

Hot Chili Limited

ACN 130 955 725

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Half-Yearly Report

Hot Chili Limited and Controlled Entities

ABN: 91 130 955 725

**Interim Financial Report for the
Half-Year Ended 31 December 2019**

ASX CODE

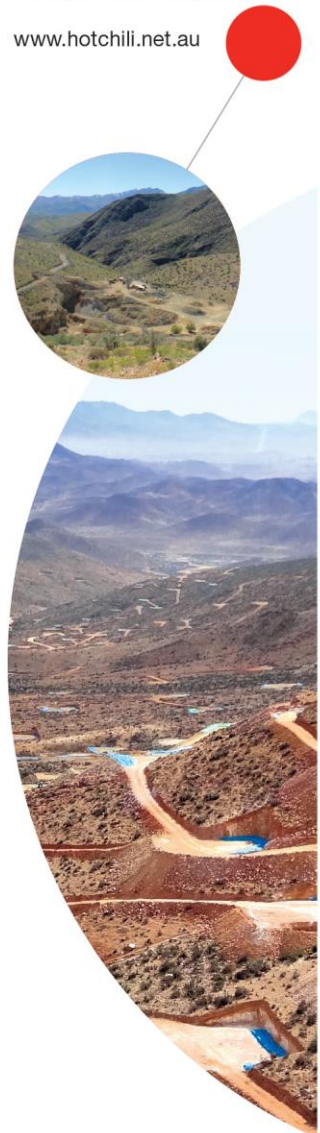
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Managing Director

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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

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Share Registry

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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 2019.

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 2019, 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 \$3,086,006 (2018: \$589,253).



Operational Highlights

In February 2019, the Company secured a transformational deal to acquire a 100% interest in a major private copper-gold porphyry discovery, lying 14km from Hot Chili's existing Productora project, as displayed in Figure 1. Of importance to note is that Productora is at an advanced stage with a PFS complete and a resource of 237Mt @ 0.48% Cu, 0.1g/t Au and 135ppm Mo already established (refer to ASX Announcement released 2nd March 2016).

Hot Chili has focussed its workstreams and exploration efforts on the Cortadera project since securing the deal in early 2019, with minimal work undertaken at the Company's other projects during the reporting period.

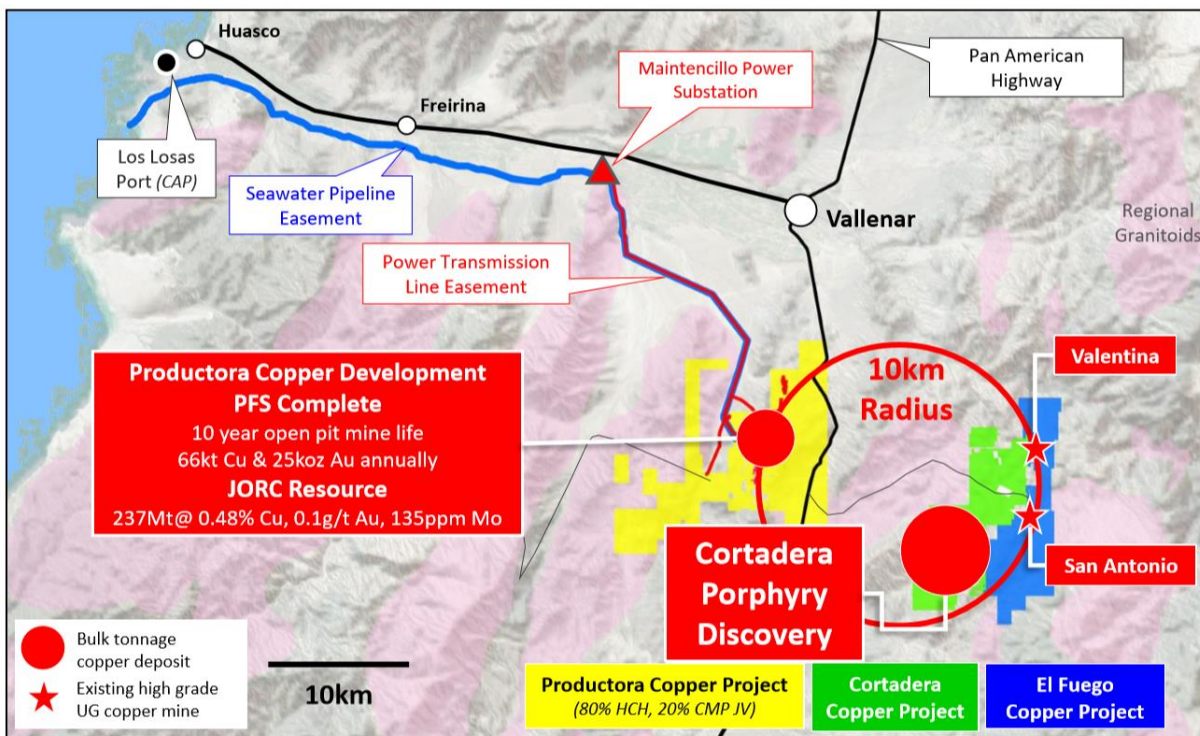


Figure 1 Location of Productora and the Cortadera discovery in relation to the consolidation of new growth projects and coastal range infrastructure

Over the second half of 2019 Cortadera delivered 5 of the top 25 copper-gold drill results reported globally since January 2018 as displayed on table 1. This included a stunning near 1 km drilling intersection from surface in Diamond (DD) drill hole CRP0020D (972m grading 0.5% copper and 0.2g/t gold, including 412m grading 0.7% copper and 0.3g/t gold) which was one of the best copper-gold drill results reported globally in 2019 (refer to ASX announcement released 4th December 2019).

These significant drill results have confirmed Cortadera as one of the most significant copper-gold discoveries of the past decade in Chile.



**Table 1 SNL List of Best 25 Cu-Au Drill Intercepts Since January 2018
(Ordered by Width of Drill Intersection)**

Project Name	Company	Country	Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Au%
Altar	Aldebaran Resources Inc	Argentina	ALD-18-209	482	1,537	1,055	0.5	0.2
Cascabel	SolGold Plc	Ecuador	CSD-18-067	886	1,914	1,028	0.7	0.9
Cascabel	SolGold Plc	Ecuador	CSD-18-043	600	1,574	974	0.5	0.4
Cortadera	Hot Chili Limited	Chile	CRP0020D	surface	972	972	0.5	0.2
Cascabel	SolGold Plc	Ecuador	CSD-18-041-D1-D2	926	1,779	853	0.5	0.6
Cascabel	SolGold Plc	Ecuador	CSD-18-069	740	1,592	852	0.8	0.6
Timok	Zijin Mining Group Company Limited	Serbia	TC170187	1,354	2,202	848	0.8	0.2
Cortadera	Hot Chili Limited	Chile	CRP0011D	112	960	848	0.4	0.2
Cascabel	SolGold Plc	Ecuador	CSD-18-042	278	1,124	846	0.7	0.5
Cascabel	SolGold Plc	Ecuador	33-D1	736	1,560	824	0.5	0.4
AntaKori	Regulus Resources Inc	Peru	AK-19-034	165	985	820	0.5	0.2
Winu	Rio Tinto	Australia	WINU0006	46	809	763	0.4	0.7
Cortadera	Hot Chili Limited	Chile	CRP0013D	204	954	750	0.6	0.2
Winu	Rio Tinto	Australia	WINU0006	68	809	741	0.5	0.5
AntaKori	Regulus Resources Inc	Peru	AK-18-014	5	719	714	0.7	0.4
Cascabel	SolGold Plc	Ecuador	CSD-18-068	1,004	1,668	664	0.9	1.0
Cortadera	Hot Chili Limited	Chile	CRP0029D	330	979	649	0.4	0.1
AntaKori	Regulus Resources Inc	Peru	AK-18-021	127	746	619	0.7	0.4
AntaKori	Regulus Resources Inc	Peru	AK-19-031	4	614	610	0.8	1.0
Cortadera	Hot Chili Limited	Chile	CRP0017D	328	924	596	0.5	0.2
Timok	Zijin Mining Group Company Limited	Serbia	TC170177	1,310	1,867	557	1.0	0.2
Kwanika	Kwanika Copper Corporation	Canada	K-180	33	547	514	0.6	0.8
Cascabel	SolGold Plc	Ecuador	CSD-18-042	620	1,124	504	0.9	0.6
Kwanika	Kwanika Copper Corporation	Canada	K-182	25	525	500	0.7	0.8
AntaKori	Regulus Resources Inc	Peru	AK-18-026	641	1,114	473	1.2	0.2

Source- Regulus Resources (TSXV: REG) November 2019 Corporate Presentation (slide 10) as per SNL financial, SNL search criteria include: >450 m interval, primarily copper interval & reported after Jan 1, 2018. Only longest reported interval considered. Results ordered by down-hole width of drill intersection and addition of CRP0029D result.

The Company continued to experience strong in-bound interest by large domestic and international groups in the Cortadera discovery with further site visits undertaken during the period.

Hot Chili was one of the top performing stocks on the ASX in 2019, with the Company's share price quadrupling following announcement of the Cortadera transaction and the delivery of several world-class drill results during the year.

Cortadera looks set to position Hot Chili in 2020 with one of the largest copper-gold inventories in the hands of a junior listed company globally that will be able to leverage a central processing and combined infrastructure approach to underpin a globally significant new copper development along the coastline of Chile.

Given the shortage of new large copper supply from low-risk, stable mining jurisdictions, Hot Chili is now well positioned to establish itself as the premier ASX-listed copper developer.





Figure 2 Hot Chili's 12 month share price graph displaying the appreciation in share price following the Cortadera deal and ASX releases announcing significant drill intersections

Key highlights for the half year included:

Hot Chili's recent drilling at Cuerpo 3 (the largest of the four porphyries discovered to date at Cortadera) include some of the world's stand-out copper-gold porphyry drill results reported in recent time. The Cuerpo 3 porphyry remains open to the north, south and at depth.

The Company's recent confirmation of a higher-grade bulk tonnage underground development opportunity in combination with shallow, high grade bulk tonnage open pit source - places Cortadera in a unique position amongst potential large-scale global copper-gold developments.

A key part of the Company's initial success at Cortadera has been the discovery and definition of a large and robust high grade core to the largest of Cortadera's four porphyry centres - Cuerpo 3. The average grade of drill intersections recorded by Hot Chili within the high grade zone of Cuerpo 3 ranges between 0.7% - 0.9% Cu and 0.3 - 0.4g/t Au.

The combined copper-gold drill intersection grade of the Cuerpo 3 high grade zone compares favourably with the reserve grade of several notable large-tonnage underground mines such as: Cadia East in Australia (0.47g/t Au & 0.3% Cu: Newcrest, Investor Presentation Nov 2019) and Candelaria Underground in Chile (0.85% Cu: Lundin Mining, Reserve Statement Sept 2018) (refer to ASX announcement released 4th December 2019).

Hot Chili recently confirmed the deposit has doubled in size since announcing the deal to acquire the discovery in February 2019 and the Company now considers that the Cortadera discovery zone alone is likely to grow towards a Tier 1 status (+5Mt contained copper), with the largest porphyries open in all key directions.

Hot Chili's 2020 drilling programme is well underway, aiming to expand the size of the existing discovery in advance of completing a first resource estimate for Cortadera in 2020.

The Company is focussed on two key areas of growth at Cortadera in 2020:

1. Continued expansion of the existing Cortadera discovery in both size and grade:
 - deep expansion diamond drilling is being completed and will continue across large extents of Cuerpo 3 and Cuerpo 2 (the two largest porphyries discovered) which remain open
2. First drill testing of two large growth targets adjacent to Cortadera:
 - RC drilling is underway across the Cuerpo 3 North target which lies 500m north of Cuerpo 3. The Company plans to initially complete several deep RC holes and potential diamond extensions over the coming month.
 - First-pass scout drilling is planned across the 1.5km long Cortadera North target, located 2km north of the Cortadera discovery. Additional shallow RC drilling is also scheduled across the shallow high grade chalcocite zones at Cortadera, following on from positive initial results from late 2019 drilling.

The following figures outline the location and significant results recorded to date including those outlined above and as previously announced to the Australian Securities Exchange.

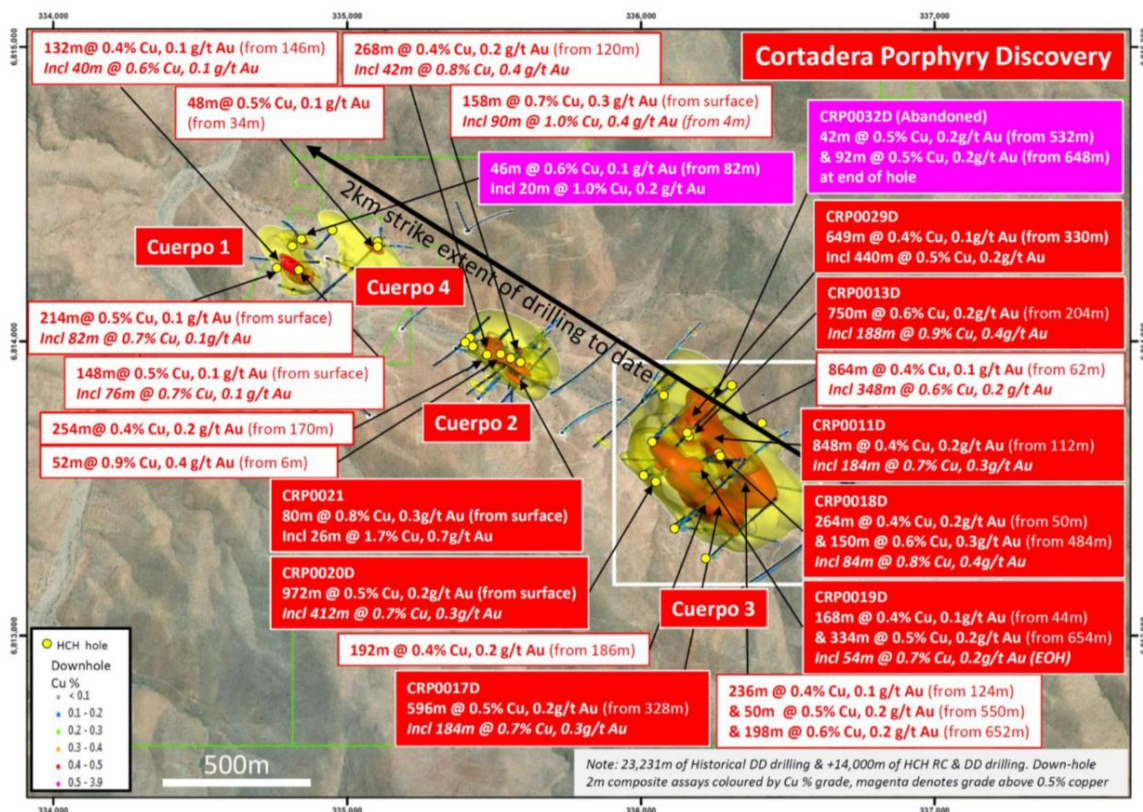


Figure 3 Plan view across Cortadera displaying significant copper-gold DD intersections across tonalitic porphyry intrusive centres (copper envelopes, yellow- +0.2% Cu and red +0.4% Cu).

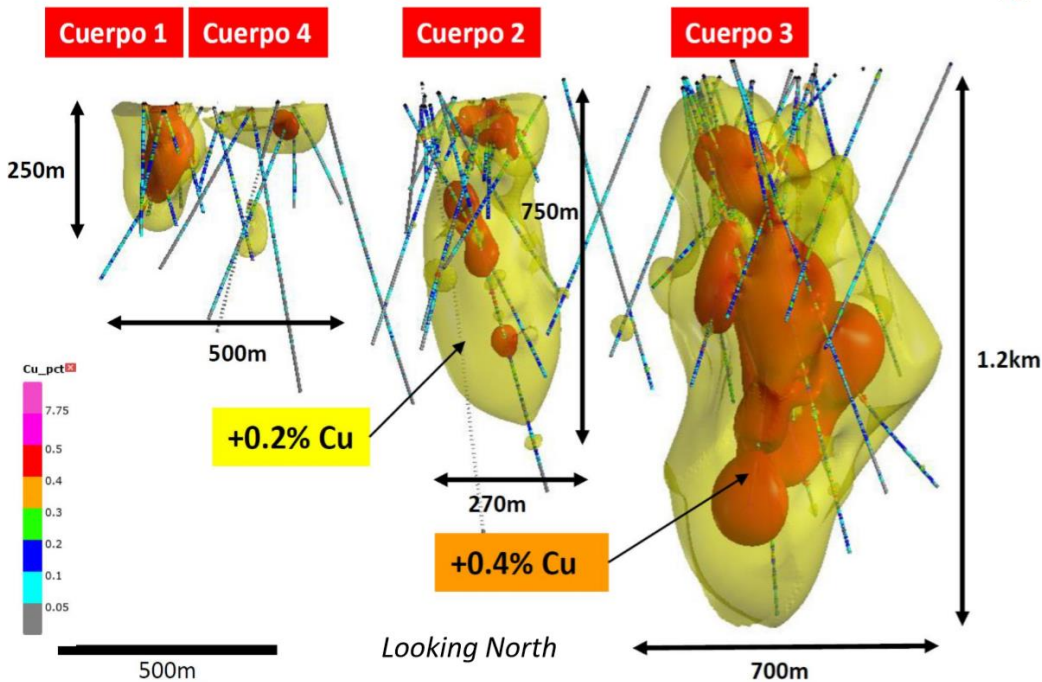


Figure 4 Long Section across the Cortadera discovery displaying all drilling across tonalitic porphyry intrusive centres, which remain largely open. Latest 3D modelling displaying both the bulk copper envelope (+0.2% Cu) and the high grade copper envelope (+0.4% Cu).

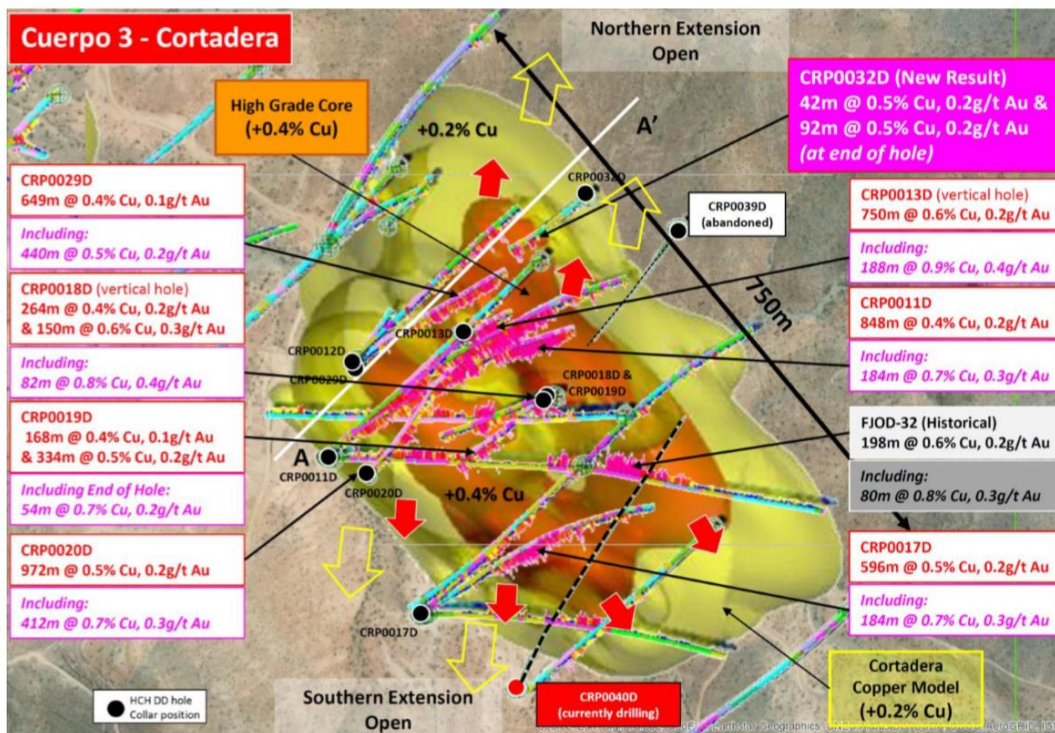


Figure 5 Plan view of Cuerpo 3 (the Main porphyry discovered to date at Cortadera) displaying the location and basic geology of the mineralised tonalitic host porphyry and significant drilling results. Note the growing extent of the modelled higher grade copper zone (red wireframe - +0.4% Cu) and the the bulk copper envelope at Cortadera (yellow wireframe - +0.2% Cu).



About Cortadera

Cortadera is a privately-owned, major copper-gold porphyry discovery located 600km north of Santiago along the Chilean coastal range, where historical world-class discovery drill results were only publicly released by Hot Chili in February 2019.

Importantly, Cortadera lies 14km from the Company's large-scale Productora copper development and adjacent to the high grade El Fuego satellite copper projects, as displayed in Figure 1.

On 22 February 2019, Hot Chili announced the execution of a formal Option Agreement to acquire a 100% interest in Cortadera. In early April, the Company commenced a confirmation drilling programme comprising 17 holes.

The drilling has confirmed and extended areas of surface enrichment and wide, higher-grade, copper-gold sulphide mineralisation at depth, which had not previously been closed off by 23,000m of historical diamond drilling.

Hot Chili's recent drill holes at Cuerpo 3 (the largest of the four porphyries discovered to date) include some of the worlds' stand-out copper-gold porphyry drill results reported in recent time. The Cuerpo 3 porphyry remains open to the north, south and at depth. Significant intersections include:

- 972m grading 0.5% copper and 0.2g/t gold from surface (including 412m grading 0.7% copper and 0.3g/t gold)
- 750m grading 0.6% copper and 0.2g/t gold from 204m down-hole depth (including 188m grading 0.9% copper and 0.4g/t gold)
- 848m grading 0.4% copper and 0.2g/t gold from 112m down-hole depth (including 184m grading 0.7% copper and 0.3g/t gold)
- 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),
- 649m grading 0.4% copper and 0.1g/t gold from 328m down-hole depth (including 440m grading 0.5% copper and 0.2g/t gold),and
- 596m grading 0.5% copper and 0.2g/t gold from 328m down-hole depth (including 184m grading 0.7% copper and 0.3g/t gold)

Cortadera is shaping up as a globally significant standalone copper-gold project which can utilise the Productora project resources, and leverage from a central processing and combined infrastructure approach along the coastline of Chile.

The Company's recent confirmation of a higher grade bulk tonnage underground development opportunity in combination with shallow, high grade bulk tonnage open pit source - places Cortadera in a unique position amongst potential large-scale global copper-gold developments.





Qualifying Statements

Competent Person's Statement- *Exploration Results*

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

Competent Person's Statement- *Mineral Resources*

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

Competent Person's Statement- *Ore Reserves*

The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Registered Member of the Chilean Mining Commission (RM- a 'Recognised Professional Organisation' within the meaning of the JORC Code 2012) and a full time employee of NCL Ingeniería y Construcción SpA (NCL). Mr Caro is a former employee of Hot Chili Ltd, now working in a consulting capacity for the Company, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Member of the Chilean Mining Commission. Mr Lorenzen is employed by Mintrex Pty Ltd and is a Chartered Professional Engineer, Fellow of Engineers Australia, and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM).

Mr King is employed by AMEC Foster Wheeler (AMEC FW) and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and AMEC FW have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate. Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Forward Looking Statements

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

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





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 black ink, appearing to read "Christian Easterday", is written over a light blue horizontal line.

Christian Easterday
MANAGING DIRECTOR
12 March 2020, Perth





Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Consolidated	
	December 2019	December 2018
	\$	\$
Interest income	3,050	782
(Loss)/Gain on revaluation of derivative liability	(867,469)	1,563,624
Depreciation	-	(6,276)
Corporate fees	(140,381)	(55,119)
Legal and professional	(173,014)	(87,407)
Employee benefits expense	(502,002)	(492,640)
Exploration expenses written off	(69,692)	(53,152)
Administration expenses	(114,962)	(105,914)
Accounting fees	(130,885)	(115,177)
Share based payments	-	(29,040)
Travel costs	(26,729)	(13,802)
Finance costs	(1,013,391)	(918,107)
Gain/(Loss) on foreign exchange	139,041	(132,448)
Other expenses	(189,572)	(144,577)
Loss before income tax	(3,086,006)	(589,253)
Income tax benefit	-	-
Loss for the half year	(3,086,006)	(589,253)
Other comprehensive income		-
Total comprehensive loss for the half year	(3,086,006)	(589,253)
Loss of the half year attributable to:		
Non-controlling interest	(63,296)	(64,478)
Owners of Hot Chili Limited	(3,022,710)	(524,775)
	(3,086,006)	(589,253)
Basic and diluted loss per share (cents)	(0.21)	(0.07)

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 2019

	Note	Consolidated	
		December 2019	June 2019
		\$	\$
Current Assets			
Cash and cash equivalents		4,407,459	1,377,545
Other current assets		7,570	7,445
Total Current assets		4,415,029	1,384,990
Non-Current Assets			
Property, plant and equipment		140,214	157,919
Exploration and evaluation expenditure	3	125,105,221	113,176,541
Total Non-current assets		125,245,435	113,334,460
Total Assets		129,660,464	114,719,450
Current Liabilities			
Trade and other payables	4	4,027,161	3,913,365
Derivative financial instruments	5	6,406,151	6,565,547
Total Current liabilities		10,433,312	10,478,912
Non-Current Liabilities			
Borrowings		4,340,574	4,561,540
Total Non-current liabilities		4,340,574	4,561,540
Total Liabilities		14,773,886	15,040,452
Net Assets		114,886,578	99,678,998
Equity			
Contributed equity	6	150,000,655	131,837,269
Option reserve		182,730	52,530
Foreign currency translation reserve		1,222	1,222
Accumulated losses		(54,424,221)	(51,401,511)
Capital and reserves attributable to owners of Hot Chili Ltd		95,760,386	80,489,510
Non-Controlling interests		19,126,192	19,189,488
Total Equity		114,886,578	99,678,998

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 2019

	Contributed Equity	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
31 December 2019:						
Balance at 1 July 2019	131,837,269	52,530	1,222	(51,401,511)	19,189,488	99,678,998
Loss for the period	-	-	-	(3,022,710)	(63,296)	(3,086,006)
Total comprehensive income for the half-year	-	-	-	(3,022,710)	(63,296)	(3,086,006)
Shares issued during the period	18,163,386	-	-	-	-	18,163,386
Options issued during the period	-	130,200	-	-	-	130,200
Options expired during the period	-	-	-	-	-	-
Balance at 31 December 2019	150,000,655	182,730	1,222	(54,424,221)	19,126,192	114,886,578
31 December 2018:						
Balance at 1 July 2018	127,432,848	1,497,028	1,222	(48,762,425)	19,309,234	99,477,907
Loss for the period	-	-	-	(524,775)	(64,478)	(589,253)
Total comprehensive income for the half-year	-	-	-	(524,775)	(64,478)	(589,253)
Shares issued during the period	456,254	-	-	-	-	456,254
Costs of share issue	-	29,040	-	-	-	29,040
	-	(131,388)	-	131,388	-	-
Balance at 31 December 2018	127,889,102	1,394,680	1,222	(49,155,812)	19,244,756	99,373,948

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 2019

	Consolidated	
	December 2019	December 2018
	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(2,876,641)	(1,001,349)
Interest received	3,050	782
Interest Payment	-	(56,385)
Net cash used in operating activities	(2,873,591)	(1,056,952)
Cash Flows from Investing Activities		
Payments for exploration and evaluation (net of reimbursements)	(10,265,200)	(1,733,726)
Payment for plant and equipment	-	-
Net cash used in investing activities	(10,265,200)	(1,733,726)
Cash Flows from Financing Activities		
Proceeds from issue of shares	17,100,000	-
Receipts from Borrowings	(219,852)	-
Share issue costs	(852,656)	-
Net cash provided by financing activities	16,027,492	-
Net increase/(decrease) in cash held	2,888,701	(2,790,678)
Foreign exchange differences on cash	141,213	(36,701)
Cash and cash equivalents at the beginning of the half-year	1,377,545	3,656,560
Cash and cash equivalents at the end of the half-year	4,407,459	829,181

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 2019

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 2019 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 2019, 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 2019. 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 standard:

- AASB 16 Leases

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

AASB 16 Leases

The impact of the standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

AASB 16 Leases – Impact of Adoption

The Group has adopted AASB 16 Leases from 1 July 2019, under the modified retrospective method which resulted in changes to accounting policies. Adjustments to the amounts have been recognised in the financial statements.





Notes to the Financial Statements

For the half-year ended 31 December 2019

AASB 16 Leases – Accounting policies

Group has reviewed contracts to assess whether the contract is or contains a lease. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

The Group leases its head office space. The lease is not material and of "low value". Management is of the opinion that the lease is an exception and not a right of use asset.

Initial recognition

There is no impact on the financial statements. Lease payments will continue to be expensed as and when incurred.

New and Revised Accounting Standards – early adoption

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 \$3,086,006 and had net cash outflows from operating and investing activities of \$2,873,591 and \$10,265,200 respectively for the half-year ended 31 December 2019. As at that date, the consolidated entity had net current liabilities of \$6,018,283. 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.

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 \$6,406,151 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;





Notes to the Financial Statements

For the half-year ended 31 December 2019

1. Summary of Significant Accounting Policies (continued)

- Included in current liabilities a refundable deposit option fee of \$2,141,022. 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;
- The company expects to issue additional equity securities under the Corporations Act 2001, to raise further working capital. The company has a good record in raising capital from the issue of securities.

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 2019

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 (2018: Nil) are derived from a single external party.

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

31 December 2019			
	Australia	Chile	Total
	\$	\$	\$
Revenue			-
EBITDA	(1,631,210)	(381,159)	(2,012,369)
Depreciation expense			-
Interest expense			3,050
Finance costs			(1,013,391)
(Loss) before income tax expense			(3,022,710)
Income tax expense			-
(Loss) after income tax expense			(3,022,710)
Assets			
Segment assets	3,255,125	126,405,339	129,660,464
Total assets			129,660,464
Liabilities			
Segment liabilities	(10,987,090)	(3,786,796)	(14,773,886)
Total liabilities			(14,773,886)



Notes to the Financial Statements

For the half-year ended 31 December 2019

2. Segment Information (continued)

31 December 2018

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

	Consolidated entity	
	31 December 2019 \$	30 June 2019 \$
3. Exploration and evaluation expenditure		
Mining tenements at cost	125,105,221	113,176,541
Tenements		
Carrying value at the beginning of the period	113,176,541	108,743,662
Capitalised mineral exploration and evaluation *	4,486,309	4,559,974
Consideration for mineral exploration acquisitions	7,512,063	142,952
Exploration written off	(69,692)	(270,047)
Total exploration and evaluation expenditure	125,105,221	113,176,541

*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 2019

4. Trade and other payables

Payables and accrued expenses

Refundable deposit (Option fee)

Total trade and other payables

Consolidated entity	
31 December 2019 \$	30 June 2019 \$
1,886,139	1,774,515
2,141,022	2,138,850
4,027,161	3,913,365

5. Derivative financial instruments

Derivative Liability - Convertible Note

Consolidated entity	
31 December 2019 \$	30 June 2019 \$
6,406,151	6,565,547
6,406,151	6,565,547

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

Fair value of notes exercised during the period

Net Change in fair value during the period

At the end of the financial period

Consolidated entity	
31 December 2019 \$	30 June 2019 \$
6,565,547	7,010,455
(1,026,865)	(210,256)
867,469	(234,652)
6,406,151	6,565,547





Notes to the Financial Statements

For the half-year ended 31 December 2019

	Consolidated entity			
	31 December 2019		30 June 2019	
	Number	\$	Number	\$
6. Issued capital				
(a) Issued capital				
Ordinary shares – fully paid	1,682,115,683	150,000,655	1,119,407,682	131,837,269
(b) Movement in ordinary share				
Balance at beginning of period	1,119,407,682	131,837,269	735,876,764	127,432,848
Shares issued during the period - funding	502,777,779	17,100,000	321,697,937	3,216,979
Shares issued in lieu of convertible note costs	11,676,397	437,973	51,259,924	907,683
Shares issued on conversion of convertible notes	48,253,825	1,608,300	10,573,057	352,400
Costs associated with issue of share capital	-	(982,887)	-	(72,641)
Balance at end of period	1,682,115,683	150,000,655	1,119,407,682	131,837,269

(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
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
12/11/2019	15/11/2021	0.10	-	15,000,000	-	-	15,000,000
			81,666,667	15,000,000	-	-	96,666,667



Notes to the Financial Statements For the half-year ended 31 December 2019

7. Contingent Liabilities

There have been no significant changes to Commitments since 30 June 2019.

8. Commitments

There have been no significant changes to Commitments since 30 June 2019.

9. Dividends

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

10. Events Subsequent to Reporting Date

On the 6 January 2020 quarterly interest of \$189,608 was settled by the issue of 4,967,404 ordinary fully paid shares using a VWAP of \$0.03817.

On 8 January 2020, 35,682,569 shares were issued on conversion of 11,893 convertible notes and accrued interest at the conversion price of 0.03333 per share per terms and conditions on convertible notes. On 26 February 2020 a further 4,280,705 ordinary fully paid shares (Shares) were issued at the conversion price \$0.03333 on the conversion of 1,414 notes plus accrued interest.

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 2019.





Directors Declaration

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 2019 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 black ink, appearing to read "Christian Easterday", is written over a light blue horizontal line.

Christian Easterday
MANAGING DIRECTOR

12 March 2020



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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 2019, 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 2019 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.

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 2019 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 \$3,086,006 and had net cash outflows from operating and investing activities of \$2,873,591 and \$10,265,200 respectively for the half year ended 31 December 2019. As at that date, the consolidated entity's current liabilities exceeded its current assets by \$6,018,283. 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.



DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 12 March 2020

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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 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in black ink, appearing to read "David Wall".

DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 12 March 2020