

Hot Chili Limited ACN 130 955 725
First Floor, 768 Canning Highway, Applecross, Western Australia 6153
PO Box 1725, Applecross, Western Australia 6953
P: +61 8 9315 9009 F: +61 8 9315 5004
www.hotchilli.net.au



Half Yearly Report

Monday 14th March 2016

Hot Chili Limited and Controlled Entities

ABN: 91 130 955 725

Interim Financial Report

for the

Half-Year Ended 31 December 2015

ASX CODE

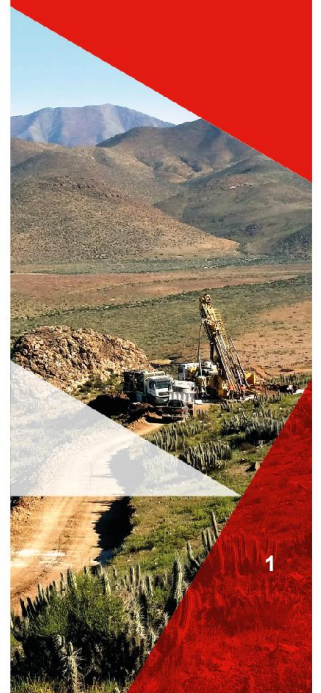
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Contact

Mr Christian Easterday
Managing Director

E: admin@hotchili.net.au

www.hotchili.net.au





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Corporate Particulars

Directors

Murray Black (Non-Executive Chairman)
Christian Easterday (Managing Director)
Dr Allan Trench (Non-Executive Director)
Dr Michael Anderson (Non-Executive Director)
Roberto de Andraca Adriasola (Non-Executive Director)

Company Secretary

John Sendziuk

Principal & Registered Office

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

Share Registry

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

Auditors

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

Bankers

Westpac Banking Corporation
Hannan Street
Kalgoorlie W A 6430



Directors' Report

The Directors of Hot Chili Limited present their report on Hot Chili Ltd ("the Company" or "Hot Chili") and the entities it controlled ("consolidated entity") at the end of, or during, the half-year ended 31 December 2015

Directors

The following persons held office as directors of Hot Chili Limited at the date of this report or were directors at any time during the half-year ended 31st December 2015:

Murray Black (Non-Executive Chairman)
Christian Easterday (Managing Director)
Dr. Allan Trench (Non-Executive Director)
Dr. Michael Anderson (Non-Executive Director)
Roberto de Andraca Adriasola (Non-Executive Director)

Principal Activities

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

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the half-year, not otherwise disclosed in the following interim financial report.

Review of Operations

Operating Result

The loss from continuing operations for the half-year after providing for tax amounted to \$29,186,067 (2014: \$3,250,296). The loss included a one-off impairment charge of \$25,270,000 associated with the completion and implementation of the CMP Transaction (see ASX announcement- Notice of Meeting and Independent Experts Report, dated 19th March 2015) for the Productora copper project in Chile.



After Reporting Date Events

On the 8 February 2016 Hot Chili Ltd received a VAT refund of \$658,674 this was used to reduce the loan with Sprott Resource Lending Partnership (Sprott) as per the loan agreement.

On 2 February 2016 Hot Chili received A\$768,785 as part of a A\$1.6 million capital raising (see ASX announcement 1st February 2016). The placement was subscribed to by Taurus Funds Management and CAP, the parent company of Compañía Minera del Pacífico S.A. (CMP), Hot Chili's joint venture partner at Productora.

The balance of the capital raising is expected to be received in March 2016, following CAP board ratification of CAP's agreement to participate in the placement.

On 2nd March 2016 Hot Chili announced the completion of robust Pre-feasibility study (PFS) and significant upgrade to Resources and Reserves at its flagship Productora copper project in Chile. The milestone sees Productora positioned as one of the leading global copper developments (as demonstrated by benchmarking against global peers) and highly leveraged to copper price, resource growth and operating cost improvements.

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

- the operations of the consolidated entity; or
- the result of its operations; or
- the state of affairs of the consolidated entity subsequent to 31 December 2015

Operational Highlights

During the period, Hot Chili made significant advances at its Productora copper project in Chile. Activities centred on the completion of the Company's PFS at Productora and advancement of exploration efforts over large-scale porphyry potential identified at the project. Highlights included:

- Four large copper porphyry targets identified by cutting-edge IP/ MT geophysical survey at Productora copper project
- Fresh drilling results point to significant maiden resource at Alice copper porphyry deposit
- Hot Chili and its partner in the Productora Project, Compañía Minera del Pacífico S.A. (CMP) have executed a non-binding Letter of Intent (LOI) to



eventually form a Joint Venture (JV) and combine landholdings to explore and develop a second copper project in Frontera – Chile

- Productora Pre-feasibility study results indicate significant improvements to key project parameters
- IP porphyry target follow up work completed provides further confidence ahead of future resource growth activities

Auditors' Independence Declaration

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

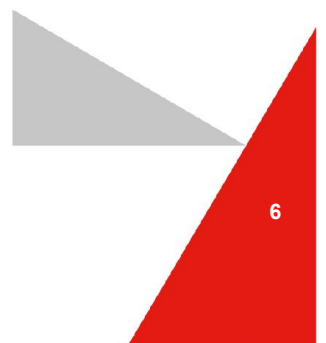
This report is made in accordance with a resolution of directors, and signed for on behalf of the board by:

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

Christian Easterday

MANAGING DIRECTOR

14 March 2016





Statement of Comprehensive Income

For the Half-Year Ended 31 December 2015

| | Consolidated | |
|--|----------------------|----------------------|
| | December 2015 | December 2014 |
| | \$ | \$ |
| Other Income | 11,202 | 25,418 |
| Depreciation | (40,971) | (13,565) |
| Corporate fees | (66,285) | (80,178) |
| Legal and professional | (56,551) | (279,072) |
| Employee benefits expense | (488,396) | (579,681) |
| Exploration expense | (770,817) | (196,681) |
| Administration expenses | (524,274) | (562,072) |
| Accounting fees | (21,446) | (26,752) |
| Travel costs | (53,302) | (128,325) |
| Finance costs | (957,001) | (682,505) |
| Loss/(gain) on foreign exchange | (677,150) | (488,441) |
| Impairment (note 2) | (25,270,000) | - |
| Other expenses | (271,077) | (238,442) |
| Loss before income tax | (29,186,067) | (3,250,296) |
| Income tax benefit | - | - |
| Loss for the period | (29,186,067) | (3,250,296) |
| Other comprehensive income | | - |
| Total comprehensive loss | (29,186,067) | (3,250,296) |
| Loss attributable to: | | |
| Non-controlling interest | (62,005) | - |
| Owners of Hot Chili Limited | (29,124,062) | - |
| | (29,186,067) | (3,250,296) |
| Basic and diluted loss per share (cents) | (6.99) | (0.93) |

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



Statement of Financial Position

As at 31 December 2015

| | | Consolidated | |
|--|------|---------------------|-------------------|
| | Note | December 2015 \$ | June 2015 \$ |
| Current Assets | | | |
| Cash and cash equivalents | | 3,392,843 | 7,112,498 |
| Other current assets | | 14,719 | 43,880 |
| Total current assets | | 3,407,562 | 7,156,378 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 365,387 | 406,358 |
| Exploration and evaluation expenditure | 2 | 109,738,277 | 83,626,283 |
| Total non-current assets | | 110,103,664 | 84,032,641 |
| Total assets | | 113,511,226 | 91,189,019 |
| Current Liabilities | | | |
| Trade and other payables | 4 | 2,399,728 | 1,660,334 |
| Borrowings | 3 | 13,687,380 | 13,020,833 |
| Total current liabilities | | 16,087,108 | 14,681,167 |
| Total liabilities | | 16,087,108 | 14,681,167 |
| Net assets | | 97,424,118 | 76,507,852 |
| Equity | | | |
| Contributed equity | 5 | 115,599,216 | 112,746,883 |
| Option reserve | | 1,125,616 | 1,125,616 |
| Foreign currency translation reserve | | 1,222 | 1,222 |
| Accumulated losses | | (66,489,931) | (37,365,869) |
| Non Controlling Interest | | 47,187,995 | - |
| Total equity | | 97,424,118 | 76,507,852 |

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



Statement of Changes in Equity

For the Half-Year Ended 31 December 2015

| | Contributed Equity | Option Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Non- Controlling Interest | Total Equity |
|---|-----------------------|-------------------|---|-----------------------|---------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 December 2015: | | | | | | |
| Balance at 1 July 2015 | 112,746,883 | 1,125,616 | 1,222 | (37,365,869) | - | 76,507,852 |
| Loss for the period | - | - | - | (29,124,062) | (62,005) | (29,186,067) |
| Total comprehensive income for the half-year | - | - | - | (29,124,062) | (62,005) | (29,186,067) |
| Shares issued during the period | 2,882,861 | - | - | - | - | 2,882,861 |
| Cost of share issue | (30,528) | - | - | - | - | (30,528) |
| Non-controlling interest | - | - | - | - | 47,250,000 | 47,250,000 |
| Balance at 31 December 2015 | 115,599,216 | 1,125,616 | 1,222 | (66,489,931) | 47,187,995 | 97,424,118 |
| 31 December 2014: | | | | | | |
| Balance at 1 July 2014 | 106,669,091 | 2,114,926 | 1,222 | (29,700,409) | - | 79,084,830 |
| Loss for the period | - | - | - | (3,250,296) | - | (3,250,296) |
| Total comprehensive income for the half-year | - | - | - | (3,250,296) | - | (3,250,296) |
| Shares issued during the period | 11,818 | - | - | - | - | 11,818 |
| Balance at 31 December 2014 | 106,680,909 | 2,114,926 | 1,222 | (32,950,705) | - | 75,846,352 |

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



Statement of Cash Flows

For the Half Year Ended 31 December 2015

| | Consolidated | |
|--|----------------------|----------------------|
| | December 2015 | December 2014 |
| Cash Flows From Operating Activities | | |
| Payments to suppliers and employees | (712,775) | (2,852,931) |
| Receipts from VAT refund | - | 7,644,161 |
| Interest received | 11,202 | 25,418 |
| Finance costs | (103,063) | - |
| Interest on borrowings | (853,938) | - |
| Net cash used in operating activities | (1,658,574) | 4,816,648 |
| Cash Flows From Investing Activities | | |
| Payments for exploration and evaluation | (4,902,811) | (11,271,335) |
| Receipts from plant & equipment | - | 2,091 |
| Payment for plant and equipment | - | (33,118) |
| Net cash used in investing activities | (4,902,811) | (11,302,362) |
| Cash Flows From Financing Activities | | |
| Proceeds from issue of shares | 2,882,861 | 11,818 |
| Share issue costs | (30,528) | - |
| Net cash provided by financing activities | 2,852,333 | 11,818 |
| Net decrease in cash held | (3,709,052) | (6,473,896) |
| FX on cash | (110,603) | - |
| Cash and cash equivalents at the beginning of the half-year | 7,112,498 | 12,762,430 |
| Cash and cash equivalents at the end of the half-year | 3,392,843 | 6,288,534 |

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



Notes to the Financial Statements

For the half-year ended 31 December 2015

1. Summary of Significant Accounting Policies

Basis of Preparation

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Hot Chili Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

New and Revised Accounting Standards

In the half-year ended 31 December 2015, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the annual reporting period beginning on or after 1 July 2015. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the entity's accounting policies.

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred net losses of \$29,186,067 and had net cash outflows from operating and investing activities of \$1,658,574 and \$4,902,811, respectively for the half year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities of \$12,679,546.



1. Summary of Significant Accounting Policies

Going Concern (continued)

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

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

- a) As disclosed in Note 2(i), a merger agreement with Compañía Minera del Pacífico S.A. (CMP) had been executed on 27 August 2015 that established an incorporated joint venture arrangement, to advance and develop the Productora Project into a mine. On 2 March 2016, Hot Chili announced the completion of the Pre-feasibility study (PFS) of the Productora copper project in Chile (Note 7). With the pre-feasibility study completed, the director's plan that CMP exercise Tranche 1 of the associated Additional Purchase Option which would raise USD \$26m and enable the settlement of the debt facility and provide significant cash flow to the consolidated entity.
- b) The directors plan to renegotiate repayment terms of the secured debt facility (Facility) with Sprott Resource Lending Partnership that is due for expiry on 30 June 2016 (Note 4), if required. At the reporting date the Facility has a further US\$8.5 million remaining to be drawn. The directors of Hot Chili will carefully consider all funding options for future working capital requirements prior to its decision to draw down further against the Facility. At present the consolidated entity has no immediate plans to request any further draw-down against the remaining Facility.
- c) The consolidated entity will continue to manage their ongoing expenditure prudently. Internal cost reduction initiatives have significantly reduced working capital requirements in the areas of staff wages, Directors remuneration, corporate and operational overheads. Significant renegotiation with all major contractors and consultants has significantly lowered the operating cost base of the company and consolidated entity's exploration, development and corporate activities.
- d) The directors plan to obtain additional working capital through the issue of equity and extension of debt facilities as and when required. Subsequent to the reporting date the consolidated entity received \$768,785 as part of a \$1.6 million capital raising with the balance of the capital raising expected to be received in March 2016, following ratification of CAP S.A., the parent company of CMP (Note 7).

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



1. Summary of Significant Accounting Policies

Going Concern (continued)

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

- The ability to continue to raise equity capital,
- the exercise of Tranche 1 of the Additional Purchase Option by CMP; and
- if required, the renegotiation of repayment terms of the secured debt facility.

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



Notes to the Financial Statements

For the half-year ended 31 December 2015

| | 31 December 2015 |
|---|---------------------|
| | \$ |
| 2. Exploration and evaluation expenditure | |
| Mining tenements at cost | 109,738,277 |
| Tenements | |
| Carrying value at the beginning of the half-year | 83,626,283 |
| Consideration given for mineral exploration acquisition (i) | 47,250,000 |
| Impairment loss on mineral exploration acquisition (i) | (25,270,000) |
| Capitalised mineral exploration and evaluation | 4,902,811 |
| Exploration costs written off | (770,817) |
| Total exploration and evaluation expenditure | 109,738,277 |
| (i) CMP Transaction | |

On 27 August 2015, a merger agreement with Compañía Minera del Pacífico S.A. (CMP) had been executed, that established an incorporated joint venture arrangement, to advance and develop the Productora Project into a mine. CMP is currently free-carried (ie. not required to contribute to funding) until a preliminary feasibility study of the Productora Project is completed. As part of the CMP transaction, an Option fee of US\$1.5 million had been received following confirmation of the executed merger agreement.

On 27 August 2015, (CMP) acquired a 17.5% interest in the Hot Chili subsidiary, Sociedad Minera El Águila SpA (SMEA) from the issue of shares by SMEA in exchange for assets sold by CMP comprising surface rights, easements and mining leases (CMP Assets). On consolidation, Hot Chili has recognised the fair value of the non-controlling interest in SMEA (\$47.25m) the fair value of the CMP Assets acquired (\$21.98m) and an impairment loss on exploration acquisition (\$25.27m).

SMEA also granted CMP an option (Additional Purchase Option) to acquire further 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 50.1%, 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.



3. Borrowings

Non-bank loan

| consolidated entity | |
|---------------------|-------------------|
| 31 December 2015 | 30 June 2015 |
| \$ | \$ |
| 13,687,380 | 13,020,833 |
| 13,687,380 | 13,020,833 |

The company's non-bank loan, a secured debt facility (Facility) of US\$25 million with Sprott Resource Lending Partnership (Sprott). At the half-year ended 31 December 2015, the amount drawn against the Facility was US\$10 million. Under the terms of the agreement, available funds are reduced by VAT refunds received by the company. Accordingly the consolidated entity has US\$8.5 million remaining to draw against the Facility at the reporting date.

The Company has no immediate plans to request any further draw-down against the remaining Facility.

The Facility has a term of 12 months Expiring on 30 June 2016.

4. Trade payables

Refundable deposit (Option fee)

| consolidated entity | |
|---------------------|------------------|
| 31 December 2015 | 30 June 2015 |
| \$ | \$ |
| 261,147 | 1,660,334 |
| 2,138,580 | - |
| 2,399,727 | 1,660,334 |



5. Issued capital

(a) Fully paid ordinary shares

Ordinary shares – fully paid

Movement in ordinary shares on issue

Balance at beginning of period

Shares issued on 19 November 2014 (exercise of options)

Shares issued on 26 November 2014 (exercise of options)

Shares issued on 24 November 2014 (exercise of options)

Shares issued on 27 November 2014 (exercise of options)

Shares issued on 7 August 2015

Shares issued on 21 October 2015

Balance at end of period

| consolidated entity | |
|---|--------------------|
| 31 December 2015 | 31 December 2014 |
| | |
| Ordinary shares – fully paid | |
| 422,718,122 | 347,747,954 |
| | |
| Number | Number |
| Balance at beginning of period | 347,732,196 |
| Shares issued on 19 November 2014 (exercise of options) | 7,831 |
| Shares issued on 26 November 2014 (exercise of options) | 903 |
| Shares issued on 24 November 2014 (exercise of options) | 1,000 |
| Shares issued on 27 November 2014 (exercise of options) | 6,024 |
| Shares issued on 7 August 2015 | |
| 21,645,017 | |
| Shares issued on 21 October 2015 | |
| 2,601,193 | |
| 422,718,122 | 347,747,954 |



Notes to the Financial Statements

For the half-year ended 31 December 2015

4. Issued capital (Cont.)

(b) Options over ordinary shares

| Grant date | Expiry date | Expiry price (\$) | Balance at start of the period | Number issued during the period | Number exercised during the period | Number expired during the period | Balance at end of the period |
|-------------|-------------|-------------------|--------------------------------|---------------------------------|------------------------------------|----------------------------------|------------------------------|
| *27/06/2014 | 27/06/2019 | 0.30 | 11,000,000 | - | - | - | 11,000,000 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | 11,000,000 | - | - | - | 11,000,000 |

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



Notes to the Financial Statements

For the half-year ended 31 December 2015

5. Events Subsequent To Reporting Date

On 8 February 2016 Hot Chili Ltd received a VAT refund of \$658,674, this was used to reduce the loan with Sprott as per the loan agreement.

On 2 February 2016 Hot Chili received A\$768,785 as part of a A\$1.6 million capital raising (see ASX announcement 1st February 2016). The placement was subscribed to by Taurus Funds Management and CAP, the parent company of Compañía Minera del Pacifico S.A. (CMP), Hot Chili's joint venture partner at Productora.

The balance of the capital raising is expected to be received in March 2016, following CAP board ratification of CAP's agreement to participate in the placement.

On 2nd March 2016 Hot Chili announced the completion of robust Pre-feasibility study (PFS) and significant upgrade to Resources and Reserves at its flagship Productora copper project in Chile. The milestone see's Productora positioned as one of the leading global copper developments and highly leveraged to copper price, resource growth and operating cost improvements.

Other than the above, there are no other matters or circumstances that have arisen since 31 December 2015 that have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Consolidated Entity.

6. Contingent Liabilities

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

The consolidated entity has no other contingent liabilities.

7. Dividends

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

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First Floor, 768 Canning Highway, Applecross, Western Australia 6153
PO Box 1725, Applecross, Western Australia 6953
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8. Segment Information

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

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



Directors Declaration

In the opinion of the directors:

- a. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read "Christian Easterday", is written over a light blue circular stamp.

Christian Easterday

MANAGING DIRECTOR

14th March 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000

GPO Box R1253 Perth WA 6844

T +61(0) 8 92619100

F +61(0) 8 92619111

www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HOT CHILI LIMITED**

We have reviewed the accompanying half-year financial report of Hot Chili Limited which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hot Chili Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred net losses of \$29,186,067 and had net cash outflows from operating and investing activities of \$1,658,574 and \$4,902,811, respectively, during the period ended 31 December 2015. As of that date, the consolidated entity had net current liabilities of \$12,679,546. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

RSM
RSM AUSTRALIA PARTNERS

AL Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 14 March 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hot Chili Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM AUSTRALIA PARTNERS

Al Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 14 March 2016