hot chili limited

ANNUAL REPORT 2019

Cortadera

Productora

El Fuego

Contents


Valentina
Copper
Super-Hub
San
Antonio
Cortadera
Significant copper-gold
porphyry discovery
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2019 Key Highlights

Exploration

- Consolidation of a Copper "Super-hub" on the Chilean coastal range following execution of option with private Chilean mining group SCM Carola to acquire a 100% interest in the Cortadera major copper-gold discovery, located 14km from the flagship Productora copper development.
- Completion of Hot Chili's first 6,500m RC and DD drilling programme across Cortadera, with impressive wide copper-gold drilling intersections confirming large-scale porphyry discovery.
- Large high grade zone unveiled at Cortadera has confirmed increasing grade with depth, as indicated by previous drilling, transforming the growth potential of the project.
- Drilling continues to deliver record copper-gold intersections as the Company expands its ambitions for Cortadera's growth and the emergence of a higher grade core to the deposit.

Cortadera yields one of the most significant set of copper-gold porphyry discovery drill results since SolGold's Cascabel discovery

- Cortadera exhibits hallmarks of large-scale porphyry system, with a large geophysical and alteration footprint (4km x 3km) recognised from ground magnetics, IP chargeability surveys and surface geochemistry.
- Several resource and QAQC work streams well advanced in preparation for the Cortadera maiden mineral resource estimate.

Cortadera Copper-Gold Porphyry Discovery.

Corporate

- In September 2019 Hot Chili successfully arranged a $12.1 million institutional-led private placement to sophisticated and professional investors through the issue of new shares at 3.6 cents per share. The Placement investors include several new institutional investors from Australia and North America, as well as existing major shareholders associated with Taurus Funds Management and Hot Chili's chairman, Murray Black.

- In July 2019 the Company completed a $5 million Placement to sophisticated and professional investors through the issue of new shares at 3 cents per share, with funds from the Placement used to satisfy the first US$2 million part-payment towards acquisition of a 100% interest in the Cortadera copper-gold porphyry discovery.

- In March 2019 the Company completed a Placement of 100,000,000 shares at $0.01 each to raise $1 million and a Rights Issue entitlement offer of 221,697,937 shares at $0.01 to raise $2,216,979, before costs. The Rights issue was offered on the basis of two shares for every seven shares held.

- In April 2019 the Company engaged Sternship Corporate Advisors to facilitate strategic funding discussions with several large groups following strong inbound interest.

- The first of the Notices to Convert the Convertible Notes approved and issued in 2017 was received. A total of 3,524 Convertible Notes and respective interest to dates of conversion were converted to 10,664,156 shares during the year.

- An Employee Incentive Plan was adopted in general meeting on 27 November 2018. 12m options were issued under the plan on 19 December 2018. The options are at $0.07 per shares on or before 19 December 2021.

- 39,000,000 options expired during the year.

1 Chairman's Letter

Dear Shareholder,

It has been a big year for Hot Chili and its shareholders, one that I am very pleased to have presided over.

We have been able to achieve a stunning turn-around in the Company's fortunes and mark 2019 as a pivotal year in the development of Hot Chili into a true global copper player.

Key to this was a combination of sheer persistence, deal capability, good geoscience and a touch of luck.

The year so far has not only delivered shareholders a significant lift in our share price and market capitalisation, but has laid a pathway for value generation well beyond the Company's measured ambitions.

In February, Hot Chili secured a watershed deal with well-regarded Chilean mining group SCM Carola, that was years in the making. The deal to purchase 100% of a major private copper-gold porphyry discovery called Cortadera was unveiled publicly for the first time, boasting world-class drill results from surface and supported by over 23,000m of historical diamond drilling.

Being just 14km from Hot Chili's $100 million investment in its Productora copper project, Cortadera was initially considered to hold the keys to unlocking a large combined open pit copper development on the Chilean coastline.

What came next was unexpected. Drilling across Cortadera by Hot Chili following the deal, not only confirmed a major discovery open in multiple directions, but delivered one the world's standout copper-gold porphyry drill results ever recorded.

Since expanding Cortadera to now include the discovery of a new, bulk tonnage, high grade zone, Hot Chili has been able to follow-up this drill result with several large extensional drilling intersections, establishing Cortadera in an exclusive league of potential large global, stand-alone, copper-gold, developments.

These early results have transformed the Company's view on Cortadera, central to our decision to fund an expanded second phase of drilling and payment of the entire first instalment to SCM Carola via a recently announced A$12.1million institutional-led capital raising. Importantly this has maintained our shareholders ability to control 100% of Cortadera.

I would like to thank the strong efforts of our talented management, staff and Board for delivering such an exciting "re-birth" of our Company as we look to advance one of Chile's most significant copper-gold porphyry discoveries in the past decade.

Murray Edward Black
Chairman

BIG COPPER

Cortadera taking centre stage

2 Review of Operations

In February 2019 the Company was successful in executing an option agreement to acquire a 100% interest in the Cortadera copper-gold porphyry discovery, located just 14 kilometres from the Productora copper development.

The addition of Cortadera adds significant shareholder value, and importantly advances the Company's vision to build a globally significant new copper development on the coastline of Chile.

The Company's copper hub approach, which involves the consolidation of a large-scale, longlife, open pit development, has been significantly enhanced by recent confirmation of a higher grade bulk tonnage underground development opportunity at Cortadera.

Consolidation of a Copper "Super-hub" in Coastal Chile

Cortadera Copper Project

On 22nd February 2019, Hot Chili announced to the Australian Securities Exchange (ASX) the execution of a formal Option Agreement to acquire a 100% interest in Cortadera over a 30 month period for US$31.5 million. The first US$2 million part-payment was satisfied by Hot Chili in July 2019, with the US$3 million balance of the first option payment due in October 2019.

Cortadera is a privately-owned, major copper-gold porphyry discovery located along the Chilean coastal range, where historical world-class discovery drill results were only publicly released by Hot Chili in February 2019. Importantly, Cortadera is in close proximity to the Company's large-scale Productora copper development and adjacent to the high grade El Fuego satellite copper projects, as displayed in Figure 1 below.

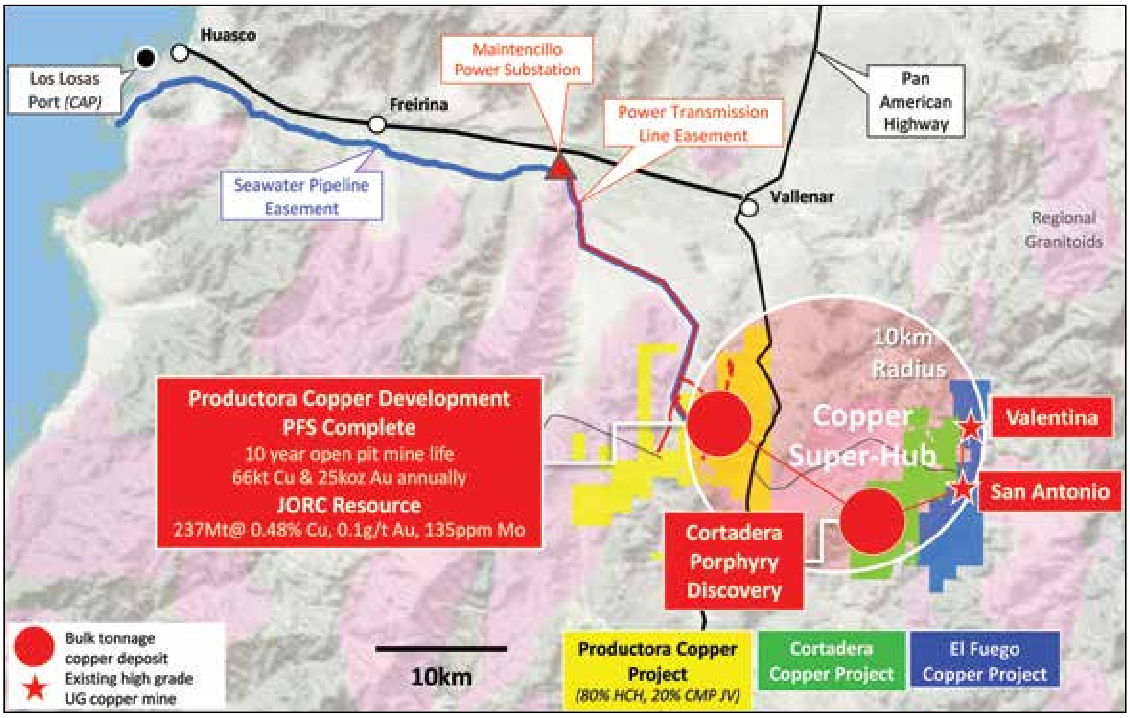

Figure 1. Location of Productora and the Cortadera discovery in relation to the consolidation of new growth projects and coastal range infrastructure.

2 Review of Operations (cont'd)

Cortadera Copper Project (cont'd)

Drilling continues to deliver record copper-gold intersections as the Company expands its ambitions for Cortadera's growth and the emergence of a highergrade core to the deposit

Cortadera First Pass Drilling Yields Standout Results

In April 2019, the Company commenced a confirmation drilling programme across the four identified porphyries, comprising 17 holes for approximately 5,000m of RC and 1,500m of diamond drilling.

Drilling was designed to confirm and extended areas of surface enrichment and wide, higher-grade, copper-gold sulphide mineralisation, which had not previously been closed off by 23,000m of historical diamond drilling. The diamond holes were designed to test large potential upside recognised at the largest of four porphyries (Cuerpo 3), namely.

1. Strike extensional potential, and
2. The potential for an increasing grade profile with depth

The first diamond hole (CRP0012D) tested the northwest strike extent of Cuerpo 3, and was successful in recording a wide intersection of porphyry from much deeper down-hole (and further north) than expected.

Assays confirmed an intersection of **200m grading 0.4% copper** and **0.2g/t gold** from 378m depth, including **76m grading 0.5% copper and 0.2g/t gold** from 494m depth.

Mineralisation remains open towards the north and northwest indicating the Cuerpo 3 porphyry is at least 600m in strike extent and approximately 220m average width.

The second diamond hole (CRP0013D) tested the extent of a potential higher grade core at Cuerpo 3, where previous work had highlighted an increasing grade profile with depth (evident for copper, gold, silver and molybdenum).

It was in this hole where Hot Chili successfully recorded the best drilling intersection in the Company's history and the best result to date at Cortadera, and ranks amongst some of the world's standout copper-gold porphyry drill intersections ever recorded globally.

Results for CRP0013D were **750m grading 0.6% copper** and **0.2g/t gold** from 204m depth, including a new high grade zone comprising **188m grading 0.9% copper and 0.4g/t gold** from 516m depth (also including significant silver and molybdenum credits).

The result returned from CRP0013D has outlined the beginnings of a bulk tonnage, high grade zone at depth at Cortadera, materially changing the potential scale and pedigree of the Cortadera copper-gold porphyry discovery.

First results from the Company's phase 2 drill programme have continued to impress, with diamond hole CRP0011D delivering another record drill intersection of **848m grading 0.4% copper** and **0.2g/t gold** from 112m downhole.

Importantly, the CRP0011D intersection contains a high grade zone comprising **184m grading 0.7% copper and 0.3g/t gold** which has been recorded approximately 100m to the east of the new, high grade, bulk tonnage zone discovered in diamond hole CRP0013D (**188m grading 0.9% copper and 0.4g/t gold** from 516m down-hole depth).

CRP0011D results confirm that high grade copper and gold located at approximately 350m vertical depth now extends laterally over 100m across the northern flank of the main porphyry (Cuerpo 3) at Cortadera as displayed in Figures 2 and 3. The main porphyry has been tested to a depth of 1,200m vertically and is currently over 600m in strike length with an average width of approximately 250m, but remains open primarily towards the north, south and at depth.

Near-Surface Enrichment & Extensive Copper-Gold Confirmed at Cortadera

Assay results from shallow Reverse Circulation (RC) drilling by Hot Chili has confirmed significant near-surface enrichment and extensive copper-gold from surface, validating previous historical diamond drill results at Cortadera.

Significant new results from shallow RC holes confirm the potential for Cortadera to host significant zones of higher grade copper associated with chalcocite enrichment in the near-surface profile of the deposit. Consistent gold enrichment in the near-surface profile has also been highlighted by shallow RC drilling at Cuerpo 2.

Preliminary modelling of Cuerpo 1, 2 and 3 has highlighted a much larger porphyry system than first recognised, but more importantly, exhibiting many characteristics that suggest Cortadera has the potential to get even larger.

The following figures 2, 3, 4, 5 and 6 display the location of the recent significant intersections at Cortadera in plan, long section and cross section view.

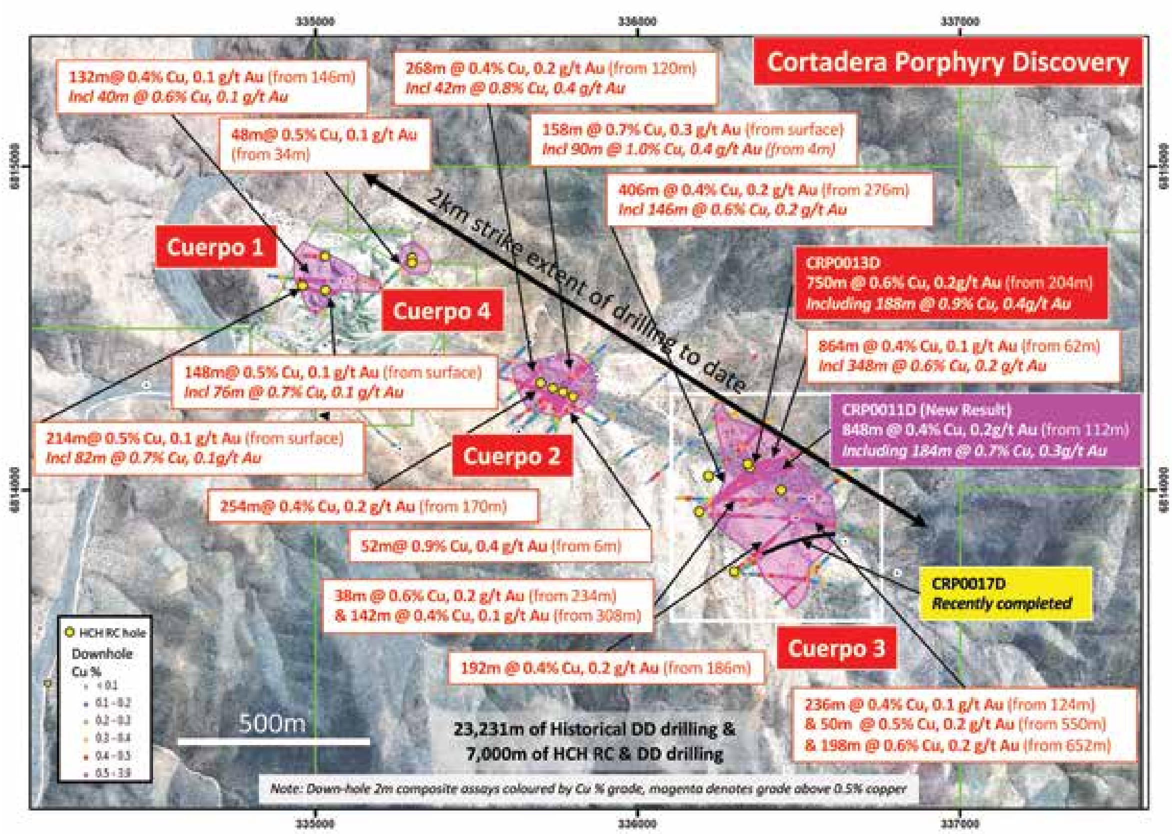

Figure 2. Plan view across the Cortadera discovery area displaying significant historical copper-gold DD intersections across Cuerpo 1, 2 and 3 tonalitic porphyry intrusive centres. Note the inset plan for Cuerpo 3 associated with figure 3.

2 Review of Operations (cont'd)

Cortadera Copper Project (cont'd)

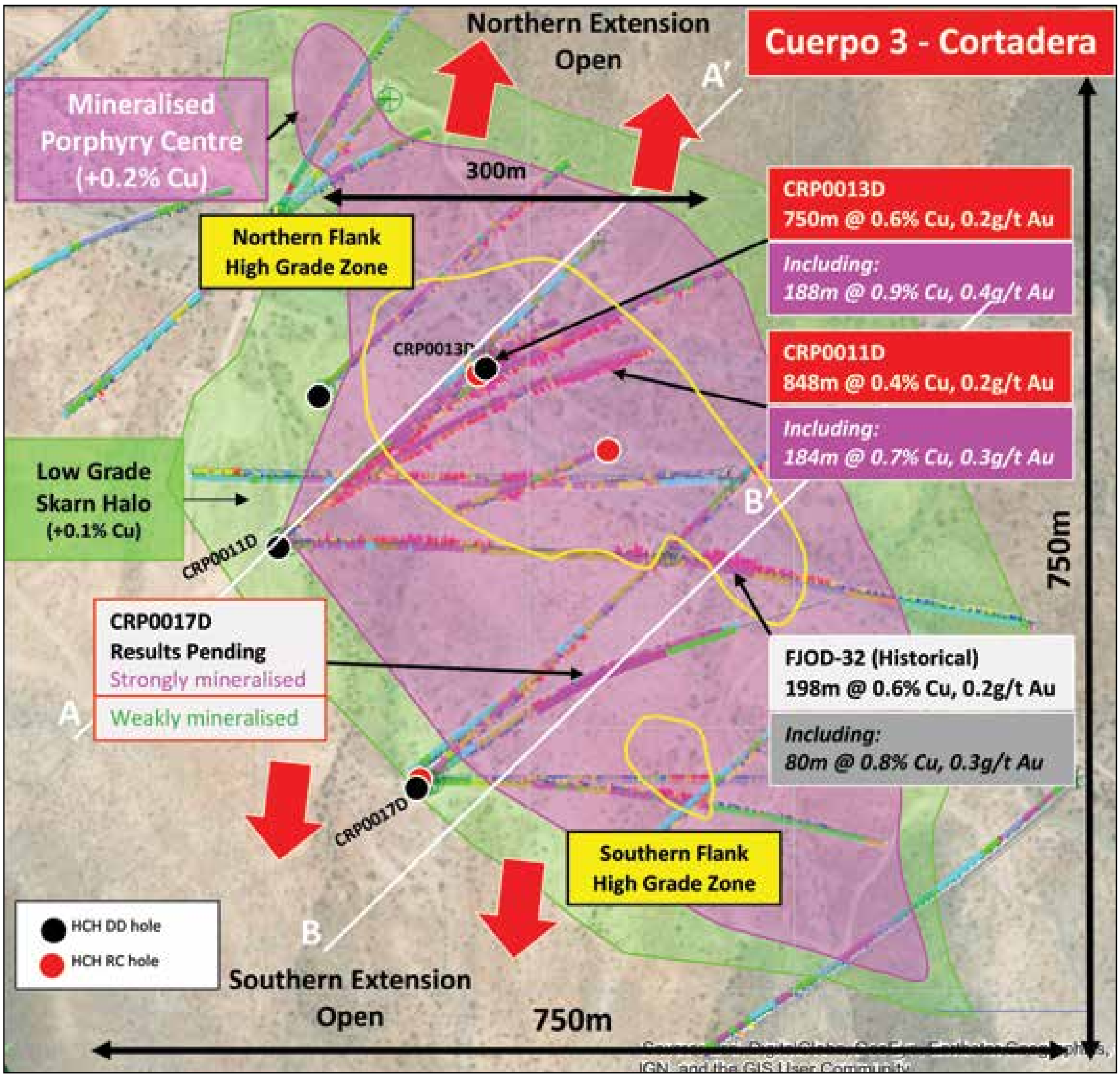

Figure 3. Plan view of Cuerpo 3 - the Main porphyry of the four porphyry centres discovered to date at Cortadera. The plan displays the location and basic geology of the mineralised tonalitic host porphyry in relation to the location of significant new results released for CRP0011D and CRP0013D.

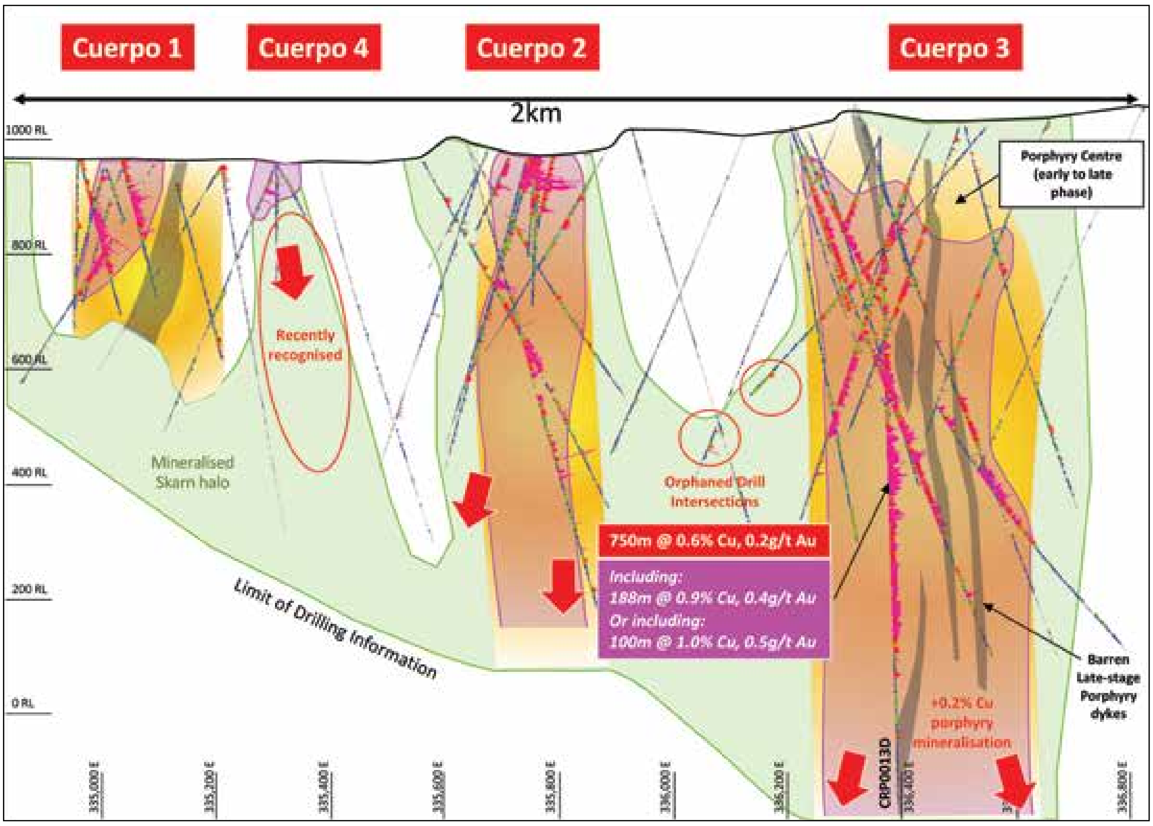

Figure 4. Long Section looking north across Cuerpo 1, 2 and 3 at the Cortadera copper-gold discovery. Note the location of CRP0013D which has identified a significant new high grade zone at depth below the main porphyry – Cuerpo 3.

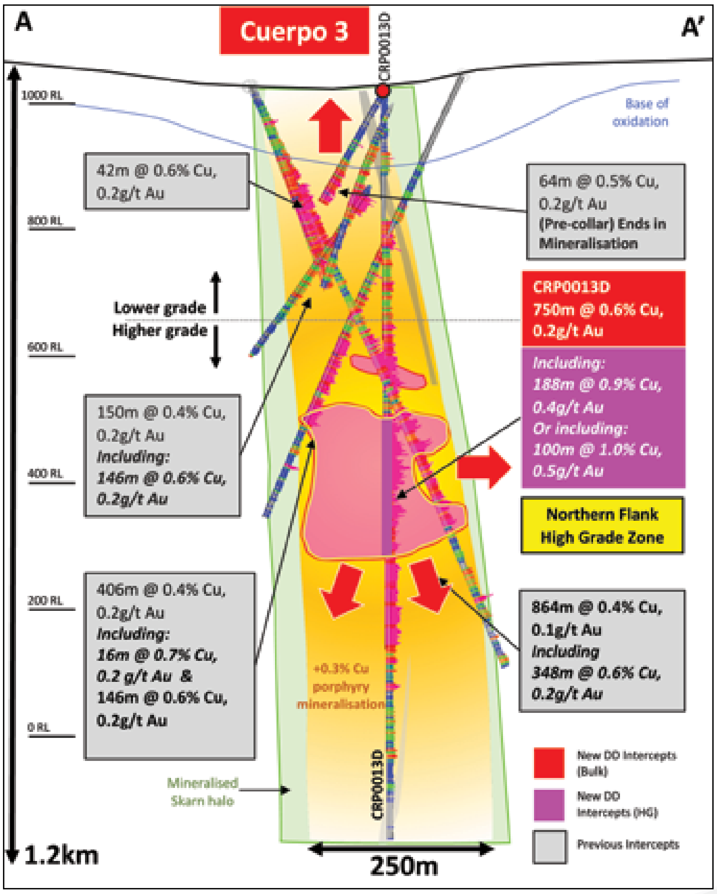

Figure 5. Type Section A displaying historical DD drill results and an interpretation of Cuerpo 3 - the main host tonalitic porphyry intrusion at Cortadera. Note the location hole CRP0013D, northern flank high grade zone and a distinct increase in grade below 400m vertical.

Cortadera Copper Project (cont'd)

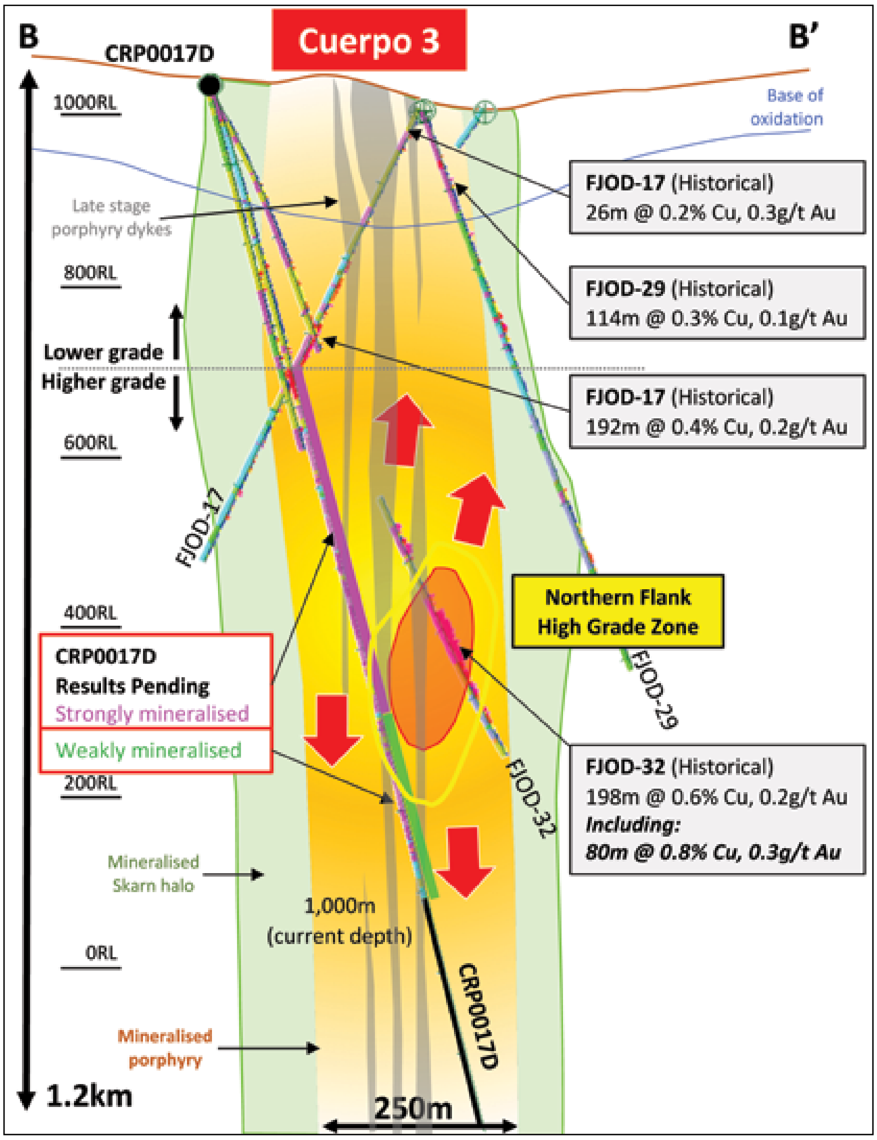

Figure 6. Type Section B displaying historical DD drill results and an interpretation of Cuerpo 3 - the main host tonalitic porphyry intrusion at Cortadera. Note the location hole CRP0017D, northern flank high grade zone and a distinct increase in grade below 400m vertical. CRP0017D results are pending.

Next Steps at Cortadera

Combining Productora and Cortadera to leverage central processing and infrastructure, looks likely to underpin a globally significant new copper development along the coastline of Chile.

In early August 2019 the Company appointed highly regarded porphyry specialist Dr Steve Garwin to lead Hot Chili's exploration team at the Cortadera discovery.

Steve's extensive experience with recent Tier-1 copper-gold porphyry discoveries, most notably SolGold's giant Cascabel deposit in Ecuador and the Batu Hijau deposit in Indonesia, is providing strong guidance to the Company's exploration and resource definition approach for Cortadera.

Hot Chili's open pit development approach to combine two bulk tonnage deposits in Productora and Cortadera (located within 14km of one another), along with nearby high grade satellites, has been materially enhanced by the addition of this new bulk tonnage, high grade zone.

The new, bulk tonnage, high grade zone discovered at Cortadera exhibits many similar characteristics present in some of the world's most notable large-scale underground porphyry mines and developments, not least of all its combined copper and gold grade.

Hot Chili's phase 2 drilling programme at Cortadera commenced in August 2019 and is focused on defining and expanding the extent of this new high grade zone. First results drill results have continued to deliver record copper-gold intersections as the Company expands its ambitions for Cortadera's growth and the emergence of a higher grade core to the deposit.

Combining Productora and Cortadera to leverage central processing and infrastructure, looks likely to underpin a globally significant new copper development along the coastline of Chile.

Productora Copper Project

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

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

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

Hot Chili's growth strategy continues to advance, with the Company capitalising on project acquisition opportunities and executing multiple joint venture option agreements within the past two years, to secure a stable of high-grade copper projects – the aforementioned Cortadera, and the collectively named El Fuego (San Antonio and Valentina) – all located within close development distance of Productora, as seen in Figure 1.

Developing a hub of bulk tonnage and high grade copper-gold deposits has the potential to take advantage of centralised large-scale, low-cost processing facilities.

Importantly, Productora has now been up-scaled to provide the critical mass required to unlock some $100 million of investment to date in the project.

2 Review of Operations (cont'd)

El Fuego Copper Project

Hot Chili has continued to advance the El Fuego high grade coastal copper project, comprising the collective landholdings that contain two high grade historical copper mines (San Antonio and Valentina) within close proximity to Cortadera and Productora (as seen in Figure 1).

A 5,000 metre maiden drilling campaign completed by the Company in 2018 was successful in confirming a large extensional discovery at both the San Antonio and Valentina copper mines, with the results providing further confidence in the Company's ability to build a stable of high grade additions to Productora.

Both San Antonio and Valentina's addition has the potential to make a significant positive impact on the head grade of Hot Chili's future copper production plans.

The Company plans to continue advancing its work streams at El Fuego in the year ahead.

San Antonio

Hot Chili has an option agreement to earn a 90% interest in the San Antonio high grade copper project, located 20 kilometres directly east of the Productora and approximately 4km northeast of Cortadera.

San Antonio has been privately owned for several decades and contains a substantial underground mine which historically produced some 2Mt grading 2% copper and 0.3g/t gold from shallow depths. The mine has been exploited over a 200m strike length to a vertical depth of 130m, at an averaging true width of 10 metres.

A selection of impressive significant copper intersections from the Company's maiden drilling campaign in 2018 are listed below:

- **19m grading 2.0% copper** from 61m down-hole depth, including 11m grading 2.4% copper,
- **9m grading 2.0% copper** from 132m down-hole depth,
- **6m grading 2.1% copper** from 65m down-hole depth,
- **5m grading 2.5% copper** from 31m down-hole depth, including 2m grading 4.3% copper,
- **15m grading 1.7% copper** from 80m down-hole depth

Mineralisation at San Antonio remains open at depth and along strike, and warrants further extensional drilling.

Drill planning and additional exploration is planned to be undertaken in advance of submission of regulatory applications to commence follow-up and resource definition drilling at San Antonio.

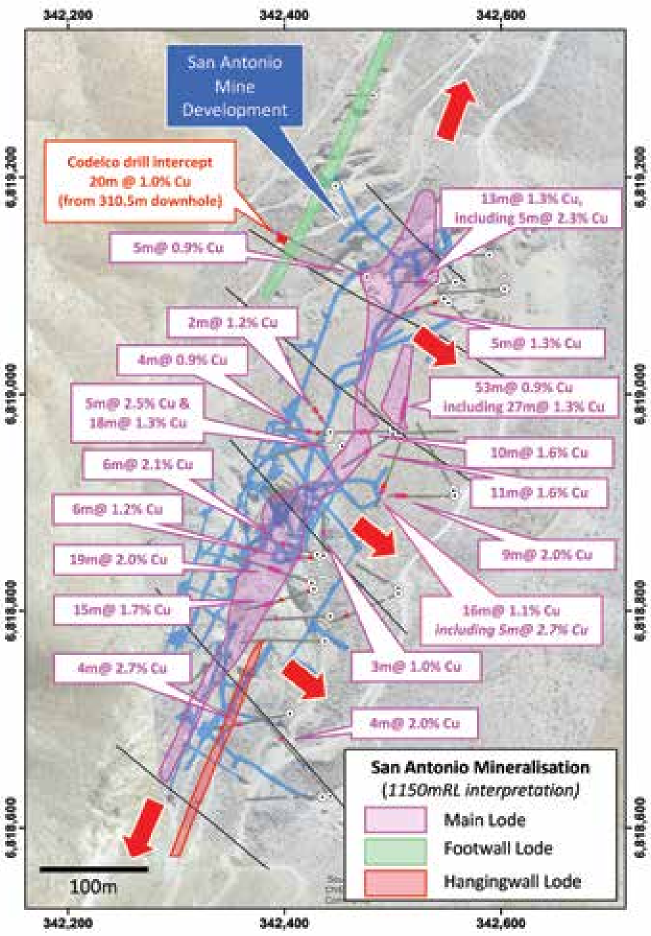

Figure 7. Plan displaying the location of significant drill intercepts in relation to the San Antonio underground development and interpretation of high grade copper mineralisation approximately 50m below surface (1,150m RL).

Valentina

The Company has an option agreement to earn a 90% interest in the Valentina project, located 5 kilometres north of San Antonio.

Valentina is a shallow high grade copper mine which has been privately owned for several decades. Work undertaken by Hot Chili has confirmed Valentina potential to host a modest but high grade satellite open pit deposit.

Three shallow drill holes have been completed by Hot Chili across the southern extent of the shallowly developed Valentina copper mine. Two of these holes recorded significant drilling intersections including:

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

grade copper mineralisation immediately south of the Valentina underground mine development.

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

3 Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

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

JORC Compliant Mineral Resource Statements

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

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

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

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

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

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

Mineral Resource and Ore Reserve Confirmation

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

Competent Person’s Statement
- Exploration Results

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

Competent Person’s Statement
- Mineral Resources

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

Competent Person’s Statement
- Ore Reserves

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

3 Qualifying Statements (cont'd)

Forward Looking Statements

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

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

4 Corporate Activities

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

Oversubscribed A$1.0 Million Placement and A$2.2m Entitlement Offer

On 4 February 2019 the Company announced its intention to raise approximately $3.2m (before costs) by way of a placement of Shares and a Rights Offer on a 2 for 7 held basis at $0.01 cents per share.

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

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

Convertible Notes

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

Date	Interest due $	VWAP	Shares
3 July 2018	226,900	0.0284	7,989,446
2 October 2018	229,411	0.0229	10,017,920
2 January 2019	229,411	0.0104	22,058,648
2 April 2019	224,349	0.0202	11,102,811
2 July 2019	219,825	0.0325	6,765,859

Funds from the Placement were used to advance exploration and drilling work at Cortadera and Purisima

5 Directors' Report

Your Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2019 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:

Murray E Black
Chairman

Christian E Easterday
Executive Director

Dr Michael Anderson
Non-Executive Director

Dr Allan Trench
Independent Non-Executive Director

Roberto de Andraca Adriasola
Non-Executive Director

George Randall Nickson
Independent Non- Executive Director

Melanie Leighton
Alternate for M Black

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

Directors' Information

Murray Edward Black
Non-Executive Chairman

Mr Black has over 44 years' experience in the mineral exploration and mining industry and has served as an executive director and chairman for several listed Australian exploration and mining companies. He part-owns and manages a substantial private Australian drilling business, has interests in several commercial developments and has significant experience in capital financing. Mr Black Is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

Christian Ervin Easterday
Managing Director

Mr Easterday is a geologist with over 20 years' experience in the mineral exploration and mining industry. He holds an Honours Degree in Geology from the University of Western Australia, a Masters degree in Mineral Economics from Curtin University of Technology and a Masters Degree in Business Administration from Curtin's Graduate School of Business. Mr Easterday has held several senior positions and exploration management roles with top-tier gold companies including Placer Dome, Hill 50 Gold and Harmony Gold, specialising in structural geology, resource development and mineral economic valuation. For the past five years, Mr Easterday has been involved in various aspects of project negotiation drawing together his commercial, financial and project valuation skills. This work has involved negotiations and valuations covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a Member of The Australian Institute of Geoscientists. Mr Easterday has not held any directorships in any public listed company in Australia in the last three years.

Dr Allan Trench
Independent Non-Executive Director

Dr Trench is a geologist/geophysicist and business management consultant with over 28 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Dr Trench holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts or acted as independent director to Pioneer Resources Ltd, commenced 5 September 2008, Enterprise Metals Ltd, commenced 3 April 2012 and Emmerson Resources Ltd, commenced 3 March 2015.

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

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

Dr Michael Anderson
Non-Executive Director

Dr Anderson holds a PhD in Geology from Royal Schools of Mines and has more than 25 years industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. Dr Anderson subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited and, as Managing Director at Exco Resources Limited where he oversaw the successful development of the White Dam Gold Project and the sale of the Company's Cloncurry Copper Project to Xstrata.

Dr Anderson joined specialist resource investor Taurus Funds Management Pty Ltd as a Director in August 2011. He was appointed as a Non-Executive Director of Base Resources Ltd on 28 November 2011 he resigned on 31 August 2017. He was appointed as a Non-Executive Director of Heemskirk Consolidated Ltd on 31 May 2017 on a temporary basis and resigned on 25 August 2017.

Roberto de Andraca Adriasola
Non-Executive Director

Mr de Andraca Adriasola is a business manager with 25 years' experience in the financial and mining business. Over the last five years he has been working in the main Iron Ore and Steel Producer in Chile, CAP S A. He also oversaw the construction of the first desalination plant dedicated 100% to producing water for mining companies in the north of Chile. Mr de Andraca Adriasola has finance experience working at Chase Manhattan Bank, ABN Amro and Citigroup, working both in Chile and in New York and holds an MBA from the Adolfo Ibanez Business School of Chile. He is a director of Puerto Los Losas, a port in the Atacama Region of Chile. He was elected to the board of directors of CAP S.A. on April 18th 2017, until that date he held the position of VP of Business Development.

5 Directors' Report (cont'd)

Directors (cont'd)

George Randall Nickson

Independent Non-Executive Director

Mr. Nickson has more than 36 years of global experience in the mining industry, including 14 years based in Chile devoted to copper exploration. His career includes work across a range of base and precious metals, bulk commodities and energy. He holds an honours degree in Geological Engineering and a Masters degree in Business Administration.

Mr Nickson is currently engaged as an independent consultant to the exploration sector, specializing in business development, commercial advisory and business evaluations. Prior to that he spent 16 years with BHP, where he worked in a variety of senior technical, exploration management and business development roles while based in Chile, Brazil and Australia. He is a member of the Australasian Institute of Mining & Metallurgy and the Prospectors and Developers Association of Canada. Mr Nickson has not held any directorships in any public listed company in Australia in the last three years.

Melanie Leighton
Alternate Director

Ms Leighton holds a degree in Geology from the University of Western Australia, is a Member of the Australian Institute of Geoscientists, and has almost 20 years' experience within the mineral exploration industry. She has held project and senior geologist roles with several Australian listed companies including Hill 50 Gold, Harmony, and Terra Gold, gaining practical and management experience within the areas of exploration, mining and resource development. Ms Leighton has extensive experience in mineral exploration and resource development and acts in a project management role for Hot Chili in regard to resource estimation, land management, systems development and data integration and stakeholder relations. Ms Leighton is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Corporate Information

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

Principal Activities

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

Results of Operations

The results of the consolidated entity for the year ended 30 June 2019 was a loss of $4,232,370 (2018: loss $4,010,556).

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 15.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

On 2 July 2019 quarterly interest of $219,825 was settled by the issue of 6,765,859 fully paid ordinary shares in the Company at deemed issue price $0.03249 each.

On the 2 July 2019 the Company announced a placement of 166,666,667 shares at $0.03 cents each to raise $5.0m before costs. The placement was completed in two tranches. The 1st tranche of 150,000,000 shares was completed on 10 July 2019 and the 2nd tranche of 16,666,667 shares, which was subject to shareholder approval, was completed on 26 August 2019.

18,759,452 shares were issued on the conversion of 6,214 convertible notes and accrued interest to date of conversion as follows:

31/07/2019	1,710,519
14/08/2019	12,898,514
16/09/2019	4,150,419

The Company also issued 325,000,000 ordinary fully paid shares at $0.036c each to raise AUD$11.7m before costs on 30 September 2019.

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

Likely Developments and Expected Results of Operations

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

Corporate Governance Statement

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

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

Security Holding Interests of Directors

	Ordinary Shares		Options Over Ordinary Shares		Convertible Notes	
Directors	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**
Murray E Black	-	141,116,097	-	6,666,666	-	3,834
Christian E Easterday	385,715	26,696,656	-	6,833,333	-	-
Dr Allan Trench	-	224,046	-	-	-	-
Michael Anderson	-	-	-	-	-	-
Roberto de Andraca Adriasola	6,000,000	-	-	-	-	-
George Randall Nickson	-	-	-	-	-	-
Melanie Leighton (Alternate for M Black)	180,000	-	3,000,000	-	-	-

Shares under Option

There were 81,666,667 ordinary shares under option at 30 June 2019 (2018: 108,666,667).

Shares Issued on the Exercise of Options

There were no ordinary shares of Hot Chili Limited issued during the year ended 30 June 2019 (2018: nil) from the exercise of options.

Options Lapsed/ Cancelled During the Year

39,000,000 options lapsed or were cancelled during the year.

Convertible Notes

There are 109,485 convertible notes on issue as at 30 June 2019 (2018: 113,009). 10,664,156 shares were issued during the financial year on conversion of convertible notes and interest accrued to date of notice to convert. No shares were issued on redemption were issued and there were no repayments during the year. Quarterly interest payable on the convertible notes was settled by the issue of shares.

Directors Benefits

Since 30 June 2019, no Director of the consolidated entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the consolidated entity with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Company Secretary – Lloyd Flint

Lloyd Flint is a Chartered Accountant. He has 25 years' experience in providing corporate secretarial, financial and business advice to a diverse group of business clients and public companies.

Indemnification and Insurance of Directors and Officers

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

Indemnification and Insurance of Auditor

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

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

5 Directors' Report (cont'd)

Directors' Meetings

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

Director	Eligible Meetings while in office	Eligible Meetings attended
Murray E Black	8	8
Dr Michael Anderson	8	8
Christian E Easterday	8	8
Dr Allan Trench	8	8
Roberto de Andraca Adriasola	8	4
George Randall Nickson	8	7
Melanie Leighton (Alternate for M Black)	-	-

Environmental Issues

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

The Directors advise that during the year ended 30 June 2019 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, 1 July 2018 to 30 June 2019, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

Occupational Health and Safety

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

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

In terms of Safety performance, "Lost Time Incident Frequency Rate (LTIFR*)" is the main indicator we monitor to make sure our action plan remains effective and relevant. The LTIFR during the last 24 months (until 30th June 2019) is 0.

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

Proceedings on Behalf of Company

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

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

Non-Audit Services

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

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

Non-audit services that have been provided by the entity's auditor, RSM Australia Partners, have been disclosed in Note 17.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited.

Principles used to determine amount and nature of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from December 2016. All director fees are periodically recommended for approval by shareholders.

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

Details of Remuneration of Directors

2019	Short Term				Post-Employment	Share-based Payments	
Name	Consulting Fees (Related Parties) $	Salary $	Directors' Fee $	Other Benefits $	Super-annuation $	Options $	Total $
Murray E Black	-	52,067	-	-	4,946	-	**57,013**
Dr Michael Anderson	36,792	-	-	-	-	-	**36,792**
Christian E Easterday	-	259,200	-	-	24,624	14,520	**298,344**
Dr Allan Trench	-	-	33,600	-	3,192	-	**36,792**
Roberto de Andraca Adriasola	-	-	36,178	-	-	-	**36,178**
George R Nickson	-	-	36,792	-	-	-	**36,792**
	36,792	**311,267**	**107,184**	**-**	**32,762**	**14,520**	**502,525**

2018	Short Term				Post-Employment	Share-based Payments	
Name	Consulting Fees (Related Parties) $	Salary $	Directors' Fee $	Other Benefits $	Super-annuation $	Options $	Total $
Murray E Black	-	-	-	-	-	-	**-**
Dr Michael Anderson	36,792	-	-	-	-	-	**36,792**
Christian E Easterday	-	259,200	-	-	24,624	-	**283,824**
Dr Allan Trench	-	-	33,600	-	3,192	-	**36,792**
Roberto de Andraca Adriasola	-	-	36,178	-	-	-	**36,178**
George R Nickson (appointed 17 August 2017)	-	-	32,144	-	-	-	**32,144**
	36,792	**259,200**	**101,922**	**-**	**27,816**	**-**	**425,730**

5 Directors' Report (cont'd)

Remuneration of Key Management Personnel

2019	Short Term			Post-Employment	Share-based Payments	
Name	Consulting Fees Related Parties $	Salary $	Other Benefits $	Super-annuation $	Options $	Total $
Melanie Leighton (Corporate Projects Manager / Alternate Director)	-	180,000	-	17,100	7,260	**204,360**
Jose Ignacio Silva (Chief Legal Counsel)	-	169,981	-	-	7,260	**177,241**
	-	**349,981**	**-**	**17,100**	**14,520**	**381,601**

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

[1] Resigned 3 April 2018.

Key Management Personnel Interests in the Shares and Options of the Company

Shares

The number of shares in the company held during the financial year, and up to 30 June 2019, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, is set out below. There were no shares granted as compensation during the year.

2019	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	71,795,243	-	52,417,255	124,212,498
Christian E Easterday	21,064,065	-	6,018,305	27,082,371
Dr Allan Trench	174,258	-	49,788	224,046
Dr Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	1,000,000	-	5,000,000	6,000,000
George Randall Nickson	-	-	-	-
	94,033,566	**-**	**63,485,349**	**157,518,915**
Key Management Personnel				
Melanie Leighton	140,000	-	40,000	180,000
Jose Ignacio Silva	3,990,834	-	4,140,239	8,131,073
	4,130,834	-	4,180,239	8,311,073
Total	**98,164,400**	**-**	**67,655,186**	**165,829,988**

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

[1] Net changes during the period to date of resignation.
* Resigned 3 April 2018.
** Appointed 17 August 2017.

Options

The Company adopted an Employee Incentive Plan during the year. 12,000,000 options were granted under the Plan during the year (2018: Nil). Directors and key management personnel holdings of options are as followed:

2019	Balance at the start of the year	Granted as compensation[1]	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	6,666,666	-	-	6,666,666
Christian E Easterday	833,333	6,000,000	-	6,833,333
Key Management Personnel				
Melanie Leighton	-	3,000,000	-	3,000,000
Jose Ignacio Silva	1,666,667	3,000,000	-	4,666,667
	9,166,666	**12,000,000**	**-**	**21,166,666**

[1] The value of the options granted under the Plan and included in the remuneration above was determined using the following inputs (Black and Scholes):

Exercise price	$0.070 per share
Underlying share price at date of issue	$0.012
Term	3 years
Volatility	89%
Risk free interest rate	1.9%
Value per option	$0.00242
Issue Date	19/12/2018

2018	Balance at the start of the year	Granted as compensation[1]	Other changes during the year[2]	Balance at the end of the year
Directors				
Murray E Black	-	-	6,666,666	6,666,666
Christian E Easterday	-	-	833,333	833,333
Key Management Personnel				
Jose Ignacio Silva	-	-	1,666,667	1,666,667
	-	**-**	**9,166,666**	**9,166,666**

[2] Pursuant to participation in a placement.

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

Service Contracts

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

Remuneration

Under the agreement, Mr Easterday will receive an annual salary of $259,200 after voluntary reductions, plus superannuation at the rate of 9.5% and other entitlements. Mr Easterday's remuneration is subject to annual review.

Term and termination

Mr Easterday was employed for an initial term of 3 years, commencing on 9 October 2013. At least 6 months before the End Date, either party may give notice that the agreement will terminate on the End date.

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

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

Termination entitlements

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

Post termination restraints

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

Service Contracts

The Company, through Its subsidiary Chilean entity Sociedad Minera El Aguila SpA, has entered into a labour agreement with Mr José Ignacio Silva, as Country Manager for Chile and Legal Counsel of the Company. José Ignacio Silva Is a Key Management Personnel.

Remuneration

Under such agreement, Mr. Silva will receive an annual salary of (CLP) $89,955,740 ($186,833 AUD) before any legal and voluntary reductions. The superannuation is included in such amount. Mr. Silva's remuneration is subject to annual review.

Term and termination

Mr. Silva commenced employment on July 1st, 2011. Either party may give notice that the agreement will terminate with 1 months' notice.

Such agreement will continue until either Mr. Silva terminates by giving the Company 1 months' notice or the Company terminates by giving Mr. Silva 1 months' notice or payment in lieu of notice up to an amount equivalent to 1 months' remuneration.

The Company may terminate the agreement summarily for any serious incidents or wrongdoing by Mr. Silva.

Termination entitlements

Upon termination of the agreement, Mr. Silva will be entitled to termination benefits in accordance with the Chilean Labour Code, including any amount of payment in lieu of notice, and a monthly salary per year of work in the Company, unless other benefits have first been approved by Shareholders in a general meeting.

Post termination restraints

Mr. Silva is not subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination.

Service contracts

The Company has entered into an executive service agreement with Ms Melanie Leighton, as Corporate Projects Manager of the Company.

Remuneration

Under the agreement, Ms Leighton will receive an annual salary of $180,000 after voluntary reductions, plus superannuation at the rate of 9.5% and other entitlements. Ms Leighton's remuneration is subject to annual review.

Term and termination

Ms Leighton is employed on a permanent part time basis. Either party can terminate the agreement by giving 4 weeks notice or payment in lieu of notice. The Company may terminate the agreement summarily for any misconduct by Ms.Leighton.

Termination entitlements

There are no entitlements accruing upon termination of the agreement.

5 Directors' Report (cont'd)

Non-executive Directors

Each of the non-executive Directors have signed letters of appointment. The key features of the respective appointments are:

	Murray Black	Allan Trench	Michael Anderson	Randall Nickson	Roberto de Andraca Adriasola
Term	n/a	n/a	n/a	n/a	n/a
Remuneration	$4,751.08 per month inclusive of superannuation	$3,066 per month inclusive of superannuation	$3,066 per month	$3,066 per month	3,066 per month
Termination benefits	Nil	Nil	Nil	Nil	Nil

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019	2018	2017	2016	2015
Other income	238,112	140,513	1,356,693	186,665	71,601
Expenses	(4,470,482)	(4,151,069)	(3,855,169)	(9,775,548)	(8,726,371)
EBITDA	(2,184,855)	(2,419,012)	(1,311,457)	(7,153,060)	(6,290,813)
EBIT	(2,196,264)	(2,431,564)	(1,327,339)	(7,234,332)	(6,399,228)
Loss after income tax	(4,232,370)	(4,010,556)	(2,498,476)	(9,588,883)	(8,654,770)

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

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.032	0.03	0.023	0.06	0.10
Basic earnings per share (cents per share)	(0.47)	(0.65)	(0.44)	(2.22)	(2.47)

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

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2018: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2019 (2018: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $27,154 (2018: $25,110) for the year was settled by the issue of 1,106,941 shares (2018: 753,266). $7,698 was payable as at 30 June 2019 (2018: $7,698) which was settled by issue of 236,932 shares on 2 July 2019 (2018: 271,054 shares on 3 July 2018). The shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, a director, following shareholder approval.

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director, was paid $1,670,375 (2018: $49,171) for rent and drilling services. As at 30 June 2019 $1,220,628 (2018: Nil) was owing to Blue Spec Sondajes Chile Limitada for drilling at Cortadera.

All transactions were made at commercial terms.

End of Remuneration Report

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the directors

Christian E Easterday

Managing Director

30 September 2019

Perth, WA

6 Auditors' Independence Declaration

RSM Australia Partners

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2 The Esplanade Perth WA 6000
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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 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM
RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 30 September 2019

7 Auditors' Report

RSM Australia Partners

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

Opinion

We have audited the financial report of Hot Chili Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $4,232,370 and had cash outflows from operating activities of $2,182,056 and from investing activities of $3,183,117 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by $9,093,922. As stated in Note 1, these events or conditions, along with other matters as set forth in Note1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Carrying value of Exploration and Evaluation Expenditure
Refer to Note 10 in the financial statements</td></tr>
<tr><td>The Group has capitalised a significant amount of exploration and evaluation expenditure, with a carrying value of $113,176,541 as at 30 June 2019.

We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, including:
• Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest;
• Assessing whether any indicators of impairment are present and if so, judgement applied to determine and quantify any impairment loss; and
• Assessing whether exploration activities have reached a stage at which the existence of economically recoverable reserves may be determined.</td><td>Our audit procedures in relation to the carrying value exploration and evaluation expenditure included:
• Ensuring that the right to tenure of the area of interest was current;
• Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest;
• Enquiring with management and reviewing budgets and other documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future;
• Assessing and evaluating management's assessment of whether indicators of impairment existed at the reporting date;
• Assessing that the impairment expensed recognised for the year ended was appropriately calculated; and
• Through discussions with the management and review of the Board Minutes, ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

RSM

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 30 September 2019

8 Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2019
Perth

9 Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

Statement of Profit or Loss & Other Comprehensive Income

	Note	Consolidated Entity 2019 $	2018 $
Interest income	4	3,460	6,708
Gain on revaluation of derivative liability	5	234,652	-
Other income	5	-	133,805
		238,112	**140,513**
Depreciation		(11,409)	(12,552)
Convertible notes expenses		(34,257)	(77,474)
Exploration expenses written off	10	(270,047)	(422,109)
Corporate fees		(81,843)	(94,722)
Legal and professional		(209,075)	(219,196)
Employee benefits expense		(984,246)	(824,946)
Administration expenses		(215,663)	(183,913)
Accounting fees		(182,135)	(63,142)
Travel costs		(14,006)	(29,229)
Other expenses		(351,476)	(350,116)
Foreign exchange loss		(167,465)	(76,081)
Loss on revaluation of derivative liability		-	(218,597)
Share based payments		(29,040)	-
Finance costs		(1,919,820)	(1,578,992)
Loss before income tax		(4,232,370)	(4,010,556)
Income tax expense	6	-	-
Loss after income tax		(4,232,370)	(4,010,556)
Other comprehensive income		-	-
Total Comprehensive Loss		**(4,232,370)**	**(4,010,556)**
Loss attributable to:			
Non-controlling interests		(119,746)	(106,610)
Owners of Hot Chili Limited		(4,112,624)	(3,903,946)
		(4,232,370)	**(4,010,556)**
Basic earnings per share (cents)	16	(0.47)	(0.65)
Diluted earnings per share (cents)	16	(0.47)	(0.65)

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

10 Statement of Financial Position

AS AT 30 JUNE 2019

	Note	Consolidated Entity 2019 $	2018 $
Current Assets			
Cash and cash equivalents	7	1,377,545	3,656,560
Other current assets	8	7,445	12,086
Total Current Assets		1,384,990	3,668,646
Non-Current Assets			
Plant and equipment	9	157,919	193,353
Exploration and evaluation expenditure	10	113,176,541	108,743,662
Total Non-Current Assets		113,334,460	108,937,015
Total Assets		**114,719,450**	**112,605,661**
Current Liabilities			
Trade and other payables	11	3,913,365	2,302,535
Derivative financial instruments	13	6,565,547	7,010,455
Total Current Liabilities		10,478,912	9,312,990
Non-Current Liabilities			
Borrowings	12	4,561,540	3,814,764
Total Non-Current Liabilities		4,561,540	3,814,764
Total Liabilities		**15,040,452**	**13,127,754**
Net Assets		**99,678,998**	**99,477,907**
Equity			
Contributed equity	14	131,837,269	127,432,848
Option reserve	15(b)	52,530	1,497,028
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(51,401,511)	(48,762,425)
Capital and reserves attributable to owners of Hot Chili Limited		80,489,510	80,168,673
Non-controlling interests	15(d)	19,189,488	19,309,234
Total Equity		**99,678,998**	**99,477,907**

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

11 Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Entity	Contributed Equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2018	127,432,848	1,497,028	1,222	(48,762,425)	19,309,234	99,477,907
Loss for the year	-	-	-	(4,112,624)	(119,746)	(4,232,370)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(4,112,624)**	**(119,746)**	**(4,232,370)**
Shares issued	4,477,062	-	-	-	-	4,477,062
Share issue costs	(72,641)	-	-	-	-	(72,641)
Share based payments	-	(1,444,498)	-	1,473,538	-	29,040
Balance at 30 June 2019	**131,837,269**	**52,530**	**1,222**	**(51,401,511)**	**19,189,488**	**99,678,998**
Balance at 1 July 2017	122,053,043	1,473,539	1,222	(44,858,479)	19,415,844	98,085,169
Loss for the year	-	-	-	(3,903,946)	(106,610)	(4,010,556)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(3,903,946)**	**(106,610)**	**(4,010,556)**
Shares issued	5,703,116	-	-	-	-	5,703,116
Share issue costs	(323,311)	-	-	-	-	(323,311)
Share based payments	-	23,489	-	-	-	23,489
Balance at 30 June 2018	**127,432,848**	**1,497,028**	**1,222**	**(48,762,425)**	**19,309,234**	**99,477,907**

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

12 Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,062,362)	(2,159,372)
Interest payment		(123,154)	(145,063)
Interest received		3,460	6,708
Other receipts		-	133,805
Net cash used in operating activities	19	(2,182,056)	(2,163,922)
Cash Flows from Investing Activities			
Payments for plant and equipment		-	(15,029)
Payments for exploration and evaluation		(3,183,117)	(1,581,470)
Net cash used in investing activities		(3,183,117)	(1,596,499)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,216,916	5,006,380
Share issue costs		(72,641)	(299,698)
Proceeds from issuance of Convertible Note		-	383,400
Repayment of borrowings		-	-
Net cash provided by financing activities		3,144,275	5,090,082
Net (decrease)/increase in cash held		(2,280,898)	1,329,661
Cash and cash equivalents at the beginning of the financial year		3,656,560	2,402,980
Effects of exchange rates on cash holdings in foreign currencies		(58,117)	(76,081)
Cash and cash equivalents at the end of the financial year	7	**1,377,545**	**3,656,560**

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

13 Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant Impact on the financial performance or position of the consolidated entity.

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

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents and other receivables has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 July 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

The Group did not generate revenue for the 12 months ending 30 June 2019.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue on 30th September 2019 by the Board of Directors.

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

Critical accounting estimates

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

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

Historical cost convention

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

Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a net loss of $4,232,370 and had cash outflows from operating activities of $2,182,056 and from investing activities of $3,183,117 for the year ended 30 June 2019. As of that date, the consolidated entity had net current liabilities of $9,093,922.

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

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

- Included in current liabilities is a derivative liability of $ 6,565,547 (Note 13) and debt component of $4,561,540 (Note 12) attributed to granting an option to the convertible note holder that may be converted at any time prior to maturity. The convertible note is redeemable at the option of the company and thus will not be a drain on the company's funds;
- Included in current liabilities a refundable deposit option fee of $2,138,850 (Note 11). The option fee is refundable at the option of Campania Minera del Pacífico S.A. (CMP). The directors are working co-operatively with CMP to co-ordinate the exercise of Tranche 1 of the associated Additional Purchase Option, which would raise USD $26m, enable the potential settlement of the convertible facility and provide significant cash flow to the consolidated entity; and
- The company expects to issue equity securities in addition to the $16.7 million raised after year end (note 21) under the *Corporations Act 2001*, to fund ongoing working capital requirement. Other sources of funding may also be contemplated, including alternate funding optionss.

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

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

(b) Parent entity information

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hot Chili Limited ('parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Hot Chili Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests in the results and equity of the consolidated entity is shown separately in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position respectively.

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

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

(d) Income tax

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

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

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

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

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

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

(e) Revenue recognition

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

i. Interest Income

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

ii. Other Services

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

(f) Current and non-current classification

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

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

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

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

(g) Exploration and evaluation expenditure

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

(h) Plant and equipment

Plant and equipment

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

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

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

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

Depreciation

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

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

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

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

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

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

(i) Trade and other payables

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

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

(j) Share-based payments

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

(k) Earnings per share

i. Basic earnings per share

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

ii. Diluted earnings per share

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

(l) Segment reporting

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

(m) Impairment of assets

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

(n) Cash and cash equivalents

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

(o) Provisions

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

(p) GST

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(q) Borrowings

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

13 Notes to the Financial Statements (cont'd)

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

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

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

(r) Derivative financial instruments

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

(s) Finance costs

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

(t) Issued Capital

Ordinary shares are classified as equity.

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

(u) Other Receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(w) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been Issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the Impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short -term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will

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

be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity will adopt this standard from 1 July 2019. The impact of the new leases standard has however assessed as not having a material impact on the financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Exploration and evaluation costs

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

Share-based payment transactions

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

Derivative financial instruments

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

Consolidation of entities

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

Fair value measurement hierarchy

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

3. SEGMENT INFORMATION

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

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

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

3. SEGMENT INFORMATION (CONT'D)

Operating revenues of approximately Nil (2018: 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.

2019	Australia $	Chile $	Total $
Assets	1,235,623	13,483,827	114,719,450
Liabilities	(11,495,426)	(3,545,026)	(15,040,452)
P&L (EBITDA)	(1,319,064)	(865,791)	(2,184,855)
Interest			3,460
Depreciation			(11,409)
Finance costs			(1,919,820)
P&L (Loss)			(4,112,624)

2018	Australia $	Chile $	Total $
Assets	3,473,294	109,132,367	112,605,661
Liabilities	(11,098,254)	(2,029,500)	(13,127,754)
P&L (EBITDA)	(1,401,145)	(917,965)	(2,319,110)
Interest			6,708
Depreciation			(12,552)
Finance costs			(1,578,992)
P&L (Loss)			(3,903,946)

4. INTEREST INCOME

	Consolidated Entity	
	2019 $	2018 $
Interest income	3,460	6,708
	3,460	**6,708**

5. OTHER INCOME

	2019 $	2018 $
Net gain on revaluation of derivative liability	234,652	-
Other	-	133,805
	234,652	**133,805**

6. INCOME TAX EXPENSE

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(4,232,370)	(4,010,556)
Prima facie income tax at 27.5% (2018: 27.5%)	(1,163,902)	(1,102,903)
Tax-effect of amounts not deductible in calculating taxable income	594,861	471,044
Tax loss not recognised	569,041	631,859
Income tax expense	**-**	**-**
(b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	22,690,187	20,620,946
Potential tax benefit at 27.5% (2018: 27.5%)	6,239,801	5,670,760

(a) The directors estimate that the potential deferred tax asset at 30 June 2019 in respect of tax losses not brought to account is $6,239,801(2018: $5,670,760)..

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $26,645,959 (2018: $20,713,268).

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

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

ii. There is no change to legislation to adversely affect the consolidated entity and its subsidiaries in realising the benefit from the deduction of the losses.

7. CASH AND CASH EQUIVALENTS

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Cash at bank	1,377,545	3,656,560
	1,377,545	**3,656,560**
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Cash and cash equivalents	**1,377,545**	**3,656,560**

8. OTHER CURRENT ASSETS

Accounts receivable	7,311	11,953
VAT receivable	133	133
	7,444	**12,086**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	723,395	723,395
Less provision for depreciation	(565,476)	(530,042)
	157,919	**193,353**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	193,353	219,928
Additions	-	15,029
Disposals and scrapped	-	-
Depreciation (i)	(35,434)	(41,604)
Carrying amount at the end of the year	**157,919**	**193,353**

(i) Depreciation of $24,025 (2018: $29,052) was capitalised into exploration costs.

10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2019	2018
	$	$
Carrying amount at the beginning of the year	108,743,662	107,555,248
Consideration given for mineral exploration acquisition	142,952	173,741
Capitalised mineral exploration and evaluation	4,559,974	1,436,782
Exploration costs written off	(270,047)	(422,109)
Carrying amount at the end of the year (i)	**113,176,541**	**108,743,662**

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

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

11. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2019	2018
	$	$
Trade payables and accruals	1,774,515	273,035
Refundable deposit (option fee) (i)	2,138,850	2,029,500
	3,913,365	**2,302,535**

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

12. BORROWINGS

	Consolidated Entity	
	2019	2018
NON-CURRENT	$	$
Convertible note – debt component[1]	4,561,540	3,814,764
	4,561,540	**3,814,764**

[1] There are a total of 109,485 convertible notes on issue as at 30 June 2019 (2018: 113,009). On 22 June 2017, the consolidated entity issued 109,175, 8% five-year convertible notes, with a face value of $100 each and a further 3,834 convertible notes were issued on 8 September 2017 for total proceeds of $11,300,900. During the year 3,524 convertible noted were converted to ordinary shares In the capital of the company on receipt of notices to convert. Interest is paid quarterly in arrears at a rate of 8% per annum based on the face value. The maturity date of the notes is 22 June 2022. The conversion rights associated with the convertible notes are:

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

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

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

Convertible note - reconciliation

	Consolidated Entity	
	2019	2018
	$	$
Balance Brought forward	3,814,764	3,184,082
Proceeds from Issue	-	383,400
Notes and accrued interest converted	(150,767)	-
Derivative liability at inception	-	(340,608)
Transaction costs	-	(2,140)
Finance charges amortised	897,543	590,030
At the end of the financial year	**4,561,540**	**3,814,764**

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity	
	2019	**2018**
	$	**$**
Derivative Liability - Convertible Note	6,565,547	7,010,455
	6,565,547	**7,010,455**

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

Fair value hierarchy

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

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

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

Derivative liability - reconciliation

	Consolidated Entity	
	2019	**2018**
	$	**$**
Balance at beginning of period	7,010,455	6,451,250
Derivative liability at inception	-	340,608
Fair value of Exercised Notes	(210,256)	-
Net Change in fair value during the period	(234,652)	218,597
At the end of the financial year	**6,565,547**	**7,010,455**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2019	**2018**	**2019**	**2018**
			$	**$**
At the beginning of the financial year	735,876,764	554,381,254	127,432,848	122,053,043
Shares issued on capital raising during the financial year	321,697,937	162,090,539	3,216,979	5,006,502
Shares issued in lieu of convertible note costs	51,259,924	19,404,971	907,683	696,614
Shares issued on conversion of convertible notes	10,573,057	-	352,400	-
Less cost of issue	-	-	(72,641)	(323,311)
At the end of the financial year	**1,119,407,682**	**735,876,764**	**131,837,269**	**127,432,848**

(b) Terms and Conditions of Contributed Equity

Ordinary Shares

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

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

14. CONTRIBUTED EQUITY (CONT'D)

(c) Movement in Unlisted Options

	2019 Options	2018 Options
Balance at beginning of financial year	108,666,667	39,000,000
Issued during the financial year	12,000,000	69,666,667
Expired during the year	(39,000,000)	-
Balance at end of financial year	**81,666,667**	**108,666,667**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2019 (2018: NIL).

(a) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders. Capital is calculated as 'equity' as shown in the statement of financial position and is monitored on the basis of funding exploration activities.

15. RESERVES, ACCUMULATED LOSSES AND NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2019 $	2018 $
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(48,762,425)	(44,858,479)
Net loss for the year	(4,112,624)	(3,903,946)
Options expired during the year	1,473,538	-
Accumulated losses at the end of the year	**(51,401,511)**	**(48,762,425)**

(b) Option reserve

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

As at 30 June 2019, no options to which the reserve relates have been exercised.

	2019 $	2018 $
Balance at the beginning of the year	1,497,028	1,473,539
Issues of options during the year	29,040	23,489
Options expiring during the year	(1,473,538)	-
Balance at the end of the year	**52,530**	**1,497,028**
(c) Foreign currency translation reserve		
Balance at the beginning of the year	1,222	1,222
Balance at the end of the year	**1,222**	**1,222**
(d) Non-controlling interests		
Balance at the beginning of the year	19,309,234	19,415,844
Share of loss for the year	(119,746)	(106,610)
Balance at the end of the year	**19,189,488**	**19,309,234**

16. LOSS PER SHARE

	Consolidated Entity	
	2019	2018
	$	$
Loss after tax attributable to the owners of Hot Chili Limited	(4,112,624)	(3,903,946)
Basic loss per share (cents)	(0.47)	(0.65)
Diluted loss per share (cents)	(0.47)	(0.65)
Unexercised options are not dilutive		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	866,697,528	596,376,912
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**866,697,528**	**596,376,912**

17. REMUNERATION OF AUDITORS

	Consolidated Entity	
	2019	2018
	$	$
Audit Services – RSM Australia Partners		
- Auditing and reviewing of financial reports	47,000	46,000
Othert Services – RSM Australia Partners		
- Tax services	11,147	18,434
	58,147	**64,434**

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Murray E Black	(Chairman)
Christian E Easterday	(Executive Director)
Dr Michael Anderson	(Non-Executive Director)
Dr Allan Trench	(Independent Non-Executive Director)
Roberto de Andraca Adriasola	(Non-Executive Director)
George Randall Nickson	(Independent Non-Executive Director)

(b) Company Secretary

Lloyd Flint

(c) Corporate Projects Manager

Melanie Leighton (also Alternate Director)

(d) Chief Legal Counsel and country manager

Jose Ignacio Silva

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(e) Details of Remuneration of Key Management Personnel for the year ended 30 June 2018:

	Consolidated Entity	
	2019	**2018**
	$	**$**
Directors		
Short-term benefits	455,243	397,914
Post-employment benefits	32,762	27,816
Share based payments	14,520	-
	502,525	**425,730**
Key Management Personnel		
Short-term benefits	349,981	388,212
Post-employment benefits	17,100	21,288
Share based payments	14,520	-
	381,601	**409,500**
Total	**884,126**	**835,230**

19. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Cash used in Operating Activities

	Consolidated Entity	
	2019	**2018**
	$	**$**
Loss for the year	(4,232,370)	(4,010,556)
Non-cash items:		
Depreciation	11,409	12,552
Effect of exchange rates on holdings in foreign currencies	58,117	76,081
Exploration expenditure written off	126,422	422,109
Effect on revaluation of derivative liability	(234,652)	218,597
Amortised finance costs	893,385	587,888
Non-cash finance costs	903,279	677,443
Share based payments	29,040	-
Options issued in lieu of convertible note transaction costs	-	19,170
Net cash flows from operating activities before change in assets and liabilities	**(2,445,370)**	**(1,996,716)**
Change in assets and liabilities during the financial year:		
Other current assets	4,641	101,352
Trade and other payables	258,673	(268,558)
Net cash outflow from operating activities	**(2,182,056)**	**(2,163,922)**

19. NOTES TO STATEMENT OF CASH FLOWS (CONT'D)

(b) Non cash investing and financing activities

2019

12,000,000 Plan options were issued to Key Management Personnel under the Employee Incentive Scheme adopted by the Company. The options are exercisable at AUD$0.07c per and expire 19 December 2021.

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

Quarter ended	Date paid	Interest due $	VWAP	Shares issued
30 September 2018	2 October 2018	229,411	0.0229	10,017,920
31 December 2018	2 January 2019	229,411	0.0104	22,058,648
31 March 2019	2 April 2019	224,349	0.02021	11,102,811
30 June 2019	2 July 2019	219,825	0.0325	6,765,859

A total of 3,524 Convertible Notes and respective interest to dates of conversion were converted to 10,664,156 shares during the year.

2018

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

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

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

20. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

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

	Consolidated Entity	
	2019	2018
	$	$
Within one year	589,572	375,715
Later than one year but not later than five years	2,481,107	2,746,584
More than five years	6,616,284	6,277,905
	9,686,963	**9,400,204**

(b) Option Payment Commitments

During the year the group entered into formal agreements to acquire a 100% interest in each the Cortadera project and the Purisima project over the next 3 years. 100% of the mining rights of the projects will be transferred upon satisfaction of the Option payments committed as at 30 June 2019 tabled below. The consolidated entity has previously (2018 year) entered into a formal agreement to acquire a 90% interest in the San Antonio Project and a 90% interest in the Valentina Project over a four-year period. The Joint ventures involves an Option agreement whereby the full interest of 100%, 90% and 90% respectively of the mining rights of the project will be transferred upon satisfaction of the agreed Option payments:

Within one year	7,272,209	101,475
Later than one year but not later than five years	53,472,123	18,197,808
	60,744,332	**18,299,283**

20. COMMITMENTS FOR EXPENDITURE (CONT'D)

(c) Operating Leases

The consolidated entity leases office premises under operating leases. The leases have various terms and renewal rights. Commitments for minimum lease payments in relation to operating leases are payable as follows:

	Consolidated Entity	
	2019	**2018**
	$	**$**
Within one year	75,533	113,300
Later than one year but not later than five years	-	75,533
	75,533	**188,833**

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

21. EVENTS OCCURRING AFTER REPORTING DATE

On 2 July 2019 quarterly interest of $219,825 was settled by the issue of 6,765,859 fully paid ordinary shares in the Company at deemed issue price $0.03249 each.

On the 2 July 2019 the Company announced a placement of 166,666,667 shares at $0.03 cents each to raise $5.0m before costs. The placement was completed in two tranches. The 1st tranche of 150,000,000 shares was completed on 10 July 2019 and the 2nd tranche of 16,666,667 shares, which was subject to shareholder approval, was completed on 26 August 2019.

18,759,452 shares were issued on the conversion of 6,214 convertible notes and accrued interest to date of conversion as follows.

31/07/2019	1,710,519
14/08/2019	12,898,514
16/09/2019	4,150,419

The Company also issued 325,000,000 ordinary fully paid shares at $0.036c each to raise AUD$11.7m before costs on 30 September 2019.

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

22. RELATED PARTIES

Parent Entity

Hot Chili Limited Is the parent entity

Subsidiaries

Interests In subsidiaries are set out in Note 24.

Key management personnel

Disclosures relating to key management personnel are set out in Note 17 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2018: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2019 (2018: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $30,877 (2018: $25,110) for the year was settled by the issue of 1,701,861 shares (2018: 753,266). $7,698 was payable as at 30 June 2019 (2018: $7,698) which was settled by issue of 236,932 shares on 2 July 2019 (2018: 271,054 shares on 3 July 2018). The shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, a director, following shareholder approval.

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director, was paid $1,519,911 (2018: $49,171) for rent and drilling services. As at 30 June 2019 $1,220,628 (2018: Nil) was owing to Blue Spec Sondajes Chile Limitada for drilling at Cortadera.

All transactions were made at commercial terms.

23. CONTINGENT LIABILITIES

As at 30 June 2019, Hot Chili Limited had accumulated VAT refund payments totalling $12,602,329 (CLP 6,018,998,141). Under the terms of the VAT refund payment, the consolidated entity had until the 31 December 2019 to commercialise production from Productora and meet certain export targets. Hot Chili also has the right to extend this term. In the event that the term is not extended and Hot Chili does not meet certain export targets, Hot Chili will be required to re-pay the VAT refund payments to the Chilean Tax Authority subject to certain terms and conditions. However, if Hot Chili achieves the export targets from Productora within that timeframe or its renewal, if required, any VAT refund payments will not be required to be repaid. The Company has to exercised its right to extend the date of commercial production from Productora with the Chilean Tax Authority. An extension to 30 June 2022 has been granted.

24. INTEREST IN SUBSIDIARIES

(a) Material subsidiaries

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2019 %	Equity Holding 2018 %
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila SpA*	Chile	Ordinary	80*	80*
Sociedad Minera Los Mantos SpA	Chile	Ordinary	100	100
Sociedad Minera Frontera SpA	Chile	Ordinary	100	100
Sociedad Minera Bandera SpA	Chile	Ordinary	100	100

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

(b) Non-controlling interests (NCI)

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

	SMEA 30-Jun-19	SMEA 30-Jun-18
Summarised statement of financial position		
Current assets	166,175	185,614
Non-current assets	108,676,104	108,133,390
Total assets	108,842,279	108,319,004
Current liabilities	35,698	-
Non-current liabilities	26,607,932	25,521,627
Total liabilities	26,643,630	25,521,627
Net assets	82,198,649	82,797,377
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	133,805
Expenses	(598,728)	(666,849)
Loss before income tax expense	(598,728)	(533,044)
Income tax expense	-	-
Loss after income tax expense	(598,728)	(533,044)
Other comprehensive income	-	-
Total comprehensive loss	**(598,728)**	**(533,044)**
Statement of cash flows		
Net cash used in operating activities	(563,029)	(620,874)
Net cash used in investing activities	(542,714)	(778,468)
Net cash from in financing activities	1,086,304	1,383,201
Net increase in cash and cash equivalents	(19,439)	(16,141)
Other financial information		
Profit / (loss) attributable to non-controlling interests	(119,746)	(106,610)
Accumulated non-controlling interests at the end of reporting period	19,189,488	19,309,234

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

Risk Exposures and Responses

(a) Interest rate risk exposure

The consolidated entity's is not exposed to interest rate risk. Borrowings are issued at fixed rates (Note 12).

(b) Credit risk exposure

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

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

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

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts. There are no significant concentrations of credit risk within the consolidated entity.

(c) Liquidity risk

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

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

Financing arrangements

Remaining contractual maturities

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

25. FINANCIAL RISK MANAGEMENTS (CONT'D)

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	1,774,515	-	1,774,515	1,774,515
Refundable deposit	-%	2,138,850	-	2,138,850	2,138,850
Convertible note debt – fixed rate	8%	-	10,948,500	10,948,500	4,561,540
Total non-derivatives		**3,913,365**	**10,948,500**	**14,861,865**	**8,474,905**
Derivatives					
Convertible note debt	-%	6,565,547	-	6,565,547	6,565,547
Total derivatives		**6,565,547**	**-**	**6,565,547**	**6,565,547**

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	273,035	-	273,035	273,035
Refundable deposit	-%	2,029,500	-	2,029,500	2,029,500
Convertible note debt – fixed rate	8%	-	11,300,900	11,300,900	3,814,764
Total non-derivatives		**2,302,535**	**11,300,900**	**13,603,435**	**6,117,299**
Derivatives					
Convertible note debt	-%	7,010,455	-	7,010,455	7,010,455
Total derivatives		**7,010,455**	**-**	**7,010,455**	**7,010,455**

25. FINANCIAL RISK MANAGEMENTS (CONT'D)

(d) Market risk

Foreign exchange risk

The consolidated entity has considered the sensitivity relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis considers the effect on current year results and equity which could result in a change in the USD / AUD rate. The consolidated entity is exposed to foreign exchange risk through its USD cash holdings at reporting date. The table below summarises the impact of + / - 10% strengthening / weakening of the AUD against the USD on the consolidated entities post tax profit for the year and equity. The analysis is based on a 10% strengthening /weakening of the AUD against the USD at reporting date with all other factors remaining equal.

		Consolidated Entity	
		Post tax profit	**Equity**
2019		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-
		Post tax profit	**Equity**
2018		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-

26. PARENT ENTITY DISCLOSURES

	2019	2018
Financial position	**$**	**$**
Assets		
Current assets	1,193,511	3,419,774
Non-current assets	94,277,387	90,470,785
Total assets	**95,470,898**	**93,890,559**
Liabilities		
Current liabilities	6,933,886	7,170,490
Non-current liabilities	4,561,540	3,814,764
Total liabilities	**11,495,426**	**11,098,254**
Equity		
Issued capital	131,837,280	127,432,859
Reserves	52,530	1,497,029
Accumulated losses	(47,914,338)	(46,137,583)
Total equity	**83,975,472**	**82,792,305**
Financial performance		
Loss for the year	(3,250,293)	(2,992,689)
Other comprehensive income		-
Total comprehensive income	**(3,250,293)**	**(2,992,689)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2019 or 30 June 2018.

27. SHARE BASED PAYMENTS

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

(a) Options issued

No options are currently issued to employees.

Set out below is a summary of options on issue as at 30 June 2019:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Exercised during the year	Balance at end of year	Number exercisable at end of year
27/06/2014	27/06/2019	11,000,000	-	(11,000,000)	-	-	-
24/08/2016	06/09/2018	8,000,000	-	(8,000,000)	-	-	-
06/06/2017	20/06/2019	20,000,000	-	(20,000,000)	-	-	-
09/05/2018[2]	31/05/2020	52,189,305	-	-	-	52,189,305	52,189,305
21/06/2018[2]	31/05/2020	17,477,362	-	-	-	17,477,362	17,477,362
19/12/18[1]	19/12/2021	-	12,000,000	-	-	12,000,000	12,000,000
Total		**108,666,667**	**12,000,000**	**(39,000,000)**	**-**	**81,666,667**	**81,666,667**

Weighted average exercise price of options on issue is $0.096 (2018: $0.108). The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.86 years (2018: 1.52 years).

(b) Fair value of options issued

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

2019

(1) 12,000,000 Plan options were issued to Key Management Personnel under the Employee Incentive Plan adopted by the company. The inputs for the fair value model for fee options were as follows:

a) options are granted for no consideration.
b) exercise price – $0.07
c) issue date – 19 December 2018
d) expiry date – 19 December 2021
e) expected price volatility of the Company's shares: 89%
f) risk-free interest rate: 1.9%
g) spot price at date of issue: $0.012
h) fair value of 0.242c per option

2018

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

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

27. SHARE BASED PAYMENTS (CONT'D)

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

During the year the Company issued 61,832,981 shares (2018: 19,404,971) at a fair value of $1,260,083 (2018: $923,514) in lieu of interest on the convertible note issue and conversion of notes and accrued interest to shares. As at 30 June 2019 interest of $219,825 had accrued and the 6,765,859 shares issued on 2 July 2019 are not included in total issued for the year.

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

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

	Consolidated Entity	
	2019	2018
	$	$
Employee Incentive Options issued	29,040	23,490
Shares issued for convertible notes and accrued interest converted	356,867	-
Convertible note interest	903,216	923,514
	1,289,123	**947,004**

14 Shareholder Information

AS AT 18 SEPTEMBER 2019

Information Required by the Australian Securities Exchange Limited

(a) Spread of Holdings

			Shareholders	Units
1	-	1,000	115	29,574
1,001	-	5,000	247	699,601
5,001	-	10,000	164	1,326,819
10,001	-	100,000	961	40,548,311
100,001	&	Over	734	1,268,995,355
			2,221	**1,311,599,660**

There are 605 holders of unmarketable parcels comprising 3,024,373 shares.

(b) The names of the twenty largest shareholders as at 18 September 2019, who between them held 56.22% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	J P MORGAN NOM AUST PL	131,458,515	10.02%
2	BLUE SPEC DRILLING PL	100,119,887	7.63%
3	KALGOORLIE AUTO SVC PL	76,571,428	5.84%
4	CITICORP NOM PL	70,916,785	5.41%
5	QMETCO LTD	66,567,499	5.08%
6	CAP S A	66,153,868	5.04%
7	YARANDI INV PL	47,698,455	3.64%
8	STEPHENS B O + E J	25,000,000	1.91%
9	BLUE SPEC SONDAJES CHILE	24,246,210	1.85%
10	SCOTT NERIDA RUTH	20,000,000	1.52%
11	SAMLISA NOM PL	20,000,000	1.52%
12	TWO TOPS PL	15,000,000	1.14%
13	HSBC CUSTODY NOM AUST LTD	13,032,653	0.99%
14	REPLAY HLDGS PL	10,000,000	0.76%
15	WOOLFORD GRAHAM JOHN	9,928,572	0.76%
16	CHIFLEY PORTFOLIOS PL	8,916,666	0.68%
17	UBS NOM PL	8,900,000	0.68%
18	LIMITADA INVERSIONES P	8,131,073	0.62%
19	ALLCHURCH JAMES PETER	8,000,000	0.61%
20	W & P COE PL	8,000,000	0.61%
		738,641,611	**56.22%**

(c) Substantial Shareholders (from substantial shareholder notices)

Taurus SM Holdings Pty Ltd	103,808,367	13.2%
Murray Black	124,212,498	11.16%
CAP SA	66,153,868	8.89%

(d) As at 18 September 2019 there are 116 holders of the 103,271 Convertible Notes on issue. There are no Convertible Note holders holding more than 20% of the notes: There are no voting rights attached to Convertible Notes.

(e) As at 18 September 2019 there are 90 holders of the 81,666,667 Options over shares on issue. There are no Option holders holding more than 20% of the options. There are no voting rights attached to Options.

(f) As at 18 September 2019 there is no current on-market buyback under way.

15 Tenement Schedule

Hot Chili has significantly added to its landholdings in Chile with the execution of two option agreements to acquire a 100% interest in the Cortadera project in early 2019.

Cortadera

Hot Chili has entered into an agreement under which Frontera SpA ("Frontera" - 100% subsidiary of Hot Chili) will have the option to acquire a 100% interest in Carola's Vallenar Mining Rights related to the Cortadera project, on the following terms:

- The purchase price payable to acquire the Cortadera project is US$30 million, payable in three instalments over a 30 month term ("Option Period") as follows:
  a) US$5 million on 15th July- of which US$2 million has been paid by Hot Chili, and an extension granted until 15th October 2019 for the balance payment of US$3 million,
  b) US$10 million on 15th July 2020,
  c) US$15 million on 15th July 2021.

Upon exercise of the Option, Frontera is not committed to making any subsequent instalment of the purchase price, and may elect not to pay subsequent instalments and relinquish all interest in the Cortadera project.

A second option agreement was executed between Frontera SpA ("Frontera" - 100% subsidiary of Hot Chili) and Sociedad Legal Minera Purisima Una Sierra La Cortadera, who own the Purisima Mining Right, where Frontera has the option to acquire a 100% interest in the Purisima Mining Right over a three-year period on the following terms:

- The purchase price to acquire the Purisima Mining Right is US$1.5 million, payable in instalments as follows:
  d) US$50,000 payable by 11th February 2019- this has been satisfied by Hot Chili
  e) US$100,000 on 14th December 2019,
  f) US$250,000 on 14th December 2020, and
  g) US$1,100,000 on 14th December 2021.
- A net smelter return royalty of 1.5% will be granted across any future production within the Purisima Mining Right.
- Frontera shall have a first right of refusal to purchase the royalty at agreed commercial terms at any time.

Table 1. Cortadera project tenement schedule

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
Romero 1 al 31		100% Frontera SpA	31	HCH 100% option earn in: US$3 million to be paid on 15th October 2019, US$10 million to be paid on 15th July 2020, US$15 million to be paid on 15th July 2021
MAGDALENITA 1/20		100% Frontera SpA	100	
ATACAMITA 1/82		100% Frontera SpA	82	
AMALIA 942 A 1/6		100% Frontera SpA	53	
PAULINA 10 B 1/16		100% Frontera SpA	136	
PAULINA 11 B 1/30		100% Frontera SpA	249	
PAULINA 12 B 1/30		100% Frontera SpA	294	
PAULINA 13 B 1/30		100% Frontera SpA	264	
PAULINA 14 B 1/30		100% Frontera SpA	265	
PAULINA 15 B 1/30		100% Frontera SpA	200	
PAULINA 22 A 1/30		100% Frontera SpA	300	
PAULINA 24 1/24		100% Frontera SpA	183	
PAULINA 25 A 1/19		100% Frontera SpA	156	
PAULINA 26 A 1/30		100% Frontera SpA	294	
PAULINA 27A 1/30		100% Frontera SpA	300	
CORTADERA 1 1/200		100% Frontera SpA	200	
CORTADERA 2 1/200		100% Frontera SpA	200	
CORTADERA 41		100% Frontera SpA	1	

15 Tenement Schedule (cont'd)

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

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
CORTADERA 42		100% Frontera SpA	1	
LAS CANAS 16		100% Frontera SpA	1	
LAS CANAS 1/15		100% Frontera SpA	146	
CORTADERA 1/40		100% Frontera SpA	374	
LAS CANAS ESTE 2003 1/30		100% Frontera SpA	300	
CORROTEO 1 1/260		100% Frontera SpA	260	
CORROTEO 5 1/261		100% Frontera SpA	261	
PURISIMA		100% Frontera SpA	20	HCH 100% option earn in: US$100,000 to be paid on 14th December 2019, US$250,000 to be paid on 14th December 2020, US$1.1 million to be paid on 14th December 2021 NSR 1.5%

Productora

Table 2. Productora project tenement schedule

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
FRAN 1, 1-60	80% SMEA SpA		220	
FRAN 2, 1-20	80% SMEA SpA		100	
FRAN 3, 1-20	80% SMEA SpA		100	
FRAN 4, 1-20	80% SMEA SpA		100	
FRAN 5, 1-20	80% SMEA SpA		100	
FRAN 6, 1-26	80% SMEA SpA		130	
FRAN 7, 1-37	80% SMEA SpA		176	
FRAN 8, 1-30	80% SMEA SpA		120	
FRAN 12, 1-40	80% SMEA SpA		200	
FRAN 13, 1-40	80% SMEA SpA		200	
FRAN 14, 1-40	80% SMEA SpA		200	
FRAN 15, 1-60	80% SMEA SpA		300	
FRAN 18, 1-60	80% SMEA SpA		273	
FRAN 21, 1-46	80% SMEA SpA		226	
ALGA 7A, 1-32	80% SMEA SpA		89	
ALGA VI, 5-24	80% SMEA SpA		66	
MONTOSA 1-4	80% SMEA SpA		35	NSR 3%
CHICA	80% SMEA SpA		1	
ESPERANZA 1-5	80% SMEA SpA		11	
LEONA 2A 1-4	80% SMEA SpA		10	
CARMEN I, 1-50	80% SMEA SpA		222	
CARMEN II, 1-60	80% SMEA SpA		274	
ZAPA 1, 1-10	80% SMEA SpA		100	
ZAPA 3, 1-23	80% SMEA SpA		92	
ZAPA 5A, 1-16	80% SMEA SpA		80	

Table 2. Productora project tenement schedule (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
ZAPA 7, 1-24	80% SMEA SpA		120	
CABRITO, CABRITO 1-9	80% SMEA SpA		50	
CUENCA A, 1-51	80% SMEA SpA		255	
CUENCA B, 1-28	80% SMEA SpA		139	
CUENCA C, 1-51	80% SMEA SpA		255	
CUENCA D	80% SMEA SpA		3	
CUENCA E	80% SMEA SpA		1	
CHOAPA 1-10	80% SMEA SpA		50	
ELQUI 1-14	80% SMEA SpA		61	
LIMARÍ 1-15	80% SMEA SpA		66	
LOA 1-6	80% SMEA SpA		30	
MAIPO 1-10	80% SMEA SpA		50	
TOLTÉN 1-14	80% SMEA SpA		70	
CACHIYUYITO 1, 1-20	80% SMEA SpA		100	
CACHIYUYITO 2, 1-60	80% SMEA SpA		300	
CACHIYUYITO 3, 1-60	80% SMEA SpA		300	
LA PRODUCTORA 1-16	80% SMEA SpA		75	
ORO INDIO 1A, 1-20	80% SMEA SpA		82	
AURO HUASCO I, 1-8	80% SMEA SpA		35	
URANIO, 1-70	0%	0%	350	Lease agreement US$250,000 per Yr (average for the 25 year term); plus 2% NSR all but gold; 4% NSR gold; 5% NSR non-metallic
JULI 9, 1-60	80% SMEA SpA		300	
JULI 10, 1-60	80% SMEA SpA		300	
JULI 11 1/60	80% SMEA SpA		300	
JULI 12 1/42	80% SMEA SpA		210	
JULI 13 1/20	80% SMEA SpA		100	
JULI 14 1/50	80% SMEA SpA		250	
JULI 15 1/55	80% SMEA SpA		275	
JULI 16, 1-60	80% SMEA SpA		300	
JULI 17, 1-20	80% SMEA SpA		100	
JULI 19	80% SMEA SpA		300	
JULI 20	80% SMEA SpA		300	
JULI 21 1/60	80% SMEA SpA		300	
JULI 22	80% SMEA SpA		300	
JULI 23 1/60	80% SMEA SpA		300	
JULI 24, 1-60	80% SMEA SpA		300	
JULI 25	80% SMEA SpA		300	
JULI 27 1/30	80% SMEA SpA		150	
JULI 27 B 1/10	80% SMEA SpA		50	
JULI 28 1/60	80% SMEA SpA		300	

15 Tenement Schedule (cont'd)

Table 2. Productora project tenement schedule (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
JULIETA 5	80% SMEA SpA		200	
JULIETA 6	80% SMEA SpA		200	
JULIETA 7	80% SMEA SpA		100	
JULIETA 8	80% SMEA SpA		100	
JULIETA 9	80% SMEA SpA		100	
JULIETA 10 1/60	80% SMEA SpA		300	
JULIETA 11	80% SMEA SpA		300	
JULIETA 12	80% SMEA SpA		300	
JULIETA 13, 1-60	80% SMEA SpA		298	
JULIETA 14, 1-60	80% SMEA SpA		269	
JULIETA 15, 1-40	80% SMEA SpA		200	
JULIETA 16	80% SMEA SpA		200	
JULIETA 17	80% SMEA SpA		200	
JULIETA 18, 1-40	80% SMEA SpA		200	
ARENA 1 1-6	80% SMEA SpA		40	
ARENA 2 1-17	80% SMEA SpA		113	
ZAPA 1 - 6	80% SMEA SpA		6	NSR 1%

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

San Antonio

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

1. US$nil paid on execution of a formal JV Option agreement (executed 7 November 2017)
2. US$300,000 to be paid on 7th November 2020
3. US$6,700,000 to be paid on 7th November 2021

Exploration by Hot Chili at San Antonio shall be at its discretion and during the first 36 months of the JV the owner will be able to exploit up to 50,000 tonnes of ore per year from within the project.

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

Table 3. San Antonio project tenement schedule

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
Santiago 21 al 36		90% Frontera SpA	76	90% (HCH)-10% (Arnaldo del Campo) JV. 4 years term. USD 300,000 to be paid on year 3 -Nov 7th 2020. USD 6,700,000 as a final exercise payment on year 4 (Nov 7th 2021).
Santiago 37 al 43		90% Frontera SpA	26	
Santiago A, 1 al 26		90% Frontera SpA	236	
Santiago B, 1 al 20		90% Frontera SpA	200	
Santiago C, 1 al 30		90% Frontera SpA	300	
Santiago D, 1 al 30		90% Frontera SpA	300	
Santiago E, 1 al 30		90% Frontera SpA	300	
Prima Uno		90% Frontera SpA	1	
Prima Dos		90% Frontera SpA	2	
Santiago 15 al 19		90% Frontera SpA	25	
San Antonio 1 al 5		90% Frontera SpA	25	
Santiago 1 AL 14 Y 20		90% Frontera SpA	75	
Mercedes 1 al 3		90% Frontera SpA	50	
CORTADERA 1	100% Frontera SpA		200	
CORTADERA 2	100% Frontera SpA		200	
CORTADERA 3	100% Frontera SpA		200	
CORTADERA 4	100% Frontera SpA		200	
CORTADERA 5	100% Frontera SpA		200	
CORTADERA 6	100% Frontera SpA		300	
CORTADERA 7	100% Frontera SpA		100	
SAN ANTONIO 1	100% Frontera SpA		200	
SAN ANTONIO 2	100% Frontera SpA		200	
SAN ANTONIO 3	100% Frontera SpA		300	
SAN ANTONIO 4	100% Frontera SpA		300	
SAN ANTONIO 5	100% Frontera SpA		300	
DORO 1	100% Frontera SpA		200	
DORO 2	100% Frontera SpA		200	
DORO 3	100% Frontera SpA		300	
DORO 4	100% Frontera SpA		200	

15 Tenement Schedule (cont'd)

Table 3. San Antonio project tenement schedule (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
SANTIAGO Z		100% Frontera SpA	300	100% HCH Earn In (Arnaldo del Campo). 3 years term. USD 600,000 to be paid on year 3 – 22nd January 2022. 1.5% NSR
Porfiada I		100% Frontera SpA	300	
Porfiada II		100% Frontera SpA	300	
Porfiada III		100% Frontera SpA	300	
Porfiada IV		100% Frontera SpA	300	

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

Valentina

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

1. US$nil paid on execution of a formal JV Option agreement (executed 4 June 2018)
2. US$150,000 to be paid on 1st June 2021
3. US$4,000,000 to be paid on 1st June 2022

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

A schedule of tenements is tabled below.

Table 4. Valentina project tenement schedule

Licence ID	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
SAN JUAN SUR 1/5	90% Frontera SpA	10	90% (HCH)-10% JV. 4 years term. USD 150,000 to be paid on year 3 -June 1st 2021. USD 4,000,000 as a final exercise payment on year 4- -June 1st 2022.
SAN JUAN SUR 6/23	90% Frontera SpA	90	

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

Lulu

The Lulu project Joint Venture Option agreement was terminated during the reporting period to allow the Company to focus on its core projects - Cortadera, Productora and El Fuego (San Antonio and Valentina).

16 Corporate Directory

Directors

Murray E Black
(Non-Executive Chairman)

Christian E Easterday
(Managing Director)

Dr Allan Trench
(Independent Non-Executive Director)

Dr Michael Anderson
(Non-Executive Director)

Roberto de Andraca Adriasola
(Non-Executive Director)

George Randall Nickson
(Independent Non-Executive Director)

Melanie Leighton
(Alternate for M Black)

Company Secretary

Lloyd Flint

Chief Legal Counsel

Jose Ignacio Silva

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