



Hot Chili Limited and Controlled Entities

ABN: 91 130 955 725

Interim Financial Report

for the

Half-Year Ended 31 December 2014



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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)

Company Secretary

John Sendziuk

Principal & Registered Office

First Floor 768 Canning Highway
Applecross, Western Australia 6153
Telephone +61 8 9315 9009
Facsimile +61 8 9315 5004
Website www.hotchili.net.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone +61 8 9315 0933

Auditors

RSM Bird Cameron Partners
8 St George's Terrace
Perth Western Australia 6000

Bankers

Westpac Banking Corporation
Hannan Street
Kalgoorlie W A 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 2014

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 31st December 2014:

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)

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, not otherwise disclosed in the following interim financial report.

Review of Operations

Operating Result

The loss from continuing operations for the half-year after providing for tax amounted to \$3,250,296 (2013: \$1,664,681)



After Reporting Date Events

The consolidated entity received a VAT refund of \$1,751,217 on the nineteenth of January 2015.

As announced to the ASX on 29 January 2015, the Memorandum of Understanding (MOU) with Compañía Minera del Pacífico S.A. (CMP), that establishes the basis for the negotiations of the legal documentation for the key infrastructure and Option agreement for the Productora copper project in Chile, has been ratified by both companies. The MOU also establishes that Hot Chili will grant CMP an option to acquire an additional 32.6 per cent interest in Productora for a minimum cost of US\$80 million and maximum of US\$110 million. This MOU is now being progressed towards Hot Chili shareholder approval in the coming weeks. Once approved the Option contemplates the repayment of the Sprott Facility in the event that CMP exercise the first tranche of the Option. This is exercisable within 90 days of the delivery of: the results of a completed Pre-Feasibility Study (PFS), an independent valuation report of SMEA SpA undertaken by a jointly appointed expert and Hot Chili making a preliminary decision to mine at the Productora Project. The first tranche exercise price of US\$26 million contemplates a use of funds clause which is the repayment of the Sprott Facility. Hot Chili is aiming to complete the Productora PFS during 2015. Should CMP continue to increase its ownership in Productora with the exercise of the second tranche of the Option, Hot Chili will secure project funding through to the completion of Definitive Feasibility Study (DFS) and be left with significant cash available towards its interest in the project financing of Productora.

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 2014.

Operational Highlights

- Hot Chili received \$9,372,356 VAT refund payment from Chilean Tax Authority in July 2014.
- Hot Chili and CMP Execute Joint Infrastructure Agreement for Productora (subject to Board and Shareholder approval).
- Alice copper porphyry discovery confirms significant mineralisation outside Productora main zone, in the first exploration drilling undertaken in almost two years at Productora.
- Significant intercepts returned from Alice, located 400m west of planned central pit include 237m grading 0.5% copper, and 0.1g/t gold from surface, (refer to ASX announcement dated 22nd January 2015).
- Three large-scale, multi-element surface geochemical footprints typical of zoned copper porphyry deposits defined from generative exploration.



- Hot Chili concludes an extensive 35,000m drilling programme at its flagship Productora copper project in Chile.

Auditors' Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron 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, and signed for on behalf of the board by:

A handwritten signature in blue ink, appearing to read "Christian Easterday", written over a horizontal line.

Christian Easterday

MANAGING DIRECTOR

13 March 2015, Perth



Statement of Comprehensive Income

For the Half-Year Ended 31 December 2014

	Consolidated	
	December 2014	December 2013
	\$	\$
Other Income	25,418	105,384
Depreciation	(13,565)	(17,600)
Corporate fees	(80,178)	(126,183)
Legal and professional	(279,072)	(145,863)
Employee benefits expense	(579,681)	(1,063,078)
Exploration expense	(196,681)	-
Administration expenses	(562,072)	(367,374)
Accounting fees	(26,752)	(39,712)
Travel costs	(128,325)	(153,742)
Finance costs	(682,505)	-
Loss/(gain) on foreign exchange	(488,441)	308,733
Share-based payments	-	(10,316)
Other expenses	(238,442)	(154,930)
Loss before income tax	(3,250,296)	(1,664,681)
Income tax benefit	-	-
Loss for the period	(3,250,296)	(1,664,681)
Other comprehensive income	-	-
Total comprehensive loss attributable to Members of Hot Chili Ltd	(3,250,296)	(1,664,681)
Basic loss per share (cents)	(0.93)	(0.47)
Diluted loss per share (cents)	(0.93)	(0.47)

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



Statement of Financial Position

As at 31 December 2014

		Consolidated	
	Note	December 2014	June 2014
		\$	\$
Current Assets			
Cash and cash equivalents		6,288,534	12,762,430
Other current assets	2	1,762,927	9,407,086
Total current assets		8,051,461	22,169,516
Non-Current Assets			
Property, plant and equipment		459,851	483,748
Exploration and evaluation expenditure		81,076,812	69,805,477
Total non-current assets		81,536,663	70,289,225
Total assets		89,588,124	92,458,741
Current Liabilities			
Trade and other payables		1,549,623	2,777,323
Borrowings	3	12,192,149	10,596,588
Total current liabilities		13,741,772	13,373,911
Total liabilities		13,741,772	13,373,911
Net assets		75,846,352	79,084,830
Equity			
Contributed equity	4	106,680,909	106,669,091
Option reserve		2,114,926	2,114,926
Foreign currency translation reserve		1,222	1,222
Accumulated losses		(32,950,705)	(29,700,409)
Total equity		75,846,352	79,084,830

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



Statement of Changes in Equity

For the Half-Year Ended 31 December 2014

Consolidated	Contributed Equity	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2013	106,669,091	2,114,926	1,222	(29,700,409)	(79,084,830)
Loss for the period	-	-	-	(3,250,296)	(3,250,296)
Total Comprehensive Income for the half- year	-	-	-	(3,250,296)	(3,250,296)
Shares issued during the period	11,818	-	-	-	11,818
Cost of share issue	-	-	-	-	-
Share-based payments	-	-	-	-	-
Balance at 31 December 2014	106,680,909	2,114,926	1,222	(32,950,705)	75,846,352
Balance at 1 July 2013	90,775,673	1,051,304	1,222	(21,086,847)	70,741,352
Loss for the period	-	-	-	(1,664,681)	(1,664,681)
Total Comprehensive Income for the half- year	-	-	-	(1,664,681)	(1,664,681)
Shares issued during the period	16,586,500	-	-	-	16,586,500
Cost of share issue	(765,392)	-	-	-	(765,392)
Share-based payments	72,310	(61,994)	-	-	10,316
Balance at 31 December 2013	106,669,091	989,310	1,222	(22,751,528)	84,908,095

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 2014

	Consolidated	
	December 2014	December 2013
Cash Flows From Operating Activities		
Payments to suppliers and employees	(2,852,931)	(1,539,200)
Receipts from VAT refund	7,644,161	-
Interest received	25,418	105,384
Net cash used in operating activities	4,816,648	(1,433,816)
Cash Flows From Investing Activities		
Payments for exploration and evaluation	(11,271,335)	(17,213,903)
Receipts from plant & equipment	2,091	-
Payment for plant and equipment	(33,118)	(41,303)
Net cash used in investing activities	(11,302,362)	(17,255,206)
Cash Flows From Financing Activities		
Proceeds from issue of shares	11,818	16,586,500
Share issue costs	-	(765,392)
Net cash provided by financing activities	11,818	15,821,108
Net decrease in cash held	(6,473,896)	(2,867,914)
Cash and cash equivalents at the beginning of the half-year	12,762,430	11,144,722
Cash and cash equivalents at the end of the half-year	6,288,534	8,276,808

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 2014

1. Summary of Significant Accounting Policies

a. 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 2014 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 2014, 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 2014. 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.

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 a net loss of \$3,250,296 and had net cash outflows of \$6,473,896 for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$5,690,311.

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:



1. Summary of Significant Accounting Policies (cont'd)

Going Concern (cont'd)

- As disclosed in Note 3, the consolidated entity has a further US\$8.5 million remaining to draw against the US\$25 million secured debt facility (Facility) with Sprott Resource Lending Partnership (Sprott). The directors of Hot Chili will carefully consider all funding options for future working capital requirements prior to its decision to draw down further against the Facility.
- As disclosed in Note 5, on 29 January 2015 the Memorandum of Understanding (MOU) with Compañía Minera del Pacífico S.A. (CMP), that establishes the basis for the negotiations of the legal documentation for the key infrastructure and Option agreement for the Productora copper project in Chile, has been ratified by both companies. Completion of the proposed CMP transaction and exercise of tranche 1 of the associated Additional Purchase Option would enable the settlement of debt Facility and provide significant cash flow to the consolidated entity.
- The company will continue to assess opportunities to issue additional shares under the *Corporations Act 2001* to raise further working capital on an ongoing basis.
- The consolidated entity continues to manage its ongoing expenditure prudently. Internal cost reduction initiatives have significantly reduced working capital requirements in the areas of staff wages, corporate overheads and operational overheads. Significant renegotiation with all major contractors and consultants has significantly lowered the operating cost base of the consolidated entity's, exploration, development and corporate activities.

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 consolidated entity's ability to continue as a going concern is mainly dependent on the following factors:

- Obtaining additional working capital through the issue of equity and extension of debt facilities as and when required; and
- Obtaining shareholder approval and completion of final agreements and for the consolidated entity's proposed transaction with CMP.

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 2014

2. Other current assets

Prepayment
VAT receivable
Other assets

consolidated entity	
31 December 2014	30 June 2014
\$	\$
11,577	34,730
1,751,217	9,372,205
133	151
1,762,927	9,407,086

3. Borrowings

Non-bank loan

consolidated entity	
31 December 2014	30 June 2014
\$	\$
12,192,149	10,596,588
12,192,149	10,596,588

The company's non-bank loan a secured debt facility (Facility) of US\$25 million with Sprott Resource Lending Partnership (Sprott). At the half-year ended 31 December 2014, the amount drawn against the Facility was US\$10 million. Under the terms of the agreement, available funds are reduced by 75% of VAT refunds received by the company. Accordingly the consolidated entity has US\$8.5million remaining to draw against the Facility at the reporting date.

The Facility has a term of 12 months, with an option to extend for a further 12 months subject to mutual agreement and an extension fee of 2% of the amount outstanding, payable in shares. The initial 12 month term expires on 30 June 2015 and company is in discussion with Sprott regarding the option to extend the term of the Facility by 12 months.



Notes to the Financial Statements

For the half-year ended 31 December 2014

4. Issued capital

(a) Fully paid ordinary shares

Ordinary shares – fully paid

consolidated entity	
31 December 2014	31 December 2014
347,747,954	106,669,091
Number	\$
347,732,196	106,669,091
7,831	5,874
903	676
1,000	750
6,024	4,518
347,747,954	106,680,909

Movement in ordinary shares on issue

Balance at beginning of period

Shares issued on 19 November 2014 (exercise of options)

Shares issued on 26 November 2014 (exercise of options)

Shares issued on 24 November 2014 (exercise of options)

Shares issued on 27 November 2014 (exercise of options)

Balance at end of period



Notes to the Financial Statements

For the half-year ended 31 December 2014

4. Issued capital (Cont.)

(b) Options over ordinary shares

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
19/08/2011	20/07/2014	0.90	1,000,000	-	-	1,000,000	-
19/08/2011	20/07/2014	0.90	2,500,000	-	-	2,500,000	-
30/03/2012	30/01/2015	0.100	500,000	-	-	-	500,000
****	30/11/2014	0.75	10,500,000	-	15,758	10,515,758	-
*****	30/11/2014	0.75	26,254,097	-	-	26,254,097	-
*****	30/11/2014	0.75	3,000,000	-	-	3,000,000	-
			43,754,097	11,000,000	15,757	43,269,855	11,500,000

* Issued as part of the Sprott loan costs on 27 June 2014

**** Free attaching options for share issue on 19 October 2012

***** Free attaching options for share issue on 3-6 December 2012

***** Free attaching options for share issue on 13 December 2012



Notes to the Financial Statements

For the half-year ended 31 December 2014

5. Events Subsequent To Reporting Date

On 19 January 2015, the consolidated entity received a refund of VAT amounting to \$1,751,217 that was brought to account as a receivable at the reporting date.

As announced to the ASX on 29 January 2015, the Memorandum of Understanding (MOU) with Compañía Minera del Pacífico S.A. (CMP), that establishes the basis for the negotiations of the legal documentation for the key infrastructure and Option agreement for the Productora copper project in Chile, has been ratified by both companies. The MOU also establishes that Hot Chili will grant CMP an option to acquire an additional 32.6 per cent interest in Productora for a minimum cost of US\$80 million and maximum of US\$110 million. This MOU is now being progressed towards Hot Chili shareholder approval in the coming weeks. Once approved the Option contemplates the repayment of the Sprott Facility in the event that CMP exercise the first tranche of the Option. This is exercisable within 90 days of the delivery of: the results of a completed Pre-Feasibility Study (PFS), an independent valuation report of SMEA SpA undertaken by a jointly appointed expert and Hot Chili making a preliminary decision to mine at the Productora Project. The first tranche exercise price of US\$26 million contemplates a use of funds clause which is the repayment of the Sprott Facility. Hot Chili is aiming to complete the Productora PFS during 2015. Should CMP continue to increase its ownership in Productora with the exercise of the second tranche of the Option, Hot Chili will secure project funding through to the completion of Definitive Feasibility Study (DFS) and be left with significant cash available towards its interest in the project financing of Productora.

Other than the above, there are no other matters or circumstances that have arisen since 31 December 2014 that have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Consolidated Entity.

6. Contingent Liabilities

Hot Chili Limited received a VAT refund payment of \$9,372,356 on 11 July 2014 and \$1,751,217 on 19 January 2015. Under the terms of the VAT refund payment, the consolidated entity has until the 31 December 2019 to commercialise production from Productora and meet certain export targets. Hot Chili also has the right to extend this term. In the event that the term is not extended and Hot Chili does not meet certain export targets, Hot Chili will be required to re-pay the VAT refund payments to the Chilean Tax Authority subject to certain terms and conditions. However, if Hot Chili achieves the export targets from Productora within that timeframe or its renewal, if required, any VAT refund payments will not be required to be repaid.

The consolidated entity has no other contingent liabilities.

7. 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 2014

8. 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 maker) in assessing performance and determining the allocation of resources.

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



Directors Declaration

In the opinion of the directors:

- a. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- b. 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.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s303 (5) of the Corporations Act 2001, and signed for on behalf of the board by:

A handwritten signature in blue ink, appearing to read "Christian Easterday".

Christian Easterday

MANAGING DIRECTOR

13th March 2015

**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 2014, and the statement of 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 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 2014 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 review report.

Conclusion

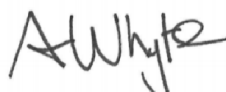
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hot Chili Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred net losses of \$3,250,296 and had net cash outflows of \$6,473,896 during the period ended 31 December 2014. As of that date, the consolidated entity had net current liabilities \$5,690,311. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

RSM BIRD CAMERON PARTNERS.
RSM BIRD CAMERON PARTNERS



ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2015

RSM Bird Cameron Partners
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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 2014, 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 BIRD CAMERON PARTNERS.
RSM BIRD CAMERON PARTNERS



ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2015