ANNUAL REPORT 2020

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Costa
Fuego
(Copper Super-Hub)
San
Antonio
Cortadera
Significant copper-gold
porphyry discovery
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(Valentina & San Antonia)
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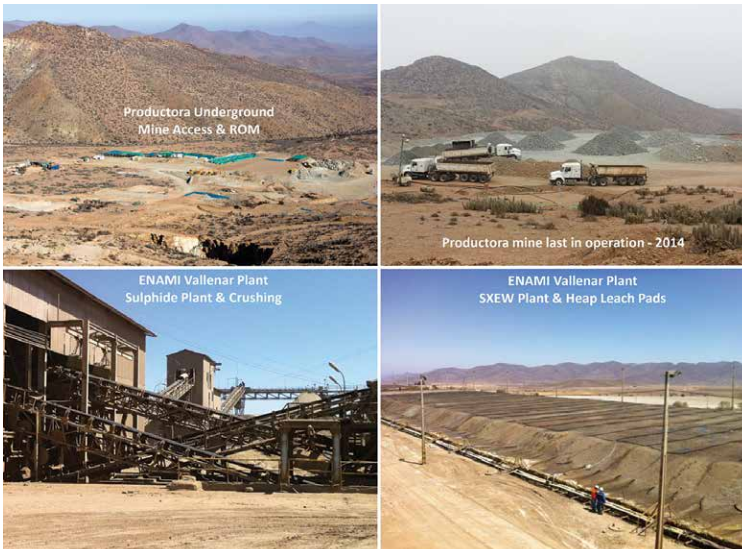
2020 Key Highlights

OPERATIONAL

Mining Commences at Productora

- **Recent increases in copper and gold prices has brought forward mining to July 2020- four months ahead of schedule at the Company's Productora copper-gold project in Chile, with an expected revenue of A$1.4 to A$1.8 million per annum to Hot Chili**
- **Discussions underway to expand the scale of the Lease Mining and Processing Agreement with Chilean government agency ENAMI**



Maiden Resource Estimates Being Finalised for Costa Fuego

- **Cortadera and San Antonio maiden resource estimates nearing completion**
- **Hot Chili aiming to define a long-life, open pit and underground bulk mine development blueprint, following completion of a new and enlarged resource base from its Costa Fuego coastal hub in Chile (Productora, Cortadera and El Fuego)**
- **Metallurgical testwork programme and internal scoping studies to assess various large combined copper-gold production scenarios advancing well, with positive results confirming the compatibility of Cortadera, Productora and San Antonio projects, and their amenability to be incorporated into one combined development "Costa Fuego"**

World-class copper-gold drilling results continue to be delivered from Cortadera

- **Drilling operations were temporarily suspended during the months of March and April 2020, owing to the global Coronavirus pandemic with the Company utilising this time to accelerate preparations towards estimation of a large first resource for Cortadera**
- **Drilling operations recommenced in June 2020, with drilling initially directed at expansion of mineralisation at Cortadera, and preparatory site work completed ahead of commencing drilling of large-scale "Cortadera look alike" exploration targets - considered capable of delivering step change growth**
- **Drilling success at Cortadera has defined a new bulk tonnage high grade core and confirmed large up-dip extensions to the main porphyry (Cuerpo 3), with record drill results from key extensional areas demonstrating the discovery is open and growing rapidly towards a Tier – 1 status**

Cortadera Option Agreement

- **US$5 million payment of the Carola Option Agreement made in two parts; marking the first instalment towards the acquisition of a 100% interest in Cortadera**
- **Twelve-month extension to the remaining payment schedule for acquisition of Cortadera secured, a US$2 million fee paid to SCM Carola, with remaining acquisition payments now due in mid-July 2021 (US$10 million) and mid-July 2022 (US$15 million)**

CORPORATE

- During July and August 2019, the company Issued 166,666,667 shares at 3c per share to raise $5,000,000 before costs. 15,000,000 fee options with an exercise price of 10c per share expiring 12 November 2021 were also issued
- During September and November 2019, the company issued 336,111,112 shares at 3.6c to raise $12,100,000 before costs
- A Placement and an accompanying Rights Issue was undertaken during May and June 2020. 594,113,389 were issued at 1.5c per share to raise $8,911,701 before costs. 297,056,598 free attaching options with an exercise price of 2.5c per share expiring 20 May 2022 were issued in conjunction with the raising. A further 50,000,000 options were issued as part of the capital arrangement fee
- 27,900,513 shares were issued in respect of quarterly convertible note interest
- 91,069,399 shares were issued on conversion of 30,264 convertible notes and interest to conversion date during the year
- 69,666,667 options expired during the year

1 Chairman's Letter

Dear Shareholder,

In a year that has seen much uncertainty, Hot Chili has stayed true to its course, and its commitment to shareholders.

The Company has continued to consolidate shareholder value by advancing exploration and development of the Costa Fuego copper hub, on the coastal range of Chile. Having enjoyed great success at the drill bit, we are soon to translate that success into the much-anticipated maiden resource for Cortadera.

It can be assured that the entire Hot Chili team from the ground up, remain focused on the task at hand and are committed to ensuring that the Costa Fuego copper hub becomes a reality.

The fundamentals are looking very strong for copper and gold, which paints a bright future for Hot Chili.

With expansion drilling, resource workstreams and scoping studies all gathering momentum, the Company looks forward to what promises to be a busy year ahead.

Many catalysts are set to be delivered that are likely to cement Hot Chili as the leading emerging copper developer on the ASX.

I would like to take this opportunity to thank our shareholders - both old and new - who are on this journey with us. We acknowledge and appreciate the support that you provide us.

Murray Edward Black
Chairman

The Company considers that Cortadera's potential size and significance is only just beginning to be revealed, with further drilling likely to cement Cortadera as one of the most significant Chilean copper porphyry discoveries of the past decade.

2 Review of Operations

Mining Commences at Productora Ahead of Schedule

First Mining at Santa Innes Underground Mine, Productora project

Lease mining commenced four months ahead of schedule in July 2020 at the Productora copper project in Chile, also without the requirement for capital or operating cost.

The speed in which the Company's partner, Chilean government agency ENAMI, has moved to appoint an experienced local mining group and coordinate necessary approvals for mining has been very pleasing.

Hot Chili is in advanced discussions with ENAMI to expand the scale of the existing 120,000 tonne per annum Lease Mining and Processing Agreement at Productora.

The formal agreement with ENAMI involves:

- Two-year concession for lease mining and processing approximately 120,000 tonnes per annum of ore through ENAMI's Vallenar plant (located 15km north of Productora) over a two-year period with an option to extend the agreement by a further year
- Productora joint venture company (Hot Chili 80%, CMP 20%) to be paid US$2 per tonne ore processed and a 10% royalty for the sale value of extracted minerals

Lease mining will benefit from two existing underground mines at Productora (Santa Innes and Productora), with depletion of Hot Chili's existing 167M tonne JORC compliant open pit Ore Reserve not considered material.

Assuming spot prices of US$2.95/lb copper and US$1,840/oz gold, projected annual revenue to Hot Chili (80% Productora JV partner) from the ENAMI agreement is expected to be approximately A$1.4 million to $1.8 million per annum - based on 120,000 tonnes per annum and targeted annual head grade of 1.4% copper and 0.3g/t gold.

The ENAMI Agreement reinforces Hot Chili's commitment to social responsibility to the government and local community of Vallenar, while also providing cash flow and additional bulk mining reconciliation data for high grade resources at Productora.

Cortadera 2020 Drilling Programme

Drilling at Cortadera focussed on two key areas of growth:

1

Expansion of existing Cortadera discovery in both size and grade

- Diamond drilling activities were directed towards large extensions of Cuerpo 3 and Cuerpo 2 (the two largest porphyries discovered) which remain open both laterally and at depth.

2

First drill testing of large growth targets adjacent to Cortadera

- Initial RC drilling was completed across the Cuerpo 3 North target which lies 500m north of Cuerpo 3. Two deep RC holes were completed, with diamond extensions planned to be drilled.
- First-pass scout RC drilling across the 1.5km long Cortadera North target, located 2km north of the Cortadera discovery is planned, with regulatory approval in place and earthmoving to allow access for drilling nearing completion

Expansion Drilling at Cortadera Adds Significant Growth

An expansion drilling programme at the Cortadera copper-gold porphyry discovery to test the northern and southern extensions to the main porphyry (Cuerpo 3) is near completion.

The expansion programme was designed to expand the size of the existing copper-gold porphyry discovery in advance of completing a first resource estimate for Cortadera.

Exceptionally wide drilling intersections have been returned from expansion drilling, confirming significant extensions to mineralisation at Cuerpo 3 (the largest porphyry discovered to date at Cortadera).

Results from expansion diamond drill holes for the year include:

- CRP0020D: **972m grading 0.5% copper & 0.2g/t gold** from surface, including **412m grading 0.7% copper & 0.3g/t gold**,
- CRP0017D: **596m grading 0.5% copper & 0.2g/t gold** from 328m down-hole, including 1**84m grading 0.7% copper & 0.3g/t gold**,
- CRP0019D: **168m grading 0.4% copper & 0.1g/t gold** from 44m down-hole depth, and **334m grading 0.5% copper & 0.2g/t gold** from 654m to end of hole, including **54m grading 0.7% copper & 0.2g/t gold** at end of hole,
- CRP0029D: **649m grading 0.4% copper & 0.1g/t gold** from 330m depth down-hole, including **440m grading 0.5% copper & 0.2g/t gold**,
- CRP0040D: **542m grading 0.5% copper & 0.2g/t gold** from 422m depth down-hole, including **218m grading 0.7% copper & 0.2g/t gold**, and
- CRP0042D: **82m grading 0.3% copper & 0.1g/t gold** from 498m depth down-hole (NB. CRP0042D was terminated early (in mineralisation) owing to significant deviation from its intended target and will be re-entered for a wedge hole at a later date)

These new expansion drilling results confirm that the bulk tonnage high grade core discovered at Cuerpo 3 is continuing to expand in size and importance as a key value driver in the development potential of Cortadera.

The Company considers that Cortadera's potential size and significance is only just beginning to be revealed, with further drilling likely to cement Cortadera as one of the most significant Chilean copper porphyry discoveries of the past decade.

2 Review of Operations (cont'd)

Drilling Commences Across Large Growth Targets

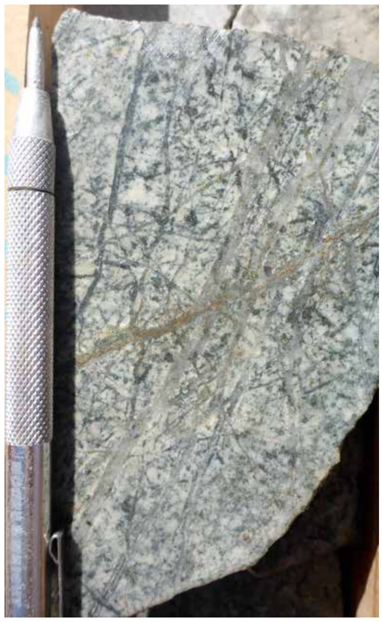
The Company's exploration team has completed multiple exploration work streams, enabling drilling across several large targets considered to have the potential to deliver step-change growth.

Workstreams completed include surface geochemistry, litho-structural mapping, petrographic and geochronology analysis, geophysical review and modelling, and environmental studies related to regulatory applications for drilling.

Analysis of data collated from this work enabled the design and commencement of drilling at the Cuerpo 3 North target, located just 500m north of the main porphyry.

Two deep Reverse Circulation (RC) pre-collars were completed across the Cuerpo 3 North target with both holes intersecting wide zones of skarn alteration in association with strong pyrite mineralisation above a large coincident chargeable and conductive geophysical anomaly.

Diamond drill tails are designed to extend both holes, with further deep RC drilling also planned.



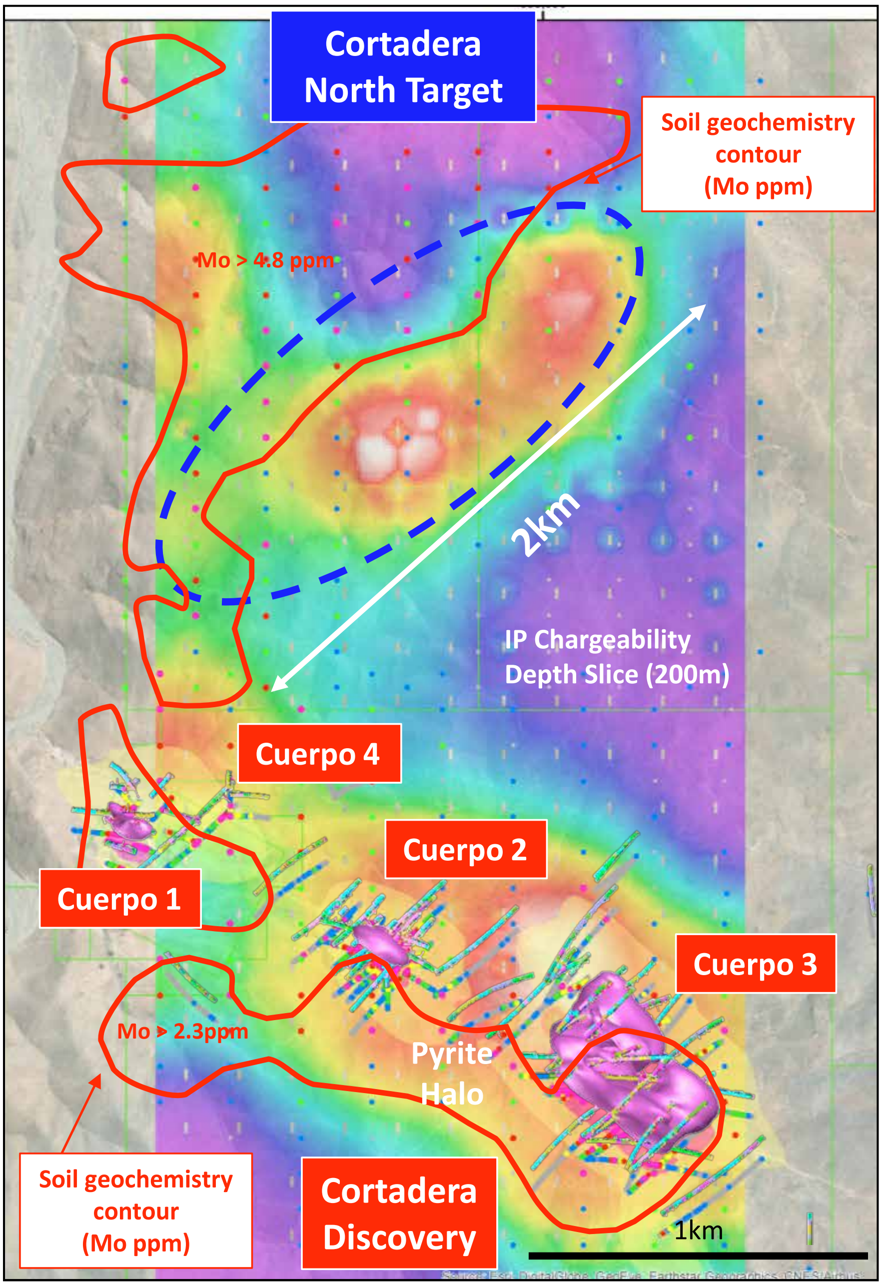


Figure 1. Plan view displaying the location of the Cortadera discovery zone in relation to the Cortadera North target. The plan displays the location of Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu and magenta +0.4% Cu) in relation to surface molybdenum anomalism and IP chargeability response at 200m depth slice. Cortadera North, located 2km north of Cortadera displays "look alike" characteristics to the Cortadera discovery.

The images of grade shells do not represent an Exploration Target nor a Mineral Resource and should not be construed as such, in compliance with the JORC code. Please refer to ASX Announcement "Drill Results Expand High Grade Copper-Gold Core at Cortadera", dated 11th August for further information related to Figure 1.

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2 Review of Operations (cont'd)

Drilling Commences Across Large Growth Targets (cont'd)

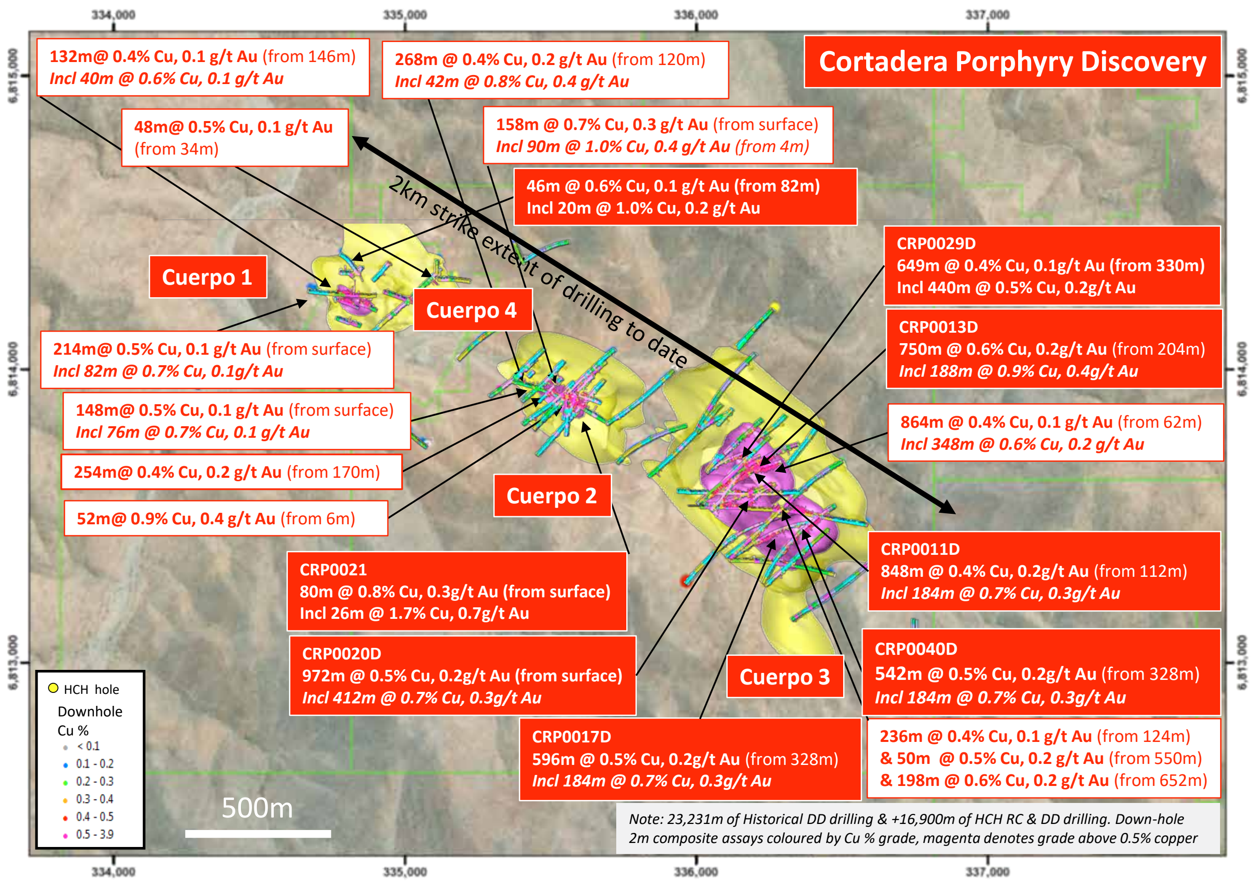

Figure 2. Plan view across the Cortadera discovery area displaying significant historical copper-gold DD intersections across Cuerpo 1, 2 and 3 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.2% Cu and red +0.4% Cu). Note the location of the inset plan area for Cuerpo3 associated with the following figures. Selected significant HCH drill intersections (Red) and historical drilling intersections (white).

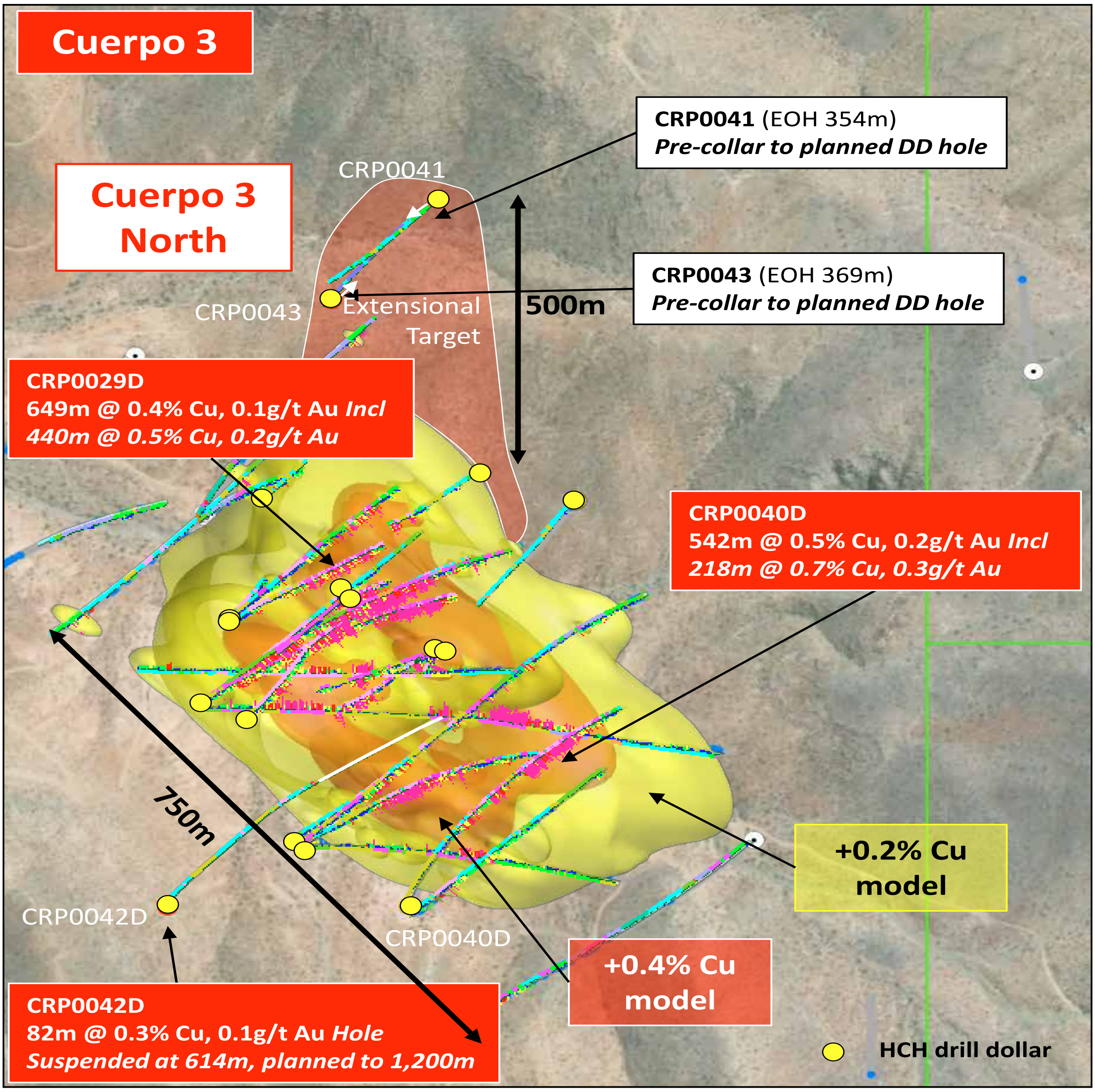

Figure 3. Plan view of Cuerpo 3 - the Main porphyry of the four porphyry centres discovered to date at Cortadera. The plan displays the location of significant results returned by Hot Chili during the first quarter of 2020. Note the growing extent of the modelled higher grade copper zone (red wireframe - +0.4% Cu) and the location of open boundaries for growth of the bulk copper envelope at Cortadera (yellow wireframe - +0.2% Cu).

Drilling Commences Across Large Growth Targets (cont'd)

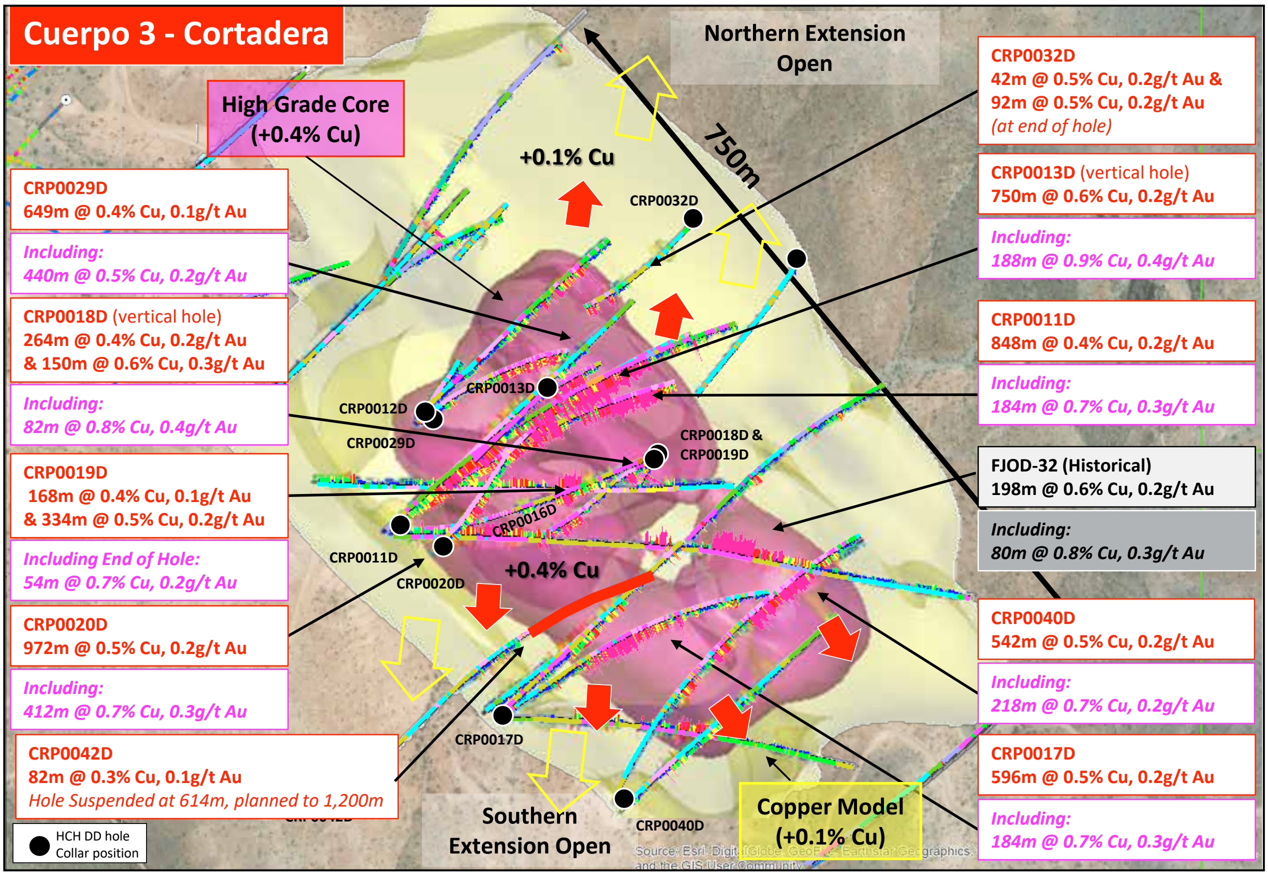

Figure 4. Plan view of Cuerpo 3 - the Main porphyry of the four porphyry centres discovered to date at Cortadera. The plan displays the location and basic geology of the mineralised tonalitic host porphyry in relation to the location of significant results returned by Hot Chili during the first quarter of 2020. Note the growing extent of the modelled higher grade copper zone (red wireframe - +0.4% Cu) and the location of open boundaries for growth of the bulk copper envelope at Cortadera (yellow wireframe - +0.2% Cu).

Maiden Resource Estimates Nearing Completion

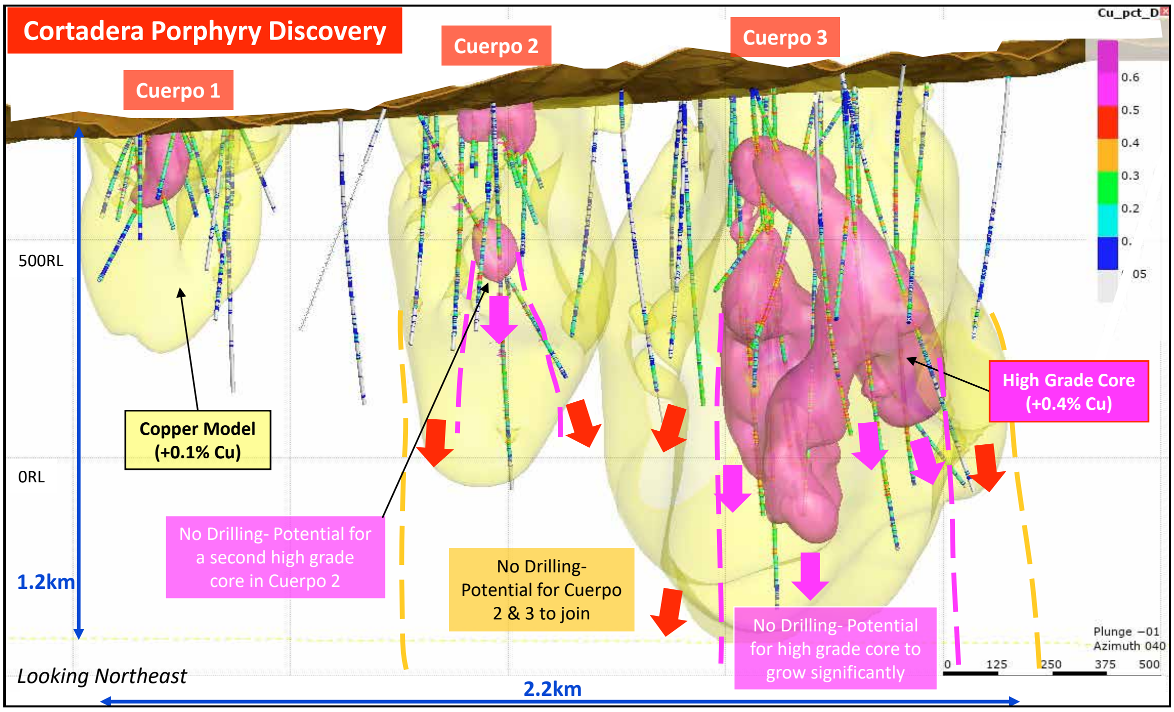

Figure 5. Long Section of the Cortadera copper distribution model displaying extensional target areas (yellow is +0.1% copper and magenta is +0.4% copper envelope).

No Mineral Resource estimate has been completed for Cortadera at this time. The image above of grade modelling do not represent an Exploration Target nor a Mineral Resource and should not be construed as such, in compliance with the JORC code.

Significant progress has been made towards completion of the first resource estimates for Cortadera and San Antonio. Geological modelling and resource estimation workstreams are well advanced, with the maiden resource estimate for Cortadera expected to be released shortly.

The maiden resource estimate for Cortadera incorporates all drilling undertaken up until 18th June 2020, with subsequent drilling focussed on growth of high grade copper and gold within the 2.3km discovery zone, also aiming to facilitate a second resource estimate for Cortadera.

Positive Results from Initial Metallurgical Testwork Confirm Combined Development

Metallurgical testwork for the Cortadera and San Antonio copper projects in Chile has produced highly encouraging initial results. Rougher sulphide flotation results indicate high copper recoveries and similar crushing/grinding characteristics, allowing all of Hot Chili's coastal copper deposits (Cortadera, Productora and San Antonio) to be combined into one development, now named "Costa Fuego", utilising a single conventional processing facility.

Initial rougher recoveries suggest that final copper recovery levels into a commercial grade concentrate are likely to be high. Optimised commercial concentrate grade estimation will be determined following the completion of grind size optimisation, cleaner flotation and locked-cycle test work.

These first results provide a solid foundation from which to carry out further optimisation of the metallurgical flowsheet for life-of-mine ore source supply from the Costa Fuego copper development.

The Company anticipates the resource and metallurgical workstreams for Cortadera to be completed shortly to facilitate an assessment of various mine development scenarios later this year.

Twelve Month Extension for Cortadera Acquisition

Hot Chili has successfully secured a twelve-month extension to the remaining payment schedule for the 100% acquisition of the Cortadera copper-gold project in Chile.

Hot Chili and private Chilean mining group SCM Carola have executed an extension agreement that will now see the Company's remaining acquisition payments for Cortadera due in mid-July 2021 (US$10 million) and mid-July 2022 (US$15 million).

In consideration for the twelve-month extension Hot Chili have paid a fee of US$2 million to SCM Carola.

The revised acquisition timetable significantly reduces the Company's funding requirements this year and provides Hot Chili more time to focus on the growth of the Cortadera discovery towards a large first resource estimate.

The extension agreement reinforces Hot Chili's strong relationship with SCM Carola and our commitment toward the rapid growth and development of Cortadera.

About Cortadera

Cortadera is a privately-owned, major copper-gold porphyry discovery located along the Chilean coastal range, where historical world-class discovery drill results have only recently been publicly released by Hot Chili in February 2019.

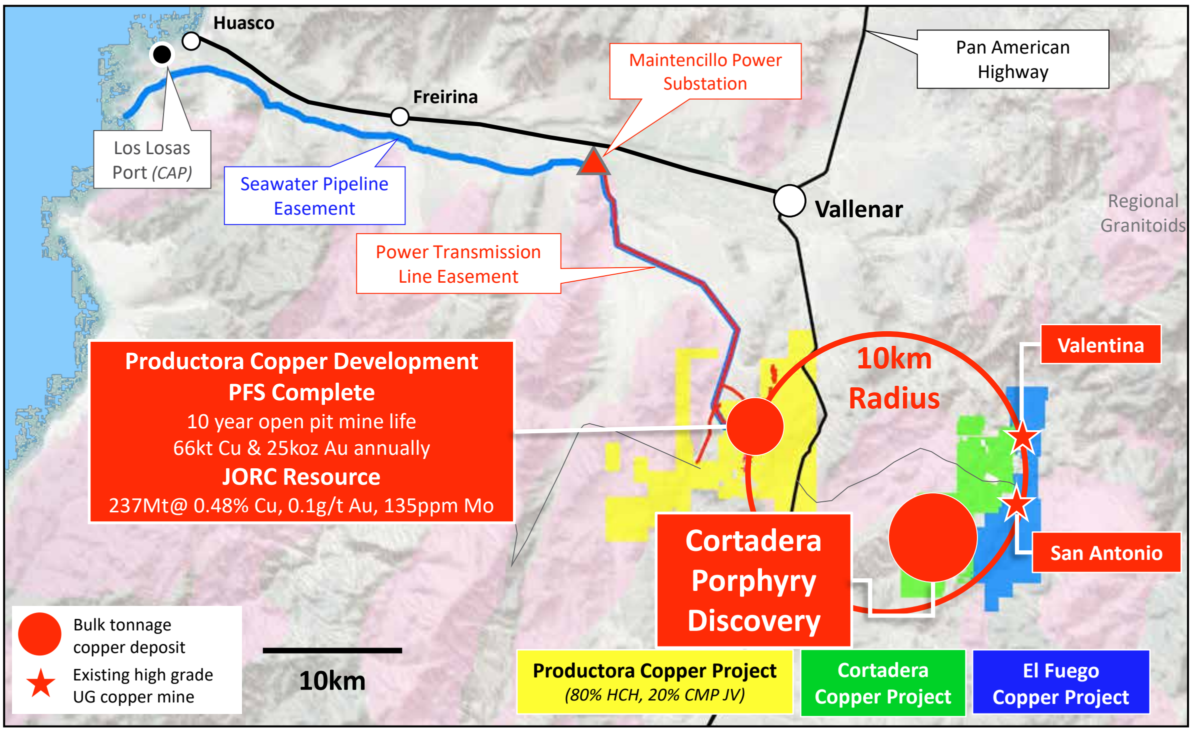

Figure 6. Location of Productora and the Cortadera discovery in relation to the consolidation of new growth projects and coastal range infrastructure.

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

On 22 February 2019, Hot Chili announced the execution of a formal Option Agreement to acquire a 100% interest in Cortadera. In early April 2019, 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 drilling at Cuerpo 3 (the largest of the four porphyries discovered to date) include some of the worlds' stand-out copper-gold porphyry drill results ever recorded globally. The Cuerpo 3 porphyry remains open to the north, south and at depth.

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** (g/t)
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
Cortadera	Hot Chili Limited	Chile	CRP0040D	422	964	542	0.5	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

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.

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 discovery and definition of a higher grade bulk tonnage underground development opportunity in combination with shallow, high grade bulk tonnage open pit sources - places Cortadera in a unique position amongst potential large-scale global copper-gold developments.

3 Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

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

JORC Compliant Mineral Resource Statements

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

			Grade			Contained Metal		
Deposit	Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Mo (ppm)	Cu (tonnes)	Au (ounces)	Mo (tonnes)
Productora	Indicated	166.8	0.50	0.11	151	841,000	572,000	25,000
	Inferred	51.9	0.42	0.08	113	219,000	136,000	6,000
	Sub-total	***218.7***	***0.48***	***0.10***	***142***	***1,059,000***	***708,000***	***31,000***
Alice	Indicated	15.3	0.41	0.04	42	63,000	20,000	600
	Inferred	2.6	0.37	0.03	22	10,000	2,000	100
	Sub-total	***17.9***	***0.41***	***0.04***	***39***	***73,000***	***23,000***	***700***
Combined	Indicated	182.0	0.50	0.10	142	903,000	592,000	26,000
	Inferred	54.5	0.42	0.08	109	228,000	138,000	6,000
	Total	***236.6***	***0.48***	***0.10***	***135***	***1,132,000***	***730,000***	***32,000***

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

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

			Grade			Contained Metal		
Deposit	Classification	Tonnage (Mt)	Cu (%)	Au (g/t)	Mo (ppm)	Cu (tonnes)	Au (ounces)	Mo (tonnes)
Productora	Indicated	150.9	0.15	0.03	66	233,000	170,000	10,000
	Inferred	50.7	0.17	0.04	44	86,000	72,000	2,000
	Sub-total	***201.6***	***0.16***	***0.04***	***60***	***320,000***	***241,000***	***12,000***
Alice	Indicated	12.3	0.14	0.02	29	17,000	7,000	400
	Inferred	4.1	0.12	0.01	20	5,000	2,000	100
	Sub-total	***16.4***	***0.13***	***0.02***	***27***	***22,000***	***9,000***	***400***
Combined	Indicated	163.2	0.15	0.03	63	250,000	176,000	10,000
	Inferred	54.8	0.17	0.04	43	91,000	74,000	2,000
	Total	***218.0***	***0.16***	***0.04***	***58***	***341,000***	***250,000***	***13,000***

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

Competent Person's Statement

Mineral Resource and Ore Reserve Confirmation

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

Competent Person's Statement *- Exploration Results*

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

Competent Person's Statement *- Mineral Resources*

The information in this report that relates to the 2016 Productora Project Mineral Resource Estimates is based on information compiled by Mr N Ingvar Kirchner. Mr Kirchner is employed by AMC Consultants (AMC). Mr Kirchner was engaged on a fee for service basis to provide independent technical advice and final audit for the 2016 Productora Resource Estimates. Mr Kirchner is a Fellow of the AusIMM and is a Member of the AIG. Mr Kirchner has sufficient experience that is relevant to the style of mineralisation and type of deposits 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 Exploration Results, Mineral Resource and Ore Reserves' (the JORC Code, 2012 edition). Mr Kirchner consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.

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 Wood PLC (Wood, formerly Amec Foster Wheeler) and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and Wood have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate. Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guzmán, Mr Caro, Mr Lorenzen and Mr King consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

3 Qualifying Statements (cont'd)

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.

4 Corporate Activities

The Company is very pleased to have achieved financing arrangements during the year

- During July and August 2019, the company Issued 166,666,667 shares at 3c per share to raise $5,000,000 before costs. 15,000,000 fee options with an exercise price of 10c per share expiring 12 November 2021 were also issued.
- During September and November 2019, the company issued 336,111,112 shares at 3.6c to raise $12,100,000 before costs.
- A Placement and an accompanying Rights Issue was undertaken during May and June 2020. 594,113,389 were issued at 1.5c per share to raise $8,911,701 before costs. 297,056,598 free attaching options with an exercise price of 2.5c per share expiring 20 May 2022 were issued in conjunction with the raising. A further 50,000,000 options were issued as part of the capital arrangement fee.
- 27,900,513 shares were issued in respect of quarterly convertible note interest.
- 91,069,399 shares were issued on conversion of 30,264 convertible notes and interest to conversion date during the year.
- 69,666,667 options expired during the year.

A$5.0 Million Placement

On 2 July 2019 the Company announced its intention to raise approximately $5m (before costs) by way of a placement of Shares.

The Placement saw strong demand from existing major shareholders as well as professional and sophisticated investors in Australia. Veritas Securities Pty Ltd acted as Corporate Advisor to the Placement. Continued support was received from Blue Spec (a related party of Murray Black), who participated in the placement following shareholder approval.

Funds from the Placement were used to advance exploration and drilling at the Cortadera project, as well as to provide general working capital for Hot Chili.

A$12.1 Million Placement

On 23 September 2019 the Company announced its intention to raise approximately $12.1m (before costs) by way of a placement of Shares.

The Placement saw strong demand from existing major shareholders as well as professional and sophisticated investors in Australia. Veritas Securities Pty Ltd acted as Corporate Advisor to the Placement. Continued support was received from Blue Spec (a related party of Murray Black), who participated in the placement following shareholder approval.

Funds from the Placement were used to advance exploration and drilling work at Cortadera and Purisima as well as to provide general working capital for Hot Chili.

A$8.9 Million Placement and Rights Issue

On 18 May 2020 the Company announced its intention to raise approximately $8.9m (before costs) by way of a placement of Shares and a Rights Offer on a 3 for 20 held basis at 1.5 cents per share with 1 (one) free attaching option exercisable at 2.5 cents each on or before 20 May 2022 (New Options) for every 2 (two) New Shares issued.

The Placement saw strong demand from professional and sophisticated investors in Australia. Veritas Securities Pty Ltd acted as Corporate Advisor to the Placement. Veritas securities were issued 50 million of the same class of options as part of the arrangement fees.

Funds from the Placement were used to advance exploration and drilling work at Cortadera and Purisima as well as to provide general working capital for Hot Chili.

Convertible Notes

Quarterly interest on convertible notes was paid to convertible note holders in the form of shares, pursuant to the terms and conditions of the convertible notes. The following issues of shares in lieu of cash took place during the year:

Date	Interest due $	VWAP	Shares
2 July 2019	219,823	$0.03249	6,765,859
2 October 2019	209,640	$0.04479	4,680,499
6 January 2020	189,606	$0.03817	4,967,404
3 April 2020	160,815	$0.01400	11,486,751
3 July 2020	160,815	$0.01866	8,618,159

91,069,399 shares were issued on conversion of 30,264 convertible notes and interest to conversion date during the year.

Options over Ordinary Shares

69,666,667 options expired during the year. In addition to the fee options listed above 297,056,598 free attaching options were issued as part of the placement and rights issue announced in May 2020.


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5 Directors' Report

Your Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2020 and the auditor's report thereon.

Directors

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

Murray E Black
Non-Executive Chairman

Christian E Easterday
Managing Director

Dr Michael Anderson
Non-Executive Director

Dr Allan Trench
Independent Non-Executive Director

Roberto de Andraca Adriasola
Non-Executive Director

George Randall Nickson
Independent Non- Executive Director

Melanie Leighton
Alternate for M Black

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

Directors' Information

Murray Edward Black
Non-Executive Chairman

Mr Black has over 44 years' experience in the mineral exploration and mining industry and has served as an executive director and chairman for several listed Australian exploration and mining companies. He part-owns and manages a substantial private Australian drilling business, has interests in several commercial developments and has significant experience in capital financing. Mr Black Is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

Christian Ervin Easterday
Managing Director

Mr Easterday is a geologist with over 20 years' experience in the mineral exploration and mining industry. He holds an Honours Degree in Geology from the University of Western Australia, a Masters degree in Mineral Economics from Curtin University of Technology and a Masters Degree in Business Administration from Curtin's Graduate School of Business. Mr Easterday has held several senior positions and exploration management roles with top-tier gold companies including Placer Dome, Hill 50 Gold and Harmony Gold, specialising in structural geology, resource development and mineral economic valuation. For the past five years, Mr Easterday has been involved in various aspects of project negotiation drawing together his commercial, financial and project valuation skills. This work has involved negotiations and valuations covering gold, copper, uranium, iron ore, nickel, and tantalum resource projects in Australia and overseas. Mr Easterday is a Member of The Australian Institute of Geoscientists. Mr Easterday has not held any directorships in any public listed company in Australia in the last three years.

Dr Allan Trench
Independent Non-Executive Director

Dr Trench is a geologist/geophysicist and business management consultant with over 28 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Dr Trench holds degrees in geology, a doctorate in geophysics, a Masters degree in Mineral Economics and a Masters degree in Business Administration. He currently acts or acted as independent director to Pioneer Resources Ltd, commenced 5 September 2008, Enterprise Metals Ltd, commenced 3 April 2012 and Emmerson Resources Ltd, commenced 3 March 2015.

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

Dr Trench maintains academic links as a Professor at the University of Western Australia (UWA) Business School and also research professor at the Centre for Exploration Targeting, UWA.

Dr Michael Anderson
Non-Executive Director

Dr Anderson holds a PhD in Geology from Royal Schools of Mines and has more than 25 years industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. Dr Anderson subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited and, as Managing Director at Exco Resources Limited where he oversaw the successful development of the White Dam Gold Project and the sale of the Company's Cloncurry Copper Project to Xstrata.

Dr Anderson joined specialist resource investor Taurus Funds Management Pty Ltd as a Director in August 2011. He was appointed as a Non-Executive Director of Base Resources Ltd on 28 November 2011 he resigned on 31 August 2017. He was appointed as a Non-Executive Director of Heemskirk Consolidated Ltd on 31 May 2017 on a temporary basis and resigned on 25 August 2017.

Roberto de Andraca Adriasola
Non-Executive Director

Mr de Andraca Adriasola is a business manager with 25 years' experience in the financial and mining business. Over the last five years he has been working in the main Iron Ore and Steel Producer in Chile, CAP S A. He also oversaw the construction of the first desalination plant dedicated 100% to producing water for mining companies in the north of Chile. Mr de Andraca Adriasola has finance experience working at Chase Manhattan Bank, ABN Amro and Citigroup, working both in Chile and in New York and holds an MBA from the Adolfo Ibanez Business School of Chile. He is a director of Puerto Los Losas, a port in the Atacama Region of Chile. He was elected to the board of directors of CAP S.A. on April 18th 2017, until that date he held the position of VP of Business Development.

5 Directors' Report (cont'd)

Directors (cont'd)

George Randall Nickson
Independent Non-Executive Director

Mr. Nickson has more than 36 years of global experience in the mining industry, including 14 years based in Chile devoted to copper exploration. His career includes work across a range of base and precious metals, bulk commodities and energy. He holds an honours degree in Geological Engineering and a Masters degree in Business Administration.

Mr Nickson is currently engaged as an independent consultant to the exploration sector, specializing in business development, commercial advisory and business evaluations. Prior to that he spent 16 years with BHP, where he worked in a variety of senior technical, exploration management and business development roles while based in Chile, Brazil and Australia. He is a member of the Australasian Institute of Mining & Metallurgy and the Prospectors and Developers Association of Canada. Mr Nickson has not held any directorships in any public listed company in Australia in the last three years.

Melanie Leighton
Alternate Director for M Black

Ms Leighton holds a degree in Geology from the University of Western Australia, is a Member of the Australian Institute of Geoscientists, and has almost 20 years' experience within the mineral exploration industry. She has held project and senior geologist roles with several Australian listed companies including Hill 50 Gold, Harmony, and Terra Gold, gaining practical and management experience within the areas of exploration, mining and resource development. Ms Leighton has extensive experience in mineral exploration and resource development and acts in a project management role for Hot Chili in regard to resource estimation, land management, systems development and data integration and stakeholder relations. Ms Leighton is currently a non-executive director of Great Boulder Resources Ltd (appointed 6 April 2016).

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Corporate Information

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

Principal Activities

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

Results of Operations

The results of the consolidated entity for the year ended 30 June 2020 was a loss of $1,265,613 (2019: loss $4,232,370).

Dividends

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

Review of Operations

Refer to Operations Report above.

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs, subsequent to the end of the reporting period, other than what has been reported in other parts of this report.

Matters Subsequent to the End of the Financial Year

On 3 July 2020 quarterly interest of $160,815 was settled by the issue of 8,618,159 fully paid ordinary shares in the Company at deemed issue price $0.01866 each.

After the financial year end, 25,958,622 shares were issued on receipt of notice to exercise options. The options were exercised at $0.025 each raising $648,965 before costs.

On 4 September 2020, 33,333,334 shares were placed with Blue Spec Sondajes (a company controlled by Mr Murray Black) at a deemed price of $0.015 each in lieu of cash for drilling services. The shares forming the placement had 16,666,667 free attaching options exerciseable at $0.025 per share. The shares and options were approved in a general meeting held on 12 August 2020.

On 4 September 2020, 75,000,000 Performance Rights were issued under the Company's Employee Incentive Scheme.

On 14 July 2020, the Group received an extension to the accumulated VAT refund payment of $13,802,127 (USD $9,472,400) to 30 June 2026, as disclosed in Note 23.

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other significant events occurring after the balance date that require reporting.

Likely Developments and Expected Results of Operations

Further information on the likely developments in the operations of the consolidated entity and the expected results of operations have been included in the review of operations.

Corporate Governance Statement

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

The Company's corporate governance structures, policies and procedures are described in its Corporate Governance Statement which is available on the Company's website at http://www.hotchili.net.au/about/corporate-governance-procedures-and-policies/

Security Holding Interests of Directors

As at reporting date	Ordinary Shares		Options Over Ordinary Shares		Performance Rights		Convertible Notes	
Directors	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**
Murray E Black	-	189,900,604	-	-	-	-	-	3,834
Christian E Easterday	21,921,429	5,160,941	-	6,000,000	20,000,000	-	-	-
Dr Allan Trench	-	257,653	-	16,803	-	-	-	-
Michael Anderson	-	-	-	-	-	-	-	-
Roberto de Andraca Adriasola	6,000,000	-	-	-	-	-	-	-
George Randall Nickson	5,000,000	1,000,000	-	-	-	-	-	-
Melanie Leighton (Alternate for M Black)	180,000	-	3,000,000	-	15,000,000	-	-	-

Shares under Option

There were 374,056,598 ordinary shares under option at 30 June 2020 (2019: 81,666,667).

Shares Issued on the Exercise of Options

There were no ordinary shares of Hot Chili Limited issued during the year ended 30 June 2020 (2019: nil) from the exercise of options.

Options Lapsed/ Cancelled During the Year

69,666,667 options lapsed or were cancelled during the year.

Convertible Notes

There are 79,221 convertible notes on issue as at 30 June 2020 (2019: 109,485). 91,069,399 shares were issued during the financial year on conversion of convertible notes and interest accrued to date of notice to convert. No shares were issued on redemption and there were no repayments during the year. Quarterly interest payable on the convertible notes was settled by the issue of shares.

Directors Benefits

Since 30 June 2020, no Director of the consolidated entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the consolidated entity with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Company Secretary – Lloyd Flint

Lloyd Flint is a Chartered Accountant. He has 25 years' experience in providing corporate secretarial, financial and business advice to a diverse group of business clients and public companies.

Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity maintained an insurance policy which indemnifies the Directors and Officers of Hot Chili Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the consolidated entity. The consolidated entity's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

Indemnification and Insurance of Auditor

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or related entity.

5 Directors' Report (cont'd)

Directors' Meetings

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

Director	Eligible Meetings while in office	Eligible Meetings attended
Murray E Black	8	7
Dr Michael Anderson	8	8
Christian E Easterday	8	8
Dr Allan Trench	8	8
Roberto de Andraca Adriasola	8	5
George Randall Nickson	8	8
Melanie Leighton (Alternate for M Black)	-	-

Environmental Issues

The consolidated entity's exploration and mining operations are subject to environment regulation under the law of Chile. No bonds are necessary in respect of the consolidated entity's tenement holdings.

The Directors advise that during the year ended 30 June 2020 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, 1 July 2019 to 30 June 2020, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Occupational Health and Safety

Health and Safety actions are framed within the "Quality, Environment, Safety and Occupational Health Integrated Policy" that states people´s health and safety is safeguarded within the different fields of our activity. Hot Chili Limited strictly follows the Chilean safety rules and communicates a set of key performance indicators to the Chilean Mining Safety Authority on a monthly basis. Health and Safety activities follow an action plan aimed to prevent and control different forms of risk at company operations. The plan covers specific areas such as the Compliance of Legal and Other Standards, Risk Assessment and Control, Occupational Health, Emergency Response, Training, Incidents - Corrective and Preventive Action, Management of Contractors and Suppliers, Audit and Management Review.

Hot Chili Limited provides continuous training to enable employees to perform their work safely and efficiently. Training focuses on six areas where the risks are more evident according to the nature of our operations: Safe Driving, Drilling Platform Operations, Emergency Plans and Protection from Ultraviolet Radiation, Dust and Noise Emissions.

In terms of Safety performance, "Lost Time Incident Frequency Rate (LTIFR*)" is the main indicator we monitor to make sure our action plan remains effective and relevant. The LTIFR during the last 24 months (until 30th June 2020) is 0.

**LTIFR: number of lost time injuries in accounting period / total hours worked in accounting period * 1,000,000.*

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

The consolidated entity was not a party to any such proceedings during the year.

Non-Audit Services

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

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

Non-audit services that have been provided by the entity's auditor, RSM Australia Partners, have been disclosed in Note 17.

Rounding of amounts

The consolidated entity is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited.

Principles used to determine amount and nature of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from December 2019. All director fees are periodically recommended for approval by shareholders.

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

Details of Remuneration of Directors

2020	Short Term		Post-Employment	Share-based Payments	
Name	Salary and Cash Fees $	Other Benefits $	Superannuation $	Options $	Total $
Murray E Black	56,800	-	5,396	-	**62,196**
Dr Michael Anderson	36,792	-	-	-	**36,792**
Christian E Easterday	259,200	-	24,624	-	**283,824**
Dr Allan Trench	33,600	-	3,192	-	**36,792**
Roberto de Andraca Adriasola	36,792	-	-	-	**36,792**
George R Nickson	36,792	-	-	-	**36,792**
	459,976	**-**	**33,212**	**-**	**493,188**

2019	Short Term		Post-Employment	Share-based Payments	
Name	Salary and Cash Fees $	Other Benefits $	Superannuation $	Options $	Total $
Murray E Black	52,067	-	4,946	-	**57,013**
Dr Michael Anderson	36,792	-	-	-	**36,792**
Christian E Easterday	259,200	-	24,624	14,520	**298,344**
Dr Allan Trench	33,600	-	3,192	-	**36,792**
Roberto de Andraca Adriasola	36,792	-	-	-	**36,792**
George R Nickson	36,792	-	-	-	**36,792**
	455,243	**-**	**32,762**	**14,520**	**502,525**

5 Directors' Report (cont'd)

Remuneration of Key Management Personnel

2020	Short Term		Post-Employment	Share-based Payments	
	Salary and Cash Fees	Other Benefits	Superannuation	Options	Total
Name	$	$	$	$	$
Melanie Leighton (Corporate Projects Manager / Alternate Director)	180,000	-	17,100	-	**197,100**
Jose Ignacio Silva (Chief Legal Counsel)	152,300	-	-	-	**177,900**
	332,300	**-**	**17,100**	**-**	**375,000**

2019	Short Term		Post-Employment	Share-based Payments	
	Salary and Cash Fees	Other Benefits	Super-annuation	Options	Total
Name	$	$	$	$	$
Melanie Leighton (Corporate Projects Manager / Alternate Director)	180,000	-	17,100	7,260	**204,360**
Jose Ignacio Silva (Chief Legal Counsel)	169,981	-	-	7,260	**177,241**
	349,981	**-**	**17,100**	**14,520**	**381,601**

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

Shares

The number of shares in the company held during the financial year, and up to 30 June 2020, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, is set out below. There were no shares granted as compensation during the year.

2020	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	124,212,498	-	28,942,236	153,154,734
Christian E Easterday	27,082,371	-	-	27,082,371
Dr Allan Trench	224,046	-	33,607	257,653
Dr Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	6,000,000	-	-	6,000,000
George Randall Nickson	-	-	-	-
	157,518,915	**-**	**28,975,843**	**186,494,758**
Key Management Personnel				
Melanie Leighton	180,000	-	-	180,000
Jose Ignacio Silva	8,131,073	-	1,219,661	9,350,734
	8,311,073	**-**	**1,219,661**	**9,530,734**
Total	**165,829,988**	**-**	**30,195,504**	**196,025,492**

2019	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	71,795,243	-	52,417,255	124,212,498
Christian E Easterday	21,064,065	-	6,018,306	27,082,371
Dr Allan Trench	174,258	-	49,788	224,046
Dr Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	1,000,000	-	5,000,000	6,000,000
George Randall Nickson	-	-	-	-
	94,033,566	**-**	**63,485,349**	**157,518,915**
Key Management Personnel				
Melanie Leighton	140,000	-	40,000	180,000
Jose Ignacio Silva	3,990,834	-	4,140,239	8,131,073
	4,130,834	**-**	**4,180,239**	**8,311,073**
Total	**98,164,400**	**-**	**67,665,588**	**165,829,988**

5 Directors' Report (cont'd)

Options

Directors and key management personnel holdings of options are as followed:

2020	Balance at the start of the year	Granted as compensation[1]	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	6,666,666	-	(6,666,666)	-
Dr Allan Trench	-	-	16,803	16,803
Christian E Easterday	6,833,333	-	(833,333)	6,000,000
Key Management Personnel				
Melanie Leighton	3,000,000	-	-	3,000,000
Jose Ignacio Silva	4,666,667	-	(1,056,837)	3,609,830
	21,166,666	**-**	**(8,540,033)**	**12,626,633**

2019	Balance at the start of the year	Granted as compensation[1]	Other changes during the year[2]	Balance at the end of the year
Directors				
Murray E Black	6,666,666	-	-	6,666,666
Christian E Easterday	833,333	6,000,000	-	6,833,333
Key Management Personnel				
Melanie Leighton	-	3,000,000	-	3,000,000
Jose Ignacio Silva	1,666,667	3,000,000	-	4,666,667
	9,166,666	**12,000,000**	**-**	**21,166,666**

[1] The options were granted under the Employee Incentive Plan adopted in 2018. The value of the options granted under the Plan was determined using the following inputs (Black and Scholes):

Exercise price	$0.070 per share
Underlying share price at date of issue	$0.012
Term	3 years
Volatility	89%
Risk free interest rate	1.9%
Value per option	$0.00242
Issue Date	19/12/2018

Convertible Notes

Directors and key management personnel holdings of convertible notes are as followed:

2020	Balance at the start of the year	Issued during the year	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	3,834	-	-	3,834
	3,834	**-**	**-**	**3,834**

2019	Balance at the start of the year	Issued during the year	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	3,834	-	-	3,834
	3,834	**-**	**-**	**3,834**

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

Service Contracts

The Company has entered into an executive service agreement with Mr Christian Easterday, as Managing Director of the Company.

Remuneration

Under the agreement, Mr Easterday will receive an annual salary of $259,200 after voluntary reductions, plus superannuation at the rate of 9.5% and other entitlements. Mr Easterday's remuneration is subject to annual review.

Term and termination

Mr Easterday was employed for an initial term of 3 years, commencing on 9 October 2013. At least 6 months before the End Date, either party may give notice that the agreement will terminate on the End date.

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

The Company may terminate the agreement summarily for any serious incidents or wrongdoing by Mr Easterday.

Termination entitlements

Upon termination of the agreement, Mr Easterday will be entitled to termination benefits in accordance with Part 2D.2 of the Corporations Act. The termination benefits (including any amount of payment in lieu of notice) must not exceed the amount equal to one times the executive's average annual base salary in the last 3 years of service with the Company, unless the benefit has first been approved by Shareholders in a general meeting.

Post termination restraints

Mr Easterday is subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination.

Service Contracts

The Company, through Its subsidiary Chilean entity Sociedad Minera El Aguila SpA, has entered into a labour agreement with Mr José Ignacio Silva, as Country Manager for Chile and Legal Counsel of the Company. José Ignacio Silva Is a Key Management Personnel.

Remuneration

Under such agreement, Mr. Silva will receive an annual salary of CLP92,508,234 before any legal and voluntary reductions. The superannuation is included in such amount. Mr. Silva's remuneration is subject to annual review.

Term and termination

Mr. Silva commenced employment on July 1st, 2011. Either party may give notice that the agreement will terminate with 1 months' notice.

Such agreement will continue until either Mr. Silva terminates by giving the Company 1 months' notice or the Company terminates by giving Mr. Silva 1 months' notice or payment in lieu of notice up to an amount equivalent to 1 months' remuneration.

The Company may terminate the agreement summarily for any serious incidents or wrongdoing by Mr. Silva.

Termination entitlements

Upon termination of the agreement, Mr. Silva will be entitled to termination benefits in accordance with the Chilean Labour Code, including any amount of payment in lieu of notice, and a monthly salary per year of work in the Company, unless other benefits have first been approved by Shareholders in a general meeting.

Post termination restraints

Mr. Silva is not subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination.

Service contracts

The Company has entered into an executive service agreement with Ms Melanie Leighton, as Corporate Projects Manager of the Company.

Remuneration

Under the agreement, Ms Leighton will receive an annual salary of $180,000 after voluntary reductions, plus superannuation at the rate of 9.5% and other entitlements. Ms Leighton's remuneration is subject to annual review.

Term and termination

Ms Leighton is employed on a permanent full time basis. Either party can terminate the agreement by giving 4 weeks notice or payment in lieu of notice. The Company may terminate the agreement summarily for any misconduct by Ms Leighton.

Termination entitlements

There are no entitlements accruing upon termination of the agreement.

5 Directors' Report (cont'd)

Non-executive Directors

Each of the non-executive Directors have signed letters of appointment. The key features of the respective appointments are:

	Murray Black	Allan Trench	Michael Anderson	Randall Nickson	Roberto de Andraca Adriasola
Term	n/a	n/a	n/a	n/a	n/a
Remuneration	$5,183 per month inclusive of super-annuation	$3,066 per month inclusive of superannuation	$3,066 per month	$3,066 per month	3,066 per month
Termination benefits	Nil	Nil	Nil	Nil	Nil

Additional information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
Other income	3,289,606	238,112	140,513	1,356,693	186,665
Expenses	(4,555,219)	(4,470,482)	(4,151,069)	(3,855,169)	(9,775,548)
EBITDA	680,324	(2,184,855)	(2,419,012)	(1,311,457)	(7,153,060)
EBIT	671,646	(2,196,264)	(2,431,564)	(1,327,339)	(7,234,332)
Loss after income tax	(1,265,613)	(4,232,370)	(4,010,556)	(2,498,476)	(9,588,883)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.017	0.032	0.03	0.023	0.06
Basic earnings per share (cents per share)	(0.07)	(0.47)	(0.65)	(0.44)	(2.22)

Other transactions with directors, key management personnel and their related parties

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2019: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2020 (2019: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $30,962 (2019: $27,154) for the year was settled by the issue of 927,525 shares (2019: 1,106,941). $7,698 was payable as at 30 June 2020 (2019: $7,698) which was settled by issue of 412,536 shares on 3 July 2020 (2019: 236,932 shares on 2 July 2019). The shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, a director, following shareholder approval.

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director was provided $4,151,946 (2019: $1,670,375) rent and drilling services. As at 30 June 2020 $1,802,486 (2019: $1,220,628) was owing to Blue Spec Sondajes Chile Limitada for drilling at Cortadera.

All transactions were made at commercial terms.

End of Remuneration Report

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Christian E Easterday
Managing Director

30 September 2020
Perth, WA

6 Auditors' Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2020

7 Auditors' Report

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Hot Chili Limited

Opinion

We have audited the financial report of Hot Chili Limited **(Company**) and its subsidiaries (**Group**), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (**Code**) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $1,265,613 and had cash outflows from operating activities of $2,570,469 and from investing activities of $16,990,661 during the year ended 30 June 2020. 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

RSM

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed this matter
Carrying value of exploration and evaluation expenditure **Refer to Note 10 in the financial statements**	
The Group has capitalised a significant amount of exploration and evaluation expenditure, with a carrying value of $131,070,506 as at 30 June 2020. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, including: • Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest; • Assessing whether any indicators of impairment are present and if so, judgement applied to determine and quantify any impairment loss; and • Assessing whether exploration activities have reached a stage at which the existence of economically recoverable reserves may be determined.	Our audit procedures in relation to the carrying value exploration and evaluation expenditure included: • Ensuring that the right to tenure of the area of interest was current; • Ensuring that the option agreement payments are up to date; • Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest; • Enquiring with management and reviewing budgets and other documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future; • Assessing and evaluating management's assessment of whether indicators of impairment existed at the reporting date; and • Through discussions with the management and review of the Board Minutes, ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

7 Auditors' Report (cont'd)

RSM

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2020

8 Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of *Corporations Act 2001*.

On behalf of the directors

Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2020
Perth

9 Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

Statement of Profit or Loss & Other Comprehensive Income

		Consolidated Entity	
		2020	**2019**
	Note	**$**	**$**
Interest income	4	4,115	3,460
Gain on revaluation of derivative liability	5	3,202,904	234,652
Other income	5	82,587	-
		3,289,606	**238,112**
Depreciation		(8,678)	(11,409)
Convertible notes expenses		(37,198)	(34,257)
Exploration expenses written off	10	-	(270,047)
Corporate fees		(202,902)	(81,843)
Legal and professional		(364,745)	(209,075)
Employee benefits expense		(997,656)	(984,246)
Administration expenses		(263,163)	(215,663)
Accounting fees		(194,098)	(182,135)
Travel costs		(103,136)	(14,006)
Other expenses		(397,513)	(351,476)
Foreign exchange gain/(loss)		(154,186)	(167,465)
Share based payments		-	(29,040)
Finance costs		(1,831,944)	(1,919,820)
Loss before income tax		(1,265,613)	(4,232,370)
Income tax expense	6	-	-
Loss after income tax		(1,265,613)	(4,232,370)
Other comprehensive income		-	-
Total Comprehensive Loss		**(1,265,613)**	**(4,232,370)**
Loss attributable to:			
Non-controlling interests		(109,430)	(119,746)
Owners of Hot Chili Limited		(1,156,183)	(4,112,624)
		(1,265,613)	**(4,232,370)**
Basic earnings per share (cents)	16	(0.07)	(0.47)
Diluted earnings per share (cents)	16	(0.07)	(0.47)

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

10 Statement of Financial Position

AS AT 30 JUNE 2020

	Note	Consolidated Entity 2020 $	2019 $
Current Assets			
Cash and cash equivalents	7	6,307,894	1,377,545
Other current assets	8	6,960	7,445
Total Current Assets		6,314,854	1,384,990
Non-Current Assets			
Plant and equipment	9	57,431	157,919
Exploration and evaluation expenditure	10	131,070,506	113,176,541
Total Non-Current Assets		131,127,937	113,334,460
Total Assets		**137,442,791**	**114,719,450**
Current Liabilities			
Trade and other payables	11	4,667,920	3,913,365
Derivative financial instruments	13	1,445,136	6,565,547
Total Current Liabilities		6,113,056	10,478,912
Non-Current Liabilities			
Borrowings	12	4,186,801	4,561,540
Total Non-Current Liabilities		4,186,801	4,561,540
Total Liabilities		**10,299,857**	**15,040,452**
Net Assets		**127,142,934**	**99,678,998**
Equity			
Contributed equity	14	160,056,118	131,837,269
Option reserve	15(b)	539,740	52,530
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(52,534,204)	(51,401,511)
Capital and reserves attributable to owners of Hot Chili Limited		108,062,876	80,489,510
Non-controlling interests	15(d)	19,080,058	19,189,488
Total Equity		**127,142,934**	**99,678,998**

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

11 Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Entity	Contributed Equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
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 year	-	-	-	(4,112,624)	(119,746)	(4,232,370)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(4,112,624)**	**(119,746)**	**(4,232,370)**
Shares issued	4,477,062	-	-	-	-	4,477,062
Share issue costs	(72,641)	-	-	-	-	(72,641)
Share based payments	-	(1,444,498)	-	1,473,538	-	29,040
Balance at 30 June 2019	**131,837,269**	**52,530**	**1,222**	**(51,401,511)**	**19,189,488**	**99,678,998**
Balance at 1 July 2019	131,837,269	52,530	1,222	(51,401,511)	19,189,488	99,678,998
Loss for the year	-	-	-	(1,156,183)	(109,430)	(1,265,613)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**1,156,183)**	**(109,430)**	**(1,265,613)**
Shares issued	30,133,115		-	-	-	30,133,115
Share issue costs	(1,914,266)		-	-	-	(1,914,266)
Share based payments		487,210	-	23,490	-	510,700
Balance at 30 June 2020	**160,056,118**	**539,740**	**1,222**	**(52,534,204)**	**19,298,918**	**127,142,934**

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

12 Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Entity 2020 $	2019 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,657,171)	(2,062,362)
Interest payment		-	(123,154)
Interest received		4,115	3,460
Other receipts		82,587	-
Net cash used in operating activities	19	(2,570,469)	(2,182,056)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(16,990,661)	(3,183,117)
Net cash used in investing activities		(16,990,661)	(3,183,117)
Cash Flows from Financing Activities			
Proceeds from issue of shares		26,008,924	3,216,916
Share issue costs		(1,403,565)	(72,641)
Net cash provided by financing activities		24,605,359	3,144,275
Net increase/(decrease) in cash held		5,044,229	(2,220,898)
Cash and cash equivalents at the beginning of the financial year		1,377,545	3,656,560
Effects of exchange rates on cash holdings in foreign currencies		(113,880)	(58,117)
Cash and cash equivalents at the end of the financial year	19	**6,307,894**	**1,377,545**

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

13 Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant Impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

- AASB 16 Leases

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

AASB 16 Leases

The Group has adopted AASB 16 Leases from 1 July 2019, under the modified retrospective method which resulted in changes to accounting policies. There are no adjustments to the amounts in the financial statements however.

AASB 16 Leases – Accounting policies

Group has reviewed contracts to assess whether the contract is or contains a lease. The Group leases buildings for its office space. The lease has been deemed a low value right of use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of offices that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current of future reporting periods and on foreseeable future transactions. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue on 30th September 2020 by the Board of Directors.

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

Critical accounting estimates

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

Historical cost convention

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

Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a net loss of $1,265,613 and had cash outflows from operating activities of 2,570,469 and from investing activities of $16,990,661 for the year ended 30 June 2020. As of that date, the consolidated entity had net current assets of $201,798.

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to 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 financial report.

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

- Included in liabilities is a derivative liability of $1,445,136 (Note 13) and debt component of $4,186,801 (Note 12) attributed to granting an option to the convertible note holder that may be converted at any time prior to maturity. The convertible note is redeemable at the option of the company and thus will not be a drain on the company's funds;

- Included in current liabilities a refundable deposit option fee of $2,179,156 (Note 11). 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; and

- The company has issued equity securities after year end (as detailed in note 21) and expects to issue additional equity securities, in particular via the exercise of options under the Corporations Act 2001, to fund ongoing working capital requirement. Other sources of funding have also been contemplated, including small scale production by 3rd parties at the Productora project (for which a contract has been signed) or alternate funding options.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(b) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hot Chili Limited ('parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Hot Chili Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests in the results and equity of the consolidated entity is shown separately in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of profit and loss and comprehensive income from the date on which control commences. Where control ceases, de-consolidation occurs from that date.

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

(d) Income tax

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

Deferred tax is accounted for using the statement of balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

(e) Revenue recognition

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

i. Interest Income

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

ii. Other Services

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

13 Notes to the Financial Statements(cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

(h) Plant and equipment

Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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

Depreciation

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

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

Class of Fixed Asset	***Depreciation Rate***
Plant and Equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(i) Trade and other payables

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

(j) Share-based payments

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- •from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

(k) Earnings per share

i. Basic earnings per share

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

ii. Diluted earnings per share

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

(l) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(m) Impairment of assets

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

(n) Cash and cash equivalents

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

(o) Provisions

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

(p) GST

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(q) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

13 Notes to the Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(s) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

(t) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Other Receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(v) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(x) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(y) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Derivative financial instruments

The directors have determined that the convertible notes issued during the year are a compound financial Instrument with both a debt component and derivative financial liability representing the conversion option. The accounting for the derivative financial instrument requires management judgements and estimates in determining the fair value.

Consolidation of entities

The directors have concluded that the group controls Sociedad Minera El Aguila SpA (SMEA), even though it holds less than all the voting rights of this subsidiary. This is because the group is the largest shareholder with an 80% equity interest and the ability to appoint 4 of the 5 Directors while the remaining 20% of shares are held by Compañía Minera del Pacífico S.A (CMP) with the ability to appoint the remaining Director. An agreement signed between the group and CMP requires a quorum to hold a Board meeting and adopt a resolution to be of at least three Directors with the right to vote. The accounting treatment of SMEA will be evaluated at each reporting date subject to any developments between the shareholders.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

3. 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 (2019: 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.

2020	Australia $	Chile $	Total $
Assets	6,268,011	131,174,780	$137,442,791
Liabilities	(5,957,048)	(4,342,809)	(10,299,857)
P&L (EBITDA)	1,337,536	(657,212)	680,324
Interest			4,115
Depreciation			(8,678)
Finance costs			(1,831,944)
P&L (Loss)			(1,156,183)

2019	Australia $	Chile $	Total $
Assets	1,235,623	113,483,827	114,719,450
Liabilities	(11,495,426)	(3,545,026)	(15,040,452)
P&L (EBITDA)	(1,319,064)	(865,791)	(2,184,855)
Interest			3,460
Depreciation			(11,409)
Finance costs			(1,919,820)
P&L (Loss)			(4,112,624)

4. INTEREST INCOME

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
Interest income	4,115	3,460
	4,115	**3,460**

5. OTHER INCOME

	2020 $	2019 $
Net gain on revaluation of derivative liability	3,302,904	234,652
Other	82,587	-
	3,285,491	**234,652**

6. INCOME TAX EXPENSE

	Consolidated Entity 2020 $	2019 $
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(1,265,613)	(4,232,370)
Prima facie income tax at 27.5% (2019: 27.5%)	(348,044)	(1,163,902)
Tax-effect of amounts not deductible in calculating taxable income	(356,069)	594,861
Tax loss not recognised	704,113	569,041
Income tax expense	**-**	**-**
(b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	24,873,513	22,690,187
Potential tax benefit at 27.5% (2019: 27.5%)	6,840,216	6,239,801

(a) The directors estimate that the potential deferred tax asset at 30 June 2020 in respect of tax losses not brought to account is $6,840,216 (2019: $6,239,801).

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $28,093,526 (2019: $26,645,959).

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

i. The consolidated entity and the subsidiaries derive income, sufficient to absorb tax losses.

ii. There is no change to legislation to adversely affect the consolidated entity and its subsidiaries in realising the benefit from the deduction of the losses.

7. CASH AND CASH EQUIVALENTS

Cash at bank	6,307,894	1,377,545
	6,307,894	**1,377,545**

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	**6,307,894**	**1,377,545**

8. OTHER CURRENT ASSETS

Accounts receivable	6,827	7,312
VAT receivable	133	133
	6,960	**7,445**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	640,798	723,395
Less provision for depreciation	(583,367)	(565,476)
	57,431	**157,919**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	157,919	193,353
Additions	-	-
Disposals and scrapped	-	-
Depreciation (i)	(17,891)	(35,434)
Foreign exchange	(82,597)	-
Carrying amount at the end of the year	**57,431**	**157,919**

(i) Depreciation of $9,213 (2019: $24,025) was capitalised into exploration costs.

10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2020	**2019**
	$	**$**
Carrying amount at the beginning of the year	113,176,541	108,743,662
Consideration given for mineral exploration acquisition	10,460,873	142,952
Capitalised mineral exploration and evaluation	7,433,092	4,559,974
Exploration costs written off	-	(270,047)
Carrying amount at the end of the year (i)	**131,070,506**	**113,176,541**

(i) Management have determined that the capitalised expenditure relating to the projects in Chile are still in the exploration phase and are to be classified as Exploration and Evaluation expenditure. In accordance with AASB 6 *Exploration for and evaluation of Mineral Resources* management have assessed whether there are any indicators of impairment on the capitalised expenditure as at balance date. In making this assessment management have considered whether sufficient data exists to conclude that the exploration and evaluation assets are unlikely to be recovered in full from successful development or sale. This included management engaging an independent consultant to review and update the key drivers within the Productora pre-feasibility financial model including the long term copper price, discount rate and the operating and capital costs. Based on this review, management are satisfied that there are no impairment indicators as at balance date.

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

11. TRADE AND OTHER PAYABLES

Trade payables and accruals	2,488,764	1,774,515
Refundable deposit (option fee) (i)	2,179,156	2,138,850
	4,667,920	**3,913,365**

(i) Sociedad Minera El Águila SpA (SMEA) granted Compañía Minera del Pacífico S.A. (CMP) an option (Additional Purchase Option) to acquire shares in SMEA such that upon exercise of the option, CMP will be entitled to acquire a further 32.6% interest, taking its total interest up to 52.6%, by acquiring existing shares from Hot Chili subsidiary, SMECL. The additional 32.6% shareholding interest in SMEA that CMP may acquire can be exercised in two tranches and determined by reference to a valuation and will have a minimum value of US$80 million and a maximum value of US$110 million. The Option fee of US$1.5 million had been received following confirmation of the executed merger agreement. In the case where the parties do not execute the option, Hot Chili shall refund CMP the Option fee.

12. BORROWINGS

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
NON-CURRENT		
Convertible note – debt component[1]	4,186,801	4,561,540
	4,186,801	**4,561,540**

[1] There are a total of 79,221 convertible notes on issue as at 30 June 2020 (2019: 109,485). On 22 June 2017, the consolidated entity issued 109,175, 8% five-year convertible notes, with a face value of $100 each and a further 3,834 convertible notes were issued on 8 September 2017 for total proceeds of $11,300,900. During the year 30,264 (2019: 3,524) convertible noted were converted to ordinary shares in the capital of the company on receipt of notices to convert. Interest is paid quarterly in arrears at a rate of 8% per annum based on the face value. The maturity date of the notes is 22 June 2022. The conversion rights associated with the convertible notes are:

a) The holder of the notes may convert into ordinary shares of the parent entity at any time prior to maturity at a conversion price of A$0.03333 per share;

b) The company can redeem the notes early in cash for the face value plus interest accrued, only after two years since the issue date provided the VWAP for the shares traded on the ASX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 300% of the conversion price of A$0.03333 per share; and

c) The Convertible note will automatically be converted on the maturity date at the lower of $0.03333 or 95% of the VWAP traded on the ASX for the 10 consecutive trading days preceding the maturity date.

Convertible note - reconciliation

Balance Brought forward	4,561,540	3,814,764
Notes and accrued interest converted	(1,117,623)	(150,767)
Finance charges amortised	742,884	897,543
At the end of the financial year	**4,186,801**	**4,561,540**

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Liability - Convertible Note	1,445,136	6,565,547
	1,445,136	**6,565,547**

The holders of the convertible notes have the option to convert into ordinary share capital of the Company. Refer to Note 12.

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	6,565,547	7,010,455
Fair value of Exercised Notes	(1,917,507)	(210,256)
Net Change in fair value during the period	(3,202,904)	(234,652)
At the end of the financial year	**1,445,136**	**6,565,547**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2020	2019	2020	2019
			$	$
At the beginning of the financial year	1,119,407,682	735,876,764	131,837,269	127,432,848
Shares issued on capital raising during the financial year	1,096,891,168	321,697,937	26,011,813	3,216,979
Shares issued in lieu of convertible note costs	27,900,513	51,259,924	779,883	907,683
Shares issued on conversion of convertible notes	91,069,399	10,573,057	3,341,419	352,400
Less cost of issue	-	-	(1,914,266)	(72,641)
At the end of the financial year	**2,335,268,762**	**1,119,407,682**	**160,056,118**	**131,837,269**

(b) Terms and Conditions of Contributed Equity

Ordinary Shares

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

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

(c) Movement in Unlisted Options

	2020 Options	2019 Options
Balance at beginning of financial year	81,666,667	108,666,667
Issued during the financial year	362,056,598	12,000,000
Expired during the year	(69,666,667)	(39,000,000)
Balance at end of financial year	**374,056,598**	**81,666,667**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2020 (2019: NIL.

(d) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders. Capital is calculated as 'equity' as shown in the statement of financial position and is monitored on the basis of funding exploration activities.

15. RESERVES, ACCUMULATED LOSSES AND NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2020	2019
	$	$
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(51,401,511)	(48,762,425)
Net loss for the year	(1,156,183)	(4,112,624)
Options expired during the year	23,490	1,473,538
Accumulated losses at the end of the year	**(52,534,204)**	**(51,401,511)**

(b) Option reserve

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

As at 30 June 2020, no options to which the reserve relates have been exercised.

	2020	2019
Balance at the beginning of the year	52,530	1,497,028
Issues of options during the year	510,700	29,040
Options expiring during the year	(23,490)	(1,473,538)
Balance at the end of the year	**539,740**	**52,530**
(c) Foreign currency translation reserve		
Balance at the beginning of the year	1,222	1,222
Balance at the end of the year	**1,222**	**1,222**
(d) Non-controlling interests		
Balance at the beginning of the year	19,189,488	19,309,234
Share of loss for the year	(109,430)	(119,746)
Balance at the end of the year	**19,080,058**	**19,189,488**

16. LOSS PER SHARE

Loss after tax attributable to the owners of Hot Chili Limited	(1,156,183)	(4,112,624)
Basic loss per share (cents)	(0.07)	(0.47)
Diluted loss per share (cents)	(0.07)	(0.47)
Unexercised options are not dilutive.		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	1,641,345,793	866,697,528
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**1,641,345,793**	**866,697,528**

17. REMUNERATION OF AUDITORS

Audit Services – RSM Australia Partners		
- Auditing and reviewing of financial reports	48,750	47,000
Othert Services – RSM Australia Partners		
- Tax services and advice	8,750	11,147
	57,500	**58,147**

13 Notes to the Financial Statements (cont'd)

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

Murray E Black	(Non-Executive Director)
Christian E Easterday	(Managing Director)
Dr Michael Anderson	(Non-Executive Director)
Dr Allan Trench	(Independent Non-Executive Director)
Roberto de Andraca Adriasola	(Non-Executive Director)
George Randall Nickson	(Independent Non-Executive Director)

(b) Company Secretary

Lloyd Flint

(c) Corporate Projects Manager

Melanie Leighton (Alternative Director for M Black)

(d) Chief Legal Counsel and country manager

Jose Ignacio Silva

(e) Details of Remuneration of Key Management Personnel for the year ended 30 June 2020:

	Consolidated Entity	
	2020	**2019**
	$	**$**
Directors		
Short-term benefits	459,976	455,243
Post-employment benefits	33,212	32,762
Share based payments	-	14,520
	493,188	**502,525**
Key Management Personnel		
Short-term benefits	332,300	349,981
Post-employment benefits	17,100	17,100
Share based payments	-	14,520
	349,400	**381,601**
Total	**842,588**	**884,126**

19. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Cash used in Operating Activities

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
Loss for the year	(1,265,613)	(4,232,370)
Non-cash items:		
Depreciation	8,678	11,409
Effect of exchange rates on holdings in foreign currencies	113,880	58,117
Exploration expenditure written off	-	126,422
Effect on revaluation of derivative liability	(3,202,904)	(234,652)
Amortised finance costs	782,771	893,385
Non-cash finance costs	1,049,173	903,279
Share based payments	-	29,040
Net cash flows from operating activities before change in assets and liabilities	**(2,514,015)**	**(2,445,370)**
Change in assets and liabilities during the financial year:		
Other current assets	485	101,352
Trade and other payables	(56,939)	(268,558)
Net cash outflow from operating activities	**(2,570,469)**	**(2,163,922)**

(b) Non cash investing and financing activities

2020

15,000,000 Plan options were issued to lead managers of a capital raising. The options are exercisable at AUD$0.10 per and expire 12 November 2021.

50,000,000 Plan options were issued to lead managers of a capital raising. The options are exercisable at AUD$0.025 per and expire 20 May 2022.

Quarterly convertible note interest that accrued to noteholders was settled through the issue of fully paid ordinary shares calculated on the 5 day volume weighted average price (VWAP) prior to quarter end:

Quarter ended	Date paid	Interest due $	VWAP	Shares issued
30 September 2019	2 October 2019	209,640	$0.04479	4,680,499
31 December 2019	6 January 2020	189,606	$0.03817	4,967,404
31 March 2020	3 April 2020	160,815	$0.01400	11,486,751
30 June 2020	3 July 2020	160,815	$0.01866	8,618,159

A total of 30,264 Convertible Notes and respective interest to dates of conversion were converted to 91,069,399 shares during the year

2019

12,000,000 Plan options were issued to Key Management Personnel under the Employee Incentive Scheme adopted by the Company. The options are exercisable at AUD$0.07c per and expire 19 December 2021.

Quarterly convertible note interest that accrued to noteholders was settled through the issue of fully paid ordinary shares calculated on the 5 day volume weighted average price (VWAP) prior to quarter end:

Quarter ended	Date paid	Interest due $	VWAP	Shares issued
30 September 2018	2 October 2018	229,411	0.0229	10,017,920
31 December 2018	2 January 2019	229,411	0.0104	22,058,648
31 March 2019	2 April 2019	224,349	0.02021	11,102,811
30 June 2019	2 July 2019	219,825	0.03249	6,765,859

A total of 3,524 Convertible Notes and respective interest to dates of conversion were converted to 10,664,156 shares during the year.

20. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

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

	Consolidated Entity	
	2020	**2019**
	$	**$**
Within one year	603,079	589,572
Later than one year but not later than five years	1,690,223	2,481,107
More than five years	7,183,448	6,616,284
	9,476,750	**9,686,963**

(b) Option Payment Commitments

The mining rights (which vary between 90% to 100%) of the various projects undertaken by Hot Chili will be transferred upon satisfaction of the Option payments committed as at 30 June 2020 tabled below:

Within one year	1,019,962	7,272,209
Later than one year but not later than five years	54,495,119	53,472,123
	55,515,081	**60,744,332**

(c) Operating Leases

The consolidated entity leases office premises under operating leases. The leases have various terms and renewal rights.

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

Within one year	103,284	75,533
Later than one year but not later than five years	172,140	-
	275,424	**75,533**

* Operating leases are not material to the consolidated entity and are not accounted for as Right-of-Use Assets under AASB16.

21. EVENTS OCCURRING AFTER REPORTING DATE

On 3 July 2020, quarterly interest of $160,815 was settled by the issue of 8,618,159 fully paid ordinary shares in the Company at deemed issue price $0.01866 each.

After the financial year end, 25,958,622 shares were issued on receipt of notice to exercise options. The options were exercised at $0.025 each raising $648,966 before costs.

On 4 September 2020, 33,333,334 were placed with Blue Spec Sondajes (a company controlled by Mr Murray Black) at a deemed price of $0.015 each in lieu of cash for drilling services. The shares forming the placement had 16,666,667 free attaching options exerciseable at $0.025 per share. The shares and options were approved in general meeting on 12 August 2020.

On 4 September 2020, 75,000,000 Performance Rights were issued under the Company's Employee Incentive Scheme.

On 14 July 2020, the Group received an extension to the accumulated VAT refund payment of $13,802,127 (USD $9,472,400) to 30 June 2026, as disclosed in Note 23.

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other significance events occurring after the balance date that require reporting.

22. RELATED PARTIES

Parent Entity

Hot Chili Limited Is the parent entity

Subsidiaries

Interests In subsidiaries are set out in Note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $36,792 (2019: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2020 (2020: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $ 30,962 (2019: $27,154) for the year was settled by the issue of 927,525 shares (2019: 1,106,941). $7,698 was payable as at 30 June 2020 (2019: $7,698) which was settled by issue of 412,536 shares on 3 July 2020 (2019: 236,932 shares on 2 July 2019). The shares were issued to Blue Spec Drilling Pty Ltd, a company associated with Mr Murray Black, a director, following shareholder approval.

Blue Spec Sondajes Chile Limitada, a company in which Mr Murray Black is a director, provided $4,151,946 (2019: $1,670,375) rent and drilling services. As at 30 June 2020 $ 1,802,485.72 (2019: $1,220,628) was owing to Blue Spec Sondajes Chile Limitada for drilling at Cortadera.

All transactions were made at commercial terms.

23. CONTINGENT LIABILITIES

As at 30 June 2020, Hot Chili Limited had accumulated VAT refund payments totalling $13,762,022 (USD$9,472,400). Under the terms of the VAT refund payment, the consolidated entity initially had 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 Company has to exercised its right to extend the date of commercial production from Productora with the Chilean Tax Authority. An extension to the benefit had been extended to 30 June 2022 and a further extension until 30 June 2026 has been granted.

24. INTEREST IN SUBSIDIARIES

(a) Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following material subsidiaries, in accordance with the accounting policy described in Note 1:

			Equity Holding	
Name of Entity	**Country of Incorporation**	**Class of Shares**	**2020 %**	**2019 %**
Sociedad Minera El Corazon Limitada	Chile	Ordinary	100	100
Sociedad Minera El Aguila SpA*	Chile	Ordinary	80*	80*
Sociedad Minera Los Mantos SpA	Chile	Ordinary	100	100
Sociedad Minera Frontera SpA	Chile	Ordinary	100	100
Sociedad Minera Bandera SpA	Chile	Ordinary	100	100

**The non-controlling interests hold 20% of Sociedad Minera El Aguila SpA (SMEA) - refer to note 23 (b).*

24. INTEREST IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interests (NCI)

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	SMEA	
	30-Jun-20	**30-Jun-19**
Summarised statement of financial position		
Current assets	132,116	166,175
Non-current assets	109,349,451	108,676,104
Total assets	109,481,567	108,842,279
Current liabilities	45,827	35,698
Non-current liabilities	27,784,241	26,607,932
Total liabilities	27,830,068	26,643,630
Net assets	81,651,499	82,198,649
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Expenses	(547,150)	(598,728)
Loss before income tax expense	(547,150)	(598,728)
Income tax expense	-	-
Loss after income tax expense	(547,150)	(598,728)
Other comprehensive income	-	-
Total comprehensive loss	**(547,150)**	**(598,728)**
Statement of cash flows		
Net cash used in operating activities	(537,021)	(563,029)
Net cash used in investing activities	(673,347)	(542,714)
Net cash from in financing activities	1,176,309	1,086,304
Net increase in cash and cash equivalents	(34,059)	(19,439)
Other financial information		
Profit / (loss) attributable to non-controlling interests	(109,430)	(119,746)
Accumulated non-controlling interests at the end of reporting period	19,080,058	19,189,488

25. FINANCIAL RISK MANAGEMENT

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

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

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

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

Risk Exposures and Responses

(a) Interest rate risk exposure

The consolidated entity's is not exposed to interest rate risk. Borrowings are issued at fixed rates (Note 12).

(b) Credit risk exposure

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

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

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

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity does not have a significant exposure to bad debts. There are no significant concentrations of credit risk within the consolidated entity.

(c) Liquidity risk

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

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

Financing arrangements

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

25. FINANCIAL RISK MANAGEMENTS (CONT'D)

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	2,488,764	-	2,488,764	2,488,764
Refundable deposit	-%	2,179,156	-	2,179,156	2,179,156
Convertible note debt – fixed rate	8%	-	7,922,100	7,922,100	4,186,801
Total non-derivatives		**4,667,920**	**7,922,100**	**12,590,020**	**8,854,721**
Derivatives					
Convertible note debt	-%	1,445,136	-	1,445,136	1,445,136
Total derivatives		**1,445,136**	**-**	**1,445,136**	**1,445,136**

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 5 years $	Remaining contractual maturities $	Amount as per Statement of Financial Position $
Non-derivatives					
Non-interest bearing					
Trade payables	-%	1,774,515	-	1,774,515	1,774,515
Refundable deposit	-%	2,138,850	-	2,138,850	2,138,850
Convertible note debt – fixed rate	8%	-	10,948,500	10,948,500	4,561,540
Total non-derivatives		**3,913,365**	**10,948,500**	**14,861,865**	**8,474,905**
Derivatives					
Convertible note debt	-%	6,565,547	-	6,565,547	6,565,547
Total derivatives		**6,565,547**	**-**	**6,565,547**	**6,565,547**

25. FINANCIAL RISK MANAGEMENTS (CONT'D)

(d) Market risk

Foreign exchange risk

The consolidated entity has considered the sensitivity relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis considers the effect on current year results and equity which could result in a change in the USD / AUD rate. The consolidated entity is exposed to foreign exchange risk through its USD cash holdings at reporting date. The table below summarises the impact of + / - 10% strengthening / weakening of the AUD against the USD on the consolidated entities post tax profit for the year and equity. The analysis is based on a 10% strengthening /weakening of the AUD against the USD at reporting date with all other factors remaining equal

		Consolidated Entity	
		Post tax profit	**Equity**
2020		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-
		Post tax profit	**Equity**
2019		**$**	**$**
	AUD/USD + 10%	-	-
	AUD/USD - 10%	-	-

26. PARENT ENTITY DISCLOSURES

	2020	2019
Financial position	**$**	**$**
Assets		
Current assets	6,165,562	1,193,511
Non-current assets	112,002,100	94,277,387
Total assets	**118,167,662**	**95,470,898**
Liabilities		
Current liabilities	1,770,247	6,933,886
Non-current liabilities	4,186,801	4,561,540
Total liabilities	**5,957,048**	**11,495,426**
Equity		
Issued capital	160,056,129	131,837,280
Reserves	541,009	52,530
Accumulated losses	(48,386,524)	(47,914,338)
Total equity	**112,210,614**	**83,975,472**
Financial performance		
Loss for the year	(494,408)	(3,250,293)
Total comprehensive income	**(494,408)**	**(3,250,293)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2020 or 30 June 2019.

27. SHARE BASED PAYMENTS

Below are details of share based payments made during the current year and prior financial years.

(a) Options issued

Set out below is a summary of options on issue as at 30 June 2020:

Issue date	Expiry date	Balance at start of year	Number issued during year	Number expired during year	Exercised during the year	Balance at end of year	Number exercisable at end of year
09/05/2018	31/05/2020	52,189,305	-	(52,189,305)	-	-	-
21/06/2018	31/05/2020	17,477,362	-	(17,477,362)	-	-	-
19/12/2018[3]	19/12/2021	12,000,000	-	-	-	12,000,000	12,000,000
15/11/2019[1]	15/11/2021	-	15,000,000	-	-	15,000,000	15,000,000
26/06/2020[2]	20/05/2022	-	50,000,000	-	-	50,000,000	50,000,000
29/06/2020[2]	20/05/2022	-	297,056,598	-	-	297,056,598	297,056,598
Total		**81,666,667**	**362,056,598**	**(69,666,667)**	**-**	**374,056,598**	**374,056,598**

Weighted average exercise price of options on issue is $0.029 (2019: $0.096). The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.85 years (2019: 0.86 years).

(b) Fair value of options issued

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

2020

(1) 15,000,000 Plan options were issued to lead managers of a capital raising. The inputs for the fair value model for fee options were as follows:

a) options are granted for no consideration.
b) exercise price - $0.10
c) issue date – 12 November 2019
d) expiry date – 12 November 2021
e) expected price volatility of the Company's shares: 90%
f) risk-free interest rate: 0.785%
g) spot price at date of issue: $0.036
h) fair value of 0.868c per option (total $130,200)

(2) 347,056,598 options exercisable at 2.5c each expiring 20 May 2022 were issued pursuant to a placement and rights issue announced 18 May 2020 and a prospectus of the same date. 297,056,598 of the options were free attaching options issued to successful placees and rights offer applicants on a "one option for every two shares" successfully applied for. 50,000,000 of the options were a share based payment forming part of the fees paid for managing the placement. The inputs for the fair value model for fee options were as follows:

a) options are granted for no consideration.
b) exercise price - $0.025
c) issue date – 29 June 2020
d) expiry date – 20 May 2022
e) expected price volatility of the Company's shares: 102%
f) risk-free interest rate: 0.27%
g) spot price at date of issue: $0.0175
h) fair value of 0.761c per option (total $380,500)

27. SHARE BASED PAYMENTS (CONT'D)

2019

([3]) 12,000,000 Plan options were issued to Key Management Personnel under the Employee Incentive Plan adopted by the company. The inputs for the fair value model for fee options were as follows:

a) options are granted for no consideration.
b) exercise price - $0.07
c) issue date – 19 December 2018
d) expiry date – 19 December 2021
e) expected price volatility of the Company's shares: 89%
f) risk-free interest rate: 1.9%
g) spot price at date of issue: $0.012
h) fair value of 0.242c per option

(c) Shares issued as share-based payment transactions:

During the year the Company issued 27,900,513 shares (2019: 61,832,981) at a fair value of $697,338 (2019: $1,260,083) in lieu of interest on the convertible note issue and conversion of notes and accrued interest to shares. As at 30 June 2020 interest of $160,815 had accrued and the 8,618,159 shares issued on 3 July 2020 are not included in total issued for the year.

(d) Expenses arising from share-based payment transactions:

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

	Consolidated Entity	
	2020 $	2019 $
Employee Incentive Options issued	-	29,040
Shares issued for convertible notes and accrued interest converted	3,341,419	356,867
Convertible note interest	779,883	903,216
	4,121,302	**1,289,123**

14 Shareholder Information

AS AT 19 SEPTEMBER 2020

Information Required by the Australian Securities Exchange Limited

(a) Spread of Holdings

	Shareholders	Units	%
1 - 1,000	122	28,021	0.00%
1,001 - 5,000	235	659,924	0.03%
5,001 - 10,000	158	1,283,091	0.05%
10,001 - 100,000	2,033	86,853,727	3.61%
100,001 & Over	1,560	2,314,354,114	96.30%
	4,108	**2,403,178,877**	**100.00%**

There are 605 holders of unmarketable parcels comprising 3,007,399 shares.

(b) The names of the twenty largest shareholders as at 19 September 2020, who between them held 42.05% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	135,542,495	5.64%
2	BLUE SPEC DRILLING PTY LTD	101,459,948	4.22%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	94,485,472	3.93%
4	CITICORP NOMINEES PTY LIMITED	92,022,753	3.83%
5	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	80,761,557	3.36%
6	BLUE SPEC SONDAJES CHILE SPA	68,690,656	2.86%
7	QMETCO LIMITED	66,567,499	2.77%
8	CAP S A	66,153,868	2.75%
9	QMETCO LIMITED	43,660,595	1.82%
10	MRS NERIDA RUTH SCOTT <SCOTT FAMILY A/C>	38,000,000	1.58%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	30,000,000	1.25%
12	SAMLISA NOMINEES PTY LTD	30,000,000	1.25%
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	27,546,190	1.15%
14	STEPHENS GROUP SUPER FUND PTY LTD <THE STEPHENS GROUP S/F A/C>	25,475,000	1.06%
15	CHRISTIAN ERVIN EASTERDAY	21,535,714	0.90%
16	REPLAY HOLDINGS PTY LTD <SUNSET SUPER FUND A/C>	20,000,000	0.83%
17	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	18,297,774	0.76%
18	ROSS LEIGHTON	16,750,000	0.70%
19	KALGOORLIE AUTO SERVICE PTY LTD <BLUE SPEC MINING A/C>	16,750,000	0.70%
20	WESTRALIAN DIAMOND DRILLERS PTY LTD	16,750,000	0.70%
		1,010,449,521	**42.05%**

(c) Substantial Shareholders (from substantial shareholder notices)

Taurus SM Holdings Pty Ltd	103,808,367	13.2%
Murray Black	186,900,604	7.78%

(d) As at 19 September 2020 there are 86 holders of the 79,221 Convertible Notes on issue. Convertible Note holders holding more than 20% of the notes are as follow

J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,342	25.7%

There are no voting rights attached to Convertible Notes

(e) As at 19 September 2020 there are 770 holders of the 364,764,643 Options over shares on issue. There are no Option holders holding more than 20% of the options. There are no voting rights attached to Options.

(f) As at 19 September 2020 there 6 holders of the 75,000,000 Performance Rights on issue. 3 holders have 20% each of the rights and 1 holder has 26.7% of the rights.

(g) As at 18 September 2019 there is no current on-market buyback under way

15 Tenement Schedule

Cortadera Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
MAGDALENITA 1/20		100% Frontera SpA	100	HCH 100% option earn in: US$2 million- paid on 14th July 2019; US$3 million- paid on 14th October 2019; US$2 million- paid on 4th June 2020; US$10 million to be paid by 15th July 2021; US$15 million to be paid by 15th July 2022
ATACAMITA 1/82		100% Frontera SpA	82	
AMALIA 942 A 1/6		100% Frontera SpA	53	
PAULINA 10 B 1/16		100% Frontera SpA	136	
PAULINA 11 B 1/30		100% Frontera SpA	249	
PAULINA 12 B 1/30		100% Frontera SpA	294	
PAULINA 13 B 1/30		100% Frontera SpA	264	
PAULINA 14 B 1/30		100% Frontera SpA	265	
PAULINA 15 B 1/30		100% Frontera SpA	200	
PAULINA 22 A 1/30		100% Frontera SpA	300	
PAULINA 24 1/24		100% Frontera SpA	183	
PAULINA 25 A 1/19		100% Frontera SpA	156	
PAULINA 26 A 1/30		100% Frontera SpA	294	
PAULINA 27A 1/30		100% Frontera SpA	300	
CORTADERA 1 1/200		100% Frontera SpA	200	
CORTADERA 2 1/200		100% Frontera SpA	200	
CORTADERA 41		100% Frontera SpA	1	
CORTADERA 42		100% Frontera SpA	1	
LAS CANAS 16		100% Frontera SpA	1	
LAS CANAS 1/15		100% Frontera SpA	146	
CORTADERA 1/40		100% Frontera SpA	374	
LAS CANAS ESTE 2003 1/30		100% Frontera SpA	300	
CORROTEO 1 1/260		100% Frontera SpA	260	
CORROTEO 5 1/261		100% Frontera SpA	261	
CORROTEO 5 1/261		100% Frontera SpA	261	
PURISIMA		100% Frontera SpA	20	HCH 100% option earn in: US$50,000 paid on 11th February 2019; US$100,000 paid on 11th December 2019, US$250,000 to be paid on 14th December 2020, US$1.1 million to be paid on 14th December 2021 NSR 1.5%

15 Tenement Schedule (cont'd)

Productora Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
FRAN 1, 1-60	80% SMEA SpA		220	
FRAN 2, 1-20	80% SMEA SpA		100	
FRAN 3, 1-20	80% SMEA SpA		100	
FRAN 4, 1-20	80% SMEA SpA		100	
FRAN 5, 1-20	80% SMEA SpA		100	
FRAN 6, 1-26	80% SMEA SpA		130	
FRAN 7, 1-37	80% SMEA SpA		176	
FRAN 8, 1-30	80% SMEA SpA		120	
FRAN 12, 1-40	80% SMEA SpA		200	
FRAN 13, 1-40	80% SMEA SpA		200	
FRAN 14, 1-40	80% SMEA SpA		200	
FRAN 15, 1-60	80% SMEA SpA		300	
FRAN 18, 1-60	80% SMEA SpA		273	
FRAN 21, 1-46	80% SMEA SpA		226	
ALGA 7A, 1-32	80% SMEA SpA		89	
ALGA VI, 5-24	80% SMEA SpA		66	
MONTOSA 1-4	80% SMEA SpA		35	NSR 3%
CHICA	80% SMEA SpA		1	
ESPERANZA 1-5	80% SMEA SpA		11	
LEONA 2A 1-4	80% SMEA SpA		10	
CARMEN I, 1-50	80% SMEA SpA		222	
CARMEN II, 1-60	80% SMEA SpA		274	
ZAPA 1, 1-10	80% SMEA SpA		100	
ZAPA 3, 1-23	80% SMEA SpA		92	
ZAPA 5A, 1-16	80% SMEA SpA		80	
ZAPA 7, 1-24	80% SMEA SpA		120	
CABRITO, CABRITO 1-9	80% SMEA SpA		50	
CUENCA A, 1-51	80% SMEA SpA		255	
CUENCA B, 1-28	80% SMEA SpA		139	
CUENCA C, 1-51	80% SMEA SpA		255	
CUENCA D	80% SMEA SpA		3	
CUENCA E	80% SMEA SpA		1	
CHOAPA 1-10	80% SMEA SpA		50	
ELQUI 1-14	80% SMEA SpA		61	
LIMARÍ 1-15	80% SMEA SpA		66	
LOA 1-6	80% SMEA SpA		30	
MAIPO 1-10	80% SMEA SpA		50	
TOLTÉN 1-14	80% SMEA SpA		70	
CACHIYUYITO 1, 1-20	80% SMEA SpA		100	
CACHIYUYITO 2, 1-60	80% SMEA SpA		300	
CACHIYUYITO 3, 1-60	80% SMEA SpA		300	
LA PRODUCTORA 1-16	80% SMEA SpA		75	

Productora Project (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
ORO INDIO 1A, 1-20	80% SMEA SpA		82	
AURO HUASCO I, 1-8	80% SMEA SpA		35	
URANIO, 1-70	0%	0%	350	Lease agreement US$250,000 per Yr (average for the 25 year term); plus 2% NSR all but gold; 4% NSR gold; 5% NSR non-metallic
JULI 9, 1-60	80% SMEA SpA		300	
JULI 10, 1-60	80% SMEA SpA		300	
JULI 11 1/60	80% SMEA SpA		300	
JULI 12 1/42	80% SMEA SpA		210	
JULI 13 1/20	80% SMEA SpA		100	
JULI 14 1/50	80% SMEA SpA		250	
JULI 15 1/55	80% SMEA SpA		275	
JULI 16, 1-60	80% SMEA SpA		300	
JULI 17, 1-20	80% SMEA SpA		100	
JULI 19	80% SMEA SpA		300	
JULI 20	80% SMEA SpA		300	
JULI 21 1/60	80% SMEA SpA		300	
JULI 22	80% SMEA SpA		300	
JULI 23 1/60	80% SMEA SpA		300	
JULI 24, 1-60	80% SMEA SpA		300	
JULI 25	80% SMEA SpA		300	
JULI 27 1/30	80% SMEA SpA		150	
JULI 27 B 1/10	80% SMEA SpA		50	
JULI 28 1/60	80% SMEA SpA		300	
JULIETA 5	80% SMEA SpA		200	
JULIETA 6	80% SMEA SpA		200	
JULIETA 7	80% SMEA SpA		100	
JULIETA 8	80% SMEA SpA		100	
JULIETA 9	80% SMEA SpA		100	
JULIETA 10 1/60	80% SMEA SpA		300	
JULIETA 11	80% SMEA SpA		300	
JULIETA 12	80% SMEA SpA		300	
JULIETA 13, 1-60	80% SMEA SpA		298	
JULIETA 14, 1-60	80% SMEA SpA		269	
JULIETA 15, 1-40	80% SMEA SpA		200	
JULIETA 16	80% SMEA SpA		200	
JULIETA 17	80% SMEA SpA		200	
JULIETA 18, 1-40	80% SMEA SpA		200	
ARENA 1 1-6	80% SMEA SpA		40	
ARENA 2 1-17	80% SMEA SpA		113	
ZAPA 1 - 6	80% SMEA SpA		6	NSR 1%

15 Tenement Schedule (cont'd)

El Fuego Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
Santiago 21 al 36		90% Frontera SpA	76	90% (HCH)-10% (Arnaldo del Campo) JV. 4 year term. US$300,000 to be paid on year 3 -Nov 7th 2020. US$6,700,000 as a final exercise payment on year 4 (Nov 7th 2021).
Santiago 37 al 43		90% Frontera SpA	26	
Santiago A, 1 al 26		90% Frontera SpA	236	
Santiago B, 1 al 20		90% Frontera SpA	200	
Santiago C, 1 al 30		90% Frontera SpA	300	
Santiago D, 1 al 30		90% Frontera SpA	300	
Santiago E, 1 al 30		90% Frontera SpA	300	
Prima Uno		90% Frontera SpA	1	
Prima Dos		90% Frontera SpA	2	
Santiago 15 al 19		90% Frontera SpA	25	
San Antonio 1 al 5		90% Frontera SpA	25	
Santiago 1 AL 14 Y 20		90% Frontera SpA	75	
Mercedes 1 al 3		90% Frontera SpA	50	
Romero 1 al 31		90% Frontera SpA	31	
CORTADERA 1	100% Frontera SpA		200	
CORTADERA 2	100% Frontera SpA		200	
CORTADERA 3	100% Frontera SpA		200	
CORTADERA 4	100% Frontera SpA		200	
CORTADERA 5	100% Frontera SpA		200	
CORTADERA 6	100% Frontera SpA		300	
CORTADERA 7	100% Frontera SpA		100	
SAN ANTONIO 1	100% Frontera SpA		200	
SAN ANTONIO 2	100% Frontera SpA		200	
SAN ANTONIO 3	100% Frontera SpA		300	
SAN ANTONIO 4	100% Frontera SpA		300	
SAN ANTONIO 5	100% Frontera SpA		300	
DORO 1	100% Frontera SpA		200	
DORO 2	100% Frontera SpA		200	
DORO 3	100% Frontera SpA		300	
DORO 4	100% Frontera SpA		200	
SANTIAGO Z		100% Frontera SpA	300	100% HCH Earn In (Arnaldo del Campo). 3 years term. US$600,000 to be paid on year 3 – 22nd January 2022. 1.5% NSR
SAN JUAN SUR 1/5	90% Frontera SpA	10		90% (HCH)-10% JV. 4 year term. US$150,000 to be paid on year 3 - June 1st 2021. US$4,000,000 as a final exercise payment on year 4- June 1st 2022.
SAN JUAN SUR 6/23	90% Frontera SpA	90		

16 Corporate Directory

Directors

Murray E Black
(Non-Executive Chairman)

Christian E Easterday
(Managing Director)

Dr Allan Trench
(Independent Non-Executive Director)

Dr Michael Anderson
(Non-Executive Director)

Roberto de Andraca Adriasola
(Non-Executive Director)

George Randall Nickson
(Independent Non-Executive Director)

Melanie Leighton
(Alternate for M Black)

Company Secretary

Lloyd Flint

Chief Legal Counsel

Jose Ignacio Silva

Principal Place of Business and Registered Office

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ASX Code

HCH

Solicitors

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PERTH WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: 08 9315 0933
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Auditors

RSM Australia Partners
Level 32 Exchange Tower
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Principal Banker

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