TUTU PHONG  
Partner

Perth, WA  
Dated: 19 September 2012

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# independent auditor's report



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

### Report on the Financial Report

We have audited the accompanying financial report of Hot Chili Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

#### *Auditor's Responsibility*

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

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

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

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# independent auditor's report

continued



## *Independence*

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

## *Opinion*

In our opinion:

- (a) the financial report of Hot Chili Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## **Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Hot Chili Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

A stylized signature of Tutu Phong, consisting of a series of connected dots and lines.

TUTU PHONG  
Partner

Perth, WA  
Dated: 19 September 2012

# directors' declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
  - b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



**Christian E Easterday**  
Managing Director

Dated this 19th day of September 2012

# statement of comprehensive income

For the year ended 30 June 2012

|  | Note | Consolidated Entity |                     |
|--|------|---------------------|---------------------|
|  |      | 2012<br>\$          | 2011<br>\$          |
| Interest income  | 2    | 57,295              | 104,498             |
| Other income   | 3    | 762,772             | -                   |
|  |      | <b>820,067</b>      | <b>104,498</b>      |
| Depreciation   |      | (8,520)             | (41,017)            |
| Consulting fees  |      | (147,248)           | (452,924)           |
| Exploration expenses   |      | (464,300)           | (8,031,965)         |
| Corporate fees   |      | (141,890)           | (101,602)           |
| Legal and professional   |      | (178,146)           | (584,036)           |
| Employee benefits expense  |      | (938,038)           | (1,204,618)         |
| Administration expenses  |      | (409,667)           | (258,809)           |
| Accounting fees  |      | (76,122)            | (34,642)            |
| Travel costs   |      | (400,606)           | (134,180)           |
| Other expenses   |      | (333,257)           | (144,592)           |
| Foreign exchange loss  |      | -                   | (181,756)           |
| Share based payments   |      | (616,755)           | -                   |
| Loss from continuing operations before income tax                              |      | <b>(2,894,482)</b>  | <b>(11,065,643)</b> |
| Loss after income tax  | 5    | -                   | -                   |
| Other comprehensive income   |      | (2,894,482)         | (11,065,643)        |
|  |      | -                   | -                   |
| <b>Total comprehensive income attributable to members of Hot Chili Limited</b> |      | <b>(2,894,482)</b>  | <b>(11,065,643)</b> |
| Basic earnings per share (cents)   | 13   | (1.64)              | (8.11)              |
| Diluted earnings per share (cents)   | 13   | (1.64)              | (8.11)              |

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

# statement of financial position

As at 30 June 2012

|  | Note  | Consolidated Entity |                  |
|--|-------|---------------------|------------------|
|  |       | 2012<br>\$          | 2011<br>\$       |
| <b>Current assets</b>                  |       |                     |                  |
| Cash and cash equivalents              | 6     | 16,861,320          | 4,220,660        |
| Trade and other receivables            | 7     | -                   | 9,151            |
| Other current assets                   |       | 15,807              | -                |
| <b>Total current assets</b>            |       | <b>16,877,127</b>   | <b>4,229,811</b> |
| <b>Non-current assets</b>              |       |                     |                  |
| Plant and equipment                    | 8     | 324,844             | 243,984          |
| Exploration and evaluation expenditure | 9     | 15,821,745          | 2,342,138        |
| <b>Total non-current assets</b>        |       | <b>16,146,589</b>   | <b>2,586,122</b> |
| <b>Total assets</b>                    |       | <b>33,023,716</b>   | <b>6,815,933</b> |
| <b>Current liabilities</b>             |       |                     |                  |
| Trade and other payables               | 10    | 435,712             | 1,327,701        |
| <b>Total current liabilities</b>       |       | <b>435,712</b>      | <b>1,327,701</b> |
| <b>Total liabilities</b>               |       | <b>435,712</b>      | <b>1,327,701</b> |
| <b>Net assets</b>                      |       | <b>32,588,004</b>   | <b>5,488,232</b> |
| <b>Equity</b>                          |       |                     |                  |
| Contributed equity                     | 11    | 48,566,232          | 19,239,321       |
| Option reserve                         | 12(b) | 739,651             | 72,308           |
| Foreign currency translation reserve   | 12(c) | 1,222               | 1,222            |
| Accumulated losses                     | 12(a) | (16,719,101)        | (13,824,619)     |
| <b>Total equity</b>                    |       | <b>32,588,004</b>   | <b>5,488,232</b> |

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

# statement of changes in equity

As at 30 June 2012

| Consolidated Entity                            | Contributed Equity | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses  | Total Equity       |
|--|--------------------|----------------|--------------------------------------|---------------------|--------------------|
|  | \$                 | \$             | \$                                   | \$                  | \$                 |
| <b>Balance at 1 July 2011</b>                  | 19,239,321         | 72,308         | 1,222                                | (13,824,619)        | 5,488,232          |
| Loss for the year                              | -                  | -              | -                                    | (2,894,482)         | (2,894,482)        |
| <b>Total Comprehensive Income for the year</b> | -                  | -              | -                                    | <b>(2,894,482)</b>  | <b>(2,894,482)</b> |
| Shares issued                                  | 30,299,401         | -              | -                                    | -                   | 30,299,401         |
| Share issue costs                              | (972,490)          | -              | -                                    | -                   | (972,490)          |
| Options issued                                 | -                  | 667,343        | -                                    | -                   | 667,343            |
| <b>Balance at 30 June 2012</b>                 | <b>48,566,232</b>  | <b>739,651</b> | <b>1,222</b>                         | <b>(16,719,101)</b> | <b>32,588,004</b>  |
| <b>Balance at 1 July 2010</b>                  | 11,419,755         | 72,308         | 1,222                                | (2,758,976)         | 8,734,309          |
| Loss for the year                              | -                  | -              | -                                    | (11,065,643)        | (11,065,643)       |
| <b>Total Comprehensive Income for the year</b> | -                  | -              | -                                    | (11,065,643)        | (11,065,643)       |
| Shares issued                                  | 8,330,017          | -              | -                                    | -                   | 8,330,017          |
| Share issue costs                              | (510,451)          | -              | -                                    | -                   | 8,330,017          |
| <b>Balance at 30 June 2011</b>                 | <b>19,239,321</b>  | <b>72,308</b>  | <b>1,222</b>                         | <b>(13,824,619)</b> | <b>5,488,232</b>   |

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



# statement of cash flows

For The Year Ended 30 June 2012

|  | Note  | Consolidated Entity |                    |
|--|-------|---------------------|--------------------|
|  |       | 2011<br>\$          | 2010<br>\$         |
| <b>Cash flows from operating activities</b>                      |       |                     |                    |
| Payments to suppliers and employees                              |       | (2,390,582)         | (9,499,464)        |
| Interest received  |       | 57,295              | 104,498            |
| Net cash (used in) operating activities                          | 16(b) | <b>(2,333,287)</b>  | <b>(9,394,966)</b> |
| <b>Cash flows from investing activities</b>                      |       |                     |                    |
| Payments for plant and equipment                                 |       | (228,108)           | (117,127)          |
| Payments for mineral exploration areas                           |       | (14,887,628)        | (512,643)          |
| Net cash (used in) investing activities                          |       | <b>(15,115,736)</b> | <b>(629,770)</b>   |
| <b>Cash flows from financing activities</b>                      |       |                     |                    |
| Proceeds from issue of shares                                    |       | 30,299,401          | 8,330,017          |
| Share issue costs  |       | (972,490)           | (510,451)          |
| Net cash provided by financing activities                        |       | <b>29,326,911</b>   | <b>7,819,566</b>   |
| Net increase (decrease) in cash held                             |       | 11,877,888          | (2,205,170)        |
| Cash and cash equivalents at the beginning of the financial year |       | 4,220,660           | 6,607,586          |
| Effects of exchange rates on cash holdings in foreign currencies |       | 762,772             | (181,756)          |
| Cash and cash equivalents at the end of the financial year       | 16(a) | <b>16,861,320</b>   | <b>4,220,660</b>   |

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

# notes to the financial statements

## 1 Summary of Significant Accounting Policies

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

### a) Basis of preparation

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

The financial report was authorised for issue on 19 September 2012 by the Board of Directors.

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

#### *Compliance with IFRSs*

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

#### *New Accounting Standards and Interpretations*

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

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

| Reference | Title                                     | Summary  | Application date (financial years beginning)             | Expected Impact |
|-----------|---|--|--|-----------------|
| AASB 9    | Financial Instruments                     | Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39. | 1 January 2013 (likely to be extended to 2015 by ED 215) | None            |
| AASB 10   | Consolidated Financial Statements         | Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.          | 1 January 2013   | None            |
| AASB 11   | Joint Arrangements                        | Replaces the requirements of AASB 131 pertaining to the principles to be applied for financial reporting by entities that have in interest in arrangements that are jointly controlled.    | 1 January 2013   | None            |
| AASB 12   | Disclosure of Interests in Other Entities | Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.   | 1 January 2013   | None            |
| AASB 127  | Separate Financial Statements             | Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.                | 1 January 2013   | None            |

| Reference               | Title   | Summary  | Application date (financial years beginning) | Expected Impact |
|-------------------------|---|--|--|-----------------|
| AASB 128                | Investments in Associates and Joint Ventures              | Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.   | 1 January 2013                               | None            |
| AASB 13                 | Fair Value Measurement                                    | Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.  | 1 January 2013                               | None            |
| AASB 119                | Employee Benefits   | Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.  | 1 January 2013                               | None            |
| IFRIC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently. | 1 January 2013                               | None            |

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

## **b) Principles of consolidation**

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

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

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

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

# notes to the financial statements

continued

## 1 Summary of Significant Accounting Policies (continued)

### c) Income tax

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

Deferred tax is accounted for using the statement of 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.

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

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

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

### d) Revenue Recognition

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

#### i) Interest Income

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

#### ii) Other Services

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

### e) Exploration and evaluation expenditure

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

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

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

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

## **f) Plant and equipment**

### *Plant and equipment*

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

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

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

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

### *Depreciation*

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

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

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|-----------------------------|--------------------------|
| Plant and Equipment         | 10-33%                   |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

## **g) Trade and other payables**

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

## **h) Equity-based payments**

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

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

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

# notes to the financial statements

continued

## 1 Summary of Significant Accounting Policies (continued)

### i) Earnings per share

#### i) Basic earnings per share

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

#### ii) Diluted earnings per share

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

### j) Segment reporting

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

### k) Impairment of assets

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

### l) Cash and cash equivalents

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

### m) Provisions

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

### n) GST

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

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

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

## 2 Interest Income

|                 | Consolidated Entity |                |
|-----------------|---------------------|----------------|
|                 | 2012                | 2011           |
|                 | \$                  | \$             |
| Interest income | 57,295              | 104,498        |
|                 | <b>57,295</b>       | <b>104,498</b> |

## 3 Other Income

|                       | Consolidated Entity |          |
|-----------------------|---------------------|----------|
|                       | 2012                | 2011     |
|                       | \$                  | \$       |
| Foreign exchange gain | 762,772             | -        |
|                       | <b>762,772</b>      | <b>-</b> |

## 4 Segment Information

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

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

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

Operating revenues of approximately Nil (2011 – 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.

# notes to the financial statements

continued

## 5 Income Tax Expense

|   | Consolidated Entity |                |
|---|---------------------|----------------|
|   | 2012                | 2011           |
|   | \$                  | \$             |
| <b>a) Income tax expense</b>  |                     |                |
| Current tax   | -                   | -              |
| Deferred tax  | -                   | -              |
|   | -                   | -              |
| <b>b) Reconciliation of income tax expense to prima facie tax payable</b> |                     |                |
| Loss before income tax  | (2,894,482)         | (11,065,643)   |
| Prima facie income tax at 30% (2011: 30%)                                 | (868,345)           | (3,319,693)    |
| Tax-effect of amounts not assessable in calculating taxable income:       | (240,573)           | -              |
| Tax-effect of amounts not deductible in calculating taxable income:       | 573,563             | 3,004,370      |
| Tax loss not recognised   | (535,354)           | (315,323)      |
| <b>Income tax expense</b>   | <b>-</b>            | <b>-</b>       |
| <b>c) Tax losses</b>  |                     |                |
| Unused tax losses for which no deferred tax asset has been recognised     | 4,205,296           | 2,539,841      |
| Potential tax benefit at 30%  | <b>1,261,589</b>    | <b>761,952</b> |

d) The directors estimate that the potential deferred tax asset at 30 June 2012 in respect of tax losses not brought to account is \$1,261,589 (2011: \$761,952).

In addition, Chilean subsidiaries of Hot Chili Ltd also have tax losses that are a potential deferred tax asset of \$2,652,062 (2011: \$985,246). The companies will be taxed independently in Chile.

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

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



## 6 Cash and Cash Equivalents

|              | Consolidated Entity |                  |
|--------------|---------------------|------------------|
|              | 2012                | 2011             |
|              | \$                  | \$               |
| Cash at bank | 16,861,320          | 4,220,660        |
|              | <b>16,861,320</b>   | <b>4,220,660</b> |

## 7 Trade and Other Receivables

|                             |          |              |
|-----------------------------|----------|--------------|
| Trade and other receivables | -        | 9,151        |
|                             | <b>-</b> | <b>9,151</b> |

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

## 8 Plant and Equipment

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Plant and equipment at cost     | 434,912        | 289,588        |
| Less provision for depreciation | (110,068)      | (45,604)       |
|                                 | <b>324,844</b> | <b>243,984</b> |

### Reconciliations:

#### Plant and equipment

|   |                |                |
|---|----------------|----------------|
| Carrying amount at the beginning of the year  | 243,984        | 167,874        |
| Additions                                     | 145,324        | 117,127        |
| Depreciation                                  | (64,464)       | (41,017)       |
| <b>Carrying amount at the end of the year</b> | <b>324,844</b> | <b>243,984</b> |

## 9 Exploration and Evaluation Expenditure

|  |                   |                  |
|--|-------------------|------------------|
| Mining tenements at cost                       | 3,300,184         | 2,342,138        |
| Capitalised mineral exploration and evaluation | 12,521,561        | -                |
|  | <b>15,821,745</b> | <b>2,342,138</b> |

#### Tenements

|  |                   |                  |
|--|-------------------|------------------|
| Carrying amount at the beginning of the year   | 2,342,138         | 1,829,495        |
| Purchase of mineral interests                  | 1,420,346         | 512,643          |
| Exploration costs written off                  | (462,300)         | -                |
| Capitalised mineral exploration and evaluation | 12,521,561        | -                |
| <b>Carrying amount at the end of the year</b>  | <b>15,821,745</b> | <b>2,342,138</b> |

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

# notes to the financial statements

continued

## 10 Trade and Other Payables

|                | Consolidated Entity |                  |
|----------------|---------------------|------------------|
|                | 2012                | 2011             |
|                | \$                  | \$               |
| Trade payables | 342,601             | 1,265,704        |
| Other payables | 93,111              | 61,997           |
|                | <b>435,712</b>      | <b>1,327,701</b> |

## 11 Contributed Equity

|   | No. Shares         | No. Shares         | Consolidated Entity |                   |
|---|--------------------|--------------------|---------------------|-------------------|
|   | 2012               | 2011               | 2012                | 2011              |
|   |                    |                    | \$                  | \$                |
| <b>a) Share capital</b>                 |                    |                    |                     |                   |
| At the beginning of the financial year  | 149,043,888        | 124,210,527        | 19,239,321          | 11,419,755        |
| Shares issued during the year           | 50,632,336         | 24,833,361         | 30,299,402          | 8,330,017         |
| Shares cancelled during the year        | -                  | -                  | -                   | -                 |
| Less cost of issue                      | -                  | -                  | (972,491)           | (510,451)         |
| <b>At the end of the financial year</b> | <b>199,676,224</b> | <b>149,043,888</b> | <b>48,566,232</b>   | <b>19,239,321</b> |

### b) Terms and Condition of Contributed Equity

#### Ordinary Shares

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

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

|  | 2012              | 2011              |
|--|-------------------|-------------------|
|  | Options           | Options           |
| <b>c) Movement in Unlisted Options</b> |                   |                   |
| Balance at beginning of year           | 40,590,000        | 40,740,000        |
| Issued during the year                 | 16,366,336        | -                 |
| Options exercised during the year      | (200,000)         | (150,000)         |
| Options lapsed during the year         | -                 | -                 |
| <b>Balance at end of year</b>          | <b>56,756,336</b> | <b>40,590,000</b> |

### d) Listed Options

There are no listed options over ordinary shares in the company at 30 June 2012 (2011: Nil).

#### e) Capital Risk Management

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

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

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

## 12 Reserves and Accumulated Losses

|  | Consolidated Entity |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
|  | \$                  | \$                  |
| <b>a) Accumulated losses</b>   |                     |                     |
| Accumulated losses at the beginning of the year  | (13,824,619)        | (2,758,976)         |
| Net loss for the year  | (2,894,482)         | (11,065,643)        |
| Accumulated losses at the end of the year  | <b>(16,719,101)</b> | <b>(13,824,619)</b> |
| <b>b) Reserves</b>   |                     |                     |
| Options reserve  |                     |                     |
| The options reserve is used to recognise the fair value of options issued.<br>As at 30 June 2012, no options to which the reserve relates have been exercised. |                     |                     |
| Balance at the beginning of the year   | 72,308              | 72,308              |
| Movement during the year   | 667,343             | -                   |
| Balance at the end of the year   | <b>739,651</b>      | <b>72,308</b>       |
| <b>c) Foreign transaction reserve</b>  |                     |                     |
| Balance at the beginning of the year   | 1,222               | 1,222               |
| Additions during the year  | -                   | -                   |
| Balance at the end of the year   | 1,222               | 1,222               |
| <b>Total reserves and accumulated losses</b>   | <b>(15,978,228)</b> | <b>(13,751,089)</b> |

# notes to the financial statements

continued

## 13 Loss Per Share

|   | Consolidated Entity |              |
|---|---------------------|--------------|
|   | 2012                | 2011         |
|   | \$                  | \$           |
| Loss after tax attributable to members of Hot Chili Limited   | (2,894,482)         | (11,065,643) |
| Basic loss per share (cents)  | (1.64)              | (8.11)       |
| Diluted loss per share (cents)  | (1.64)              | (8.11)       |
| Unexercised options are not dilutive. The weighted average number of ordinary shares on issue used in the calculation of basic loss per share | 176,957,302         | 136,403,634  |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share        | 176,957,302         | 136,403,634  |

## 14 Remuneration of Auditors

|   |               |               |
|---|---------------|---------------|
| Remuneration of the auditor for:            |               |               |
| Auditing and reviewing of financial reports | 43,000        | 33,500        |
|   | <b>43,000</b> | <b>33,500</b> |

## 15 Key Management Personnel Disclosures

### a) Directors

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

|                       |   |
|-----------------------|---|
| Murray E Black        | (Chairman)  |
| Christian E Easterday | (Executive Director)                                  |
| Michael Anderson      | (Non-Executive Director) (Appointed 12 December 2011) |
| Dr Allan Trench       | (Non-Executive Director)                              |

### b) Company Secretary

John Sendziuk

### c) Country Manager

Rodrigo Diaz Borquez

Details of Remuneration of Key Management Personnel for the year ended 30 June 2012:

|                          | Consolidated Entity |                |
|--------------------------|---------------------|----------------|
|                          | 2012                | 2011           |
|                          | \$                  | \$             |
| Short-term benefits      | 689,936             | 519,425        |
| Post-employment benefits | 89,080              | 66,755         |
| Share based payment      | 152,524             | -              |
|                          | <b>931,540</b>      | <b>586,180</b> |

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

*Shares*

The number of shares in the company held during the financial year, and up 30 June 2012, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, are set out below. There were no shares granted as compensation during the year.

| 2012                  | Balance at the start of the year | Granted as compensation | Other changes during the year | Balance at the end of the year |
|-----------------------|----------------------------------|-------------------------|-------------------------------|--------------------------------|
| Murray E Black        | 10,000,000                       | -                       | -                             | 10,000,000                     |
| Christian E Easterday | 10,200,000                       | -                       | -                             | 10,200,000                     |
| Dr Allan Trench       | -                                | -                       | -                             | -                              |
| Michael Anderson      | -                                | -                       | -                             | -                              |
| John Sendziuk         | 1,000,000                        | -                       | 90,000                        | 1,090,000                      |
| Rodrigo Diaz          | -                                | -                       | 31,511                        | 31,511                         |
|                       | <b>21,200,000</b>                | <b>-</b>                | <b>121,511</b>                | <b>21,321,511</b>              |

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

# notes to the financial statements

continued

## 15 Key Management Personnel Disclosures (continued)

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

#### Options

The number of options over ordinary shares in the company held during the financial year, and up to 30 June 2012, by each Key Management Personnel of Hot Chili Ltd including their personally related parties are set out below:

| 2012                  | Balance at start of the year | Acquired during the year | Exercised during the year | Forfeited during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|-----------------------|------------------------------|--------------------------|---------------------------|---------------------------|--------------------------------|---|
| Murray E Black        | 6,750,000                    | -                        | -                         | -                         | 6,750,000                      | 6,750,000                                     |
| Christian E Easterday | 6,850,000                    | -                        | -                         | -                         | 6,850,000                      | 6,850,000                                     |
| Dr Allan Trench       | -                            | -                        | -                         | -                         | -                              | -   |
| Michael Anderson      | -                            | -                        | -                         | -                         | -                              | -   |
| John Sendziuk         | 350,000                      | 300,000                  | -                         | -                         | 650,000                        | 350,000                                       |
| Rodrigo Diaz          | -                            | 700,000                  | -                         | -                         | 700,000                        | -   |
|                       | <b>13,950,000</b>            | <b>1,000,000</b>         | <b>-</b>                  | <b>-</b>                  | <b>14,950,000</b>              | <b>13,950,000</b>                             |

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

## 16 Notes to Statement of Cash Flows

### a) Reconciliation of Cash

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

|                              | Consolidated Entity |                  |
|------------------------------|---------------------|------------------|
|                              | 2012                | 2011             |
|                              | \$                  | \$               |
| Cash and short-term deposits | 16,861,320          | 4,220,660        |
|                              | <b>16,861,320</b>   | <b>4,220,660</b> |

|  | Consolidated Entity |                     |
|--|---------------------|---------------------|
|  | 2012                | 2011                |
|  | \$                  | \$                  |
| <b>b) Reconciliation of Net Cash used In Operating Activities to Operating Loss after Income Tax</b> |                     |                     |
| Loss for the year  | (2,894,482)         | (11,065,643)        |
| Depreciation   | 147,248             | 41,017              |
| Effect of exchange rates on holdings in foreign currencies   | (762,772)           | 181,756             |
| Write off of mining lease option payments  | 464,300             | -                   |
| Share based payments   | 616,755             | -                   |
| <b>Net cash flows from operating activities before change in assets and liabilities</b>              | <b>(2,428,951)</b>  | <b>(10,842,870)</b> |
| Change in assets and liabilities during the financial year:  |                     |                     |
| Other current assets   | (6,656)             | 219,296             |
| Payables   | 102,320             | 1,228,608           |
| <b>Net cash outflow from operating activities</b>  | <b>(2,333,287)</b>  | <b>(9,394,966)</b>  |

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

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

## 17 Finance Facilities

No credit standby facility arrangement or loan facilities existed at 30 June 2012.

## 18 Commitments for Expenditure

**a) Exploration Commitments**

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

|   |                   |                   |
|---|-------------------|-------------------|
| Within one year                                   | 483,682           | 1,481,156         |
| Later than one year but not later than five years | 16,127,956        | 14,291,323        |
|   | <b>16,611,638</b> | <b>15,772,479</b> |

**b) Operating Leases**

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

|  |                |               |
|--|----------------|---------------|
| Commitments for minimum lease payments in relation to operating leases are payable as follows: |                |               |
| Within one year  | 192,887        | 21,450        |
| Later than one year but not later than five years  | 538,733        | -             |
| Later than five years  | -              | -             |
|  | <b>731,620</b> | <b>21,450</b> |

# notes to the financial statements

continued

## 19 Events Occurring after Reporting Date

There are other no matters or circumstances that have arisen since 30 June 2012 that has significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the consolidated entity.

## 20 Related Parties

Blue Spec Mining, a business in which Mr Black is a Director, was paid \$60,000 for administration and bookkeeping.

MRA Consulting Pty Ltd, a company associated with Michael Anderson, a Director, was paid \$40,088 in Directors and consulting fees.

Blue Spec Sondajes Chile Limitada, a company in which Mr Black is a Partner, was paid \$7,382,084 for drilling services.

All payments were made at recognised commercial rates.

## 21 Contingent Liabilities

There are no contingent liabilities at reporting date (2011: Nil).

## 22 Investment in Controlled Entities

| Name of Entity                      | Country of Incorporation | Class of Shares | Equity Holding |        |
|-------------------------------------|--------------------------|-----------------|----------------|--------|
|                                     |                          |                 | 2012 %         | 2011 % |
| Sociedad Minera El Corazon Limitada | Chile                    | Ordinary        | 100            | 100    |
| Sociedad Minera El Aguila Limitada  | Chile                    | Ordinary        | 100            | 100    |
| Sociedad Minera El Huerto Limitada  | Chile                    | Ordinary        | 100            | 100    |

## 23 Financial Risk Management

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

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

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

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



## Risk Exposures and Responses

### a) Interest rate risk exposure

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

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

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

### b) Credit risk exposure

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

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

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

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

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

### c) Liquidity risk

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

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

# notes to the financial statements

continued

## 23 Financial Risk Management (continued)

### Risk Exposures and Responses (continued)

#### d) Fair values

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

| 2012                        | Consolidated Entity |            |
|-----------------------------|---------------------|------------|
|                             | Carrying amount     | Fair value |
|                             | \$                  | \$         |
| Cash and cash               | 16,861,320          | 16,861,320 |
| Trade and other receivables | -                   | -          |
| Trade and other payables    | 435,712             | 435,712    |

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

#### e) Foreign exchange risk

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

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

| 2012          | Consolidated Entity |             |
|---------------|---------------------|-------------|
|               | Post tax profit     | Equity      |
|               | \$                  | \$          |
| AUD/USD + 10% | 1,662,178           | 1,662,178   |
| AUD/USD - 10% | (1,662,178)         | (1,662,178) |

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

## 24 Critical Accounting Estimates and Judgements

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

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

### Recoverability of exploration expenditure

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

## 25 Parent Entity Disclosures

### Financial position

|                          | 2012              | 2011             |
|--------------------------|-------------------|------------------|
|                          | \$                | \$               |
| <b>Assets</b>            |                   |                  |
| Current assets           | 16,774,286        | 4,158,943        |
| Non-current assets       | 15,980,830        | 1,397,234        |
| <b>Total assets</b>      | <b>32,755,116</b> | <b>5,556,177</b> |
| <b>Liabilities</b>       |                   |                  |
| Current liabilities      | 167,112           | 67,945           |
| <b>Total liabilities</b> | <b>167,112</b>    | <b>67,945</b>    |
| <b>Equity</b>            |                   |                  |
| Issued capital           | 48,566,232        | 19,239,321       |
| Reserves                 | 739,651           | 72,308           |
| Accumulated losses       | (16,717,879)      | (13,823,397)     |
| <b>Total equity</b>      | <b>32,588,004</b> | <b>5,488,232</b> |

### Financial performance

|                                   |                    |                     |
|-----------------------------------|--------------------|---------------------|
| Loss for the year                 | (2,894,482)        | (11,053,978)        |
| Other comprehensive income        | -                  | -                   |
| <b>Total comprehensive income</b> | <b>(2,894,482)</b> | <b>(11,053,978)</b> |

# notes to the financial statements

continued

## 25 Parent Entity Disclosures (continued)

### Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

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

As at 30 June 2012 (30 June 2011 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

## 26 Share Based Payments

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

### a) Options issued

The Company issued options to a consultant as part payment of share issue costs in 2010.

The Company issued options to employees and consultants pursuant to the Company's Employee Share Option Plan.

Set out below is a summary of options on issue as at 30 June 2012:

| Issue date | Expiry date | Balance at start of year | Number issued during year | Number expired during year | Balance at end of year | Number exercisable at end of year |
|------------|-------------|--------------------------|---------------------------|----------------------------|------------------------|-----------------------------------|
| 01/05/2009 | 29/10/2014  | 200,000                  | -                         | -                          | 200,000                | 200,000                           |
| 10/01/2010 | 29/10/2014  | 140,000                  | -                         | -                          | 140,000                | 140,000                           |
| 29/04/2010 | 29/10/2014  | 400,000                  | -                         | -                          | 400,000                | 400,000                           |
| 20/7/2011  | 19/07/2014  | -                        | 3,500,000                 | -                          | 3,500,000              | -                                 |
| 30/1/2012  | 29/01/2015  | -                        | 500,000                   | -                          | 500,000                | -                                 |

### b) Fair value of options issued (Consultants 2010):

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

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

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

**c) Fair value of options issued (Consultants and Employees – 20 July 2011):**

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

The model inputs for options granted during the year ended 30 June 2012 included:

- i) options are granted for no consideration.
- ii) exercise price – \$0.90.
- iii) issue date – 20 July 2011
- iv) expiry date – 19 July 2014
- v) expected price volatility of the Company's shares: 80%
- vi) risk-free interest rate: 5.25%
- vii) spot price at date of valuation: \$0.58.

**d) Fair value of options issued (Consultants and Employees – 20 July 2011):**

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

The model inputs for options granted during the year ended 30 June 2012 included:

- i) options are granted for no consideration
- ii) exercise price – \$1.00.
- iii) issue date – 30 January 2012
- iv) expiry date – 29 January 2015
- v) expected price volatility of the Company's shares: 67%
- vi) risk-free interest rate: 4.50%
- vii) spot price at date of valuation: \$0.625.

**e) Expenses arising from share-based payment transactions**

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

|   | 2012           | 2011     |
|---|----------------|----------|
|   | \$             | \$       |
| Expenses related to options issued to consultants         | 616,755        | -        |
| Shares issued for option payment on Chilean mining rights | 50,588         | -        |
|   | <b>667,343</b> | <b>-</b> |

# shareholder information

Information Required by the Australian Stock Exchange Limited  
Shareholder Information as at 13 August 2012

|                              | Shareholders | Units              |
|------------------------------|--------------|--------------------|
| <b>a) Spread of Holdings</b> |              |                    |
| 1 - 1,000                    | 70           | 40,639             |
| 1,001 - 5,000                | 266          | 845,264            |
| 5,001 - 10,000               | 237          | 2,036,456          |
| 10,001 - 100,000             | 651          | 25,561,170         |
| 100,001 & Over               | 170          | 171,192,695        |
|                              | <b>1,394</b> | <b>199,676,224</b> |

## b) Substantial Shareholders

|                                     |            |
|-------------------------------------|------------|
| Westralian Diamond Drillers Pty Ltd | 10,000,000 |
| R Leighton                          | 10,000,000 |
| C Easterday                         | 10,000,000 |
| Kalgoorlie Auto Service Pty Ltd     | 10,000,000 |
| J P Morgan Nominees Australia Ltd   | 29,680,046 |
| Panoramic Copper Pty Ltd            | 11,500,001 |
| Fenice Investments Inc              | 10,393,245 |
| Port Finance Ltd NV                 | 7,460,527  |

## c) Directors' Shareholdings:

|                       | Shares Held Directly | Held by Companies in which Directors have a beneficial interest |
|-----------------------|----------------------|---|
| Murray E Black        | -                    | 10,000,000  |
| Christian E Easterday | 200,000              | 10,000,000  |
| Dr Allan Trench       | -                    | -   |
| Michael Anderson      | -                    | -   |

## Shareholder Information as at 13 August 2012 (continued)

d) The names of the twenty largest shareholders as at 13 August 2012, who between them held 65.44% of the issued capital are listed below:

|   | Number of<br>Ordinary Shares | %            |
|---|------------------------------|--------------|
| 1 Kalgoorlie Auto Service Pty Ltd           | 40,000,000                   | 20.03        |
| 2 J P Morgan Nominees Australia Ltd         | 29,680,046                   | 14.86        |
| 3 Panoramic Copper Pty Ltd                  | 11,500,001                   | 5.76         |
| 4 Fenice Investments Inc                    | 10,393,245                   | 5.21         |
| 5 Port Finance Ltd NV                       | 7,460,527                    | 3.74         |
| 6 Citicorp Nominees Pty Ltd                 | 4,907,308                    | 2.46         |
| 7 Cecich Miro & Helen                       | 4,215,667                    | 2.11         |
| 8 Fitel Nominees Ltd                        | 4,134,688                    | 2.07         |
| 9 Norman Lester Mountford                   | 2,656,667                    | 1.33         |
| 10 Graham John Woolford                     | 2,577,000                    | 1.29         |
| 11 Campari Holdings Pty Ltd                 | 2,200,000                    | 1.10         |
| 12 BO & EJ Stephens                         | 2,000,000                    | 1.00         |
| 13 SHL Pty Ltd                              | 1,750,000                    | 0.88         |
| 14 Greenwood Neville Hyland                 | 1,130,000                    | 0.57         |
| 15 Romulus Pty Ltd                          | 1,110,000                    | 0.56         |
| 16 UBS Wealth Management Australia Nominees | 1,001,381                    | 0.50         |
| 17 Stephens Group Pty Ltd                   | 1,000,000                    | 0.50         |
| 18 Peralillo Fondo D P                      | 1,000,000                    | 0.50         |
| 19 Poole-Johnson Rose Emma                  | 970,000                      | 0.49         |
| 20 Timothy James Carter                     | 950,000                      | 0.48         |
|   | <b>130,636,530</b>           | <b>65.44</b> |

# shareholder information

continued

## Optionholder Information as at 13 August 2012

e) The spread of optionholders as at 13 August 2012, who between them held 94.08% of the issued options are listed below:

| Holder Name                   | Price | No of Secs. | Total     |
|-------------------------------|-------|-------------|-----------|
| Romulus Pty Ltd               | 0.9   | 150,000     |           |
| Mr Matthew Peter Noble        | 0.9   | 100,000     |           |
| Ms Melanie Leighton           | 0.9   | 150,000     |           |
| Ms Alice Docherty             | 0.9   | 150,000     |           |
| Inversiones Maes Limitada     | 0.9   | 350,000     |           |
| Inversiones Txsalazar         | 0.9   | 100,000     |           |
| Mrs Jacqueline Tracey Hunter  | 0.9   | 700,000     |           |
| Inversiones Pimpolleda        | 0.9   | 500,000     |           |
| Mr Jorge Dominguez Cruzat     | 0.9   | 300,000     |           |
| Romulus Pty Ltd               | 0.9   | 150,000     |           |
| Mr Matthew Peter Noble        | 0.9   | 100,000     |           |
| Ms Melanie Leighton           | 0.9   | 150,000     |           |
| Ms Alice Docherty             | 0.9   | 150,000     |           |
| Inversiones Maes Limitada     | 0.9   | 350,000     |           |
| Inversiones Txsalazar         | 0.9   | 100,000     | 3,500,000 |
| Mrs Rachel Anne Glassock      | 1     | 500,000     | 500,000   |
| Port Finance Limited Nv       | 0.75  | 416,667     |           |
| Panoramic Copper Pty Ltd      | 0.75  | 1,611,111   |           |
| J P Morgan Nominees Australia | 0.75  | 6,666,667   |           |
| Mr Seager Rex Harbour         | 0.75  | 333,333     |           |
| Conlatuse Limited             | 0.75  | 27,778      |           |
| Fenice Investments Inc        | 0.75  | 166,667     |           |
| The Harbour Foundation        | 0.75  | 127,778     |           |
| Mrs Susan Jennifer Harbour    | 0.75  | 11,112      |           |
| Citicorp Nominees Pty Limited | 0.75  | 555,555     |           |
| Balintore Pty Ltd             | 0.75  | 27,778      |           |
| Pretain Pty Ltd               | 0.75  | 6,667       |           |
| Mr Miro Cecich &              | 0.75  | 27,778      |           |
| Talzo Limited                 | 0.75  | 5,556       |           |
| Rb Manners Pty Ltd            | 0.75  | 55,556      |           |
| Terala Nominees Pty Ltd       | 0.75  | 1,667       |           |
| Mr Geoffrey Wake              | 0.75  | 3,333       |           |
| Mr Alan Harold Tear           | 0.75  | 5,000       |           |
| Mr Ronald George Martin &     | 0.75  | 30,852      |           |
| Mrs Toni Mathieson Frank      | 0.75  | 4,000       |           |
| Ashlaw Pty Limited            | 0.75  | 83,333      |           |
| Mr Peter Michael Beggs &      | 0.75  | 8,333       |           |
| Abn Amro Clearing Sydney      | 0.75  | 191,667     |           |
| Talltree Holdings Pty Ltd     | 0.75  | 83,333      |           |
| Mrs Cherie Elizabeth          | 0.75  | 8,333       |           |
| Graeme Kerr Farms Pty Ltd     | 0.75  | 10,000      |           |
| Mr Douglas Henry Miller &     | 0.75  | 16,667      |           |
| Ms Nerida White               | 0.75  | 10,000      |           |
| Mr Russell Malcolm Phillis &  | 0.75  | 5,533       |           |
| Super Seed Pty Ltd            | 0.75  | 55,556      |           |
| Mr Michael James Ron          | 0.75  | 5,533       |           |
| Mrs Terina Nancy Beeching     | 0.75  | 33,333      |           |
| Mr John Robert Tyrrell        | 0.75  | 5,533       |           |
| Mrs Tracy Ann Bradsell &      | 0.75  | 10,000      |           |



| Holder Name                    | Price | No of Secs. | Total             |
|--------------------------------|-------|-------------|-------------------|
| Mr John David Parkes &         | 0.75  | 10,000      |                   |
| Hotlake Pty Ltd                | 0.75  | 138,889     |                   |
| Montrose Investments (Wa)      | 0.75  | 33,333      |                   |
| Miss Asha Kaur Singh           | 0.75  | 1,765       |                   |
| Hsbc Custody Nominees          | 0.75  | 41,667      |                   |
| Confadent Limited              | 0.75  | 16,667      |                   |
| Mr Simon Robert Evans          | 0.75  | 13,889      |                   |
| Hahn Properties Pty Ltd        | 0.75  | 55,556      |                   |
| Mr David Nepote Moala          | 0.75  | 6,667       |                   |
| Glengyre Superannuation Pty    | 0.75  | 2,833       |                   |
| Leilani Investments Pty Ltd    | 0.75  | 166,667     |                   |
| Hendaye Pty Ltd                | 0.75  | 4,000       |                   |
| Mr Roger Kenneth Wingate &     | 0.75  | 1,111       |                   |
| J P Morgan Nominees Australia  | 0.75  | 236,111     |                   |
| Hd Welding Services Pty Ltd    | 0.75  | 4,000       |                   |
| Penson Australia Nominees Pty  | 0.75  | 168,802     |                   |
| Mr Cornelis Edmondus De Graauw | 0.75  | 2,667       |                   |
| Mr Kiran Paul Singh            | 0.75  | 36          |                   |
| Mr Jeremy Garry Iredell        | 0.75  | 4,333       |                   |
| Ranlak Pty Ltd                 | 0.75  | 2,778       |                   |
| Mr Benjamin Edward Blake       | 0.75  | 5,000       |                   |
| Mr Bernard Owen Stephens &     | 0.75  | 333,333     |                   |
| Stevens Family Pty Ltd         | 0.75  | 4,000       |                   |
| Bell Potter Nominees Limited   | 0.75  | 277,778     |                   |
| Powerform Asset Pty Ltd        | 0.75  | 28,000      |                   |
| Mr Bernard Owen Stephens &     | 0.75  | 166,667     |                   |
| Accbell Nominees Pty Ltd       | 0.75  | 27,778      | 12,366,336        |
| Reilly Lisa Ersilia            | 0.2   | 200,000     |                   |
| King Russell L + T E           | 0.2   | 250,000     |                   |
| Coote Douglas James            | 0.2   | 250,000     |                   |
| Dj Carmichael PI               | 0.2   | 429,000     |                   |
| Mining Technical Solution      | 0.2   | 100,000     |                   |
| Lim Meng Kang + Lian C         | 0.2   | 200,000     |                   |
| Oregonwood PI                  | 0.2   | 250,000     |                   |
| Glenella PI                    | 0.2   | 155,500     |                   |
| Dorrington Ian William         | 0.2   | 250,000     |                   |
| Oakstream PI                   | 0.2   | 250,000     |                   |
| Milwal PI                      | 0.2   | 200,000     |                   |
| Hewitt-Dutton S J + B A        | 0.2   | 100,000     |                   |
| Danaher Ian S J + S A          | 0.2   | 50,000      |                   |
| Bradsell Tracy Ann + R P       | 0.2   | 100,000     |                   |
| Hunter Jacqueline Tracey       | 0.2   | 300,000     |                   |
| Campari Hldgs PI               | 0.2   | 500,000     |                   |
| Hainsworth David Richard       | 0.2   | 50,000      |                   |
| Jefferis T P + Clarke B M      | 0.2   | 100,000     |                   |
| Carter Timothy James           | 0.2   | 100,000     |                   |
| Easterday Christian E          | 0.2   | 100,000     |                   |
| Romulus PI                     | 0.2   | 350,000     |                   |
| Alf's Crew PI                  | 0.2   | 250,000     |                   |
| Kinglane Inv PI                | 0.2   | 155,500     |                   |
| Polinelli John Anthony         | 0.2   | 50,000      |                   |
| Talltree Hldgs PI              | 0.2   | 250,000     |                   |
| Ajava Hldgs PI                 | 0.2   | 2,500,000   |                   |
| Cecich Miro + Helen            | 0.2   | 500,000     |                   |
| Hahn Props PI                  | 0.2   | 250,000     |                   |
| Kalgoorlie Auto Svc PI         | 0.2   | 27,000,000  |                   |
| Radford Rowan                  | 0.2   | 250,000     |                   |
| Short James F + C A            | 0.2   | 200,000     |                   |
| Adams Terina Nancy B           | 0.2   | 100,000     |                   |
| Herath A K + Soysa K H         | 0.2   | 200,000     |                   |
| Stephens B O + E J             | 0.2   | 800,000     |                   |
| Mancini Mgnt PI                | 0.2   | 250,000     |                   |
| Gale Gary Dene                 | 0.2   | 250,000     |                   |
| Peralillo Fondo D P            | 0.2   | 3,000,000   | 40,290,000        |
|                                |       |             | <b>56,656,336</b> |

# corporate directory

## Directors

**Murray E Black**  
(Non-Executive Chairman)

**Christian E Easterday**  
(Managing Director)

**Dr Allan Trench**  
(Independent Non Executive Director)

**Michael Anderson**  
(Independent Non Executive Director)  
Appointed 12 December 2011

## Company Secretary

**John E Sendziuk**

## Principal Place of Business

Corner Federal Road and Wilson Street  
KALGOORLIE WA 6430

Telephone: +61 8 9021 3033  
Facsimile: +61 8 9021 6995

Email: [ally@hotchilli.net.au](mailto:ally@hotchilli.net.au)  
Web: [www.hotchilli.net.au](http://www.hotchilli.net.au)

## Perth Office

768 Canning Highway  
APPLECROSS WA 6153

Telephone: +61 8 9315 9009  
Facsimile: +61 8 9315 5004

## Solicitors

Jackson McDonald  
140 St George's Terrace  
PERTH WA 6000

## Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: +61 8 9315 0933  
Facsimile: +61 8 9315 2233

## Auditors

RSM Bird Cameron Partners  
8 St George's Terrace  
PERTH WA 6000

## Principal Banker

Westpac Banking Corporation  
Hannan Street  
KALGOORLIE WA 6430





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