



ANNUAL REPORT

2010

ACN 130 955 725 ASX Code: HCH

CONTENTS

Chairman's Letter	1
Project Background	2
Review of Operations	6
Tenement Schedule and Details	17
Corporate Governance Statement	30
Directors' Report	34
Auditor's Independence Declaration	40
Independent Audit Report to the Members	42
Directors' Declaration	43
Statements of Comprehensive Income	44
Statements of Financial Position	45
Statements of Changes in Equity	46
Statements of Cash Flows	47
Notes to and Forming Part of the Financial Statements	48
Information Required by the ASX	66

AGM TO BE HELD AT

D J Carmichael
Level 3 London House
216 St Georges Terrace
PERTH WA

2PM MONDAY 15 NOVEMBER 2010

CORPORATE DIRECTORY

DIRECTORS

Murray E Black (Chairman)
Christian E Easterday (Managing Director)
Bernard R Mountford (Resigned 19 July 2010)
Dr Allan Trench (Appointed 19 July 2010)

COMPANY SECRETARY

John E Sendziuk

PRINCIPAL PLACE OF BUSINESS:

PERTH

Suite 25, 784 Canning Hwy,
APPLECROSS WA 6153

Telephone: +61 8 9315 9009
Telephone: +61 8 9315 9005
Facsimile: +61 8 9315 5004

PO Box 1725,
APPLECROSS WA 6953

REGISTERED OFFICE:

KALGOORLIE

Corner Federal Road and Wilson Street
KALGOORLIE WA 6430

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

Email: ally@hotchili.net.au
Web: www.hotchili.net.au

SOLICITORS

McKenzie Moncrieff Lawyers
Level 5, 37 St George's Terrace
PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

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

AUDITORS

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

PRINCIPAL BANKER

Westpac Banking Corporation
Hannan Street
KALGOORLIE WA 6430

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the board of Hot Chili Limited (Hot Chili or Company), I am pleased to present the company's **first annual report** since successfully listing on the Australian Securities Exchange (ASX) in early May.

The past year has been a busy and exciting period for the company. During this time we have secured a world-class exploration portfolio of large and advanced uranium-copper-gold projects in Chile and raised sufficient funds to undertake substantial exploration programmes over each.

Our company is now well positioned and has commenced significant work programmes that aim to rapidly establish potentially large high-value resources in one of the world's premier mining countries. Central to these plans are the company's two advanced projects Productora and Los Mantos. The Productora project is rated by the Chilean Commission for Nuclear Energy (CCHEN) as Chile's largest and most advanced uranium project. Both projects contain operating copper mines and both allow Hot Chili the opportunity to move quickly towards resource definition.

In cooperation with local partners, CMP and CODELCO, Hot Chili is establishing itself as one of the first major uranium-copper-gold focused explorers in Chile. Against a background of strong commodity prices for each of the company's target commodities, and with Chile set to become a uranium producing country later this year, Hot Chili's timing could not be better.

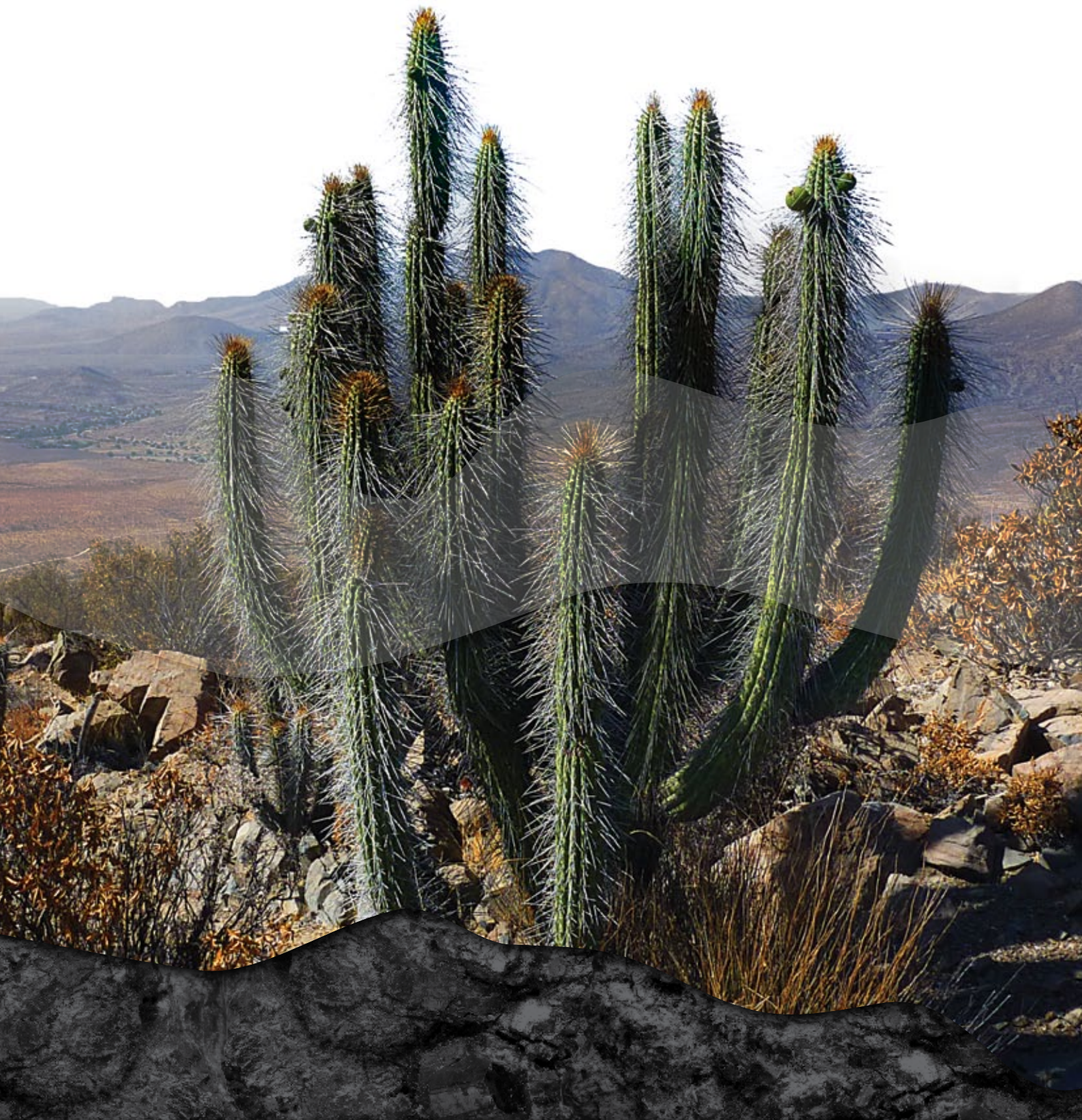
Having now established a local exploration team and commenced maiden drilling activities at Productora, the company is poised to materialise the results of over two years of effort. I would like to thank my fellow directors and the efforts of our exploration team who have laid the foundations for our success ahead. I would also like to thank shareholders for their continuing support.



Murray Edward Black



PROJECT BACKGROUND



Following 2½ years of project generation and negotiation hot chili has secured majority interests in **three of chile's largest and most advanced multi-commodity uranium projects: productora, los mantos and chile norte.**

Hot Chili's projects have the potential to host major endowments of uranium, copper and gold as well as molybdenum and rare earth minerals. All projects lie in Chile's coastal cordillera, one of the world's best iron-oxide-copper-gold (IOCG) provinces hosting several significant deposits, including Candelaria, Mantos Blancos, Manto Verde and El Soldado.

All of Hot Chili's projects are low altitude (<1,000m elevation) and are close to major infrastructure.

The Company has secured two key projects, Productora and Los Mantos, which are at an advanced exploration stage and have the potential to quickly progress towards resource development.

Through its negotiations, Hot Chili has partnered with two of Chile's largest local mining companies CODELCO and CMP. CODELCO is the world's largest copper producer and CMP is Chile's largest iron ore producer. Importantly, CMP's parent company, CAP, became a 5% shareholder in Hot Chili upon listing of the company on the ASX in early May 2010.

Uranium is regulated under the Chilean mining code and there are no regulatory encumbrances to exploring or exploiting uranium in Chile, other than the government's right to purchase a proportion of production at commercial market rate. The proportion that the government will be able to preferentially purchase has not been decided. However, this is expected to be in the order of 20-25%.

Hard-rock, IOCG related uranium processing technology is well established and proven at large-scale in Olympic Dam, the world's largest uranium resource. IOCG uranium deposits are recognised as a major source of future uranium resources and CODELCO has announced it will commence first commercial production of uranium through its CODELCO North operations in September 2010. This is important as it will represent the first commercial production of uranium from Chile.

Hot Chili has assembled a world-class exploration team to advance these projects and ensure the Company maintains a strong technical and economic focus.

The Company considers it has developed critical local relationships in Chile and is well positioned to take advantage of its established position and pursue any potential future growth opportunities.

During the year, Hot Chili commenced a series of intensive exploration programmes over its project portfolio, initially focussing on the more advanced projects of Productora and Los Mantos. The Company's preliminary aims involve delineating a significant uranium-copper-gold resource base from its projects and advancing these to a production decision.

*LEFT:
Hot Chili's Managing Director Christian Easterday and Senior Geologist Tatiana Salazar investigating drilling chips, Productora September 2010*

*FAR LEFT:
David Wilson and Team on Productora ROM pad*



PROJECT BACKGROUND (CONTINUED)

In order of level of advancement, the three projects and their key features are:

PRODUCTORA

- Productora is Hot Chili's flagship project and has been identified by CCHEN as the largest uranium project in Chile.
- Approximately 75% of the Target Mineralisation of the Productora project land position is currently secure through a combination of Hot Chili's own landholding interests, and various five-year earn-in and purchase option agreements. The Company plans to actively pursue any potential future opportunities to increase this project position.
- The project is at an advanced stage, with an operating underground mine, significant historical drilling and extensive supporting geological work already undertaken.
- The Company estimates potential for a Target Mineralisation of 50 – 165 million pounds of U_3O_8 , 0.6 – 1.5 million tonnes of copper and 0.5 – 1.2 million ounces of gold at the project.
- Indicated grade ranges for this Target Mineralisation comprise 0.4 – 1.0 kg/t for U_3O_8 , 1.0 – 2.0% for copper and 0.3 – 0.5g/t for gold.
- The identified footprint of the copper-uranium-gold mineralised system at Productora is 6.1km in strike length and 2km in width.

LOS MANTOS

- Hot Chili has executed a five-year purchase option agreement over the Los Mantos project.
- The project is at a moderately advanced stage with an operating small-scale mine, and extensive historical underground and surface development. No drilling has been undertaken over the project.
- The Company estimates potential for a Target Mineralisation of 0.4 – 0.7 million tonnes of copper, 3 – 26 million pounds of U_3O_8 , and 0.1 – 0.4 million ounces of gold at the project.
- Indicated grade ranges for this Target Mineralisation comprise 0.1 – 0.6 kg/t U_3O_8 , 1.5 – 2.0% copper and 0.1 – 0.4g/t gold.
- Extensive zones of mineralisation are exposed over 2km in strike length and 1km in width.
- The Company has recognised a zoned IOCG system with uranium potential increasing at depth.

CHILE NORTE

- Hot Chili has executed a five-year agreement with CODELCO to earn an interest in a large contiguous land holding that adjoins the Company's own landholding in the project area.
- The project is at an early stage of advancement. Historical exploration in the area included uranium exploration investigations, minor drilling activity, trenching and surface geochemical assaying.
- Over 17km strike length of uranium anomalism has been identified in the area from historical work. Further extensions of this uranium anomalism are inferred by the Company under cover along strike and in analogous areas of project. Significant copper-gold potential also exists within the project.

TARGET SIZE TARGET MINERALISATION STATEMENT

Exploration Target Size and Target Mineralisation described in this annual report--- is conceptual in nature and should not be construed as a JORC compliant Mineral Resource. Target mineralisation is based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a Mineral Resource.

DISEQUILIBRIUM EXPLANATORY STATEMENT

eU_3O_8 refers to the equivalent U_3O_8 grade. This is estimated from gross gamma down-hole measurements corrected for water and drilling mud in each hole. These results are provisional upon the application of calibration correction factors which are determined from geochemical analysis. Geochemical analysis may show higher or lower amounts of actual U_3O_8 , the difference being referred to as disequilibrium.

COMPETENT PERSON'S STATEMENT

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

the
identified
footprint
... is 6.1km
in strike
length and
2km in
width.





PRODUCTORA

LOS MANTOS

CHILE NORTE



LEFT:
Location of Hot
Chili's projects
in Chile

FAR LEFT:
View across the
Productora project



REVIEW OF OPERATIONS

1.0 SUMMARY OF OPERATIONS

In the months following Hot Chili's successful listing on the Australian Securities Exchange (ASX) on the 3rd of May 2010, the company commenced a series of intensive exploration work programmes to prepare for the commencement of maiden drilling programmes over the Productora and Los Mantos projects. These programmes included detailed mapping, rock-chip sampling, soil sampling, data compilation and drilling programme design. Importantly, the results of these work programmes provided increased confidence in the potential of the projects and higher-resolution on delineating areas for immediate confirmatory drill targeting.

Following regulatory approval in late July 2010, the company commenced drill platform clearing at both Productora and Los Mantos to facilitate a 26,000m RC drilling programme over the two projects. The drilling programme is being undertaken in two stages with the first drill hole of stage 1 commencing on the 16th August 2010 at the company's flagship Productora project. Drilling operations and field technical support are now fully established at Productora.

The Company has also made significant progress with its generative exploration activities in Chile including the recent completion of a major helicopter based aeromagnetic and radiometric programme over each of its three projects. This investment in high-resolution data-set acquisition will provide further assistance in the direct targeting of future drill sites at each of Hot Chili's projects.

2.0 PRODUCTORA PROJECT

The Productora project is located in Chile's low-altitude coastal range belt, 15km south of the regional mining centre of Vallenar. Productora is the most advanced of Hot Chili's three Chilean projects, containing an operating underground copper-gold mine and rated by Chilean Commission for Nuclear Energy (CCHEN) as the country's largest identified uranium project. CMP, Chile's largest iron ore producer, is a major partner in the project.

2.1 SOIL SAMPLING PROGRAMME

During the year, the company commenced a large surface soil geochemistry programme at Productora. A total of 1,520 multi-element soil samples were collected at the project during the year.

Compilation of these initial surface radiometric and geochemical soil sample results have revealed significant zones of anomalous copper and molybdenum showing close correlation with the primary corridor of mineralisation as defined by mapping and two primary IP chargeability anomalies. Over the centre of the project, zones of anomalous copper, molybdenum and uranium in historical soil sample results undertaken by CCHEN were repeated by Hot Chili's programme.

2.2 ROCK-CHIP SAMPLING PROGRAMME

A total of 332 rock-chip samples have been collected at Productora during detailed litho-structural mapping of the project during the year. This sampling focussed on mineralised material from surface exposures along the main mineralised trend and returned several significant results as outlined in the table below.

Results of this work indicate that wide zones of copper mineralisation like that located at the operating Productora underground copper-gold mine and the abandoned St Innes mine are structurally located. Zones of higher grade uranium mineralisation are more discrete within the NE-trending fault zones which define the primary corridor of mineralisation. Importantly, recent results provide Hot Chili with further confidence of expected grade ranges for mineralisation at Productora.

2.3 LITHO-STRUCTURAL MAPPING

Hot Chili's consultant structural mapping team commenced a detailed litho-structural mapping campaign over the Productora project during the year. Initial mapping concentrated on the main mineralised corridor at Productora and has provided a firm understanding of the nature and metallogenic distribution of IOCG related mineralisation at the project. Investigations of historical drill sites, trenching and mine development areas has provided further confirmation of the extent and results of historical exploration activities already undertaken over the project.

Further mapping is planned to extend coverage along the entire 12km strike extent of the main mineralised corridor at Productora as well as reconnaissance mapping and investigations of areas of interest associated with IP chargeability anomalies in the western extent of the project.

undertaken in
two stages with
the first drill
hole of stage 1
commencing
on the 16th Aug
2010 at the
company's
flagship
Productora
project



RIGHT:
Hot Chili's Director,
Roland Mountford
measuring
radioactivity at
Productora

FAR RIGHT:
Drilling at Productora,
September 2010

LEFT:
View over the
Productora mine
infrastructure and
openstopes



Selected Significant Surface Rock-Chip Sample Results from Productora

Sample ID	Easting (m)	Northing (m)	Copper (%)	Uranium (ppm)	Gold (ppm)	Molybdenum (ppm)	Cobalt (ppm)
PD0017	323632	6822971	8.39	90	0.3	265	10
PD0018	323632	6822971	1.22	150	0.4	455	205
PD0021	323580	6822179	0.86	640	1.2	789	5
PD0023	323631	6822233	1.98	240	0.2	432	5
PD0024	323631	6822233	0.13	740	0.0	66	3
PD0096	324495	6825411	4.57	bd	3.8	46	407
PD0100	323486	6824160	2.61	520	0.1	451	691
PD0131	323783	6822659	2.08	274	1.3	135	15
PD0136	324255	6822700	0.02	4	15.9	14	2
PD0146	325161	6828902	1.16	298	0.2	4	56
PD0147	325246	6828910	2.52	802	0.9	3	104
PD0150	323626	6822984	0.81	651	0.2	894	117
PD0228	323310	6820627	5.36	22	1.7	6	128
PD0247	323164	6820182	6.11	17	4.7	99	10
PD0254	322143	6821347	0.08	499	0.0	44	83

Note: bd represents below detection limit

2.4 PRODUCTORA STAGE 1 DRILLING - CONFIRMATION OF URANIUM- COPPER MINERALISATION

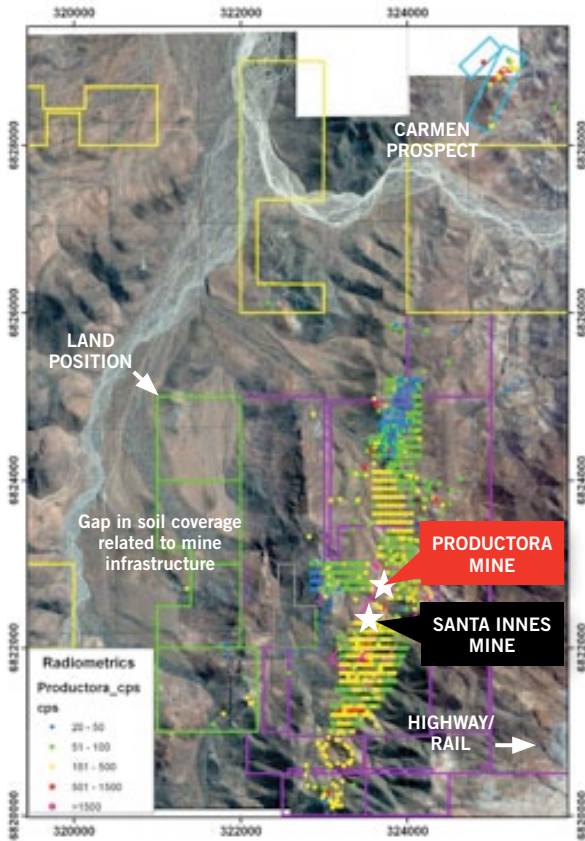
Drilling has commenced at the company's Productora project with a first stage programme comprising approximately 9,000m being directed towards several key areas of the project. The first stage of drilling is scheduled to be completed in late 2010.

Previous exploration for copper at Productora by Teck and General Minerals during the 1990's recorded several significant drilling intercepts including **112m grading 0.65% copper and 0.1g/t gold** from 102m, and **44m grading 0.72% copper and 0.1g/t gold** from 52m. Earlier uranium focused exploration by CCHEN recorded uranium grades ranging between **0.3 - 1.0kg/t eU₃O₈**, over widths of **2 to 15m over a strike extent of approximately 2.4km along the same mineralised corridor**. Hot Chili's drilling at the project will be the first assessment of all of the key commodities contained at Productora, principally uranium, copper and gold.

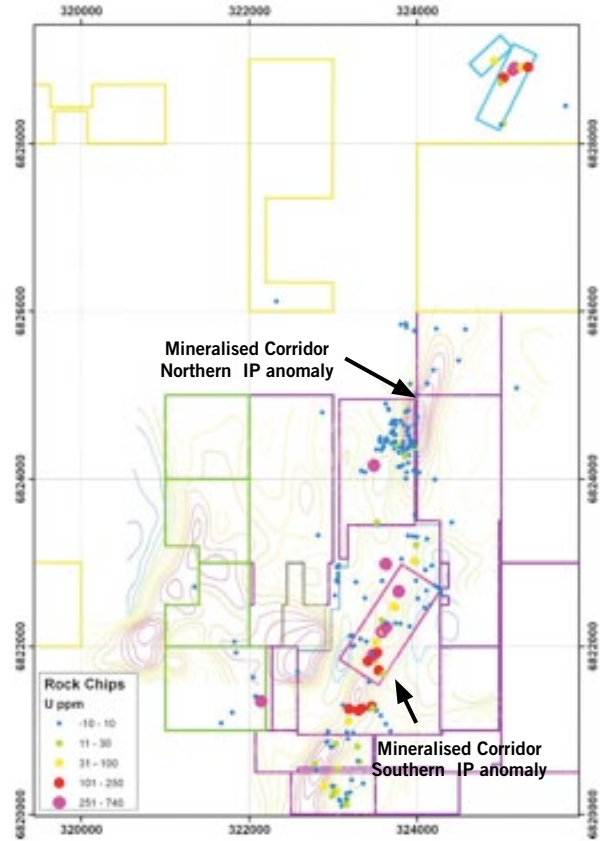
The second stage of drilling at Productora comprises approximately 7,000m and is designed to provide expanded drilling coverage to facilitate preliminary resource estimations should stage 1 results prove successful. This second stage of drilling at Productora will commence early in 2011, subject to the results of the first stage drilling programme.

REVIEW OF OPERATIONS (CONTINUED)

PRODUCTORA SURFACE RADIOMETRIC SURVEY
(All Soil and Rock-Chip Data)



PRODUCTORA PROJECT SURFACE ROCK CHIP - URANIUM
Results and IP Chargeability Anomalies



FROM THE LEFT:
Cogging of chip trays
from Productora drilling
September 2010

RIGHT:
View looking north
across the Productora
mine area

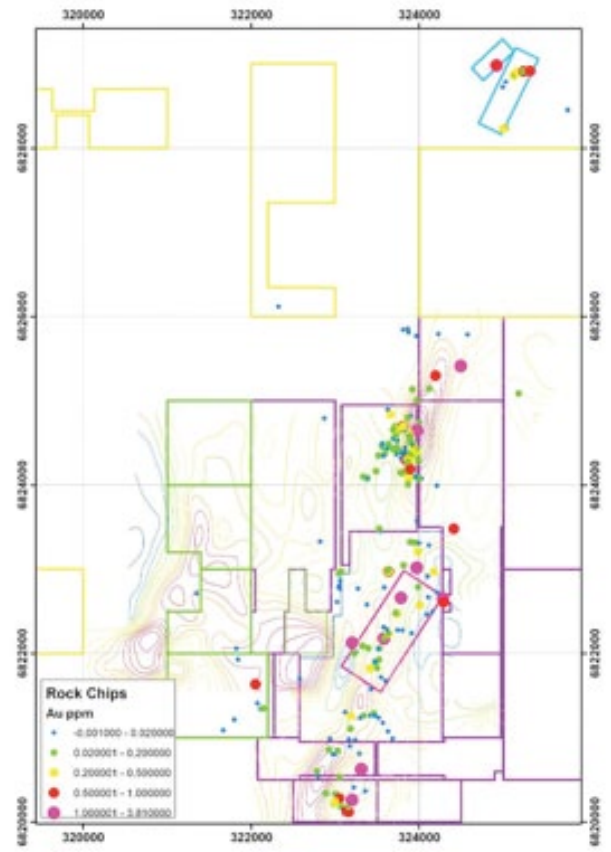
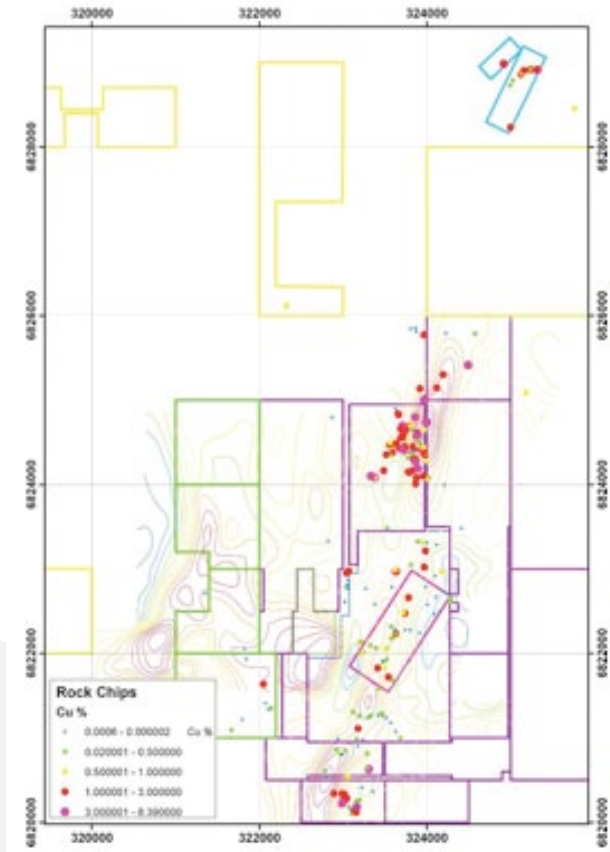
FAR RIGHT:
Hot Chili's Senior
Geologist Tatiana Salazar
investigating drill chips



URANIUM COPPER

PRODUCTORA PROJECT SURFACE ROCK CHIP - COPPER
Results and IP Chargeability Anomalies

PRODUCTORA PROJECT SURFACE ROCK CHIP - GOLD
Results and IP Chargeability Anomalies



GOLD

REVIEW OF OPERATIONS (CONTINUED)

3.0 LOS MANTOS PROJECT

The Los Mantos project is located in Chile's low-altitude coastal range belt, 60km south of the coastal city of La Serena and 15km west of the large Andacollo copper-gold mine. The project has seen significant small-scale historical surface and underground mining activity but as yet has not been drill tested. Under the terms of Hot Chili's five year purchase-option agreement, the owners of Los Mantos have been granted a concession to continue their small-scale surface and underground copper mining activity limited to a rate of 30,000 tonnes per annum.

3.1 SOIL SAMPLING PROGRAMME

During the year, 998 surface soil samples were collected over the extent of the Los Mantos project for multi-element analysis as well as radiometric measurement. The soil sampling programme was undertaken using 100m spaced sample lines with site sampling every 25m over the main mineralised corridor and every 50m outside of this corridor.

A total of 140 samples recorded results of greater than 0.1% copper. In combination with rock-chip sampling, the distribution of extensive low grade copper results in non-mineralised areas throughout the main zone has provided encouragement for bulk tonnage copper potential at Los Mantos.

Radiometric readings at each of the soil sample sites show an increasing response from north to south that correlates well with decreasing elevation.

3.2 ROCK-CHIP SAMPLING AND LITHO-STRUCTURAL MAPPING PROGRAMME

To date, a total of 206 rock-chip samples have been collected at Los Mantos as part of detailed litho-structural mapping campaigns by Hot Chili. This sampling mainly focussed on mineralised material from outcrop and exposures in surface mining development areas along the main mineralised trends. This sampling was done in combination with detailed litho-structural mapping of the main deposit window at Los Mantos.

Results indicate that mantos style mineralisation throughout the northern zone of the project (dipping moderately towards the NE) comprises mostly copper and gold. The southern zone of the project exposes shear-vein hosted mineralisation (dipping moderately toward the SW) which is interpreted to lie at a lower structural level to that of the northern zone of the project. In this area, copper and gold mineralisation is also associated with enrichments of uranium and molybdenum. The average grade of rock chip sampling, mainly over mineralised material in these zones, is summarised in the table below.

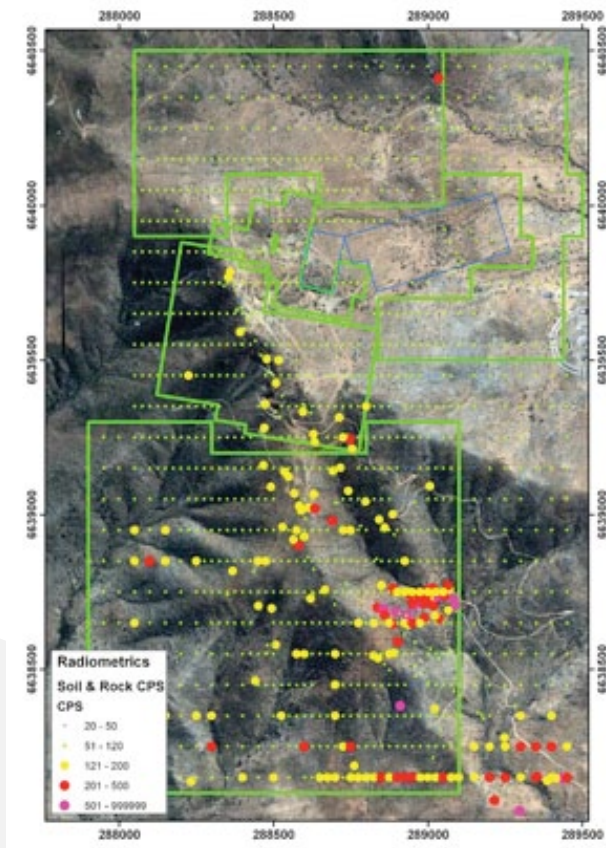
Average Surface Rock-Chip Sample Results from Northern and Southern Zones at Los Mantos

Zone	Samples	Average Grade					Mineralisation Style
		Copper (%)	Uranium (ppm)	Gold (ppm)	Molybdenum (ppm)	Cobalt (ppm)	
Northern	154	1.96	4	0.16	56	112	mantos
Southern	52	2.73	61	0.19	268	156	vein/shear

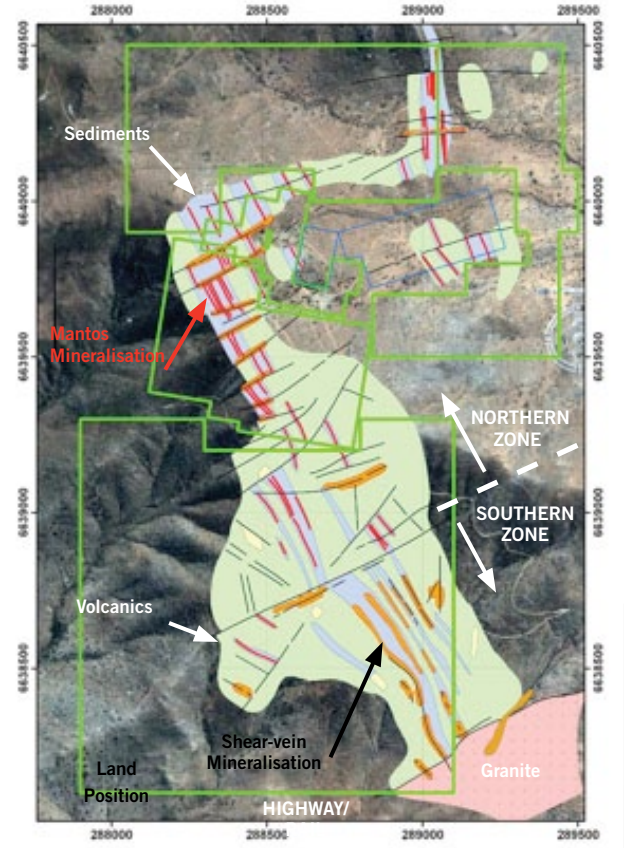
The results of detailed mapping, radiometric and geochemical soil and rock-chip sampling have confirmed significant strike length, widths and grades of copper-gold mineralisation at the Los Mantos project. This work has also indicated a zoned enrichment of both uranium and molybdenum in copper-gold mineralisation at depth in the deposit. These results together with ongoing copper mining from the project have provided a sound technical platform from which to base the company's forthcoming drilling programmes.

sound
technical
platform...
to base the
company's
forthcoming
drilling

LOS MANTOS SURFACE RADIOMETRIC SURVEY
(All Soil and Rock-Chip Data)



LOS MANTOS PROJECT SURFACE LITHO-STRUCTURAL MAP
Mapping completed by Hot Chili to date

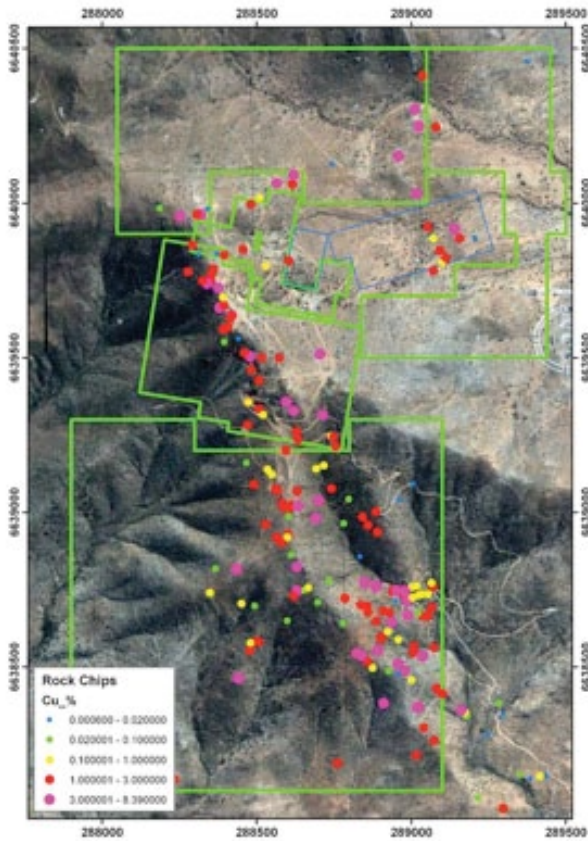


*RIGHT:
Surface
development at
Los Mantos*

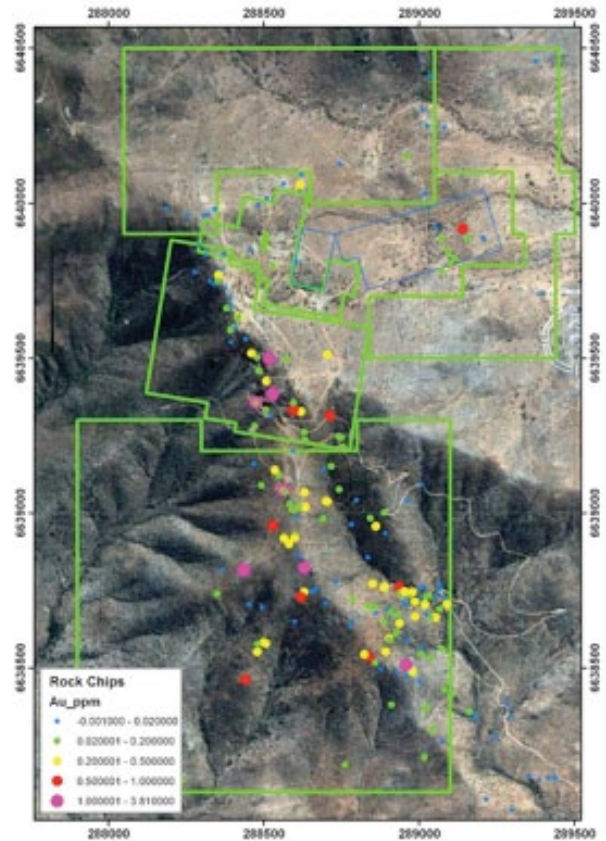


REVIEW OF OPERATIONS (CONTINUED)

LOS MANTOS PROJECT SURFACE ROCK CHIP RESULTS
COPPER

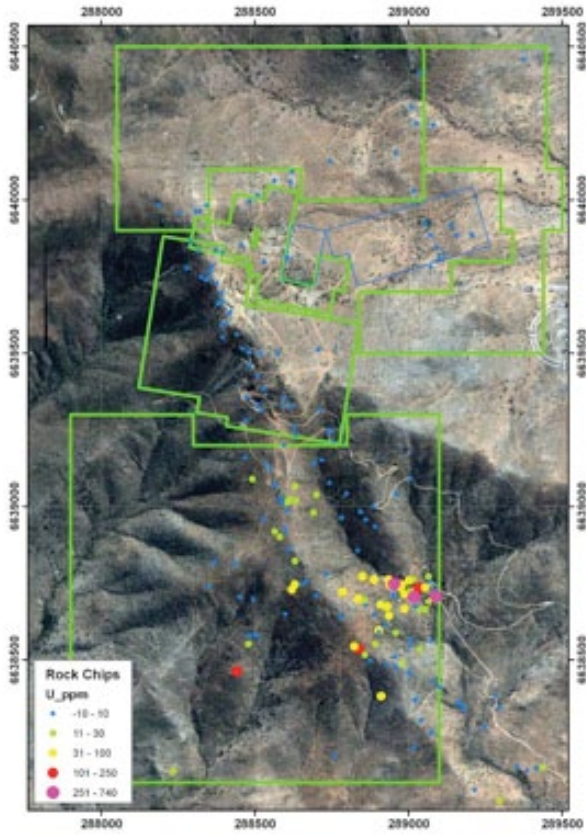


LOS MANTOS PROJECT SURFACE ROCK CHIP RESULTS
GOLD

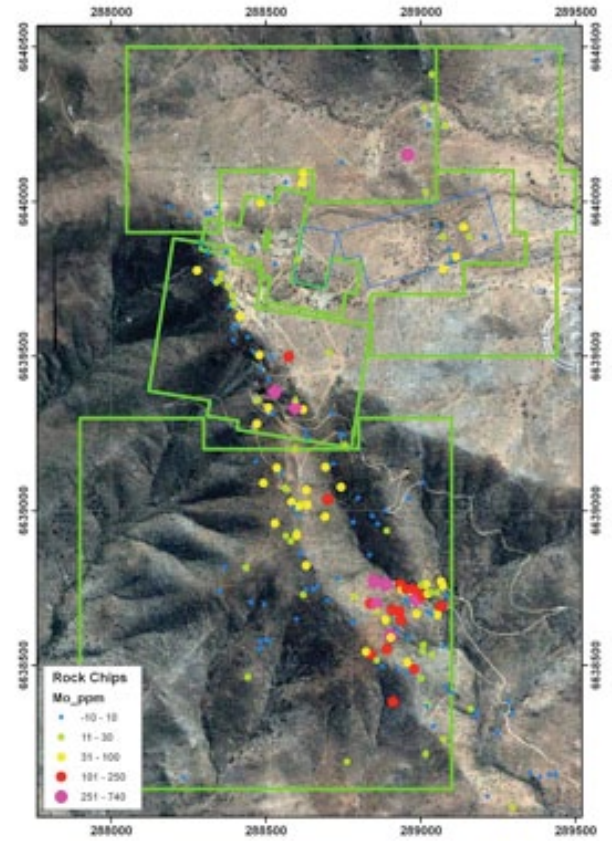


COPPERGOLDURANIUM

LOS MANTOS PROJECT SURFACE ROCK CHIP RESULTS
URANIUM



LOS MANTOS PROJECT SURFACE ROCK CHIP RESULTS
MOLYBDENUM



FROM THE LEFT:
Copper mineralised
mantos zone at
Los Mantos

FAR LEFT:
Drilling chip trays

LEFT:
Managing Director
Christian Easterday and
Director Ronald Mountford
investigating surface
development

MOLYBDENUM

REVIEW OF OPERATIONS (CONTINUED)

Selected Significant Surface Rock-Chip Sample Results from Los Mantos

Sample ID	Easting	Northing	Copper (%)	Uranium (ppm)	Gold (ppm)	Molybdenum (ppm)	Cobalt (ppm)	Zone
LM0046	288903	6638596	1.26	40	0.3	412	243	Southern
LM0050	288986	6638714	3.35	70	0.3	653	457	Southern
LM0051	289089	6638707	9.44	710	0.4	2,230	299	Southern
LM0055	288934	6638762	17.29	60	1.0	222	77	Southern
LM0077	288839	6638536	3.14	106	0.8	244	325	Southern
LM0078	288824	6638544	3.22	49	0.2	40	42	Southern
LM0085	288891	6638553	6.19	11	0.3	141	293	Southern
LM0086	288937	6638644	5.98	95	0.2	162	603	Southern
LM0088	288930	6638674	1.71	57	0.1	158	110	Southern
LM0097	288988	6638667	4.19	48	0.3	44	169	Southern
LM0103	288979	6638745	4.73	81	0.4	239	157	Southern
LM0106	288953	6638747	7.65	266	0.4	237	287	Southern
LM0109	288888	6638762	4.09	44	0.2	274	160	Southern
LM0110	288850	6638772	3.46	32	0.4	280	378	Southern
LM0113	289033	6638735	0.78	108	0.1	24	76	Southern
LM0115	289018	6638706	9.6	450	0.3	6,630	136	Southern
LM0131	289090	6637900	3.83	126	0.2	13	146	Southern
LM0264	288441	6638463	5.94	101	0.6	11	142	Southern
LM0270	288630	6638746	3.16	45	0.4	8	607	Southern
LM0271	288620	6638729	2.06	38	0.7	11	593	Southern
LM0124	288630	6638823	3.81	29	1.1	92	140	Northern
LM0125	288529	6638960	2.28	7	0.9	49	74	Northern
LM0201	288959	6640151	7.21	7	0.1	344	519	Northern
LM0255	288595	6639333	8.42	9	0.8	471	104	Northern
LM0257	288528	6639384	10.05	10	1.3	621	82	Northern
LM0021	288419	6639636	6.36	bd	0.4	751	1,560	Northern
LM0027	288474	6639357	10.25	bd	1.5	5	35	Northern
LM0031	288562	6639074	12.05	10	2.1	3,390	184	Northern
LM0033	288436	6638816	3.75	10	1.2	26	362	Northern
LM0072	288979	6638488	3.22	17	0.5	203	87	Northern

Note: bd represents below detection limit

major
flight-based
radiometric and
magnetics survey
primarily over
CODELCO's land
position in the
project



3.3 LOS MANTOS STAGE 1 DRILLING – HIGH-GRADE COPPER THE INITIAL FOCUS OF DRILLING

Drill pad clearing and access preparation has commenced and is already well advanced at Los Mantos. Following the completion of stage 1 drilling at Productora, the drill rig will be mobilised to the Los Mantos project where the company will be completing an initial 3,000m of drilling.

The project has seen significant small-scale historical surface and underground mining activity for copper over a continuous 2km of strike extent. Current mining operations at the project are limited to 30,000 tonnes per annum under the terms of Hot Chili's purchase option agreement with ore trucked to the nearby ENAMI treatment facility.

Surface mapping as well as soil and rock-chip sampling by Hot Chili's exploration team has confirmed over 2.5km cumulative strike length of mantos and vein-hosted copper-gold mineralisation at surface. Similar to the Productora project, Los Mantos displays a zoned metal distribution with increasing uranium-molybdenum content at depth. Stage 1 drilling will target multiple positions along the strike extent of mineralisation at the project exploring for uranium, copper, gold and molybdenum.

A further 7,000m is designed for the stage 2 drilling at Los Mantos. This drilling is designed to allow for the calculation of a preliminary resource should stage 1 results prove successful.

4.0 CHILE NORTE PROJECT

The Chile Norte project is located in Chile's low-altitude coastal range belt, approximately 50km south of the coastal city of Iquique. Hot Chili has assembled a substantial landholding in the area and in addition the company has executed a formal agreement with CODELCO to gain access to a large contiguous tenement holding at Chile Norte. Hot Chili is exploring to locate a large iron-oxide-copper gold style target within the Chile Norte project that may be associated with significant at-surface, uranium evaporite style mineralisation. Already ten uranium anomalies have been identified in the area over two sections; 5km and 17.5km in extent, and CCHEN have rated the project area as Chile's second largest identified uranium project after Productora.

4.1 PRELIMINARY EXPLORATION PROGRAMME

Work undertaken over the Chile Norte project during the year was limited to reconnaissance mapping, regional structural interpretation and the design of a major flight-based radiometric and magnetics survey primarily over CODELCO's land position in the project.

In July 2009, Hot Chili engaged Jigsaw Geoscience to conduct a field reconnaissance review of the Chile Norte project. Field multi-element sampling from this visit yielded the following results:

- Old uranium trenches yielded significantly anomalous uranium (U) assays ranging from 40ppm U to 5710ppm U. Other anomalous elements associated with uranium included vanadium (V - 14ppm to 1310ppm) and strontium (Sr - 71ppm to 3690 ppm).
- Salt crusts over fault zones on the western splay of the Salar Grande fault system returned anomalous uranium values varying between 40ppm U to 320ppm U.
- Sulphur levels were generally elevated in most samples (average assay of 3.16% S - almost twice crustal abundance).
- Copper assays from various prospecting pits and inactive copper mines returned anomalous copper assays (range: 0.37% Cu to 5.48% Cu).

Exploration work undertaken by Hot Chili has confirmed the presence of a strike extensive zone of near-surface uranium mineralisation that is interpreted to extend and be concealed under shallow colluvial cover through Hot Chili's land positions. This work mainly comprised ground truthing, confirmation sampling of trench material and ground scintillometer readings.

Structural damage zones associated with restrictional jogs and fault intersections have been identified as primary trap sites for the concentration of uranium bearing fluids. Several areas of significant copper-gold-cobalt mineralisation are also identified within Hot Chili and CODELCO's land position that will warrant follow-up exploration.

Hot Chili will await the results of the recently completed airborne survey to plan the next phase of on-ground exploration at the project.

REVIEW OF OPERATIONS (CONTINUED)

5.0 GEOPHYSICAL SURVEY

During July 2010, Hot Chili completed a major helicopter based aeromagnetic and radiometric survey at all three of its uranium-copper-gold projects in Chile. The airborne survey was conducted by local Chilean geophysical contractor GeoDatos SAIC. The survey comprised a total of 644 line km's over the Productora project, 308 line km's over the Los Mantos project and 1,219 line km's over the Chile Norte project. A flight line spacing of 100m with a flight height of 50m was chosen in order to maximise resolution of the survey and enable the direct targeting of drill-sites.

The survey represents a significant investment in the company's projects and will provide a high-resolution dataset to assist our exploration team in interpreting the existing iron-oxide-copper-gold-uranium (IOCGU) systems, as well as identifying new targets within our land holdings.

Completion of data processing and delivery of results from the airborne survey is expected in late November 2010.



TENEMENT SCHEDULE AND DETAILS

1.0 PRODUCTORA TENEMENT DETAILS

Outside of the Company's own landholding, hot chili has executed an agreement with four parties (GBD, CMP, Del Campo and Coyigualles).

Importantly, these parties control over 75% of the strike extent of defined mineralisation within this land position including the central mining lease of Productora which contains an operating underground copper mine.

Hot Chili recently successfully acquired a further four concessions along the southern extension to the Productora project. The new concessions extend the strike length of the Productora Project by 2.5km, or 20 per cent, providing further up-side to Hot Chili's plans to delineate and develop significant uranium-copper-gold resources at the project.

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

An underground copper mine is in operation within the central mining lease of the Productora project. Under the terms of Hot Chili's (SMEAL's) agreement with the owners of this mining lease (Coyigualles agreement as summarised in section 9.2(d) of the Prospectus) the lease mining agreement will be allowed to continue throughout SMEAL's five year exploration purchase option period with extraction limited to 1.3 million tonnes of ore, and mining terminated with a 120 day notice period upon exercise of the option at any time within the five year exploration period. The lease mining company will have 6 months from exercise of the option agreement in which to remove all equipment.

The details of the tenement holding for the Productora project are presented in the table on the next page.



TENEMENT SCHEDULE AND DETAILS (CONTINUED)

Productora project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
FRAN 1	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 2	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 3	SMEAL	100	Exploration	300	403.69	None	16.03.2011	Constituted
FRAN 4	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 5	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 6	SMEAL	100	Exploration	300	403.69	None	16.03.2011	Constituted
FRAN 7	SMEAL	100	Exploration	300	403.69	None	12.03.2011	Constituted
FRAN 8	SMEAL	100	Exploration	300	403.69	None	11.03.2011	Constituted
FRAN 9	SMEAL	100	Exploration	100	134.57	None	16.03.2011	Constituted
FRAN 10	SMEAL	100	Exploration	200	269.13	None	12.03.2011	Constituted
FRAN 11	SMEAL	100	Exploration	200	269.13	None	11.03.2011	Constituted
FRAN 12	SMEAL	100	Exploration	200	269.13	None	16.03.2011	Constituted
FRAN 13	SMEAL	100	Exploration	200	269.13	None	12.03.2011	Constituted
FRAN 14	SMEAL	100	Exploration	200	269.13	None	11.03.2011	Constituted
FRAN 15	SMEAL	100	Exploration	300	403.69	None	14.04.2011	Constituted
FRAN 16	SMEAL	100	Exploration	200	269.13	None	14.04.2011	Constituted
FRAN 17	SMEAL	100	Exploration	200	269.13	None	29.04.2011	Constituted
FRAN 12, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
FRAN 13, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
FRAN 14, 1/40	SMEAL	100	Mining Exploitation	200	1345.62	None	Being processed	
FRAN 18,	SMEAL	100	Exploration	277	1345.62	None	Being processed	Precedence Application
FRAN 21,	SMEAL	100	Exploration	202	1345.62	None	Being processed	Precedence Application
Alga VI	SMEAL	100	Mining Exploitation	66	1345.62	None	Being processed	Constituted, Romate auction
ALGA VII	SMEAL	100	Mining Exploitation	93	1345.62	None	Being processed	Constituted Romate auction
PRO-DUC-TORA 1/16	COYIGUALLES (SLMP)	100	Mining Exploitation	75	504.61	Payments of US\$100,000 pa for 5 years and US\$7,250,000 exercise payment	N/A	5 Year- 100% Purchase-option Agreement executed
BUENA SUERTE 1/6	DEL CAMPO (SLMB)	100	Mining Exploitation	30	201.85	Payments of US\$50,000 pa for 5 years and US\$780,000 exercise payment	N/A	5 Year- 100% Purchase-option Agreement executed
PILAR 1/2	DEL CAMPO (SLMPi)	100	Mining Exploitation	10	67.29		N/A	5 Year- 100% Purchase-option Agreement executed

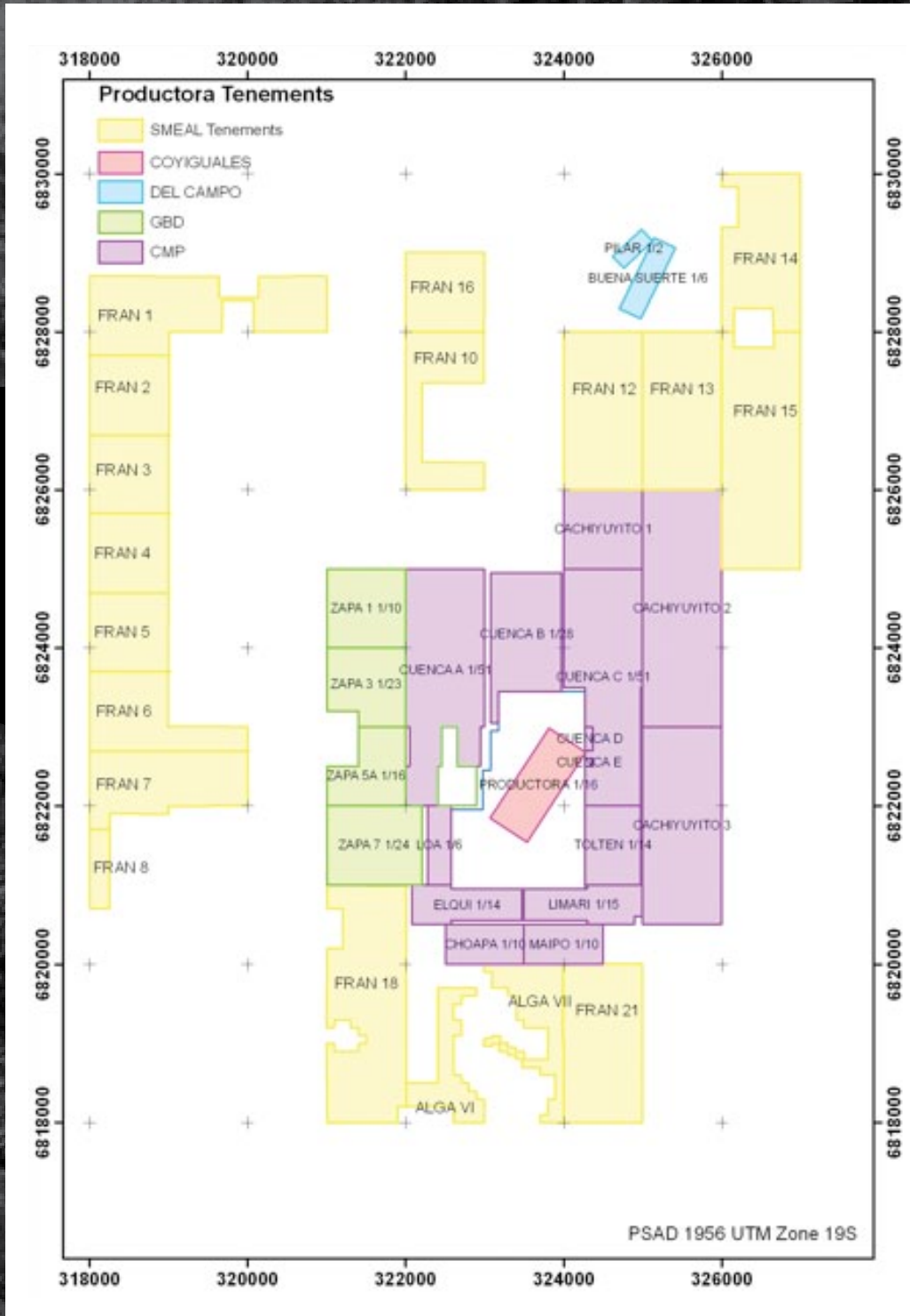
Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents** 2010-2011 USD (7)-(8)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments	
CUENCA A 1/51	CMP	65	Mining Exploitation	255	1715.66	Total Expenditure Commitment of US\$4,000,000 over 5 years (Yr1- US\$750,000, Yr2 US\$500,000, Yr3- US\$500,000, Yr4- US\$1,000,000, Yr5- US\$1,250,000). Exercise Payment of US\$100,000	N/A	5 Year- 65% JV Earn-in option Agreement executed	
CUENCA B 1/28	CMP	65	Mining Exploitation	139	935.20		N/A	5 Year- 65% JV Earn-in option Agreement executed	
CUENCA C 1/51	CMP	65	Mining Exploitation	255	1715.66		N/A	5 Year- 65% JV Earn-in option Agreement executed	
CUENCA D	CMP	65	Mining Exploitation	3	20.19		N/A	5 Year- 65% JV Earn-in option Agreement executed	
CUENCA E	CMP	65	Mining Exploitation	1	6.73		N/A	5 Year- 65% JV Earn-in option Agreement executed	
CHOAPA 1/10	CMP	65	Mining Exploitation	50	336.41		N/A	5 Year- 65% JV Earn-in option Agreement executed	
ELQUI 1/14	CMP	65	Mining Exploitation	61	410.42		N/A	5 Year- 65% JV Earn-in option Agreement executed	
LIMARI 1/15	CMP	65	Mining Exploitation	66	444.06		N/A	5 Year- 65% JV Earn-in option Agreement executed	
LOA 1/6	CMP	65	Mining Exploitation	30	201.85		N/A	5 Year- 65% JV Earn-in option Agreement executed	
MAIPO 1/10	CMP	65	Mining Exploitation	50	336.41		N/A	5 Year- 65% JV Earn-in option Agreement executed	
TOLTEN 1/14	CMP	65	Mining Exploitation	70	470.97		N/A	5 Year- 65% JV Earn-in option Agreement executed	
CACHI-YUYITO 1	CMP	65	Exploration	300	403.69		N/A	22.05.2010	5 Year- 65% JV Earn-in option Agreement executed
CACHI-YUYITO 2	CMP	65	Exploration	300	403.69		N/A	23.05.2010	5 Year- 65% JV Earn-in option Agreement executed
CACHI-YUYITO 3	CMP	65	Exploration	300	403.69		N/A	22.05.2010	5 Year- 65% JV Earn-in option Agreement executed
ZAPA 1 1/10	GBD	65	Mining Exploitation	100	672.81	Total Expenditure Commitment of US\$500,000 over 5 years (US\$100,000 pa). Exercise Payment- US\$100,000	N/A	5 Year- 65% JV Earn-in option Agreement executed	
ZAPA 3 1/23	GBD	65	Mining Exploitation	92	618.99		N/A	5 Year- 65% JV Earn-in option Agreement executed	
ZAPA 5A 1/16	GBD	65	Mining Exploitation	80	538.25		N/A	5 Year- 65% JV Earn-in option Agreement executed	
ZAPA 7 1/24	GBD	65	Mining Exploitation	120	807.37		N/A	5 Year- 65% JV Earn-in option Agreement executed	
					20,904.35	Total Expenditure Commitment (5 Yrs)- US\$5,100,000			
						Total Exercise Payment Commitment US\$8,230,000			

* Note: (1) GBD= Glenn Burns Dacre. (2) CMP= Compañía Minera del Pacífico. (3) SLMP= Sociedad Legal Minera La Productora 1 de la Sierra Coyigualles. (4) SLMB= Sociedad Legal Minera Buena Suerte 1 de la Sierra Tamarico. (5) SLMPi= Sociedad Legal Minera Pilar 1 de la Sierra Tamarindo. (6) SMEAL= Sociedad Minera El Águila Limitada. (7) In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile. (8) This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

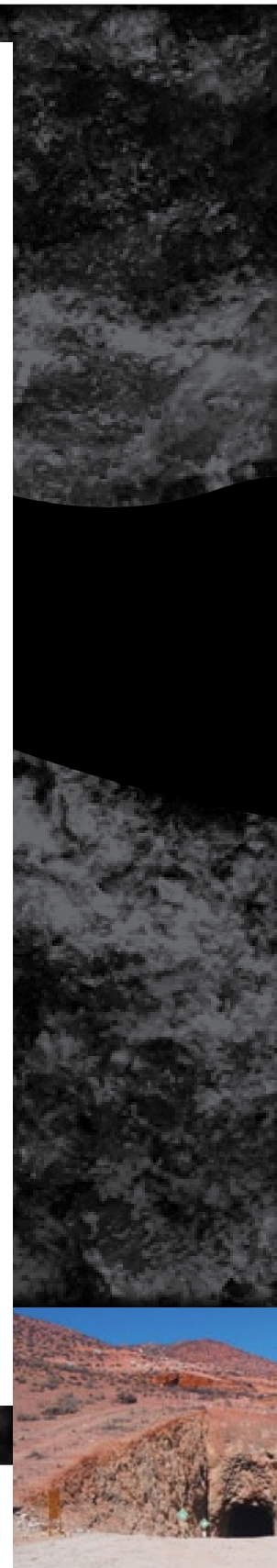
** Note: (9) Mining Patents represent yearly rent and rate fees for mining rights in Chile. (10) Values may suffer variations according to the value of the Monthly Tax Unit

TENEMENT SCHEDULE AND DETAILS (CONTINUED)

PRODUCTORA PROJECT TENEMENT LOCATION PLAN



PRODUCTORA



2.0 LOS MANTOS TENEMENT DETAILS

The Los Mantos project comprises 9 licences in total, including 5 Mining Exploitations and 4 Exploration Licences. The Exploration Licences have been constituted as a layer of protection and do not add to the landholding of the project, defined only by the 5 Mining Exploitation Licences. The Mining Exploitation Licences cover approximately 264 ha.

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

Mr Aldo Cordero Godoy will receive a 0.5% Gross Production Royalty on all marketable minerals produced from the project and a 30,000 tpa mining concession during the five year option period.

Los Mantos project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments	
Antonio 1 al 29	ACG	100	Mining Exploitation	139	935.20	Payments of US\$50,000 pa for Yr 1, 2, 3 and US\$100,000 in Yr 4. Exercise Payment of US\$2,000,000.		5 Year- 100% Purchase-option Agreement executed	
Espada 1 al 12	ACG	100	Mining Exploitation	36	242.21			5 Year- 100% Purchase-option Agreement executed	
Rosita 1 a 6	ACG	100	Mining Exploitation	30	201.85			5 Year- 100% Purchase-option Agreement executed	
Alinderamiento y Otras	ACG	100	Mining Exploitation	9	60.56			5 Year- 100% Purchase-option Agreement executed	
Ensueño 1 al 11	ACG	100	Mining Exploitation	50	336.41			5 Year- 100% Purchase-option Agreement executed	
ILLAPEL 1- (Andacollo)	ACG	100	Exploration	200	269.13			14.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 2- (Andacollo)	ACG	100	Exploration	200	269.13			15.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 2- (Ovalle)	ACG	100	Exploration	200	269.13			30.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
ILLAPEL 3- (Ovalle)	ACG	100	Exploration	200	269.13			30.10.2011	Floor of Protection licences only. 5 Year- 100% Purchase-option Agreement executed
					2,852.75	Total Payments Commitment (5 Yrs)- US\$250,000			
						Total Exercise Payment Commitment US\$2,000,000			

*Note: (1) ACG= Aldo Cordero Godoy. (2) In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile. (3) This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

TENEMENT SCHEDULE AND DETAILS (CONTINUED)

LOS MANTOS PROJECT TENEMENT PLAN



LOS MANTOS

3.0 CHILE NORTE TENEMENT DETAILS

The Company's tenements comprise 131 mining and exploration licences over areas considered to be highly prospective for the definition of a large IOCGU deposit. Of these licenses, 94 have been approved and 37 are in the process of being approved (constituted). Hot Chili's exploration licences cover the northern and southern extensions of the identified uranium mineralisation in the area.

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

Hot Chili intends to actively pursue future discussions in relation to gaining further land positions in the area.

Chile Norte project tenement details

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
Augita 4B	CODELCO	65	Exploration	400	538.25		5/07/2010	5 Year- 65% JV Option Agreement executed
Quito 11	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 12	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 13	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 14	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 15	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 16	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 18	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 19	CODELCO	65	Exploration	300	403.69		Being processed	5 Year- 65% JV Option Agreement executed
Quito 20	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 21	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 22	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 23	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 24	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 25	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 26	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 27	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 28	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 29	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 30	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed

Total Expenditure Commitment of US\$2,000,000 over 5 years (Yr1- US\$150,000, Yr2 US\$300,000, Yr3- US\$300,000, Yr4- US\$500,000, Yr5- US\$750,000). Exercise Payment of US\$2,000,000

TENEMENT SCHEDULE AND DETAILS (CONTINUED)

Chile Norte project tenement details (continued)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
Quito 31	CODELCO	65	Exploration	200	269.13	Total Expenditure Commitment of US\$2,000,000 over 5 years (Yr1- US\$150,000, Yr2 US\$300,000, Yr3- US\$300,000, Yr4- US\$500,000, Yr5- US\$750,000). Exercise Payment of US\$2,000,000	9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 32	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 33	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 34	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 35	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quitos 35	CODELCO	65	Exploration	300	403.69		Being processed	5 Year- 65% JV Option Agreement executed
Quito 36	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 37	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Quito 38	CODELCO	65	Exploration	300	403.69		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 1	CODELCO	65	Exploration	800	1,076.49		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 2	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 3	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 4	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 5	CODELCO	65	Exploration	1000	1,345.62		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 6	CODELCO	65	Exploration	1200	1,614.74		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 7	CODELCO	65	Exploration	800	1,076.49		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 8	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 9	CODELCO	65	Exploration	600	807.37		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 10	CODELCO	65	Exploration	100	134.57		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 11	CODELCO	65	Exploration	1000	1,345.62		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 12	CODELCO	65	Exploration	400	538.25	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 13	CODELCO	65	Exploration	1200	1,614.74	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 14	CODELCO	65	Exploration	1200	1,614.74	9/01/2011	5 Year- 65% JV Option Agreement executed	
Apir 15	CODELCO	65	Exploration	200	269.13	9/01/2011	5 Year- 65% JV Option Agreement executed	

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment- Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
Apir 16	CODELCO	65	Exploration	600	807.37	Total Expenditure Commitment of US\$2,000,000 over 5 years (Yr1- US\$150,000, Yr2 US\$300,000, Yr3- US\$300,000, Yr4- US\$500,000, Yr5- US\$750,000). Exercise Payment of US\$2,000,000	9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 17	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 18	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 19	CODELCO	65	Exploration	200	269.13		9/01/2011	5 Year- 65% JV Option Agreement executed
Apir 20	CODELCO	65	Exploration	20	269.13		Being processed	5 Year- 65% JV Option Agreement executed
ROLLY 1	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 2	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 3	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 4	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 5	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 6	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 7	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 8	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 9	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 10	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 11	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 12	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 13	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 14	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 15	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 16	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 17	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 18	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 19	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 20	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 21	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 22	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 23	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 24	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 25	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 26	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 27	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 28	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted

TENEMENT SCHEDULE AND DETAILS (CONTINUED)

Chile Norte project tenement details (continued)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
ROLLY 29	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 30	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 31	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 32	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 33	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 34	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 35	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 36	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 37	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 38	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 39	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 40	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 41	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 42	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 43	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 44	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 45	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
ROLLY 46	SMEAL	100	Exploration	200	269.13	None	27.05.2011	Constituted
ROLLY 47	SMEAL	100	Exploration	300	403.69	None	27.05.2011	Constituted
CHRIS 1	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 2	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 3	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 4	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 5	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 6	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 7	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 8	RMU	100	Exploration	300	403.69	None	Being processed	
CHRIS 9	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 1	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 2	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 3	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 4	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 5	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 6	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 7	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 8	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 9	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 10	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 11	RMU	100	Exploration	200	269.13	None	05.06.2011	Constituted

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
MURRAY 12	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 13	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 14	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 15	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 16	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 17	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 18	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 19	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 20	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 21	RMU	100	Exploration	300	403.69	None	05.06.2011	Constituted
MURRAY 22	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 23	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 24	RMU	100	Exploration	300	403.69	None	10.06.2011	Constituted
MURRAY 25	RMU	100	Exploration	300	403.69	None	09.06.2011	Constituted
MURRAY 26	RMU	100	Exploration	300	403.69	None	13.06.2011	Constituted
MURRAY 27	RMU	100	Exploration	200	269.13	None	05.06.2011	Constituted
MURRAY 28	RMU	100	Exploration	100	134.57	None	09.06.2011	Constituted
MURRAY 29	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 30	RMU	100	Exploration	200	269.13	None	Being processed	
MURRAY 31	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 32	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 33	RMU	100	Exploration	300	403.69	None	Being processed	
MURRAY 34	RMU	100	Exploration	100	134.57	None	Being processed	
CHRIS 6	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 7	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 8	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 9	RMU	100	Exploration	200	269.13	None	23.06.2011	Constituted
CHRIS 14	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 15	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 17	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 18	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 19	RMU	100	Exploration	300	403.69	None	23.06.2011	Constituted
CHRIS 22	RMU	100	Exploration	300	403.69	None	04.09.2011	Constituted
PAM 1	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 2	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 3	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 5	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 6	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 8	RMU	100	Exploration	300	403.69	None	Being processed	

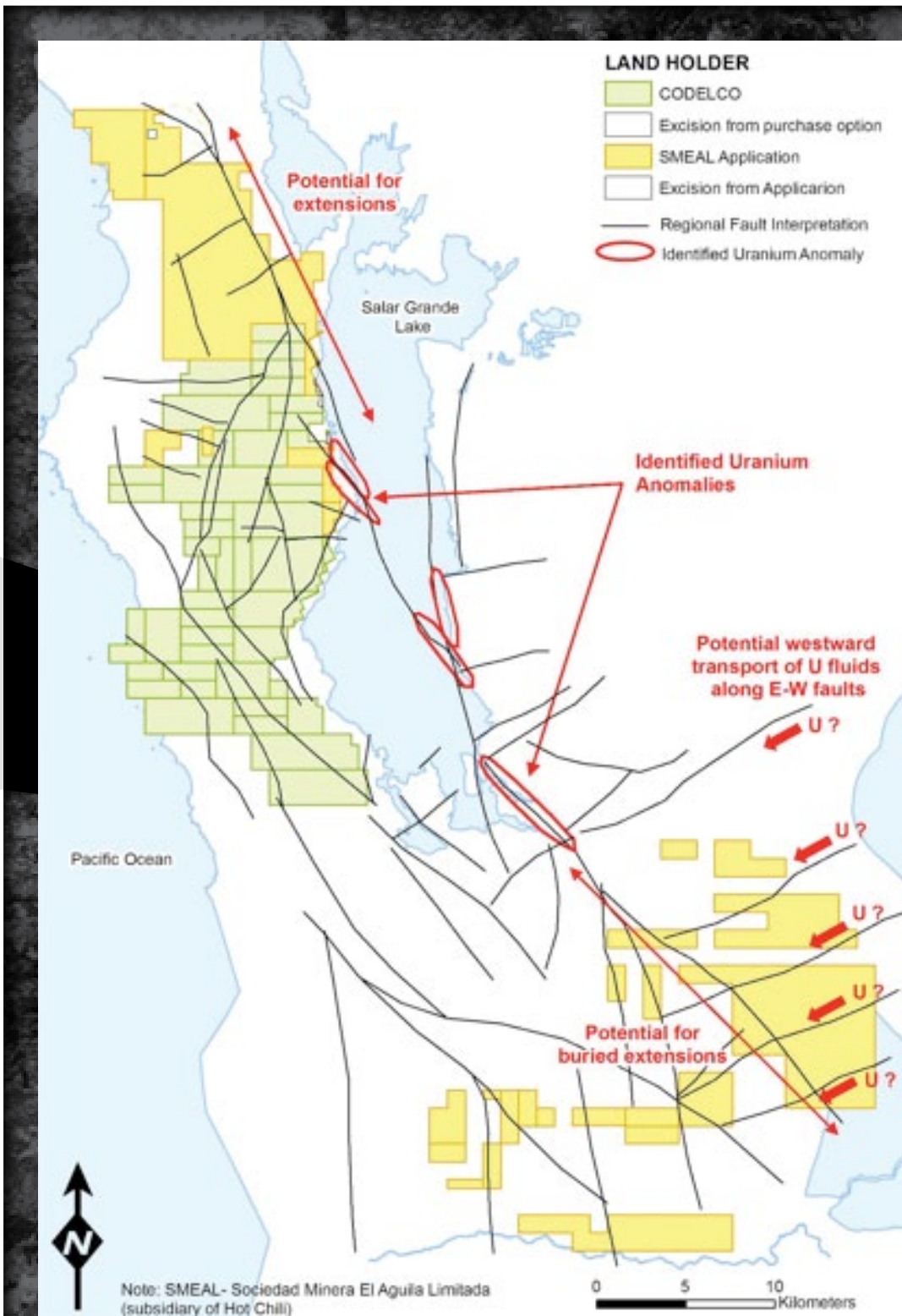
TENEMENT SCHEDULE AND DETAILS (CONTINUED)

Chile Norte project tenement details (continued)

Licence ID	Holder*	% Interest	Licence Type	Area (ha)	Mining Patents 2010-2011 US\$ (2)-(3)	Expenditure Commitment-Payments	Expiration date of the concession (dd.mm.yyyy)	Comments
PAM 9	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 10	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 11	RMU	100	Exploration	100	134.57	None	Being processed	
PAM 12	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 13	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 14	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 15	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 16	RMU	100	Exploration	300	403.69	None	Being processed	
PAM 17	RMU	100	Exploration	100	134.57	None	Being processed	
BRAVO 1	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 2	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 3	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 4	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 5	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 8	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 9	RMU	100	Exploration	100	134.57	None	Being processed	
BRAVO 10	RMU	100	Exploration	200	269.13	None	Being processed	
BRAVO 11	RMU	100	Exploration	300	403.69	None	Being processed	
BRAVO 12	RMU	100	Exploration	200	269.13	None	Being processed	
PAM 1	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 2	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 3	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 4	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 5	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 6	RMU	100	Exploration	200	269.13	None	31.08.2011	Constituted
PAM 7	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 8	RMU	100	Exploration	300	403.69	None	31.08.2011	Constituted
PAM 9	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 10	RMU	100	Exploration	100	134.57	None	31.08.2011	Constituted
PAM 11	RMU	100	Exploration	100	134.57	None	30.09.2011	Constituted
PAM 12	RMU	100	Exploration	300	403.69	None	30.09.2011	Constituted
					77,643.05	Total Expenditure Commitment (5 Yrs)- US\$2,000,000		
					Total Exercise Payment Commitment US\$2,000,000			

Note: (1) CODELCO= Corporación Nacional del Cobre, acting through its subsidiary Compañía Minera Los Andes. (2) SMEAL = Sociedad Minera El Águila Limitada. (3) RMU = Rodrigo Muñoz Urbina. (4) In accordance with the observed dollar exchange rate published on September 28th, 2009 (CH\$544.66), by the Central Bank of Chile. (5) This amount is only referential. It is calculated by taking into account a monetary unit known as UTM, which is established and readjusted on a monthly basis. Hence, it will depend on the UTM existing in March 2010.

CHILE NORTE PROJECT REGIONAL STRUCTURAL SETTING AND TENEMENT MAP



CHILE NORTE

CORPORATE GOVERNANCE STATEMENT

1.0 CORPORATE GOVERNANCE PROCEDURES AND POLICIES

1.1 THE BOARD

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

1.2 BOARD CHARTER

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

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

1.3 CONFLICTS OF INTEREST

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

1.4 INDEPENDENT PROFESSIONAL ADVICE

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

1.5 CORPORATE GOVERNANCE POLICIES

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

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

1.6 CODE OF CONDUCT

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

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

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

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

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

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

1.7 CONTINUOUS DISCLOSURE POLICY

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

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

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

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

1.8 SECURITIES DEALING POLICY

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

Directors and senior executives of the Company may not deal in the Company's securities without first notifying the Managing Director and the Company Secretary of the intention to trade. The Managing Director may not deal in the Company's securities without prior approval of the Chairman, and notifying the Company Secretary of the intention to trade. The Company Secretary must be subsequently notified of any trade that has occurred.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

1.9 SHAREHOLDER COMMUNICATION POLICY

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

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

1.10 RISK MANAGEMENT POLICY

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

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

The Board is responsible for:

- a) risk management and oversight of internal controls;
- b) establishing procedures which provide assurance that business risks are identified, consistently assessed and adequately addressed; and
- c) for the overseeing of such procedures.
- d) the Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis.

1.11 CORPORATE GOVERNANCE – EXCEPTIONS TO ASX RECOMMENDATIONS

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

1.12 RECOMMENDATIONS 1.2 AND 2.5 (PROCESS FOR EVALUATION)

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

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

1.13 RECOMMENDATION 2.1 (INDEPENDENT DIRECTORS)

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

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

1.14 RECOMMENDATION 2.2 (INDEPENDENT CHAIRMAN)

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

1.15 RECOMMENDATION 2.4 (NOMINATION COMMITTEE)

There is no nomination committee. The full Board, which comprises two (2) Non-Executive Directors and one (1) Executive Director, considers the matters and issues that would fall to the nomination committee. The Board considers that, given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company's operations grow and evolve.

1.16 RECOMMENDATIONS 4.1, 4.2, 4.3 AND 4.4 (AUDIT COMMITTEE)

There is no audit committee. The role of the audit committee is undertaken by the full Board, which comprises two (2) Non-Executive Directors and one (1) Executive Director. The Board considers that, given the current size and scope of the Company's operations and that only one (1) Director holds an executive position in the Company, no efficiencies or other benefits would be gained by establishing a separate audit committee at present.

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

1.17 RECOMMENDATION 8.1 (REMUNERATION COMMITTEE)

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

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

DIRECTORS' REPORT

1.0 DIRECTORS' REPORT

Your Directors have pleasure in presenting their report together with the financial statements of the consolidated entity (hereafter referred to as the consolidated entity) for the year ended 30 June 2010 and the auditor's report thereon.

1.1 DIRECTORS

The names of the Directors of Hot Chili Ltd during the financial year and to the date of this report are:

Murray E Black	(Chairman)
Christian E Easterday	(Executive Director)
Bernard R Mountford	(Non Executive Director - Resigned 19 July 2010)
Dr Allan Trench	(Non Executive Director - Appointed 19 July 2010)

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

1.2 DIRECTORS INFORMATION

Murray Edward Black, Non-Executive Chairman

Mr Black has over 35 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. In the past three years Mr Black has been a director of Northwest Resources Ltd. ceasing on 5th August 2008.

Christian Ervin Easterday, Managing Director

Mr Easterday is a geologist with over 12 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.

Bernard R Mountford, Non-Executive Director (Resigned 19 July 2010)

Mr Bernard R Mountford is a geologist with over 35 years' experience in the mineral exploration industry and has served as an executive director for several listed Australian exploration and mining companies. His background spans a wide spectrum of commodities, with expertise in gold, uranium and base metals. Mr Mountford has been the principal consultant for Hawkeye Resources Pty Ltd, a private geological consultancy, since 1983. For the past three years he has led project generation and evaluation activities for Hot Chili, drawing on over 15 years' exploration experience in the country. Mr Mountford is a Member of The Australian Institute of Mining and Metallurgy.

Dr Allan Trench, Non-Executive Director (Appointed 19 July 2010)

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 20 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Allan holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently is an independent director of Venture Resources Ltd commencing on the 12th November 2008, Navigator Resources Ltd commencing on the 14th November 2005 and Pioneer Resources Ltd on the 8th September 2003 commencing in 2003.

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

Allan maintains academic links as an Adjunct Professor to the Western Australian School of Mines, Curtin University of Technology.

Dr Allan Trench's appointment adds considerable experience and expertise to Hot Chili's board.

1.3 CORPORATE INFORMATION

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

1.4 PRINCIPAL ACTIVITIES

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

1.5 RESULTS OF OPERATIONS

The results of the consolidated entity for the year ended 30th June 2010 was a loss of \$3,182,794 (2009: loss \$930,947).

1.6 DIVIDENDS

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

1.7 REVIEW OF OPERATIONS

See separate Operations Report pages 6 to 29.

1.8 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.

1.9 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2010 that has significantly affected or may significantly affect:

- i) the operations of the consolidated entity;
- ii) the results of its operations; or
- iii) the state of affairs of the consolidated entity subsequent to 30 June 2010.

1.10 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.

1.11 SECURITY HOLDING INTERESTS OF DIRECTORS

Directors	Ordinary Shares		Options Over Ordinary Shares	
	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest
Murray E Black	-	10,000,000	-	6,750,000
Bernard R Mountford (Resigned 19 July 2010)	-	1,333,333	-	1,000,000
Christian E Easterday	200,000	10,000,000	100,000	6,750,000
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-

DIRECTORS' REPORT (CONTINUED)

1.12 SHARES UNDER OPTION

There were, 40,740,000 ordinary shares under option at 30th June 2010.

1.13 SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no Ordinary shares of Hot Chili Limited issued during the year ended 30 June 2010 on the exercise of options.

1.14 DIRECTORS BENEFITS

Since 30 June 2010 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.

1.15 J SENDZIUK (COMPANY SECRETARY)

John Sendziuk is a Chartered Accountant. He has been in practice for 23 years providing corporate secretarial, taxation and business advice to a diverse group of business clients and public companies. Mr Sendziuk has been the Company Secretary of Hot Chili Ltd since 14 May 2010.

1.16 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.

1.17 DIRECTORS' MEETINGS

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

Director	No. of Meetings while in office	No. of Meetings attended
Murray E Black	6	6
Bernard R Mountford (Resigned 19 July 2010)	6	4
Christian E Easterday	6	6
Dr Allan Trench (Appointed 19 July 2010)	-	-

1.18 ENVIRONMENTAL ISSUES

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

The Directors advise that during the year ended 30 June 2010, no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached, and no claim has been made for increase of bond.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2009 to 30th June 2010 the directors have assessed that there are no current reporting requirements but may be required to do so in the future.

2.0 REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

2.1 PRINCIPLES USED TO DETERMINE AMOUNT AND NATURE OF REMUNERATION

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from 23 March 2010. All director fees are periodically recommended for approval by shareholders.

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

2.2 DETAILS OF REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE CONSOLIDATED ENTITY AND REMUNERATION OF DIRECTORS

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

2010	Short Term			Post Employment	Share-based Payments	
Name	Consulting Fees Related Parties \$	Salary \$	Directors' Fee \$	Superannuation \$	Options \$	Total \$
Murray E Black	-	-	14,896	1,787	-	16,683
Bernard R Mountford (Resigned 19 July 2010)	68,551	-	6,667	800	-	76,018
Christian E Easterday	215,110	-	50,417	6,050	-	271,577
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-	-	-
	283,661	-	71,980	8,637	-	364,278

2009	Short Term			Post Employment	Share-based Payments	
Name	Consulting Fees Related Parties \$	Salary \$	Directors' Fee \$	Superannuation \$	Options \$	Total \$
Murray E Black	-	-	-	-	-	-
Bernard R Mountford (Resigned 19 July 2010)	53,832	-	-	-	-	53,832
Christian E Easterday	79,183	-	-	-	-	79,183
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-	-	-
	133,015	-	-	-	-	133,015

DIRECTORS' REPORT (CONTINUED)

2.3 REMUNERATION OF KEY MANAGEMENT PERSONNEL

2010	Short Term		Post Employment	Share-Based Payments	Total
	Consulting Fees	Salary	Superannuation	Options	
Name	\$	\$	\$	\$	\$
Rodrigo Dias (Manager Chile appointed 17 May 2010)	-	26,028	-	-	26,028
John Sendziuk (Company Secretary appointed 14 May 2010)	-	5,000	600	-	5,600
	-	31,028	600	-	31,628

2009	Short Term		Post Employment	Share-Based Payments	Total
	Consulting Fees	Salary	Superannuation	Options	
Name	\$	\$	\$	\$	\$
Rodrigo Dias (Manager Chile appointed 17 May 2010)	-	-	-	-	-
John Sendziuk (Company Secretary appointed 14 May 2010)	-	-	-	-	-
	-	-	-	-	-

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

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

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

2.5 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 \$220,000, plus superannuation at the rate of 12% and other entitlements. Mr Easterday's remuneration is subject to annual review.

Term and termination

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

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

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

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

2.6 OTHER INFORMATION

Director and executive remuneration contains no bonus cash or option components.

No directors have received loans from the consolidated entity.

The share price of the Company has fluctuated with the markets since the listing on 3rd May 2010 at 20 cents. The shares have reached a high of 30 cents and a low of 17 cents.

2.7 SHARES UNDER OPTION

At the date of this report, there were 40,740,000 unissued ordinary shares under options.

2.8 OPTIONS LAPSED DURING THE YEAR

No options lapsed during the year.

2.9 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.

2.10 NON-AUDIT SERVICES

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

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

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

2.11 USE OF FUNDS

During the financial period ending 30th June 2010, the consolidated entity has used the cash that it had at time of admission to the Australian Securities Exchange in a way consistent with its business objectives as stated in the prospectus.

2.12 AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 40 of annual report.

Dated this 24th day of September 2010 in accordance with a resolution of the Directors and signed for on behalf of the Board by:



Christian E Easterday, Managing Director

for and on behalf of the Company

24th September 2010

AUDITOR'S INDEPENDENCE DECLARATION

RSM Bird Cameron Partners
Chartered Accountants

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants


TUTU PHONG
Partner

Perth, WA
Dated: 24 September 2010

Liability limited by a
scheme approved
under Professional
Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.



RSM Bird Cameron Partners
Chartered Accountants

RSM Bird Cameron Partners
8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Hot Chili Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Liability limited by a
scheme approved
under Professional
Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms. RSM International is the name given to a network of independent accounting and consulting firms each of which practices in its own right. RSM International does not exist in any jurisdiction as a separate legal entity.



INDEPENDENT AUDIT REPORT TO THE MEMBERS (CONTINUED)

RSM Bird Cameron Partners

Chartered Accountants

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Hot Chili Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report which is included within the directors' report for the financial year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Hot Chili Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 24 September 2010

DIRECTORS' DECLARATION

In the opinion of the Directors of Hot Chili Ltd "the consolidated Entity":

1. The financial statements and notes, as set out on pages 28 to 51, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position as at 30 June 2010 and of its performance for the year ended on that date of the Company and the entities it controlled.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 295A of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in the audited Remuneration Report of the Directors' Report for the year ended 30 June 2010, comply with Section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and signed for and on behalf of the board by:

Dated this 24th day of September 2010



Christian E Easterday, Managing Director

for and on behalf of the Company

24th September 2010

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$	2009 \$
Interest income	2	32,434	137
Other income	3	66,074	-
		98,508	137
Depreciation		(4,587)	-
Consulting fees		(537,190)	-
Exploration expenses		(250,821)	(197,142)
Corporate fees		(84,590)	-
Legal and professional		(563,579)	(597,273)
Employee benefits expense		(113,159)	-
Administration expenses		(52,858)	-
Accounting fees		(23,416)	(19,508)
Travel costs		(212,478)	(80,887)
Other expenses		(84,259)	(35,874)
Loss from continuing operations before income tax		(1,828,429)	(930,547)
Income tax expense	5	-	-
Loss after income tax		(1,828,429)	(930,547)
Other comprehensive income		-	-
Total comprehensive income attributable to Members of Hot Chili Limited		(1,828,429)	(930,547)
Basic earnings per share (cents)	13	(2.14)	(1.16)
Diluted earnings per share (cents)	13	(2.14)	(1.16)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	6,607,586	461,502
Trade and other receivables	7	55,430	8,473
Other current assets		173,017	-
Total Current Assets		6,836,033	469,975
Non-Current Assets			
Property, plant and equipment	8	167,874	-
Exploration and evaluation expenditure	9	1,829,495	388,628
Total Non-Current Assets		1,997,369	388,628
Total Assets		8,833,402	858,603
Current Liabilities			
Trade and other payables	10	99,093	105,528
Total Current Liabilities		99,093	105,528
Total Liabilities		99,093	105,528
Net Assets		8,734,309	753,075
Equity			
Contributed equity	11	11,419,755	1,682,400
Option reserve	12(b)	72,308	-
Foreign currency translation reserve	12(c)	1,222	1,222
Accumulated losses	12(a)	(2,758,976)	(930,547)
Total Equity		8,734,309	753,075

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

STATEMENTS OF CHANGES IN EQUITY

AS AT 30 JUNE 2010

Consolidated Entity	Contributed Equity \$	Option Reserve \$	Foreign Currency Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2009	1,682,400	-	1,222	(930,547)	753,075
Loss for the year	-	-	-	(1,828,429)	(1,828,429)
Total Comprehensive Income for the year	-	-	-	(1,828,429)	(1,828,429)
Share options issued		72,308	-		72,308
Shares issued	10,642,105	-			10,642,105
Share issue costs	(904,750)	-			(904,750)
Balance at 30 June 2010	11,419,755	72,308	1,222	(2,758,976)	8,734,309
Balance at 1 July 2008	-	-	-	-	-
Loss for the year	-	-	-	(930,547)	(930,547)
Total Comprehensive Income for the year	-	-	-	(930,547)	(930,547)
Translation movements	-	-	1,222	-	1,222
Shares issued	1,682,400	-	-	-	1,682,400
Balance at 30 June 2009	1,682,400	-	1,222	(930,547)	753,075

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$	2009 \$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(2,148,759)	(833,629)
Interest received		32,434	137
Net cash (used in) operating activities	16(b)	(2,116,325)	(833,492)
Cash Flows From Investing Activities			
Payments for property plant and equipment		(172,461)	-
Payments for mineral exploration areas		(198,763)	(388,628)
Net Cash (used in) investing activities		(371,224)	(388,628)
Cash Flows From Financing Activities			
Proceeds from share issue		9,400,000	1,682,400
Share issue costs		(832,440)	-
Net cash provided by financing activities		8,567,560	1,682,400
Net increase (decrease) in cash held		6,080,011	460,280
Cash and cash equivalents at the beginning of the financial year		461,502	-
Effects of exchange rates on cash holdings in foreign currencies		66,073	1,222
Cash and cash equivalents at the end of the financial year			1,222
	16(a)	6,607,586	461,502

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

The financial report was authorised for issue on 24 September 2010 by the Board of Directors.

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

Compliance with IFRSs

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

New Accounting Standards and Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing these financial statements.

- i) AASB 2009-5 *Further amendments to Australian Accounting Standards* arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.
- ii) AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

Application should not affect any of the amounts recognised in the financial report, but may require additional levels of disclosures. The company will adopt the new standard, together with its consequential changes, for the financial report dated 31 December 2010.

Initial application of AASB 8 *Operating Segments* and application of revised AASB 101 *Presentation of Financial Statements* have occurred in the current period. AASB 8 has expanded the level of disclosures, based on the 'management approach' while AASB 101 has amended aspects of the format of the primary statements. No initial application of any other issued and effective Australian Accounting Standard has had any significant effect on the current period or any prior period. Furthermore, no other new Australian Accounting Standard, which has been issued but is not yet effective, is expected to have any significant effect on a future reporting period.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity of AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 24.

b) Principles of consolidation

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

Non controlling interests in the results and equity of the consolidated entities are shown separately in the consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position respectively.

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

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

c) Income tax

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

Deferred tax is accounted for using the statement of financial position 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 income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

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

d) Revenue Recognition

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

i) Interest Income

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

ii) Other Services

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

1.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Exploration and evaluation expenditure

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

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

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

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

f) Property, plant and equipment

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.

Plant and equipment

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

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

Depreciation

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

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and Equipment	10-30%

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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

g) Trade and other payables

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

h) Equity-based payments

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

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

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

i) Earnings per share

i) Basic earnings per share

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

ii) Diluted earnings per share

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

j) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors.

Change in accounting policy

The consolidated entity has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114.

The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the consolidated entity reporting on one segment.

Determination and presentation of operating segments

The consolidated entity has applied AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the consolidated entity to allocate resources and assess performance. In the case of the consolidated entity the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the company reports its segment information to the Board on a monthly basis. The change in policy has not resulted in a change to the disclosure presented.

k) Impairment of assets

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

l) Cash and cash equivalents

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

1.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Provisions

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

n) GST

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

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

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

2.0 INTEREST INCOME

	Consolidated Entity	
	2010 \$	2009 \$
Interest income	32,434	137
	32,434	137

3.0 OTHER INCOME

Gain on foreign exchange transactions	66,074	-
	66,074	-

4.0 SEGMENT INFORMATION

- The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.
- The consolidated entity operates as a single segment which is mineral exploration.
- The consolidated entity is domiciled in Australia. All revenue from external parties is generated from Australia only. Segment revenues are allocated based on the country in which the party is located
- Operating revenues of approximately Nil (2009 - Nil) are derived from a single external party.
- All the assets relate to exploration. Segment assets are allocated to segments based on the purpose for which they are used.

5.0 INCOME TAX EXPENSE

a) Income tax expense:

	Consolidated Entity	
	2010 \$	2009 \$
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

b) Reconciliation of income tax expense to prima facie tax payable

Loss before income tax	(1,828,429)	(930,547)
Prima facie income tax at 30% (2009: 30%)	(548,529)	(279,164)
Tax-effect of amounts not assessable in calculating taxable income:	-	-
Tax-effect of amounts not deductible in calculating taxable income	254,733	160,212
	<u>(293,796)</u>	<u>(118,951)</u>
Income tax expense/(benefit)	<u>-</u>	<u>-</u>

c) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised	1,375,824	396,504
Potential tax benefit @ 30%	412,747	118,951

d) The directors estimate that the potential deferred tax asset at 30 June 2010 in respect of tax losses not brought to account is \$444,784 (2009 : \$118,951).

The Chilean subsidiaries of Hot Chili Ltd also have tax losses that are a potential deferred tax asset of \$124,510 (2009 : \$71,653). The companies will be taxed independently in Chile.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

6.0 CASH AND CASH EQUIVALENTS

	Note	Consolidated Entity	
		2010 \$	2009 \$
Cash at bank		6,607,586	461,502
		6,607,586	461,502

The above figures are reconciled to cash at the end of the financial year.

7.0 TRADE AND OTHER RECEIVABLES

Trade and other receivables		55,430	8,473
		55,430	8,473

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

8.0 PROPERTY, PLANT & EQUIPMENT

Plant and equipment at cost		172,461	-
Less provision for depreciation		(4,587)	-
		167,874	-
Reconciliations:			
Plant & Equipment			
Carrying amount at the beginning of the year		-	-
Additions		172,461	-
Depreciation		(4,587)	-
Carrying Amount At The End Of The Year		167,874	-

9.0 EXPLORATION AND EVALUATION EXPENDITURE

Mining tenements at cost		1,829,495	388,628
		1,829,495	388,628
Tenements			
Carrying amount at the beginning of the year		388,628	-
Purchase of mineral interests		1,440,867	388,628
Exploration costs written off		-	-
Carrying Amount At The End Of The Year		1,829,495	388,628

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

10.0 TRADE & OTHER PAYABLES

	Consolidated Entity	
	2010 \$	2009 \$
Trade payables	32,472	96,736
Other payables	66,621	8,792
	99,093	105,528

11.0 CONTRIBUTED EQUITY

a) Share capital

At the beginning of the financial year	1,682,400	-
Shares issued during the year	10,642,105	1,682,400
Less cost of issue	(904,750)	-
At The End Of The Financial Year	11,419,755	1,682,400

	No. Shares	No. Shares
At the beginning of the financial year	80,000,000	-
Shares issued during the year	60,210,527	80,000,000
Shares cancelled during the year	(16,000,000)	-
At The End Of The Financial Year	124,210,527	80,000,000

b) Terms and Condition of Contributed Equity

Ordinary Shares

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

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

c) Movement in Unlisted Options

	2010 Options	2009 Options
Balance at beginning of year	40,200,000	-
Issued during the year	540,000	40,200,000
Options lapsed during the year	-	-
Balance At End Of Year	40,740,000	40,200,000

Listed options details at 30 June 2010

There are 40,740,000 options over ordinary shares in the company at 30 June 2010.

d) Capital Risk Management

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

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

Capital is calculated as 'equity' as shown in the Statement of Financial Position, and is monitored on the basis of funding exploration activities.

12.0 RESERVES AND RETAINED LOSSES

a) Accumulated losses

	Consolidated Entity	
	2010 \$	2009 \$
Accumulated losses at the beginning of the year	(930,547)	-
Net loss for the year	(1,828,429)	(930,547)
Accumulated losses at the end of the year	(2,758,976)	(930,547)

b) Reserves

Options reserve

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

As at 30 June 2010, no options to which the reserve relates have been exercised.

Balance at the beginning of the year	-	-
Balance at the end of the year	72,308	-
	72,308	-

Foreign transaction reserve

Balance at the beginning of the year	1,222	-
Additions during the year	-	1,222

Balance at the end of the year	1,222	1,222
Total Reserves and Accumulated Losses	(2,685,446)	(929,325)

13.0 EARNINGS/(LOSS) PER SHARE

Loss after tax attributable to members of Hot Chili Limited	(1,828,429)	(930,547)
Basic loss per share (cents)	(2.14)	(1.16)
Diluted loss per share (cents)	(2.14)	(1.16)

Unexercised options are not dilutive.

The weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share	85,543,187	80,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	85,543,187	80,000,000

14.0 REMUNERATION OF AUDITORS

	Consolidated Entity	
	2010 \$	2009 \$
Remuneration of the auditor for:		-
- Auditing and reviewing of financial reports	18,000	9,500
- Preparation an investigating accountants report for inclusion in the IPO prospectus	10,000	
	28,000	9,500

15.0 KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Directors

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

Murray E Black	(Chairman)
Bernard R Mountford	(Non Executive Director) (Resigned 19 July 2010)
Christian E Easterday	(Executive Director)
Dr Allan Trench	(Non Executive Director) (Appointed 19 July 2010)

b) Company Secretary

John Sendziuk	(Appointed 14 May 2010)
---------------	-------------------------

c) Country Manager

Rodrigo Diaz Borquez	(Appointed 17 May 2010)
----------------------	-------------------------

Details of Remuneration of Key Management Personnel for the Year Ended 30 June 2010

Short-term benefits	386,669	133,015
Post-employment benefits	9,237	-
Share based payment	-	-
	395,906	133,015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

15.0 KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Shares

The number of shares in the company held during the financial year, and up 30 June 2010, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, are set out below. There were no shares granted as compensation during the year.

2010	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Murray E Black	13,500,000	-	(3,500,000)	10,000,000
Christian E Easterday	13,700,000	-	(3,500,000)	10,200,000
Bernard R Mountford (Resigned 19 July 2010)	2,000,000	-	(666,667)	1,333,333
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-
John Sendziuk (Appointed 14 May 2010)	700,000	-	400,000	1,100,000
	29,900,000	-	(7,266,667)	22,633,333

2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Murray E Black	-	-	13,500,000	13,500,000
Christian E Easterday	-	-	13,700,000	13,700,000
Bernard R Mountford (Resigned 19 July 2010)	-	-	2,000,000	2,000,000
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-
John Sendziuk (Appointed 14 May 2010)	-	-	700,000	700,000
	-	-	29,900,000	29,900,000

Options

The number of options over ordinary shares in the company held during the financial year, and up to 30 June 2010, by each Key Management Personnel of Hot Chili Ltd including their personally related parties are set out below:

2010	Balance at the start of the year	Acquired during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Murray E Black	6,750,000	-	-	-	6,750,000	6,750,000
Christian E Easterday	6,850,000	-	-	-	6,850,000	6,850,000
Bernard R Mountford (Resigned 19 July 2010)	1,000,000	-	-	-	1,000,000	1,000,000
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-	-	-
John Sendziuk (Appointed 14 May 2010)	350,000	-	-	-	350,000	350,000
	14,950,000	-	-	-	14,950,000	14,950,000

2009	Balance at the start of the year	Acquired during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Murray E Black	-	6,750,000	-	-	6,750,000	6,750,000
Christian E Easterday	-	6,850,000	-	-	6,850,000	6,850,000
Bernard R Mountford (Resigned 19 July 2010)	-	1,000,000	-	-	1,000,000	1,000,000
Dr Allan Trench (Appointed 19 July 2010)	-	-	-	-	-	-
John Sendziuk (Appointed 14 May 2010)	-	350,000	-	-	350,000	350,000
	-	14,950,000	-	-	14,950,000	14,950,000

16.0 NOTES TO STATEMENTS OF CASH FLOWS

a) Reconciliation of Cash

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

	Consolidated Entity	
	2010 \$	2009 \$
Cash and short term deposits	6,607,586	461,502
	6,607,586	461,502

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

16.0 NOTES TO STATEMENTS OF CASH FLOWS (CONTINUED)

b) Reconciliation of Net Cash used In Operating Activities to Operating Loss After Income Tax

	Consolidated Entity	
	2010 \$	2009 \$
Loss for the year	(1,828,429)	(930,547)
Depreciation	4,587	-
Effect of exchange rates on holdings in foreign currencies	(66,074)	-
Net cash flows from operating activities before change in assets and liabilities	(1,889,916)	(930,547)
Change in assets and liabilities during the financial year:		
Other current assets	(219,974)	(8,473)
Payables	(6,435)	105,525
Net cash outflow from operating activities	(2,116,325)	(833,495)

c) Non cash investing and financing activities

The consolidated entity issued 740,000 options to brokers as part of their fee for capital raising. The options were valued at \$72,308 using the Black and Scholes option pricing model.

The consolidated entity issued 6,210,527 shares valued at \$1,242,105 as part payment on an option contract to acquire mining tenements in Chile.

17.0 FINANCE FACILITIES

No credit standby facility arrangement or loan facilities existed at 30 June 2010.

18.0 COMMITMENTS FOR EXPENDITURE

a) Exploration Commitments

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

Within one year	1,401,313	-
Later than one year but not later than five years	19,291,403	-
	20,692,716	-

b) Operating Leases

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

Commitments for minimum lease payments in relation to operating leases are payable as follows:

Within one year	34,943	-
Later than one year but not later than five years	42,900	-
Later than five years	-	-
	77,893	-

19.0 EVENTS OCCURRING AFTER REPORTING DATE

Dr Allan Trench was appointed as a director on 19 July 2010.

Other than the appointment of a new director, at the date of the director's declaration there is no matter or circumstance that has arisen since 30 June 2010 that has significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the consolidated entity, subsequent to 30 June 2010, other than those mentioned in the Director's Report.

20.0 RELATED PARTIES

Directors

Mr B R Mountford is associated with Hawkeye Resources Pty Ltd a company which received payments of \$68,551 (2009: \$53,832) for consulting services. These amounts have been recognised as part of the Director's remuneration.

Mr C E Easterday is associated with Mining Technical Solutions which received payments of \$215,110 (2009: \$79,183) for consulting services. These amounts have been recognised as part of the Director's remuneration.

21.0 CONTINGENT LIABILITIES

There are no contingent liabilities at reporting date (2009: Nil).

22.0 INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2010 %	2009 %
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila Limitada	Chile	Ordinary	100	100
Sociedad Minera El Huerto Limitada	Chile	Ordinary	100	100

23.0 FINANCIAL RISK MANAGEMENT

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

23.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Exposures and Responses

a) Interest rate risk exposure

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

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

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

b) Credit risk exposure

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

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

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

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

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

c) Liquidity risk

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

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

d) Fair values

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

	Consolidated Entity	
	Carrying amount \$	Fair value \$
2010		
Cash and cash	6,607,586	6,607,586
Trade and other receivables	55,430	55,430
Trade and other payables	99,093	99,093
	Carrying amount \$	Fair value \$
2009		
Cash and cash	6,607,586	6,607,586
Trade and other receivables	55,430	55,430
Trade and other payables	105,528	105,528

e) Foreign exchange risk

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

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

	Consolidated Entity	
	Post tax profit \$	Equity \$
AUD/USD + 10%	(514,657)	(514,657)
AUD/USD - 10%	514,657	514,657

24.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Share based payment transactions

The Company 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 an external valuation using a Binomial or Black-Scholes option pricing model, using the assumptions detailed in Note 26(a).

Recoverability of exploration expenditure

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

25.0 PARENT ENTITY DISCLOSURES

Financial position

	2010 \$	2009 \$
Assets		
Current assets	6,618,396	449,519
Non-current assets	2,173,641	408,959
Total assets	8,792,037	858,478
Liabilities		
Current liabilities	69,393	105,403
Total liabilities	69,393	105,403
Equity		
Issued capital	11,419,755	1,682,400
Reserves	72,308	-
Accumulated losses	(2,769,419)	(929,325)
Total equity	8,722,644	753,075
Financial performance		
Loss for the year	(1,840,094)	(929,325)
Other comprehensive income	-	-
Total comprehensive income	(1,840,094)	(929,325)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010 (30 June 2009 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

26.0 SHARE BASED PAYMENTS

a) Options issued

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

Set out below is a summary of options issued as at 30 June 2010:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Balance at end of year	Number exercisable at end of year
01/05/2009	29/10/2014	-	200,000	-	200,000	200,000
10/01/2010	29/10/2014	-	140,000	-	140,000	140,000
29/04/2010	29/10/2014	-	400,000	-	400,000	400,000

Fair value of options issued:

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

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

- a) options are granted for no consideration.
- b) exercise price - \$0.20.
- c) issue date - 1 May 2009, 10 January 2010, 29 April 2010
- d) expiry date – 29 October 2014.
- e) expected price volatility of the Company's shares: 110%.
- f) risk-free interest rate: 5.36%.
- g) spot price at date of valuation: \$0.05, \$0.10 and \$0.20.

b) Expenses arising from share-based payment transactions

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

	2010 \$	2009 \$
Expenses related to options issued to consultants	72,308	-
Shares issued for option payment on Chilean mining rights	1,242,105	-
	1,314,413	-

The option payment on Chilean mining rights were issued at the date of listing and consisted of 6,210,525 shares at the listing price of \$0.20.

INFORMATION REQUIRED BY THE ASX

SHAREHOLDER INFORMATION AS AT 23 AUGUST 2010

a) Spread of Holdings

			Shareholders	Units
1	-	1,000	4	1,727
1,001	-	5,000	41	138,258
5,001	-	10,000	80	754,835
10,001	-	100,000	367	17,312,766
100,001	&	Over	124	106,002,941
			616	124,210,527

b) Spread of Holdings

			Option Holders	Units
1	-	1,000	-	-
1,001	-	5,000	-	-
5,001	-	10,000	-	-
10,001	-	100,000	12	1,050,000
100,001	&	Over	28	39,690,000
			40	40,740,000

c) Substantial Shareholders

Kalgoorlie Auto Service Pty Ltd	40,000,000
Port Finance Ltd NV	6,210,527
Ajava Holdings Pty Ltd	5,000,000

d) Directors' Shareholdings:

	Shares Held Directly	Shares Held by Companies in which Directors have a beneficial interest
Murray E Black	-	10,000,000
Bernard R Mountford (Resigned 19 July 2010)	-	1,333,333
Christian E Easterday	200,000	10,200,000
Dr Allan Trench (Appointed 19 July 2010)	-	-

e) The names of the twenty largest shareholders as at 23 August 2010, who between them held 61.25% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	Kalgoorlie Auto Service Pty Ltd	40,000,000	32.20
2	Port Finance Ltd NV	6,210,527	5.00
3	Ajava Holdings Pty Ltd	5,000,000	4.03
4	Norman Lester Mountford	4,000,000	3.22
5	Fitel Nominees Ltd	2,739,500	2.21
6	Miro & Helen Cecich	2,250,000	1.81
7	Campari Holdings Pty Ltd	2,000,000	1.61
8	SHL Pty Ltd	1,750,000	1.41
9	Hahn Properties Pty Ltd	1,500,000	1.21
10	Harbour Seager Rex	1,300,000	1.05
11	Romulus Pty Ltd	1,100,000	0.89
12	Harbour Seager Rex	1,050,000	0.85
13	Miro Cecich	1,000,000	0.81
14	DBS Vickers SEC Singapore	1,000,000	0.81
15	Timothy James Carter	950,000	0.76
16	Gary Dene Gale	925,000	0.74
17	Ian William Dorrington	900,000	0.72
18	Oregonwood Pty Ltd	900,000	0.72
19	Jacqueline Tracey Hunter	800,000	0.64
20	Alf's Crew Pty Ltd	750,000	0.60
		76,125,027	61.29



