

Hot Chili Limited

ACN 130 955 725

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Quarterly Report

Period Ending June 30 2017

Quarterly Highlights

- Hot Chili closes A\$11.3 million private placement (**Funding**) via issue of unsecured Convertible Notes to key major shareholders
- Funding led by Sprott Capital Partners, a division of Sprott Private Wealth LP, and affiliates
- Strong participation in Funding by Taurus Funds Management Pty Ltd and supported by Blue Spec Drilling Pty Ltd, (a company associated with Hot Chili's Chairman, Murray Black)
- All outstanding debt fully repaid to Sprott Resource Lending Partnership and all loan securities discharged over Hot Chili and its subsidiaries
- First phase of porphyry copper exploration drilling complete at Productora, results being compiled and second phase drilling planned over three key targets
- Drilling being undertaken by Blue Spec Sondajes Chile (a company associated with Hot Chili's chairman Murray Black) at its own cost and at no risk to Hot Chili has been completed
- Blue Spec have offered to accept up to a maximum of US\$1 million in Hot Chili shares in consideration for any further drilling that Hot Chili may decide to undertake, subject to shareholder approval
- Notice of Meeting expected to be released in the coming days, with a General Meeting to take place on or around 31st August 2017

ASX CODE

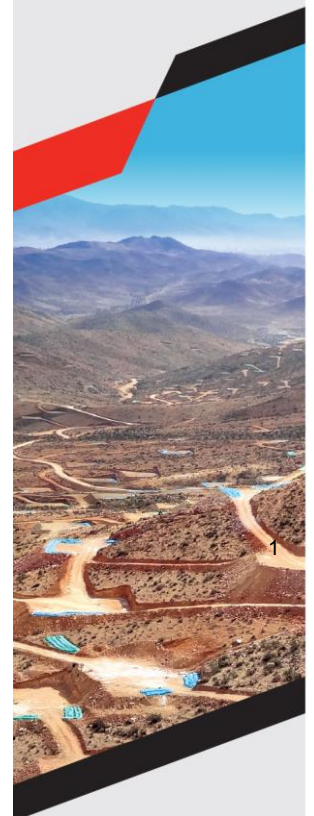
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Contact

Mr Christian Easterday
Managing Director

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Summary of Activities

The second quarter of 2017 has been transformational for Hot Chili, with the Company completing a A\$11.3 million private placement (Funding) via issue of unsecured Convertible Notes to key major shareholders. All outstanding debt has now been repaid and all securities have been removed from Hot Chili and its subsidiaries.

With the Company now debt free it is fully focussed on the growth of its Productora copper project in Chile, with Mineral Resources already standing at 1.5Mt copper and 1Moz gold.

As announced to the ASX on 24th March 2017, Blue Spec Sondajes Chile (a company associated with Hot Chili's Chairman Murray Black) is undertaking a substantial reverse circulation (RC) and DD programme at Productora at its own risk and at no cost to Hot Chili.

Since the commencement of drilling activities in March, Blue Spec have completed approximately 9,000m of reconnaissance RC drilling (RC). In addition, a further 1,200m of diamond drilling (DD) has been completed over the first of five large-scale porphyry copper targets.

Blue Spec have now informed Hot Chili that its offer of free drilling is at an end. In addition, Blue Spec have offered to accept up to a maximum of US\$1 million in Hot Chili shares in consideration for any further drilling that Hot Chili may decide to undertake, subject to shareholder approval.

A Notice of Meeting is expected to be released in the coming days with a General Meeting scheduled to take place on or around 31st August 2017.

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

Porphyry Copper Drilling Programme Update

Drilling undertaken by Blue Spec in the past quarter has provided significant insight into the large-scale porphyry copper system at Productora.

Two distinct domains associated with Productora's 6km long porphyry lithocap have been identified and tested; the western domain (magnetite rich) and eastern domain (magnetite poor) as shown in Figure 1.

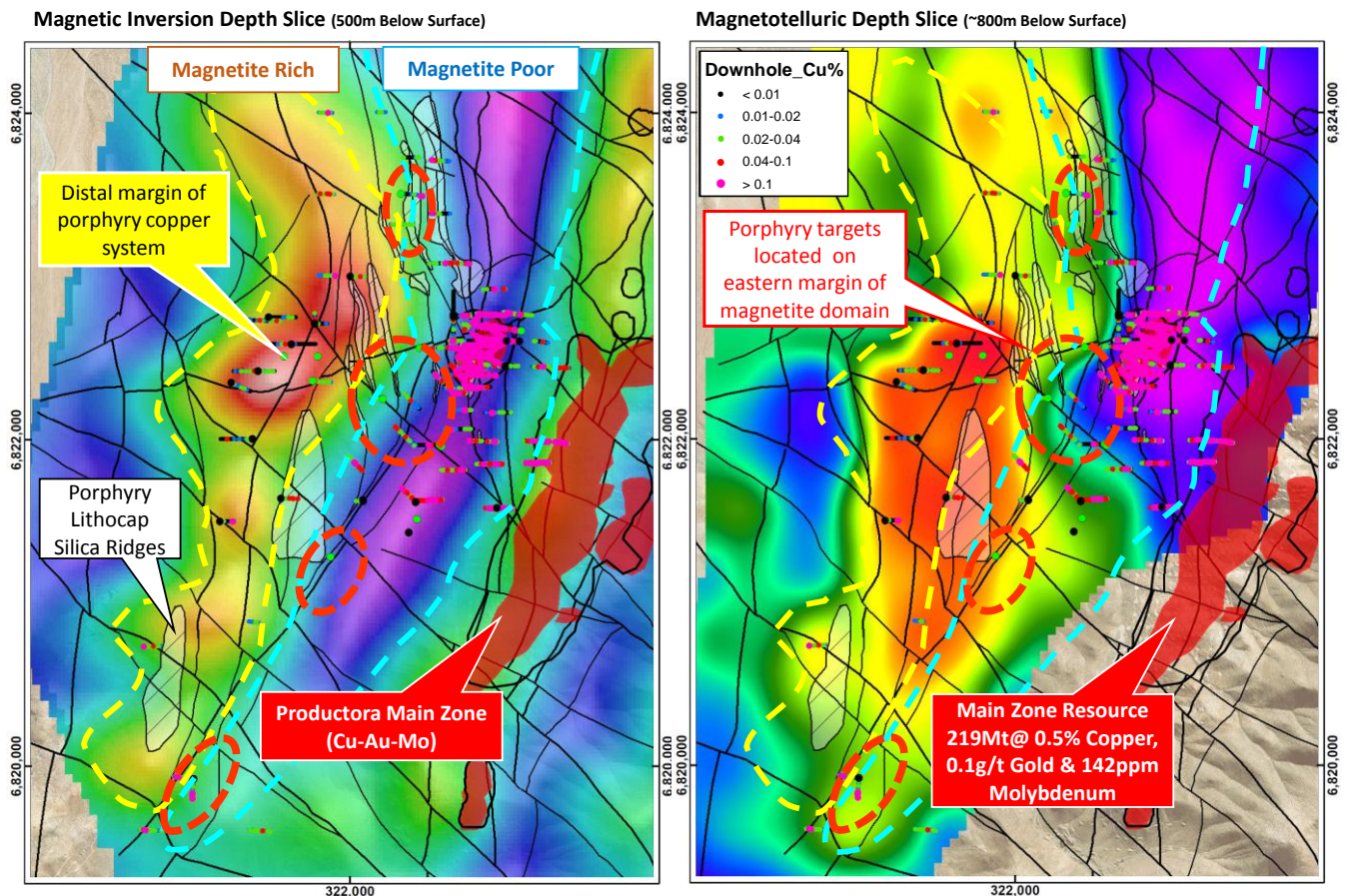


Figure 1. Location of reconnaissance drill holes in relation to key datasets (geophysics, faults, silica caps) covering the Productora porphyry copper lithocap.

Results and information from the first phase of drilling are currently being compiled for review and drill samples are expected to be dispatched for analysis shortly. A second phase of drilling is planned to follow this review.

Drilling directed towards targets located within the magnetite rich western domain has confirmed that it is largely the distal margin of the porphyry copper system.

However, drilling along the eastern domain has provided significant encouragement. Zones of copper oxide (chalcocite and malachite) and primary copper sulphide (chalcopyrite) mineralisation in association with molybdenum enrichment has been recognised in several drill holes over moderate widths.

Four large-scale porphyry copper targets located along the eastern domain are now the focus of Hot Chili's drilling efforts.

DD drilling has been prioritised to initially test three of the four large-scale targets located immediately adjacent to Productora's planned central pit.



The Board of Hot Chili will review the final details of the phase two drilling programme following the Company's planned General Meeting in late August.

Hot Chili's exploration efforts are focussed on demonstrating additional mine life at Productora, with success likely to result in a material shift in the scale and economics of the project.

At a copper price of US\$3/lb, Productora is already positioned as one of the leading large-scale copper projects in the global development pipeline. Given Productora's level of advancement (PFS complete, 10 year mine life established and 1.5Mt copper and 1Moz gold resource) and infrastructure/location advantages, further large-scale exploration success is expected to move the project into the next class of development options available to the copper sector in order to meet forecast future copper demand requirements.

Hot Chili Closes A\$11.3 Million Funding

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

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

The Company is very pleased that all outstanding debt has now been repaid and all securities have been removed from Hot Chili and its subsidiaries. Additional funds will be utilised for exploration and general working capital requirements.

Details of Funding – Strengthened Balance Sheet

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

In addition, Blue Spec has agreed to subscribe for 3,834 Notes for a further A\$383,400, the issue of which shall be subject to approval by Hot Chili's shareholders at a general meeting, which is expected to be held on or around 31st August 2017.

As outlined in Hot Chili's ASX announcement on 24th March 2017:

- Unsecured Notes will have a maturity of 5 years and a conversion price of A\$0.03333 per Ordinary Share.
- The conversion price represents a strong premium to Hot Chili closing price of A\$0.025 on 16th March 2017, when the Funding was announced.

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- All Notes shall automatically convert to Ordinary Shares in Hot Chili at the earlier of conversion by the Note holder and the Maturity Date.
- Annual Coupon Rate of 8% paid to Note holders on a quarterly basis, payable in cash or Ordinary Shares at the election of Hot Chili.

Pursuant to the terms of its agreement with Hot Chili, Sprott is entitled to nominate a non-executive director to the Board of Hot Chili.

The Notes will not be listed on ASX at this time.

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

The Directors of Hot Chili are very pleased with the support of major shareholders Sprott, Taurus and Blue Spec, and also look forward to soon welcoming a Sprott nominee to the Board of Hot Chili as a non-executive Director.

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

With the Company's balance sheet now strengthened, Hot Chili is able to fully focus on its growth activities at Productora. The Company looks forward to releasing a notice of meeting to approve the issue of Notes to Blue Spec shortly, as well as announcing results from its diamond drilling activities over the coming months as the programme advances.



Health, Safety, Environment and Quality

Hot Chili's sustainability framework ensures an emphasis on business processes that target long-term economic, environmental and social value. The Company is dedicated to continual monitoring and improvement of health, safety and the environmental systems.

The company is pleased to report that there were no incidents recorded for the quarter. Field operations during the period including drilling activities and field mapping and sampling exercises.

The Company's HSEQ quarterly performance is summarised below:

HSEQ Quarter 2 2017 Performance and Statistics

Item	Apr-June /17	Last 24 Months
LTI events	0	0
NLTI events	0	0
Days lost	0	0
LTIFR index	0	0
ISR index	0	0
Thousands of mh (1)	6.356	19.63
Environmental incidents	0	0
Headcount (1)	12.3	5.3

Notes: HSEQ is the acronym for Health, Safety, Environment and Quality. LTIFR per million man hours. Safety performance is reported on a monthly basis to the National Mine Safety Authority on a standard E-100 form; (1) man-hours; (2) Average monthly headcount

Tenement Changes during the Quarter

No tenement changes occurred during the quarter.



Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

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

JORC Compliant Mineral Resource Statements

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

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (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
	<i>Sub-total</i>	<i>218.7</i>	<i>0.48</i>	<i>0.10</i>	<i>142</i>	<i>1,059,000</i>	<i>708,000</i>	<i>31,000</i>
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
	<i>Sub-total</i>	<i>17.9</i>	<i>0.41</i>	<i>0.04</i>	<i>39</i>	<i>73,000</i>	<i>23,000</i>	<i>700</i>
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

Deposit	Classification	Tonnage (Mt)	Grade			Contained Metal		
			Cu (%)	Au (g/t)	Mo (ppm)	Copper (tonnes)	Gold (ounces)	Molybdenum (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
	<i>Sub-total</i>	<i>201.6</i>	<i>0.16</i>	<i>0.04</i>	<i>60</i>	<i>320,000</i>	<i>241,000</i>	<i>12,000</i>
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
	<i>Sub-total</i>	<i>16.4</i>	<i>0.13</i>	<i>0.02</i>	<i>27</i>	<i>22,000</i>	<i>9,000</i>	<i>400</i>
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
	<i>Total</i>	<i>218.0</i>	<i>0.16</i>	<i>0.04</i>	<i>58</i>	<i>341,000</i>	<i>250,000</i>	<i>13,000</i>

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

Mineral Resource and Ore Reserve Confirmation

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

Competent Person's Statement- Exploration Results

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

Competent Person's Statement- Mineral Resources

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

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Competent Person's Statement- Ore Reserves

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

Forward Looking Statements

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

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



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Hot Chili Ltd	Quarter ended ("current quarter")
ABN	30 June 2017
91130955725	

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(219)	(799)
(b) development	-	(8)
(c) production		
(d) staff costs	(229)	(826)
(e) administration and corporate costs	(188)	(771)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	14
1.5 Interest and other costs of finance paid	(265)	(1,193)
1.6 Income taxes paid (Municipal Tax)	-	(316)
1.7 Research and development refunds	138	138
1.8 Other (provide details if material) GST Research and Development	11	(1)
	-	(26)
1.9 Net cash from / (used in) operating activities	(751)	(3,788)



Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(42)	(45)
(b) tenements (see item 10) (Lease payment)	-	(297)
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(42)	(342)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	4,400
3.2 Proceeds from issue of convertible notes	10,917	10,917
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(70)	(303)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(8,664)	(8,664)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	2,183	6,350
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,014	221
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(751)	(3,788)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(342)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,183	6,350
4.5	Effect of movement in exchange rates on cash held		(37)
4.6	Cash and cash equivalents at end of period	2,404	2,404



5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,316	926
5.2 Call deposits	88	88
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,404	1,014

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	96
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
Directors salaries and superannuation	



7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Payment for drilling at commercial rates

8. Financing facilities available
Add notes as necessary for an understanding of the position

**Total facility amount at quarter end
\$A'000**

**Amount drawn at quarter end
\$A'000**

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.



9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	275
9.2	Development	
9.3	Production	
9.4	Staff costs	215
9.5	Administration and corporate costs	120
9.6	Other (provide details if material)	
9.7	Total estimated cash outflows	610

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				



Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

A handwritten signature in black ink, appearing to be "John Sendziuk", is written over a horizontal line.

Sign here:

(Company secretary)

Date: 28th July 2017

Print name: John Sendziuk

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.