

**Hot Chili Limited**

ACN 130 955 725

First Floor, 768 Canning Highway, Applecross, Western Australia 6153

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[www.hotchilli.net.au](http://www.hotchilli.net.au)



# Half-Yearly Report

## Hot Chili Limited and Controlled Entities

**ABN: 91 130 955 725**

**Interim Financial Report for the  
Half-Year Ended 31 December 2018**

### **ASX CODE**

HCH

### **Contact**

Mr Christian Easterday  
Managing Director

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**P:** +61 8 9315 9009**F:** +61 8 9315 5004**[www.hotchilli.net.au](http://www.hotchilli.net.au)****Corporate Particulars****Directors**

Murray Black (Chairman)

Christian Easterday (Managing Director)

Dr Allan Trench (Non-Executive Director)

Dr Michael Anderson (Non-Executive Director)

Roberto de Andraca Adriasola (Non-Executive Director)

George Nickson (Non- Executive Director)

Melanie Leighton (Alternate for M Black)

**Company Secretary**

Lloyd Flint

**Principal & Registered Office**

First Floor 768 Canning Highway

Applecross, Western Australia 6153

Telephone +61 8 9315 9009

Facsimile +61 8 9315 5004

Website [www.hotchilli.net.au](http://www.hotchilli.net.au)**Share Registry**

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross, Western Australia 6153

Telephone +61 8 9315 0933

**Auditors**

RSM Australia Partners

Level 32, Exchange Tower

2 The Esplanade

Perth, Western Australia 6000

**Bankers**

Westpac Banking Corporation

Hannan Street

Kalgoorlie, Western Australia 6430





## **Directors' Report**

The Directors of Hot Chili Limited present their report on Hot Chili Ltd ("the Company" or "Hot Chili") and the entities it controlled ("consolidated entity") at the end of, or during, the half-year ended 31 December 2018.

### **Directors**

The following persons held office as directors of Hot Chili Limited at the date of this report or were directors at any time during the half-year ended 31 December 2018, unless otherwise stated:

Murray Black (Non-Executive Chairman)  
Christian Easterday (Managing Director)  
Dr Allan Trench (Non-Executive Director)  
Dr Michael Anderson (Non-Executive Director)  
Roberto de Andraca Adriasola (Non-Executive Director)  
George Nickson (Non- Executive Director)  
Melanie Leighton (Alternate for M Black)

### **Principal Activities**

The principal continuing activity of the consolidated entity is mineral exploration.

### **Significant Changes in the State of Affairs**

There were no significant changes in the state of affairs of the consolidated entity during the half-year.

### **Review of Operations**

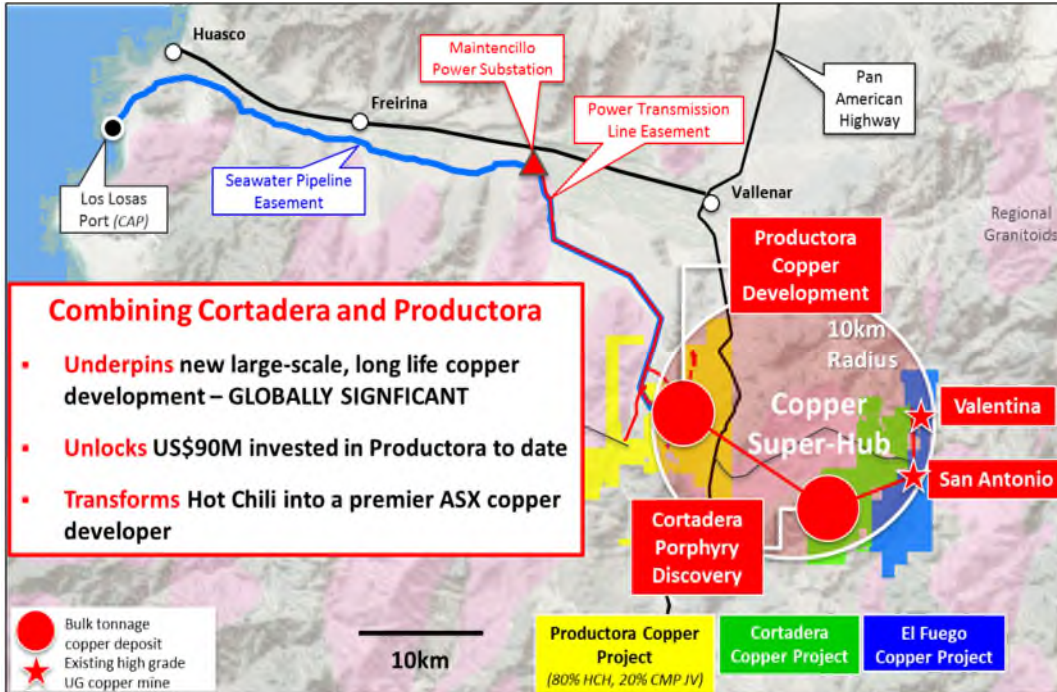
#### ***Operating Result***

The loss from continuing operations for the half-year after providing for tax amounted to \$589,253 (2017: \$3,098,961).

### **Operational Highlights**

The Company is pleased to have secured an option to acquire a 100% interest in a major, privately-owned, copper-gold porphyry discovery, named Cortadera, adjoining the Company's Productora and El Fuego copper projects, located on the Chilean coastal range (as displayed in Figure 1).





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

Securing the Cortadera project is a significant milestone for the Company as it provides the immediate critical mass required to develop a new large-scale, long-life copper mine, having the potential to transform Hot Chili into a premier ASX listed copper developer.

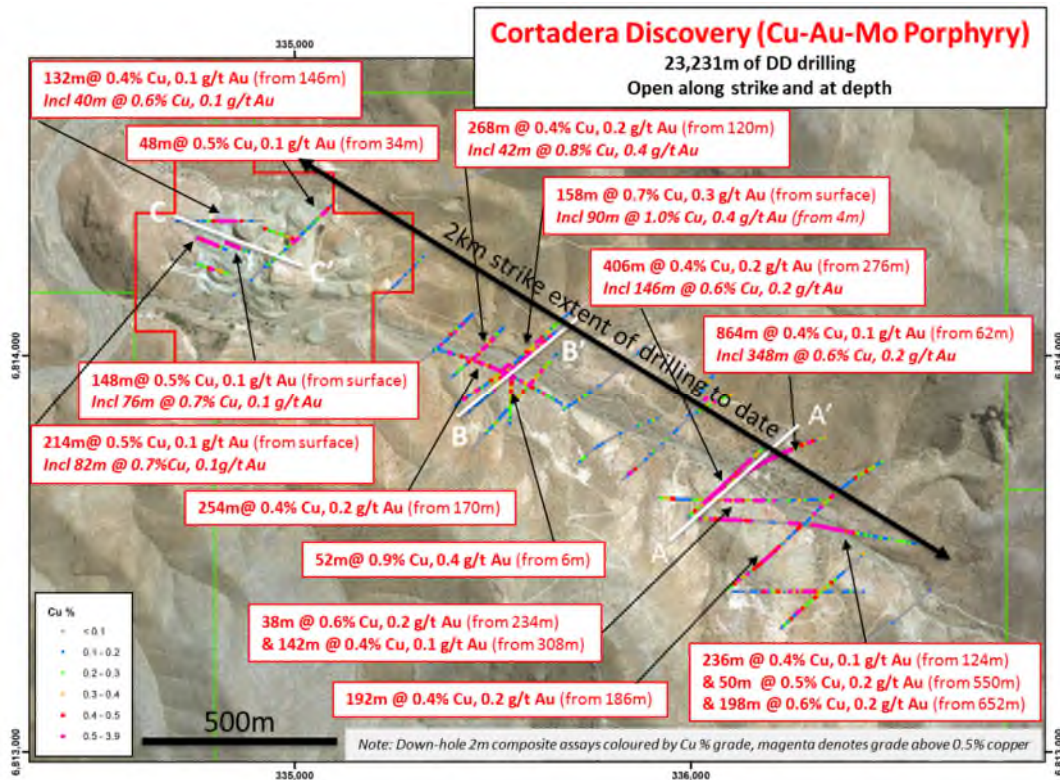
Hot Chili has remained focused on its core objective of developing a large-scale copper project in Chile, and acknowledges the ongoing support of its dedicated staff and consultants, management team, project partners and major shareholders.

The Directors of Hot Chili would like to thank all parties associated with the Cortadera consolidation efforts for their commitment to partnering with Hot Chili to create a globally significant, emerging copper hub for the Vallenar region of Chile.

The Company looks forward to providing updates as key milestones are achieved at Cortadera in the coming months ahead.







**Figure 2. Plan view across the Cortadera discovery area displaying significant copper-gold drilling intersections across three confirmed tonalitic porphyry intrusive centres**

Key highlights for the half year included:

### Cortadera

- ✓ Formal option agreements secured to acquire a 100% interest in a major, privately-owned, Cortadera copper-gold porphyry discovery
- ✓ The addition of Cortadera looks likely to provide the immediate critical mass required to develop a new large-scale, long-life, coastal copper mining centre, leveraging off existing infrastructure advantages already secured with Hot Chili's joint venture partner at Productora, Chilean mining major Compania Minera Pacifica (CMP)
- ✓ Until now drill results from the Cortadera discovery had never previously been publicly released, and comprise numerous significant drilling intersections from over 23,000m of diamond drilling completed to date, including:
  - 90m grading 1.0% copper and 0.4g/t gold from 4m down-hole depth
  - 52m grading 0.9% copper and 0.4g/t gold from 6m down-hole depth
  - 864m grading 0.4% copper and 0.1g/t gold from 62m down-hole depth (including 348m grading 0.6% copper and 0.2g/t gold)
  - 268m grading 0.4% copper and 0.2g/t gold from 120m down-hole depth



***(including 42m grading 0.8% copper and 0.4g/t gold)***

- **406m grading 0.4% copper and 0.2g/t gold** from 276m down-hole depth  
***(including 146m grading 0.6% copper and 0.2g/t gold)***
- **198m grading 0.6% copper and 0.2g/t gold** from 652m down-hole depth
- **214m grading 0.5% copper and 0.1g/t gold** from surface  
***(including 82m grading 0.7% copper and 0.1g/t gold)***
- **148m grading 0.5% copper and 0.1g/t gold** from surface  
***(including 76m grading 0.7% copper and 0.2g/t gold)***
- **132m grading 0.4% copper and 0.1g/t gold** from 146m down-hole depth  
***(including 40m grading 0.6% copper and 0.1g/t gold)***
- **48m grading 0.5% copper and 0.1g/t gold** from 34m down-hole depth  
***(including 12m grading 1.0% copper and 0.4g/t gold)***
- ✓ Cortadera's results are considered one of the most significant set of copper-gold porphyry discovery drilling intersections since the discovery of SolGold's (TSX/LSE: SOLG) Cascabel deposit located in Ecuador
- ✓ An estimated US\$15 million of drilling and exploration activities have already been undertaken across Cortadera, with +23,000m of retained half core and definition of three porphyry centres allowing Hot Chili to move quickly and at low-cost towards a dramatic re-shaping of the Company's resource and reserve base
- ✓ The Cortadera discovery remains largely open and has demonstrated potential to host a large copper-gold deposit from surface, that the Company considers may be amenable to open pit mining
- ✓ Drill confirmation by Hot Chili of significant surface chalcocite enrichment and wide, higher-grade, copper-gold sulphide mineralisation will be key to determining the potential magnitude of the Cortadera discovery
- ✓ Project-level funding discussions are advancing with key stakeholders, and technical due diligence with potential funding partners is also underway

## **El Fuego**

- ✓ 5,000m maiden drilling programme completed across El Fuego project (San Antonio and Valentina), with impressive shallow, wide, high- grade copper drilling intersections confirming significant strike and depth extensions to copper mineralisation, with results including:
  - **19m grading 2.0% copper** from 61m down-hole depth  
***(including 11m grading 2.4% copper)***
  - **15m grading 1.7% copper** from 80m down-hole depth
  - **13m grading 1.3% copper** from 17m down-hole depth  
***(including 5m grading 2.3% copper)***
  - **53m grading 0.9% copper** from 72m down-hole depth  
***(including 27m grading 1.3% copper)***





- **18m grading 1.3% copper** from 52m down-hole depth  
*(including 5m grading 2.1% copper)*
- ✓ San Antonio and Valentina set to become key additions to Hot Chili's large-scale open pit resource inventory with the potential to add further scale and make a positive impact on the head grade of future copper production plans

### **Auditors' Independence Declaration**

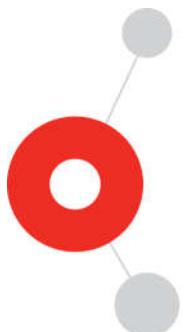
In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Australia Partners, the consolidated entity's auditors, which has been included as part of these financial statements.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed for on behalf of the board by:

A handwritten signature in blue ink, appearing to read "C Easterday", is enclosed in a thin black rectangular border.

Christian Easterday  
MANAGING DIRECTOR  
15<sup>th</sup> March 2019, Perth







## Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2018

	<b>Consolidated</b>	
	<b>December 2018</b>	<b>December 2017</b>
	<b>\$</b>	<b>\$</b>
Interest income	782	3,046
Gain / (loss) on revaluation of derivative liability	1,563,624	(1,033,668)
Depreciation	(6,276)	(5,409)
Corporate fees	(55,119)	(62,733)
Legal and professional	(87,407)	(64,939)
Employee benefits expense	(492,640)	(406,455)
Exploration expenses written off	(53,152)	(375,692)
Administration expenses	(105,914)	(73,478)
Accounting fees	(115,177)	(20,696)
Share based payments	(29,040)	-
Travel costs	(13,802)	(48,395)
Finance costs	(918,107)	(809,215)
(loss) / Gain on foreign exchange	(132,448)	9,988
Other expenses	(144,577)	(211,315)
Loss before income tax	(589,253)	(3,098,961)
Income tax benefit	-	-
Loss for the half year	(589,253)	(3,098,961)
Other comprehensive income	-	-
<b>Total comprehensive loss for the half year</b>	<b>(589,253)</b>	<b>(3,098,961)</b>
<b>Loss of the half year attributable to:</b>		
Non-controlling interest	(64,478)	(60,302)
Owners of Hot Chili Limited	(524,775)	(3,038,659)
	<b>(589,253)</b>	<b>(3,098,961)</b>
Basic and diluted loss per share (cents)	(0.07)	(0.54)

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*





## Statement of Financial Position

As at 31 December 2018

		<b>Consolidated</b>	
	<b>Note</b>	<b>December 2018</b>	<b>June 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		829,181	3,656,560
Other current assets		7,461	12,086
<b>Total Current assets</b>		<b>836,642</b>	<b>3,668,646</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		172,551	193,353
Exploration and evaluation expenditure	<b>3</b>	110,438,762	108,743,662
<b>Total Non-current assets</b>		<b>110,611,313</b>	<b>108,937,015</b>
<b>Total Assets</b>		<b>111,447,955</b>	<b>112,605,661</b>
<b>Current Liabilities</b>			
Trade and other payables	<b>4</b>	2,406,944	2,302,535
Derivative financial instruments	<b>5</b>	5,446,831	7,010,455
<b>Total Current liabilities</b>		<b>7,853,775</b>	<b>9,312,990</b>
<b>Non-Current Liabilities</b>			
Borrowings		4,220,232	3,814,764
<b>Total Non-current liabilities</b>		<b>4,220,232</b>	<b>3,814,764</b>
<b>Total Liabilities</b>		<b>12,074,007</b>	<b>13,127,754</b>
<b>Net Assets</b>		<b>99,373,948</b>	<b>99,477,907</b>
<b>Equity</b>			
Contributed equity	<b>6</b>	127,889,102	127,432,848
Option reserve		1,394,680	1,497,028
Foreign currency translation reserve		1,222	1,222
Accumulated losses		(49,155,812)	(48,762,425)
Capital and reserves attributable to owners of Hot Chili Ltd		80,129,192	80,168,673
Non-Controlling interests		19,244,756	19,309,234
<b>Total Equity</b>		<b>99,373,948</b>	<b>99,477,907</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying note*





## Statement of Changes in Equity

### For the Half-Year Ended 31 December 2018

	Contributed Equity	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
<b>31 December 2018:</b>						
<b>Balance at 1 July 2018</b>	127,432,848	1,497,028	1,222	(48,762,425)	19,309,234	99,477,907
Loss for the period	-	-	-	(524,775)	(64,478)	(589,253)
<b>Total comprehensive income for the half-year</b>	-	-	-	(524,775)	(64,478)	(589,253)
Shares issued during the period	456,254	-	-	-	-	456,254
Options issued during the period	-	29,040	-	-	-	29,040
Options expired during the period	-	(131,388)	-	131,388	-	-
<b>Balance at 31 December 2018</b>	<u>127,889,102</u>	<u>1,394,680</u>	<u>1,222</u>	<u>(49,155,812)</u>	<u>19,244,756</u>	<u>99,373,948</u>
<b>31 December 2017:</b>						
<b>Balance at 1 July 2017</b>	122,053,043	1,473,539	1,222	(44,858,479)	19,415,844	98,085,169
Loss for the period	-	-	-	(3,038,659)	(60,302)	(3,098,961)
<b>Total comprehensive income for the half-year</b>	-	-	-	(3,038,659)	(60,302)	(3,098,961)
Shares issued during the period	1,249,230	-	-	-	-	1,249,230
Costs of share issue	(74,075)	-	-	-	-	(74,075)
<b>Balance at 31 December 2017</b>	<u>123,228,198</u>	<u>1,473,539</u>	<u>1,222</u>	<u>(47,897,138)</u>	<u>19,355,542</u>	<u>96,161,363</u>

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



## Statement of Cash Flows

For the Half-Year Ended 31 December 2018

	<b>Consolidated</b>	
	<b>December 2018</b>	<b>December 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(1,001,349)	(1,345,811)
Interest received	782	3,046
Interest Payment	(56,385)	(72,791)
<b>Net cash used in operating activities</b>	<b>(1,056,952)</b>	<b>(1,415,556)</b>
<b>Cash Flows from Investing Activities</b>		
Payments for exploration and evaluation (net of reimbursements)	(1,733,726)	(691,296)
Payment for plant and equipment	-	(15,029)
<b>Net cash used in investing activities</b>	<b>(1,733,726)</b>	<b>(706,325)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	-	1,006,500
Receipts from Borrowings	-	383,400
Share issue costs	-	(74,159)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,315,741</b>
Net decrease in cash held	(2,790,678)	(806,140)
Foreign exchange differences on cash	(36,701)	9,988
Cash and cash equivalents at the beginning of the half-year	3,656,560	2,402,980
<b>Cash and cash equivalents at the end of the half-year</b>	<b>829,181</b>	<b>1,606,828</b>

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





## Notes to the Financial Statements

### For the half-year ended 31 December 2018

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#### 1. Summary of Significant Accounting Policies

##### Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Hot Chili Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

##### New and Revised Accounting Standards

In the half-year ended 31 December 2018, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the annual reporting period beginning on or after 1 July 2018. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

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

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







## Notes to the Financial Statements

### For the half-year ended 31 December 2018

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#### 1. Summary of Significant Accounting Policies (continued)

##### **AASB 9 Financial Instruments – Impact of Adoption**

###### ***Impairment of financial assets***

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

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

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

##### **AASB 9 Financial Instruments – Accounting Policies Applied from 1 July 2018**

###### ***Classification***

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

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

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

###### ***Measurement***

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

###### ***Impairment***

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





## Notes to the Financial Statements

### For the half-year ended 31 December 2018

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#### 1. Summary of Significant Accounting Policies (continued)

##### **AASB 15 Revenue from Contracts with Customers – Impact of Adoption**

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

##### **AASB 15 Revenue from Contracts with Customers – Accounting policies**

The Group did not generate revenue for the 6 months ending 31 December 2018.

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

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

##### **Going Concern**

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred net losses of \$589,253 and had net cash outflows from operating and investing activities of \$1,056,952 and \$1,733,726 respectively for the half-year ended 31 December 2018. As at that date, the consolidated entity had net current liabilities of \$7,017,133. The ability of the consolidated entity to continue as a going concern is principally dependent upon the ability of the consolidated entity to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.





## Notes to the Financial Statements

### For the half-year ended 31 December 2018

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#### 1. Summary of Significant Accounting Policies (continued)

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

- Included in current liabilities is a derivative financial liability of \$5,446,831 attributed to the convertible notes issued and representing the component of the convertible notes of granting an option to the note holder to convert to equity at any time prior to maturity. The derivative financial liability component of the convertible note is redeemable at the option of Hot Chili and thus will not require cash settlement;
- Included in current liabilities a refundable deposit option fee of \$2,125,248. The option fee is refundable at the option of Campania Minera del Pacífico S.A. (CMP). The directors are working co-operatively with CMP to co-ordinate the exercise of Tranche 1 of the associated Additional Purchase Option, which would raise USD \$26m, enable the potential settlement of the convertible facility and provide significant cash flow to the consolidated entity;
- As disclosed in Note 11, subsequent to the reporting date the company raised capital comprising:
  - a placement raising \$1,000,000 (before costs); and
  - a rights issue which was partially subscribed raising \$926,218 (before costs). The company has announced plans to place the remaining \$1,290,762.
- The company expects to issue additional equity securities under the Corporations Act 2001, to raise further working capital.

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

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





## Notes to the Financial Statements

### For the half-year ended 31 December 2018

#### 2. Segment Information

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

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

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

Operating revenues of approximately Nil (2017: Nil) are derived from a single external party.

All the assets relate to mineral exploration. Segment assets are allocated to segments based on the purpose for which they are used.

31 December 2018	Australia \$	Chile \$	Total \$
Interest revenue			782
<b>EBITDA</b>	<b>800,650</b>	<b>(401,824)</b>	<b>398,826</b>
Depreciation expense			(6,276)
Interest revenue			782
Finance costs			(918,107)
<b>(Loss) before income tax expense</b>			<b>(524,775)</b>
Income tax expense			-
<b>(Loss) after income tax expense</b>			<b>(524,775)</b>
<b>Assets</b>			
Segment assets	609,969	110,837,986	111,447,955
<b>Total assets</b>			<b>111,447,955</b>
<b>Liabilities</b>			
Segment liabilities	9,948,759	2,125,248	12,074,007
<b>Total liabilities</b>			<b>12,074,007</b>



## Notes to the Financial Statements For the half-year ended 31 December 2018

### 2. Segment Information (continued)

#### 31 December 2017

	Australia \$	Chile \$	Total \$
Interest revenue			3,046
<b>EBITDA</b>	<b>(1,603,252)</b>	<b>(623,829)</b>	<b>(2,227,081)</b>
Depreciation expense			(5,409)
Interest revenue			3,046
Finance costs			(809,215)
<b>(Loss) before income tax expense</b>			<b>(3,038,659)</b>
Income tax expense			-
<b>(Loss) after income tax expense</b>			<b>(3,038,659)</b>
<b>Assets</b>			
Segment assets	1,476,954	108,265,650	109,742,604
<b>Total assets</b>			<b>109,742,604</b>
<b>Liabilities</b>			
Segment liabilities	11,629,869	1,951,372	13,581,241
<b>Total liabilities</b>			<b>13,581,241</b>

	<b>Consolidated entity</b>	
	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>3. Exploration and evaluation expenditure</b>		
Mining tenements at cost	110,438,762	108,743,662
<b>Tenements</b>		
Carrying value at the beginning of the period	108,743,662	107,555,248
Capitalised mineral exploration and evaluation *	1,700,533	1,436,782
Consideration for mineral exploration acquisitions	47,719	173,741
Exploration written off	(53,152)	(422,109)
<b>Total exploration and evaluation expenditure</b>	<b>110,438,762</b>	<b>108,743,662</b>

\*Capitalised mineral exploration and evaluation is net of reimbursement from Compañía Minera del Pacífico S.A's (CMP) for their contribution towards exploration expenditure as per the joint venture agreement.





## Notes to the Financial Statements

### For the half-year ended 31 December 2018

#### 4. Trade and other payables

Payables and accrued expenses  
Refundable deposit (Option fee)  
**Total trade and other payables**

Consolidated entity	
31 December 2018	30 June 2018
\$	\$
281,696	273,035
2,125,248	2,029,500
<b>2,406,944</b>	<b>2,302,535</b>

#### 5. Derivative financial instruments

Derivative Liability - Convertible Note

Consolidated entity	
31 December 2018	30 June 2018
\$	\$
5,446,831	7,010,455
<b>5,446,831</b>	<b>7,010,455</b>

#### Fair value hierarchy

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

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

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

#### Derivative liability – reconciliation

Balance at beginning of period  
Derivative liability at inception  
Net Change in fair value during the period  
**At the end of the financial year**

Consolidated entity	
31 December 2018	30 June 2018
\$	\$
7,010,455	6,451,250
-	340,608
(1,563,624)	218,597
<b>5,446,831</b>	<b>7,010,455</b>





## Notes to the Financial Statements For the half-year ended 31 December 2018

	Consolidated entity			
	31 December 2018		30 June 2018	
	Number	\$	Number	\$
<b>6. Issued capital</b>				
<b>(a) Issued capital</b>				
Ordinary shares – fully paid	753,884,130	127,889,102	735,876,764	127,432,848
<b>(b) Movement in ordinary share capital</b>				
Balance at beginning of period	735,876,764	127,432,848	554,381,254	122,053,043
Shares issued during the period	-	-	162,090,539	5,006,502
Shares issued in lieu of convertible note costs	18,007,366	456,254	19,404,971	696,614
Costs associated with issue of share capital	-	-	-	(323,311)
<b>Balance at end of period</b>	<b>753,884,130</b>	<b>127,889,102</b>	<b>735,876,764</b>	<b>127,432,848</b>

### (c) Options over ordinary share capital

Grant date	Expiry date	Expiry price (\$)	Balance at start of the period	Number issued during the period	Number exercised during the period	Number expired during the period	Balance at end of the period
27/06/2014	27/06/2019	0.30	11,000,000	-	-	-	11,000,000
24/08/2016	06/09/2018	0.10	8,000,000	-	-	(8,000,000)	-
26/06/2017	20/06/2019	0.033	20,000,000	-	-	-	20,000,000
09/05/2018	31/05/2020	0.10	52,189,305	-	-	-	52,189,305
21/06/2018	31/05/2020	0.10	17,477,362	-	-	-	17,477,362
19/12/2018	19/12/2021	0.07	-	12,000,000	-	-	12,000,000
			108,666,667	12,000,000	-	(8,000,000)	112,666,667



## **Notes to the Financial Statements**

### **For the half-year ended 31 December 2018**

#### **7. Contingent Liabilities**

During the financial half-year Hot Chili Limited has successfully extended the VAT refund payable to the Chilean Tax Authority until 30 June 2022. Hot Chili also has the right to extend this term. In the event that the term is not extended, and Hot Chili does not meet certain export targets, Hot Chili will be required to re-pay the VAT refund payments to the Chilean Tax Authority subject to certain terms and conditions. However, if Hot Chili achieves the export targets from Productora within that timeframe or its renewal, if required, any VAT refund payments will not be required to be repaid. Given potential delays to Productora's planned future production target, owing to depressed global copper price conditions, the Company intends to exercise its right to extend the date of commercial production from Productora with the Chilean Tax Authority. Accordingly, no provision has been provided within these financial statements.

#### **8. Related Party Transactions**

Blue Spec Drilling Pty Ltd, a company controlled by Mr Black, was issued 610,927 shares pursuant to interest charged on the convertible notes. Interest accrued was settled in shares. As at 31 December 2018 there was \$7,783 convertible note interest owing to Blue Spec.

Blue Spec Sondjales Ltd a company controlled by Mr Black was paid \$11,410 for office rental and \$956,240 for drilling during the period.

#### **9. Commitments**

There have been no significant changes to Commitments since 30 June 2018.

#### **10. Dividends**

No dividends have been paid or proposed to be paid during the half-year.





## **Notes to the Financial Statements For the half-year ended 31 December 2018**

### **11. Events Subsequent to Reporting Date**

On the 2 January 2019 quarterly interest of \$229,411 was settled by the issue of 22,058,648 ordinary fully paid shares using a VWAP of \$0.0104.

On 4 February 2019 the Company announced a \$1.0m placement and a \$2.2m Rights issue to raise up to approximately \$3.2m. Both were to be at an issue price of \$0.01 per share.

The placement was for a total of 100m shares at \$0.01 per share and to be completed in two tranches. Tranche 1 of 44,047,674 shares was placed on 13 February 2019 raising \$440,477 before costs. A notice of meeting has been circulated for the approval of Tranche 2 for the issue of the remaining 55,952,326. The meeting is to be held 19 March 2019.

The Rights Issue was to be completed on the basis of 2 new shares for every 7 held at \$0.01 per share for the issue of approximately 221,697,937 shares to raise up to \$2.216m before costs. As at 6 March 2019 92,621,777 entitlement shares had been applied for and issued raising \$926,218. The shortfall shares had not been placed at the date of the report.

Other than the above, there has been no other matter or circumstance that has arisen that has significantly affected, or may significantly affect:

- the operations of the consolidated entity; or
- the result of its operations; or

the state of affairs of the consolidated entity subsequent to 31 December 2018.





## Directors Declaration

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In the opinion of the directors:

- a) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

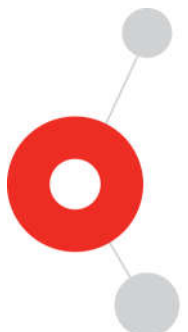
This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303 (5)(a) of the Corporations Act 2001.

Signed for on behalf of the board by:

A handwritten signature in blue ink, appearing to read "Christian Easterday", is enclosed in a rectangular box.

**Christian Easterday**  
**MANAGING DIRECTOR**

15<sup>th</sup> March 2019





**RSM Australia Partners**

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

We have reviewed the accompanying half-year financial report of Hot Chili Limited, which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hot Chili Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hot Chili Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$589,253 and had net cash outflows from operating and investing activities of \$1,056,952 and \$1,733,726 respectively for the half year ended 31 December 2018. As at that date, the consolidated entity's current liabilities exceeded its current assets by \$7,017,133. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**RSM**

RSM AUSTRALIA PARTNERS

*A Whyte*

ALASDAIR WHYTE

Partner

Perth, WA  
Dated: 15 March 2019



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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Hot Chili Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM**

RSM AUSTRALIA PARTNERS

**Al Whyte**

ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 15 March 2019

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