No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise*.* *This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.*

*The securities offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "****1933 Act****"), or any state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States of America, its territories and possessions, any state of the United States or the District of Columbia (collectively, the "****United States****") or "U.S. persons" (as such term is defined in Regulation S promulgated under the 1933 Act ("****U.S. Persons****"), unless exemptions from the registration requirements of the 1933 Act and applicable state securities laws are available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to, or for the account or benefit of, persons in the United States or U.S. Persons. See "Plan of Distribution".*

This prospectus is not a disclosure document under the Corporations Act 2001 (Commonwealth of Australia) and has not been lodged with the Australian Securities and Investments Commission and is not required to be.

PROSPECTUS

Initial Public Offering | December 20, 2021

HOT CHILI LIMITED
C$30,000,250
19,355,000 Units

This prospectus (the "**Prospectus**") qualifies the distribution of 19,355,000 units (the "**Units**") of Hot Chili Limited ("**Hot Chili**", and, where the context requires, together with its subsidiaries, the "**Company**"), at a price of C$1.55 per Unit (the "**Offering Price**") for aggregate gross proceeds of C$30,000,250 (the "**Offering**"). Each Unit shall consist of one ordinary share of the Company (an "**Ordinary Share**", and an Ordinary Share that comprises a part of a Unit, a "**Unit Share**") and one-half of one Ordinary Share purchase warrant receipt (each whole warrant receipt a "**Warrant Receipt**"). Each full Warrant Receipt shall be convertible into one Ordinary Share purchase warrant (a "**Warrant**") for no further consideration upon satisfaction of the Shareholder Approval Condition (as defined herein). Each full Warrant shall be exercisable to acquire one Ordinary Share of the Company (a "**Warrant Share**") for a period of 24 months from the date the Warrants are issued, at an exercise price of C$2.50 per Warrant Share. The Units will separate into their component parts immediately upon issue on the Closing Date. See "*Description of Securities Offered – Units*".

In accordance with the policies of the Australian Securities Exchange (the "**ASX**"), the holders of the Warrant Receipts shall only be entitled to receive a Warrant upon receipt of shareholder approval for the issuance of the Warrants (the "**Shareholder Approval Condition**"). The Company covenants and agrees to use commercially reasonable best efforts to obtain shareholder approval by January 31, 2022. In the event such shareholder approval is not obtained by March 31, 2022, the Warrant Receipts will be cancelled without cost or penalty. If the Shareholder Approval Condition is satisfied, the Warrants will be created and issued pursuant to the terms of a warrant indenture (the "**Warrant Indenture**") between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"), to be dated as of the date the Warrants are issued.

The Units will be sold pursuant to an underwriting agreement dated December 20, 2021 (the "**Underwriting Agreement**") between the Company, iA Private Wealth Inc. ("**iA**") and Cormark Securities Inc. (together with iA, the "**Underwriters**").

C$1.55 per Unit

	Price to the Public	Underwriters' Fee[(1)]	Net Proceeds to the Company[(2)]
Per Unit	C$1.55	C$0.093	C$1.457
Total[(3)]	C$30,000,250	C$1,800,015	C$28,200,235

Notes:

(1) Pursuant to the Underwriting Agreement, the Underwriters will be paid a fee equal to 6.0% (the "**Underwriters' Fee**") of the gross proceeds of the Offering, including any Units sold pursuant to the exercise of the Over-Allotment Option (as defined herein). The Underwriters will be reimbursed for reasonable expenses and legal fees incurred in connection with the Offering, estimated at C$600,000, which the Company will pay from the proceeds of the Offering. In addition to the Underwriters' Fee, the Underwriters will be granted an option (the "**Compensation Option**") to purchase that number of Ordinary Shares equal to 6.0% of the aggregate number of Units sold pursuant to the Offering, including Units sold pursuant to the exercise of the Over-Allotment Option, for a period of 36 months following the Closing Date at a price of C$1.85 per Ordinary Share. Each of the Underwriters' Fee and the Compensation Option are subject to reduction to 4.0% of the gross proceeds from subscriptions from purchasers, if any, whose names appear on the list of purchasers for the Offering introduced to the Underwriters by the Company (the "**President's List**"). This Prospectus qualifies the distribution of the Compensation Option. See "*Plan of Distribution*". The Company expects that, of the C$30,000,250 of gross proceeds, approximately C$3,000,025 will be sold to purchasers on the President's List and would be subject to the reduced Underwriters' fee of 4.0% thereon, such that the total Underwriters' Fee payable would equal C$1,740,014.50.

(2) Before deducting expenses of the Offering estimated to be C$600,000, which the Company will pay from the proceeds of the Offering. The Company expects that, of the C$30,000,250 of gross proceeds, approximately C$3,000,025 will be sold to purchasers on the President's List and would be subject to the reduced Underwriters' fee of 4.0% thereon, such that the total net proceeds to the Company would equal C$28,260,235.50.

(3) The Company has also granted to the Underwriters an option (the "**Over-Allotment Option**") exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the Closing Date to purchase from the Company up to an additional 2,445,000 Units at the Offering Price. Assuming the Over-Allotment Option is exercised in full and assuming no sales to purchasers on the President's List, the total Offering "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be C$33,790,000, C$2,027,400 and C$31,762,600, respectively. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option[(1)]	2,445,000 Units	Up to 30 days from and including the Closing Date	C$1.55 per Unit
Compensation Option[(1)]	1,308,000 Ordinary Shares	36 months from the Closing Date	C$1.85 per Ordinary Share

Note:

(1) This Prospectus qualifies for distribution the grant of the Over-Allotment Option and the Units issuable upon exercise thereof and the grant of the Compensation Option. See "*Plan of Distribution*".

The Company is a mineral exploration and development focused company, and its principal mineral project, the Costa Fuego Project (as hereinafter defined), is in the mineral exploration or development stage only. The degree of risk increases substantially where an issuer's properties are in the mineral exploration or development stages as opposed to the operational stage. An investment in the Units is speculative and involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. Prospective investors should consider certain risk factors in connection with an investment in the Company. See "*Forward-Looking Statements*" and "*Risk Factors*".

The outstanding Ordinary Shares of the Company are listed and posted for trading on the ASX under the symbol "HCH". On December 17, 2021, being the last day on which the Ordinary Shares traded prior to the date of this Prospectus, the closing price of the Ordinary Shares on the ASX was A$1.72.

On November 15, 2021, the Company's shareholders approved a consolidation of the number of Ordinary Shares on issue on the basis that every 50 Ordinary Shares on issue were consolidated into one Ordinary Share, with a corresponding consolidation of all other securities on issue and fractional entitlements rounded to the nearest whole number (the "**Consolidation**"). The

Consolidation took effect on November 15, 2021 and trading of Ordinary Shares on the ASX on a post-Consolidation basis commenced on November 17, 2021. The issue price for the Units qualified hereunder is presented on a post-Consolidation basis.

Other than the ASX, there is no market through which the Ordinary Shares may be sold. The Warrant Receipts and the Warrants will not be listed for trading on any exchange, and, as a result, there is no market through which the Warrant Receipts and the Warrants may be sold. Holders of Ordinary Shares, Unit Shares, Warrant Receipts and Warrants may not be able to sell such securities. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*". The Company has submitted an application to list the Ordinary Shares (including the Ordinary Shares issuable pursuant to the Compensation Option), the Unit Shares and the Warrant Shares on the TSX Venture Exchange (the "**TSXV**"). Listing will be subject to the Company fulfilling all of the initial listing requirements and conditions of the TSXV, including prescribed distribution and financial requirements, and there is no assurance such a listing will be obtained. Closing of the Offering ("**Closing**") is conditional upon the Ordinary Shares, Unit Shares and Warrant Shares being approved for listing on the TSXV. See "*Plan of Distribution*."

In connection with the Offering, the Underwriters may over-allocate or effect transactions that stabilize or maintain the market price of the Ordinary Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **Furthermore, the Underwriters may offer the Units to the public at a price lower than the Offering Price. See "*Plan of Distribution*".**

The Underwriters, as principals, hereby conditionally offer the Units for sale, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal and tax matters by Bennett Jones LLP, on behalf of the Company, and by Peterson McVicar LLP, on behalf of the Underwriters. The Offering Price of the Units qualified hereunder was determined by negotiation between the Company and the Underwriters.

Subscriptions for the Units to be sold pursuant to the Offering will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that Closing will take place on or about December 21, 2021, or such later date as the Company and the Underwriters may agree, but in any event, on or before a date that is not later than 42 days after the date of the receipt for this Prospectus (the date on which Closing occurs being the "**Closing Date**"). It is anticipated that the Company will arrange for one or more instant deposits of the Units issued hereunder to or for the account of the Underwriters with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee through the non-certificated inventory system administered by CDS on the Closing Date. Except in limited circumstances, a purchaser of Units will receive only a customer confirmation from a registered dealer that is a CDS participant and from or through which the Units are purchased. See "*Plan of Distribution*".

Hot Chili is incorporated under the laws of a foreign jurisdiction and, with the exception of Randall Nickson, a director of the Company, all of the directors and officers of the Company and certain of the experts named in this Prospectus reside outside of Canada. In addition, substantially all of the assets of Hot Chili are located outside of Canada, and Hot Chili is formed and organized under the laws of Australia. Although Hot Chili, each officer who has signed the certificate to this Prospectus, and all foreign directors of Hot Chili have appointed Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, M5X 1A4, as their respective agent for service of process in Canada, it may not be possible for investors to collect from or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation against Hot Chili, the directors and officers referred to above, and certain of the experts named in this Prospectus. Moreover, it may not be possible for investors to effect service of process within Canada upon the experts referred to above.

Investors should rely only on the information contained in this Prospectus. The Company has not authorized anyone to provide investors with different information. The Company is not offering the Units in any jurisdiction in which the offer is not lawfully permitted. Investors should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus. Subject to the Company's obligations under applicable securities laws, the information contained in this Prospectus is accurate only as of the date of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Units.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains certain statements which contain "forward-looking information" within the meaning of Canadian securities legislation (each a "**forward-looking statement**"). No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Prospectus should not be unduly relied upon. Forward-looking information is by its nature prospective and requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget", "pro forma" and similar expressions are intended to identify forward- looking statements. Forward-looking statements include, among others, statements pertaining to:

- mineral resource estimates;
- targeting additional mineral resource estimates and expansion of deposits;
- the Company's future operating and financial results;
- schedules and timing of certain projects and the Company's strategy for growth;
- projected revenues and the life of mines;
- anticipated cash needs and needs for additional financing;
- the Company's competitive position and its expectations regarding competition;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- the Company's future plans with respect to exploration, development and, ultimately, production at its mineral properties;
- expectations regarding drill programs and potential impacts successful drill programs could have on the Company;
- the results of future exploration and drilling and estimated completion dates for certain milestones;
- expectations regarding any environmental issues that may affect planned or future exploration programs and the potential impact of complying with existing or proposed environmental laws and regulations;
- successfully adding or upgrading mineral resources and successfully developing new deposits;
- the timing and use of the Company's assets, including working capital;
- expectations regarding any social or local community issues that may affect planned or future exploration and development programs;
- the ability to attract and retain personnel;
- conflicts of interest; and
- any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

The forward-looking statements within this document are based on information currently available and what management believes are reasonable assumptions. Forward-looking statements speak only as of the date of this Prospectus. In addition, this Prospectus may contain forward-looking statements attributed to third-party industry sources, the accuracy of which has not been verified by the Company.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this Prospectus, including, but not limited to, the following material factors:

- no guarantee of a positive return on investment in the Units;
- risks related to the use of proceeds from the Offering;
- market volatility;
- negative effects of dilution on the market price of the Ordinary Shares;
- the Warrants and Warrant Reciepts not being listed on any securities exchange;
- uncertainty of exploration and development;
- uncertainty in the estimation of Mineral Resources;
- uncertainty of the economic viability of Mineral Resources;
- risks related to the construction and start-up of new mines;
- risks related to the maintenance or provision of necessary infrastructure;
- risks related to negative operating cash flow and additional funding;
- operational risks;
- risks related to the COVID-19 public health crisis;
- sovereign risks associated with the Company's foreign operations;
- risks related to the impact of the Chilean legal system;
- risks related to political instability and expropriation;
- risks related to governmental regulation of the mining industry;
- fluctuations in mineral prices;
- exchange rate fluctuations;
- failure to maintain or obtain necessary permits;
- challenges by third parties to title of the Company's properties;
- revocation or alternation to rights, licenses, permits and concessions;
- environmental risks;
- labour and employment risks;
- work stoppages or labour disputes;

- risks related to reliance on certain contractors;
- failure to recruit qualified personnel or retain key personnel
- local legal, political and economic risks in Chile;
- risks related to the use of derivatives;
- future financial needs and unavailability of adequate financing;
- liquidity and counterparty risks;
- volatility in global financial condition;
- risks related to relations with the communities in which the Company operates;
- cybersecurity risks;
- security and privacy breaches;
- changes in climate conditions;
- risks related to having foreign subsidiaries;
- competition risks;
- failure to renegotiate existing contracts;
- volatility of the market for the Ordinary Shares;
- failure to put in place adequate internal controls over financial reporting and disclosure procedures;
- risks related to acquisitions and integration;
- failure to adequately manage risks;
- risks related to insurance and uninsured risks;
- risks related to dilution;
- risks related to write-downs and impairments;
- risks related to exchange controls;
- possible conflicts of interest of directors and officers of the Company;
- difficulty to enforce civil liabilities;
- violations of foreign corrupt practices legislation; and
- other risks and uncertainties described elsewhere in this Prospectus.

Such factors are discussed in more detail under the heading "*Risk Factors*". New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements and are made as of the date of this Prospectus. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise. Prospective investors should read this entire Prospectus and consult their own professional advisors to ascertain and assess the income tax and legal risks and other aspects of their investment in the Units.

Although the forward-looking statements contained in this Prospectus are based upon assumptions which the Company believes to be reasonable, the Company cannot assure holders or prospective purchasers of Units that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Prospectus, the Company has made assumptions regarding: future commodity prices; availability of skilled labour; timing and amount of capital expenditures; future currency exchange and interest rates; the impact of increasing competition; general conditions in economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; future tax rates; future operating costs; availability of future sources of funding; ability to obtain financing and assumptions underlying estimates related to adjusted funds from operations. The Company has included the above summary of assumptions and risks related to forward-looking information provided in this Prospectus in order to provide holders and prospective purchasers of Units with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. These forward-looking statements are made as of the date of this Prospectus and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

TECHNICAL INFORMATION

The scientific and technical information contained in this Prospectus relating to the Company's mineral projects indicated herein is supported by the technical report indicated below:

- Costa Fuego Copper project in Chile (the "**Costa Fuego Project**", "**Costa Fuego**" or the "**Project**"): the technical report entitled "Resource Report for the Costa Fuego Copper Project, Located in Atacama, Chile – Technical Report NI 43-101" dated December 13, 2021 (effective date October 29, 2021), prepared by Boris Caro of Caro & Navarro Limitada, and Elizabeth Haren of Haren Consulting Pty Ltd. (the "**Costa Fuego Technical Report**").

The Costa Fuego Technical Report pertains to the Productora deposit, located in Atacama, Chile ("**Productora**"), and the Cortadera deposit, located in Atacama, Chile ("**Cortadera**"), that comprise the Costa Fuego Project.

The Costa Fuego Technical Report referred to above is subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the technical report, which has been filed with Canadian securities regulatory authorities pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators* ("**NI 43-101**") and is available for review under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") (www.sedar.com).

Where appropriate, certain information contained within this Prospectus updates information derived from the Costa Fuego Technical Report.

Readers should consult the Costa Fuego Technical Report to obtain further particulars regarding the Costa Fuego Project, while having regard to the information updated by this Prospectus. The Costa Fuego Technical Report is not and shall not be deemed to be incorporated by reference in this Prospectus.

QA/QC Program

Hot Chili utilised several multi-element mineralised "standards" (certified reference material, or "**CRM**") and two certified "blank" samples supplied by Ore Research & Exploration Pty Ltd. The standards used by Hot Chili for QA/QC are packaged as 60 g pulp bags.

One mineralised standard was chosen at random and inserted every 50th metre into each batch of samples submitted for analysis. The reference material type and grade ranges for the CRM standards used for QA/QC correspond to the rock type and mineralisation grades (copper, gold and molybdenum) routinely encountered within Cortadera. These standards enable checks on analytical accuracy.

One unmineralised "blank" was inserted every 100th sample submitted for analysis. These blanks enable checks on any potential analytical contamination.

As Company practise, the lab is to be notified of any instance when a certified reference standard or blank returns a value outside three standard deviations. If this occurs, typically the 10 preceding and 10 following samples from the CRM are requested to be re-assayed by the laboratory. This is undertaken to check for any potential smearing or sample contamination.

Hot Chili submits its own coarse blanks (as distinct from the Hot Chili-submitted "blank" pulp), as pulp CRMs bypass and as such do not check most of the initial sample preparation process in the laboratory. The submission of coarse blank material allows investigation of any potential crushing and milling bias. The coarse blank samples were inserted at the geologist's discretion with an emphasis on placement visual high-grade zones as well as being inserted at the start and end of a batch.

In addition to the above Hot Chili steps, ALS process their own quartz blank at the start and end of sample batches for their own internal QA/QC purposes.

To date, there have not been any instances of complete batch rejections.

Mineral Resource Estimates

The Mineral Resources for the Company's properties have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014.

PRESENTATION OF FINANCIAL STATEMENTS

The Company's financial statements that are included in this Prospectus have been prepared in accordance with the Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and are presented in Australian dollars. These financial statements also comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. As of the date of this Prospectus, the Company qualifies as a "designated foreign issuer" as defined in National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*.

NOTICE REGARDING NON-IFRS MEASURES

The Company has included certain non-IFRS measures in this document, as discussed below. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA represents net earnings before interest, taxes, depreciation and amortization. EBITDA is an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.

The following is a reconciliation of EBITDA to the consolidated financial statements:

(in thousands)	**June 30, 2021 AUD$**	September 30, 2021 AUD$	**June 30, 2020 AUD$**	September 30, 2020 AUD$
Net (losses)/earnings	(9,744,002)	(2,773,351)	(1,265,613)	(6,210,755)
Add back:				

Finance costs	(2,114,128)	(543,884)	(1,831,944)	(518,799)
Depletion and depreciation	(4,777)	-	(8,678)	-
Current income tax expense	-	-	-	-
Deferred income tax expense	-	-	-	-
EBITDA	$(7,625,097)	$(2,229,467)	$575,009	$(5,691,956)

CURRENCY AND EXCHANGE RATE DATA

The Company presents its financial statements in Australian dollars. Unless otherwise indicated, all references to "$" or "C$" in this Prospectus refer to Canadian dollars, all references herein to "A$" in this Prospectus refer to Australian dollars, and all references herein to "US$" in this Prospectus refer to U.S. dollars.

The following table sets forth the high and low exchange rates in Canadian dollars for one Australian dollar and one U.S. dollar for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based on the Bank of Canada rate of exchange on the date specified.

	Three Months Ended September 30, 2021 (C$)	**Year Ended June 30 (C$)**		
Canadian dollars per Australian dollar		**2021**	**2020**	**2019**
High	0.9362	0.9978	0.9395	0.9790
Low	0.9135	0.9263	0.8374	0.9132
Rate at end of period	0.9162	0.9295	0.9382	0.9177
Average rate for period	0.9255	0.9572	0.9004	0.9468

	Three Months Ended September 30, 2021 (C$)	**Year Ended June 30 (C$)**		
Canadian dollars per U.S. dollar		**2021**	**2020**	**2019**
High	1.2856	1.3616	1.4496	1.3642
Low	1.2343	1.2040	1.2970	1.2803
Rate at end of period	1.2741	1.2394	1.3628	1.3087
Average rate for period	1.2600	1.2823	1.3427	1.3237

On December 17, 2021, the daily exchange rate for one Australian dollar expressed in Canadian dollars as reported by the Bank of Canada, was C$0.9181. On December 17, 2021, the daily exchange rate for one U.S. dollar expressed in Canadian dollars as reported by the Bank of Canada, was C$1.2846.

OTHER REFERENCES

Unless otherwise noted or the context otherwise requires, all references to an Ordinary Share, Ordinary Shares, or other securities of the Company on issue before November 15, 2021, including historical price information relating thereto, throughout this Prospectus are references to such securities and prices on a pre-Consolidation basis.

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, counsel to the Company, and Peterson McVicar LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the regulations thereunder in force on the date of this Prospectus, and subject to the provisions of any particular plan, the Unit Shares, Warrant Receipts, Warrants and Warrant Shares, if issued on the date hereof, would be, at a particular time, qualified investments under the Tax Act for trusts governed by a "registered retirement savings plan", "registered retirement income fund", "tax-free savings account", "registered education savings plan", "registered disability savings plan" (each a "**Registered Plan**") or a "deferred profit sharing plan" ("**DPSP**") (as those terms are defined in the Tax Act) provided that at such particular time:

a) in the case of the Unit Shares and Warrant Shares, such shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes Tiers 1 and 2 of the TSXV and the ASX);

b) in the case of the Warrants, (i) the Warrant Shares are qualified investments as described in (a) above, and (ii) the Company is not an annuitant, a beneficiary, an employer or a subscriber under or a holder of the particular Registered Plan or DPSP and deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan or DPSP; and

c) in the case of the Warrant Receipts, (i) the Warrants are qualified investments as described in (b) above, and (ii) the Company is not an annuitant, a beneficiary, an employer or a subscriber under or a holder of the particular Registered Plan or DPSP and deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding that the Unit Shares, Warrant Receipts, Warrants and Warrant Shares may be qualified investments for a Registered Plan, if such securities are a "prohibited investment" within the meaning of the Tax Act for the Registered Plan, the annuitant or subscriber under or holder of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Unit Shares, Warrant Receipts, Warrants and Warrant Shares will generally not be a prohibited investment for a Registered Plan if the annuitant or subscriber under or holder of the Registered Plan, as the case may be (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. In addition, the Unit Shares and Warrant Shares will not be a prohibited investment if such shares are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for a Registered Plan.

Prospective investors who intend to invest through a Registered Plan should consult their own tax advisors having regard to their particular circumstances.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (each such term as defined in National Instrument 41-101 – *General Prospectus Requirements*) that will be filed on SEDAR before the termination of the distribution under this Offering (including any amendments to, or an amended version of, any template version of any marketing materials) will be deemed to be incorporated into the Prospectus. Any template version of any marketing materials that are utilized by the Underwriters in connection with this Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus.

CONTINUOUS DISCLOSURE

Upon the filing of this Prospectus, the Company will become a reporting issuer under applicable Canadian securities laws. Pursuant to National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* ("**NI 71-102**") the Company expects it will be a "designated foreign issuer" under such instrument and will be generally exempt from certain requirements of Canadian securities laws relating to continuous disclosure obligations and proxy solicitation, if the Company complies with certain information requirements applicable in Australia instead of the continuous disclosure requirements normally applicable in Canada, provided that the relevant documents filed with the ASX are filed on SEDAR and are sent to security holders in Canada to the extent, in the manner and within the time required by applicable ASX requirements. Upon the Company ceasing to qualify as a designated foreign issuer, which at the earliest, would be July 1, 2022, the Company will file continuous disclosure documents in accordance with Canadian securities laws as provided for in National Instrument 51-102 – *Continuous Disclosure Obligations*.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Prospective purchasers should read the entire Prospectus, including "Risk Factors", before making an investment decision with regard to the Units. Unless otherwise indicated, capitalized terms used but not defined herein shall have the meaning ascribed to such terms under the heading "Abbreviations and Definitions".

Hot Chili Limited

The Company was incorporated on May 6, 2008 under the name "Hot Chili Limited" pursuant to the *Corporations Act 2001* (Australia). On April 29, 2010 the Company was admitted to trade on the Official List of the ASX under the symbol "HCH".

The Company's head and Australian registered office is located at First Floor, 768 Canning Highway, Applecross, Western Australia 6153. The Company's Chilean office is located at Av. Isodora Goyenechea 2934, of 1001 Las Condes, Santiago, Chile. The Company's telephone numbers are +08 9315 9009 (Australia) and +56 2437 5600 (Chile), its facsimile number is +61 8 9315 5004 and its website address is www.hotchili.net.au. The information found on Hot Chili's website is expressly not, and shall not be deemed to be, incorporated by reference in this Prospectus.

Principal Business

Hot Chili is a copper-gold exploration and development company, headquartered in Perth, that carries on exploration and development of its various copper-gold projects in Chile's Atacama Region through its majority-owned and wholly owned Chilean subsidiary entities. Hot Chili's material properties are located in a regional development hub, named Costa Fuego, located at low altitude (less than 1,000m) approximately 600km north of Santiago. See "*Costa Fuego Project*" and "*Other Mineral Projects*".

Figure 1 Location of Costa Fuego (Hot Chili) in comparison to Nueva Union (Teck & Newmont Barrick). View looking west-northwest toward the Pacific Ocean.

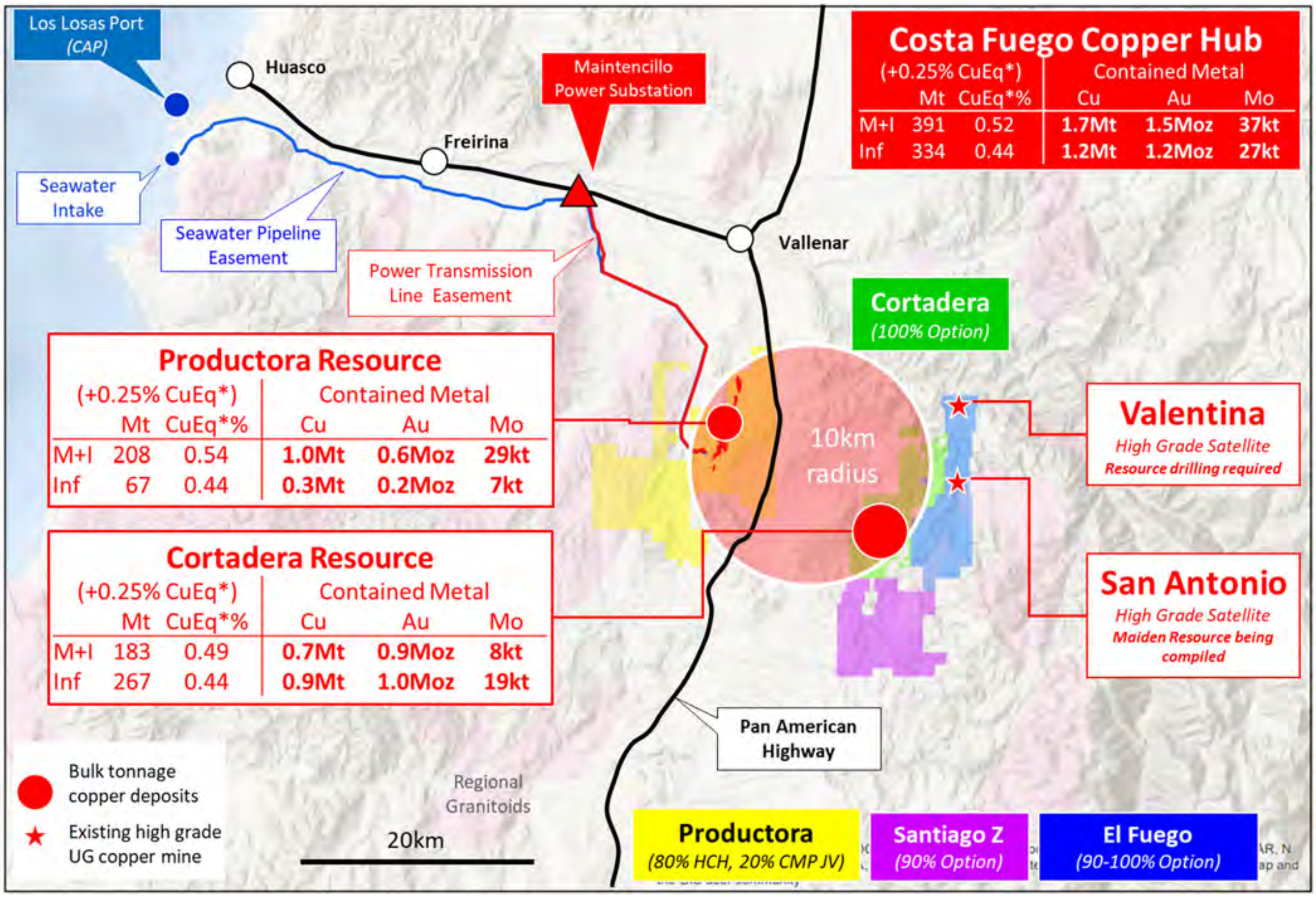


Figure 2 Location of Productora and the Cortadera discovery in relation to the coastal range infrastructure of Hot Chili's Costa Fuego Project, located 600km north of Santiago in Chile.

Corporate Strategy

The Company's corporate strategy is to:

- create shareholder value through the successful transition from developer to senior copper-gold producer;
- capitalize on the Company's consolidating landholding and in-depth experience in Chile to grow the Costa Fuego Project global Resource base to target +5Mt contained copper equivalent metal through successful exploration, resource definition, acquisition and local partnerships; and
- ensure that its goals are underpinned by commitment to safety, environmental sustainability and strong community and stakeholder partnership.

See "*Description of the Business of the Company*".

Growth and Development Strategy

Hot Chili is focused on exploration, resource growth and Pre-Feasibility Studies (a "**PFS**"), across its consolidated Costa Fuego Project. With the addition of the Cortadera porphyry copper-gold discovery, located just 14 km from the Productora copper-gold deposit, the global Resource base of the combined Costa Fuego Project is now an Indicated Resource of 391Mt grading 0.52% CuEq (copper equivalent), containing 1.7 Mt Cu, 1.5 Moz Au, 4.2 Moz Ag, and 37 kt Mo and an Inferred Resource of 334Mt grading 0.44% CuEq containing 1.2Mt Cu, 1.2 Moz Au, 5.6 Moz Ag and 27 kt Mo, at a cut-off grade of 0.25% CuEq.

Hot Chili is currently operating an average of five shifts of drilling per day with three drill rigs at its flagship Cortadera porphyry discovery, led by globally renowned porphyry specialist and technical advisor Dr. Steve Garwin. Continued drilling success looks set to expand and upgrade the categorization of the maiden Resource and is scheduled for Q1 2022.

The Costa Fuego Project PFS is underway with the objective of seeking to define the potential to transform the Company's 2016 Productora PFS to examine the case to incorporate Cortadera and explore the potential to create a globally significant, low altitude, clean concentrate (without the use of arsenic), copper-gold project. The Costa Fuego Project is one of the only low altitude (800-1,000m elevation) major copper plays in the Americas and is the largest coastal copper-gold discovery in Chile since Candelaria. Hot Chili anticipates capturing significant real options value – the value of choices that mine management have to expand, defer or curtail feed from different ore sources – by sequencing and blending deposits through a central processing and combined infrastructure approach.

Internal study workstreams underway since late 2020 have included metallurgical and geotechnical test work, as well as environmental baseline studies and financial scenario modelling. This work has outlined the potential for a large-scale, long-life, conventional open-cut and cave mining operation utilizing conventional sulphide and oxide processing with strong environmental and social credentials.

The Costa Fuego Project PFS expects to build upon the earlier Productora PFS, particularly the advanced work on site layout and infrastructure design, regulatory permitting, a granted maritime concession (2020) for water rights, and critical infrastructure easement accesses (water pipeline and power).

The Costa Fuego Project PFS will consider a concentrator and leach throughput range of 20Mtpa to 30Mtpa and is expected to be complete in the third quarter of 2022. See "*Description of the Business of the Company*".

The Company is set to commence a systematic campaign of exploration drilling across its consolidated Costa Fuego Project landholding, with the plan to examine the potential for growth of the resource and a possible joint development scenario for Cortadera and Productora.

A cluster of large-scale porphyry targets have been generated from three-dimensional geochemical modelling which has recently been applied to the Company's landholding for the first time. Several large targets have been identified which have the potential to deliver a new horizon of resource growth at Productora; Cortadera; Santiago Z, and El Fuego (as defined herein).

Exploration drilling is planned to commence late this year, providing a strong platform for growth in 2022.

The Offering

Offering:	This Prospectus qualifies the distribution of 19,355,000 Units (not including the exercise of the Over-Allotment Option).
Offering Price:	C$1.55 per Unit.
Amount:	C$30,000,250 (not including the exercise of the Over-Allotment Option).
Over-Allotment Option:	The Company has granted to the Underwriters the Over-Allotment Option exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the Closing Date to purchase from the Company up to an additional 2,445,000 Units at the Offering Price. See "*Plan of Distribution*".
Underwriters' Fee:	The Company has agreed to pay the Underwriters' Fee equal to 6.0% of the gross proceeds of the Offering and Compensation Options entitling the Underwriters to purchase that number of Ordinary Shares equal to 6.0% of the aggregate number of Units sold pursuant to the Offering (in both cases including in respect of any exercise of the Over-Allotment Option). Each of the Underwriters' Fee and the Compensation Option are subject to reduction to 4.0% of the gross proceeds from subscriptions from purchasers, if any, on the President's List. See "*Plan of Distribution*".

Use of Proceeds: Prior to giving effect to the exercise of the Over-Allotment Option, assuming no sales to the President's List, and after deducting the Underwriters' Fee of C$1,800,015 and the estimated expenses of C$600,000, the Company's estimated net proceeds from the Offering will be C$27,600,235.

The Company intends to use the proceeds of the Offering to upgrade the Cortadera Resource, advance the Costa Fuego Project PFS, and test high-priority regional exploration targets, which includes using the proceeds of the Offering as indicated in the following table:

Principal Purpose	**Estimate Amount to be Expended (C$)**
Property Payments	1,135,000
Environmental Costs – Costa Fuego Project	265,000
Cortadera Resource Development Drilling	8,825,000
Regional Targets Drilling and Assaying	9,800,000
Cortadera Geotechnical and Metallurgical Drilling and Assaying	1,200,000
Development Studies – Mining, Metallurgy, Geotechnical and Environmental	3,935,000
General Corporate and Working Capital	2,440,235
Total	27,600,235

From its inception to the date of this Prospectus, the Company has had negative cash flow and anticipates experiencing negative cash flow during the current financial year. The Company intends to fund its negative cash flow from the proceeds of the Offering and existing working capital as at the date of this Prospectus. The Company anticipates that the proceeds of the Offering, together with its existing working capital, will be sufficient to fund its development and exploration programs and to meet its administrative and operating costs for 18 months through to June 2023.

While the Company intends to spend the available funds as stated above, there may be circumstances where, for sound business reasons, funds may be re-allocated at the discretion of the Board or management. See "*Use of Proceeds*".

Risk Factors An investment in a mineral exploration and development focused company is speculative and involves a high degree of risk. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest in the Units.

Risks related to the Company include, without limitation:

- no guarantee of a positive return on investment in the Units;
- risks related to the use of proceeds from the Offering;
- market volatility;
- negative effects of dilution on the market price of the Ordinary Shares;
- the Warrants and Warrant Reciepts not being listed on any securities exchange;
- uncertainty of exploration and development;
- uncertainty in the estimation of Mineral Resources;
- uncertainty of the economic viability of Mineral Resources;

- risks related to the construction and start-up of new mines;
- risks related to the maintenance or provision of necessary infrastructure;
- risks related to negative operating cash flow and additional funding;
- operational risks;
- risks related to the COVID-19 public health crisis;
- sovereign risks associated with the Company's foreign operations;
- risks related to the impact of the Chilean legal system;
- risks related to political instability and expropriation;
- risks related to governmental regulation of the mining industry;
- fluctuations in mineral prices;
- exchange rate fluctuations;
- failure to maintain or obtain necessary permits;
- challenges by third parties to title of the Company's properties;
- revocation or alternation to rights, licenses, permits and concessions;
- environmental risks;
- labour and employment risks;
- work stoppages or labour disputes;
- risks related to reliance on certain contractors;
- failure to recruit qualified personnel or retain key personnel
- local legal, political and economic risks in Chile;
- risks related to the use of derivatives;
- future financial needs and unavailability of adequate financing;
- liquidity and counterparty risks;
- volatility in global financial condition;
- risks related to relations with the communities in which the Company operates;
- cybersecurity risks;
- security and privacy breaches;
- changes in climate conditions;

- risks related to having foreign subsidiaries;
- competition risks;
- failure to renegotiate existing contracts;
- volatility of the market for the Ordinary Shares;
- failure to put in place adequate internal controls over financial reporting and disclosure procedures;
- risks related to acquisitions and integration;
- failure to adequately manage risks;
- risks related to insurance and uninsured risks;
- risks related to dilution;
- risks related to write-downs and impairments;
- risks related to exchange controls;
- possible conflicts of interest of directors and officers of the Company;
- difficulty to enforce civil liabilities;
- violations of foreign corrupt practices legislation; and
- other risks and uncertainties described elsewhere in this Prospectus.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information of the Company for the periods and as at the dates indicated. This information has been derived from the audited financial statements and related notes thereto, which appear elsewhere in this Prospectus, and should be read in conjunction with those financial statements and related notes thereto, along with the associated MD&A.

	As at and for the three months ended September 30, 2021 (A$)	**As at and for the year ended June 30, 2021 (A$)**	**As at and for the year ended June 30, 2020 (A$)**
Current Assets	12,191,359	3,604,758	6,314,854
Non-Current Assets	185,887,674	158,391,627	131,127,937
Current Liabilities	14,411,244	14,104,712	6,113,056
Non-Current Liabilities	nil	nil	4,186,801
Net Assets	183,667,789	147,891,673	127,142,934
Total Equity	183,667,789	147,891,673	127,142,934

Included in Schedule "A" of this Prospectus are the following financial statements:

- unaudited interim financial statements of the Company as at, for the three months ended, September 30, 2021, together with the notes thereto;

- audited annual financial statements of the Company as at, or for the year ended, June 30, 2021, together with the notes thereto and the auditor's report thereon;

- audited annual financial statements of the Company as at, or for the year ended, June 30, 2020, together with the notes thereto and the auditor's report thereon; and

- audited annual financial statements of the Company as at, or for the year ended, June 30, 2019, together with the notes thereto and the auditor's report thereon.

See Schedule "A" – *Financial Statements* and the MD&A found under the heading "*Management's Discussion and Analysis*".

HOT CHILI LIMITED

Name, Address and Incorporation

The Company was incorporated on May 6, 2008 under the name "Hot Chili Limited" pursuant to the *Corporations Act 2001* (Australia) and was assigned Australian Company Number 130 955 725. On April 29, 2010 the Company was admitted to trade on the Official List of the ASX under the symbol "HCH".

The Company's head and Australian registered office is located at First Floor, 768 Canning Highway, Applecross, Western Australia 6153. The Company's Chilean office is located at Av. Isodora Goyenechea 2934, of 1001 Las Condes, Santiago, Chile. The Company's telephone numbers are +08 9315 9009 (Australia) and +56 2437 5600 (Chile), its facsimile number is +61 8 9315 5004 and its website address is www.hotchili.net.au. The information found on Hot Chili's website is expressly not, and shall not be deemed to be, incorporated by reference in this Prospectus.

In connection with the Offering, on November 15 2021 the Company obtained shareholder approval to undertake a consolidation of the number of Ordinary Shares on issue on the basis that every 50 Ordinary Shares held be consolidated into one Ordinary Share, with a corresponding consolidation of all other securities on issue and fractional entitlements to be rounded to the nearest whole number.

Intercorporate Relationships

The material subsidiaries controlled by the Company, the jurisdictions of incorporation of those subsidiaries and the percentage of voting securities held, directly or indirectly, by the Company, are described below.

Hot Chili's operational activities are based in the Republic of Chile ("**Chile**"). To operate there, Hot Chili has organized under that jurisdiction a limited liability company named Sociedad Minera El Corazón Limitada ("**SMECL**").

As it is mandatory in Chile for limited liability companies to have at least two partners, the structure of SMECL is:

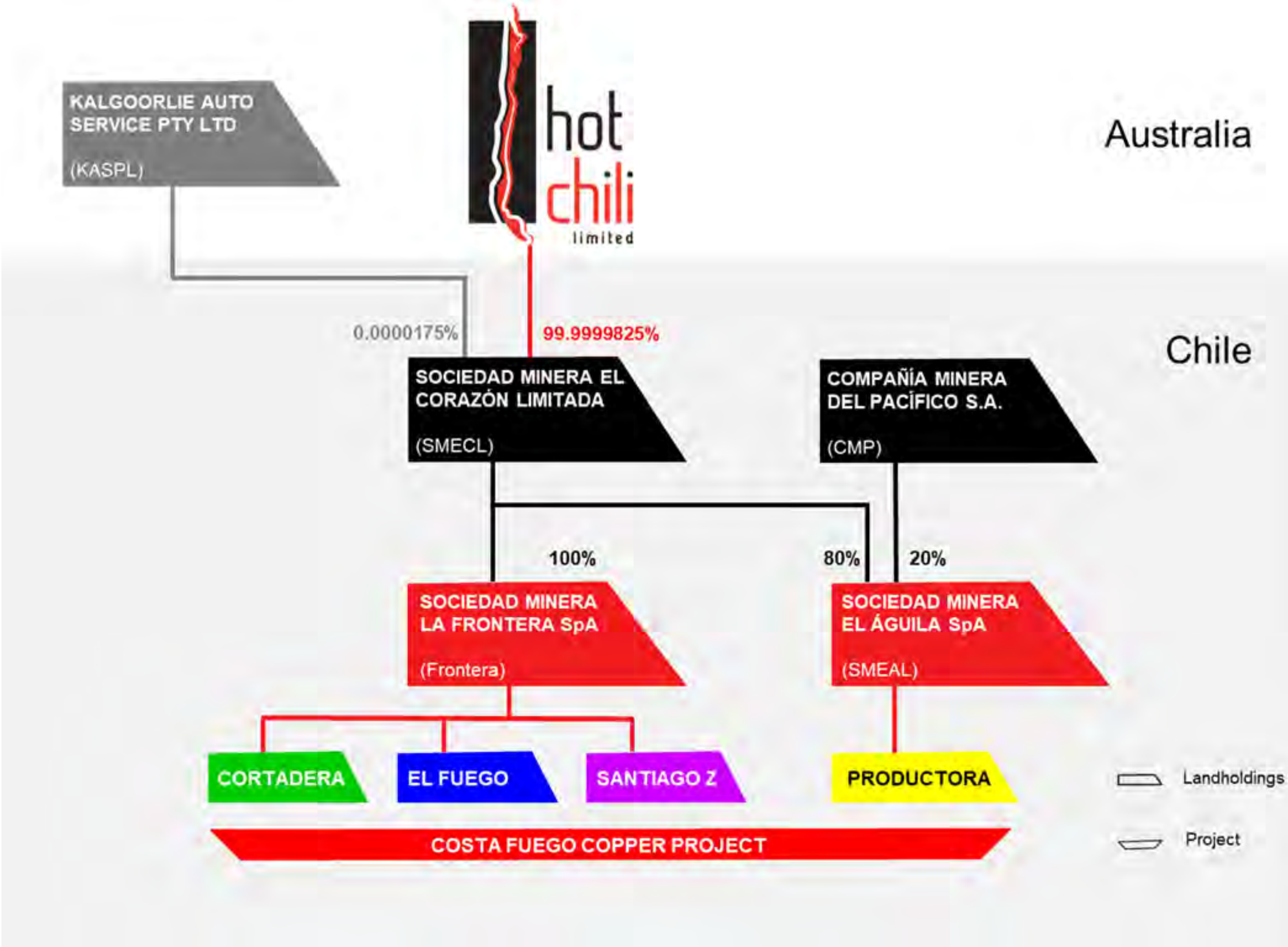
(a) 99.9999825% Hot Chili

(b) 0.0000175% Kalgoorlie Auto Services Pty Ltd.

Under SMECL, two main other companies (both of which are SpAs) have been organized under Chilean law, one for each of Hot Chili's current projects:

(i) SOCIEDAD MINERA EL ÁGUILA SpA ("**SMEA SpA**") is the owner of Productora. SMECL is the owner of 80% of SMEA SpA (the other 20% is owned by Compañía Minera del Pacífico S.A. ("**CMP**")). SMEA was established as a joint venture company in 2015 to secure the majority of surface rights and easements required for water and power transmission lines, as well as interests in several mineral concessions, in exchange for a 20% interest in SMEA SpA.

(ii) SOCIEDAD MINERA FRONTERA SpA ("**Frontera SpA**") owner of Cortadera and the Santiago Z, San Antonio and Valentina projects (San Antonio and Valentina referred to collectively as "**El Fuego**"). SMECL is the owner of 100% of Frontera SpA.

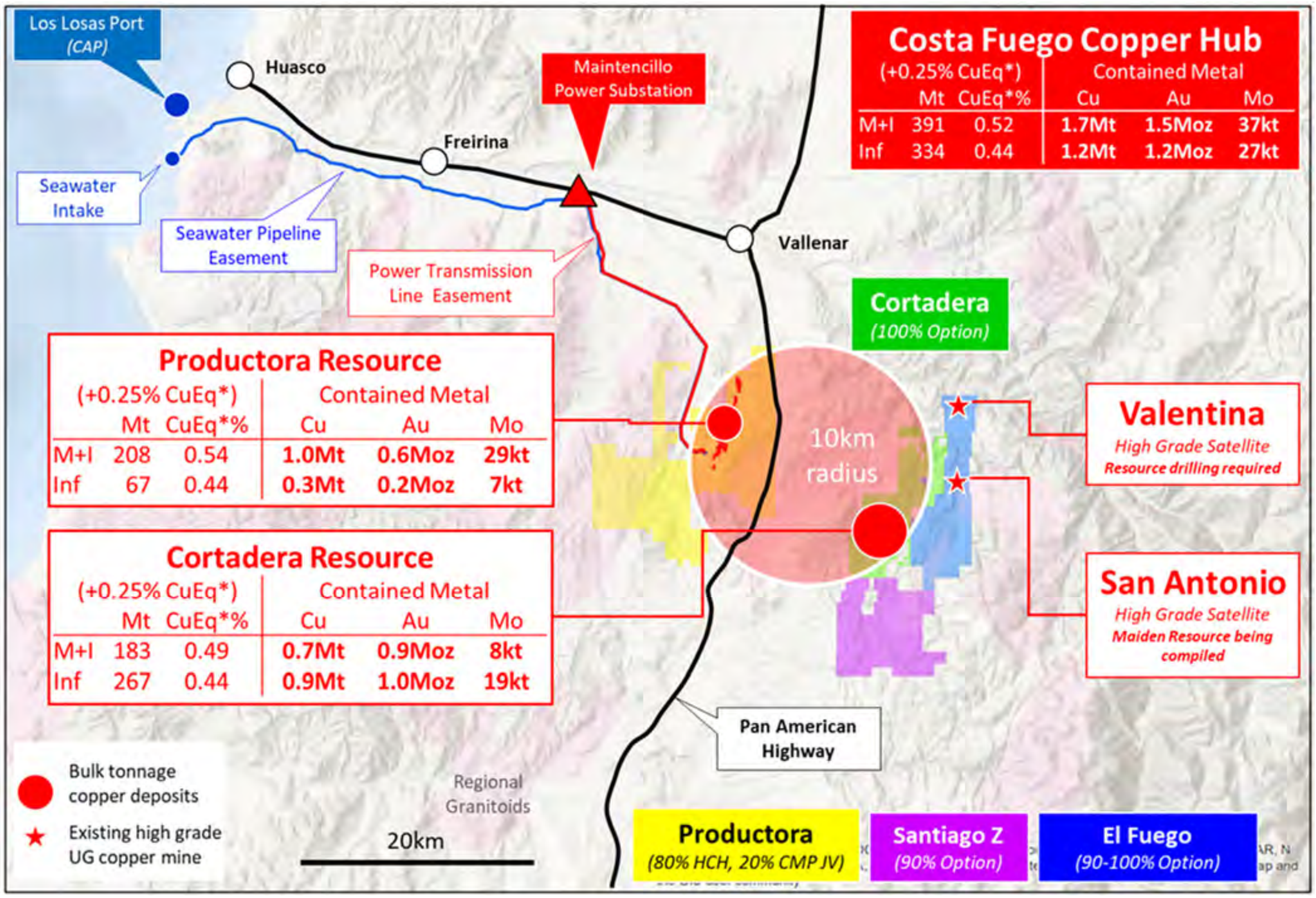


DESCRIPTION OF THE BUSINESS OF THE COMPANY

Business of the Company

Hot Chili is a Perth-based copper-gold exploration and development company that carries on exploration and development of its various copper-gold projects, such projects being located in Chile's Atacama Region. The properties comprising the Costa Fuego Project are Hot Chili's material properties. See "*Costa Fuego Project*" and "*Other Mineral Projects*".

Chile is one of the top three most favourable jurisdictions for mining investment attractiveness in Latin America, according to the Fraser Institute Annual Survey of Mining Companies, 2020.



The Company currently holds interests in the following mineral projects:

Project / Prospect	Location	Style	Ownership
Cortadera	Atacama Region, Chile	Copper-Gold Porphyry	100% Hot Chili and 100% wholly owned leases(1)
Productora	Atacama Region, Chile	Copper-Gold Porphyry	80% Hot Chili, 20% CMP(2)
Santiago Z	Atacama Region, Chile	Copper-Gold Porphyry	100% Option Earn In Agreement and 100% wholly-owned leases(3)
El Fuego (San Antonio)	Atacama Region, Chile	Copper	90% Option Earn In Agreement and 100% wholly-owned leases(4)
El Fuego (Valentina)	Atacama Region, Chile	Copper	90% Option Earn In Agreement and 100% wholly-owned leases(5)

Notes:

(1) The option agreement between Hot Chili and Sociedad Contractual Minera Carola ("**SCM Carola**"), the owners of the Cortadera landholding, was exercised on September 21, 2021 following the payment of the final instalment of US$15 million (A$20,638,415) by Hot Chili to acquire a 100% interest in Cortadera. There is also an option agreement between Sociedad Legal Minera Purísima Una Sierra La Cortadera and Frontera SpA, dated December 14, 2018 for 100% of the mining tenements compromising such project tenement named Purisíma.

(2) Hot Chili owns 80% of SMEA SpA. The other 20% of SMEA SpA is owned by CMP. SMEA SpA is the 100% owner of Productora except from one mining tenement in which SMEA SpA has a 30 year lease agreement in force to explore and exploit it exclusively.

(3) Option agreement between Arnaldo Del Campo and Frontera SpA, dated January 22, 2019 for 100% of the mining tenements of such project. This option agreement does not contain any declared Resources and can be relinquished without further obligation and as such is not considered material. Ownership of these mining tenements is only transferred upon final exercise payment of the option.

(4) Option agreement between several members of the Del Campo family and Frontera SpA, dated September 28, 2018 for 90% of the mining tenements compromising such project. This option agreement does not contain any declared Resources and can be relinquished without further obligation and as such is not considered material. Ownership of these mining tenements is only transferred upon final exercise payment of the option.

(5) Option agreement between, on the one hand, Sociedad Legal Minera San Juan Sur Seis Uno Del Cordón Los Llanitos and Sociedad Legal Minera San Juan Sur Una De La Sierra Los Llanitos and, on the other hand, Frontera SpA, dated June 1, 2018 for 90% of the mining tenements compromising such project. This option agreement does not contain any declared Resources and can be relinquished without further obligation and as such is not considered material. Ownership of these mining tenements is only transferred upon final exercise payment of the option.

Three Year History

The following is a summary of the Company's development over the three most recently completed financial years and the current financial year.

Fiscal Year July 1, 2018 - June 30, 2019

- On December 19, 2018, the Company announced that it had issued 12,000,000 Options to senior officers and directors of the Company under its employee incentive plan (the "**Employee Incentive Plan**"), which was adopted at the Company's Annual General Meeting on November 27, 2018.

- On February 4, 2019, the Company announced that it had executed a binding memorandum of understanding for an option to acquire a 100% interest in Cortadera from SCM Carola for a purchase price of US$30 million payable over a 30-month term. The Company also announced that its subsidiary, Frontera SpA, entered into an option agreement to acquire a 100% interest in a mining right comprising approximately 500m of the strike extent across the Cortadera discovery zone. The Company further announced that it had arranged for a A$1 million private placement through the issue of Ordinary Shares at A$0.01 per Ordinary Share, as well as a parallel A$2.2 million non-renounceable entitlements offer of Ordinary Shares on a 2 for 7 basis, at an issue price of A$0.01 per Ordinary Share.

- On February 25, 2019, the Company announced that it, through a wholly owned subsidiary, had executed a formal option agreement with SCM Carola to acquire a 100% interest in Cortadera.

- On April 11, 2019, the Company announced that it had commenced drilling across Cortadera.

- On June 20, 2019 the Company announces a standout drill result and the discovery of a high-grade core to the main porphyry at Cortadera – CRP0013D – 750m grading 0.6% copper and 0.2g/t gold from 204m depth down-hole, including 188m grading 0.9% copper and 0.4g/t gold. See "Table 2 – *Disclosure of Drilling Information for the Significant Intercepts in Table 1*" under the heading "– *Events Subsequent to Fiscal Year 2021*".

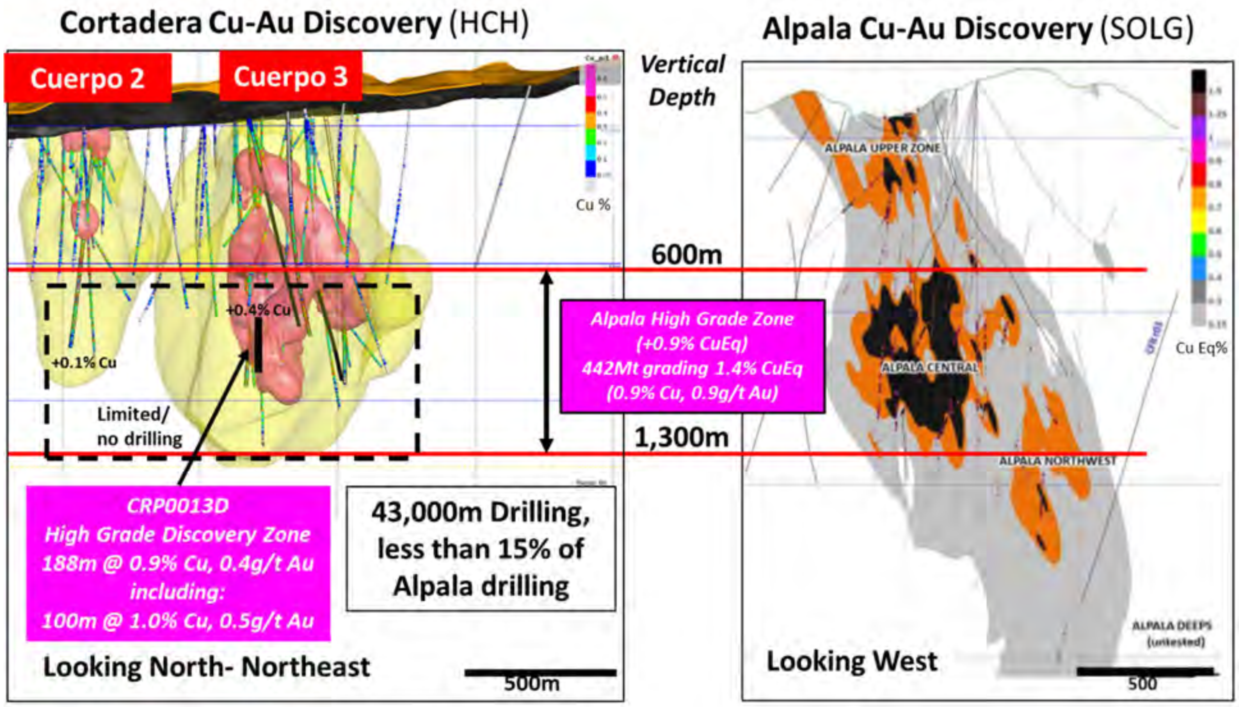


Figure 3 **Side-by-side comparison of Cortadera and Alpala Porphyry Copper-Gold Discoveries indicates potential at Cortadera where, with 43,000 metres drilled, less than 15% as many metres have been drilled as at SolGold plc's (SOLG's) Alpha Project. Note location of Hot Chili high-grade discovery hole CRP0013D.[1]**

Fiscal Year July 1, 2019 - June 30, 2020

- On July 2, 2019, the Company announced that it had arranged for a A$5 million private placement through the issue of Ordinary Shares at A$0.03 per Ordinary Share.

- On July 17, 2019, the Company announced that it had satisfied a US$2 million part-payment for the first instalment of the option agreement with SCM Carola.

- On August 6, 2019, the Company announced that highly regarded porphyry specialist Dr. Steve Garwin is consulting to Hot Chili's exploration team to assist in drill targeting and design.

- On September 23, 2019 the Company announced that it had arranged a A$12.1 million private placement through the issue of Ordinary Shares at A$0.036 per Ordinary Share to new institutional investors as well as existing shareholders.

- On May 18, 2020, the Company announced that it had arranged a A$5 million private placement through the issue of Ordinary Shares at A$0.015 per Ordinary Share and a 1 for 2 unlisted Option exercisable at A$0.025 with an expiration date of May 20, 2022. The Company also announced a A$3.9 million non-renounceable entitlements offer of Ordinary Shares on a 3 for 20 basis at an issue price of A$0.015 per share and a 1 for 2 unlisted Option exercisable at A$0.025 with an expiration date of May 20, 2022.

- On June 2, 2020, the Company announced that it had executed a formal two-year, lease mining and processing agreement to partner with the Chilean government agency Empresa Nacional de Mineria ("**ENAMI**") for the exploitation of high-grade copper-gold ore from Productora. The agreement involves, among other things, the Productora joint venture company, which is 80% owned by the Company, to be paid US$2 per tonne ore processed and a 10% royalty for the sale value of extracted minerals.

[1] SolGold PacRim Presentation, April 5, 2019. Refer to presentation for further detail on Cascabel CuEq grade. Alpala high grade resource sourced from Feb 2021 SOLG corporate investor presentation.

Fiscal Year Jul 1, 2020 - June 30, 2021

- On July 22, 2020, the Company announced the commencement of mining by ENAMI's contractors at its Productora copper-gold project in Chile, ahead of schedule.

- On July 31, 2020, the Company announced positive results from initial metallurgical test work, which indicated, among other things, that the Cortadera, Productora and San Antonio projects are potentially compatible and could be incorporated into one combined development, "Costa Fuego," using a single conventional processing facility.

- On September 4, 2020, the Company announced the issuance of 33,333,334 Ordinary Shares and 16,666,667 free attaching Options to Blue Spec Sondajes Chile Limitada (an entity controlled by Murray Black, Chairman of Hot Chili); 35,000,000 Performance Rights and a further 40,000,000 Performance Rights to officers of the Company under the Employee Incentive Plan; and 7,657,656 Ordinary Shares on exercise of Options. The securities issued to Blue Spec Sondajes Chile Limitada were in lieu of part-payment in an amount of A$500,000 for drilling services conducted in Chile. See "*Interest of Management and Others in Material Transactions*."

- On October 11, 2020 the Company announced the details of the first mineral resource estimate for Cortadera, a highlight of which was that independently estimated mineral resource, categorised as 41% indicated and 59% inferred, extended from surface and remained open in several key directions. Cortadera was independently confirmed by Wood as one of only two major global copper discoveries announced since 2014.

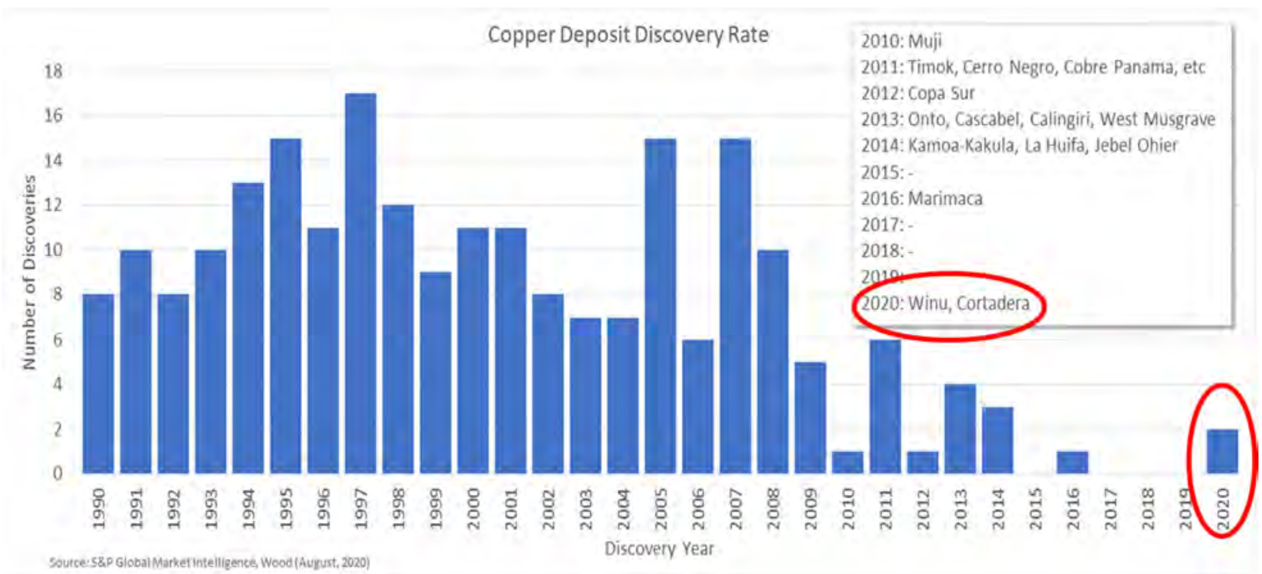


Figure 4 **Discovery rate of major copper resources globally.**

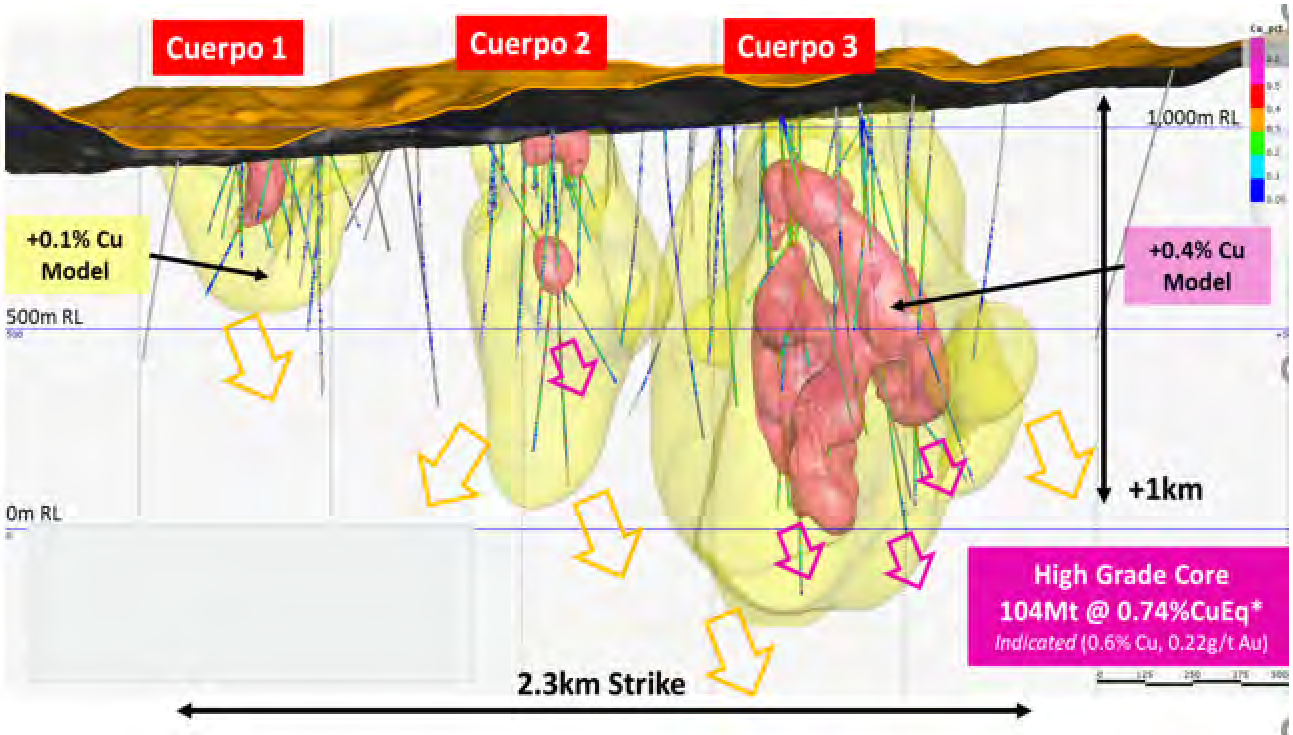


Figure 5 **Long-section of the Cortadera Resource as at October 2021. See "Table 2 –** ***Disclosure of Drilling Information for the Significant Intercepts in Table 1*** **" under the heading "–** ***Events Subsequent to Fiscal Year 2021*** **".**

- On November 4, 2020, the Company announced the resignation of Non-Executive Director Michael Anderson, effective immediately.

- On December 1, 2020, the Company announced that it had arranged a A$25.6 million private placement through the issue of Ordinary Shares at A$0.042 per Ordinary Share. Veritas Securities Limited acted as lead manager for this private placement.

- On December 11, 2020, the Company announced that, through its Chilean subsidiary SMEA SpA, it significantly expanded its lease mining and processing agreement with ENAMI, granting ENAMI a further concession for an additional 60,000 tonnes of oxide ore supply per annum.

- On February 8, 2021, the Company announced that it had made an additional US$10 million instalment payment to SCM Carola, bringing total payments to US$17 million under the option agreement regarding Cortadera.

- On March 2, 2021, the Company announced the addition of a new land holding, Santiago Z, to the Company's Costa Fuego Project in Chile.

- On May 7, 2021, the Company announced that its Ordinary Shares were approved for trading on the U.S.-based OTCQB Venture Market under the ticker symbol "HHLKF". Trading commenced in the United States on May 6, 2021.

Events Subsequent to Fiscal Year 2021

- On July 9, 2021 the Company announced its intention to list its securities on the TSXV by the end of 2021.

- On July 12, 2021, quarterly interest of A$139,448 was settled by the issue of 4,026,784 fully paid Ordinary Shares in the Company at deemed issue price A$0.03463 per Ordinary Share.

- After the financial year end, 6,966,172 Ordinary Shares were issued on receipt of notice to exercise Options. The Options were exercised at A$0.025 each, raising A$174,154 before costs.

- On August 2, 2021, the Company announced that it had entered into a binding agreement with a subsidiary of Glencore plc ("**Glencore**") for a A$14.4 million strategic investment to acquire a 9.99% interest in Hot Chili. As part of the agreement, Glencore has the right to appoint a director to the board of Hot Chili (the "**Board**") and the right to appoint members to a Technical Steering Committee to advise on operational matters. Furthermore, the Company undertook to grant Glencore certain offtake agreements for a period of eight years from commercial production. These rights are subject to certain minimum shareholding requirements of Glencore in Hot Chili. Under Australian disclosure standards, KAS & Blue Spec Group has disclosed a 7.9% interest in the Company, and GS Group Australia has disclosed a 6.3% interest in the Company.

- On August 6, 2021 the Company announced a private placement of A$40 million. The first tranche of 665,004,511 Ordinary Shares at an issue price of A$0.032 per Ordinary Share were issued on August 13, 2021, raising A$21,280,144 before costs. The Ordinary Shares comprising the second tranche of the private placement, being 428,745,489 Ordinary Shares at A$0.032 per Ordinary Share raising A$13,719,856 before costs, were issued on September 17, 2021 subsequent to approval at the Company's annual general meeting on September 15, 2021. 93,750,000 of the Ordinary Shares were issued to Blue Spec Sondajes Chile Limitada, an entity controlled by Murray Black, Chairman of Hot Chili. 92,500,000 Options with an exercise price of A$0.045 and expiring on September 30, 2024 forming part of the capital arrangement fee were issued to the co-lead managers.

- On September 3, 2021, the Company confirmed the appointment of Glencore's nominee, Mark Jamieson, to the Board, pursuant to the agreement with Glencore announced on August 2, 2021.

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
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
Cortadera	Hot Chili Limited	Chile	CRD0080	536	1,372	836	0.4	0.1
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
Cortadera	Hot Chili Limited	Chile	CRP0061D	54	867	813	0.4	0.1
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

Table 1 Significant Intercepts where Cortadera has to-date delivered eight of the World's Best Cu-Au Drill Results Recorded Since Jan 2018, highlighted in yellow.

For further information on Hole ID ALD-18-209, please see the press release dated October 3, 2019, titled "News Release – New Mineralized Porphyry Centre Discovered at Aldebaran's Altar Project, San Juan, Argentina" found on Aldebaran Resources Inc.'s SEDAR profile. For further information on Hole ID CSD-18-067, CSD-18-068 and CSD-18-069 please see the press release dated November 13, 2018, titled "Cascabel Exploration Update", found on Conerstone Capital Resources Inc.'s SEDAR profile. For further information on Hole ID CSD-18-043, please see the press release dated July 13, 2018, titled

"Cascabel Exploration Update – Drilling results promise further growth at Alpala", found on SolGold plc's SEDAR profile. For further information on Hole ID CRP0020D, please see the press release dated December 4th, 2019, titled "Hot Chili Delivers One of the Best Global Drill Results of 2019" on Hot Chili Limited's ASX profile. For further information on Hole ID CSD-18-041-D1-D2, please see the press release dated October 5, 2018, titled "Cascabel Exploration Update", found on SolGold plc's SEDAR profile. For further information on Hole ID CRP0011D, please see the press release dated September 12, 2019, titled "Cortadera Delivers Another Record Copper-Gold Porphyry Drill Result", found on Hot Chili's ASX profile. For further information on Hole ID CDS-18-042, please see the press release dated April 17, 2018, titled "Cascabel Exploration Update", found on SolGold plc's SEDAR profile. For further information on Hole CRD0080, please see the press release dated May 18, 2021, titled "Big 836m Intercept at 0.5% CuEq at Cortadera", found on Hot Chili Limited's ASX profile. For further information on Hole ID 33-D1, please see the press release dated January 26, 2018, titled "Cascabel Exploration Update – Cascabel Drilling Effort Focusing on Alpala High Grade Expansion", found on Cornerstone Capital Resources Inc.'s SEDAR profile. For Hole ID AK-19-034, please see the press release dated September 5, 2019, titled "News Release", found on Regulus Resources Inc.'s SEDAR profile. For further information on Hole ID CRP0061D, please see the press release dated March 18, 2021, titled "Hot Chili Delivers its Seventh World-Class Drill Result from Cortadera", found on Hot Chili Limited's ASX profile. For further information on Hole ID WINU0006 (interval 763 and 741), please see the press release dated June 6, 2019, titled "Rio Tinto Exploration Update – Winu project", found on Rio Tinto Limited's ASX profile. For further information on Hole ID CRP0013D, please see the press release dated June 20, 2019, titled "Cortadera Delivers One of the World's Standout Copper-Gold Porphyry Drill Results", found on Hot Chili Limited's ASX profile. For further information on Hole ID AK-18-014, please see the press release dated August 8, 2018, titled "Regulus Reports Best Drill Results to Date from the Antakori Copper-Gold-Silver Project, Peru", found on Regulus Resource Inc.'s SEDAR profile. For further information on Hole ID CRP0029D, please see the press release dated January 20, 2020, titled "First Step-out Hole Delivers Another Record Drill Result at Cortadera", found on Hot Chili Limited's ASX profile. For further information on Hole ID AK-18-021, please see the press release dated November 15, 2018, titled "Regulus Reports Additional High-Grade Results from the Antakori Copper-Gold-Silver Project, Peru", found on Regulus Resources Inc.'s SEDAR profile. For further information on Hole ID AK-19-031, please see the press release dated January 25, 2019, titled "Regulus Reports 610.20M with 0.84% Cu, 1.03 G/T Au and 10.28G/T Ag (1.66% CuEq) from Surface; Best Intercept to Date at Antakori Project", found on Regulus Resources Inc.'s SEDAR profile. For further information on Hole ID CRP0017D, please see the press release dated October 16, 2019, titled "Third Record Copper-Gold Drill Result at Cortadera", found on Hot Chili Limited's ASX profile. For further information on Hole ID TC170177, please see the press release dated March 26, 2018, titled "Nevsun Reports Further Exceptional Drill Results from the Lower Zone Copper-Gold Porphyry at Timok Initial Resource Expected by Mid-2018", found on Nevsun Resources Ltd.'s SEDAR profile. For further information on Hole ID CRP0040D, please see the press release dated March 20, 2020, titled "Step-out Drilling Delivers Another Record Result at Cortadera", found on Hot Chili Limited's ASX profile. For further information on Hole ID K-180, please see the press release titled "Kwanika Copper Corporation Drills 514 Metres of 0.64% Cu, 0.80g/t Au (2.15 g/t Au Eq) Including 168 Meters of 0.81% Cu, 1.71 g/t Au (3.42 g/t Au Eq) at Kwanika", found on Serengeti Resources Inc.'s SEDAR profile. For further information on CDS-18-042, please see the press release dated April 17, 2018, titled "Cascabel Exploration Update", found on SolGold plc's SEDAR profile. We are not aware of any known legal, political, environmental or other risks that could materially affect the potential development of the mineral resources other than what is in the materials referenced above.*

Hole_ID	Coordinates			Azim	Dip	Hole Depth	Intersection		Interval	Copper	Gold	Silver	Molybdenum
	North	East	RL				From	To	(m)	(% Cu)	(g/t Au)	(ppm Ag)	(ppm Mo)
CRP0011D	6813925	336192.8	1027.481	45	-65	959.9	**112**	**960**	**848**	**0.4**	**0.2**	0.8	50
						including	**720**	**904**	**184**	**0.7**	**0.3**	1.4	74
CRP0013D	6814070	336347.881	1019.822	360	-90	1185.9	**204**	**954**	**750**	**0.6**	**0.2**	**1.1**	**79**
						including	**516**	**704**	**188**	**0.9**	**0.4**	**1.7**	**94**
						or including	**530**	**630**	**100**	**1.0**	**0.5**	**2.4**	**96**
CRP0017D	6813739	336307	1066	75	-75	1,133.5	**328**	**924**	**596**	**0.5**	**0.2**	0.8	80
						including	**430**	**614**	**184**	**0.7**	**0.3**	1.3	6
CRP0020D	6813855	336256	989	45	-65	1036.6	**0**	**972**	**972**	**0.5**	**0.2**	0.9	49
						including	**436**	**848**	**412**	**0.7**	**0.3**	1.5	59
CRP0029D	6814031	336225.0305	1016.7226	47	-73	979.2	**330**	**979.2**	**649**	**0.4**	**0.1**	0.8	101
	to end of hole					***including***	**472**	**912**	**440**	**0.5**	**0.2**	0.9	115
CRP0032D	6813851	336312	1057.083	224	-70	1,021	648	1,021	**373**	**0.4**	**0.1**	**0.7**	**116**
	to end of hole					***including***	*676*	*806*	***130***	***0.5***	***0.2***	***0.9***	***165***
CRP0040D	6813278	336235	1082	25	-60	1027.3	**422**	**964**	**542**	**0.5**	**0.2**	0.9	103
						including	**616**	**834**	**218**	**0.7**	**0.2**	1.2	119
CRP0042D	6813273	335968.033	1106.15	40	-62	943	**616**	**930.0**	**314**	**0.4**	**0.1**	**0.3**	**213**
CRP0046D	6813763	336183	1026.06	147	-60	1,101	248	362	**114**	**0.5**	**0.2**	**0.7**	**17**
							568	753	**185**	**0.5**	**0.2**	**0.9**	**41**
CRP0047D	6813692.46	336497	1049.96	227	-60	1148.6	**720**	**938**	**218**	**0.5**	**0.1**	**0.8**	**147**
						including	**720**	**744**	**24**	**0.7**	**0.2**	**1.2**	**74**
						including	**756**	**890**	**134**	**0.6**	**0.2**	**1.0**	**177**
CRP0052D	6813690	336496	1050.77	195	-70	1036.2	524	906	**382**	**0.4**	**0.1**	**1.1**	**229**
						including	646	790	**144**	**0.5**	**0.2**	**2.3**	**229**
						including	654	734	**80**	**0.6**	**0.2**	**0.9**	**246**
CRP0061D	6813542.06	336010	1027.41	109	-77	867	54	867	**813.1**	**0.4**	**0.1**	**0.7**	**72**
	(to end of hole, hole abandoned early)					***including***	440	758	**318**	**0.6**	**0.2**	**1.0**	**89**
CRD0080	6813391.2	335926	1092.8	35	-70	1,474	536	1372	**836**	**0.4**	**0.1**	**0.8**	**109**
						including	536	972	**436**	**0.5**	**0.2**	**0.9**	**154**
CRP0088D	6813365	336621	1060	286	-63	1434	**426**	**912**	**486**	**0.5**	**0.2**	**0.8**	**77**
						including	**682**	**850**	**168**	**0.8**	**0.3**	**1.4**	**109**
						or including	**714**	**830**	**116**	**0.9**	**0.3**	**1.5**	**130**
						or including	**718**	**780**	**62**	**1**	**0.4**	**1.6**	**96**
CRP0124D	6813694	336500	1049	239	-75.0	1020	**480**	**842**	**362**	**0.5**	**0.2**	**0.9**	**123**
						including	**628**	**776**	**148**	**0.6**	**0.3**	**1.3**	**150**
						or including	**628**	**730**	**102**	**0.7**	**0.3**	**1.3**	**195**
						or including	**634**	**716**	**82**	**0.7**	**0.3**	**1.3**	**225**
CRP0134D	6813615	336269	1027	96.42	-75.8	1025	**216**	**826**	**610**	**0.4**	**0.1**	**0.7**	**206**
						including	**502**	**568**	**66**	**0.6**	**0.2**	**0.9**	**159**
						including	**634**	**772**	**138**	**0.6**	**0.1**	**1.4**	**486**

Significant intercepts are calculated above a nominal cut-off grade of 0.2% Cu.
Where appropriate, significant intersections may contain up to 30m down-hole distance of internal dilution (less than 0.2% Cu). Significant intersections are separated where internal dilution is greater than 30m down-hole distance.
The selection of 0.2% Cu for significant intersection cut-off grade is aligned with marginal economic cut-off grade for bulk tonnage polymetallic copper deposits of similar grade.

Details of the type of testing procedures utilized, sample size, the name and location of each analytical or testing laboratory used, and any relationship of the laboratory to the issuer are contained in "Costa Fuego Project – Cortadera – Sampling, Analysis and Data Verification".

Table 2 Disclosure of Drilling Information for the Significant Intercepts in Table 1.

- SMEA SpA granted CMP an option to acquire shares in SMEA SpA such that, upon exercise of the option, CMP would 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. In the event that the parties do not execute the option, Hot Chili would refund CMP the option fee of US$1,500,000. Repayment of this fee, which occurred in August 2021, was the final step to remove the option.

- The option agreement between Hot Chili and SCM Carola, the owners of the Cortadera landholding, was exercised in Santiago, Chile on September 21, 2021, following acknowledgement of receipt of the final instalment of US$15 million. Hot Chili had then satisfied US$32 million in payments since February 2019 to acquire Cortadera, securing the partner deposit of the Costa Fuego Project.

- On October 1, 2021, the Company announced the resignation of Alternate Director, Melanie Leighton, effective October 1, 2021.
- On October 14, 2021 the Company announced that it intends to seek shareholder approval to undertake a share Consolidation.
- On November 15, 2021, the Consolidation was approved by the shareholders at a general meeting. On November 19, 2021, the Company confimed the Consolidation took effect, which reduced the number of Ordinary Shares on issue from 4,377,384,606 to 87,549,450.

Further exploration work programs and environmental permitting are being progressed ahead of first-pass drill testing of Santiago Z and the recently identified Productora Central 3D geochemical target later in 2021. This work is part of a larger exploration rationalization and prioritization process underway across the Company's landholdings.

Corporate Overview

The Company had 4,376,330,428 Ordinary Shares outstanding on October 29, 2021, which had a closing price on the ASX of A$0.048 for a market capitalization of approximately A$210 million. As of the date of this Prospectus, the number of Ordinary Shares outstanding, closing price on the ASX and market capitalization are 87,549,450, A$1.72, and A$150,585,054, respectively, on a post-Consolidation basis. As of June 30, 2021, the Company held approximately A$3.6 million in cash, and expects another approximately A$3 million in cash expected to be received in 2021 on account of a value added tax ("**VAT**") refund.

The image below shows the performance of the Company's Ordinary Shares on the ASX for a 34-month period ending on November 1, 2021.

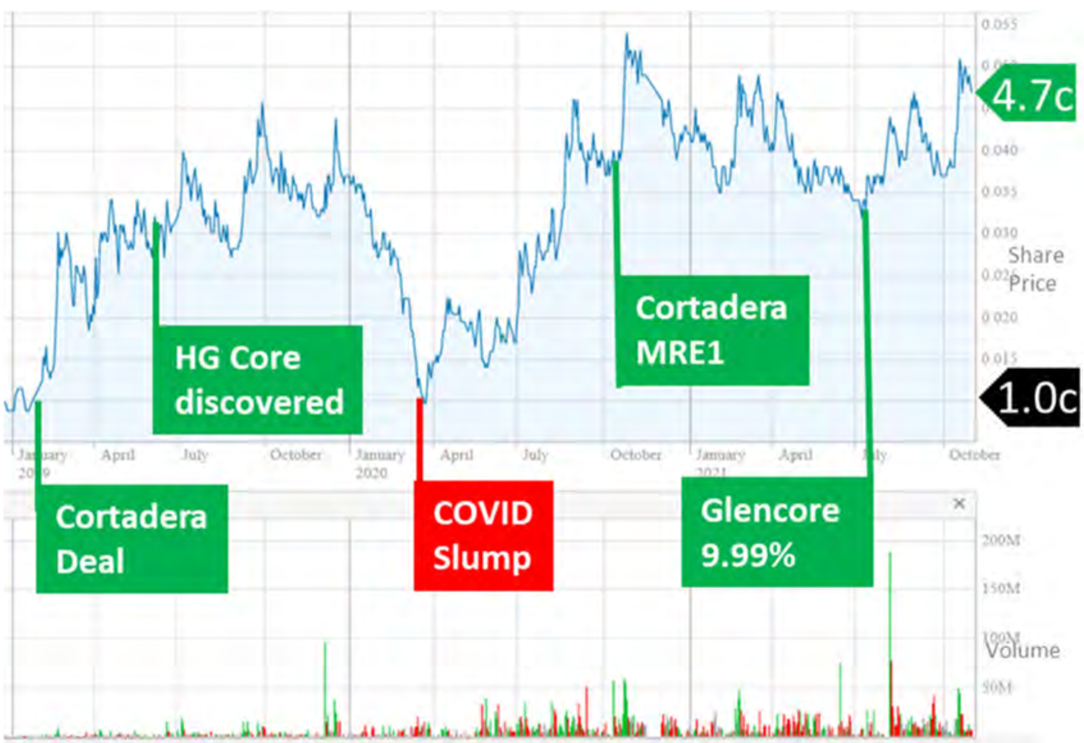
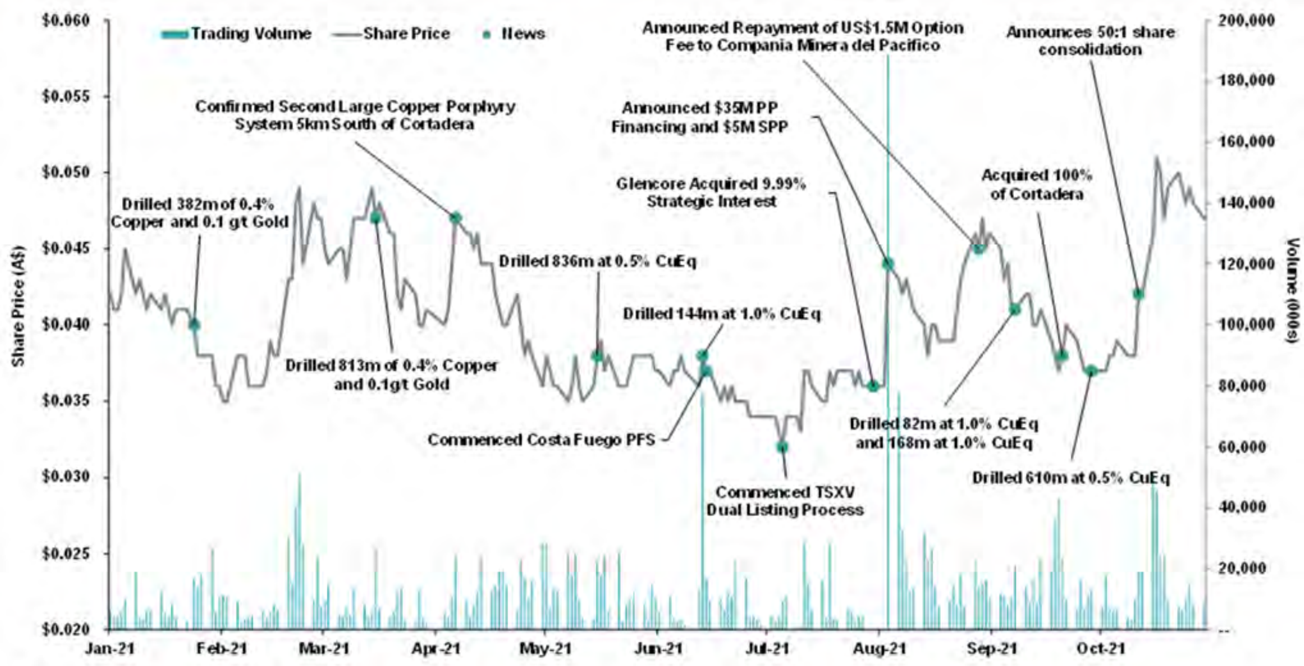


Figure 6 **34-month share price performance and significant events.**

PRICE VOLUME CHART – 2021YTD



Source: Refinitiv, as at November 1, 2021

Corporate Strategy

The Company's corporate strategy is to:

- create shareholder value through the successful transition from developer to senior copper-gold producer;
- capitalize on the Company's consolidating landholding and in-depth experience in Chile to grow the Costa Fuego Project global Resource base, targeting +5Mt contained copper equivalent metal through successful exploration, resource definition, acquisition and local partnerships; and
- ensure that its goals are underpinned by commitment to safety, environmental sustainability and strong community and stakeholder partnership.

The Company is active in community support programmes and is a local employer.

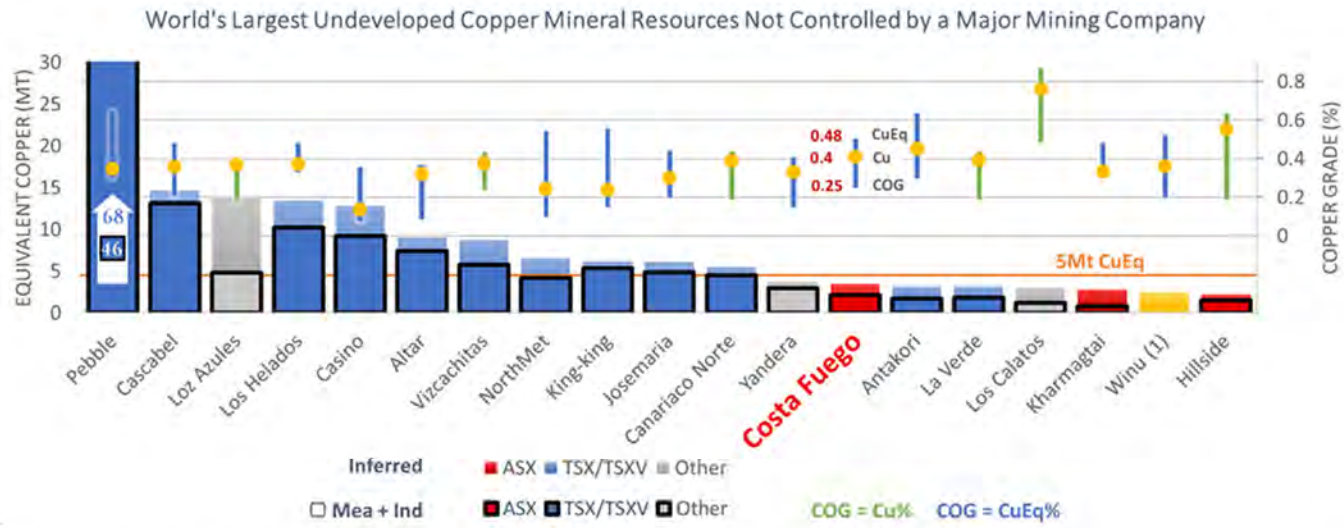
The Company has actively engaged in the support of two local orphanages in the Huasco Valley region, providing ongoing financial support, personal development and training programs and hosting annual Christmas functions for the children of the orphanages for the past ten years.

Board Charter

Please see Schedule "B" of this Prospectus for the text of the Board's written charter.

Growth and Development Strategy

Hot Chili is focused on exploration, resource growth and PFS, across its consolidated Costa Fuego Project. With the addition of the Cortadera porphyry copper-gold discovery, located just 14 km from the Productora copper-gold deposit, the global Resource base of the combined Costa Fuego Project is now an Indicated Resource of 391Mt grading 0.52% CuEq, containing 1.7 Mt Cu, 1.5 Moz Au, 4.2 Moz Ag, and 37 kt Mo and an Inferred Resource of 334Mt grading 0.44% CuEq containing 1.2Mt Cu, 1.2 Moz Au, 5.6 Moz Ag and 27 kt Mo, at a cutoff grade of 0.25% CuEq.



1 - Project is controlled by a major and is included here for Australian context.

2 - Graph constructed from public information (used without the consent of the source) and normalised using this price deck: Copper 3.00 USD/lb, Gold 1,550 USD/oz, Molybdenum 12 USD/lb, Silver 18 USD/oz, Platinum 1,050 USD/oz, Palladium 1,400 USD/oz, Cobalt 14 USD/lb, Nickel 7 USD/lb. Copper Equivalent grade and tonnes calculated using these prices and recoveries declared in each project's public company documents.

Wood assembled the data in July 2020.

Figure 7 Benchmarking of the Costa Fuego Project Global Resource with largest copper resources in the world that are not controlled by a major-mining company. All projects are not controlled by a major mining company (other than Winu) and have a publicly announced (ASX, TSX or other) Mineral Resource estimate classified as either Measured, Indicated or Inferred where copper is the primary commodity and average metallurgical recoveries have been declared. Project details assembled from public information by Wood (on behalf of Hot Chili) in July 2020 (used without the consent of the source) and normalised using the following price deck: Copper 3.00 USD/lb, Gold 1,550 USD/oz, Molybdenum 12 USD/lb, Silver 18 USD/oz, Platinum 1,050 USD/oz, Palladium 1,400 USD/oz, Cobalt 14 USD/lb, Nickel 7 USD/lb. Copper Equivalent grade and tonnes have been normalised using these prices in addition to recoveries declared in each project's public company announcements. Several significant copper projects were excluded from the comparative analysis owing to insufficient reported information to calculate Copper Equivalence. These projects were Tampakan, Santo Tomas, Santa Cruz, Escalones, Beschoku and Beutong. Further details regarding the Mineral Resources for each project used in the comparative analysis is set out in Table 3 below.

Project	Class	Mt	Cu%	Cu Mt	Au g/t	Au Moz	Ag g/t	Ag Moz	Mo ppm	Mo kt	CuEq%	CuEq Mt	Average Processing Recovery	Reported Level of Study	Report Date	Report Source
Pebble	MI	6,456	0.40	25.8	0.34	71	1.7	345	240	1,551	0.71	46.1	Cu=84%, Au=73%, Mo=80%	Mineral Resource Estimate	2017	SEDAR
	Inf	4,454	0.25	11.1	0.25	36	1.2	170	226	1,007	0.50	22.3				
Los Azules	Ind	962	0.48	4.6	0.05	2	1.8	56			0.50	4.8	Cu=90%, Au=27%, Ag=25%	Preliminary Economic Assessment	2017	SEDAR
	Inf	2,666	0.33	8.8	0.04	4	1.6	135			0.34	9.2				
Cascabel	MI	2,663	0.37	9.9	0.25	22	1.1	92			0.49	13.1	Cu=89%, Au=54%, Ag=54%	Preliminary Economic Assessment	2019	SEDAR
	Inf	544	0.24	1.3	0.11	2	0.61	11			0.29	1.6				
Los Helados	Ind	2,099	0.38	8.0	0.15	10	1.4	93			0.49	10.2	Cu=88%, Au=78%, Ag=48%	Preliminary Economic Assessment	2019	SEDAR
	Inf	827	0.32	2.6	0.10	3	1.3	35			0.39	3.3				
Altar	Class	Mt	Sulfide Cu%	Sulfide Cu Mt	Au g/t	Au Moz	Ag g/t	Ag Moz			CuEq%	CuEq Mt	Cu=92%, Au=50%, Ag=51%	Mineral Resource Estimate	2018	SEDAR
	MI	2,057	0.32	6.6	0.08	5	0.9	63			0.36	7.3				
	Inf	557	0.28	1.6	0.06	1	0.88	16			0.31	1.7				
Vizca-chitas	MI	1,284	0.40	5.1			1.1	43	141	400	0.45	5.7	Cu=91%, Mo=80%	Preliminary Economic Assessment	2019	SEDAR
	Inf	789	0.34	2.7			0.88	22	127	221	0.38	3.0				
Casino	Mill MI	2,173	0.16	3.4	0.18	13	1.4	100	169	368	0.35	7.6	#REF!	Feasibility Study	2020	SEDAR
	Mill Inf	1,430	0.10	1.5	0.14	6	1.2	54	102	146	0.24	3.4				
	Leach MI	217	0.03	0.1	0.25	2	1.9	13			0.76	1.6				
	Leach Inf	31	0.03	0.01	0.17	0	1.7	2			0.52	0.2				
Josemaria	Ind	1,066	0.31	3.3	0.22	7	1.0	35			0.45	4.8	Cu=86%, Au=71% Ag=59%	Pre-feasibility Study	2018	SEDAR
	Inf	404	0.24	0.9	0.15	2	0.83	11			0.34	1.4				
Canariaco Norte	MI	1,003	0.40	4.1	0.06	2	1.7	55			0.44	4.4	Cu=90%, Au=55% Ag=50%	Pre-feasibility Study	2011	SEDAR
	Inf	293	0.33	1.0	0.05	0	1.4	14			0.36	1.1				
Northmet	Class	Mt	Cu%	Cu Mt	Au g/t	Au Moz	Ag g/t	Ag Moz			CuEq%	CuEq Mt	Cu=91%, Ni=61%, Pt=79%, Pd=74%, Au=60%, Co=30%, Ag=57%	Feasibility Study	2019	SEDAR
	MI	795	0.23	1.9	0.03	0.8	0.9	22			0.52	4.1				
	Inf	458	0.24	1.1	0.03	0.5	0.9	13			0.52	2.4				
	Class	Mt	Ni %	Ni Mt	Pt g/t	Pt Moz	Pd g/t	Pd Moz	Co ppm	Co Mt						
	MI	795	0.07	0.3	0.06	0.9	0.2	3.0	68	0.03						
	Inf	458	0.07	0.3	0.06	0.9	0.2	3.3	56	0.03						
King-king	MI	962	0.23	2.2	0.32	10					0.55	5.3	Cu=71%, Au=75%	Pre-feasibility Study	2013	SEDAR
	Inf	189	0.22	0.4	0.26	1.6					0.45	0.9				
Yandera	Mill MI	665	0.33	2.2	0.07	1			104	69	0.40	2.7	Cu=87%, Au=63% Mo=78%	Mineral Resource Estimate	2016	SEDAR
	Mill Inf	212	0.29	0.6	0.04	0.2			52	11	0.33	0.7				
	Leach MI	64	0.34	0.2	0.08	0.2			63	4	0.39	0.2				
	Leach Inf	19	0.26	0.05	0.03	0.0			54	1	0.28	0.1				
Costa Fuego	Ind	391	0.43	1.7	0.12	2	0.3	4	95	37	0.52	2.1	Cu=83%, Au=51%, Mo=67%, Ag=23%	Mineral Resource Estimate	2020	ASX Announcement
	Inf	334	0.36	1.2	0.11	1.2	0.52	6	80	27	0.44	1.4				
La Verde	MI	408	0.41	1.7	0.03	0	2.4	32			0.45	1.8	Cu=89%, Au=75% Ag=76%	Preliminary Economic Assessment	2018	SEDAR
	Inf	338	0.37	1.3	0.02	0.2	1.9	21			0.40	1.3				
Los Calatos	MI	137	0.73	1.0					435	59	0.87	1.2	Cu=87%, Mo=68%	Scoping Study	2015	ASX Announcement
	Inf	216	0.78	1.7					245	53	0.85	1.8				
AntaKori	Ind	250	0.48	1.2	0.29	2	7.5	61			0.66	1.6	Cu=85%, Au=55% Ag=50%	Mineral Resource Estimate	2019	SEDAR
	Inf	267	0.41	1.1	0.26	2.2	7.8	67			0.57	1.5				
Kharm-agtai	Ind	129	0.36	0.5	0.36	1					0.58	0.8	Cu=85%, Au=70%	Scoping Study	2019	ASX Announcement
	Inf	469	0.31	1.5	0.19	2.8					0.43	2.0				
Winu	Inf	503	0.35	1.8	0.27	3.0	2.2	3			0.50	2.5	Cu=93%, Au=63% Ag=52%	Mineral Resource Estimate	2020	ASX Announcement
Hillside	Mill MI	203	0.58	1.2	0.14	1					0.67	1.4	Cu=92%, Au=78%	Feasibility	2020	ASX Announcement
	Mill Inf	114	0.60	0.7	0.10	0.4					0.66	0.8				
	Leach MI	20	0.53	0.1	0.21	0.1					0.53	0.1				
	Leach Inf	0.2	0.70	0.001	0.20	0.001					0.70	0.001				

Table 3 Details of the Project Resources shown in Figure 7.

For further information on Project Pebble, please refer to the technical report dated December 22, 2017, titled "2018 Technical Report on the Pebble Project, Southwest Alaska, USA" and the technical report dated December 31, 2014, titled "2014 Technical Report on the Pebble Project, Southwest Alaska, USA", found on Northern Dynasty Minerals Ltd.'s SEDAR profile. For further information on Project Los Azules, please refer to the technical report dated September 1, 2017, titled "NI 43-101 Technical Report-Preliminary Economic Assessment Update for the Los Azules Project, Argentina", found on McEwen Mining Inc.'s SEDAR profile. For further information on Project Cascabel, please refer to the technical report dated March 25, 2019 and amended November 6, 2019, titled "NI 43-101 Technical Report on Preliminary Economic Assessment", found on SolGold plc's SEDAR profile. For further information on Project Los Helados, please refer to the technical report dated April 26, 2019, *titled "Technical Report on the Los Helados Porphyry Copper-Gold Deposit Chile", found on NGEx Minerals Ltd.'s SEDAR profile. For further information on Project Altar, please refer to the technical report dated August 16, 2018, titled "Technical Report Estimated Mineral Resources – Altar Project, San Juan Province, Argentina", found on Regulus Resources, Inc.'s and Aldebaran Resources, Inc.'s SEDAR profile. For further information on Project Vizcachitas, please refer to the technical report dated May 10, 2019, titled "Preliminary Economic Assessment of the Vizcachitas Project", found on Los Andes Copper Ltd.'s SEDAR profile. For further information on Project Casino, please refer to the technical report dated January 25, 2013, titled "Form 43-101F1 Technical Report Feasibility Study, Yukon, Canada", found on Western Copper and Gold Corporation's SEDAR profile. For further information on Project Josemaria, please refer to the technical report dated November 20, 2018, titled "NI 43-101 Technical Report, Pre-feasibility study for the Josemaria Copper-Gold Project, San Juan Province, Argentina", found on NGEx Resources Inc.'s SEDAR profile. For further information on Project Canariaco Norte, please refer to the technical report dated January 18, 2011, titled "Canariaco Project, Lambayeque Department, Peru, NI 43-101 Technical Report on Pre-feasibility Study Progress Report", found on Candente Copper Corporation's SEDAR profile. For further information on Project NorthMet, please refer to the technical report dated March 26, 2018, titled "Form 43-101F1 Technical Report, Minnesota, USA", found on Polymet Mining, Inc.'s SEDAR profile. For further information on Project King-King, please see the technical report dated February 25, 2013, titled "NI 43-101 Technical Report Preliminary Feasibility Study, Mindanao, Philippines", found on St. Augustine Gold and Copper's SEDAR profile. For further information on Project Yandera, please see the technical report dated December 15, 2016, titled "NI 43-101 Technical Report Updated Resource Estimate Yandera Copper Project Papua New Guinea", found on Era Resources Inc.'s SEDAR profile. For further information on Project Costa Fuego, please see the ASX announcement dated March 2, 2016, titled "Hot Chili Delivers PFS and Near Doubles Reserves at Productora", found on Hot Chili Limited's ASX profile. For further information on Project La Verde, please see the technical report dated June 20, 2018, titled "Technical Report La Verde Copper Project, Equinox Gold Corp. and Solaris Copper Inc.", found on Equinox Gold Corp.'s SEDAR profile. For further information on Project Los Calatos, please see summary of work dated September 2, 2013, titled "Metminco – Report for the half year ended 30 June 2013", found on Los Cerros Limited website and ASX announcement dated June 16, 2015, titled "Metminco positions for delivery for higher grade, lower tonnage, copper mine at Los Calatos, Peru", found on www.investegate.co.uk. Metminco Limited has since merged with Los Cerros Limited and its ASX profile has been removed. For further information on Project AntaKori, please see the technical report dated February 22, 2019, titled "AntaKori Project, Cajamarca Province, Peru, NI 43-101 Technical Report", found on Regulus Resource Inc.'s SEDAR profile. For further information on Project Kharmagtai, please see technical report dated April 30, 2015, titled "Independent Technical Report Kharmagtawi Copper Gold Project, Mongolia", found on Xanadu Mines Ltd's website at www.xanadumines.com, and press release dated April 11, 2019 titled "Kharmagtai Open Pit Scoping Study Completed", found on Xanadu Mines Ltd's ASX profile. For further information on Project Winu, please see the press release dated July 28, 2020, titled "Rio Tinto reveals maiden Resource at Winu and new discover", found on Rio Tinto Limited's ASX profile. For further information on Project Hillside, please see press release dated May 25, 2015, titled "Hillside Project – Mineral Resource and Ore Reserve Update", press release dated July 28, 2020 titled "Hillside Feasibility Costing update", and investor presentation dated July 6, 2020 titled "Rex Minerals Investor Presentation". We are not aware of any known legal, political, environmental or other risks that could materially affect the potential development of the mineral resources other than what is in the technical reports and other materials referenced above. The mineral resources that are not mineral reserves in the materials above do not have demonstrated economic viability.*

Hot Chili's Cost Fuego copper project (Indicated Resource of 391Mt grading 0.52% CuEq, containing 1.7 Mt Cu, 1.5 Moz Au, 4.2 Moz Ag, and 37 kt Mo and an Inferred Resource of 334Mt grading 0.44% CuEq containing 1.2Mt Cu, 1.2 Moz Au, 5.6 Moz Ag and 27 kt Mo, at a cutoff grade of 0.25% CuEq) compares favourably to leading copper-gold developers who are advancing copper-gold resources in the America's ranging at similar scale and at grades ranging between 0.32% CuEq to 0.64% CuEq (as announced to ASX on October 12, 2020 "Costa Fuego Becomes a Leading Global Copper Project").

These leading Canadian-listed copper developers include: Filo Mining Corp. (TSX: FIL, share price: C$9.00, market capitalisation: approximately C$1.019B); Josemaria Resources Inc. (TSX: JOSE, share price: C$1.10, market capitalisation: approximately C$418M); Oroco Resource Corp. (TSXV: OCO, share price: C$2.40, market capitalisation: approximately C$460.3M); and Solaris Resources Inc. (TSX: SLS, Share Price: C$13.21, market capitalisation: approximately C$1.42B), in each case as of market open on October 12, 2021.

Hot Chili is currently operating an average of five shifts of drilling per day with three drill rigs at its flagship Cortadera porphyry discovery, led by porphyry specialist and technical advisor Dr. Steve Garwin. Continued drilling success looks set to expand and upgrade the categorization of the maiden Resource and is scheduled for Q1 2022.

The Costa Fuego Project PFS is underway with the objective of seeking to define the potential to transform the Company's 2016 Productora PFS to examine the case to incorporate Cortadera and explore the potential to create a globally significant, low altitude, clean concentrate (without the use of arsenic), copper-gold project. The Costa Fuego Project is one of the only low altitude (800-1,000m elevation) major copper plays in the Americas and is the largest coastal copper-gold discovery in Chile since Candelaria. Hot Chili anticipates capturing significant real options value – the value of choices that mine management have to expand, defer or curtail feed from different ore sources – by sequencing and blending deposits through a central processing and combined infrastructure approach.

Internal study workstreams underway since late 2020 have included metallurgical and geotechnical test work, as well as environmental baseline studies and financial scenario modelling. This work has outlined the potential for a large-scale, long-life, conventional open-cut and cave mining operation utilizing conventional sulphide and oxide processing with strong environmental and social credentials.

The Costa Fuego Project PFS expects to build upon the earlier Productora PFS, particularly the advanced work on site layout and infrastructure design, regulatory permitting, a granted maritime concession (2020) for water rights, and critical infrastructure easement accesses (water pipeline and power).

The PFS will consider a concentrator and leach throughput range of 20Mtpa to 30Mtpa and is expected to be complete in the third quarter in 2022. See "*Description of the Business of the Company*".

The Company is set to commence a systematic campaign of exploration drilling across its consolidated Costa Fuego Project landholding, with the plan to examine the potential for growth of the resource and a possible joint development scenario for Cortadera and Productora.

A cluster of large-scale porphyry targets have been generated from three-dimensional geochemical modelling which has recently been applied to the Company's landholding for the first time. Several large targets have been identified which have the potential to deliver a new horizon of resource growth at Productora; Cortadera; Santiago Z, and El Fuego.

Exploration drilling is planned to commence late this year, providing a strong platform for growth in 2022.

Shareholder Meeting

On November 15, 2021, shareholders of the Company approved the 50:1 share consolidation resolution with 96.68% of shares voted at the meeting supporting the Consolidation. Post-Consolidation trading commenced on November 17, 2021 on the ASX.

Emerging Market Issuer

Due to the risks inherent in mineral production and the desire to organize and structure its affairs in a tax efficient manner, the Company holds each of its material properties in a separate corporate entity (through local subsidiary companies in foreign jurisdictions).

The risks of the corporate structure of the Company and its subsidiaries are risks that are typical and inherent for companies who have material assets and property interests held indirectly through foreign subsidiaries and located in foreign jurisdictions. The Company's business and operations in emerging markets are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction such as differences in laws, business cultures and practices, banking systems and internal control over financial reporting. See "*Risk Factors*".

The Company has implemented a system of corporate governance, internal controls over financial reporting and disclosure controls and procedures that apply at all levels of the Company and its subsidiaries. These systems are overseen by the Board and implemented by the Company's senior management team. The relevant features of these systems are set out below.

Chilean Properties

Mining concessions, exploration permits and other customary and routine permits obtained from time to time, are required for the Company to be able to carry on its exploration activities in Chile.

In order to satisfy itself of its ownership of its property interests in Chile, the Company has, among other things: (i) obtained and reviewed title opinions from certain local law firms in Chile; (ii) conducted searches in Chile as they relate to its property interests; (iii) applied for and obtained the granting of mining concessions according to the procedure established by the Chilean Mining Code and (iv) reviewed, negotiated and executed various agreements with third parties relating to the acquisition and/or transfer of certain mining titles and concessions.

The Company ensures it is able to carry on its activities by:

- Regularly taking legal advice from counsel with extensive experience working with mining properties in Chile and who are abreast of all current Chilean legal requirements, specifically as they apply to the Company's activities.

- Ensuring oversight by Qualified Persons and external consultants, who review its Chilean activities and are engaged by the Company to confirm it has all material permits, licenses and other regulatory approvals needed to carry on its activities.

The Company is not aware of any material restrictions against foreign investment in Chilean mining companies, nor any material legal requirements imposed on foreign ownership of Chilean mining companies, other than the requirement that the operating subsidiaries continue to be incorporated or have agency in Chile.

To hold and maintain good title in its Chilean property interests, the Company and its subsidiaries must comply with all laws and regulations concerning the granting and governing of mineral licenses, including, amongst others:

- payment of annual license fees and reclamation fund fee;

- submission of exploration / mining work plans and reports;

- compliance with occupational health and safety requirements; and

- protection of the environment.

Similarly, the Company and its subsidiaries must comply with any common practices of the state authorities and/or courts of Chile. Failure to comply with any statutory or practical requirements could trigger suspension of the mining activities or revocation of the mineral licenses held by the offending subsidiaries.

Licenses

All mining tenements of the Company, or under option agreement by the Company, are in good standing and all mining requirements have been met for the exploration phase in each of the projects, depending on the exploration activities to be done per individual project.

The current exploration activities center around Cortadera and have been approved by the Environmental Approval number 48 dated March 24, 2021 and granted by the Environmental Assessment Service. Surface land access for exploration activities have also been granted by its owner.

In general terms, two different sorts of environmental approvals are required for a mining project:

- for the exploration phase – an "Environmental Declaration Assessment" (Declaración de Impacto Ambiental); and

- for the exploitation phase – an "Environmental Study Assessment" (Estudio de Impacto Ambiental).

The latter is a more robust process that takes more time and resources to process. In order to execute the Costa Fuego Project, it will be necessary to prepare and have approved a full Environmental Study Assessment.

The applicable legislation for an exploration project within the Costa Fuego Project is primarily contained in the following legal documents: the Chilean Constitution, the Mining Code, and the Law 19.300 – called Environmental Framework Law. The Environmental Framework Law is administered under the Central Unified Environmental System.

Corporate Structure of Foreign Subsidiaries

There are two primary types of business structures utilized in Chile for foreign capital investment:

- A limited liability company ("**LLC**"), or "Sociedad de Responsabilidad Limitada" in Spanish, is a business structure in the form of a company agreement or partnership arrangement that protects its owners from personal responsibility for its debts or liabilities. LLC owners are called members (as opposed to shareholders in a company by shares). By law, and because limited liability companies are established by agreement, two or more members are required.

- An SpA company (or Sociedad por Acciones) is a business structure in the form of a company with capital divided by shares, where the liability of the shareholders is limited to the nominal value of the shares. An SpA can have one shareholder or many shareholders.

The scopes and regulations vary extensively according to the articles of incorporation of each entity, although it can generally be said that the SpA structure is more flexible and dynamic than LLC. Any changes to an LLC require the consent of all members; in the case of an SpA, in case shareholders cannot find consent, the law provides certain measures to solve the conflict. SpA owners are called shareholders, as opposed to members in a LLC.

Business Activities

As at the date of this Prospectus, neither the Company nor any of its subsidiaries are aware of any restrictions or conditions currently imposed (or likely to be imposed) by the government of Chile which may affect their business operations in Chile, other than the requirement that the operating subsidiaries continue to be incorporated or have agency in Chile.

Other Regulatory Matters

All other regulatory matters in Chile are covered under a Central Unified Environmental System (that covers regulation of all environmental matters) that will distribute any particular project, when required, to more than 20 other state regulatory bodies in the country that will determine which extra regulation applies to any given project according to the characteristics of such project.

The Company has engaged local legal counsel with specific expertise in the applicable regulatory areas to advise it on required regulatory approvals.

See "*Risk Factors*".

Control over Subsidiaries

As noted from the corporate structure chart above under the heading "*Hot Chili Limited – Intercorporate Relationships*", the Company has subsidiaries in Chile. Chilean law requires foreign companies operating in Chile to have local operating subsidiaries.

With the exception of SMEA SpA, all of the Chilean subsidiaries of the Company are wholly-owned subsidiaries over which the Company has complete control. The Company, directly or indirectly, controls the appointments of all of the directors of its subsidiaries. The directors of the Company's subsidiaries are ultimately accountable to the Company as the shareholder appointing him or her. The directors and officers of its wholly-owned Chilean subsidiaries are all members of the Company's senior management team, which ensures that the Company has appropriate control and direction over such Chilean subsidiaries. The Company, as the sole or majority shareholder of its subsidiaries, can also resolve in a short period of time, to change the officers and the majority of the directors at its discretion. SMEA SpA is 20% owned by CMP. See "*Material Contracts*".

The Company also maintains and uses corporate controls to ensure that a process and mechanism of approvals is maintained and followed for the disbursement of corporate funds and operating capital and to ensure that investment decisions are reviewed and approved by the Board.

The Company is of the view that there are no material risks associated with its corporate structure and that any risks are effectively managed based on the controls described above.

Banking Matters and Flow of Funds

The Company has no operations and maintains no bank accounts or cash balances in Canada. The Company conducts its corporate management from Australia. The Company hires and engages local experts and professionals (i.e., legal and tax consultants) to advise the Company with respect to current and new regulations in respect of banking, financial and tax matters. The Company conducts its banking in Australia and Chile through banks of international repute, which are subject to international standards, and the Company applies consistent levels of control in all jurisdictions.

Until the Chilean operating subsidiaries reach production and generate revenue, all transfers of funds have been and will continue to be from the Company to the Chilean subsidiaries pursuant to an inter-company credit facility. All material disbursements of corporate funds and operating capital to the Chilean subsidiaries are reviewed and approved by the Board or its designees and are based upon pre-approved budget expenditures.

The Company adheres to Canadian, Australian and Chilean laws. The Company has a Corporate Code of Conduct and Anti-Bribery and Corruption Policy that are required to be followed by all directors, officers, employees, contractors and consultants.

Management Experience in Foreign Jurisdiction

Christian Easterday (Managing Director and Chief Executive Officer), Roberto Andraca Adriasola (Non-Executive Director), Randall Nickson (Non-Executive Director) and Jose Ignacio Silva (Country Manager, Chief Legal Counsel) have experience conducting business in Chile.

For officers with limited experience conducting business in Chile, in order to facilitate such individuals familiarizing themselves with: (i) the laws and legal/operational requirements of Chile; and (ii) the local business culture and practices in Chile, including differences in banking systems and controls as between Chile and the jurisdiction(s) they are familiar with, the Company has taken the following measures:

- the Company has facilitated visits of such individuals to Chile as well as the material projects of the Company, noting that such visits have been limited during 2021 due to restrictions introduced to limit the impacts of COVID-19;

- the Company has engaged English-speaking local legal counsel in Chile. Individuals are able to reach out to such local legal counsel; and

- there is active communication among and between directors and officers and management and directors and officers able to share their experiences conducting business in Chile and regular updates on current events and business in Chile is shared among directors and officers.

Of the Board, Christian Easterday (Managing Director and CEO) has visited Chile and Cortadera. The members of the Board are able to discuss with local management in Chile on a regular basis via teleconference/telephone.

Language Proficiency

The primary language of Chile is Spanish. Roberto Andraca Adriasola (Non-Executive Director) and Randall Nickson (Non-Executive Director) are fluent in Spanish, and Christian Easterday (Managing Director and CEO) speaks limited Spanish.

All members of the Company's local management team in Chile, all members of the Board and all relevant Company advisors, including the Company's local legal counsel in Chile, speak English fluently and as such, there is no language barrier that will need to be overcome with respect to the Company's operations. All Board meetings are conducted in English and all material documents relating to the Company and its subsidiaries that are provided to the Board have either been prepared in English or have been translated to English, if applicable. Given the foregoing, the Company has determined that a formal communication plan is not necessary.

Access to Books and Records

The Company's corporate records (including operational agreements) are maintained at its registered office at First Floor, 768 Canning Highway, Applecross, Western Australia 6153. The Company's operational agreements and documents are maintained at its principal office in Chile at Av. Isodora Goyenechea 2934, of 1001 Las Condes, Santiago, Chile. There are no restrictions on the Board's ability to access books and records. In addition to hard copy form, books and records are available electronically.

Risk Management

The Audit and Risk Management Committee of the Company, the charter of which is included herein as Schedule "C", is tasked with key financial reporting, external and internal audit, and risk management oversight responsibilities. Such committee is well placed to identify key business, financial and regulatory risks relevant to the Company, including as a result of its operations in Chile, and it is tasked with implementing and updating the risk management framework of the Company.

In addition, the Company has a Risk Management Policy that provides a framework for identifying, assessing, monitoring and managing risk; communicates the roles and accountabilities of participants in the risk management system; and highlights the status of risks to which the Company is exposed, including any material changes to the Company's risk profile. The Company's Risk Management Policy may be viewed on its website at www.hotchili.net.au. The information found on Hot Chili's website is expressly not, and shall not be deemed to be, incorporated by reference in this Prospectus.

Difficulty in Enforcing Judgments

All of the Company's subsidiaries and assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, shareholders may be effectively prevented from pursuing remedies against the Company under Canadian securities laws. Certain directors and officers of the Company reside outside of Canada, and substantially all of the assets of these persons are located outside of Canada. The Company has adequately addressed the risk of the Company's mind and management being domiciled outside of Canada in terms of an investor's ability to exercise statutory rights and remedies under Canadian securities law by disclosing this fact and by appointing Bennett Jones LLP as its agent for service of process. In the event a judgment is obtained in a Canadian court against one or more of the Company's directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers who are not resident in Canada. Additionally, it may be difficult for a shareholder, or any other person or entity, to assert Canadian securities law claims in original actions instituted a foreign court. Courts in foreign jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law. See "*Risk Factors*".

Due Diligence

The Underwriters have conducted a due diligence review guided from the outset by their own policies and procedures as well as OSC Staff Notice 51-720 and IIROC Notice GN 3500-21-005. The additional procedures employed to reflect this were supplemental to the standard procedures of underwriter due diligence for non-Emerging Market Issuers.

The procedures undertaken by the Underwriters and their legal counsel included periodic letters highlighting particularly important questions regarding emerging market ("**EM**") and other matters (the "**flags**") from the Underwriter's review (the "**Flag Letters**"). The Underwriters and their advisors took an active role in investigating any questions raised in the due diligence review and proactively seeking disclosure regarding EM matters. The Underwriters made inquiries regarding any substantial legal differences between Chilean and Canadian law, legal entity form, and other legal matters.

In addition to the procedures outlined above, aimed at highlighting important EM disclosure matters, the Underwriters advise that they conducted their standard due diligence review including a review of the material contracts, draft legal opinions from Chilean counsel, constating documents, corporate and litigation searches, and other relevant documents, and oral and written diligence inquiries of the Company and its advisors.

The Underwriters and their counsel also participated in the preparation of disclosure regarding EM issues and Chile in the Prospectus.

A managing director of one of the Underwriters visited the site of the Costa Fuego Copper Project in Chile in November 2021. A personal inspection of the areas under exploration and development was completed including a review of the workplace and core storage facilities. In addition, interviews were conducted with the site managers and lead technical team members. A positive report was provided to the Underwriters.

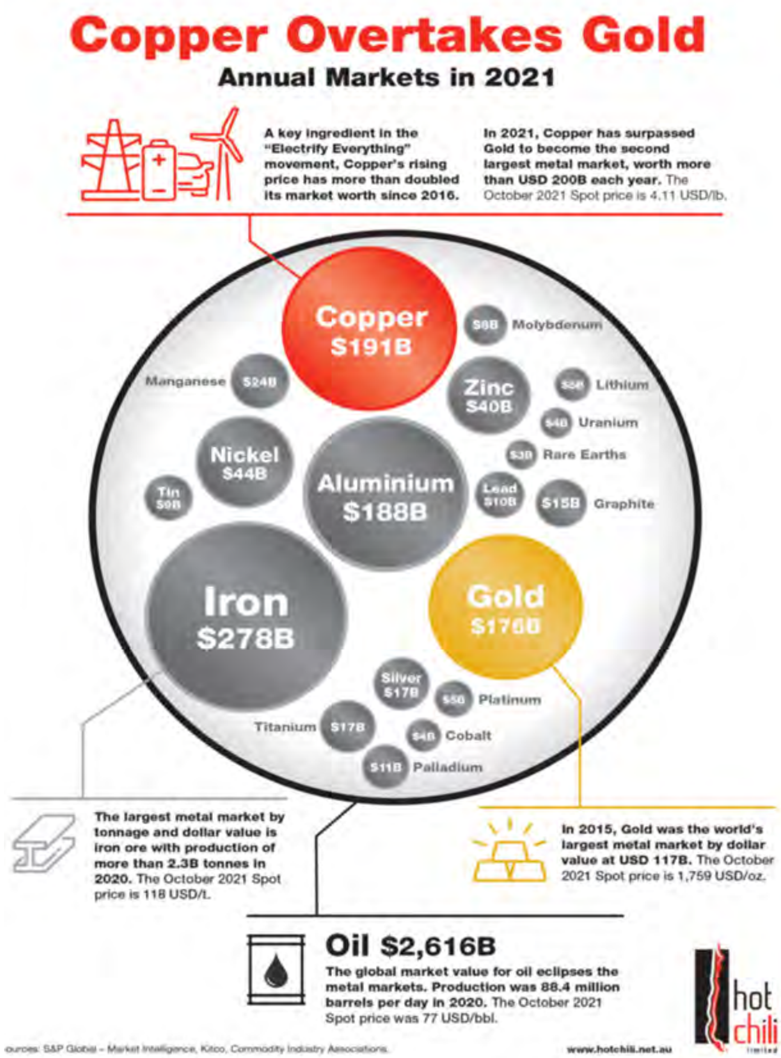
The Underwriters and their counsel have continued their diligence procedures outlined above to the date hereof, and will continue these procedures throughout the Offering. Additional closing procedures will include bring down documentation and current legal opinions as to the status of entities and assets of the Company.

THE COPPER INDUSTRY

Copper will be central to the electrification future, with copper relied upon heavily in vehicle production and charging infrastructure. The average electric vehicle uses 183 lbs. of copper, compared with 85 lbs. in hybrids and 18-49 lbs. in internal combustion vehicles.[2]

Cu Price as at 1st November 2021, Source: Tadeingeconomics.com

[2] Bloomberg BNEF report dated June 9, 2021.



COSTA FUEGO PROJECT

Current Technical Report

The current NI 43-101 technical report is named "*Resource Report for the Costa Fuego Copper Project, Located in Atacama, Chile – Technical Report NI 43-101*" dated December 13, 2021 (effective date October 29, 2021).

The Cortadera Mineral Resource Estimate and the Productora Mineral Resource Estimate were completed by an independent consultant, Elizabeth Haren of Haren Consulting Pty Ltd.

Project Description, Location and Access

The Costa Fuego Project is located 17 kilometres (km) south of the regional township of Vallenar, in the Atacama region of Chile, in the low altitude coastal range belt (at ~800 m elevation).

The Costa Fuego Project consists of two deposits, Productora and Cortadera, that will leverage the existing surface rights and the proposed central processing facilities at Productora and the existing infrastructure access for powerline and sea water pipeline easements.

The Project has a unique location, see Figure 8, surrounded by existing infrastructure and is located just 15 minutes by car from Vallenar on the Pan-American Highway.

An aerodrome is located approximately 14 km from Productora, and the Las Losas Port facility and Maintencillo power substation are located 55 km and 20 km away from the Project respectively.

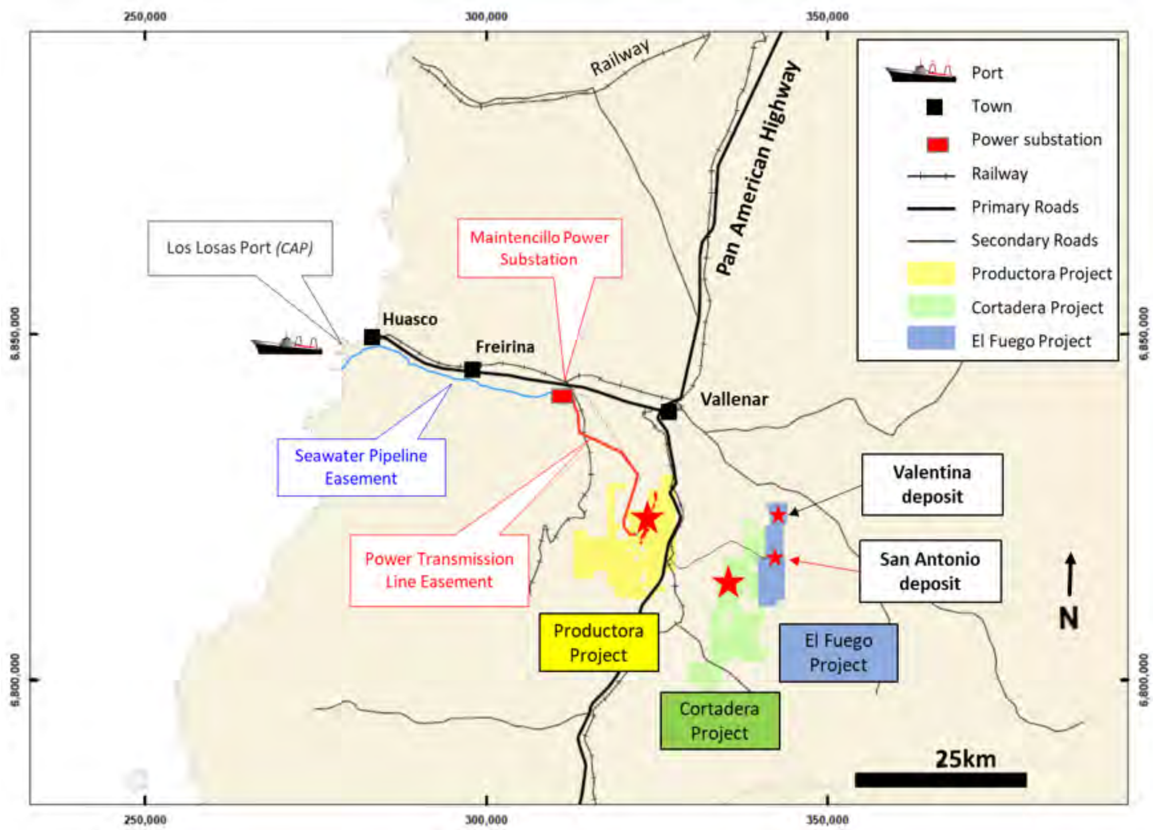


Figure 8 Location of Costa Fuego Project and Infrastructure relative to Vallenar, Chile

Productora

Productora is 100% owned by a Chilean incorporated company, SMEA SpA. SMEA SpA is a joint venture company – 80% owned by SMECL (a 100% subsidiary of the Company), and 20% owned by CMP Productora (a 100% subsidiary of CMP, a major Chilean iron ore producer).

In August 2015, a joint venture (JV) agreement was established between Hot Chili and CMP. This resulted in the formation of a JV company, SMEA SpA. This partnership has enabled security of the majority of surface rights required for developing key infrastructure for the project, as well as the majority of easements required for water and power transmission lines.

In addition, the JV agreement has consolidated the mining rights required for the development of the project.

The only economic commitment to keep the project in good standing are mining patents which can be summarized as a mining tax paid to the government on a yearly basis (March each year). Total mining patent costs for the year were US$75,218.

A 30-year lease agreement exists for the mining right Uranio 1-70 between CCHEN and SMEA SpA, dated 22 August 2012. This agreement incurs an annual lease payment of US$250,000 per year (paid no later than 31 August) and expires on 22 August 2042.

All mining rights at Productora are exploitation concessions with no risk of expiring if the mining taxes are duly paid annually.

Surface rights are 100% owned by the Company, as are the maritime concessions to extract sea water from the coast and the corridor of easements to construct a pipeline and electrical transmission line to the project.

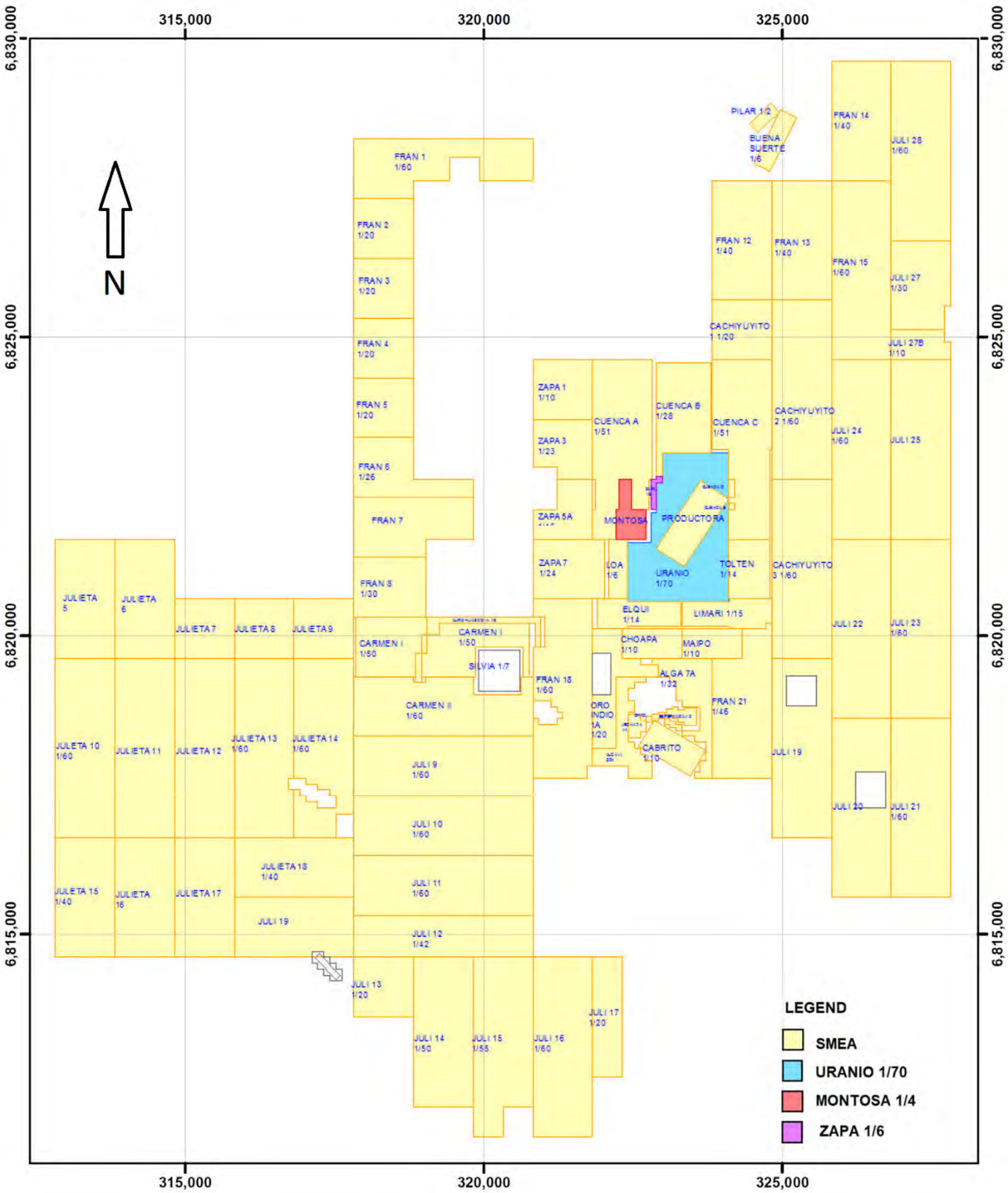


Figure 9 **Productora Mining Rights under WGS84**

Productora has the following annual royalties:

- On the CCHEN mining right, "Uranio 1 al 70": NSR for Non-gold = 2%; Gold 4% and Non-metallic 5%

- On the mining right "Montosa 1 al 4": NSR = 3% all products
- On the mining right "Zapa 1 al 6": Gross Royalty = 1% all products

Cortadera

Hot Chili, through its 100% subsidiary company Frontera SpA, controls an area measuring approximately 4,640 ha at Cortadera through various 100% purchase option agreements with private mining title holders and 100% owned tenure.

All mining tenements are in good standing and all mining requirements have been met for the exploration phase. At this stage, there are no legal requirements for any kind of bonds to be issued. A map of Hot Chili´s mining rights under WGS84 is shown below.

The current exploration activities for Cortadera have been approved under the Environmental Approval number 48, dated March 24, 2021, granted by the Environmental Assessment Service.

Surface land access for exploration activities have also been granted by the owner, Mr. Pedro Prokurika Morales, by virtue of private document, dated October 14, 2019.

Cortadera has no current social and/or community requirements.

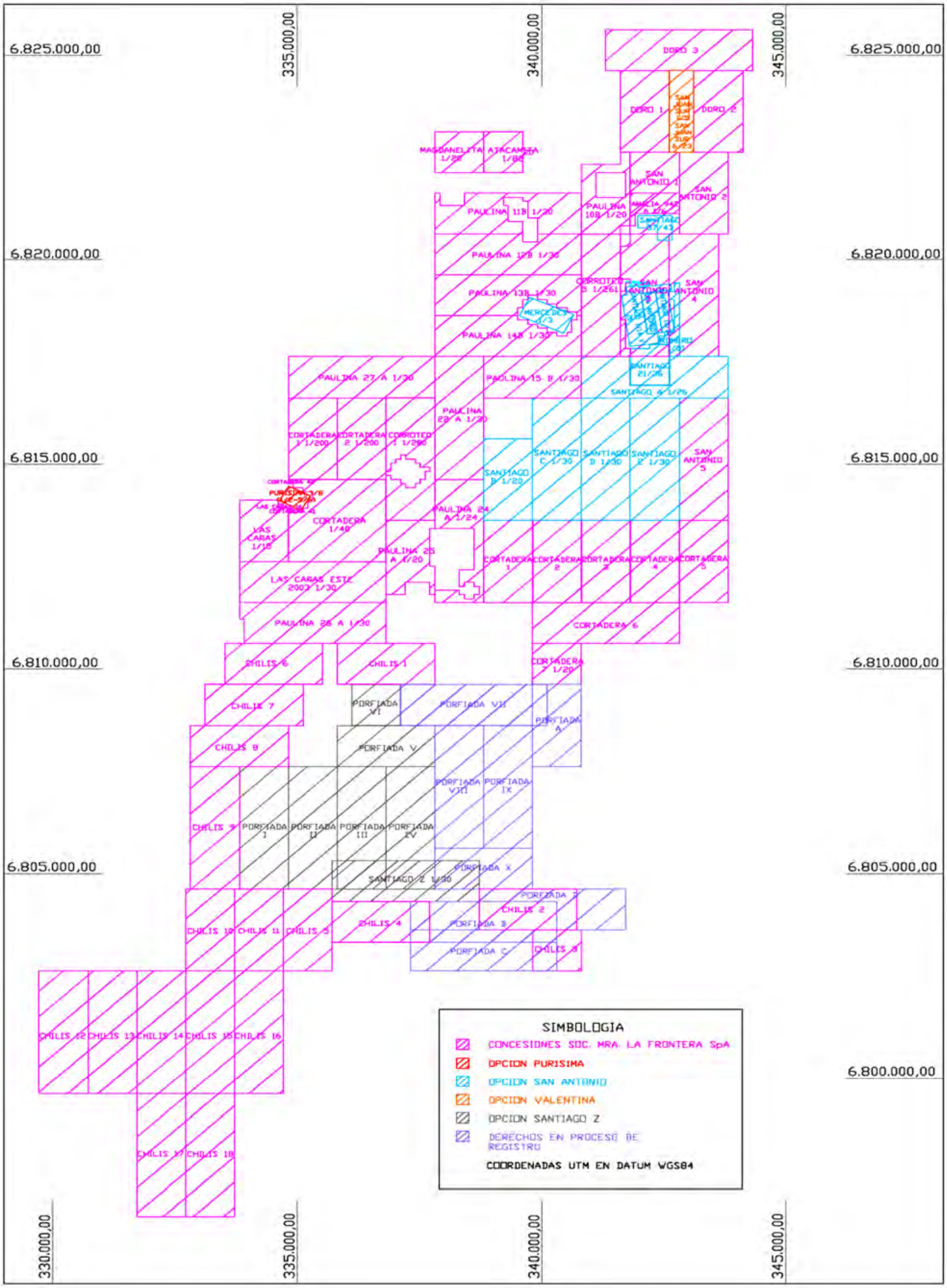


Figure 10 Location of Hot Chili's Mining Rights under WGS84

History

Productora

The Productora camp has a long mining history for iron, copper and gold extending back to pre-Hispanic times. Historical iron mining has occurred at the La Chulula, La Bandera, Mariposa, Carmen, and La Negra mines. Copper mining in the past century has occurred regionally and locally at the Productora and Santa Innes mines (operated by Playa Brava and ENAMI), Remolina, and Montserrat mines. In addition, there are more than 80 smaller pits, workings, or mineralised outcrops in the area containing iron, copper or gold mineralisation.

In the 1980s, the Chilean Commission for Nuclear Energy (CCHEN) explored the area near and to the south of the Productora mine for uranium. At least ten shallow (35 to 101 m) reverse circulation (RC) holes were completed and while minor uranium oxide was intersected, no significant deposits were found.

CCHEN completed mapping, surface geochemical sampling, ground spectrometry and magnetometry, trenching, drilling (28 shallow percussion holes) and resource estimation, focusing almost entirely on the near-surface, secondary uranium potential at Productora.

General Minerals Corporation (GMC) acquired the Productora area in 1995 to search for a Candelaria type iron-oxide-copper-gold (IOCG) deposit. In 1997, eight reverse circulation drill holes (PR-1 to PR-8) were completed. Additional work also involved compilation of earlier mapping, surface geochemical sampling, ground geophysics surveys (IP) and percussion drilling.

In 1999, GMC entered into a joint venture with Teck Corporation and completed an additional eleven reverse circulation holes (PR-9 to PR-19). The holes targeted secondary copper enrichment zones in the southern portions of the central lease at Productora.

Hot Chili completed acquisition of the main tenement package in 2012.

Year	Company
1980's	Chilean Commission for Nuclear Energy (CCHEN) and several private tenement owners
1995 - 1999	General Minerals Corporation (GMC) explored the area
1999 - 2005	GMC (in joint venture with Teck Corp) explored the area
2008 - 2015	Hot Chili Limited through its wholly owned Chilean subsidiary Sociedad Minera El Aguila options and consolidates the area
2015 - present	Joint venture (JV) agreement between Hot Chili (80%) and CMP (20%) owners of Sociedad Minera El Águila SpAL.

There have been previous Resources and Reserves regarding the Productora deposit reported by Hot Chili under the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geosciences and Minerals Council of Australia (JORC Code 2012 Edition) code.

These previous estimates have been provided for historical context only and the Issuer is not treating these estimates as current.

1. JORC 2004 Resource, Hot Chili, July 2011

Following the completion of initial project assessment, Hot Chili commenced an extensive Resource definition drilling programme in August 2010 which was completed in early July 2011. A total of 141 RC holes for 28,308 m and 22 diamond drill (DD) holes for 5,012 m was drilled by Hot Chili and were used to define the maiden Resource (Table 4).

Productora Maiden Resource - 2011							
		Grade			Contained Metal		
Classification	Tonnes (millions)	Cu %	Au g/t	Mo ppm	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Indicated	31.1	0.6	0.1	159	184,612	109,711	4,942
Inferred	54.0	0.6	0.1	138	298,062	179,895	7,476
Total	85.1	0.6	0.1	146	482,673	289,606	12,418

Table 4 Productora Maiden Resource (Central) declared under the JORC 2004 edition and were rounded to a single decimal place for reporting purposes.

2. JORC 2004 Resource Revision 1, Hot Chili, February 2013

Following on from the estimation of the maiden Resource, Hot Chili commenced an extensive exploration and Resource definition drilling programme in October 2011 to test for mineralisation along strike. This programme was completed in December 2012.

This revision was modelled exclusively outside the extents of the maiden (Central) Resource. The final public reporting of Resource Revision 1 was from the combined figures of the maiden (Central) Resource and the subsequent revision (Table 5).

Productora Resource Revision 1 - Februrary 2013								
			Grade			Contained Metal		
Classification	Resource Series	Tonnes (millions)	Cu %	Au g/t	Mo ppm	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Indicated	Res Upgrade 1	39.4	0.6	0.1	124	230,000	150,000	5,000
	Central	31.1	0.6	0.1	159	185,000	110,000	5,000
	Total	70.6	0.6	0.1	139	420,000	260,000	10,000
Inferred	Res Upgrade 1	40.6	0.5	0.1	110	200,000	130,000	4,000
	Central	54.0	0.6	0.1	138	298,000	180,000	8,000
	Total	94.6	0.5	0.1	126	500,000	310,000	12,000
Total	Res Upgrade 1	80.0	0.5	0.1	117	440,000	290,000	9,000
	Central	85.2	0.6	0.1	146	480,000	290,000	13,000
	Total	165.2	0.6	0.1	132	920,000	580,000	22,000

Table 5 Along-strike extensions (added to the Central Resource) was declared under the JORC 2004 edition and were rounded to a single decimal place for reporting purposes. This resource was reported to a cut-off of greater than or equal to 0.3% Cu.

3. JORC 2012 Resource Revision 2, Hot Chili, March 2014

Following on from Resource Revision 1, Hot Chili commenced an extensive Resource definition drilling programme from December 2012 to December 2013 to infill and test near-resource mineralisation.

A total of 905 holes for a cumulative 238,185 m (211,708.5 m of RC, 26,476.5 m of diamond) was available for use in Resource estimation. This provided a nominal 40 m x 80 m drillhole coverage across the majority of the Productora Resource.

The Resource Revision 2 is shown in Table 6.

Resource Classification by Weathering								
			Grade			Contained Metal		
Weathering	Classification	Mt	Cu %	Au g/t	Mo ppm	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Oxide	Indicated	20.5	0.52	0.10	57	106,000	64,000	1,000
	Inferred	5.1	0.51	0.08	88	26,000	12,000	500
	Sub-total	25.6	0.52	0.09	63	132,000	76,000	2,000
Transitional	Indicated	17.6	0.53	0.10	102	93,000	54,000	2,000
	Inferred	7.5	0.35	0.07	47	26,000	16,000	500
	Sub-total	25.1	0.48	0.09	85	119,000	70,000	2,000
Fresh	Indicated	120.6	0.50	0.11	175	601,000	423,000	21,000
	Inferred	43.1	0.41	0.08	107	177,000	105,000	5,000
	Sub-total	163.6	0.48	0.10	157	777,000	531,000	26,000
	Total	214.3	0.48	0.10	138	1,029,000	675,000	29,000

Table 6 Resource Revision 2 Resource table. This Resource was declared under the JORC 2012 edition and was reported at a cut-off of greater than or equal to 0.25% Cu.

4. JORC 2012 Ore Reserve, March 2016

Following completion of a Prefeasibility Study in March 2016, an ore reserve for the Productora and Alice deposits was declared under JORC 2012 as shown in Table 7.

						Contained metal			Payable metal		
Ore type	**Reserve category**	**Mt**	**Cu (%)**	**Au (g/t)**	**Mo (ppm)**	**Cu (kt)**	**Au (koz)**	**Mo (kt)**	**Cu (kt)**	**Au (koz)**	**Mo (kt)**
Oxide		24.1	0.43	0.08	49	103.0	59.6	1.2	55.6		
Transitional	Probable	20.5	0.45	0.08	92	91.3	54.7	1.9	61.5	24.4	0.8
Sulphide		122.4	0.43	0.09	163	522.5	356.4	20.0	445.8	167.5	10.4
Total	Probable	166.9	0.43	0.09	138	716.8	470.7	23.1	562.9	191.9	11.2

Cu price - US$3.00/lb; Au price US$1,200/oz; Mo price US$14.00/lb

Weighted average metallurgical recoveries for sulphide and transitional are 86.1% for Cu; 51.9% for Au; 52.2% for Mo. Heap leach average recoveries are 54.0% for Cu and nil for Au and Mo. Payability factors for metal contained in concentrate are 96% for Cu; 90% for Au; and 98% for Mo. Payability factor for Cu contained in Cu cathode is 100%

Table 7 Productora JORC 2021 Ore Reserve, March 2016

Copper mining at Productora commenced in 2006 and was operational until 2012 and again briefly in 2021.

Mining was completed by a modern 4.5 m x 4.5 m decline access exploiting 15 m sub-level room and pillar development. The mine extends to ~120 m below surface and produced cupriferous ores at a head grade of 0.8 to 1.2 % Cu over a strike length of 300 m and a width of 50 m.

The ore was stockpiled then trucked off-site for toll-treatment at ENAMI's Vallenar processing facility. Drilling by the mine operators and by Hot Chili demonstrates that the mineralisation exploited in the underground mine is contiguous with the larger Mineral Resource.

At Cortadera, previous mining has taken place upon mining leases Purísima 1/8 and Cortadera 1/40, where several small workings (pirquineros) have been developed in the oxide zone as trenches, surface excavations and short tunnels. The largest of these previous workings is the Purísima Mine (Cuerpo 1) where in 1990, previous miners R.G Grego and J.R Alday developed a tunnel approximately 70 m long in the oxide zone. Further mining at Purísima took place during 2003-2004 when a small open pit was developed to extract copper oxides at a grade of approximately 0.9% Cu.

Cortadera

The Cortadera deposit underwent considerable drilling between 2010 - 2013 while the deposit was under the control of Minera Fuego Limited (Minera Fuego), during an option agreement they had entered into with Sociedad Contractual Minera Carola (SCM Carola).

Drilling completed prior to Hot Chili securing the deposit comprised 39 diamond drillholes for 23,231 m of diamond drilling, with this earlier drilling successful in defining three mineralised porphyry orebodies (Cuerpo 1, 2 and 3).

Following execution of the Cortadera option agreement in February 2019, Hot Chili undertook a Resource drill out focussed on extending and infilling previously defined mineralisation. Hot Chili drilling was successful in improving geological understanding, growing the deposit size, and discovering a bulk-tonnage high grade zone at Cortadera.

Drilling completed by Hot Chili between February 2019 and July 2020 comprised 32 RC holes and 11 RC-DD holes for a total of 10,126 m of RC and 7,064.4 m of diamond drilling (DD).

There are no previous Mineral Resources or Reserves published regarding the Cortadera deposit.

Geological Setting, Mineralization, and Deposit Types

Productora

The region lies at the boundary between the Coastal Cordillera and the Atacama fault system. During the Cretaceous, a thick sequence of andesite and minor sediments (Bandurrias Group) developed in an extensional regime within volcanic island-arc settings. A variety of porphyritic formations have intruded this sequence, some of which are probably contemporaneous with the host volcanic rocks. These porphyritic intrusions appear to be responsible for most of the alteration and mineralisation observed in the area. Jurassic to Late Cretaceous granodioritic and monzodioritic batholiths are exposed over large areas throughout the Coastal Cordillera.

The project area encompasses a small part of the Chilean Iron Belt. The Iron Belt extends for more than 600 km along a 20 to 30 km wide, north-northeast trending zone at the east side of the Coastal Cordillera.

The project is hosted in the (lower Cretaceous) Bandurrias Group, a thick volcano-sedimentary sequence comprising intermediate to felsic volcanic rocks and intercalated sedimentary rocks. Dioritic dykes intrude the volcano-sedimentary sequence at Productora, typically along west- to northwest-trending late faults, and probably represent sub-volcanic feeders to an overlying andesitic sequence not represented in the project area.

The host volcanic and sedimentary sequence dips gently (15 to 30°) west to west-northwest and is transected by several major north to northeast-trending faults zones, including the Productora fault zone, which coincides with the main mineralised trend. These faults are likely sympathetic to the nominally parallel but distal Atacama fault system. In the Productora deposit, these major fault zones are commonly associated with extensive tectonic breccia (damage zones) that host copper-gold-molybdenum mineralisation. Later faults cross-cut and offset the volcano-sedimentary sequence together with the Productora (and sub-parallel) major faults. Late faults generally show a west to north-westerly strike and while generally narrow, are locally up to 20 m wide.

The volcano-sedimentary sequence at Productora is extensively altered, particularly along major faults and associated damage zones, and a distinctive alteration zonation is evident. The distribution of alteration mineral assemblages and spatial zonation suggest a gentle northerly plunge for the Productora mineral system, disrupted locally via vertical and strike-slip movements across late faults. These late faults appear to be trans-tensional and nominally normal to the distal Atacama fault system.

Mineralisation at the Productora deposit is structurally controlled, hosted within a hydrothermal tourmaline breccia unit, with predominantly sub-vertical mineralisation.

At depth, the Productora mineralisation is hosted in narrow (~2 to 5 m), north to northeast trending, sub-vertical lodes, blowing out into wider high-grade mineralised zones near the upper surface of the tourmaline breccia. The wider brecciated zones vary in orientation but tend to be sub-vertical with an upper flex in wider mineralised zones to dip approximately 70° west. There are also some locally steeply east dipping high grade zones (e.g. Habanero lode).

Secondary and relatively lower-grade ore controls are evident as manto (or manto-like) horizons in the southern, far northern and far eastern flanks of Productora. Lodes within the manto horizons are typically shallow dipping at -20° to -30° to the east or west and enclosed by lower grade mineralisation.

The Alice porphyry is located immediately beneath an extensive, pyrophyllite-rich advanced argillic lithocap, with a porphyry stock of quartz diorite to granodiorite composition, characterised by biotite and hornblende phenocrysts. The mineralisation at Alice is hosted in a northeast trending dyke-like porphyry with sheeted and stockwork A and B-type quartz veinlets, within additional locally disseminated background mineralisation. Highest grade mineralisation is associated with alteration overprinting, with replacement of the biotite-altered porphyry by quartz, actinolite, chlorite and magnetite.

The margins and deeper parts of the stock, have been overprinted by albite ± epidote ± sericite alteration, causing destruction of biotite, removal of chalcopyrite and a reduction in pyrite.

Cortadera

Cortadera is a Cu-Au-Mo Porphyry hosted deposit, comprising a series of mineralised centres (Cuerpo 1, 2 and 3) within a structural corridor.

The Cortadera deposit is characterised by early- and intra-mineralisation, porphyritic tonalitic to quartz dioritic intrusions and adjacent volcano-sedimentary wall-rocks that have been recrystallised to hornfels and skarn. Hydrothermal alteration consists of moderate to strong phyllic (+chloritic) alteration, characterised by quartz/ silica, sericite and lesser amounts of chlorite.

Chalcopyrite occurs as disseminations of variable intensity within the porphyritic host rocks, particularly in association with stockwork A veins. There is a clear correlation between increased percentage of quartz-bearing stockwork veining and sulphide content with elevated copper-gold grades.

Vein systems at Cortadera are typical of those found within porphyry-style mineralised systems. Early quartz-rich veins observed at Cuerpo 1 and Cuerpo 2 exhibit unidirectional solidification textures (UST) that are commonly associated with relatively high-temperatures during vein emplacement. Veins formed subsequent to UST veins comprise quartz rich A-veins (chalcopyrite- pyrite± magnetite), banded MAB veins (quartz-magnetite-chalcopyrite-pyrite) and B-veins (molybdenite), cut by sericitic/ chlorite C-veins (pyrite-chalcopyrite), D-veins (quartz-pyrite-sericite) and late calcite-bearing fractures. Anhydrite is locally present within some of the B and C veins.

Chalcopyrite also occurs as disseminations of variable intensity within the porphyritic host rocks, particularly in association with stockwork A veins. There is a very clear correlation between increased percentage of quartz-bearing stockwork veining and sulphide content with elevated copper-gold grades.

Exploration

Productora

An extensive data compilation and validation exercise was performed by Hot Chili in 2010. Historical data was collected from several sources including hard copy reports, published TSX announcements, and both hard copy and digital maps. Ground reconnaissance was also completed.

Several detailed litho-structural mapping campaigns by Hot Chili allowed compilation and validation of geological information along the Productora main mineralised zone. This work showed that the mineralisation at Productora is hosted within relatively permeable units of a felsic-intermediate volcanic sequence. The mineralisation was evident in a series of permeable units and fault-controlled disseminations and breccia that trend N-S, E-W and NW-SE. Jogs and intersections between fault sets as well as between faults and permeable volcanic units appeared to have assisted the mineralisation process.

Geochemical sampling demonstrated that significantly elevated Cu-Au-Mo grades, together with other elevated pathfinder elements, were evident within soils. In particular Mo in soils appeared to define an anomaly immediately above the Productora mineralisation. Where uranium assays were elevated, uranium showed an association with copper, silver, molybdenum, gold and cobalt. Zones dominated by albite versus K-feldspar-sericite alteration were defined, with Cu-Au being associated with the K-feldspar-sericite alteration and magnetite being associated with the albitic alteration zones. These results were consistent with earlier petrographic work completed by Fox (2000).

Cortadera

Following execution of the Cortadera option agreement in February 2019, Hot Chili undertook a Resource drill-out focussed on extending and in-filling previously defined mineralisation. Drilling was successful in improving geological understanding, growing the deposit size, and discovering a bulk-tonnage high grade zone at Cortadera.

Drilling

Productora

All drilling and assay results used for the Productora and Alice Mineral Resource estimates were generated by Hot Chili exploration and Resource development drilling programmes conducted between 2010 and 2015.

Drilling completed at Productora used a nominal drill pattern of 80 m spaced east-west sections, with drilling approximately 40 m apart along section. This allowed optimal drill orientation for intersection of the north-northeast trending mineralisation. The majority of drilling plunged -60 to -80° toward 090° azimuth, but there were numerous scissor drillholes oriented at -60 to -80° degrees towards an azimuth of 270° to ensure geological representivity and to also preferentially target east dipping mineralisation. Drilling off section or plunging in or out of sections ("off section") was required on an ad-hoc basis due to limitations on drill platform availability or were designed to preferentially test specific structural orientations.

The nominal spaced drill pattern is consistent to a depth of approximately 300 m vertical from surface.

The Alice drilling also used a similar pattern, but due to limited pad availability had an increased number of "off section" drilling.

The downhole surveying at Productora has been completed by contracting companies Wellfield and North Tracer. Wellfield undertook downhole surveys from the beginning of Hot Chili drilling until May 2013. North Tracer undertook downhole surveys from May 2013 onwards. There was some overlap of surveying companies during the transition period.

Down-hole survey validation checks were completed by subsequent umpire survey checks as well as within-company resurveys. Results from resurveys and cross-company checks provided a good correlation between the two companies as well as within-company resurveys and provides confidence in the survey data for the drill holes used for resource estimation.

Geological logging was recorded in a systematic and consistent manner such that the data was able to be interrogated accurately using modern mapping and geological modelling software programs. Field logging templates were used to record details related to each drillhole. All geological logging was completed by qualified and experienced company geologists. Collar, survey, sample register and sample condition, sample recovery data or comments (and commonly magnetic susceptibility) were recorded by a competent field technician.

All RC holes were logged using the standard company logging codes, and washed chip samples were stored in chip trays retained at the company's operational storage facility in Vallenar. All diamond drill core was subjected to detailed lithological and structural logging.

Geological attributes logged in RC chips includes colour, weathering/oxidation, regolith, lithology, veining, alteration assemblages and their intensities, texture, mineralogy and sulphides and their percentages.

Core reconstruction and orientation was attempted in every drilling run and completed where possible before marking up or logging core.

Geological attributes logged in diamond core includes the same attributes as RC drilling, and additionally the following structural attributes:

- Linear structures (e.g. lineations)
- Planar structures (e.g. shears, veins, dykes, faults, cleavage, joints/fractures, schistosity)
- Preliminary geotechnical features such as RQD and FPM.

A total of 2,164 bulk densities were available for the Productora Resource estimate, and 74 for the Alice deposit.

One in every five samples of diamond drill core was submitted for bulk density analysis as performed by ALS (ALS Code OA-GRA09). Every sample that ends in a "5" or a "0" is labelled with the words "Density test".

The test work was undertaken on an approximate 10 cm piece of core taken from the designated sample bag and is used to determine the bulk density for the 1 m interval. The bulk density test consists of using the Archimedean water submersion method of analysis.

Pycnometer density data was generated due to the predominance of RC drilling over diamond drilling at Productora. Pycnometer tests were completed at a rate of one in 20 samples for most of the Hot Chili drilling.

A total of 4,966 sample pulp pycnometer densities were available for the Productora deposit Resource estimation.

Cortadera

Drilling completed by Hot Chili between February 2019 and July 2020 comprises 32 RC holes and 11 Diamond Drill (DD) holes for a total of 10,126 m of RC and 7,064.4 m of DD. Drilling completed prior to Hot Chili securing the deposit, comprises 39 DD holes for 23,230.85 m of diamond drilling, with this earlier drilling successful in defining three mineralised porphyry orebodies (Cuerpo 1, 2 and 3).

Drill spacing is nominally 80 m across strike by 80 m along strike. The current drilling density provides sufficient information to support a robust geological and mineralisation interpretation as the basis for Indicated and Inferred Classified Mineral Resources for the majority of the drill-defined deposit.

The Cortadera MRE used a total drill inventory of 82 holes for a cumulative 40,421.25 m (10,126 m of RC and 30,295.25 m of DD), with drill data collected during the period from November 2011 to July 2020, using industry standard techniques for drilling and sampling collection.

Since July 2020, Hot Chili has completed over 40,000m of additional diamond and RC drilling to continue growing and defining the Cortadera ahead of a planned resource upgrade in Q1 2022.

Sampling, Analysis and Data Verification

Productora

A fixed cone splitter was used to create two nominal 12.5% samples (Sample "A" and "B"), along with the large bulk reject sample. The "A" sample is always taken from the same sampling chute, and comprises the primary sample submitted to the laboratory. The "B" samples were retained for use as the field duplicate sample. The coarse residues were collected into large plastic bags and were retained on the ground near the drillhole collar, generally in rows of 50 bags.

All RC drillhole sampling was executed at one metre intervals. Within logged mineralisation zones, the 1 m sample ("A" sample) was submitted. Outside the main mineralised zones (as determined by the logging geologist), 4 m composite were created from scoops of 1 m sample residues over this interval. The composited 4 m samples were analysed first and if required, the individual and original 1m "A" samples comprising this 4 m interval were sent for analysis. This ensured that no mineralisation was missed while minimising analytical costs.

At Productora, the majority of diamond core has had systematic whole core sampled at one metre intervals. Whole core was chosen as the preferred sampling method to ensure a larger and more representative sample for analysis. This was based upon the nature of the porous and brecciated mineralisation. Some core has been half cored or completely retained for geological reference.

At Alice, all diamond core was systematically half core sampled at one metre intervals. The decision to retain half core was based upon a generally more homogenous style of mineralisation and, typically, more coherent core samples. The retained half core is available for future reviews, QA/QC sampling and geological reference.

Once assigned a sample number, individual samples to be sent to ALS laboratories were sealed using a staple gun and accompanied by three identical sample tickets (one stapled to plastic bag to identify any tampering/breakage of seal prior to opening at the laboratory in preparation and another placed in the bag). Any broken staple seals on samples were to be notified by ALS to Hot Chili. No sealed bags were reported as being opened or broken by ALS.

For both RC and diamond samples, sample bags were placed inside larger plastic bags and delivered by a dedicated truck to the ALS analytical laboratory in Coquimbo (Chile) for sample preparation and routine analysis.

Following analysis at ALS, the RC and diamond drilling coarse rejects were returned to site and stored in sequence in plastic bags under shade cloth next to the La Productora site camp. The laboratory pulps were returned and stored at the Hot Chili site camp and stored in organised, dry and safe storage containers.

Hot Chili has strict chain of custody security procedures for all samples sent to and from the analytical laboratories.

The ALS analytical laboratory in Coquimbo (Chile) and Lima (Peru), completed all analytical assays and specific gravity test work for the Productora samples used in this Resource estimate.

Periodic inspections of the laboratory facilities and meetings with ALS staff have been conducted since drilling commenced at Productora. Inspections of the laboratory facilities have found them to be of a suitable standard. Any concerns Hot Chili may have had regarding laboratory practices or equipment, or unexpected results, has been openly discussed with ALS and rectified at the earliest opportunity.

Cortadera

A fixed cone splitter was used to create two nominal 12.5% samples (Sample "A" and "B"), along with the large bulk reject sample. The "A" sample is always taken from the same sampling chute, and comprises the primary sample submitted to the laboratory. The "B" samples were retained for use as the field duplicate sample. The coarse residues were collected into large plastic bags and were retained on the ground near the drillhole collar, generally in rows of 50 bags.

All RC drillhole sampling was executed at two-metre intervals. Within logged mineralisation zones, the 2 m sample ("A" sample) was submitted. Outside the main mineralised zones (as determined by the logging geologist), 4 m composites were created from scoops of 2 m sample residues over this interval. The composited 4m samples were analysed first and, if required, the individual and original 2 m "A" samples comprising this 4 m interval were sent for analysis. This ensured that no mineralisation was missed while minimising analytical costs.

At Cortadera, the majority of diamond core has had systematic half-core sampled at two-metre intervals. Half-core was chosen as the preferred sampling method to ensure a representative sample was submitted for analysis, while also retaining half-core for review of lithology and mineralisation, and for further test work as required.

Prior to the cutting and sample process, two additional samples are also taken for Cortadera being Density and Geotechnical samples.

- Density samples are selected every 30 m if the geological conditions allow it and are provided to the laboratory for testwork.

- Geotechnical samples are taken for tests including triaxial (one sample per 250 m) and uniaxial tests (one sample per 50 m).

Once assigned a sample number, individual samples to be sent to ALS laboratories were sealed using a staple gun and accompanied by three identical sample tickets (one stapled to plastic bag to identify any tampering/breakage of seal prior to opening at the laboratory in preparation and another placed in the bag). Any broken staple seals on samples were to be notified by ALS to Hot Chili. No sealed bags were reported as being opened or broken by ALS.

For both RC and diamond samples, sample bags were placed inside larger plastic bags and delivered by a dedicated truck to the ALS analytical laboratory in Coquimbo (Chile) for sample preparation and routine analysis.

Following analysis at ALS, the RC and diamond drilling coarse rejects were returned to site and stored in sequence in plastic bags under shade cloth at Hot Chili's nearby Productora core farm. The laboratory pulps were returned and stored at the Productora core farm where they are stored in organised, dry and safe storage containers.

Hot Chili has strict chain of custody security procedures for all samples sent to and from the analytical laboratories.

The ALS analytical laboratory in Coquimbo (Chile) completed all sample preparation and specific gravity test work, while ALS Santiago (Chile) completed all gold analysis, and ALS Lima (Peru) completed all other multielement analysis for the Cortadera assays used in the resource estimate. Hot Chili has implemented rigorous sample preparation and analytical procedures for both RC and diamond core samples, following consultation with ALS in Chile, to ensure that mineralised assays were reported with a high degree of confidence and a wide range of appropriate commodities were assessed.

Samples have been analysed by certified laboratories in Chile and Lima, Peru by standard analytical techniques including:

- Copper, silver and molybdenum were analysed by 4-acid digestion (Hydrochloric-Nitric- Perchloric-Hydrofluoric) followed by evaluation using Inductively Coupled Plasma - Optical Emission Spectrometry (ICP-OES) or Atomic Absorption Spectrometry (AAS)

- Copper results > 10,000 ppm were analysed by "ore grade" method Cu-AA62 (upper limit 40% Cu)

- Samples within the oxide and transitional weathering domains (as determined by geologists' logging) were analysed for "soluble copper" (upper limit 10% Cu) to detect the leachability of copper oxide minerals within these domains

- Gold was analysed by 30 or 50 g lead-collection Fire Assay, followed by ICP-OES or AAS

Hot Chili has implemented rigorous sample preparation and analytical procedures for both RC and diamond core samples, following consultation with ALS in Chile, to ensure high-grade assays were reported with a high degree of confidence and a wide range of appropriate commodities were assessed.

The results from Hot Chili's QA/QC analysis as well as RC vs. Diamond drillhole twinned analysis provides a high level of confidence in the precision and accuracy of the assays used for the Resource estimations.

The sample lengths, preparation and assay techniques are considered suitable for the styles of mineralisation and deposit types.

The verification of input data included the use of company QA/QC blanks and reference material, field and laboratory duplicates, umpire laboratory checks and independent sample and assay verification.

The Qualified Person has assessed the drillhole database validation work and QA/QC undertaken by Hot Chili and was satisfied the input data could be relied upon for the estimation of the Mineral Resources.

Mineral Processing and Metallurgical Testing

Cortadera

The metallurgical test work undertaken on two samples (high- and low-grade) supports processing of the Cortadera sulphide ore using the same conventional concentrator flowsheet assessed for the Productora ore.

Following these initial positive results, the next phase of test work will be directed towards grind size optimisation, cleaner flotation and locked-cycle test work in advance of assessing the commercial grade of copper concentrates that may be produced from Cortadera.

Productora Testwork

Productora has had considerable metallurgical test work completed, and it was considered appropriate to consider the elements of copper, gold, molybdenum and silver as economically material for Resource classification and reporting.

Metallurgical testwork was conducted on the copper-gold-molybdenum sulphide ore as well as copper oxide ore, with the aim of providing design criteria for the sulphide and oxide process plants and to provide metallurgical recoveries.

The testwork was conducted at ALS Laboratories; ALS Perth, Australia (flotation and comminution testwork) and ALS Santiago, Chile (leaching and comminution testwork), Outotec in Perth, Australia (sulphide concentrate thickening and filtration), and HydroGeoSense (oxide testwork) in the United States of America.

Figure 11 depicts the location of metallurgical drilling in relation to deposit areas and metallurgical domains.

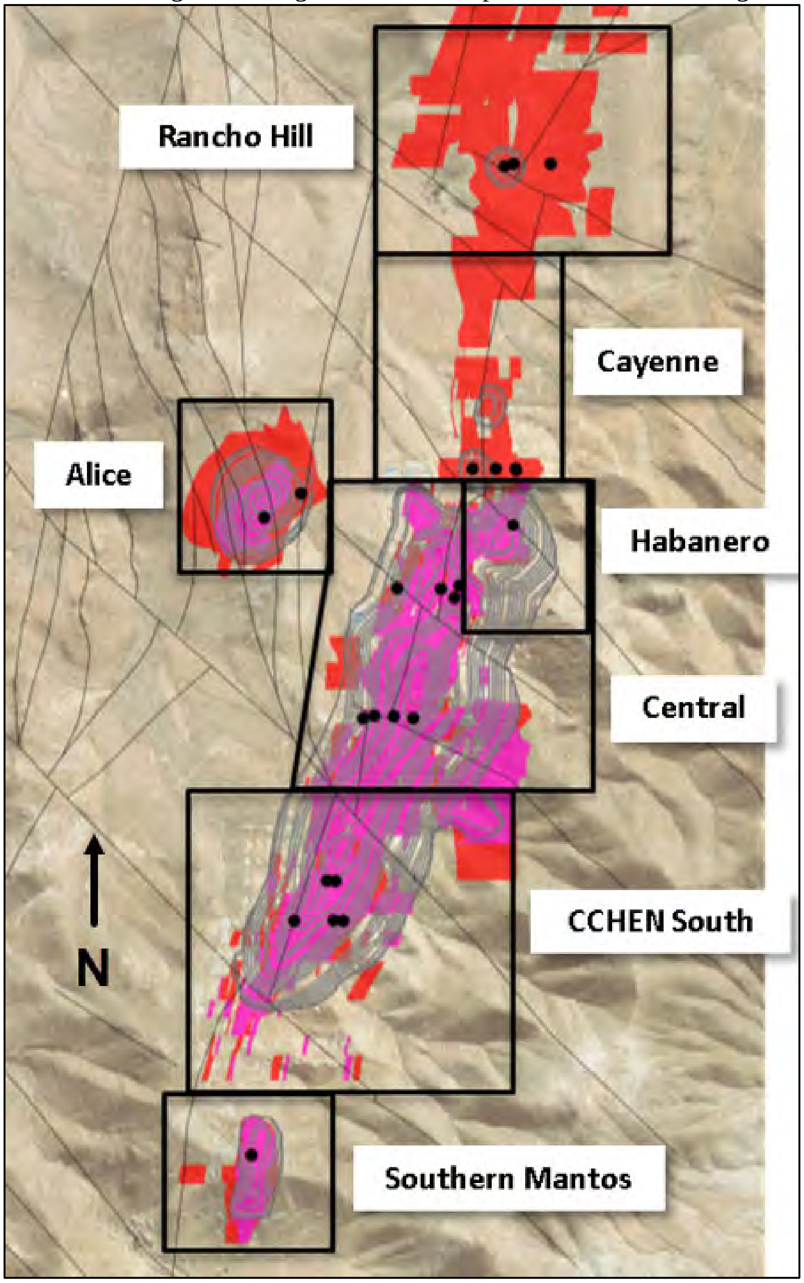


Figure 11 Metallurgical drillhole locations and metallurgical domains

Productora Copper Oxide Recoveries

The overall design copper recovery for ore greater than 0.2% Cu is 56%, based on interpretation of bottle roll and 1 m column tests on various ore zones (ranging from 46% to 71% Cu recoveries). The head grade/recovery relationship for oxide ores in Productora, Alice and Southern Mantos deposits is shown in Figure 12.

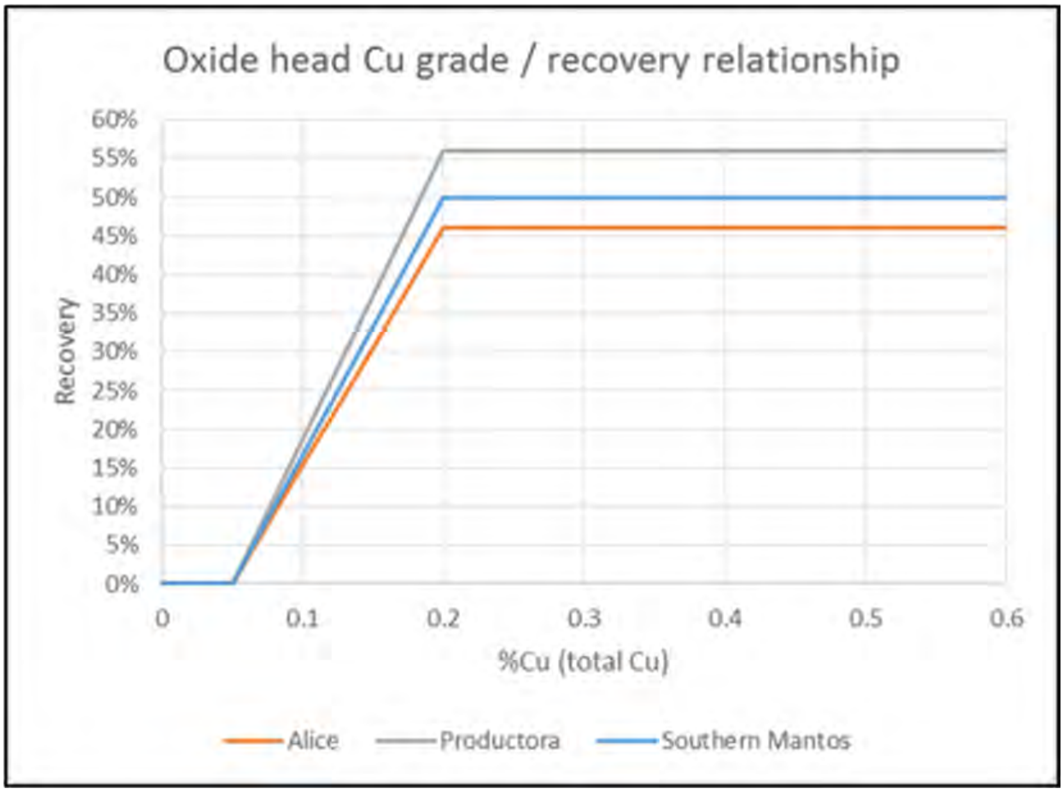


Figure 12 **Heap leach recovery vs Head grade**

Major conclusions from the copper oxide testwork include:

- The major oxide minerals present in the majority of samples are slow leaching copper bearing silicates and chrysocolla.
- There is significant benefit in utilising seawater as, when acidified, it has the potential to allow for the leaching of secondary sulphides such as chalcocite and digenite, which are the main secondary sulphides present in the oxide/transition ore types. However, the leaching kinetics of these secondary sulphides is slow and due to competing acid consumption, the leaching of these minerals is incomplete.
- Generally, the host rock presents an environment of reasonably high acid consumption and a number of test samples required leaching to be terminated due to excessive acid consumption.
- The bottle roll tests have provided (in most cases) good guidance for conditions for column leaching and an indication of likely copper recovery and acid consumption characteristics.
- The 1 m column tests provided good guidance with regards to data required for the PDC and subsequent "scale-up".
- The stacking and hydrodynamic column testwork confirmed that the agglomerated ores tested will support percolation heap leaching at the stack heights and application rates provided in the PDC.

Productora Sulphide Mineralogy

QEMScan results for the Productora deposit Central and Habanero zone samples (in-pit and fresh) showed chalcopyrite as the main copper sulphide bearing mineral and pyrite as the other main sulphide mineral. The main non-sulphide minerals are K-feldspar, quartz and mica, with chlorite, kaolinite and tourmaline present in some samples.

For the Alice deposit, chalcopyrite is the only dominant Cu-bearing mineral, with only traces of other Cu minerals detected (a couple of grains of Cu-(Zn) oxide, covellite and chalcocite/digenite). Pyrite is the dominant sulphide gangue. The main non-sulphides are quartz, albite, plagioclase feldspar, micas, chlorite and epidote.

Productora Sulphide Comminution

Comminution testwork was performed at the ALS Metallurgy Santiago and Perth laboratories.

The comminution testwork results which are summarised in Table 8, showed that the samples tested displayed medium to medium high competency and require moderate to high grinding energies. The Abrasion index (Ai) results indicated average abrasiveness, which would result in relatively moderate ball and liner consumptions. Alice ore material seems to be harder and tougher than material from the main pit.

Comminution parameter	Average	Minimum value	Maximum value
CWi (kWh/t)	7.4	2.1	12.4
BWi (kWh/t)	18.1	14.8	23.1
RWi (kWh/t)	22.6	19.6	26.7
Ai	0.27	0.11	0.43
Axb	48.0	31.3	78.0
DWi (kWh/m^3)	7.4	4.6	9.6
UCS	51.6	14.5	111.8
SG (kg/m3)	2.65	2.07	3.01

Table 8 Comminution testwork results – all samples

Following a trade-off study, the comminution circuit selected for the sulphide concentrator is Primary Crushing followed by SAG and ball milling with recycle crushing – Primary SABC.

Comminution circuit modelling for the project was undertaken by DMCC Pty Ltd (four grind sizes of 106 µm, 125 µm, 150 µm and 180 µm were modelled). A 150 µm design grind was selected as the optimum grind for the Productora ore and 180 µm for the Alice ore.

Productora Sulphide Flotation

A large program of flotation testwork was conducted on the Productora and Alice deposits. Testwork was based on a standardised flowsheet and reagent scheme. The scheme used RTD2086 (Xanthate Ester supplied by Tall Bennett) at a natural pH (~pH 8) with two stages of cleaning and a 25 µm regrind. Seawater (as received) was used.

A target copper grade for the final concentrate was 25% Cu and optimisation testwork included the following:

- Primary grind size.
- Reagent dosage.
- Flotation time.
- Alternate reagents.
- Diesel addition for increased molybdenum flotation.
- Seawater vs. tap water.

Productora Sulphide Flotation Copper Performance

Copper head grade vs. copper recoveries achieved from the optimisation testwork, are depicted in Figure 13.

- For the Central in Pit samples, the correlation for head grade vs. recovery was very good and had an R2 of 0.89.
- For the Alice samples, recoveries are potentially higher, however, with only three samples, there is not enough data to state this with confidence.
- For the transitional sulphides (>20% Acid Soluble Copper), a separate grade recovery curve was determined. The grade recovery curve gave on average 18% lower recoveries compared to the Central Fresh in Pit curve.
- Cayenne sample results were similar to Productora, with a potentially slightly lower overall copper recovery.
- The Habanero zone may have a potentially higher recovery than the Central zone, although with only three samples, there is insufficient data to produce a separate head grade vs. recovery formula.

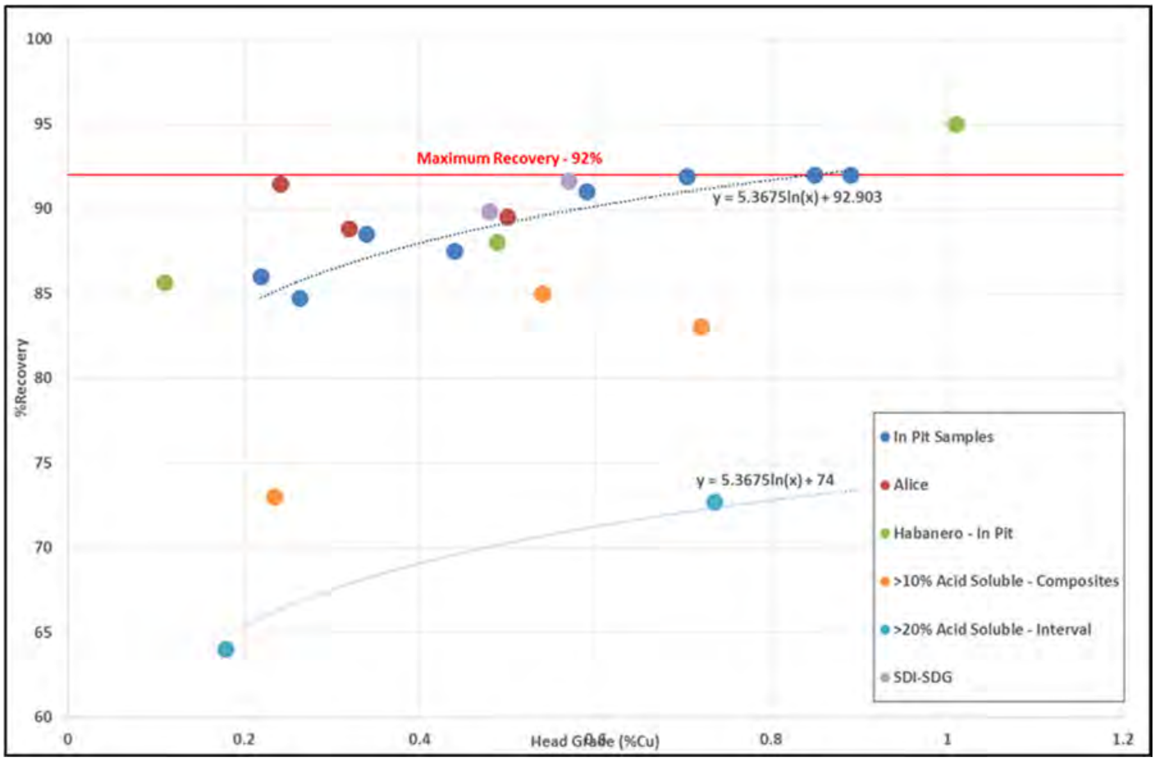


Figure 13 Copper head grave vs Cu recovery

Productora Sulphide Flotation Gold Performance

Gold head grade vs. gold recoveries can be seen in Figure 14.

- As for the copper, a line of best fit was determined for the Central in Pit Fresh zone. The formula derived for this line is shown on the figure above.
- This formula was also applied to the >10% Acid Soluble samples and for all samples a maximum recovery was set at 85%.
- For Alice, gold recoveries were higher than for Productora. The grade/recovery formula derived for Alice is shown on the figure above.

As can be seen in Figure 14, Habanero composites gave a very low gold recovery compared to other Productora samples. More samples need to be tested from Habanero to confirm both copper and gold performance.

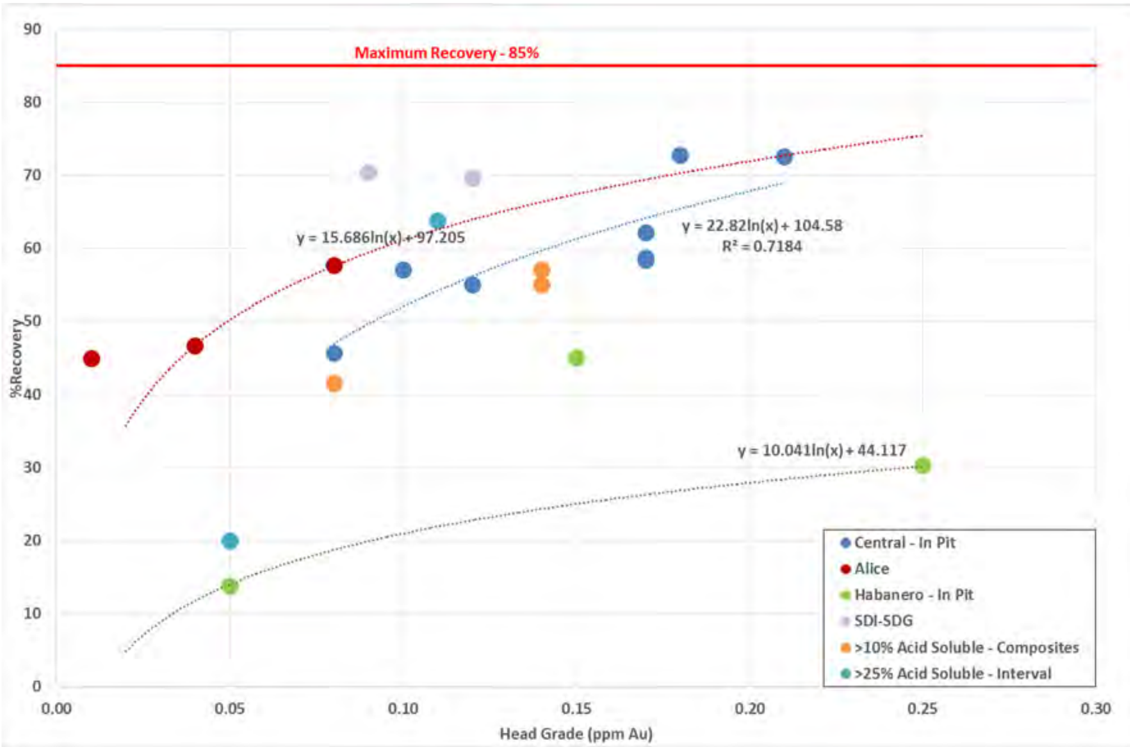


Figure 14 Gold head grade vs Recovery

Productora Molybdenum Metallurgical Testwork

A specific molybdenum testwork program was conducted to determine if a molybdenum concentrate greater than 50% Mo could be produced. Molybdenum recoveries for each flotation sample were also determined and a relationship established. Molybdenum flotation was not fully optimised in either the copper circuit or the molybdenum circuit.

From the batch flotation open cleaners and locked cycles, molybdenum recoveries were determined for each composite for a 25% copper concentrate. Recovery data was tabulated and graphed and a formula was derived (best fit) namely *"16.886ln(x) – 29.974" for* the Central zone. The graph of molybdenum grade versus molybdenum recovery to copper concentrate is depicted in Figure 15. A constant factor of 90% has then been applied to the recovery to copper concentrate to represent the extraction efficiency in the Mo recovery plant.

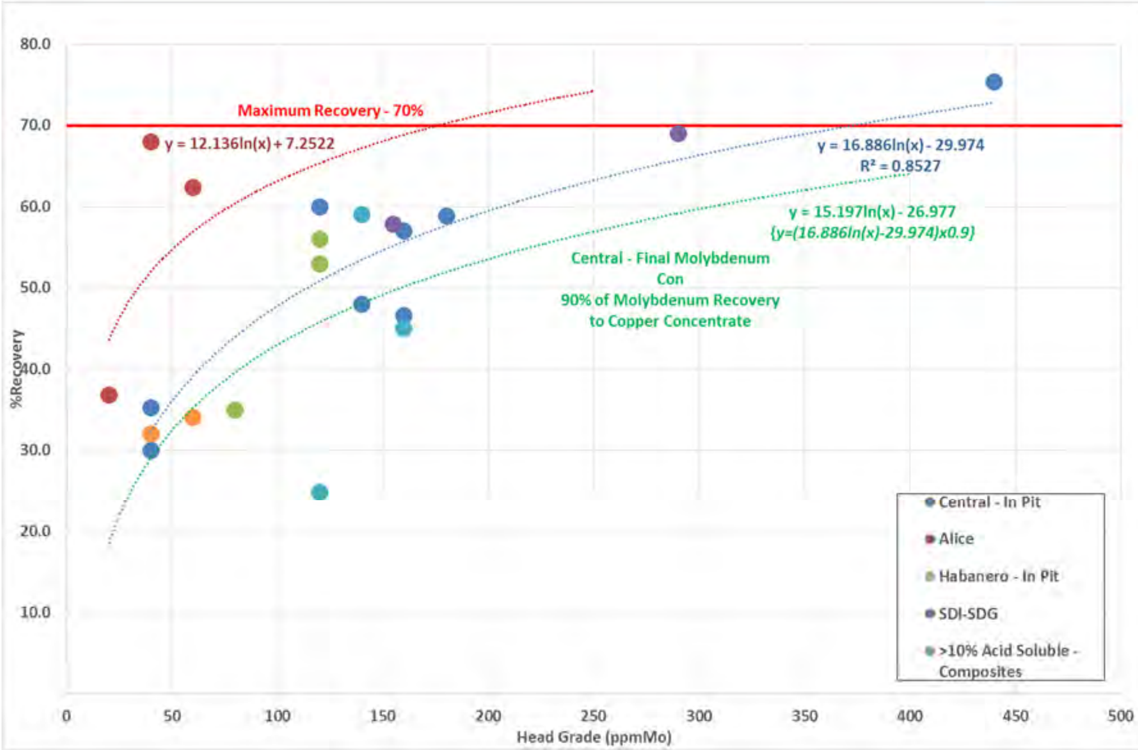


Figure 15 Molybdenum head grade vs Recovery

The metallurgical test work undertaken supports processing of the Cortadera sulphide ore using the conventional concentrator at Productora.

Rougher sulphide flotation results indicate high copper recoveries and similar crushing/grinding characteristics to that used for Productora. This confirms the strategy that Cortadera and Productora be fed into a single conventional processing facility.

Following these initial positive results, the next phase of test work will be directed towards grind size optimisation, cleaner flotation and locked-cycle test work in advance of assessing the commercial grade of copper concentrates that may be produced from the Cortadera ore.

Mineral Resource Estimates

Estimation of the main grade variables (copper, gold and molybdenum) was competed using ordinary block kriging within manually interpreted ore domains. Ore domains were interpreted using geological constraints and a copper cut off grade.

Extensive validation was completed on the Resource estimations, including internal company peer review and independent audit reviews.

Classification took into consideration data spacing and quality, geological understanding, grade continuity and output information from the grade estimation.

The Mineral Resource summary for the Costa Fuego Project is presented in the following tables.

Table 9 Productora Mineral Resource Summary (using +0.25% CuEq cut-off grade), 28th October 2021

Productora Total Resource		Grade				Contained Metal			
Classification (+0.25% CuEQ*)	Tonnes (Mt)	CuEQ (%)	Cu (%)	Au (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
Measured	0	0	0	0	0	0	0	0	0
Indicated	208	0.54	0.46	0.10	140	1,122,000	960,000	643,000	29,200
M+I Total	**208**	**0.54**	**0.46**	**0.10**	**140**	**1,122,000**	**960,000**	**643,000**	**29,200**
Inferred	**67**	**0.44**	**0.38**	**0.08**	**109**	**295,000**	**255,000**	**167,000**	**7,200**

Reported at or above 0.25% CuEq. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with CIM and NI-101. Metal rounded to nearest thousand, or if less, to the nearest hundred.*

Copper Equivalent (CuEq) reported for the resource were calculated using the following formula:: CuEq% = ((Cu% × Cu price 1% per tonne × Cu_recovery)+(Mo ppm × Mo price per g/t × Mo_recovery)+(Au ppm × Au price per g/t × Au_recovery)+ (Ag ppm × Ag price per g/t × Ag_recovery)) / (Cu price 1 % per tonne). The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%

Table 10 Cortadera Mineral Resource Summary – reported by classification (28th October 2021) and by open pit (top), underground (middle) and total (bottom)

Cortadera OP Resource		Grade					Contained Metal				
Classification (+0.25% CuEQ*)	Tonnes (Mt)	CuEQ (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Measured	0	0	0	0	0	0	0	0	0	0	0
Indicated	135	0.47	0.38	0.15	0.66	32	635,000	513,000	650,000	2,865,000	4,300
M+I Total	**135**	**0.47**	**0.38**	**0.15**	**0.66**	**32**	**635,000**	**513,000**	**650,000**	**2,865,000**	**4,300**
Inferred	**100**	**0.44**	**0.35**	**0.14**	**0.65**	**45**	**440,000**	**350,000**	**450,000**	**2,090,000**	**4,500**

Cortadera UG Resource		Grade					Contained Metal				
Classification (+0.25% CuEQ*)	Tonnes (Mt)	CuEQ (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Measured	0	0	0	0	0	0	0	0	0	0	0
Indicated	48	0.55	0.44	0.15	0.87	73	264,000	211,000	232,000	1,343,000	3,500
M+I Total	**48**	**0.55**	**0.44**	**0.15**	**0.87**	**73**	**264,000**	**211,000**	**232,000**	**1,343,000**	**3,500**
Inferred	**167**	**0.44**	**0.35**	**0.11**	**0.68**	**90**	**735,000**	**585,000**	**591,000**	**3,651,000**	**15,000**

Cortadera Total Resource		Grade					Contained Metal				
Classification (+0.25% CuEQ*)	Tonnes (Mt)	CuEQ (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Measured	0	0	0	0	0	0	0	0	0	0	0
Indicated	183	0.49	0.4	0.15	0.7	43	905,000	728,000	889,000	4,227,000	7,900
M+I Total	**183**	**0.49**	**0.4**	**0.15**	**0.7**	**43**	**905,000**	**728,000**	**889,000**	**4,227,000**	**7,900**
Inferred	**267**	**0.44**	**0.35**	**0.12**	**0.7**	**73**	**1,181,000**	**935,000**	**1,022,000**	**5,633,000**	**19,400**

Reported at or above 0.25% CuEq. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with CIM and NI 43-101. Metal rounded to nearest thousand, or if less, to the nearest hundred.*

Copper Equivalent (CuEq) reported for the drill holes were calculated using the following formula: CuEq% = ((Cu% × Cu price 1% per tonne × Cu_recovery)+(Mo ppm × Mo price per g/t × Mo_recovery)+(Au ppm × Au price per g/t × Au_recovery)+ (Ag ppm × Ag price per g/t × Ag_recovery)) / (Cu price 1% per tonne). The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. Average Metallurgical Recoveries used were: Cu=83%, Au=56%, Mo=82%, and Ag=37%

Hot Chili was responsible for all data verification, geological and mineralisation interpretation, and three dimensional surface creation.

Work completed by Hot Chili was peer reviewed prior to block model Resource estimation and classification by Elizabeth Haren of Haren Consulting. Ms Haren completed all aspects of geostatistical analysis, variography modelling, and were responsible for determination of all parameters for the block model and resource estimation.

The Mineral Resource Estimation process included:

- Statistical analysis of the composites, within appropriate mineralisation domains
- Compositing of the drilling results to 2 m lengths
- Top-cut and variographic analysis within mineralisation and weathering domains, as appropriate

- Volume modelling within mineralisation domains, taking into consideration drill spacing, mineralisation continuity and potential mining methods

- Estimation of a grade model via ordinary block kriging within resultant estimation domains, using both soft and hard boundaries to reflect geological understanding

- Assignment of density using fresh density data, within estimation domains, fresh density data was discounted by 10% for transitional and 20% for oxide (owing to the lack of density data for the oxide and transitional material)

- Validation of the estimated grades using visual and statistical analysis, swath and QQ plots and analysis of estimation produced variables such as Kriging Efficiency and Slope of Regression

A range of criteria were considered in determining the Resource Classification, including:

- Geological and grade continuity between drillholes

- Drillhole spacing

- Proposed high-tonnage mining method

- Three dimensional (3D) surfaces to define the limits of Indicated and Inferred material

- 3D surfaces to define an open pit and underground mining shapes (under optimistic long-term copper prices)

Where significant extrapolation occurred, or the material was located outside the open pit shell or underground stope shapes, the mineralisation was categorised as Unclassified. The lack of density information for oxide and transitional material means that these domains have only been classified as Inferred.

There are currently no known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors which could affect the Mineral Resource estimate.

No Mineral Reserve has been determined for the Costa Fuego Project on or before the submission date.

Environmental

The Environmental Impact Assessment (EIA) of the Project will be submitted for approval using the Environmental Impact Assessment System (EIA System) that is currently being applied in Chile.

The environmental baselines describe the condition of relevant environmental components that may be affected by the Project. Baselines for the Project included the following activities:

- Multiple baseline campaigns (covering the Project area and all associated infrastructure areas) of around 11,000 ha have been covered since 2012. For seasonal baselines like flora and fauna, four campaigns have been organised to cover passive and active season's changes.

- The list of non-seasonal baselines comprises 19 components such as archaeology, landscape, palaeontology, human environment, geomorphology, natural risks, etc.

- Main findings in the Project area refer to flora and fauna species under conservation status, archaeology findings with high value and the presence of some families living at the Project.

The Company interacts with many regional and local stakeholders who have an interest in the Project. The stakeholder engagement plan is divided in two sections to cover firstly the consultation of key stakeholders and secondly the community development issues. Key stakeholders have been identified in the three concerned districts: Vallenar, Freirina and Huasco. The outcomes of this exercise will be used as the basis to create a stakeholder engagement plan.

The process to assess the environmental impacts of the Project utilised a methodology comprising three stages:

1. Identification of impacts in relation to the activities and project works

2. Impacts evaluation

3. Impacts ranking.

The outcome of the assessment process identified four significant impacts that require special attention. The generation of those impacts is briefly described below:

- Alteration and/or loss of terrestrial flora and vegetation
- Alteration and/or loss of habitat for fauna
- Significant changes in the livelihood of human groups
- Alteration of archaeological sites with high value.

Exploration, Development and Production

Productora Pre-Feasibility Study

The 2016 Productora PFS recommended that the Productora project be advanced to a bankable Productora project business case for facilitating the decision to proceed with project implementation and associated funding activities. Such a feasibility study would optimise the base-case developed by this Productora PFS through additional field work, testwork, engineering studies, capital and operating cost estimates and financial analysis.

With the addition of Cortadera, located just 14 km from Productora, the Resource base of the combined project deposits –The Costa Fuego Project – has effectively tripled.

The Costa Fuego Project PFS commenced in June 2021 and is expected to benefit from existing site layout design, regulatory permitting, a maritime concession for water rights, and critical infrastructure easement accesses (water pipeline and power) originally secured for the Productora PFS. The Costa Fuego Project PFS will consider a concentrator and leach throughput range of 20Mtpa to 30Mtpa and is expected to be complete in the second half of 2022.

Work Programme

Based on the results of the 2021 Mineral Resource estimates, it is recommended that the Costa Fuego Project be advanced to the Pre-feasibility stage. Following positive results to the outcome of this work, a Feasibility study would then be recommended.

The estimated work programme budget for the next 18 months within the Project area is summarised below

Work Programme	**Cost (USD)**
Environmental Costs - Cortadera	200,000
Cortadera Resource Development Drilling	6,620,000
Regional Targets Drilling and Assaying	7,350,000
Cortadera Geotechnical and Metallurgical Drilling and Assaying	900,000
Development Studies – Mining, Metallurgy, Geotechnical and Environmental	2,950,000
Total	**18,020,000**

Environmental costs relate to drill permitting requirements that include ongoing palaeontology and archeology surveys and coincident fauna and flora relocation during track and drill pad construction. The budgeted expenditure is USD$200,000 for environmental related costs.

The drilling and assaying activities encompass access track and drill pad construction, a combination of reverse-circulation and diamond-core drilling as appropriate and assaying the resultant drill chips or half-core. The anticipated mixture of drilling is 55% diamond-core but will be adapted to conditions.

Drilling to test regional targets will determine if targets within the range of the Costa Fuego development can be incorporated. A minimum regional drilling campaign of 25,000 metres is estimated with a larger proportion of lower-cost reverse-circulation drilling expected. The budgeted expenditure is USD$7,350,000 for regional exploration.

Mineral Resource Development Drilling and Estimation

Resource development drilling at Cortadera has been ongoing since early 2019 and mineralisation is currently open at depth as well as laterally. Additional drilling will likely add additional mineralisation and has the potential to increase the volume of the Inferred Classified Resource as well as increase the proportion of the Indicated Classified Resource. An estimated drilling program of 20,000 metres is required to complete the resource for the PFS study of Costa Fuego. The budgeted expenditure is USD$6,620,000 for the Cortadera resource development.

The Productora Resource and mineralisation is currently open at depth in several places as well as laterally. Additional drilling may add additional mineralisation volume and has the potential to increase the Resource classification of Inferred resources. Additional exploration drilling around the Alice area is still very prospective and should be considered.

Further work is recommended to define sub-domains based upon lithology, alteration and structural controls. This may increase the spatial and local robustness of potential recoverable resources, geotechnical modelling and mining studies.

Cortadera Geotechnical and Metallurgical Drilling and Development Studies

A specific metallurgical and geotechnical drilling program of approximately 2,600 metres is required for a better definition of geotechnical domains and the drill core will also supply further variability and composite samples to the metallurgical test work program. This metallurgy program is predominantly assessing comminution, flotation, filtration and thickening at Cortadera. A smaller program at Productora will add to the substantial work already completed for this Resource. The budgeted expenditure is USD$900,000 for the Cortadera geotechnical and metallurgical drilling and assaying.

The development studies for Costa Fuego are ongoing, having commenced in June 2021. A mining study will be required, comprising the entire open cut mining studies involving pit optimisation, mine designs, mining schedule/sequence, waste dump designs, mine fleet analysis and operating cost and capital cost estimates

The mining study will cover open pit and underground mining, geotechnical and groundwater and surface water studies.

Metallurgical testwork under the supervision of Wood has commenced and is expected to confirm the PFS flowsheet and recovery estimates in the first half of 2022.

Geotechnical drilling will allow better definition of geotechnical domains and additional engineering will be undertaken to prepare detailed pit slope stability analysis for the first mining phase and the final pit as a minimum. It will also include detailed stability analysis for waste dumps.

Groundwater and surface water studies shall include hydrogeological assessment and complementary field works to improve the information quality for a robust PFS.

The budgeted expenditure is USD$2,950,000 for the development studies for Costa Fuego.

OTHER MINERAL PROJECTS

San Antonio Project

In November 2017, Hot Chili's subsidiary company Sociedad Minera Frontera SpA (Frontera) executed a joint venture option agreement with the private owner to earn a 90% interest in the San Antonio copper-gold project over a four-year period. Ownership is transferred upon final payment at 48 months.

As part of the JV arrangement, the San Antonio owner has the right to lease exploitation of the mining rights to any third party with an annual cap of 50,000 t of ore until exercise of the option. While lease mining activities are only small-scale, the information produced is invaluable in providing further insight into the potential for direct mine extensions of high-grade copper mineralisation.

San Antonio is a relatively advanced exploration stage project with a substantial underground mine which has produced approximately 2 Mt of ore material grading 2% copper, 0.3g/t gold and up to 15 g/t silver during its operation. The mine has been exploited over a 200 m strike length to a vertical depth of 130 m.

Historical production records indicate sulphide copper grades of approximately 3% to 3.5% (associated with chalcopyrite and bornite) were exploited in the upper levels of the underground, gradually decreasing to 1.5 to 2% at the base of development.

Since executing the option agreement, Hot Chili has initiated multiple work streams including reconnaissance mapping and geochemical sampling over priority areas, with legacy data compilation completed. For the first time in San Antonio's history, a three-dimensional geological model was constructed to facilitate optimal drill planning.

Copper mineralisation is associated with a sequence of moderately east-dipping sandstone and limestone/andesite units which have seen extensive skarn alteration adjacent to a granitic contact along the projects eastern margin. The zone of skarn alteration has been recognized over a 2.5 km strike extent within the project.

Andesite units host the majority of mineralisation which was exploited underground at true widths ranging between 7 m and 30 m (10 m average). Sulphide copper is associated with chalcopyrite, minor bornite, pyrrhotite and magnetite.

Hot Chili has completed a 5,000 m RC drilling campaign at San Antonio and is in the process of compiling a Mineral Resource estimate.

Valentina Project

The Valentina landholding lies 5 km north of San Antonio and 20 km directly east of Productora. In February 2017, Hot Chili entered into a joint venture agreement to acquire a 90% interest in the 100 ha Valentina landholding over a four-year period. Ownership is transferred upon final payment at 48 months. Hot Chili has also acquired an additional 600 ha of landholding at Valentina through the application of new exploration leases.

Valentina contains an operating underground copper mine where sulphide ore is currently being extracted and transported to the nearby ENAMI processing facility for treatment.

Certified historical mine production data has revealed that sulphide ore parcels extracted from the upper levels of Valentina ranged in grade between 3.4% and 4.8% Cu (weighted average grade of 4.0% Cu). Underground and surface data indicates that ore was extracted over widths ranging between 1 and 5 m.

Surface workings and underground mine development extends over approximately 230 m of strike length within the Valentina mine area, within a broader zone which has been confirmed by mapping and sampling over a total of 700 m strike extent.

Copper mineralisation at Valentina is fault hosted within a sequence of andesites and volcaniclastics that have been locally intruded by felsic porphyry dykes. High grade copper sulphide mineralisation is present from near surface and is associated with chalcopyrite and bornite.

Santiago Z Project

The Santiago Z landholding is located 5 km immediately south of Cortadera.

Santiago Z contains a large historical XRF soil molybdenum anomaly that is twice the size and four times the tenor of the soil molybdenum anomaly related to the Cortadera copper-gold porphyry discovery.

Soil assays confirm stronger molybdenum results than first outlined in earlier XRF molybdenum results as well as enrichment in copper, gold and silver (Cortadera metal signature). Other element zonation patterns provide confidence in the presence of a potentially large copper porphyry system at depth.

Mapping by Hot Chili has recognised several areas of outcropping copper-bearing hydrothermal breccia at Santiago Z. In addition, a review of detailed historical mapping at Santiago Z has highlighted the presence of a corridor of porphyries (91-96Ma) with similar age to Cortadera, recently dated by Hot Chili as a Late Cretaceous porphyry (92Ma +/- 2Ma).

A review of historical geophysical datasets across Santiago Z is underway and the Company is planning a programme of extensional soil geochemistry and detailed mapping as its next steps in advance of first-pass drilling early next year. Drill access approval is expected in December 2021.

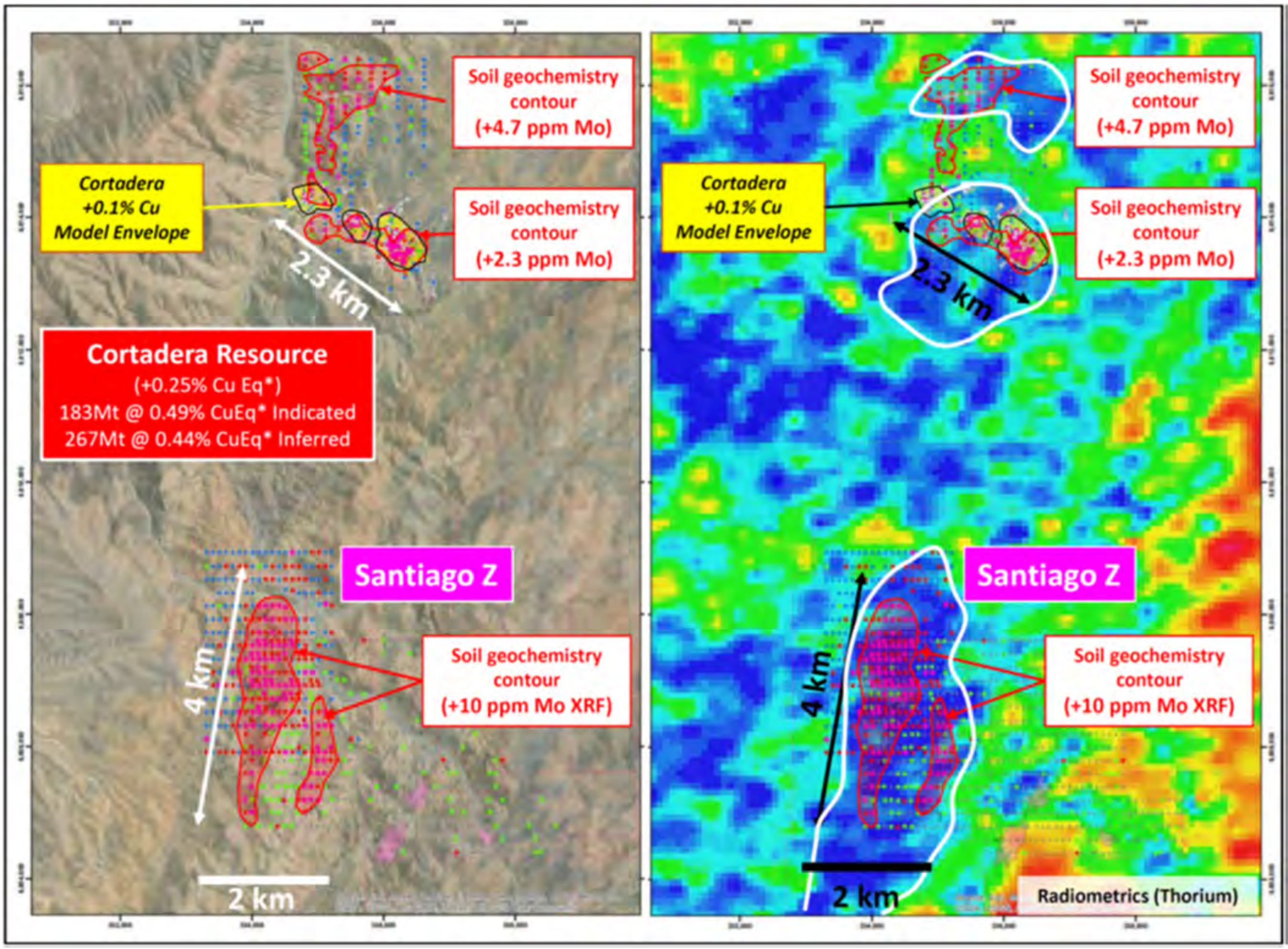


Figure 16 Plan view displaying the regional location of surface porphyry footprints at Cortadera and Santiago Z.

USE OF PROCEEDS

The net proceeds to the Company from the Offering, after deducting the anticipated Underwriters' Fee of C$1,800,015 and the estimated expenses of the Offering of C$600,000, and assuming no sales to the President's List, are estimated to be C$27,600,235 (or approximately C$31,762,600 if the Over-Allotment Option is exercised in full).

The primary use of proceeds will be to progress the development studies and resource at Cortadera, such that the PFS of Costa Fuego Project can be completed while also testing the regional exploration targets. Proceeds from this Offering will also be utilized for maintaining the tenements in good standing, environmental monitoring and seasonal surveys to enable permitting applications.

Assuming that the Over-Allotment Option is exercised in full, the Company would receive additional net proceeds of approximately C$3,562,365 , after deducting the Underwriters' Fee (assuming that the full Underwriters' Fee of 6.0% is paid on the gross proceeds obtained from the exercise of the Over-Allotment Option). The Company anticipates that these additional proceeds will be allocated for general corporate and working capital purposes.

The Company intends to use the total funds available after deducting expenses of the Offering as follows:

Principal Purpose	**Estimated Amount to be Expended (C$)**
Property Payments	1,135,000
Environmental Costs – Costa Fuego Project	265,000
Cortadera Resource Development Drilling	8,825,000
Regional Targets Drilling and Assaying	9,800,000
Cortadera Geotechnical and Metallurgical Drilling and Assaying	1,200,000
Development Studies - Mining Metallurgy, Geotechnical and Environmental	3,935,000
General corporate and working capital purposes	2,440,235
Total:	27,600,235

Property payments include US$0.25M for Productora in July 2022 and US$0.3M for San Antonio in November 2022. These relate to contractual agreements in place for these properties. Ongoing rents and patentees make up the balance of this estimated expenditure. The budgeted expenditure for property payments is C$1,135,000.

Environmental costs relate to drill permitting requirements that include ongoing palaeontology and archeology surveys and coincident fauna and flora relocation during track and drill pad construction. The budgeted expenditure for environmental costs is C$265,000.

The drilling and assaying activities encompass access track and drill pad construction, a combination of reverse-circulation and diamond-core drilling as appropriate, and assaying the resultant drill chips or half-core. The anticipated mixture of drilling is 55% diamond-core but will be adapted to conditions.

Resource development drilling at Cortadera has been ongoing since early 2019. An estimated drilling program of 20,000 metres is required to complete the resource for the PFS study of Costa Fuego, predominantly to drill within the resource to upgrade mineralization from inferred to indicated and close-out areas that remain open. The budgeted expenditure for the Cortadera resource development drilling is C$8,825,000.

Drilling to test regional targets will determine if targets within the range of the Costa Fuego development can be incorporated. A minimum regional drilling campaign of 25,000 metres is estimated with a larger proportion of lower-cost reserve-circulation drilling expected. The budgeted expenditure for regional exploration is a minimum of C$9,800,000.

A specific metallurgical and geotechnical drilling program of approximately 2,600 metres is required for a better definition of geotechnical domains and the drill core will also supply further variability and composite samples to the metallurgical test work program. This metallurgy program is predominantly assessing comminution, flotation, filtration and thickening at Cortadera. A smaller program at Productora will add to the substantial work already completed for this Resource. The budgeted expenditure for the Cortadera geotechnical and metallurgical drilling and assaying is C$1,200,000.

The development studies for Costa Fuego are ongoing, having commenced in June 2021 and with expenditure in November reaching C$450,000. Mining studies are ongoing and will sequence and schedule the deposit extraction, considering stockpiling of low-grade ore to optimize cut-off grades. The estimated budget for this work is C$1,000,000. Metallurgical testwork under the supervision of Wood has commenced and is expected to confirm the PFS flowsheet and recovery estimates in the first half of 2022. The estimated remaining budget for this work is C$800,000. Geotechnical studies have completed preliminary programmes of logging diamond-core and laboratory testing of samples to derive pit slope constraints and for rock mass characterization with respect to the underground cave being studied for Cuerpo 3. Estimates to complete the second phase of logging and laboratory tests, followed by analysis are C$1,000,000. This will require a series of geotechnical drill holes identified in the expenditure table totalling 2,600 metres, with the core also providing samples to the metallurgical program.

Environmental studies include baseline environmental surveys that commence in December and detailed climate monitoring at each deposit over the next 18 months. The estimated budget for this work is C$1,135,000.

General corporate and working capital purposes include:

- Office Expendes – C$120,000
- Staffing Costs – C$834,369
- Group Admin – C$660,000
- Marketing – C$439,200
- Legal – C$120,000
- FX Variation – C$266,666

The Company currently has a negative operating cash flow, which may continue for the foreseeable future. During the fiscal year ended June 30, 2021 and the three and nine month periods ended September 30, 2021, the Company had negative cash flow from operating activities. The Company anticipates it will continue to have negative cash flow from operating activities in future periods until profitable commercial production is achieved at the Costa Fuego Project. As a result, certain of the net proceeds from the Offering may be used to fund such negative cash flow from operating activities in future periods. See "*Risk Factors – Negative Operating Cash Flow and Additional Funding*".

The Offering is being made with the expectation that the Company is able to finance the development of its assets for the next 18 months to progress its project, provide for operating expenses and ensure a balance of cash on hand to ensure business continuity. The Company and Underwriters will only complete the Offering subject to the Offering meeting the above requirements. The Company intends to complete an Offering size that will allow for positive working capital of a sufficient amount to fund the recommended work programme, all property payments and at least 18 months of general and administrative expenses.

Business objective and milestones

Hot Chili expects to accomplish the following milestones:

- Publish the second Mineral Resource Estimate for Cortadera in Q1 2022 in a technical report filed under NI 43-101. Resource drilling is largely complete and scheduled to finish at the end of 2021. Resource drilling since the first Mineral Resource at Cortadera has taken 18-months and A$2,170,000.

- Commence and complete a 20,000 m resource drilling and 2,600 m metallurgical and geotechnical drilling campaign for use in the Costa Fuego Project PFS, scheduled for completion in Q3 2022.

- Commence and complete a 25,000 m regional exploration drilling campaign to test identified targets at Santiago Z, Cortadera North and Productora over an 18-month period. These targets have been identified using multiple data sets captured across these tenements over the last 12-months, with expenditure nearing A$500,000.

- Complete the Costa Fuego Project PFS, which will consider a concentrator and leach throughout range of 20Mtpa to 30Mtpa and is expected to be completed in the second half of 2022 by filing a technical report under NI 43-101. The PFS commenced in June 2021 and has currently cost A$450,000. The estimated budget to completion is C$2,800,000.

- Commence and complete four seasons of environmental surveys, beginning in December 2021, covering the identified infrastructure and mining areas while collecting continuous climate data over 18 months. This is a critical component of the Environmental Impact Assessment and represents the commencement of surveys at Cortadera and additional surveys at Productora (to surveys already completed for the Productora PFS). The complete submission budget for the EIA is anticipated to be C$1,135,000.

From its inception to the date of this Prospectus, the Company has had negative cash flow and anticipates experiencing negative cash flow during the current financial year. The Company intends to fund its negative cash flow from the proceeds of the Offering and existing working capital as at the date of this Prospectus. The Company anticipates that the proceeds of the Offering, together with its existing working capital, will be sufficient to fund its development and exploration programs and to meet its administrative and operating costs through to June 2023. Unallocated funds from the Offering, including any additional proceeds received from the exercise of the Over-Allotment Option, will be added to the working capital of the Company and be expended at the discretion of management.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis for the year ended June 30, 2020

Overall Performance

Mining Commences at Productora Ahead of Schedule

Figure 17 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 Resource 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 focused on two key areas of growth:

1. Expansion of existing Cortadera discovery in both size and grade

    a. DD 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

    a. 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.

    b. 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 184m 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 and 0.1g/t gold from 330m depth down-hole, including 440m grading 0.5% copper and 0.2g/t gold,

- CRP0040D: 542m grading 0.5% copper and 0.2g/t gold from 422m depth down-hole, including 218m grading 0.7% copper and 0.2g/t gold, and

- CRP0042D: 82m grading 0.3% copper and 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.

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 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.

DD tails are designed to extend both holes, further deep RC drilling is also planned to be drilled.

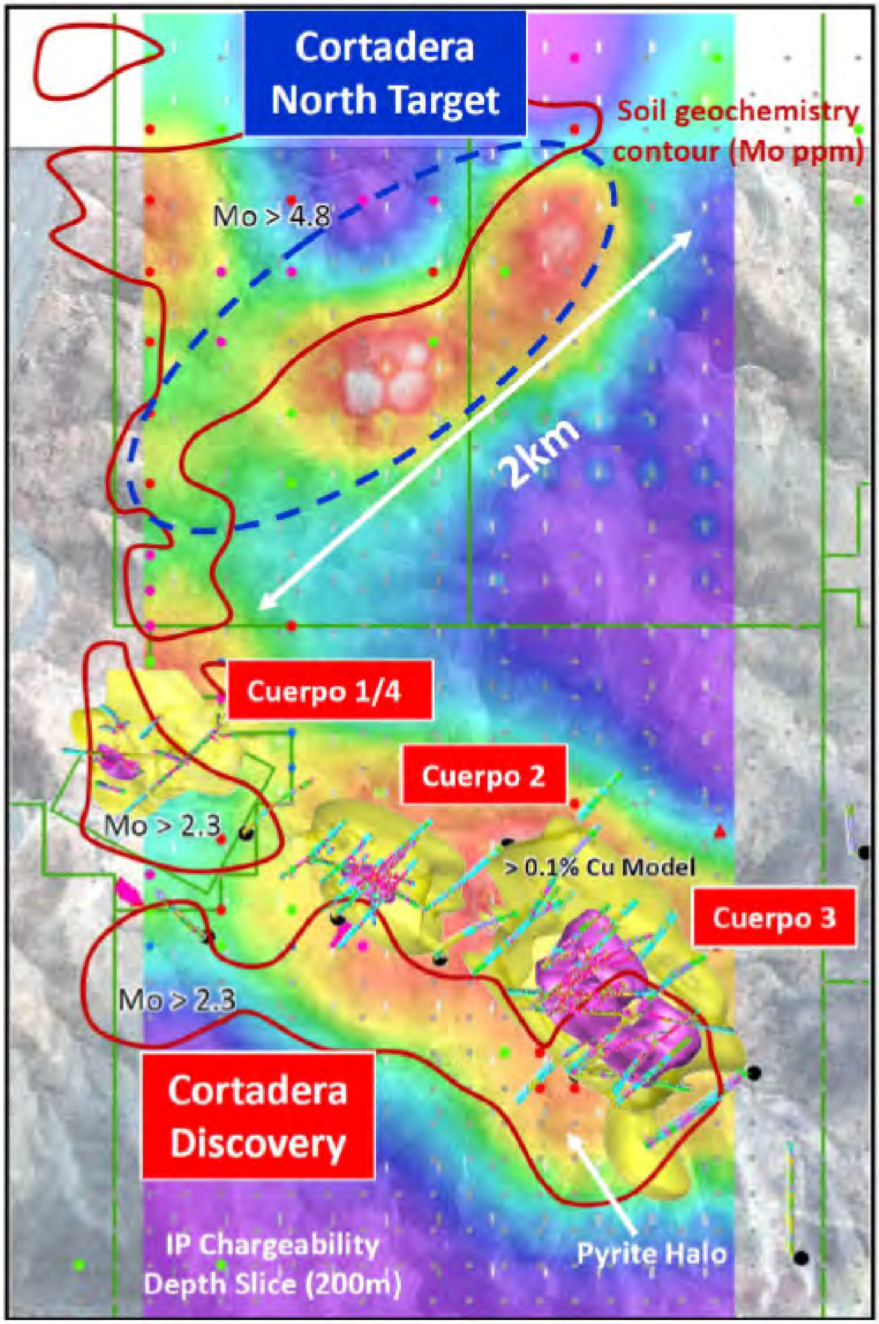


Figure 18 Plan view displaying the location of the Cortadera discovery zone in relation to the Cortadera North target. The plan displays the location of Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu and magenta +0.4% Cu) in relation 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 above.

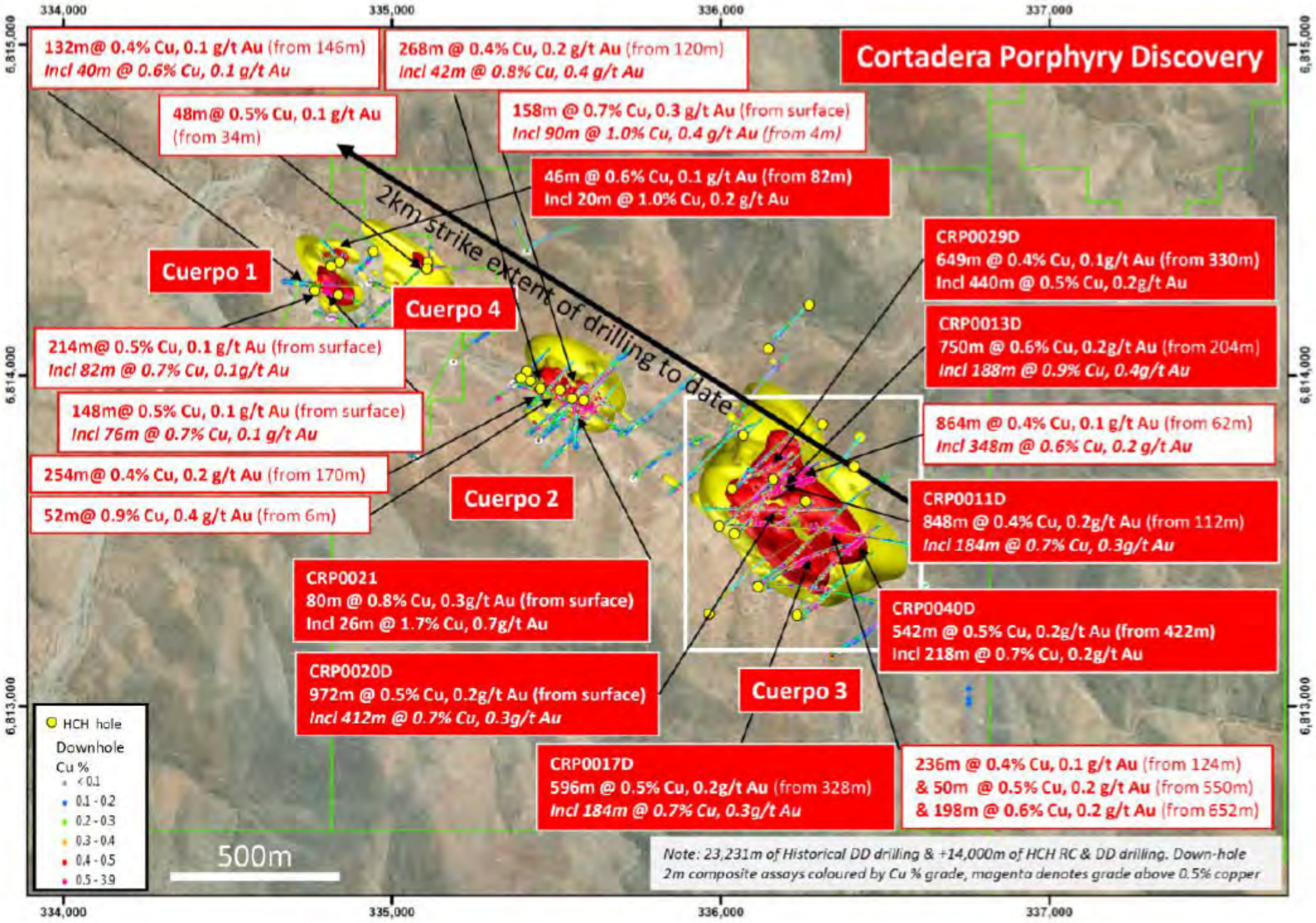


Figure 19 **Plan view across the Cortadera discovery area displaying significant historical copper-gold DD intersections across Cuerpo 1, 2 and 3 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.2% Cu and red +0.4% Cu). Note the location of the inset plan area for Cuerpo3 associated with the following figures. Selected significant HCH drill intersections (Red) and historical drilling intersections (white).**

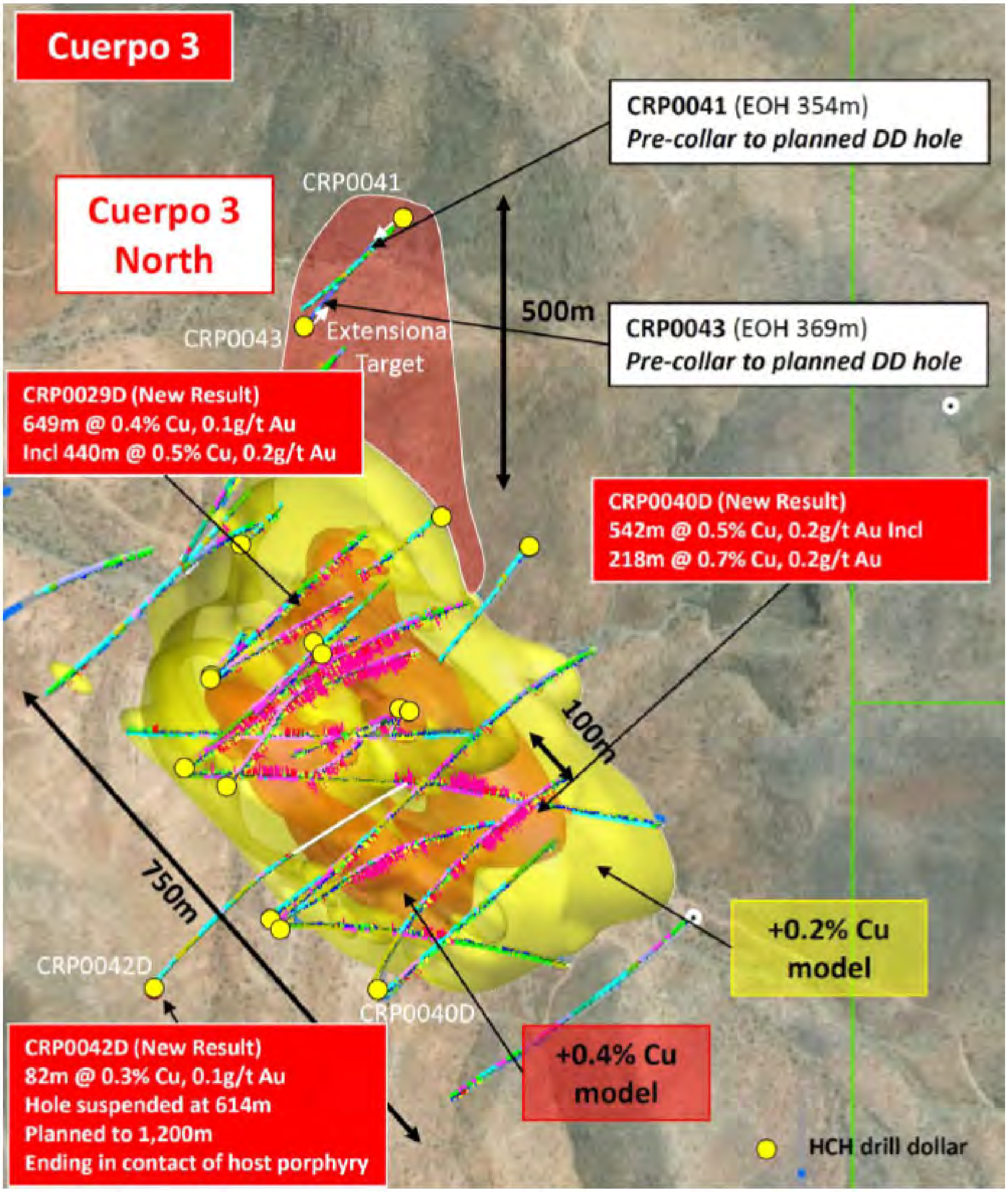


Figure 20 Plan view of Cuerpo 3 - the Main porphyry of the four porphyry centres discovered to date at Cortadera. The plan displays the location of significant results returned by Hot Chili during the first quarter of 2020. Note the growing extent of the modelled higher grade copper zone (red wireframe - +0.4% Cu) and the location of open boundaries for growth of the bulk copper envelope at Cortadera (yellow wireframe - +0.2% Cu)

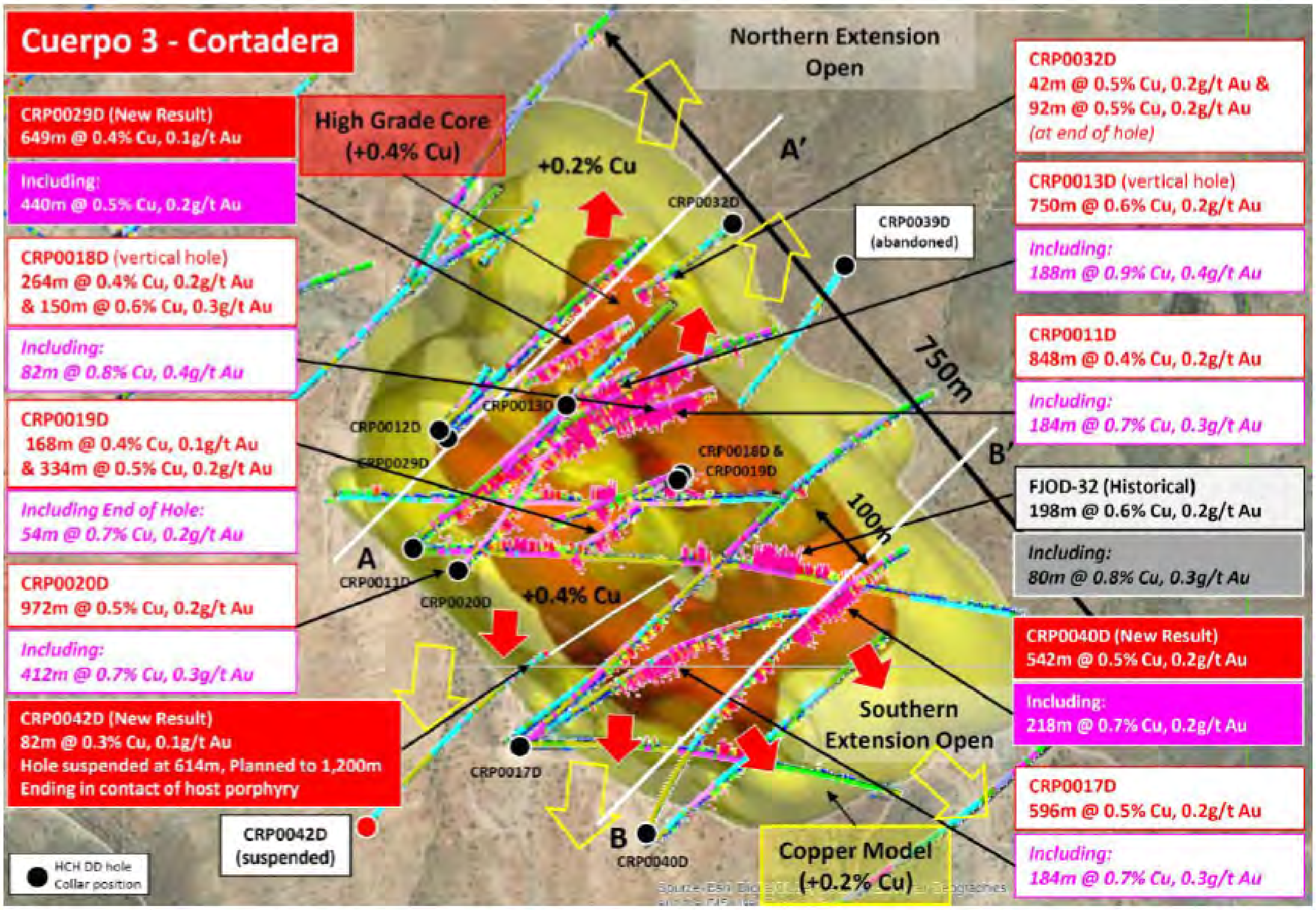


Figure 21 **Plan view of Cuerpo 3 - the Main porphyry of the four porphyry centres discovered to date at Cortadera. The plan displays the location and basic geology of the mineralised tonalitic host porphyry in relation to the location of significant results returned by Hot Chili during the first quarter 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

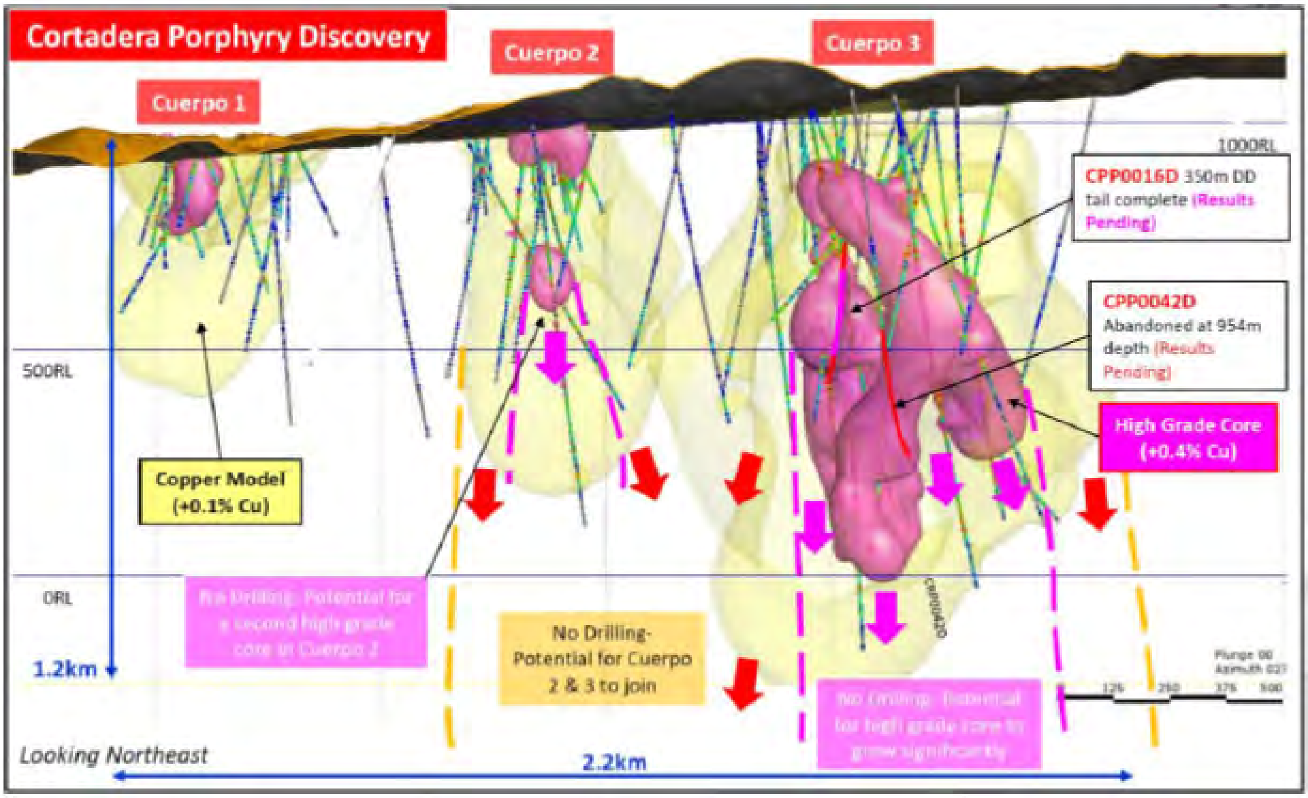


Figure 22 Long Section of the Cortadera copper distribution model displaying extensional target areas (yellow is +0.1% copper and magenta is +0.4% copper envelope)

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 JORC 2012 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 next phase of test work will be directed towards grind size optimisation, cleaner flotation and locked-cycle test work in advance of assessing the commercial grade of copper concentrates that may be produced from Cortadera and San Antonio.

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. 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 February 22, 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.

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.

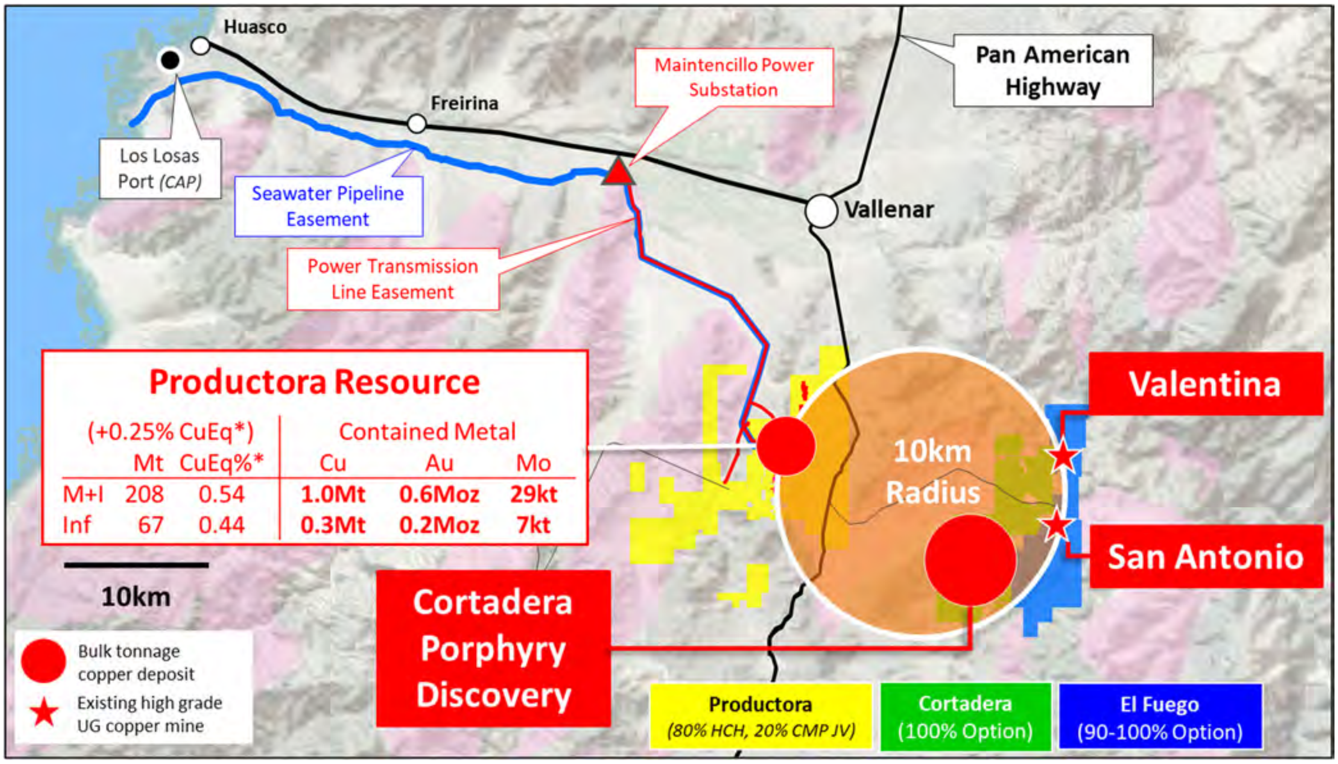


Figure 23 Location of Productora and the Cortadera discovery in relation to the consolidation of new growth projects and coastal range infrastructure

Cash Flows

The statement of cash flows for the year ended June 30, 2020 is shown below in Australian Dollars.

	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	(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	6,307,894	1,377,545

No revenue was derived from operations during the year.

A gain resulted on the revaluation of the notes at year end which is a non-cash item.

The company however raised A$26 million from equity capital markets and received A$82,587 in COVID-19 support package funding from the federal government. The funds raised were applied to the costs of the various capital raising transactions, Option expenditure commitments of A$10.5 million pursuant to option agreement terms and conditions and A$7.4 million in exploration expenditure. This is reflected in the increase exploration asset on the balance sheet.

Losses were incurred during the year due to finance costs incurred on the revaluation of notes, notes converted during the year and interest shares issued in lieu of cash (all non-cash items). Major items of expenses forming the loss for the year were employee benefits and expenses and other administration expenses forming the majority of net cash used in operating activities other than exploration.

The loss per share reduced from the prior year due to the gain on revaluation of notes and the increased number of shares on issue as a result of the capital raised during the period.

Selected Annual Information

The financial data of the Company for the three years to June 30, 2020 are summarized below:

	Consolidated Entity		
	2020	**2019**	**2018**
	A$	**A$**	**A$**
Interest income	4,115	3,460	6,708
(Loss)/Gain on revaluation of derivative liability	3,202,904	234,652	-
Other income	82,587	-	133,805
	3,289,606	**238,112**	**140,513**
Depreciation	(8,678)	(11,409)	(12,552)
Convertible Notes expenses	(37,198)	(34,257)	(77,474)
Exploration expenses written off	-	(270,047)	(422,109)
Corporate fees	(202,902)	(81,843)	(94,722)
Legal and professional	(364,745)	(209,075)	(219,196)
Employee benefits expense	(997,656)	(984,246)	(824,946)
Administration expenses	(263,163)	(215,663)	(183,913)
Accounting fees	(194,098)	(182,135)	(63,142)
Travel costs	(103,136)	(14,006)	(29,229)
Other expenses	(397,513)	(351,476)	(350,116)
Foreign exchange loss	(154,186)	(167,465)	(76,081)
Loss on revaluation of derivative liability	-	-	(218,597)
Share based payments	-	(29,040)	-

Finance costs	(1,831,944)	(1,919,820)	(1,578,992)
Loss before income tax	(1,265,613)	(4,232,370)	(4,010,556)
Income tax expense	-	-	-
Loss after income tax	(1,265,613)	(4,232,370)	(4,010,556)
Other comprehensive income	-	-	-
Total Comprehensive Loss	**(1,265,613)**	**(4,232,370)**	**(4,010,556)**
Loss attributable to:			
Non-controlling interests	(109,430)	(119,746)	(106,610)
Owners of Hot Chili Limited	(1,156,183)	(4,112,624)	(3,903,946)
	(1,265,613)	**(4,232,370)**	**(4,010,556)**
Basic earnings per share (cents)	(0.07)	(0.47)	(0.65)
Diluted earnings per share (cents)	(0.07)	(0.47)	(0.65)

		Consolidated Entity		
		2020	2019	2018
		A$	A$	A$
Current Assets				
Cash and cash equivalents		6,307,894	1,377,545	3,656,560
Other current assets		6,960	7,445	12,086
Total Current Assets		6,314,854	1,384,990	3,668,646
Non-Current Assets				
Plant and equipment		57,431	157,919	193,353
Exploration and evaluation expenditure		131,070,506	113,176,541	108,743,662
Total Non-Current Assets		131,127,937	113,334,460	108,937,015
Total Assets		**137,442,791**	**114,719,450**	**112,605,661**
Current Liabilities				
Trade and other payables		4,667,920	3,913,365	2,302,535
Borrowings		-	-	-
Derivative financial instruments		1,445,136	6,565,547	7,010,455
Total Current Liabilities		6,113,056	10,478,912	9,312,990
Non-Current Liabilities				
Borrowings	-	4,186,801	4,561,540	3,814,764
Total Non-Current Liabilities	-	4,186,801	4,561,540	3,814,764
Total Liabilities		**10,299,857**	**15,040,452**	**13,127,754**
Net Assets		**127,142,934**	**99,678,998**	**99,477,907**
Equity				
Contributed equity		160,056,118	131,837,269	127,432,848
Option reserve		539,740	52,530	1,497,028
Foreign currency translation reserve		1,222	1,222	1,222
Accumulated losses		(52,534,204)	(51,401,511)	(48,762,425)
Capital and reserves attributable to owners of Hot Chili Limited		108,062,876	80,489,510	80,168,673
Non-controlling interests		19,080,058	19,189,488	19,309,234
Total Equity		**127,142,934**	**99,678,998**	**99,477,907**

Period to Period Variances

The exploration drilling programme at Cortadera commenced in early 2019 with two shifts of drilling per day across two drill rigs. In July 2019, the Company made a US$2 million payment to SCM Carola that was the first payment towards the acquisition of a 100% interest in the Cortadera copper-gold porphyry discovery. Early in 2020, independent consultants were engaged to begin a resource modelling work stream to produce a JORC 2012 mineral resource estimate. This significant increase in exploration activity and acquisition costs is the underlying reason that the rate of Exploration and evaluation expenditure has increased period to period over three years.

Material period to period variances in the Consolidated financial summary are:

- Exploration and evaluation expenditure – exploration was limited by funding constraints in 2018 but expanded over the remaining years. The expenditure in 2019 was approximately A$4.4 million and in 2020 was A$17.9 million. This increase in exploration expenditure is partly due to the commencement of resource and exploration drilling at Cortadera, which commenced in early 2019. There was no drilling expenditure in 2018.

- Exploration expenditure over these periods includes option agreement payments, which increased in magnitude over 2019 and 2020. The schedule of the option payments is described in the discussion of liquidity, but a general description of the option strategy is to begin the schedule with small payments, which allow time for exploration efforts to increase the understanding of the resource potential before making larger payments. This structure creates an accelerating expenditure profile of both payments and exploration activity as exploration success increases certainty in the investment return. Payments for Cortadera were US$ 2 million in July 2019 and US$ 3 million in October 2019, and US$2 million in April 2020. Smaller payments for the Purisima option agreement are also notable, being US$50,000 in February 2019, and US$100,000 in December 2019.

- Borrowings - Borrowings reflect the valuation of Convertible Notes, which changes each year due to changes in the stock share price and driven by the application of the relevant accounting standards along with note conversion during the respective periods (2021: 9,768 Convertible Notes and 2020: 30,264 Convertible Notes).

- Contributed Equity – this item incorporates issued share capital. It increases each year as in the absence of revenue, it is the source of funding for exploration activities.

- Option reserve – reflects the valuation of performance rights and Options issued in each period and the change between 2018 to 2019 was due the balance of 12 million Options issued under an Employee Incentive Plan and the expiration of 39 million Options during 2019.

Accounting Policies

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

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 functional currency of Hot Chili is United States Dollars and the presentation currency is Australian Dollars.

The preparation of financial statements in conformity of IFRS 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.

Discussion of Operations

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

- During July and August 2019, the Company Issued 166,666,667 Ordinary Shares at 3 cents per Ordinary Shares to raise A$5,000,000 before costs. 15,000,000 fee Options with an exercise price of 10 cents per Ordinary Share expiring November 12, 2021 were also issued.

- During September and November 2019, the Company issued 336,111,112 Ordinary Shares at 3.6 cents per Ordinary Shares to raise A$12,100,000 before costs.

- A placement and an accompanying rights issue was undertaken during May and June 2020. 594,113,389 Ordinary Shares were issued at 1.5 cents per Ordinary Shares to raise A$8,911,701 before costs. 297,056,598 free attaching Options with an exercise price of 2.5 cents per Ordinary Shares expiring May 20, 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 Ordinary Shares were issued in respect of quarterly Convertible Note interest.

- 91,069,399 Ordinary 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 July 2, 2019 the Company announced its intention to raise approximately $5 million (before costs) by way of a placement of Ordinary 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$12.1 Million Placement

On September 23, 2019 the Company announced its intention to raise approximately $12.1 million (before costs) by way of a placement of Ordinary 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 May 18, 2020 the Company announced its intention to raise approximately $8.9 million (before costs) by way of a placement of Ordinary Shares and a rights offer on a 3 for 20 held basis at A$0.015 per Ordinary Share with one free attaching Option exercisable at A$0.025 each on or before May 20, 2022 for every two Ordinary 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 Ordinary 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 announcement in May and June 2020.

Summary of Periodic Results

The Company does not have any material sources of revenue. There is no seasonality in expenditure. Major causes of variance between periods are the valuation of the derivative component of the Convertible Notes and the valuation of equity-based securities under the relevant Australian Accounting Standards. These are non-cash items. Generally, the valuations are done using the Black-Scholes model.

	Consolidated Entity – Half Yearly summaries			
	June 2020	**Dec 2019**	**June 2019**	**Dec 2018**
	A$	**A$**	**A$**	**A$**
Total Revenue	**3,286,556**	**3,050**	**237,330**	**782**
Total Comprehensive Loss	**1,820,393**	**(3,086,006)**	**(3,643,119)**	**(589,251)**
Loss attributable to:				
Non-controlling interests	(46,134)	(63,296)	(55,268)	(64,478)
Owners of Hot Chili Limited	1,866,527	(3,022,710)	(3,587,849)	(524,775)
Basic earnings per share (cents)*	(0.07)	(0.21)	(0.47)	(0.07)
Diluted earnings per share (cents)*	(0.07)	(0.21)	(0.47)	(0.07)

* Annualised

Revenue variation

Generally stated the Company does not have any revenue other than for interest received which is insignificant and is represented in the half years ending December 31, 2019 and June 30, 2021. Revenue during the half year ending June 30, 2020 and the half year ending June 30, 2019 is primarily as a result of a gain on revaluation of the Convertible Notes as at period end.

Profit and loss to owners of the group

There are no dis-continuing operations within the group.

The loss per share shown reflects the fact that the Company is an explorer and has no material revenue and that the Company will have losses for the foreseeable future. The fluctuations in half year to half year are constituted by valuations of the Convertible Notes at each period end. The increasing number of shares on issue as a result of sourcing funds from equity markets will also have an effect of reducing the loss per share the greater the number of shares issued.

Revenue from lease-mining operations at Productora have not been material.

The financial data has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. This data also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The presentation currency is Australian dollars (A$) and the functional currency is United States dollars (US$).

Liquidity

Hot Chili has, in the past, financed its activities by raising capital through equity issuances. The Company will remain reliant on the equity markets for raising capital, in addition to adjusting spending, disposing of assets, and obtaining other non-equity sources of financing. Hot Chili has received strong support from its major shareholders in raising capital and expects this to continue. The Company is still in the exploration and evaluation phase and hence no revenue is derived from projects immediately.

Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding through management of its cash resources. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least six-months. Liquidity risk is managed by development of rolling budgets and forecasts and the Board receives cash flow protections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations, and forward expenditure commitments, under all reasonably expected circumstances.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and Ordinary Share and Option issues. The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Primary responsibility for identification and control of financial risks lies with the Managing Director and Chief Financial Officer, under the authority of the Board. The Board is abreast of these risks and agrees any policies that may be implemented to manage the risks identified. 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.

The working capital requirements for 2021 were estimated at A$27,900,000. This includes a Cortadera option payment of US$10,000,000, exploration drilling and resource development costs of A$12,400,000, and corporate costs of A$2,200,000 for group administration, office expenses, staffing costs, marketing, corporate fees and legal expenses. The Company does not expect a deficiency in funds to cover working capital outlined.

The Company can meet its liabilities when they fall due. The Company has the flexibility to curtail expenditure and outflows when required and has displayed capabilities of raising funds to meet requirements and commitments.

The directors believe the following factors further ameliorate liquidity concerns:

- Included in liabilities is a derivative liability debt component 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.

- The financial reports of the Company do not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary in the face of liquidity restrictions and the recoverable of the Company's projects are also fairly shown given current, historically-high copper prices.

Hot Chili's commitments to exploration, Option payments and operating leases are tabled below. Exploration and Option payment obligations are discretionary since the tenements can be relinquished to extinguish the commitment. The obligations are in US dollars, converted to A$ with the exchange rate noted.

Contractual Obligations	Payments Due by Period (A$)				
	Total	< 1 year 2022	1 – 3 years 2024	4 – 5 years	>5 years
Exploration Obligations	9,476,750	603,079	845,111	845,112	7,183,448
Option Payment Obligations	55,515,081	1,019,962	54,495,119		
Operating Leases	275,424	103,284	172,140		
Total Contractual Obligations	65,267,255	1,726,325	55,512,370	845,112	7,183,448

The package of tenements controlled by Hot Chili has the future discretionary expenditure requirements detailed below.

Cortadera Project

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Agreement Details
MAGDALENITA 1/20		100% Frontera SpA	100	HCH 100% option earn in: US$5 paid before October 15, 2019;
ATACAMITA 1/82		100% Frontera SpA	82	US$2 million paid on July 8, 2020;
AMALIA 942 A 1/6		100% Frontera SpA	53	US$10 million to be paid by July 15, 2021; and
PAULINA 10 B 1/16		100% Frontera SpA	136	
PAULINA 11 B 1/30		100% Frontera SpA	249	US$15 million to be paid by July 15, 2022.
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	
PURISIMA	100% Frontera SpA	20	HCH 100% option earn in: US$100,000 paid on December 14, 2019, US$250,000 to be paid on December 14, 2020, US$1.1 million to be paid on December 14, 2021 NSR 1.5%

Productora Project

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Agreement Details
MONTOSA 1-4	80% SMEA SpA		35	NSR 3%
URANIO, 1-70	0%	0%	350	Lease agreement US$250,000 per year (average for the 25 year term); plus 2% NSR all but gold; 4% NSR gold; 5% NSR non-metallic
ZAPA 1 - 6	80% SMEA SpA		6	NSR 1%

El Fuego Project

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Agreement Details
Santiago 21 al 36		90% Frontera SpA	76	90% (HCH)-10% (Arnaldo del Campo) JV. 4 years term. US$300,000 to be paid on year 3 – Nov 7, 2020. US$6,700,000 as a final exercise payment on year 4 (Nov 7, 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	
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 – January 22, 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 1, 2021. US$4,000,000 as a

SAN JUAN SUR 6/23	90% Frontera SpA	90	final exercise payment on year 4 – June 1, 2022.

Capital Resources

The Company continued to be strongly supported by shareholders and new investors, raising A$26 million during the reporting period 2019/2020.

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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions Between Related Parties

The following transactions occurred with related parties:

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

- Quarterly interest accruing on the Convertible Notes payable to Blue Spec Drilling Pty Ltd. of A$30,962 (2019: A$27,154) for the year was settled by the issue of 927,525 Ordinary Shares (2019: 1,106,941). A$7,698 was payable as at June 30, 2020 (2019: A$7,698), which was settled by issue of 412,536 Ordinary Shares on July 6, 2020 (2019: 236,932 Ordinary Shares on July 2, 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 A$4,151,946 (2019: A$1,670,375) for rent and drilling services. As at June 30, 2020 A$1,802,486 (2019: A$1,220,628) was owing to Blue Spec Sondajes Chile Limitada for drilling at Cortadera.

All transactions were made on commercial terms. See "*Interest of Management and Others in Material Transactions*."

Fourth Quarter

Recent increases in copper and gold prices have seen lease mining commence four-months ahead of schedule at the Company's Productora copper-gold project in Chile. Discussions are underway to expand the scale of the Lease Mining and Processing Agreement with Chilean government agency ENAMI.

Drilling operations re-commenced at the Company's Cortadera copper-gold discovery, 14km from Productora. New diamond drilling at the Cortadera porphyry discovery records wide zones of strong mineralization. The high-grade copper-gold core is expected to grow significantly.

Cortadera and San Antonio maiden resource estimates are nearing completion. A metallurgical testwork programme and internal scoping studies to assess various large combined copper-gold production scenarios are advancing well.

Hot Chili is aiming to define a long-life, open pit and underground bulk mine development from its coastal copper hub of projects.

Funding for the Company was strengthened with completion of a A$8.9 million placement and entitlements offer to shareholders.

Proposed Transactions

From time to time, in the normal course of business, the Company considers potential acquisitions, joint ventures, and other opportunities. The Company will disclose such an opportunity if and when required under applicable securities rules.

Critical Accounting Estimates

Critical accounting estimates are included under the heading "Significant Accounting Policies" in each of the notes to the financial statements appended as Schedule "A" hereto.

Changes in Accounting Policies including Initial Adoption

There were no changes in Hot Chili's accounting policies.

Financial Instruments and Other Instruments

Financial instruments, other instruments, the risks associated therewith and the treatment thereof are detailed in under the heading "Significant Accounting Policies" and notes to the financial statements in each of the financial statements appended as Schedule "A" hereto.

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.

Derivative financial instruments

Apart from the consolidated entity's principal financial instruments which comprise receivables, payables cash and short-term deposits, the entity has Convertible Notes on issue. There is a fixed interest rate of 8% per annum and a fixed conversion price. The notes were issued to raise funds to repay debt in 2017. No other similar instruments have been utilized by the Company. The Company has not entered into any hedging activities.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. With regard to the Convertible Notes none of those risks arise and it is likely that the notes will convert to Ordinary Shares at maturity in June 2022, which is at the election of the Company.

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.

The holders of the Convertible Notes have the option to convert into ordinary share capital of the Company. 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; and

- 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.

Additional infromation relating to the Company can be found on SEDAR at www.sedar.com.

Management Discussion and Analysis for the year ended June 30, 2021

Overall Performance

During the financial year ended June 30, 2021, the Company continued to be strongly supported by shareholders and new investors, raising A$25.6 million during the reporting period. The Company's recent A$40 million capital raising (announced to ASX August 6, 2021) has secured the final payment for the 100% acquisition of Cortadera and the continued growth and development of the Costa Fuego Project. In tandem with the raising, three other key events occurred:

- Glencore, one of the world's largest natural resource companies, became Hot Chili's largest shareholder at 9.99% through its strategic investment in the A$40 million funding and added representative Mr. Mark Jamieson to the Board of Hot Chili.

- Hot Chili commenced trading on the US-based OTCQB Venture Market under the Ticker symbol HHLKF (OTCQB: HHLKF) on May 6, 2021 as a first step towards enhancing the visibility and accessibility of Hot Chili to North American shareholders.

- The approval of VAT refund from Chilean Tax Authority is expected to boost Hot Chili's annual cash position by approximately A$3 million.

In October 2020, Hot Chili announced a significant milestone– a maiden Mineral Resource (+0.25% CuEq) of 183Mt at 0.49% CuEq in Indicated plus 267Mt at 0.44% CuEq in Inferred, takes the total Mineral Resource estimate for the Costa Fuego Project to an Indicated Resource of 391Mt grading 0.52% CuEq, containing 1.7 Mt Cu, 1.5 Moz Au, 4.2 Moz Ag, and 37 kt Mo and an Inferred Resource of 334Mt grading 0.44% CuEq containing 1.2Mt Cu, 1.2 Moz Au, 5.6 Moz Ag and 27 kt Mo, at a cutoff grade of 0.25% CuEq.

The Cortadera maiden mineral resource estimate, compares favourably with the only other significant new copper discovery announced globally since 2016[3]—Rio Tinto's Winu discovery in Western Australia (503Mt grading 0.45% CuEq, 100% Inferred and reported above 0.20% CuEq cut-off grade, announced to ASX July 28, 2020).

Highlights include:

- Cortadera's maiden Mineral Resource positions Hot Chili with the largest copper Mineral Resources and one of the largest gold Mineral Resources for an ASX-listed emerging company.

- Cortadera's maiden Mineral Resource (+0.25% CuEq) of an Indicated Resource of 183 Mt grading 0.49% CuEq, containing 905,000 t CuEq, 728,000 t Cu, 889,000 oz Au, 4,227,000 oz Ag, 7,900 t Mo, and an Inferred Resource of 267 Mt grading 0.44% CuEq, containing 1,181,000 t CuEq, 935,000 t Cu, 1,022,000 oz Au, 5,633,000 oz Ag, 19,400

[3] S&P Global Market Intelligence, Wood August 2020.

t Mo, takes the total Mineral Resource estimate for the Costa Fuego Project to Indicated Resource of 391Mt grading 0.52% CuEq, containing 1.7 Mt Cu, 1.5 Moz Au, 4.2 Moz Ag, and 37 kt Mo and an Inferred Resource of 334Mt grading 0.44% CuEq containing 1.2Mt Cu, 1.2 Moz Au, 5.6 Moz Ag and 27 kt Mo, at a cutoff grade of 0.25% CuEq..

- The Cortadera maiden Mineral Resource includes an Indicated, higher-grade component (+0.6% CuEq) of 104Mt at 0.74% CuEq that is growing rapidly.

The independent Mineral Resource, which is 41% Indicated and 59% Inferred, extends from surface, remains open in several key directions, and is considered amenable to large-scale open pit mining.

Cortadera's high-grade core has delivered eight world-class drilling intersections since it was discovered by Hot Chili in August 2020. The high-grade core has the potential to grow significantly with further drilling, representing a potential large underground development opportunity.

Three Drill Rigs in Operation, Five Shifts Per Day

Hot Chili's operational activities were largely unencumbered by the global pandemic, thanks to operational efficiencies achieved by the Company's COVID-19 safety management plan. Drilling and other field activities adhered to strict safety protocols, allowing operations to continue relatively seamlessly during the pandemic.

Although good operational efficiencies were achieved by Hot Chili and its contractors, assay laboratories were unfortunately affected by COVID-19, with assay turnaround times extended. Fortunately, lagging assay turnaround times did not impact the Company's drilling decisions or efficiencies, with all drilling undertaken in a methodical and staged manner, with regular reviews and prioritisation utilising multiple geological datasets and 4D geological modelling to guide decision making.

Drilling activities for the year included RC and DD drilling at the Cortadera Main Zone and at the Cortadera North "look-alike" porphyry target located to the north of Cortadera. Drilling completed during the year totalled 74 RC holes for 15,336 metres and 36 DD holes for 13,171 metres. Details of all drilling completed at the project during the year can be seen in Table 2, and all significant intercepts are recorded in Table 1.

Cortadera On-Track for Resource Upgrade with High-Grade Core Continuing to Expand

Cortadera is a leading copper-gold discovery, where the Company has successfully recorded many of the world's best copper-gold drill results during 2019 and 2020, including

- 972m grading 0.5% copper and 0.2g/t gold from surface in CRP0020D ***(including 412m grading 0.7% copper and 0.3g/t gold)***,
- 750m grading 0.6% copper and 0.2g/t gold from 204m down-hole depth in CRP0013D (***including 188m grading 0.9% copper and 0.4g/t gold)***,
- 848m grading 0.4% copper and 0.2g/t gold from 112m down-hole depth in CRP0011D **(including 184m grading 0.7% copper and 0.3g/t gold),**
- 649m grading 0.4% copper and 0.1g/t gold from 328m down-hole depth in CRP0029D **(including 440m grading 0.5% copper and 0.2g/t gold),**
- 596m grading 0.5% copper and 0.2g/t gold from 328m down-hole depth in CRP0017D **(including 184m grading 0.7% copper and 0.3g/t gold)**, and
- 542m grading 0.5% copper and 0.2g/t gold from 422m down-hole depth in CRP0040D **(including 218m grading 0.7% copper and 0.2g/t gold)**

Cortadera continues to be one of the few large global copper discoveries to regularly achieve copper-sector leading drill results from its continued exploration and resource growth drilling activities.

Expansion drilling of the Cortadera resource has seen continued success this year, with wide intersections being recorded from extensional drilling of the main porphyry (Cuerpo 3) and the second largest porphyry (Cuerpo 2). These results continue to underpin the Company's view that extensional drilling at Cortadera is on-track to deliver a significant upgrade to the Company's Costa Fuego Project in Chile.

A selection of new significant intersections recorded during the period are outlined below.

- 813m grading 0.4% copper and 0.1g/t gold from 54m down-hole depth in CRP0061D **(including 318m grading 0.6% copper and 0.2g/t gold)**
- 836m grading 0.4% copper and 0.1g/t gold from 536m down-hole depth in CRD0080 **(including 436m grading 0.5% copper and 0.2g/t gold)**
- 410m grading 0.5% copper and 0.2g/t gold from 440m down-hole depth in CRP088D **(including 144m grading 0.8% copper and 0.3g/t gold)**
- 373m grading 0.4% copper and 0.1g/t gold from 648m down-hole depth in CRP0032D **(including 130m grading 0.5% copper and 0.2g/t gold)**
- 382m grading 0.4% copper and 0.1g/t gold from 524m down-hole depth in CRP0052D **(including 80m grading 0.6% copper and 0.2g/t gold)**
- 248m grading 0.4% copper and 0.1g/t gold from 446m down-hole depth in CRP0053D **(including 32m grading 0.6% copper and 0.3g/t gold)**
- 114m grading 0.5% copper and 0.2g/t gold from 248m depth and 185m grading 0.5% copper and 0.2g/t gold from 568m depth down-hole in CRP0046D
- 218m grading 0.5% copper and 0.1g/t gold from 720m down-hole depth in CRP0047D **(including 134m grading 0.6% copper and 0.2g/t gold)**

Confirmation That Cortadera's Two Largest Porphyries Join at Depth

Results from diamond drilling testing the "gap zone" between Cuerpo 2 and Cuerpo 3 have confirmed that the two largest porphyries connect at depth. Although no significant results were returned from this drilling, diamond drilling has intersected wide zones of weakly mineralised "intra-mineral" porphyry.

Intra-mineral porphyries at Cortadera typically grade between 0.1% and 0.4% Cu and were emplaced immediately following the early porphyry phase of mineralisation which typically grades between 0.3% and 1.0% Cu.

Confirmation that the large porphyries join at depth is exciting for Hot Chili's technical team and adds large potential for the addition of further resources in this largely untested region, with further work required.

Cortadera North "Look-alike" Target

Exploration mapping and infill soil geochemical programmes across the large "look-alike" Cortadera North target were undertaken in the lead-up to first drill testing, with the work providing further encouragement across the 2km-long target zone, identifying multiple areas of outcropping copper oxides and copper-bearing, porphyry B-veins.

Drilling at Cortadera North was undertaken across several high priority areas encompassing a large Induced Polarisation (IP) chargeability anomaly and a strong molybdenum surface geochemical anomaly.

A total of eleven RC holes for 4,732 metres were completed at the Cortadera "look-alike" target, located immediately north of Cortadera, with initial drilling confirming molybdenum and silver enrichment, indicating potential proximity to porphyry mineralisation.

Remaining RC and diamond drilling will focus across the IP chargeability anomaly at Cortadera North and target positions identified from recent 3D geochemical modelling. Pathfinder multielement geochemical modelling will be key to determining potential areas for second-pass diamond drill hole tails and RC follow-up drilling.

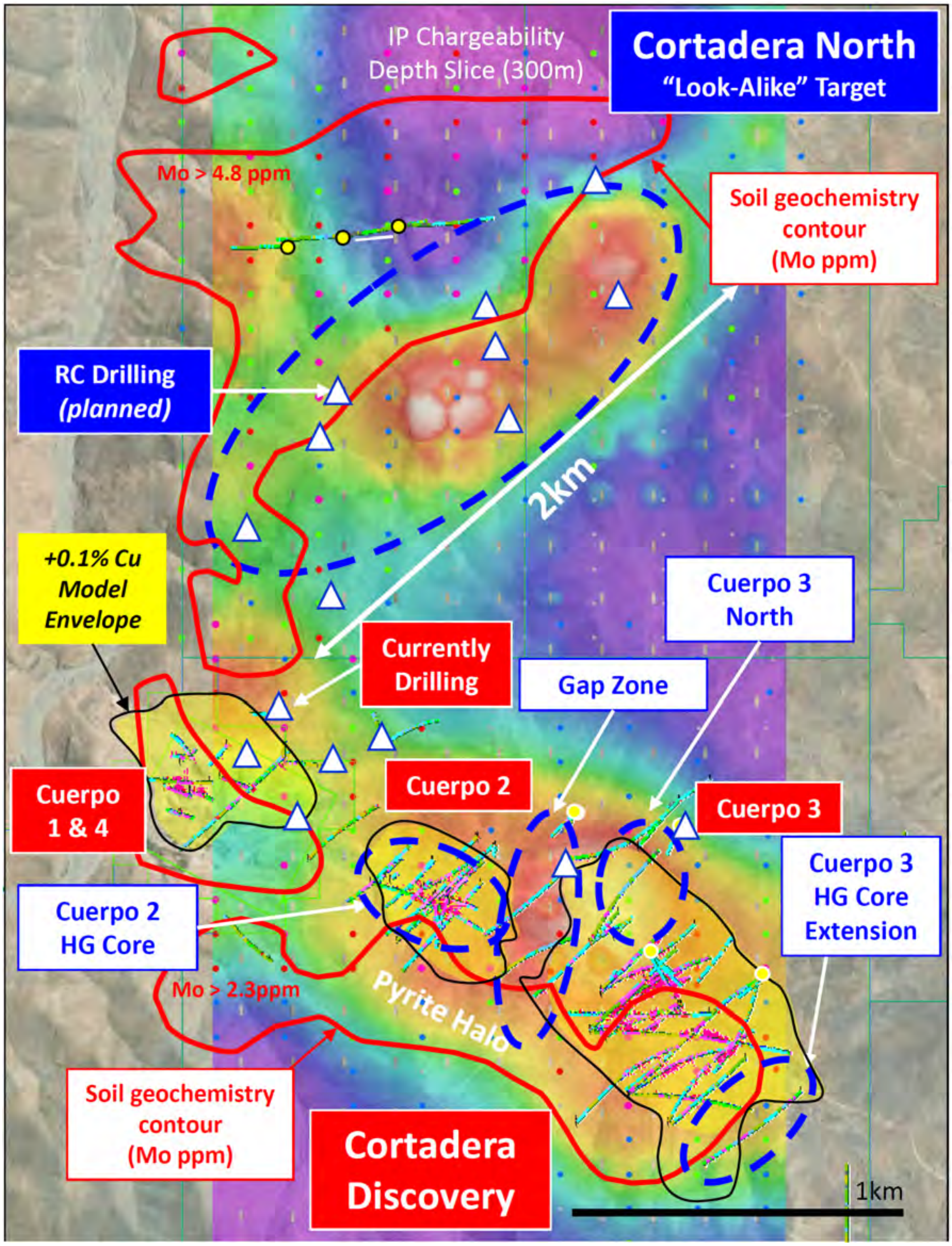


Figure 24 Plan view displaying the location of the Cortadera discovery zone in relation to the Cortadera North target. The plan displays the location of Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu) in relation to surface molybdenum anomalism and IP chargeability response at 200m depth slice. Cortadera North, located 2km north of Cortadera displays "look alike" characteristics to the Cortadera

discovery. Note locations of planned first pass RC drill holes at Cortadera North in addition to Cuerpo 1 and Cuerpo 4.

4km Long Copper Porphyry Footprint Secured Next to Cortadera – Santiago Z

Hot Chili added the exciting Santiago Z land holding to the Costa Fuego Project in Chile in March 2021, providing an additional 20 percent (5,468ha) to the Company's Costa Fuego Project landholdings.

Containing a large historical soil-molybdenum anomaly, Santiago Z is approximately twice as large in tenor and scale as the anomaly related to the Cortadera copper-gold porphyry discovery, located just 5km to the north.

Exploration by Hot Chili across Santiago Z has confirmed that the 4km-long soil molybdenum anomaly is associated with a zone of hydrothermal brecciation related NS regional-scale reverse faults and to a corridor of porphyries which have intruded the shallowly dipping volcano-sedimentary sequence, similar to the Cortadera porphyry deposit setting, and of similar age (Late Cretaceous porphyry ~92Ma).

Hot Chili has completed a surface mapping and soil geochemical sampling programme at Santiago Z, with assay results from the programme confirming the tenor and scale of the molybdenum anomaly from historical XRF results. Assay results have also highlighted enrichment in copper, gold and silver (Cortadera metal signature). Other element zonation patterns provide support for the discovery potential targeting a large copper porphyry system at depth. The most recent r3D geochemical modelling has confirmed a corresponding high probability target measuring +1.6km by +1km in dimension shown in Figure 25.

A ground magnetic survey at Santiago Z has confirmed a large coincident magnetic low, in association with the 4km long, surface molybdenum anomaly. These are overlain in Figure 25.

A regulatory application for first-pass drilling has been submitted and is expected to be approved in December.

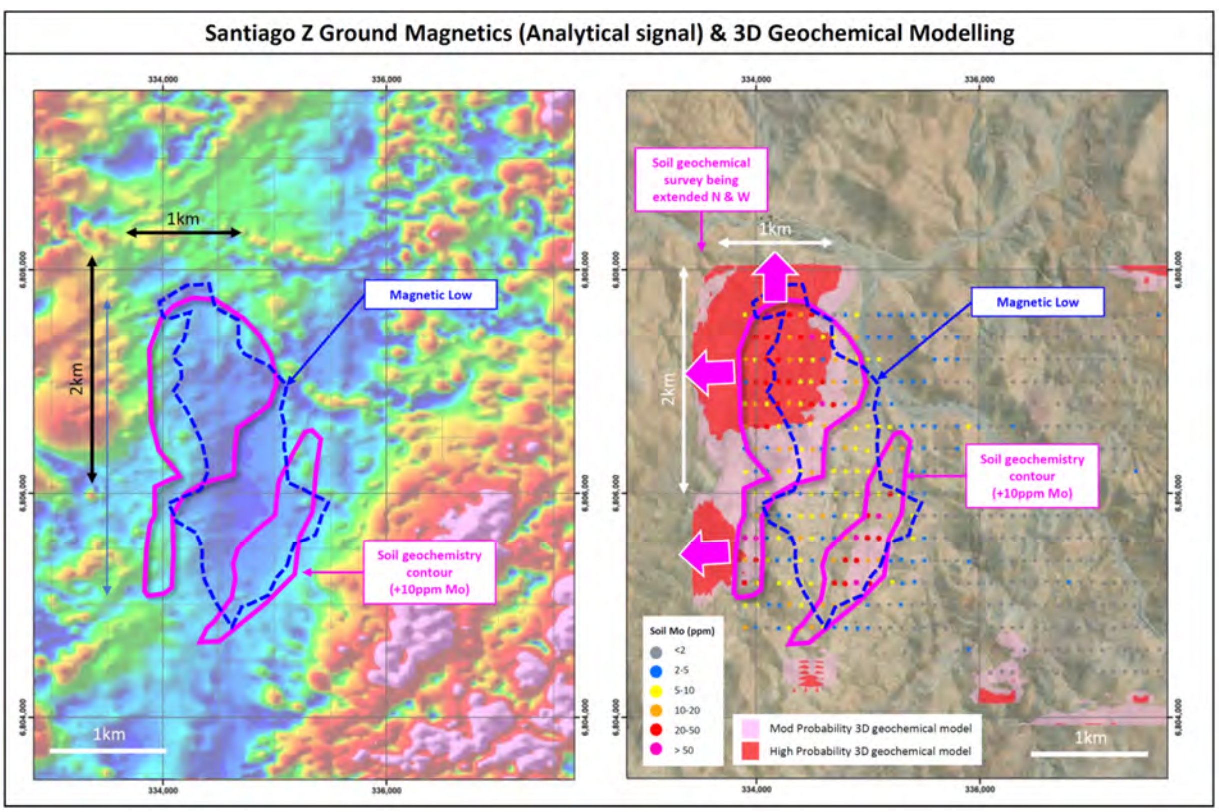


Figure 25 Plan views displaying recently acquired ground magnetic survey in addition to 3D Geochemical Modelling of surface geochemistry across the Santiago Z surface molybdenum

anomaly. Correlation of surface geochemistry, mapping, magnetics and 3D geochemical modelling outlines a compelling large-scale target for first-pass drill testing. Santiago Z is located approximately 5km south of Cortadera.

Advanced Three-Dimensional Geochemical Targeting – Productora

Advanced Three-Dimensional (3D) Geochemical targeting, using multielement surface geochemical data, has been applied for the first time across Hot Chili's consolidated Costa Fuego Project in Chile. The 3D geochemical approach was first confirmed, generating probability models which accurately mirrored existing copper resource models at both Cortadera and Productora.

Two large-scale 3D geochemical targets have been identified as high probability for immediate drill testing– Productora Central and Santiago Z – and are both larger in size than the main porphyry (Cuerpo 3) at the Company's Cortadera copper-gold discovery.

A high-probability 3D geochemical target measuring 1.2km by 1km in dimension has been located along the western flank of the planned central pit area of the Productora resource ("**Productora Central**").

Productora is a breccia-hosted copper-gold deposit located along the eastern flank of a 6km long porphyry lithocap. Significant exploration efforts have previously been unsuccessful in locating the potential source for approximately 1.2Mt copper and 0.8Moz gold deposited into the Productora breccia fault corridor.

The location of the Productora Central target along the regionally important NW-trending Serrano fault zone, and its location with respect to the most well-endowed sections of the Productora resource is considered particularly encouraging. Previous shallow exploration drilling over this target area failed to penetrate an extensive advanced argillic clay zone, which was believed to overlie a large-scale porphyry system.

Further extensional surface geochemistry and mapping programmes are currently underway across the Cortadera project to further resolve the Cortadera North growth target ahead of 3D geochemical modelling and next exploration drilling. This work is part of a larger exploration rationalisation and prioritisation process underway across the Company's landholdings.

Several other large-scale 3D geochemical targets have also been identified within the Productora landholding.

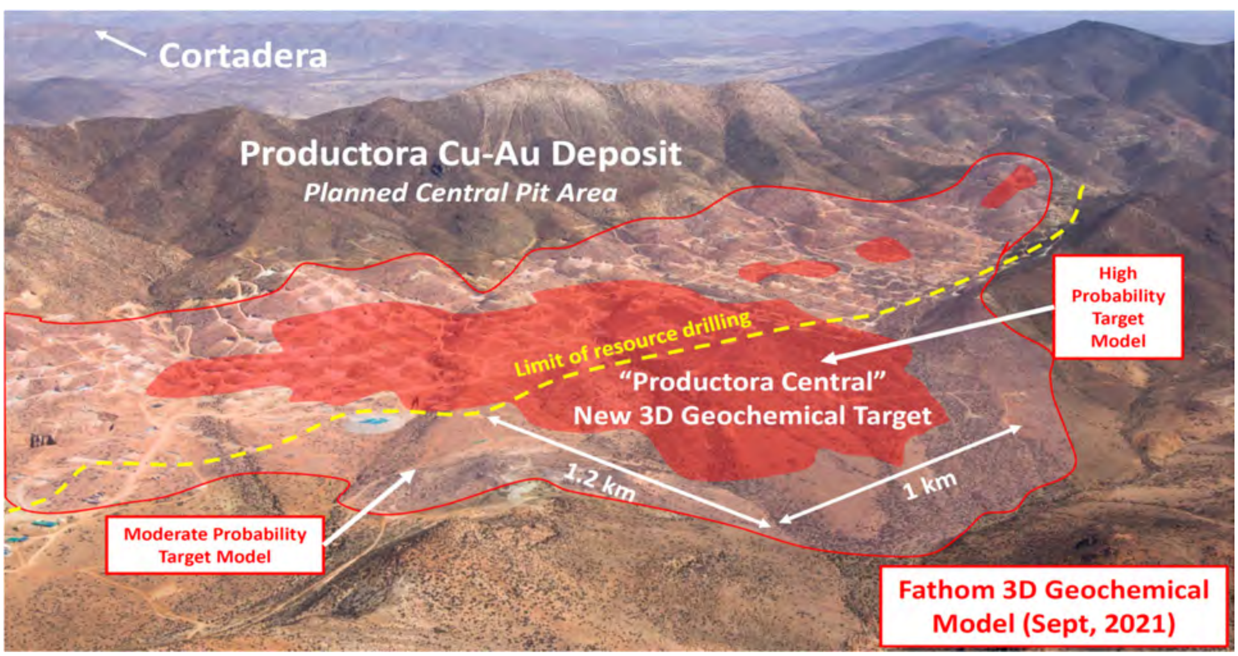


Figure 26 View looking SE across Productora – New, large 3D geochemical target set to be drilled in Q4 2021.

Selected Annual Information

The financial data of the Company for the three years to June 30, 2021 are summarized below:

	Consolidated Entity		
	2021	**2020**	**2019**
	A$	**A$**	**A$**
Interest income	1,065	4,115	3,460
(Loss)/Gain on revaluation of derivative liability	-	3,202,904	234,652
Other income	59,400	82,587	-
	60,465	**3,289,606**	**238,112**
Depreciation	(4,777)	(8,678)	(11,409)
Convertible Notes expenses	(35,000)	(37,198)	(34,257)
Exploration expenses written off	-	-	(270,047)
Corporate fees	(207,820)	(202,902)	(81,843)
Legal and professional	(68,366)	(364,745)	(209,075)
Employee benefits expense	(1,549,884)	(997,656)	(984,246)
Administration expenses	(460,143)	(263,163)	(215,663)
Accounting fees	(251,891)	(194,098)	(182,135)
Travel costs	(63,031)	(103,136)	(14,006)
Other expenses	(654,494)	(397,513)	(351,476)
Foreign exchange loss	(285,248)	(154,186)	(167,465)
Share based payments	(2,234,736)	-	(29,040)
Loss on revaluation of derivative liability	(1,874,949)		
Finance costs	(2,114,128)	(1,831,944)	(1,919,820)
Loss before income tax	(9,744,002)	(1,265,613)	(4,232,370)
Income tax expense	-	-	-
Loss after income tax	(9,744,002)	(1,265,613)	(4,232,370)
Other comprehensive income	-	-	-
Total Comprehensive Loss	**(9,744,002)**	**(1,265,613)**	**(4,232,370)**
Loss attributable to:			
Non-controlling interests	(99,185)	(109,430)	(119,746)
Owners of Hot Chili Limited	(9,647,817)	(1,156,183)	(4,112,624)
	(9,628,561)	**(1,265,613)**	**(4,232,370)**
Basic earnings per share (cents)	(0.35)	(0.07)	(0.47)
Diluted earnings per share (cents)	(0.35)	(0.07)	(0.47)

	Consolidated Entity		
	2021	2020	2019
	A$	A$	A$
Current Assets			
Cash and cash equivalents	3,604,625	6,307,894	1,377,545
Other current assets	133	6,960	7,445
Total Current Assets	3,604,758	6,314,854	1,384,990
Non-Current Assets			
Plant and equipment	61,944	57,431	157,919
Exploration and evaluation expenditure	158,329,683	131,070,506	113,176,541
Total Non-Current Assets	158,391,627	131,127,937	113,334,460
Total Assets	**161,996,385**	**137,442,791**	**114,719,450**
Current Liabilities			
Trade and other payables	6,375,148	4,667,920	3,913,365
Borrowings	4,999,787	-	
Derivative financial instruments	2,729,777	1,445,136	6,565,547
Total Current Liabilities	14,104,712	6,113,056	10,478,912
Non-Current Liabilities			
Borrowings	-	4,186,801	4,561,540
Total Non-Current Liabilities	-	4,186,801	4,561,540
Total Liabilities	**14,104,712**	**10,299,857**	**15,040,452**
Net Assets	**147,891,673**	**127,142,934**	**99,678,998**
Equity			
Contributed equity	188,314,123	160,056,118	131,837,269
Share based payment reserve	2,774,476	539,740	52,530
Foreign currency translation reserve	1,222	1,222	1,222
Accumulated losses	(62,179,021)	(52,534,204)	(51,401,511)
Capital and reserves attributable to owners of Hot Chili Limited	128,910,800	108,062,876	80,489,510
Non-controlling interests	18,980,873	19,080,058	19,189,488
Total Equity	**147,891,673**	**127,142,934**	**99,678,998**

Period to Period Variances

The exploration drilling programme at Cortadera commenced in early 2019 with two shifts of drilling per day across two drill rigs. Once the first JORC 2012 resource was published, the drilling rate ramped-up in February 2021 to facilitate resource development with five shifts of drilling per day across three drill rigs. Leading into the ramp-up, staffing was increased in Chile and Australia to manage the increased workload. In June 2021, development work streams commenced for a Pre-feasibility study.

The Company revised the payment timetable for the Cortadera Option agreement by paying a US$ 2 million for a twelve-month extension of the remaining acquisition payments (US$ 25 million) in mid-July 2020. The second acquisition payment of US$ 10 million for the Cortadera project was also made in February 2021, ahead of the scheduled July 2021 date.

This trend of increasing drilling activity, increased staffing and increased parallel resource and development work streams, along with the acceleration of the Cortadera purchase schedule, are the underlying reasons that the rate of exploration and evaluation expenditure has increased period to period over three years.

Material period to period variances in the Consolidated financial summary are:

- Exploration and evaluation expenditure – exploration at Cortadera had commenced in 2019 and in 2021 the drilling effort was expanded with an increase in shifts worked for the current fleet, and the addition of a third drill rig in 2021. The expenditure in 2020 was approximately A$17.9 million and in 2021 was A$27.3 million. This increase in expenditure was partially the result of the commencement of resource and exploration drilling at Cortadera, which commenced in early 2019.

- Exploration expenditure over these periods includes option agreement payments, which increased in magnitude over these three years. The schedule of the option payments is described in the discussion of liquidity, but a general description of the option strategy is to begin the schedule with small payments, which allow time for exploration efforts to increase the understanding of the resource potential before making larger payments. This structure creates an accelerating expenditure profile of both payments and exploration activity as exploration success increases certainty in the investment return. Payments for Cortadera were US$2 million in July 2019 and US$3 million in October 2019, US$2 million in April 2020, US$10 million in February 2021 and a final payment of US$15 million in September 2021. Smaller payments for the Purisima option agreement are also notable, being US$50,000 in February 2019, US$100,000 in December 2019, and US$250,000 in December 2020. The San Antonio option agreement was also initiated with a US$300,000 payment in November 2020.

- Borrowings – current and non-current borrowings capture the value of issued Convertible Notes that mature June 22, 2021. Subsequently the non-current borrowings for 2020 became the current borrowings for 2021 as maturity fell to within 12 months. Borrowings reflect the valuation of Convertible Notes, which changes each year due to changes in the share price and driven by the application of the relevant accounting standards along with note conversion during the respective periods (2021: 9,768 Convertible Notes and 2020: 30,264 Converible Notes).

- Contributed Equity – this item incorporates issued share capital. It increases each year as in the absence of revenue, it is the source of funding for exploration activities.

- Option reserve – reflects the valuation of performance rights and Options issued in each period and has been increasing as the executive team has been assembled to manage the project development.

- Accumulated Losses – the variance over the three years is captured in the Total Comprehensive Loss, which increases from a loss of A$1.3 million in 2020 to a loss of A 9.7 million in 2021. The key drivers of this increased loss rate – described below – are non-cash items:

    - Revaluation of derivative liability – arising from the convertible note valuation there is a significant variation, from a gain of A$3.2 million in 2020 to a loss of A$2.0 million in 2021 (non cash item).

    - Employee benefits expense – this loss increased in-line with our increased staffing, from a loss of A$1.0 million in 2020 to a loss of A$1.5 million in 2021.

- Share based payments – this is the valuation of the performance rights issued – the majority of which were issued in 2021, hence the additional loss of A$1.9 million in 2021 (non cash item).

- Finance costs – arising from the valuation of the Convertible Notes, which was an expense of A$1.8 million in 2020 and an expense of A$2.1 million in 2021 (non cash item).

Accounting Policies

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

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 functional currency of Hot Chili Limited is United States Dollars and the presentation currency is Australian Dollars.

The preparation of financial statements in conformity of IFRS 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.

Discussion of Operations

Costa Fuego Project Pre-Feasibility Study Commences

The Costa Fuego Project PFS commenced in June 2021. It aims to transform the Company's 2016 Productora PFS to examine the case to incorporate Cortadera and explore the potential to create a globally significant, low altitude, clean concentrate (without the use of arsenic), copper-gold project, which can leverage from a central processing and combined infrastructure approach. The Costa Fuego Project is one of the only low altitude (800-1,000m elevation) major copper-gold plays in the Americas and is the largest coastal copper-gold discovery in Chile since Candelaria.

Wood has been appointed as the lead-engineering firm and will be responsible for the process plant and infrastructure design, capital and operating cost estimation and execution planning. Several expert consultants have also been engaged to fully resource the project in the disciplines of resource development, mining, metallurgy, and infrastructure.

Wood is a world-renowned engineering and consulting group, recognised for its full in-house capability over the whole project life cycle of mining & mineral developments.

Internal study workstreams underway for the past year have included metallurgical and geotechnical testwork, as well as environmental baseline studies and financial scenario modelling. This work has outlined the potential for a large-scale, long-life, conventional open-cut and cave mining operation utilising conventional sulphide and oxide processing with strong environmental and social credentials.

The Costa Fuego Project PFS is expected to benefit from existing site layout design, regulatory permitting, a maritime concession for water rights, and critical infrastructure easement accesses (water pipeline and power) originally secured for the Productora PFS.

The Costa Fuego Project PFS will consider a concentrator and leach throughput range of 20Mtpa to 30Mtpa and is expected to be complete in the second half of 2022.

Initial Metallurgy Supports Combined Development Approach for Costa Fuego Project

Excellent initial copper recoveries and compatible metallurgy from sulphide testwork confirm that all three of the Costa Fuego Project's deposits (Cortadera, Productora and San Antonio) can be incorporated into one combined development.

Highlights from highly encouraging initial metallurgical testwork results for Cortadera and San Antonio are outlined below:

- Consistent and Compatible Ore Metallurgy: Sulphide test work results confirm that all three of Hot Chili's neighbouring projects (Cortadera, Productora and San Antonio) are compatible and can be incorporated into one combined development, now named "Costa Fuego".

- Excellent Initial Copper Recoveries: Rougher flotation test work from Cortadera and San Antonio indicates excellent copper recoveries of 89% to +95%.

- Strong Co-Product Recoveries: Gold, silver and molybdenum rougher flotation recoveries consistent with other leading global copper developments (Rio Tinto's Winu or SolGold's Cascabel project).

- Clean-Concentrate Confirmed: No deleterious elements present in rougher concentrate, confirming the Costa Fuego Project as a clean-concentrate (without the use of arsenic) combined copper-gold development.

- Low Capital Intensity Maintained: All three deposits indicate high recoveries of payable metals using salt water processing, no desalination plant required.

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 for the Costa Fuego Project copper-gold development.

Water Rights Secured for Costa Fuego Copper-Gold Super Project

Hot Chili, through its Chilean subsidiary company SMEA SpA, has been granted a Maritime Concession for extraction of sea water just 60 kilometres from the Company's Costa Fuego Project coastal copper-gold development in Chile.

Following a rigorous seven-year application process, Hot Chili is now one of the few copper-gold developers in Chile controlling a Maritime Concession for water. This adds significantly to critical infrastructure access requirements already secured including surface rights and water and electricity easements.

The water rights represent a major step forward in establishing an infrastructure-ready major coastal copper-gold development which can leverage from a central processing and combined infrastructure approach.

The Productora PFS completed in 2016 modelled the extraction of seawater via a 62km buried water pipeline from the coast to Productora. All metallurgical testwork results from the Costa Fuego Project have achieved strong metal recoveries using sea water processing.

The seawater pipeline design is now planned to be increased and extended to Cortadera, as the new operating centre for the combined Costa Fuego Project.

The maritime concession alone is considered a significant asset, and further enhances the Company's social license to operate ensuring no ground water will be used and no de-salination plant is required.

Productora Being Re-Shaped as a High Value Ore Source

Detailed work over the past year has confirmed the potential for Productora to provide a higher grade open pit development option for the Costa Fuego Project.

Productora's current Resource of an Indicated Resource of 208 Mt grading 0.54% CuEq, containing 1,222,000 t CuEq, 960,000 t Cu, 643,000 oz Au, 29,200 t Mo and Inferred Resource of 67 Mt grading 0.44% CuEq, containing 295,000 t CuEq, 255,000 t Cu, 167,000 oz Au, 7,200 t Mo, at a cut-off grade of 0.25% CuEq, supports a bulk tonnage open pit Probable Ore Reserve estimate of 167Mt grading 0.43% copper, 0.09g/t gold.

Channel sample grades and mapping of the Santa Innes underground mine at Productora during the period have shown positive reconciliation to the Productora 2016 resource estimated block grades, with additional zones of high grade copper mineralisation recognised while mining.

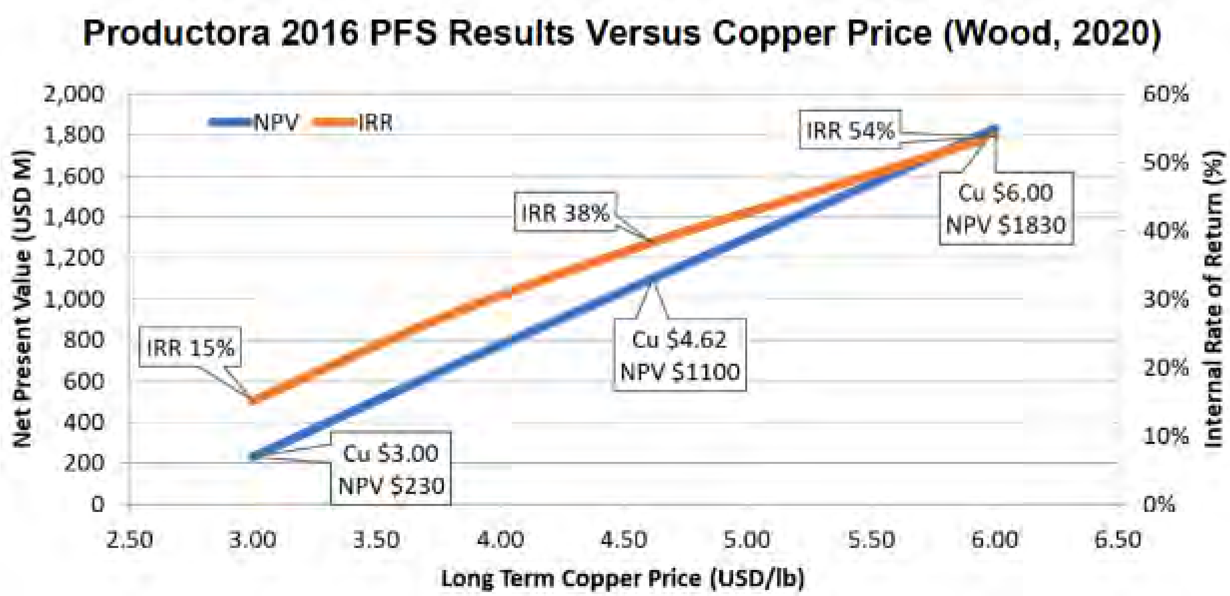
Structural analysis and mapping suggest the additional zones are high grade (+0.4% Cu) short range breccias which exist within the current drill density at Santa Innes.

Multiple iterations of estimation parameters have been completed to best represent the distribution of high grades at Productora, and provide a fit-for-purpose block model for use in revised pit optimisations using higher cut-off grades. This now gives the Company flexibility to assess Productora as either a bulk tonnage or higher grade satellite ore source.

Productora's value has been enhanced and economics improved by higher copper prices and lower power costs than that considered in the 2016 PFS. Since 2016, the central and southern Chilean electrical grids have been connected, driving a large influx of solar power derived from the Atacama region. Several large solar projects are now operating proximal to the Costa Fuego Project.

These factors have allowed contemplation to adopt a finer grind size, a key recommendation of the Productora PFS. This will see sulphide copper recoveries increase by 2% to 88% overall at Productora.

Further metallurgical testwork programmes are underway to optimise gold and oxide copper recoveries for the combined Costa Fuego Project PFS. These items are considered significant potential value levers for the project.



Refer to the Costa Fuego Technical Report dated December 13, 2021 (effective date of October 29, 2021). The PFS financial model for Productora is adjusted each year by independent consultants, Wood, to model changing economic conditions. The copper price leverage using the 2020 adjustment is shown above. The model was adjusted for the following changes (only) - Au = 1,550 US$/oz Au (increased 300 US$/oz), Mo = 12.00 US$/lb Mo (decreased 2.00 US$/lb), Foreign Exchange CLP:US$ was adjusted from 690 CLP:1 US$ to 719 CLP:1 US$ (the average FX rate for YTD according to S&P Global, increased 4%).

Figure 27 Productora 2016 PFS Results (NPV & IRR) Versus Copper Price (Wood, 2020)

Productora Lease Mining & Processing Agreement with ENAMI Expanded

Hot Chili, through its Chilean subsidiary company SMEA SpA, significantly expanded its lease mining and processing agreement with Chilean government agency ENAMI in December 2020.

The agreement provides concession for lease mining and processing for a maximum 180,000 tonnes per annum of oxide and sulphide ore supply from Productora, to ENAMI's Vallenar processing facility, located 15km north of Productora.

Hot Chili is very pleased with this positive step forward in its local partnership with Chilean government agency ENAMI.

The lease mining agreement has served an important social support programme for local employment in the Vallenar region during challenging times throughout the ongoing COVID pandemic.

Summary of Periodic Results

The Company does not have any material sources of revenue. There is no seasonality in expenditure. Major causes of variance between periods are the valuation of the derivative component of the Convertible Notes and the valuation of equity-based securities under the relevant Australian Accounting Standards. These are non-cash items. Generally, the valuations are done using the Black-Scholes model.

	Consolidated Entity – Half Yearly summaries			
	June 2021	**Dec 2020**	**June 2020**	**Dec 2019**
	A$	**A$**	**A$**	**A$**
Total Revenue	**3,857**	**56,608**	**3,286,556**	**3,050**
Total Comprehensive Loss	**(1,551,275)**	**(8,192,727)**	**1,820,393**	**(3,086,006)**
Loss attributable to:				
Non-controlling interests	(47,334)	(51,851)	(46,134)	(63,296)
Owners of Hot Chili Limited	(1,503,941)	(8,140,876)	1,866,527	(3,022,710)
Basic earnings per share (cents)*	(0.35)	(0.33)	(0.07)	(0.21)
Diluted earnings per share (cents)*	(0.35)	(0.33)	(0.07)	(0.21)

* Annualised

Revenue variation

Generally stated the Company does not have any revenue other than for interest received which is insignificant and is represented in the half years ending December 31, 2019 and June 30, 2021. Revenue during the half year ending June 30, 2020 is primarily as a result of a gain on revaluation of the Convertible Notes as at period end. The revenue for the half year ended December 31, 2020 included COVID-19 support payments to industry forming assistance packages by federal government.

Profit and loss to owners of the group

There are no dis-continuing operations within the group.

The loss per share shown reflects the fact that the Company is an explorer and has no material revenue and that the Company will have losses for the foreseeable future. The fluctuations in half year to half year are constituted by valuations of the Convertible Notes at each period end. The increasing number of shares on issue as a result of sourcing funds from equity markets will also have an effect of reducing the loss per share the greater the number of shares issued.

Revenue from lease-mining operations at Productora has not been material.

The financial data has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. This data also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The presentation currency is Australian dollars (A$) and the functional currency is United States dollars (US$).

Liquidity

Hot Chili has, in the past, financed its activities by raising capital through equity issuances. The Company will remain reliant on the equity markets for raising capital, in addition to adjusting spending, disposing of assets, and obtaining other non-equity sources of financing. The Company is still in the exploration and evaluation phase and hence no revenue is derived from projects immediately.

With respect to raising capital, Hot Chili has received strong support to date from its major shareholders and expects this to continue. Notably, Glencore – the major shareholder with 9.99% – has a commitment to maintain its shareholding above 7.5% or lose its appointed director to the Board of Hot Chili.

Due to the dynamic nature of the underlying businesses, the Board aims at maintaining flexibility in funding through management of its cash resources. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least six-months. Liquidity risk is managed by development of rolling budgets and forecasts and the Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations, and forward expenditure commitments, under all reasonably expected circumstances.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and share and option issues. The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Primary responsibility for identification and control of financial risks lies with the Managing Director and Chief Financial Officer, under the authority of the Board. The Board is abreast of these risks and agrees any policies that may be implemented to manage the risks identified. 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.

Working capital requirements for the next 12-months were estimated at A$19,400,000, with A$14,900,000 for exploration activities such as resource development and exploration drilling, and generative exploration activities. A$400,000 is estimated for development activities and A$4,100,000 for corporate purposes such as group administration, office expenses, staffing costs, marketing, corporate fees and legal expenses. The Company does not expect a deficiency in funds to cover working capital outlined.

The Company can meet its liabilities when they fall due. The Company has the flexibility to curtail expenditure and outflows when required and has displayed capabilities of raising funds to meet requirements and commitments.

The directors believe the following factors further ameliorate liquidity concerns:

- Included in liabilities is a derivative liability debt component 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;

- The financial reports of the Company do not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary in the face of liquidity restrictions and the recoverable of the Company's projects are also fairly shown given current, historically-high copper prices.

Hot Chili's commitments to exploration, option payments and operating leases are tabled below. Exploration and option payment obligations are discretionary since the tenements can be relinquished to extinguish the commitment. The obligations are in US dollars, converted to A$ with the exchange rate noted.

Contractual Obligations	Payments Due by Period (A$)				
	Total	< 1 year 2022	1 – 3 years 2024	4 – 5 years	>5 years
Exploration Obligations	8,234,166	558,807	1,011,205	1,011,205	5,652,949
Option Payment Obligations	37,309,462	1,463,116	20,708,216	15,138,130	
Operating Leases	172,142	103,285	68,857		
Total Contractual Obligations	45,715,770	2,125,208	21,788,278	16,149,335	5,652,949

Note: USD:AUD = 0.7465

The package of tenements controlled by Hot Chili has the future discretionary expenditure requirements detailed below.

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Agreement Details
MAGDELENITA 1/20		100% Frontera SpA	100	
ATACAMITA 1/82		100% Frontera SpA	82	HCH 100% option earn in: US$5 paid before October 15, 2019;
AMALIA 942 A 1/6		100% Frontera SpA	53	US$2 million paid on July 8, 2020;
PAULINA 10 B 1/16		100% Frontera SpA	136	US$10 million paid on February 14, 2021;
PAULINA 11 B 1/30		100% Frontera SpA	249	US$15 million to be paid by July 15, 2022
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	
PURISIMA	100% Frontera SpA		20	Hot Chili 100% option earn in: US$400,000 already paid. US$1.1 million to be paid by December 14, 2021 NSR 1.5%
Santiago 21 al 36		90% Frontera SpA	76	90% (Hot Chili)-10% (Arnaldo del Campo) JV.
Santiago 37 al 43		90% Frontera SpA	26	6 year term.
Santiago A, 1 al 26		90% Frontera SpA	236	US$200,000 already paid.
Santiago B, 1 al 20		90% Frontera SpA	200	US$300,000 to be paid by November 7, 2022.
Santiago C, 1 al 30		90% Frontera SpA	300	US$6,700,000 final exercise payment to be paid by November 7, 2023.
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	
SANTIAGO Z		100% Frontera SpA	300	100% Hot Chili purchase option agreement
PORFIADA I		100% Frontera SpA	300	US$600,000 to be paid by January 22, 2024.

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Agreement Details
PORFIADA II		100% Frontera SpA	300	NSR 1.5%
PORFIADA III		100% Frontera SpA	300	
PORFIADA IV		100% Frontera SpA	300	
PORFIADA V		100% Frontera SpA	200	
PORFIADA VI		100% Frontera SpA	100	
SAN JUAN SUR 1/5	90% Frontera SpA		10	90% (Hot Chili) option agreement
SAN JUAN SUR 6/23	90% Frontera SpA		90	US$150,000 by June 1, 2023.
				US$4,000,000 by June 1, 2024.

Capital Resources

The Company continued to be strongly supported by shareholders and new investors, raising A$25.6 million before expenses during the reporting period 2020/2021.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions Between Related Parties

On September 4, 2020, the Company issued 33,333,334 Ordinary Shares at a deemed price of 1.5 cents per Ordinary Share in lieu of cash to a creditor along with 16,666,667 free attaching Options following approval by shareholders at general meeting. The securities were issued to Blue Spec Sondajes Chile Limitada, a related party of Murray Black in lieu of A$500,000 of payment for drilling services provided to Hot Chili.

MRA Consulting Pty Ltd., a company associated with Dr. Anderson, a director, was paid A$9,607 (2020: A$36,792) in directors and consulting fees. There were no amounts payable as at June 30, 2021 (2020: nil).

Quarterly interest accruing on the Convertible Notes payable to Blue Spec Drilling Pty Ltd. of A$30,877 (2020: A$30,962) for the year was settled by the issue of 794,912 Ordinary Shares (2020: 927,525). A$7,698 was payable as at June 30, 2021 (2020: A$7,698) which was settled by issue of 222,291 Ordinary Shares on July 12, 2021 (2020: 412,536 Ordinary Shares on July 3, 2020). 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 A$10,379,605 (2020: A$4,151,946) for rent and drilling services, of which, as at June 30, 2021 A$3,718,982 (2020: A$1,802,486) was owing to Blue Spec Sondajes Chile Limitada for rent and for drilling at Cortadera.

All transactions were made on commercial terms. See "*Interest of Management and Others in Material Transactions*."

Fourth Quarter

The period April 1, 2021 to June 30, 2021 provided for a reasonable quantum of cumulative meters drilled with "business as usual". Significant backlogs at assay laboratories were experienced, which delayed announcement of results.

There was no substantive mining production and development activities during the quarter. The Company continues to work with ENAMI in bringing production to fruition and accordingly, lease miners continue to build sample test tonnage.

The Company also received A$521,000 by way of exercise of Options.

Major business segments comprise Exploration and Evaluation, Development and Corporate. The major expenditure is accounted for by Exploration and Evaluation – A$5,624,000. Development and Corporate expenses totaled A$940,000.

Proposed Transactions

From time to time, in the normal course of business, the Company considers potential acquisitions, joint ventures, and other opportunities. The Company will disclose such an opportunity if and when required under applicable securities rules.

Critical Accounting Estimates

Critical accounting estimates are included under the heading "Significant Accounting Policies" in each of the notes to the financial statements appended as Schedule "A" hereto.

Changes in Accounting Policies including Initial Adoption

There were no changes in Hot Chili's accounting policies.

Financial Instruments and Other Instruments

Financial instruments, other instruments, the risks associated therewith and the treatment thereof are detailed in under the heading "Significant Accounting Policies" and notes to the financial statements in each of the financial statements appended as Schedule "A" hereto.

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.

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.

Additional infromation relating to the Company can be found on SEDAR at www.sedar.com.

Management Discussion and Analysis for the three month period ended September 30, 2021

Overall Performance

Hot Chili Completes $40 Million Capital Raising

- Glencore becomes 9.99% strategic shareholder and adds representative to Hot Chili's Board

- Final US$15 million instalment satisfied for 100% ownership of the Cortadera copper-gold discovery in Chile

Cortadera Continues to Expand Ahead of Resource Upgrade

- Further strong extensional drill results from 40,000m drilling programme at Cortadera

- o 168m grading 1.0% CuEq (0.8% Cu, 0.3g/t Au) from 682m depth (CRP0088D)
- o 82m grading 1.0% CuEq (0.7% Cu, 0.3g/t Au) from 634m depth (CRP0124D)
- o 138m grading 0.8% CuEq (0.6% Cu, 0.1g/t Au) from 634m depth (CRP0134D)

Costa Fuego Expands Reach and Readies for New Growth Drilling Phase

- Low-cost rope-conveyor transport and handling confirmed in Costa Fuego Pre-Feasibility Study
- Advanced Three-Dimensional (3D) Geochemical targeting has been applied for the first time across Hot Chili's consolidated Costa Fuego landholding – several large targets being prepared for first drilling

Proposed Share Consolidation in Advance of Planned Dual Listing in Canada

- Preparations to dual-list the Company in Canada this year are on-track
- A fifty to one share consolidation is proposed for shareholder approval to provide a more efficient and appropriate share price for a wider range of investors, particularly North American institutional investors

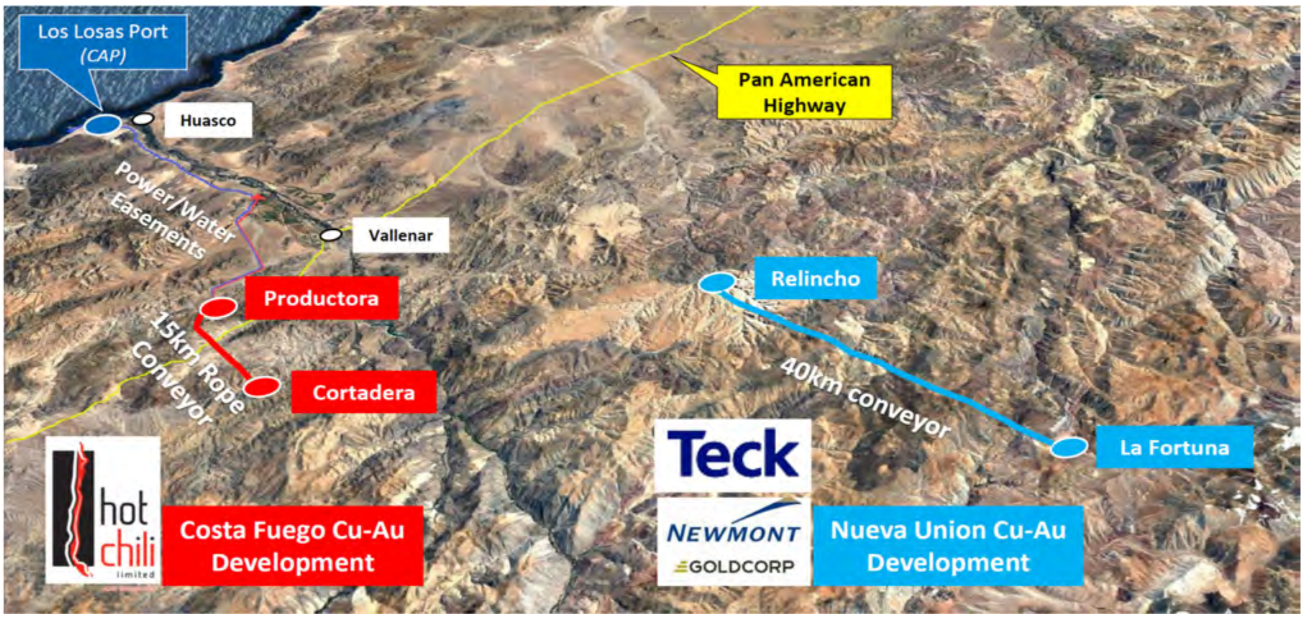


Figure 28 Low-altitude, Costa Fuego combined coastal development in relation to Nuevo Union combined development, Chile

Review of Operational Activities

Cortadera Resource Growth Drilling

The Company's resource growth drilling programme at the Cortadera copper-gold discovery in Chile continued with three drill rigs in operation completing a total of 41 drill holes for 14,081m during the quarter.

Results have continued to expand and upgrade the categorisation of the maiden 451Mt resource at Cortadera and encouraged the Company to extend its planned drilling until mid-December, past the originally planned 40,000m programme.

Highlights from Cortadera drilling during the quarter include:

- Strong extensional drill results demonstrating continued expansion of high grade resources (+0.8% CuEq) across the northern flank (North Flank) of the main porphyry (Cuerpo 3)

- Final assays from CRP0088D have significantly upgraded the initial result (reported to ASX 16th June, 2021) to 486m grading 0.6% CuEq (0.5% Cu, 0.2g/t Au) from 426m depth down-hole, including 168m grading 1.0% CuEq (0.8% Cu, 0.3g/t Au) from 682m depth

- CRP0124D returned a broad intersection of 362m grading 0.6% CuEq (0.5% copper (Cu), 0.2g/t gold (Au)) from 480m depth down-hole, including 82m grading 1.0% CuEq (0.7% Cu, 0.3g/t Au) from 634m depth

- CRP0134D returned an extensive intersection of 610m grading 0.5% CuEq (0.4% copper (Cu), 0.1g/t gold (Au)) from 216m depth down-hole, including 138m grading 0.8% CuEq (0.6% Cu, 0.1g/t Au) from 634m depth

- Results from CRP0134D and CRP0124D have extended the North Flank by approximately 170m

- Successful drill testing of additional open flanks at Cuerpo 2 have confirmed significant extension of shallow resources

- Results pending for approximately 6,600m of assay results pending from 27 drill holes as of 27th October

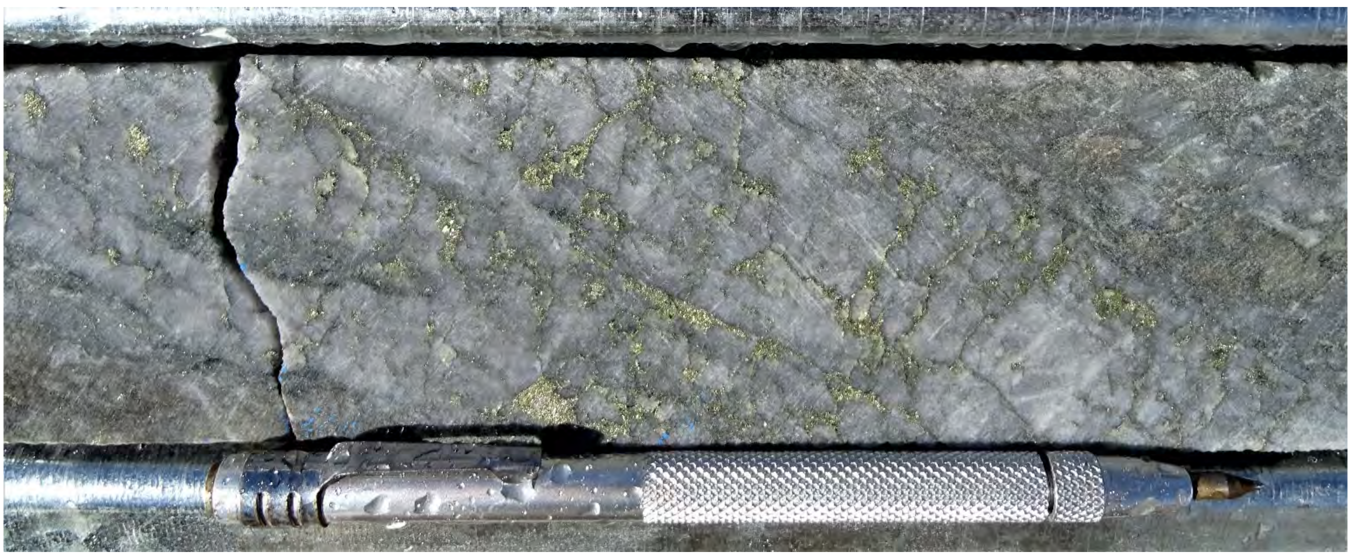


Figure 29 CRP00124D (702m depth down-hole) – 1.0% copper, 0.5g/t gold, 2.2g/t silver and 49 ppm molybdenum. Early-stage porphyry, sericite-chlorite-albite alteration with 11% A-B vein abundance

Cost Fuego Development PFS Advancing

Pre-feasibility studies (PFS) into the combined Costa Fuego Project copper-gold development are making good progress across preliminary mine design, geotechnical studies and metallurgical workstreams.

Highlights from the Costa Fuego Project PFS during the quarter include:

- Appointment of experienced mining engineer and executive Mr John Hearne in the role of Executive Studies Manager – responsible for driving the Costa Fuego Project PFS and managing all aspects of the Company's development group.

- Results of a materials handling scoping study have significantly reduced the cost of ore transport for Costa Fuego.

- Central processing at Productora allows the use of RopeCon and significantly reduces development timeframes and additional capital related to locating central processing at Cortadera.

- RopeCon ore transport determined to be most cost-effective materials handling system for transport of Cortadera ore approximately 14 km down-hill to Productora.

- RopeCon determined to be less than 10% of the operating cost associated with truck haulage and 25% less than conventional conveyor.

- Approximately 70% of metallurgical samples have arrived in Australia for commencement of oxide and sulphide metallurgical testwork for Cortadera and Productora.

Figure 30 Close-up view - RopeCon transports material on a flat belt with corrugated side walls that is fixed to axles that run on track ropes suspended from tower structures.

<u>Costa Fuego Exploration Pipeline Building</u>

The Company has ramped-up its exploration activities across its consolidated Costa Fuego Project landholding.

Regional soil sampling and mapping advanced in parallel with targeting across several high impact growth targets which are being prepared for first drilling late this year.

Highlights from Exploration across Costa Fuego during the quarter include:

Exploration Accelerating, New Large Growth Targets

- Approximately 862 soil samples were collected across the Cortadera regional area, 89% of programme complete.

- Systematic mapping completed across key extensional trends to the Cortadera discovery zone.

- Advanced Three-Dimensional (3D) Geochemical targeting, using multielement surface geochemical data, applied for the first time across Costa Fuego.

- The 3D geochemical approach generated probability models which accurately mirrored existing copper resource models at both Cortadera and Productora.

- Two, large-scale, 3D geochemical targets have been identified as high probability for immediate drill testing – Productora Central and Santiago Z – both considered potential game changers for Costa Fuego's growing resource base.

Preparation to Commence New Growth Drilling Phase

- Regulatory approval for drilling at Santiago Z is expected in December.

- Regulatory applications being prepared for drilling across several new growth targets at Productora and Cortadera.

- Drilling across large growth targets at Productora, Santiago Z and Cortadera set to commence late this year.

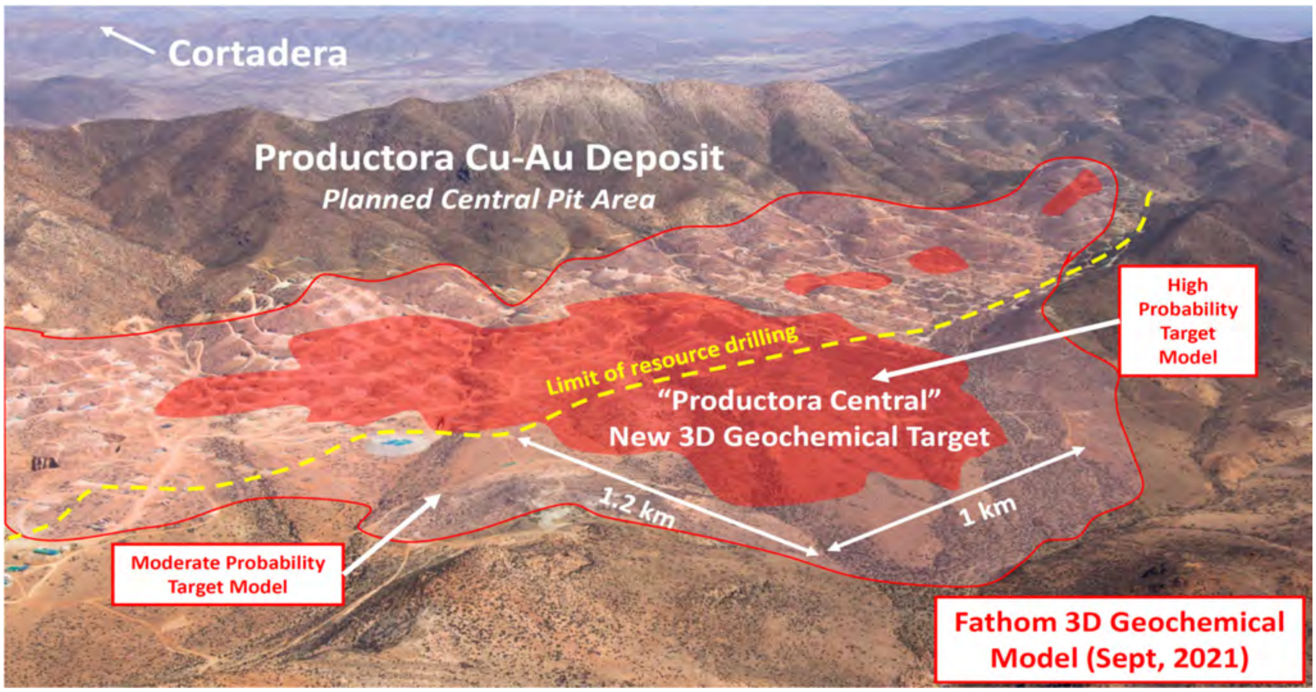


Figure 31 View looking SE across Productora – New, large 3D geochemical target set to be drilled in Q4 this year

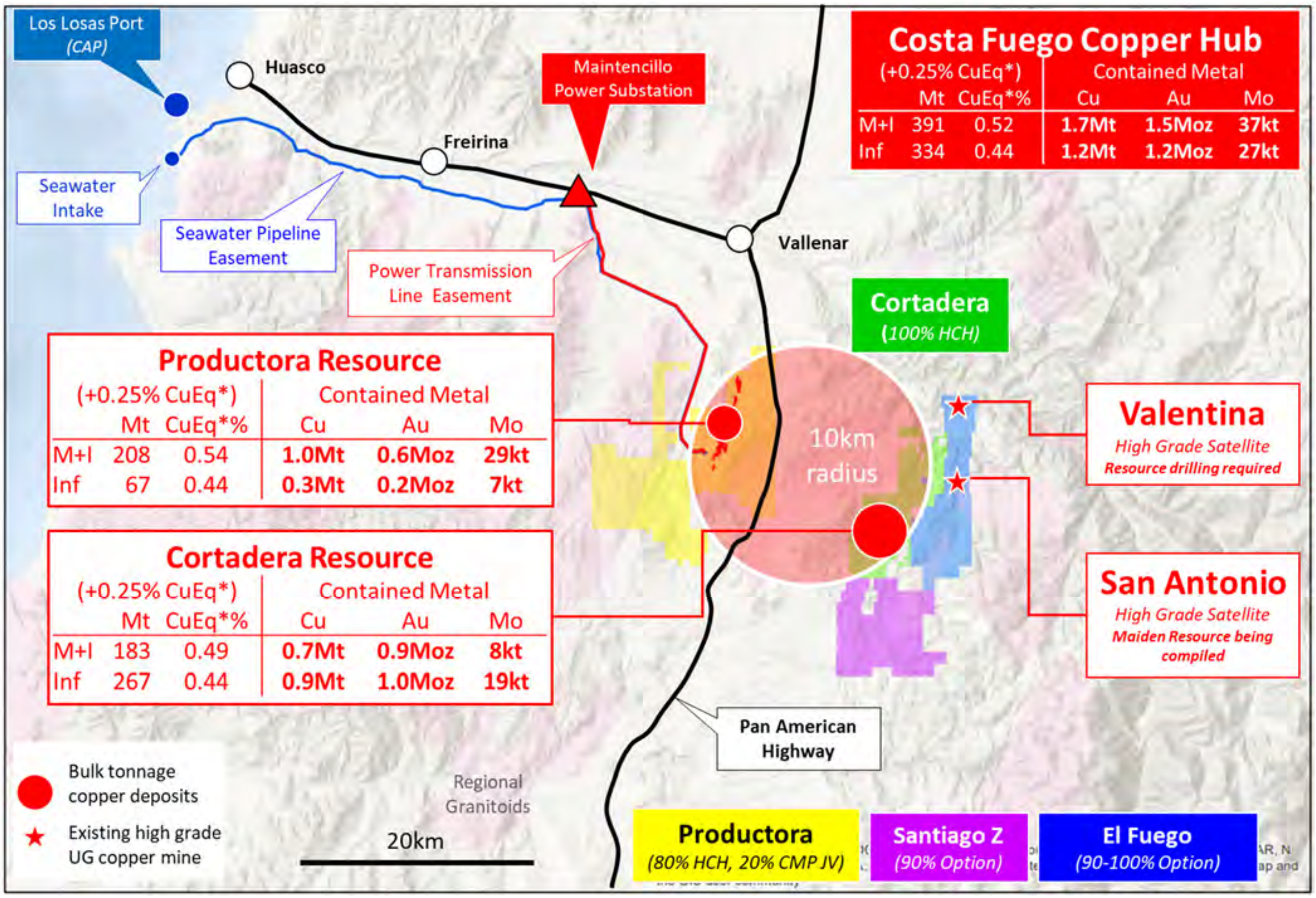


Figure 32 Location of Productora and the Cortadera discovery in relation to the coastal range infrastructure of Hot Chili's combined Costa Fuego copper project, located 600km north of Santiago in Chile

Refer to "Resource Report for the Costa Fuego Copper Project, Located in Atacama, Chile – Technical Report NI 43-101" dated December 13, 2021 (effective date October 29, 2021).

** Copper Equivalent (CuEq) reported for the resource were calculated using the following formula: CuEq% = ((Cu% × Cu price 1% per tonne × Cu_recovery) + (Mo ppm × Mo price per g/t × Mo_recovery)+(Au ppm × Au price per g/t × Au_recovery)+ (Ag ppm × Ag price per g/t × Ag_recovery)) / (Cu price 1% per tonne). The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%. For Costa Fuego (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=51%, Mo=67% and Ag=23%.*
*** Reported on a 100% Basis - combining Cortadera and Productora Mineral Resources using a +0.25% CuEq reporting cut-off grade*

Table 11 Significant Drill Results Reported in Q2 2021

Hole_ID	Coordinates			Azim	Dip	Hole Depth	Intersection		Interval	Copper	Gold	Silver	Molybdenum	Cu Eq
	North	East	RL				From	To	(m)	(% Cu)	(g/t Au)	(ppm Ag)	(ppm Mo)	(% Cu Eq)
CRP0088D	6813365	336621	1060	286	-63	1434	**426**	**912**	**486**	**0.5**	**0.2**	**0.8**	**77**	**0.6**
Updated with final assays						*or including*	**682**	**850**	**168**	**0.8**	**0.3**	**1.4**	**109**	**1.0**
						or including	**714**	**830**	**116**	**0.9**	**0.3**	**1.5**	**130**	**1.1**
							718	**780**	**62**	**1**	**0.4**	**1.6**	**96**	**1.2**
CRP090D	6813872	336253	1060	231	- 64.6	999	**310**	**648**	**338**	**0.3**	**0.1**	**1.0**	**128**	**0.4**
CRP0099	6814342	335109	960	201	- 61.1	84	**26**	**85**	**59**	**0.4**	**0.1**	**1.0**	**15**	**0.4**

Hole_ID	Coordinates			Azim	Dip	Hole Depth	Intersection		Interval	Copper	Gold	Silver	Molybdenum	Cu Eq
	North	East	RL				From	To	(m)	(% Cu)	(g/t Au)	(ppm Ag)	(ppm Mo)	(% Cu Eq)
CRP0100D	6814041	335183	965	239	-69.8	439	184	236	52	0.3	0.1	1.0	76	0.3
CRP0106	6814366	335009	954	343	-60.3	271	0	58	58	0.3	0.0	1.0	39	0.3
						including	**0**	**12**	**12**	**0.5**	**0.1**	**1.0**	**13**	**0.5**
CRP0127D	6813534	336306	1035	98	-66.6	637	232	290	58	0.3	0.1	0.4	67	0.3
							298	332	34	0.3	0.1	0.3	139	0.4
CRP0126	6813622	336269	1028	32	-59.2	192	**14**	**30**	**16**	**0.2**	**1.2**	**0.3**	**16**	**0.9**
						Including	**14**	**22**	**8**	**0.3**	**2.4**	**0.4**	**16**	**1.5**
CRP0108D	6814105	335074	946	227	-69.9	288	**28**	**80**	**52**	**0.3**	**0.1**	**0.8**	**60**	**0.4**
CRP0058D	6814177	335957	1032	223	-65.9	1163	70	84	14	0.3	0.2	0.8	7	0.4
							570	576	6	0.5	0.0	4.4	5	0.5
							784	**810**	**26**	**0.4**	**0.1**	**0.8**	**32**	**0.4**
CRP0092D	6814256	335147	972	209	-74.2	635	4	8	4	0.3	0.1	0.3	10	0.3
							68	136	68	0.2	0.0	0.5	59	0.3
						Including	68	84	16	0.3	0.1	0.5	79	0.4
							112	122	10	0.3	0.0	0.5	36	0.3
							500	506	6	0.4	0.0	0.8	5	0.4
CRP0124D	6813694	336500	1049	239	-75.0	1020	**480**	**842**	**362**	**0.5**	**0.2**	**0.9**	**123**	**0.6**
						including	**628**	**776**	**148**	**0.6**	**0.3**	**1.3**	**150**	**0.8**
						or including	**628**	**730**	**102**	**0.7**	**0.3**	**1.3**	**195**	**0.9**
						or including	**634**	**716**	**82**	**0.7**	**0.3**	**1.3**	**225**	**1.0**
CRP0134D	6813615	336269	1027	96	-75.8	1025	**216**	**826**	**610**	**0.4**	**0.1**	**0.7**	**206**	**0.5**
						including	**502**	**568**	**66**	**0.6**	**0.2**	**0.9**	**159**	**0.7**
						and including	**634**	**772**	**138**	**0.6**	**0.1**	**1.4**	**486**	**0.8**
CRP0132D	6813861	336310	958	170	-76	766	300	766	466	0.2	0.1	0.4	89	0.3
						including	**540**	**576**	**36**	**0.4**	**0.1**	**0.6**	**169**	**0.5**
							714	764	50	0.3	0.1	0.7	92	0.3
CRP0133	6813977	335692	985	150	-59.9	108	12	108	96	0.2	0.1	0.4	34	0.2
						including	12	54	42	0.3	0.1	0.5	15	0.3
CRP0139	6813981	335446	969	115	-61.1	222	0	222	222	0.2	0.1	0.5	7	0.3
						including	**180**	**222**	**42**	**0.4**	**0.3**	**0.8**	**4**	**0.5**
CRP0140	6813975	335695	985	25	-70.1	92	10	62	52	0.2	0.1	0.4	23	0.3
CRP0150	6813982	335427	968	109	-54	132	34	96	62	0.2	0.1	0.3	23	0.2
CRP0151	6813865	335540	992	168	-75.5	162	0	30	30	0.3	0.1	0.6	13	0.3
						162	48	118	70	0.3	0.1	0.5	19	0.3

Significant intercepts are calculated above a nominal cut-off grade of 0.2% Cu. Where appropriate, significant intersections may contain up to 30m down-hole distance of internal dilution (less than 0.2% Cu). Significant intersections are separated where internal dilution is greater than 30m down-hole distance. The selection of 0.2% Cu for significant intersection cut-off grade is aligned with marginal economic cut-off grade for bulk tonnage polymetallic copper deposits of similar grade in Chile and elsewhere in the world.

** Copper Equivalent (CuEq) reported for the resource were calculated using the following formula: CuEq% = ((Cu% × Cu price 1% per tonne × Cu_recovery) + (Mo ppm × Mo price per g/t × Mo_recovery)+(Au ppm × Au price per g/t × Au_recovery)+ (Ag ppm × Ag price per g/t × Ag_recovery)) / (Cu price 1% per tonne). The Metal Prices applied in the calculation were: Cu=3.00 USD/lb, Au=1,550 USD/oz, Mo=12 USD/lb, and Ag=18 USD/oz. For Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%. For Productora (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=43% and Mo=42%. For Costa Fuego (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=51%, Mo=67% and Ag=23%.*

Table 12 Details of all Drillholes Completed at Cortadera in Q3 2021

Quarter Drilled	Prospect	Hole_ID	North	East	RL	Depth	Azimuth	Dip	Results
Q2 2021	Cuerpo 3	CRP0058D	6814172	335959	1,040	1163	223	-66	**Significant result returned Q3**
Q2 2021	Cuerpo 3	CRP0088D	6813365	336621	1,060	1,434	286	-63	**Significant result returned Q3**
Q2 2021	Cuerpo 3	CRP0090D	6813873	336247	1,059	999	230	-65	**Significant result returned Q3**
Q2 2021	Cuerpo 1	CRP0092D	6814255	335147	972	635	210	-75	**Significant result returned Q3**
Q2 2021	Cuerpo 1	CRP0099	6814342	335110	960	84	201	-61	**Significant result returned Q3**
Q2 2021	Cuerpo 1-2 Gap Zone	CRP0100D	6814041	335183	965	439	239	-70	**Significant result returned Q3**
Q2 2021	Cuerpo 1	CRP0106	6814366	335009	954	271	343	-60	**Significant result returned Q3**
Q2 2021	Cuerpo 1	CRP0108D	6814105	335074	946	288	227	-70	**Significant result returned Q3**
Q2 2021	Cuerpo 3	CRP0124D	6813694	336500	1,049	1,020	239	-75	**Significant result returned Q3**
Q2 2021	Cuerpo 3	CRP0126	6813622	336269	1,028	192	31	-59	**Significant result returned Q3**
Q3 2021	Cuerpo 3	CRP0127D	6813533	336310	1,035	637	98	-67	**Significant result**
Q3 2021	Cuerpo 3	CRP0131D	6813815	336421	1,088	874	250	-80	NSR
Q3 2021	Cuerpo 3	CRP0132D	6813861	336310	1,057	766	170	-76	**Significant result**
Q3 2021	Cuerpo 2	CRP0133	6813977	335692	985	108	150	-60	**Significant result**
Q3 2021	Cuerpo 3	CRP0134D	6813615	336269	1,028	1,025	96	-76	**Significant result**
Q3 2021	Cuerpo 3	CRP0135	6813389	335930	1,097	282	10	-80	NSR
Q3 2021	Cuerpo 3	CRP0136D	6813389	335926	1,097	982	41	-74	Pending
Q3 2021	Cuerpo 3	CRP0137	6813393	335925	1,097	78	4	-60	NSR
Q3 2021	Cuerpo 3	CRP0138D	6813204	336322	1,092	685	26	-64	NSR
Q3 2021	Cuerpo 2	CRP0139	6813981	335446	969	222	115	-61	**Significant result**
Q3 2021	Cuerpo 2	CRP0140	6813975	335695	985	92	25	-70	**Significant result**
Q3 2021	Cuerpo 2-3 Gap Zone	CRP0141	6813882	335901	999	78	227	-83	NSR

Quarter Drilled	Prospect	Hole_ID	North	East	RL	Depth	Azimuth	Dip	Results
Q3 2021	Cuerpo 3	CRP0142	6813876	336253	1,060	84	227	-78	NSR
Q3 2021	Cuerpo 3	CRP0143	6813871	336256	1,060	240	221	-75	NSR
Q3 2021	Cuerpo 3	CRP0144D	6813453	336344	1,043	941	51	-73	Pending
Q3 2021	Cuerpo 3	CRP0145	6813728	336355	1,042	192	147	-82	NSR
Q3 2021	Cuerpo 3	CRP0146D	6813367	336126	1,066	273	81	-79	Pending
Q3 2021	Cuerpo 3	CRP0147	6813465	335845	1,082	210	35	-65	NSR
Q3 2021	Cuerpo 2	CRP0148	6813870	335545	993	252	84	-61	Pending
Q3 2021	Cuerpo 2	CRP0149	6813791	335636	1,009	266	10	-58	Pending
Q3 2021	Cuerpo 2	CRP0150D	6813982	335427	968	699	109	-54	**Significant result for precollar**, DD tail results pending
Q3 2021	Cuerpo 2	CRP0151	6813865	335540	992	162	169	-75	**Significant result**
Q3 2021	Cuerpo 2	CRP0152	6813938	335679	982	162	177	-59	Pending
Q3 2021	Cuerpo 2	CRP0153	6813959	335619	977	102	31	-60	Pending
Q3 2021	Cuerpo 2	CRP0154	6813959	335619	977	168	321	-60	Pending
Q3 2021	Cuerpo 3	CRP0155D	6813616	336274	1,028	575	65	-76	Pending
Q3 2021	Cuerpo 3	CRP0156	6813323	336526	1,086	132	249	-74	Pending
Q3 2021	Cuerpo 2	CRP0157	6813903	335749	988	95	21	-60	Pending
Q3 2021	Cuerpo 2	CRP0158	6813926	335491	977	150	199	-60	Pending
Q3 2021	Cuerpo 2	CRP0159	6813903	335749	988	78	219	-73	Pending
Q3 2021	Cuerpo 2	CRP0160	6814014	335763	996	90	211	-65	Pending
Q3 2021	Cuerpo 2	CRP0161	6813716	335580	1,007	186	21	-59	Pending
Q3 2021	Cuerpo 3	CRP0162	6813453	336344	1,043	163	115	-80	Pending
Q3 2021	Cuerpo 3	CRP0163	6813453	336344	1,043	324	262	-74	Pending

Note 1: NSR – no significant intersection recorded

Figure 33 Plan view across the Cortadera discovery area displaying significant copper-gold DD intersections across Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu and magenta +0.4% Cu). Note the selected Hot Chili drilling intersections (White) and the new result reported from CRP0088D, CRP00124D and CRP00134D (Magenta collar)

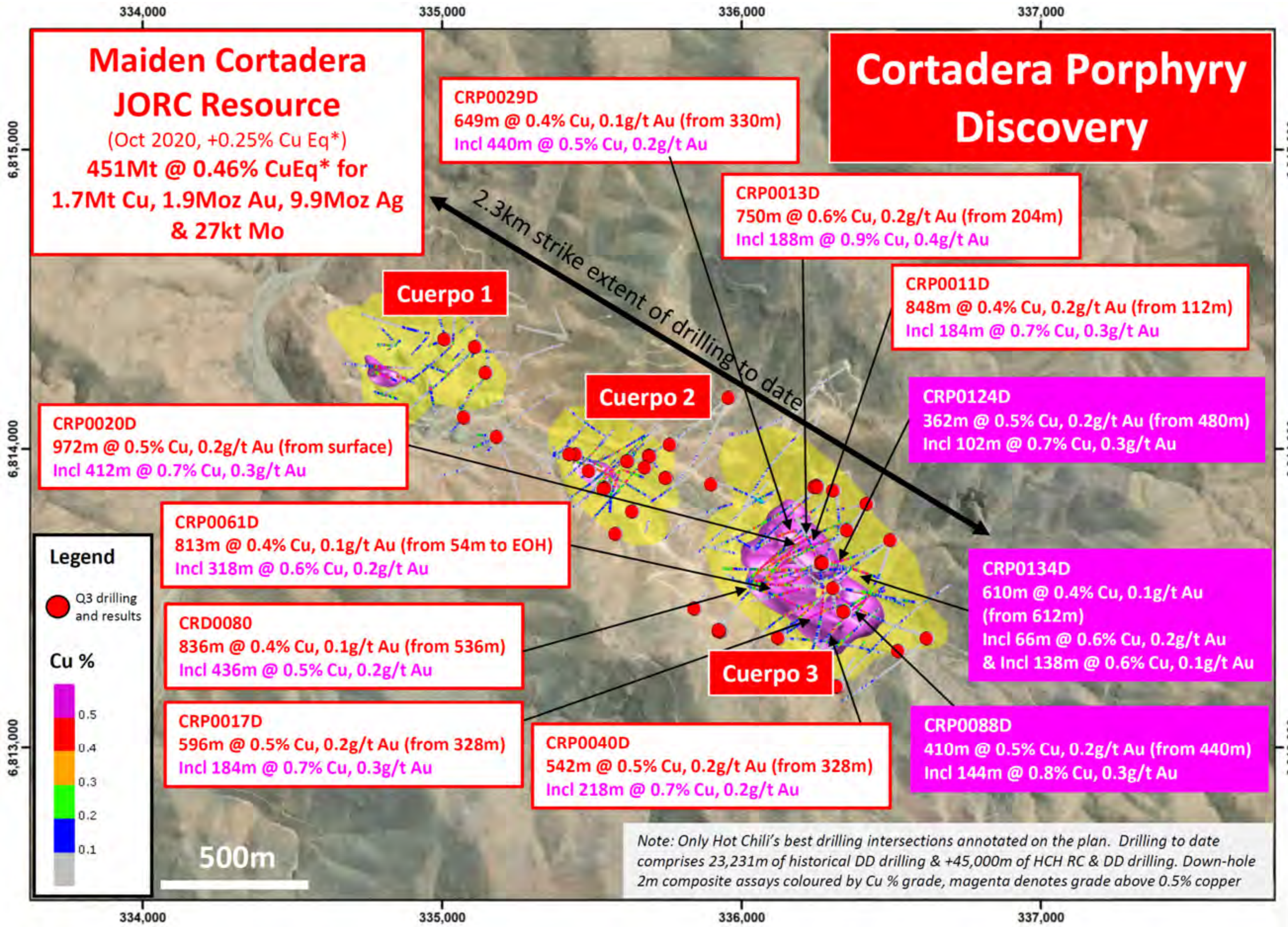
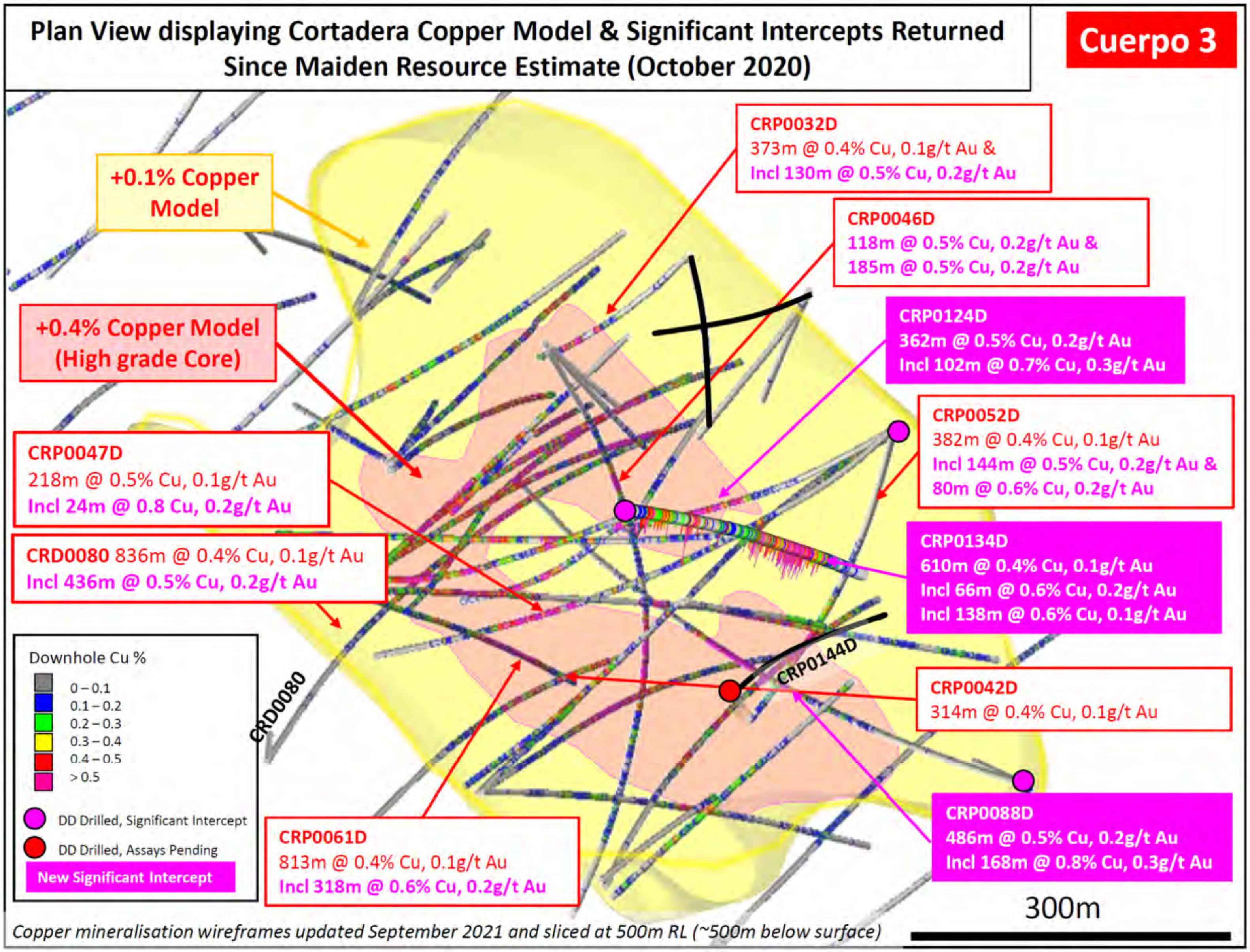


Figure 34 Plan view across the Cortadera discovery area displaying significant copper-gold DD intersections across Cuerpo 3 since the October 2020 resource estimate. The plan view displays the Mineral Resource extents (represented by modelled copper envelope, yellow- +0.1% Cu). Note the new result reported from CRP0088D, CRP00124D and CRP00134D (Magenta collar)



Summary of Corporate Activities

Corporate Funding and Planned Dual Listing in Canada

Key Corporate Highlights during the quarter included:

$40M Funding, Strategic Investor & Ownership of Cortadera

- Completion of a fully underwritten A$5 million share purchase plan, and A$35 million private placement corner-stoned by mining major Glencore and underpinned by several domestic and overseas institutional investors, as well as some of Hot Chili's largest shareholders
- Glencore welcomed as Hot Chili's largest shareholder with a 9.99% interest
- Experienced Mining Engineer and Glencore representative Mr. Mark Jamieson joins the Board of Hot Chili
- Final acquisition instalment of US$15 million fully paid for 100% ownership of the Cortadera copper-gold discovery
- Repayment of the US$1.5 million CMP option fee – final requirement to remove Compañía Minera del Pacífico S.A. (CMP) option to purchase an additional interest in the Company's Productora copper-gold project

Application and Preparation to Dual List in Canada this Year

- Preparations to dual-list the Company in Canada are advancing through final stages
- A fifty to one share consolidation is proposed for shareholder approval to provide a more efficient and appropriate share price for a wider range of investors, particularly North American institutional investors
- The proposed consolidation will align Hot Chili's share price within a range of its Canadian peers including: Filo Mining Corp. (TSX: FIL, share price: C$9.00, market capitalisation: approximately C$1.019B); Josemaria Resources Inc. (TSX: JOSE, share price: C$1.10, market capitalisation:approximately C$418M); Oroco Resource Corp. (TSXV: OCO, share price: C$2.40, market capitalisation: approximatelyC$460.3M); and Solaris Resources Inc. (TSX: SLS, Share Price: C$13.21, market capitalisation: approximately C$1.42B), in each case as of market open on October 12, 2021

Mining Operations

There was no substantive mining production and development activities during the quarter. The Company continues to work with ENAMI in bringing production to fruition.

Health, Safety, Environment and Quality

Hot Chili's sustainability framework ensures an emphasis on business processes that target long-term economic, environmental and social value. The Company is dedicated to continual monitoring and improvement of health, safety and the environmental systems.

Importantly, the Company has implemented COVID safety measures and procedures to ensure the safety of its staff, consultants and contractors during these challenging times. This has been critical in allowing for continuation of drilling and other field activities during the quarter.

The Company has refined these protocols and ensured adequate manning of each operational shift to maintain strong productivity at its operations, there is no greater importance than ensuring the safety of our people and their families.

The company recorded one safety incident this quarter. Field operations during the period including geological reconnaissance activities, RC and diamond drilling, field mapping and sampling exercises at the Cortadera project.

The Company's HSEQ quarterly performance is summarised below:

Table 13 HSEQ Quarter 3 2021 Performance and Statistics

	PRODUCTORA	CORTADERA
Item	JULY – SEPT 2021	JULY – SEPT 2021
LTI events	1	0
NLTI events	0	0
Days lost	32	0
LTIFR index	28,6	0
ISR index	915,1	0
IFR INDEX	28,6	0
Thousands of mh (1)	34,968	12,381
Incident on material and assets	0	0
Environmental incidents	0	0
Headcount (2)	71	5

Notes: HSEQ is the acronym for Health, Safety, Environment and Quality. LTIFR per million man hours. Safety performance is reported on a monthly basis to the National Mine Safety Authority on a standard E-100 form; (1) man-hours; (2) Average monthly headcount

Incident: Drilling contractor injured in the right eye by a high-pressure water pump discharge.

Immediate actions: Employee was taken to the emergency department of the local hospital and all drilling activities at the specific drill platform were temporarily ceased while a thorough site investigation was undertaken.

Corrective measures:

1. Replacement of the high-pressure water pump equipment for a safer one.

2. Change in the high-pressure water pump operational protocol.

Employee´s health: The employee is currently recovering from the incident with no loss of vision in his injured eye. Recovery is expected to take a couple of weeks.

Summary of Quarterly Results

The quarterly cash flow for the quarter is presented below.

Table 14 Hot Chili Limited quarterly cash flow report for the period ending September 30, 2021

Consolidated statement of cash flows	Quarter Ending September 30, 2021 - $A’000	Quarter Ending September 30, 2020 - $A’000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(4,845)	(2,439)

Consolidated statement of cash flows		Quarter Ending September 30, 2021 - $A'000	Quarter Ending September 30, 2020 - $A'000
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(652)	(234)
	(e) administration and corporate costs	(729)	(390)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	25
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(6,226)**	**(3,037)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(20,576)	(389)
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(20,576)**	**(389)**
3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,003	-

Consolidated statement of cash flows		Quarter Ending September 30, 2021 - $A'000	Quarter Ending September 30, 2020 - $A'000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of Options	182	1,200
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,617)	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings (CMP option)	(2,179)	-
3.7	Transaction costs related to loans and borrowings	-	(39)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**35,389**	**1,161**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,476	6,308
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,226)	(3,307)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20,576)	(389)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	35,389	1,161
4.5	Effect of movement in exchange rates on cash held	-	(102)
4.6	**Cash and cash equivalents at end of period**	**12,063**	**3,941**
5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter Ending 30 September 2021 - $A'000**	**Previous quarter Ending 30 September 2020 - $A'000**
5.1	Bank balances	11,974	3,852
5.2	Call deposits	89	89
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**12,063**	**3,941**
6.	**Payments to related parties of the entity and their associates**		

Consolidated statement of cash flows		Quarter Ending September 30, 2021 - $A'000	Quarter Ending September 30, 2020 - $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	1,825	1,825
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end, 30 September 2021 - $A'000**	**Total facility amount at quarter end, 30 September 2020 - $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	**Estimated cash available for future operating activities**	**Current quarter Ending 30 September 2021 - $A'000**	**Previous quarter Ending 30 September 2020 - $A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(6,226)	(3,037)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-	(389)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(6,226)	(3,426)
8.4	Cash and cash equivalents at quarter end (item 4.6)	12,063	3,941
8.5	Unused finance facilities available at quarter end (item 7.5)	-	-
8.6	Total available funding (item 8.4 + item 8.5)	12,063	3,941
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	1.94	1.15

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Consolidated statement of cash flows	Quarter Ending September 30, 2021 - $A'000	Quarter Ending September 30, 2020 - $A'000
Answer: Yes		
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
Answer: Yes. The Company is progressing towards a listing on the TSXV and it is anticipated that this will include a capital raising.		
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
Answer: Yes. The Company has immediate adequate funds to continue its operations and meet its business objectives. A raising pursuant to a dual listing will provide longer term capital requirements and enable the Company to meet its objectives.		
Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.		

Period to Period Variances

The current quarter ended September 30, 2021 is compared with the quarter ended September 30, 2020 in the above consolidated statement of cashflows. There are no seasonal variations in the expenditure profile.

Material period to period variances in the Consolidated Quarterly financial summary are:

- Exploration and evaluation expenditure – exploration at Cortadera continued to expand in scope in 2021 with the drilling effort expanded through an increase in shifts worked for the current fleet, and the addition of a third drill rig in 2021. The expenditure in the quarter ended September 30, 2020 was approximately A$2.439 million and in the quarter ended September 30, 2021 was A$4.845 million. This increase in expenditure was due largely to the increase in resource and exploration activities, including drilling at Cortadera.

- Net Cash – Net cash used in operating activities increased in the current quarter for all areas (exploration and evaluation, staff costs and administration and corporate costs) due to the increased exploration effort described above to take net cash from (A$3,037) at September 30, 2020 to (A$6,226) at September 30, 2021. In the quarter ended September 30, 2021, site operations involved three-drill rigs operating five-shifts per day. In the quarter ended September 30, 2020, operations involved two-drill rigs operating 3-shifts per day leading exploration and evaluation expenditures. In addition to exploration and evaluation expenditures discussed above, the staff in the field required to support this effort was expanded accordingly along with increasing head office staff to enable development studies, which began in June 2021. This increased staff count explains the increase in staff costs from the quarter ended September 30, 2020 of A$.234 million to A$ .652 million in the quarter ended September 30, 2021, and administration and corporate costs from September 30, 2020 of A$.390 million to the quarter ended September 30, 2021 of A$ .792 million.

- Exploration expenditure over these periods includes option agreement payments, which increased in magnitude over the quarters. The schedule of the option payments is described in the discussion of liquidity, but a general description of the option strategy is to begin the schedule with small payments, which allow time for exploration efforts to increase the understanding of the resource potential before making larger payments. This structure creates an accelerating expenditure profile of both payments and exploration activity as exploration success increases certainty in the investment return. Payments for at September 30, 2020 were A$0.389 million which rose to A$20,567 million primarily as a result of the US$15 million final payment for the Cortadera Option Agreement. No option payments were made in the quarter ended September 30, 2020; however, the annual payment for the Productora mining lease of US$290,000 falls due and is present in both quarters being compared. These impact of these payments are shown above under the heading "Cash flows from investing activities".

- Contributed Equity – this item incorporates issued share capital. It increases each year as in the absence of revenue, it is the source of funding for exploration activities. The September 2021 quarter includes a total capital raising of A$ 40,177,354, including exercise of options. The September 2020 quarter consisted only of funds from the exercise of options of A$2.7 M

- Option reserve – reflects the valuation of performance rights and Options issued in each period and has been increasing as the executive team has been assembled to manage the project development. The September 2021 quarter saw the granting of 92,500,000 options plus the issue of 35,000,000 performance rights. The increase in the reserve from the September 2020 quarter A$2.8 M to A$5.2 M in September 2021 quarter is accounted for by the valuation of these items.

- Accumulated Losses – the variance over the two quarters is captured in the Total Comprehensive Loss, which increases from a loss of A$6.2 million in the September 2020 quarter to a loss of A$ 2.7 million in the September 2021 quarter. The key drivers of this increased loss – described below – are non-cash items:

  - Revaluation of derivative liability – arising from the convertible note valuation there is a significant variation, from a loss of A$3.5 million in the September 2020 quarter to a marginal gain of A$0.1 million in the September 2021 quarter.

  - Employee benefits expense – this loss increased in-line with our increased staffing, from a loss of A$0.3 million in the September 2020 quarter to a loss of A$0.7 million in the September 2021 quarter.

  - Share based payments – this is the expensing of the issuing of the performance rights during the quarter – the majority of which were issued in 2021. In the September 2020 quarter, 80,000,000 performance rights were issued valued at A$1.6 million. In the September 2021 quarter 35,000,000 performance rights were issued, valued at A$0.7 million.

  - Finance costs – arising from the valuation of the Convertible Notes, which was an expense of A$0.5 million in the September 2020 quarter and an expense of A$0.5 million in the September 2021 quarter (non-cash item).

- Cash Flows from Financing – The quarter ended September 30, 2021 includes the cash inflow from the A$40 million raising undertaken to allow the final Cortadera acquisition payment. The quarter ended September 30, 2020 saw no cash in flow from issues of equity securities other than inflows from options exercised during the quarter. Repayment of the US$1.5 million option payment to CMP (A$2.179 million) also featured significantly in the quarter ended September 30, 2021. The quarter ended September 30, 2020 saw no repayment of borrowings. In comparison, the only major cash inflow for the quarter ended September 30, 2020 was the proceeds of A$1.2 million received from the exercise of Options.

Liquidity

The Company completed a successful A$40 million capital raising during the quarter, which was applied to the final acquisition instalment of US$ 15 million for 100% ownership of the Cortadera copper-gold discovery and repayment of the US$1.5 million option fee to CMP.

Hot Chili received strong support from its major shareholders and welcomed Glencore to the registry as they became Hot Chili's largest shareholder with 9.99% interest. Notably, Glencore - the major shareholder with 9.99% - has a commitment to maintain their shareholding above 7.5% or lose their appointed Director to the board of Hot Chili. The company can issue additional equity securities to raise further working capital and has a good record in raising capital from the issue of securities.

Liquidity risk is managed by development of rolling budgets and forecasts and the Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations, and forward expenditure commitments, under all reasonably expected circumstances. The Company has the ability to curtail exploration, corporate and administration expenses and overhead cash outflows as and when required. The Company has lodged a preliminary prospectus for an initial public offering in Canada subsequent to the reporting date.

The consolidated entity has no financial liabilities at the quarter-end other than normal trade and other payables incurred in the general course of business.

Working capital requirements for the next quarter were estimated at A$6,00,000 to cover exploration activities, group administration, office expenses, staffing costs, marketing, corporate fees and legal expenses. The Company does not expect a deficiency in funds to cover working capital outlined.

The Company can meet its liabilities when they fall due. The Company has the flexibility to curtail expenditure and outflows when required and has displayed capabilities of raising funds to meet requirements and commitments.

Hot Chili's commitments to exploration, option payments and operating leases are tabled below. Exploration and option payment obligations are discretionary since the tenements can be relinquished to extinguish the commitment. The obligations are in US dollars, converted to A$ with the exchange rate noted.

Contractual Obligations	Payments Due by Period (A$)				
	Total	< 1 year 2022	1 – 3 years 2024	4 – 5 years	>5 years
Exploration Obligations	8,234,166	558,807	1,011,205	1,011,205	5,652,949
Option Payment Obligations	17,832,362	1,526,506	624,480	15,681,376	
Operating Leases	172,142	103,285	68,857		
Total Contractual Obligations	45,715,770	2,125,208	21,788,278	16,149,335	5,652,949

Note: USD:AUD = 0.7518

The package of tenements controlled by Hot Chili has the future discretionary expenditure requirements detailed below.

Table 15 Current Tenement (Patente) Holdings in Chile as at June 30, 2021

Cortadera Project

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
MAGDALENITA 1/20		100% Frontera SpA	100	Hot Chili 100%
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	
PURISIMA		100% Frontera SpA	20	Hot Chili 100% option earn in: US$400,000 already paid US$1.1 million to be paid on December 14, 2021. NSR 1.5%

Productora Project

License ID	Hot Chili % Held	Hot Chili % 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	

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
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	
ORO INDIO 1A, 1-20	80% SMEA SpA		82	
AURO HUASCO I, 1-8	80% SMEA SpA		35	
URANIO, 1-70	NA	NA	350	25 year lease agreement: US$250,000 per year (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	

License ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
ARENA 2 1-17	80% SMEA SpA		113	
ZAPA 1 - 6	80% SMEA SpA		6	NSR 1%

El Fuego Project

Licence ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
Santiago 21 al 36		90% Frontera SpA	76	90% (Hot Chili) -10% (Arnaldo del Campo) JV. 6 year term. US$200,000 already paid. US$300,000 to be paid by November 7, 2022; US$6,700,000 as a final exercise payment by November 7, 2023.
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	
ROMERO 1 al 31		100% Frontera SpA	31	
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	
SANTIAGO Z		100% Frontera SpA	300	100% Hot Chili Earn In (Arnaldo del Campo). 5 years term. US$600,000 to be paid on year 3 – January 22, 2024. 1.5% NSR
PORFIADA I		100% Frontera SpA	300	100% Hot Chili Earn In (Arnaldo del Campo). 5 years term. US$600,000 to be paid on year 3 – January22, 2024. 1.5% NSR
PORFIADA II		100% Frontera SpA	300	
PORFIADA III		100% Frontera SpA	300	
PORFIADA IV		100% Frontera SpA	300	
PORFIADA V		100% Frontera SpA	200	

Licence ID	Hot Chili % Held	Hot Chili % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
PORFIADA VI		100% Frontera SpA	100	
SAN JUAN SUR 1/5	90% Frontera SpA		10	90% (Hot Chili)-10% JV. 6 year term. US$150,000 to be paid on June 1, 2023. US$4,000,000 as a final exercise payment on June 1, 2024.
SAN JUAN SUR 6/23	90% Frontera SpA		90	
CHILIS 1	100% Frontera SpA		200	
CHILIS 2	100% Frontera SpA		200	
CHILIS 3	100% Frontera SpA		100	
CHILIS 4	100% Frontera SpA		200	
CHILIS 5	100% Frontera SpA		200	
CHILIS 6	100% Frontera SpA		200	
CHILIS 7	100% Frontera SpA		200	
CHILIS 8	100% Frontera SpA		200	
CHILIS 9	100% Frontera SpA		300	
CHILIS 10	100% Frontera SpA		200	
CHILIS 11	100% Frontera SpA		200	
CHILIS 12	100% Frontera SpA		300	
CHILIS 13	100% Frontera SpA		300	
CHILIS 14	100% Frontera SpA		300	
CHILIS 15	100% Frontera SpA		300	
CHILIS 16	100% Frontera SpA		300	
CHILIS 17	100% Frontera SpA		300	
CHILIS 18	100% Frontera SpA		30	

Capital Resources

The Company continued to be strongly supported by shareholders and new investors, raising A$40 million before expenses in the quarter.

Glencore, one of the world's largest natural resource companies, became Hot Chili's largest shareholder at 9.99% through its strategic investment of A$40 million in funding and added representative Mr. Mark Jamieson to the Board of Hot Chili.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Payments to related parties of the Company and their associates during the quarter per Section 6.1 of the Appendix 5B totaled A$4,065,000. This is comprised of Directors' salaries and fees (excl. GST) and salaries of A$166,000 and payments to Blue Spec Sondajes, a company controlled by Mr. Murray Black, for rents of A$6,000 and drilling services of A$3,893,000. The company also received A$3,000,000 by way of participation in a placement by Blue Spec Sondajes being 93,750,000 Ordinary Shares applied for at A$0.032 per Ordinary Share (on a pre-Consolidation basis). As at reporting date, Blue Spec Sondajes was owed A$5,688,386 for drilling services incurred during the quarter.

Mr. Black also received 222,291 Ordinary Shares in lieu of convertible note interest for the June 2021 quarter.

The Company applied for and was granted a waiver for the issue of up to 30,537,423 Ordinary Shares to unrelated parties and up to 1,543,841 Ordinary Shares to related parties in consideration for the payment of interest of 8% per annum on Convertible Notes, payable quarterly through the issue of Ordinary Shares ("**Interest Shares**") over the 12 month period from the date of the Company's Annual General Meeting held November 30, 2020, in respect to the quarters ending on December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021. Interest Shares issued during the quarter are listed below:

Table 16 Details of Interest Shares Issued During Q3 2021

	Unrelated party Interest Shares	Related party Interest Shares	Total Interest Shares
Approved at AGM	30,537,423	1,543,841	32,081,264
Issued pursuant to the December 31, 2020 quarter interest payable	3,525,876	185,577	3,711,453
Issued pursuant to the March 31, 2021 quarter interest payable	3,359,085	185,721	3,544,806
Issued pursuant to the June 30, 2021 quarter interest payable	3,804,493	222,291	4,026,784
Issued pursuant to the September 30, 2021 quarter interest payable	3,461,981	204,388	3,666,369
Remaining unissued as at September 30, 2021	16,385,988	745,864	17,131,852

Proposed Transactions

From time to time, in the normal course of business, the Company considers potential acquisitions, joint ventures, and other opportunities. The Company will disclose such an opportunity if and when required under applicable securities rules.

Critical Accounting Estimates

Critical accounting estimates are included under the heading "Significant Accounting Policies" in each of the notes to the financial statements appended as Schedule "A" hereto.

Changes in Accounting Policies including Initial Adoption

There were no changes in Hot Chili's accounting policies.

Financial Instruments and Other Instruments

Financial instruments, other instruments, the risks associated therewith and the treatment thereof are detailed in under the heading "Significant Accounting Policies" and notes to the financial statements in each of the financial statements appended as Schedule "A" hereto.

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.

Events Subsequent to Reporting Date

Melanie Leighton resigned as alternative director of the Company effective October 1, 2021. 15,000,000 of the Performance Rights granted to Ms. Leighton lapsed on her resignation.

3,666,369 Ordinary Shares at a deemed issue price of A$0.03808 per Ordinary Share were issued to Convertible Note holders in lieu of the September 2021 quarter Convertible Note interest of A$139,617. Blue Spec Drilling Pty Ltd., a company controlled by Mr. Black, was issued 204,388 of the Interest Shares.

6,412,082 Ordinary Shares were issued on receipt of notices to exercise options at A$0.025 per Ordinary Share (pre-consolidation) raising A$160,302 before costs for the Company.

A preliminary initial public offering prospectus was filed with certain provincial securities commission of Canada with a view to making an application to list on the TSX Venture Exchange in Canada. The size of the offering had yet to be determined at the time the preliminary prospectus was filed.

On the October 14, 2021 the company announced a 50 to 1 consolidation of securities on issue. The consolidation was approved in general meeting held on November 15, 2021.

15,000,000 unlisted Options expired on November 15, 2021.

Other than the above, the directors are not aware of any matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Additional infromation relating to the Company can be found on SEDAR at www.sedar.com.

DESCRIPTION OF SECURITIES OFFERED

The share capital of the Company is divided into Ordinary Shares. The Ordinary Shares have no par value and the Company does not have a limited amount of authorized capital. As at the end of the financial year ended June 30, 2021, there were 3,104,169,531 Ordinary Shares issued and outstanding. As at the date of this Prospectus, there are 87,549,450 Ordinary Shares issued and outstanding. This Prospectus qualifies the distribution of the Units to be issued pursuant to the Offering, the grant of the Over-Allotment Option and the distribution of the Compensation Option to the Underwriters.

Units

Each Unit shall consist of one Unit Share and one-half of one Warrant Receipt. The Units will separate into Unit Shares and Warrant Receipts immediately upon issue on the Closing Date.

Unit Shares

Unit Shares are Ordinary Shares. All of the Ordinary Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and entitlement to any dividends declared by the Company. The holders of the Ordinary Shares are entitled to receive notice of, and to attend and vote at, all general meetings of shareholders of the Company. Each Ordinary Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Ordinary Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Ordinary Shares are entitled to receive dividends as and when declared by the Board in respect of the Ordinary Shares on a pro rata basis. The Ordinary Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions or provisions requiring a shareholder to contribute additional capital.

Any alteration of the rights, privileges, restrictions and conditions attaching to the Ordinary Shares under the Company's Constitution must be either consented to in writing of shareholders who hold not less than 75% of the issued Ordinary Shares or with the sanction of a special resolution passed at a separate general meeting of the holders of Ordinary Shares.

Under the listing rules of the ASX, a company must not, subject to certain exceptions, issue during any 12-month period any equity securities or other securities with rights of conversion to equity (such as an Option) if the number of securities exceed 15% of the total equity securities on issue at the commencement of that 12-month period. One of the aforementioned exceptions is an issue of securities which is approved in advance by the shareholders at a general meeting or an issue that is subsequently approved by shareholders at a general meeting.

Warrant Receipts

Each full Warrant Receipt shall be convertible into one Warrant for no further consideration upon satisfaction of the Shareholder Approval Condition. In the event the Shareholder Approval Condition is not satisfied by March 31, 2022, the Warrant Receipts will be cancelled without cost or penalty.

The Warrant Receipts will not be listed for trading on any securities exchange, and, as a result, there is no market through which the Warrant Receipts may be sold. Holders of Warrant Receipts may not be able to sell such securities. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

The Warrant Receipts will be goverend by a warrant receipt agreement ("the **Warrant Receipt Agreement**") dated as of the Closing Date between the Corporation, the Underwriters and Computershare Trust Company of Canada as warrant receipt agent and will, among other things, contain customary adjustment provisions. The Warrant Receipt Agreement may be viewed under the Company's profile on SEDAR at www.sedar.com.

Warrants

Each full Warrant shall entitle the holder thereof to purchase one Warrant Share at price of C$2.50 at any time for a period of 24 months following the date the Warrants are issued, at which time the Warrants will expire and be void and of no value. Warrant Shares are Ordianry Shares. See *"–Unit Shares*." If the Shareholder Approval Condition is satisfied, the Warrants will be created and issued under the Warrant Indenture. The Company will appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which the Warrants may be surrendered for exercise, transfer or exchange.

The Warrants will not be listed for trading on any securities exchange, and, as a result, there is no market through which the Warrants may be sold. Holders of Warrants may not be able to sell such securities. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

The Warrants will not be exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption from registration under the 1933 Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing or other evidence to such effect in form and substance reasonably satisfactory to the Company.

The foregoing is a summary of the material terms of the Warrants. This summary is subject to, and qualified in its entirety by, reference to the terms of the Warrant Indenture, which, following the date of execution, may be viewed under the Company's profile on SEDAR at www.sedar.com.

The Warrant Indenture is expected to provide that the share ratio and exercise price of the Warrants will be subject to adjustment in the event of a subdivision or consolidation of the Ordinary Shares. The Warrant Indenture is also expected to provide that if there is (a) a reclassification or change of the Ordinary Shares, (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification, or change of the Ordinary Shares into other shares, or (c) any sale, lease, exchange or transfer of the Company's assets as an entity or substantially as an entirety to another entity, then each holder of a Warrant which is thereafter exercised shall receive, in lieu of Ordinary Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants is expected to be required to be made unless such adjustment would result in a change to the exercise price of at least $0.0001 or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Warrant Share.

The Warrant Indenture is also expected to provide that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such events.

From time to time, it is expected that the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants is expected to be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (a) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than $66^{2/3}$% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (b) adopted by an instrument in writing signed by the holders of not less than $66^{2/3}$% of the aggregate number of all then outstanding Warrants.

No fractional Warrant Shares is expected to be issuable upon the exercise of any Warrants, and the number of Warrant Shares issued to that holder of Warrants shall be rounded down to the nearest whole Warrant Share. Holders of Warrants will not have any voting rights or any other rights which a holder of Ordinary Shares would have.

Compensation Options

The Company has agreed to issue to the Underwriters the Compensation Options, entitling the Underwriters to purchase that number of Ordinary Shares equal to 6.0% of the number of Units issued by the Company under the Offering. The Compensation Options will be exercisable at a price of C$1.85 for a period of 36 months from the Closing Date. The number of Compensation Options issuable will be reduced to 4.0% for purchasers on the President's List.

DIVIDENDS OR DISTRIBUTIONS

The Company has not declared or paid any dividends to its shareholders. Any decision to pay dividends in the future will be made at the discretion of the Board after taking into account the Company's financial condition, financing requirements and other factors that the Board may deem relevant.

CONSCONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Company as at June 30, 2021, as at September 30, 2021, and as of the date hereof.

	Number Outstanding as at June 30, 2021	Number Outstanding as at September 30, 2021(1)	Number Outstanding as at the date of this Prospectus (2)	Number Outstanding after giving effect to the Offering (3)
Ordinary Shares	3,104,169,531	4,367,306,155	87,549,450	106,904,450
Unlisted Options	339,446,276	424,980,104	8,071,540	18,866,709
Convertible Notes(4)	69,453	68,776	68,776	68,776
Performance Rights(5)	80,000,000	115,000,000	2,000,010	2,000,010

Notes:

(1) Before giving effect to the Offering and the Consolidation.

(2) Before giving effect to the Offering.

(3) Excluding the Over-Allotment Option.

(4) Convertible Notes with a face value of A$100 each, maturing June 20, 2022, convertible to Ordinary Shares at a conversion price of A$0.03333 (pre-consolidation) or A$1.6665 per Ordinary Share (post-Consolidation).

(5) One third of the total Performance Rights on issue are each of class A, B and C.
Class A terms and conditions: The price of Ordinary Shares traded on ASX is greater than A$3.00 per Share for 15 consecutive trading days or more before July 31, 2023.
Class B terms and conditions: The price of Ordinary Shares traded on ASX is greater than A$4.00 per Share for 15 consecutive trading days or more before July 31, 2023.
Class C terms and conditions: The Company announcing to ASX global independently estimated JORC compliant resources at Cortadera and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before July 31, 2023.

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

The following table sets forth the aggregate number of Ordinary Shares issuable under Options and other rights as at the date of this Prospectus:

Options

Holder	Number of Options (1)	Exercise Price	Expiry Date
Executive Officers (2 in total)	132,197	Various A$1.25 to A$3.50	Various: December 19, 2021 to May 20, 2022
Directors (2 in total)	120,337	Various A$1.25 to A$3.50	Various: December 19, 2021 to May 20, 2022
Other Employees	-	-	-
Consultants (2 in total)	2,350,001	Various A$2.25 to A$5.00	Various: November 15, 2021 to September 30, 2024
Members of the Public (approximately 647 in total)	5,469,005	A$1.25	May 20, 2022

Notes:

(1) Each Option over shares gives the holder thereof the right to acquire one fully paid Ordinary Share in the capital of the Company. Options do not have voting rights or rights to dividends until such Option is exercised into an Ordinary Share.

Performance Rights

	Number of Performance Rights	Exercise Price(1)	Expiry Date
Executive Officers (3 in total)	700,002	A$0.00	July 31, 2023
Directors (1 in total)	400,002	A$0.00	July 31, 2023
Other Employees (3 in total)	500,004	A$0.00	July 31, 2023
Consultants (2 in total)	400,002	A$0.00	July 31, 2023

Note:

(1) Performance Rights have the terms and conditions outlined below:

Class A terms and conditions: Each Performance Right will vest and be convertible into one Ordinary Share if the price of Ordinary Shares traded on ASX is greater than A$3.00 per Share for 15 consecutive trading days or more before July 31, 2023.

Class B terms and conditions: Each Performance Right will vest and be convertible into one Ordinary Share if the price of Ordinary Shares traded on ASX is greater than A$4.00 per Share for 15 consecutive trading days or more before July 31, 2023.

Class C terms and conditions: Each Performance Right will vest and be convertible into one Ordinary Share if the Company announcing to ASX global independently estimated JORC compliant resources at Cortadera and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before July 31, 2023.

No price is payable for the Ordinary Shares issuable on the vesting of Performance Rights.

Convertible Notes

	Number of Convertible Notes
Executive Officers	-
Directors (1 in total)	3,834
Other Employees	-
Consultants	-
Members of the Public (approximately 68 in total)	64,942

Convertible Notes have a face value of A$100 each and have a maturity date of June 20, 2022. Convertible Notes are convertible to Ordinary Shares at a conversion price of A$1.6665 per Ordinary Share. The principal amount outstanding on the 68,776 Convertible Notes presently on issue is A$6,877,600.

PRIOR SALES

The following table sets forth certain information regarding the sale of all securities of the Company in the 12-month period prior to the date of this Prospectus.

Date of Issue / Grant	Price per Security(1)	Number of Securities (2)
January 5, 2021	A$0.025	128,302 (3)
January 5, 2021	A$0.04194	3,711,453 (7)
January 19, 2021	A$0.025	15,526 (3)
January 19, 2021	A$0.042	11,904,762 (8)
January 19, 2021	A$0.03333	1,704,170 (5)
January 19, 2021	A$0.10	25,000,000 (9)
February 16, 2021	A$0.025	539,730 (3)
March 10, 2021	A$0.025	217,755 (3)
March 10, 2021	A$0.03333	8,891,589 (5)
April 9, 2021	A$0.025	3,344,584 (3)
April 9, 2021	A$0.03333	2,112,211 (5)
April 9, 2021	A$0.04099	3,544,806 (7)
May 7, 2021	A$0.025	781,856 (3)
May 7, 2021	A$0.03333	7,685,312 (5)
June 3, 2021	A$0.025	16,744,661 (3)
June 3, 2021	A$0.03333	1,430,037 (5)
July 12, 2021	A$0.03463	4,026,784 (7)
August 13, 2021	A$0.032	665,004,511 (6)
September 2, 2021	A$0.032	156,250,000 (10)
September 3, 2021	A$0.025	6,966,172 (3)
September 4, 2021	A$0.03333	2,043,668 (5)
September 20, 2021	A$0.00	15,000,000 (4)
September 20, 2021	A$0.00	20,000,000 (11)
September 20, 2021	A$0.032	428,845,489 (8)

Date of Issue / Grant	Price per Security[1]	Number of Securities [2]
September 20, 2021	A$0.045	92,500,000 [12]
October 8, 2021	A$0.03808	3,666,369 [7]
October 10, 2021	A$0.00	15,000,000 [13]
October 28, 2021	A$0.025	5,357,904 [3]
November 12, 2021	A$0.025	1,054,178 [3]

Notes:

(1) For Options, this represents the price per Ordinary Share of the Option to purchase Ordinary Shares on a pre-Consolidation basis.

(2) For Options and Performance Rights, this represents the maximum number of Ordinary Shares issuable upon the exercise of the Option to purchase Ordinary Shares, or the vesting of the Performance Rights, as the case may be, on a pre-Consolidation basis.

(3) Represents fully paid Ordinary Shares issued on exercise of Options.

(4) Represents Performance Rights issued to employees of the Company.

(5) Represents fully paid Ordinary Shares issued on conversion of Convertible Notes.

(6) Represents fully paid Ordinary Shares issued in the first tranche of a two-tranche private placement.

(7) Represents fully paid Ordinary Shares issued as quarterly interest on the Convertible Notes in lieu of cash.

(8) Represents fully paid Ordinary Shares issued in the second tranche of a two-tranche private placement.

(9) Represents Options, exercisable into Ordinary Shares at A$0.10 per share (expiry November 30, 2022) issued as part of a private placement.

(10) Represents fully paid Ordinary Shares issued under the Company's share purchase plan.

(11) Represents Performance Rights issued to consultants of the Company.

(12) Represents Options, exercisable into Ordinary Shares at A$0.045 per share (expiry September 30, 2024) issued as part of a private placement.

(13) Represents Performance Rights issued to an executive officer of the Company.

TRADING PRICE AND VOLUME

The Ordinary Shares are listed on the ASX under the symbol "HCH". The total monthly volume of trading and the monthly intra-day price ranges of the Ordinary Shares on the ASX for the 12-month period prior to the date of this Prospectus are set forth in the following table.

	ASX		
Month	High (A$)	Low (A$)	Total Volume
December 2020	0.049	0.037	255,669,674
January 2021	0.046	0.038	156,637,989
February 2021	0.053	0.034	285,968,407
March 2021	0.051	0.039	208,469,863
April 2021	0.048	0.037	259,592,008
May 2021	0.040	0.034	312,230,126
June 2021	0.041	0.033	263,978,530
July 2021	0.039	0.032	170,360,651
August 2021	0.047	0.037	546,760,926
September 2021	0.049	0.036	349,120,677
October 2021	0.052	0.036	440,703,999
November 2021[1]	2.500	1.830	4,155,308

	ASX		
Month	**High (A$)**	**Low (A$)**	**Total Volume**
December 1 - 17, 2021[(1)]	2.05	1.72	3,247,208

Notes:
(1) Data is presented on a post-Consolidation basis.

PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, to the knowledge of the directors and executive officers of Hot Chili, no person beneficially owns, directly or indirectly, or exercises control or direction over, Ordinary Shares carrying 10% or more of the voting rights attaching to all issued and outstanding Ordinary Shares

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the names and municipalities of residence of the directors and executive officers of the Company, their present position(s) and offices with the Company, their principal occupations during the last five years, their date of appointment and their holdings of Ordinary Shares as at the date hereof.

The Constitution of the Company does not specify a maximum term for which a director may hold office. In accordance with the Constitution, directors (other than the Managing Director) must offer themselves for re-election by shareholders at least every 3 years. As a condition of listing on the TSV, the Company will undertake to hold director elections annually.

The Managing Director was employed for an initial term of 3 years, commencing on October 9, 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 the Managing Director terminates by giving the Company 6 months' notice or the Company terminates by giving the Managing Director 6 months' notice or payment in lieu of notice up to an amount equivalent to 6 months' remuneration.

As at the date of this Prospectus, the Company's directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 7,041,961 Ordinary Shares, representing approximately 8% of the issued and outstanding Ordinary Shares (and representing 7% of the issued and outstanding Ordinary Shares after giving effect to the Offering).

Name and Place of Residence	**Position with the Company**	**Principal Occupation**	**Director and/or Officer Since**	**Number of Ordinary Shares Held (Percentage Held)[1]**
Murray Edward Black[(3)] Somerville, Western Australia	Non-Executive Chairman	Part owner and manager of a substantial drilling business, Blue Spec Drilling Pty Ltd. (since 2015, and with Hot Chili since 2008.	May 6, 2008	6,204,427 (7.08%)
Christian Ervin Easterday Applecross, Western Australia	Managing Director and Chief Executive Officer	Geologist and Managing Director of the Company on a full time basis since 2009.	March 5, 2009	545,684 (0.62%)
Lloyd Flint Shenton Park, Western Australia	Chief Financial Officer and Corporate Secretary	Accountant; CFO and Corporate Secretary of the Company since 2018, and prior to that CFO and Company Secretary at Vault Intelligence since 2012.	April 3, 2018	Nil
Dr. Allan Trench[(2)(3)] Gnangara, Western Australia	Non-Executive Director	Independent Director to Enterprise Metals Ltd since April 2, 2012, and Independent Director of Emmerson Resources Ltd since March 3, 2015. Dr. Trench has also been a	July 19, 2010	9,188 (0.01%)

Name and Place of Residence	Position with the Company	Principal Occupation	Director and/or Officer Since	Number of Ordinary Shares Held (Percentage Held)[1]
		professor at the University of Western Australia school of finance (MBA) since 2011.		
Roberto de Andraca Adriasola[(2)] Santiago, Chile	Non-Executive Director	Compañíа de Acero del Pacífico since 2009 and a Director since April 18, 2017.	August 1, 2013	120,000 (0.13%)
Randall Nickson Ontario, Canada[(2)(3)]	Non-Executive Director	GRN Consulting since 2012. Member of Australasian Institute of Mining & Metallurgy and the Prospectors and Developers Association of Canada. Independent consultant to the exploration sector.	August 17, 2017	Nil
Mark Jamieson Queensland, Australia	Non-Executive Director	General Manager Resource Engineering for Glencore since 2014.	September 2, 2021	Nil
Grant King Mount Hawthorn, Western Australia	Chief Operating Officer	Geoscientist and Chief Operating Officer of the Company since 2020; Wood PLC as Principal Mining Engineer from 2017 to 2020; Amec Foster Wheeler as Principal Mining Engineer from 2014 to 2017.	September 7, 2020	11,572 (0.01%)
Jose Ignacio Silva Santiago, Chile	Country Manager, Chief Legal Counsel	Lawyer and Chief Legal Counsel of the Company since 2011.	July 1, 2011	151,045 (0.17%)

Notes:

(1) Includes indirect and direct interests.

(2) Member of the Audit and Risk Management Committee.

(3) Member of the Remuneration and Nomination Committee.

Biographies

The following biographical information relates to each of the directors and officers of the Company and includes a description of each individual's principal occupation within the past five years.

Murray Edward Black, Non-Executive Chairman, 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 has not entered into a non-compete agreement. There is no agreed proportion of time to be allocated to Hot Chili other than to prepare for and attend to board and committee meetings and attend to company matters when required. Mr. Black was previously a non-executive director of Great Boulder Resources Ltd., a publicly listed company, (appointed April 6, 2016 and ceased November 18, 2020).

Christian Ervin Easterday, Managing Director and Chief Executive Officer, 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 Master's degree in Mineral Economics from Curtin University of Technology and a Master's Degree in Business Administration from Curtin's Graduate School of Business. Mr. Easterday is a full time employee of the Company. Mr Easterday is subject to post termination non-competition restraints up to a maximum of 12 months from the date of termination. 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, Non-Executive Director, 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 Master's degree in Mineral Economics and a Master's degree in Business Administration. Dr. Trench has not entered into a non-compete agreement. There is no agreed proportion of time to be allocated to Hot Chili Ltd other than to prepare for and attend to board and committee meetings and attend to company matters when required. He currently acts or acted as independent director to Pioneer Resources Ltd., commenced September 5, 2008, Enterprise Metals Ltd, commenced April 3, 2012 and Emmerson Resources Ltd., commenced March 3, 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.

Roberto de Andraca Adriasola, Non-Executive Director, 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, Compañía de Acero del Pacífico. 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 Compañía de Acero del Pacífico on April 18 2017, until that date he held the position of VP of Business Development. There is no agreed proportion of time to be allocated to Hot Chili other than to prepare for and attend to board and committee meetings and attend to company matters when required. Mr. Adriasola has not entered into a non-compete agreement.

Randall Nickson, Non-Executive Director, is a geologist with 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 Master's 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. There is no agreed proportion of time to be allocated to Hot Chili other than to prepare for and attend to board and committee meetings and attend to company matters when required. Mr. Nickson has not entered into a non-compete agreement.

Mark Jamieson, Non-Executive Director, is currently General Manager Resource Engineering for Glencore's global copper asset group leading technical support and governance in geology, mine engineering and asset optimisation for development projects, operations and joint ventures. Mr. Jamieson brings more than 20 years of technical and project experience in open pit and underground operations, including sub level and block cave mines with Newcrest, MMG and Barrick Gold across Australia, Africa, South East Asia and South America. Mr. Jamieson holds a bachelor's degree with honours in Geotechnical Engineering from RMIT University, and a Masters of Engineering Science in Mining Geomechanics from The University of New South Wales. Mr. Jamieson has not held any directorships in any public listed company in Australia in the last three years. There is no agreed proportion of time to be allocated to Hot Chili other than to prepare for and attend to board and committee meetings and attend to company matters when required. Mr. Jamieson has not entered into a non-compete agreement.

Lloyd Flint, Chief Financial Officer and Corporate Secretary, is a Chartered Accountant with over 25 years' experience in the corporate and financial services arena. He has held a number of management and senior administrative positions as well as providing corporate advisory services as a consultant to corporate clients. Mr. Flint is a Chartered Accountant (CAANZ) and holds a B.Acc from the University of Zimbabwe and an MBA from the University of Wales, Bangor. Mr. Flint is not a full time employee. There is no agreed dedicated time to be allocated to Hot Chili other than to complete the scope of work required for a CFO. Mr. Flint has not entered into a non-compete agreement.

Grant King, Chief Operating Officer, is a mining engineer with more than 20 years' experience in the mining industry, including underground contract mining, production roles, work in the mining software sector, and has been consulting internationally for the past 11 years. Mr. King has expertise in project valuation and management, ore reserve estimation, and mine planning in both underground and open pit realms. Mr. King's project experience ranges from small-scale narrow-vein deposits through to large-scale massive sub-level open stopes and block caving; from the cost constraints of nickel/ gold to the ventilation issues of underground uranium and high-altitude mining. He has built mining process models and has trained engineers and geologists in the breakdown of technical processes and the application of software. Mr. King holds a Masters in Mineral Economics from Curtin University, which he has deployed extensively in the valuation of mining projects. Of particular economic interest, Mr. King has studied the application of the Chilean fiscal regime to copper mining projects and predicted share value accretion from simulated, multiple-asset addition using decision trees for investment funds. Mr. King is a full time employee of the Company. Mr. King is subject to post termination non-competition restraints.

Jose Ignacio Silva, Country Manager and Chief Legal Counsel, gained his law degree at the University of Chile, and studied a Masters in International Business Law at the University College London. He has more than 10 years' experience in litigation, commercial and mining law and business negotiations and in Tier 1 law firms in Chile. Mr. Silva has also completed 2 years' work experience in London, UK in Financial Fraud at the Serious Fraud Office, where his team successfully prosecuted a high level case of corruption of foreign officials. Mr. Silva has been working with Hot Chili since July 2009 and in 2011 became Chief Legal Counsel. He is responsible for mining rights acquisitions, mining consolidation, deal negotiations and business development among other things, working directly with the board of Hot Chili. Mr. Silva is a full time employee of the Company. Mr. Silva is subject to post termination non-competition restraints.

Key Technical Advisors

The following are a brief biographies of Dr. Steve Garwin and Dr. John Beeson, who are key technical consultants to the Company.

Dr. Steve Garwin, Chief Technical Advisor, has over 28 years of experience as an exploration geologist and is one of the leading authorities on porphyry, epithermal and Carlin-style mineralization in the circum-Pacific region and applies methods of structural geology and geochemistry towards gold and base-metals exploration. He has previously worked with Newmont Mining for ten years, including two years as Chief Geologist in Nevada, USA. He has been involved with several exploration and mining projects including the Batu Hijau copper-gold porphyry deposit (where he completed his PhD), the Indo Muro, Way Linggo and Tembang epithermal gold-silver vein systems, and the Mesel sediment-hosted gold deposit in Indonesia; mines of the Carlin Trend and Battle Mountain district in Nevada; the Whistler gold-copper porphyry deposit in Alaska; and the Santa Barbara gold-porphyry deposit in south-eastern Ecuador.

Dr. Garwin has been an adjunct research fellow at the Centre for Exploration Targeting at the University of Western Australia since 2001 and was appointed a visiting fellow at the Research School of Earth Sciences, Australian National University in 2014. Steve has been instrumental to date in the recognition of the mineralization systems at Cortadera, and the implementation of state-of-the-art detailed mapping and logging systems on site. These processes are leading to accurate drill hole targeting and rapid progression to resource definition.

Dr. John Beeson, Lead Structural Geologist, has over 20 years worldwide experience in multiple-commodity mineral exploration for companies including Placer Dome, Goldfields and Pancontinental Mining. He specializes in structural geology with a PhD and post-doctoral experience from the University of Western Australia and leads Hot Chili's structural mapping and modelling work. Dr Beeson's recent work has seen his involvement in the exploration and assessment of large multi-commodity projects in Australia, Africa, Europe and Asia.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as otherwise disclosed in this Prospectus, no director or executive officer of the Company has, within the ten years prior to the date of this document, been a director, CEO or CFO of any issuer (including the Company) that: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days while the person was acting in the capacity as director, CEO or CFO; or (ii) was subject to an order that, after the director or executive officer ceased to be a director, CEO or CFO of an issuer, resulted in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days and which resulted from an event that occurred while that person was acting as a director, CEO or CFO of the issuer.

Except as otherwise disclosed in this Prospectus, no current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Company) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No current director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or officer or securityholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Dr. Allan Trench, a non-executive director of the Company, was a non-executive director of Navigator Resources Limited, which was placed into voluntary administration on March 28, 2013. Navigator Resources Limited's primary strategy was to develop into a mid-tier gold producer through its flagship Bronzewing Gold Project. Cash flow from gold production did not meet budget expectations and Navigator Resources Limited was unable to secure alternative financing. As a result it was placed in administration. The voluntary administrators subsequently recapitalised the company, avoiding receivership. Dr. Trench's role as a director ceased at the point of voluntary administration. The creditors of Navigator Resources Limited agreed to the recapitalisation, and the administrators found the board to have acted appropriately in placing the company into voluntary administration.

Conflicts of Interest

Certain of the directors and officers of the Company do not devote all of their time to the affairs of the Company. Certain of the directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. See "*Risk Factors*".

The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving the Company are made in accordance with their duties and obligations under the applicable laws of Australia and Canada. As at the date of this Prospectus, the Company was not aware of any existing or potential material conflicts of interest between the Company and a subsidiary of the Company and a director or officer of the Company or of a subsidiary of the Company.

EXECUTIVE COMPENSATION

General Provisions

The following information is presented by the management of the Company in accordance with Form 51-102F6 – *Statement of Executive Compensation* ("**Form 51-102F6**").

"**Named Executive Officer**" or "**NEO**" means each of the following individuals: (a) a CEO; (b) a CFO; (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than A$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year;

During the financial year ended June 30, 2021, the Company had five Named Executive Officers being, Christian Easterday, Lloyd Flint, Melanie Leighton, Jose Ignacio Silva and Grant King.

Compensation Discussion and Analysis

The Board is responsible for determining the appropriate remuneration for directors, senior executives and senior managers. The Company's remuneration policy is designed to (i) ensure that coherent remuneration policies and practices are observed which enable the attraction and retention of directors, executives and managers who will create value for shareholders; (ii) fairly and responsibly reward directors, executives and managers having regard to the Company's performance, the performance of the senior management and the general pay environment; and comply with all relevant legal and regulatory provisions.

Remuneration for executive directors, senior executives and senior managers may incorporate fixed and variable pay performance elements with both a short-term and long-term focus. Remuneration packages for such individuals may contain any or all of the following:

- annual base salary – reflecting the value of the individuals' personal performance, their ability and experience, as well as the Company's obligations at law and labour market conditions and is relative to the scale of the business of the Company;
- performance-based remuneration – rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution having regard to clearly specified performance targets and to the Company's circumstances, values and risk appetite;
- equity-based remuneration – share participation via employee share and option schemes, reflecting the Company's short, medium and long-term performance objectives;
- other benefits – such as holidays, sickness benefits, superannuation payments and long service benefits;
- expense reimbursement – for any expenses incurred in the course of the personnel's duties; and
- termination payments – any termination payments should reflect contractual and legal obligations and will not be made when an executive is removed for misconduct.

Remuneration for Non-Executive Directors may contain any or all of the following:

- annual fees – reflecting the value of the individuals' personal performance, time commitment and responsibilities of the role;
- equity-based remuneration – issues of shares or securities, reflecting the contribution of the director towards the Company's medium and long-term performance objectives; and
- other benefits - superannuation payments, but not including retirement benefits that are additional to the individual's superannuation.

The Board will make decisions regarding the remuneration of executive directors and senior managers having regard to various factors, including performance and any recommendations made by the Managing Director, senior management, compensation consultants and other advisors. The Board will also make a decision regarding the remuneration of Non-Executive Directors having regard to, amongst other things, any recommendations made by compensation consultants and other advisors. The Nomination and Remuneration Committee evaluates the range provided to other directors and executives in the metals and mining sector, and to a lesser degree, issuers with similar market capitalization, revenues and number of employees. There are no specific peer companies that the Issuer uses in the benchmarking process.

No director or member of senior management (including any employee who is a restricted employee under the Company's Securities Trading Policy) who participates in an equity-based remuneration scheme established by the Company may enter into any transaction designed to limit the economic risk of participating in the equity-based remuneration scheme.

The Company has established a Remuneration and Nomination Committee to oversee compensation matters on behalf of the Board. See "*Corporate Governance – Remuneration and Nomination Committee*", below, for further information about the Remuneration and Nomination Committee.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by the Named Executive Officers for the Company's three most recently completed financial years.

	Summary Compensation Table							
Name and position	**Year**	**Salary (A$)**	**Share-based awards (A$)**	**Option-based awards (A$)**	**Non-equity incentive plan compensation (A$)**	**Pension Value (A$)**	**All other compensation (A$)**	**Total compensation (A$)**
Christian Ervin Easterday, Managing Director and CEO[(1)]	2021	353,067	353,667	-	-	-	33,541	739,975
	2020	259,200	-	-	-	-	24,624	283,824
	2019	259,200	-	-	-	-	24,624	283,824
Lloyd Flint, CFO and Corporate Secretary[(2)]	2021	104,167	154,400					258,567
	2020	89,503						89,503
	2019	75,000						75,000
Melanie Leighton, Corporate Projects Manager	2021	226,667	215,000	-	-	-	21,533	463,200
	2020	180,000	-	-	-	-	17,100	197,100
	2019	180,000	-	7,260	-	-	17,100	204,360
Jose Ignacio Silva, Chief Legal Counsel	2021	235,088	466,737	-	-	-	-	701,825
	2020	152,300	-	-	-	-	-	152,300
	2019	169,981	-	7,260	-	-	-	177,241
Grant King, Chief Operating Officer	2021	173,636	463,200	-	-	-	16,495	711,400
	2020	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-

Notes:

(1) The Managing Director receives no director fees or additional compensation for serving on the Board.

(2) Mr. Flint is employed on a part-time basis.

Outstanding Share and Option-Based Awards

The following table sets forth details of all awards outstanding for each Named Executive Officer at the end of the financial year ended June 30, 2021.

Name	Option-based Awards: Number of securities underlying unexercised Options (#)[1]	Option-based Awards: Option exercise price (A$)[2]	Option-based Awards: Option expiration date	Option-based Awards: Value of unexercised in-the-money Options (A$)	Share-based Awards: Number of shares or units that have not vested (#)[1]	Share-based Awards: Market or payout value of share-based awards that have not vested (A$)	Share-based Awards: Market or payout value of vested share-based awards not paid out or distributed (A$)
Christian Ervin Easterday	6,000,000	0.10	19/12/21	-	20,000,000 Performance rights	353,367	-
Lloyd Flint	-	-	-	-	5,000,000 Performance Rights	154,400	-
Melanie Leighton	3,000,000	0.10	19/12/21	-	15,000,000 Performance rights[1]	215,000	-
Jose Ignacio Silva	3,609,830	0.10	19/12/21	-	15,000,000 Performance rights	466,737	-
Grant King	-	-	-	-	15,000,000 Performance rights	463,200	-

Note:
(1) Number is on pre-Consolidation basis.

(2) Exercise price is on a pre-Consolidation basis.

(3) Lapsed on resignation of Ms. Leighton.

Value Vested or Earned during the Year

The following table sets forth the value vested or earned during the year of option-based awards, share-based awards and non-equity incentive plan compensation paid to Named Executive Officers during the most recently completed financial year.

Name	Option-based awards – Value vested during the year (A$)	Share-based awards – Value vested during the year (A$)	Non-Equity incentive plan compensation – Value earned during the year (A$)
Christian Ervin Easterday	-	-	-
Lloyd Flint	-	-	-
Melanie Leighton[1]	-	-	-
Jose Ignacio Silva	-	-	-
Grant King	-	-	-

Note:
(1) Melanie Leighton resigned as an alternate for Murray Black effective October 1, 2021.

Pension Plan Benefits and Defined Contribution Plans

The Company does not have a pension plan or defined benefit plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement. However, all Australian-domiciled executive officers receive a superannuation guarantee contribution as required by the Superannuation Act, which is currently 10% (previously 9.5%), and do not receive any other retirement benefits. Executive officers may choose to sacrifice part of their salary to increase payments towards superannuation, although this does not change the amount paid by the Corporation to them. No executive directors or senior management of the Corporation received or were required to receive payments for the fiscal year ended 2021 under the Superannuation Act.

Termination and Change of Control Benefits

Other than as disclosed herein, the Company has not entered into any other contract, agreement, plan or arrangement that provides for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEOs responsibilities.

Director Compensation

The following table sets forth the value of all compensation provided to the directors, not including those directors who are also Named Executive Officers, for the Company's financial year ended June 30, 2021.

Name	Fees earned (A$)	Share-based awards (A$)	Option-based awards (A$)	Non-equity incentive plan compensation (A$)	Pension value (A$)	All other compensation (A$)	Total (A$)
Murray Edward Black	66,267	-	-	-	-	6,295	72,562
Dr. Allan Trench	39,200	-	-	-	-	3,724	42,924
Roberto de Andraca Adriasola	42,924	-	-	-	-	-	42,924
Randall Nickson	42,924	-	-	-	-	-	42,924
Dr. Michael Anderson(1)	9,607	-	-	-	-	-	9,607

Note:
(1) Dr. Michael Anderson resigned from the Board effective November 4, 2020.

Outstanding Share and Option-Based Awards

The following table sets forth details of all awards outstanding for each director who was not also a Named Executive Officer at the end of the financial year ended June 30, 2021.

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised Options (#)	Option exercise price (A$)	Option expiration date	Value of unexercised in-the-money Options (A$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested (A$)	Market or payout value of vested share-based awards not paid out or distributed (A$)
Murray Edward Black	-	-	-	-	-	-	-
Dr. Allan Trench	-	-	-	-	-	-	-
Roberto de Andraca Adriasola	-	-	-	-	-	-	-
Randall Nickson	-	-	-	-	-	-	-
Dr. Michael Anderson	-	-	-	-	-	-	-

External management companies

None of the NEOs or directors of the Company have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Company to provide executive management services to the Company, directly or indirectly.

Securities authorized for issuance under equity compensation plans

The Employee Incentive Plan will be amended to comply with the policies of the TSXV prior to listing and permits the Board to grant Options and Performance Rights to directors, officers, employees and consultants of the Company and its affiliates.

The following table sets forth information with respect to the Employee Incentive Plan as at the Company's most recently completed financial year ended June 30, 2021. Reference should be made to the Company's audited annual financial statements for the year ended June 30, 2021 for more detailed disclosure relating to the Options and Performance Rights granted, exercised and outstanding.

Employee Incentive Plan Information for Executive Officers(1)

	Number of securities to be issued upon exercise of outstanding Options, warrants and rights	**Weighted-average exercise price of outstanding Options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
Plan Category	(a)	(b)	(c)(3)
Equity compensation plans approved by shareholders	67,000,000	A$0.078(2)	n/a
Equity Compensation plans not approved by shareholders	-	-	-
Totals	67,000,000	A$0.078	n/a

Notes:

(1) Presented on a pre-Consolidation basis.

(2) Rights with non-market hurdles excluded from the calculation.

(3) Subject only to regulation guidelines.

Summary of Hot Chili Employee Incentive Plan

Hot Chili has established an Employee Incentive Plan for eligible Directors, officers, employees and consultants ("**Incentive Plan"**). The Incentive Plan is governed by the Incentive Plan Rules ("**Rules"**).

Under the Incentive Plan, the Company may provide share-based incentives (that is, Ordinary Shares, Options and Performance Rights) to eligible participants subject to conditions which must be satisfied before the participants may receive the full benefit of the incentives ("**Awards"**).

All Awards are issued/granted in accordance with the Rules and otherwise on terms and conditions set by the Board at its discretion.

The material terms of the Incentive Plan, as set out in the Rules, are summarized as follows:

Purpose

The purpose of the Incentive Plan is to: to establish a method by which eligible persons can participate in the future growth and profitability of Hot Chili; provide an incentive and reward for eligible persons for their contribution to Hot Chili; attract and retain a high standard of managerial and technical personnel for the benefit of Hot Chili; and align interests eligible participants with the interests of shareholders of the Company.

Eligibility

The following persons can participate in the Incentive Plan if the Board of the Company makes them an offer to do so:

(a) a full-time or part-time employee, including an executive and non-executive Director of the Company or its related bodies corporate;

(b) a consultant of the Company or its related bodies corporate;

(c) a casual employee of the Company or its related bodies corporate where the employee or contractor is, or might reasonably be expected to be, engaged to work the pro-rata equivalent of 40% or more of a comparable full-time position; and

(d) a person to whom an offer of Awards has been made, but whose acceptance of the Offer is conditional upon the person becoming one of the above.

Board discretions

The Board has broad discretions under the Incentive Plan, including (without limitation) as to the timing of making an offer to participate in the Incentive Plan; identifying persons eligible to participate in the Incentive Plan; the terms of issue of Awards (including vesting conditions, performance hurdles and exercise conditions if any); and the periods during which Awards may be exercised.

Any Award other than an Option may not vest before one year from the date of grant of the Award.

Limit

The maximum number of Ordinary Shares that may be issued pursuant to Awards granted under the Incentive Plan is that number equal to 10% of the Company’s issued Ordinary Shares from time to time.

The number of Ordinary Shares reserved for issuance under the Plan and all of the Company's other previously established or proposed share compensation arrangements, if any, shall not exceed 10% of the total issued and outstanding Ordinary Shares on a non-diluted basis and shall not exceed 5% of the total of issued and outstanding Ordinary Shares on a non-diluted basis to any one participant of the Plan ("Participant").

The number of Ordinary Shares which may be issuable under the Plan and all of the Company's other previously established or proposed share compensation arrangements, if any, within a one-year period:

i. to all Insiders (as such term is defined in the Securities Act (Ontario)) shall not exceed 10% of the total number of issued and outstanding Ordinary Shares on the date of grant on a non-diluted basis at any time during the relevant period (unless otherwise approved by the disinterested shareholders of the Company);

ii. to any one Participant, shall not exceed 5% of the total number of issued and outstanding Ordinary Shares on the date of grant on a non-diluted basis (unless otherwise approved by the disinterested shareholders of the Company);

iii. to any one Consultant (as such term is defined in the TSXV Policies) shall not exceed 2% in the aggregate of the total number of issued and outstanding Ordinary Shares on the date of grant on a non-diluted basis; and

iv. to all Eligible Participants (as such term is defined in the Incentive Plan) who undertake Investor Relations Activities (as such term is defined in the Incentive Plan) shall not exceed 2% in the aggregate of the total number of issued and outstanding Ordinary Shares on the date of grant on a non-diluted basis, which Awards (which may only comprise Options) are to be vested in stages over at least a one-year period and no more than one-quarter (1/4) of such Awards may be vested in any 3 month period.

Term

An Award which has not been exercised will expire on the date that is 10 years after the date on which it became exercisable.

Exercise price

The exercise price of an Award will be the price determined by the Board in its absolute discretion prior to or on grant of the Award.

Awards not to be quoted

The Awards will not be quoted on ASX. However, application will be made to ASX for official quotation of Ordinary Shares issued upon the exercise of Awards, if Ordinary Shares are listed on ASX at that time.

Shares issued on exercise of Awards

Subject to any applicable vesting conditions, performance hurdles and exercise conditions each Option entitles the holder to subscribe for and be issued with one Ordinary Share and each Performance Right entitles the holder to subscribe for and be issued with one Ordinary Share.

Ordinary Shares issued pursuant to the exercise of Awards will in all respects rank equally and carry the same rights and entitlements as other Ordinary Shares on issue. Holders of Awards have no rights to vote at meetings of the Company or receive dividends until Ordinary Shares are allotted on the exercise of Awards pursuant to the Incentive Plan.

Lapse of Awards

Unless the Directors in their absolute discretion determine otherwise, Awards will automatically lapse and be forfeited if, prior to the satisfaction of an exercise condition or vesting condition: the holder resigns employment or terminates engagement with the Company; the holder is dismissed from employment or engagement with the Company for material breach of contract or negligence or conduct justifying termination without notice; the holder ceases employment or engagement with the Company and breaches any post-termination restraint; the holder is ineligible to hold his or her office pursuant to the Corporations Act; or any performance milestones applicable to the Awards are not satisfied – if a portion are satisfied, then a proportionate number of Awards may continue at the Board's discretion.

Awards will not lapse and be forfeited if the holder ceases employment or engagement with the Company due to death, permanent disablement, retirement, redundancy or where the Board determines that the Awards continue.

Restrictions on disposal

An Award holder is not able to sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Awards, or agree to do any of those things, without the prior consent of the Board or unless such disposal is required by law.

Participation rights of Award holders

Holders of Options and Performance Rights will only be permitted to participate in an issue of new Ordinary Shares by the Company if they exercise their Options or Performance Rights (as applicable) before the record date for determining entitlements to the relevant issue. The Company must ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue of new Ordinary Shares is announced. This will give Option holders and Performance Right holders the opportunity to exercise their Options or Performance Rights prior to the date for determining entitlements to participate in any such issue.

Adjustment of Awards

If the Company makes a pro rata bonus issue, and an Option or Performance Right is not exercised before the record date for that bonus issue, then on exercise of the Option or Performance Right (as applicable), the holder is entitled to receive the number of bonus Ordinary Shares which would have been issued if the Option or Performance Right had been exercised before the record date.

In the event of a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Awards to which each Award holder is entitled or the exercise price or both will be changed in the manner required by the Listing Rules of ASX and, in any case, in a manner which will not result in any benefits being conferred on holders of Awards which are not conferred on Shareholders.

Takeovers

In the event of a takeover bid, certain capital reorganisations, or transactions occurring that give rise to certain changes of control of the Company, restrictions on the exercise of an Award may lapse so that Award holders are able to participate in the relevant transaction.

Administration

The Board has the discretion to administer the Incentive Plan, subject to and in accordance with the Listing Rules of ASX and TSXV policies.

Amending the Incentive Plan

Subject to and in accordance with the Listing Rules of ASX and TSXV policies, the Board (without the necessity of obtaining prior or subsequent consent of Shareholders) may from time to time amend all or any provisions of the Incentive Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No current or former executive officer, director or employee of the Company or of any of its subsidiaries is, or at any time since the beginning of the most recently completed financial year has been, indebted: (i) to the Company or any of its subsidiaries; or (ii) to another entity, where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

AUDIT COMMITTEE INFORMATION

Pursuant to the provisions of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), the Company is required to disclose certain information concerning its audit committee including the audit committee's charter, the composition of the audit committee and its relationship with its independent auditors. Such information is set forth below. The charter of the Company's audit committee is attached as Schedule "C" to this Prospectus.

Overview

The Audit and Risk Management Committee was formed to assist the Board in fulfilling its oversight responsibilities with respect to (i) the Company's financial reporting and disclosure requirements, ensuring that an effective risk management and financial control framework has been implemented and tested by management of the Company and (ii) external and internal audit processes. The Audit and Risk Management Committee reviews the adequacy and effectiveness of the Company's system of internal control and management information systems through discussions with management and the external auditors to ensure that Hot Chili maintains necessary records to fairly reflect its transactions, effective internal control systems and adequate processes for assessing risk of misstatement of financial statements and detecting control weaknesses or fraud. The Audit and Risk Management Committee also oversees and assesses the quality and results of the external audit and reviews the independence of the external auditors.

Composition of Audit and Risk Management Committee

The Audit and Risk Management Committee is comprised of Dr. Allan Trench, Roberto de Andraca Adriasola and Randall Nickson. Each of them is "financially literate", and Dr. Allan Trench and Randall Nickson are "independent", within the meaning of NI 52-110. Given that the majority of the directors on the audit committee are independent, the Company is relying on the exemption in Section 3.2 of NI 52-110 respecting the requirement for there being three independent directors on the audit committee and will, within a year of a receipt for the final prospectus, replace Roberto de Andraca Adriasola with a third independent director. See "*Directors and Executive Officers – Biographies*" for information concerning members of the audit committee, including their relevant education and experience.

Audit and Risk Management Committee Oversight

At no time since incorporation was a recommendation of the Audit and Risk Management Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemptions in Section 2.4 of NI 52-110 in relation to "De Minimus Non-Audit Services" or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Company has not adopted any specific policies in relation to the engagement of non-audit services.

External Auditor Service Fees

The following table provides information about the fees billed to the Company for professional services rendered to the Company by external auditors during the fiscal years ended 2021 and 2020:

	Audit Fees(1)	Audit Related Fees(2)	Tax Fees(3)	All Other Fees(4)	Total(5)
2021	A$55,000	-	A$8,750	-	A$63,750
2020	A$48,750	-	A$8,750	-	A$57,500

Notes:

(1) Audit fees were for professional services rendered by the auditors for the audit of the Company's annual financial statements.

(2) Audit-related fees are for services related to performance of limited procedures performed by the Company's auditors related to interim reports as well as services provided in connection with statutory and regulatory filings.

(3) Tax fees are for tax compliance, tax advice and tax planning.

(4) All other fees for services performed by the Company's auditors.

(5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Company's behalf. These additional costs are not material as compared to the total professional services fees for each year.

CORPORATE GOVERNANCE

A summary of the Company's governance practices in relation to the guidelines for effective corporate governance established pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") is set out below.

Board of Directors

The Board has determined that 5 out of 6 of the directors are independent for the purpose of NI 58-101. The independent directors within the meaning of NI 58-101 are Murray Black, Dr. Allan Trench, Roberto de Andraca, Randall Nickson and Mark Jamieson. Christian Ervin Easterday is not considered independent within the meaning of NI 58-101 because he is an executive officer of the Company.

Murray Black serves as chairman of the Board. As chairman, Mr. Black is responsible for leading and managing the Board in the discharge of its duties. The chairman is responsible for, amongst other things, (i) the efficient organisation and conduct of the Board's functioning; (ii) briefing of all Directors in relation to issues arising at Board meetings; (iii) overall shareholder communication; (iv) chairing shareholder meetings (where possible); (v) arranging Board performance evaluation; and (vi) presiding over meetings of the Board. The independent directors have access to independent advice from third parties should they require it.

The following table sets out the number of meetings of the Board held during the fiscal year ended June 30, 2021, and the number of meetings attended by each current director:

Board Meetings

Name	Attendance	
	Attended	Held During Tenure
Murray E Black	7	7
Christian Easterday	7	7
Dr. Allan Trench	7	7
Roberto de Andraca Adriasola	3	7
Randall Nickson	7	7
Dr. Michael Anderson (former director)	3	3
Melanie Leighton (former alternate for Murray Black)	-	-

Audit and Risk Management Committee Meetings

Name	Attendance	
	Attended	Held During Tenure
Dr. Allan Trench	1	1
Roberto de Andraca Adriasola	1	1
Randall Nickson	1	1

Remuneration and Nomination Committee Meetings

Name	Attendance	
	Attended	Held During Tenure
Dr. Allan Trench (Chair)	-	-
Randall Nickson	-	-
Murray Black	-	-

In the event of a conflict (including a conflict of duty and interest or a conflict of duties) or where a potential conflict may arise, involved Directors will, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter.

Other Directorships

The following directors are presently also directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions, as follows:

Name of Director	Reporting Issuers (or the Equivalent)
Dr. Allan Trench	Enterprise Metals Ltd., commenced April 3, 2012 and Emmerson Resources Ltd., commenced March 3, 2015.
Roberto de Andraca Adriasola	Puerto Las Losas S.A.

Board Mandate

The Board is the governing body of the Company and is responsible for overseeing the Company's business activities and management for the benefit of the Company's shareholders. The Board's mandate is detailed in the Board Charter, attached as Schedule "B" to this Prospectus.

Position Descriptions

Chairman of the Board

The Chairman of the Board is Murray Black. The Board has developed and adopted a written position description for the Chairman of the Board that is contained in the Board Charter and summarized above under "*Corporate Governance – Board of Directors*".

Managing Director

The Managing Director and CEO of the Company is Christian Easterday. The Managing Director has the overall responsibility for running the affairs of the Company under delegated authority from the Board. This includes: (i) developing business plans, budgets and strategies for the Company for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies; (ii) operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the Company's business; (iii) undertaking and assessing risk management and internal control effectiveness; (iv) identifying and managing operational and other risks and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board; (v) in relation to proposed transactions, commitments or arrangements that exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval; (vi) implementing the policies and strategies set by the Board; (vii) devoting the whole of his time, attention and skill during normal business hours and at other times as reasonably necessary, to the duties of the office; (viii) managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively; (ix) being accountable for planning, co-ordinating and directing the operations of the Company; (x) promoting the interests of the Company; and (xi) faithfully and diligently performing the duties and exercise the powers consistent with the position of a Managing Director of the Company and assigned by the Board.

Company Secretary

The Company Secretary and Chief Financial Officer of the Company is Lloyd Flint. The Company Secretary supports the effectiveness of the Board. Specifically, the Company Secretary is responsible for: (i) advising and supporting the Chairperson and the Board in relation to the management of the day-to-day governance framework of the Company and Board committees; (ii) monitoring compliance by the Board and its committees with applicable policies and charters; (iii) completing and despatching Board agendas and papers in a timely manner; and (iv) assisting with all matters related to the proper functioning of the Board, including advising on governance matters and arranging the induction and professional development of Directors. The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.

Orientation and Continuing Education

New directors will participate in an orientation programme regarding the role of the Board, its committees and its directors, and the nature and operations of the Company's business. Members of the Board are encouraged to communicate with management of the Company, external legal counsel and auditors, and other external consultants to educate themselves about the Company's business, the industry, and applicable legal and regulatory developments. Members of the Board who are members of professional organizations are encouraged to take continuing education programs and all the members of the Board are required to keep themselves informed about current trends in corporate governance and to assist them in fulfilling their duty of stewardship of the Company.

Ethical Business Conduct

The Company is committed to fostering a culture that encourages, supports and maintains high standards of honest and ethical behaviour, legal compliance, corporate social responsibility and good governance The Board has adopted a written code of conduct that requires its directors, officers, employees, contractors and consultants to observe high standards of business conduct and to act with integrity and objectivity. In order to ensure that the Corporate Code of Conduct of the Company is observed by all personnel, the Company seeks to make the document known and accessible to all personnel.

In addition, the Company promotes a culture of ethical business conduct through the adoption of various corporate governance policies, including a Securities Training Policy, Anti-Bribery and Corruption Policy, Diversity Policy, and Whistleblower Policy. The Corporate Code of Conduct and the above mentioned policies of the Company can be found on the Company's website at www.hotchili.net.au. The information found on Hot Chili's website, include the above mentioned policies, is expressly not, and shall not be deemed to be, incorporated by reference in this Prospectus.

Remuneration and Nomination Committee

The Board has established a Nomination and Remuneration Committee comprised of three directors, Dr. Allan Trench (Chair), Randall Nickson and Murray Black, all of whom are independent for the purpose of NI 58-101. The primary responsibilities of the Nomination and Remuneration Committee include, with respect to remuneration matters: reviewing and making recommendations to the Board on: (i) remuneration policies for non-executive directors (including fees and other benefits); (ii) short and long-term remuneration for executive directors, the Managing Director and the Chief Financial Officer; (iii) superannuation arrangements for executive directors, the Managing Director and the Chief Financial Officer; (iv) any termination payments to be made to executive directors, the Managing Director or the Chief Financial Officer (which are to be agreed in advance and include detailed provisions in case of early termination); and (v) the development of any equity-based plan to apply to executive directors, the Managing Director and the Chief Financial Officer.

The Nomination and Remuneration Committee seeks to ensure that the remuneration policies motivate executive directors and officers to pursue the long-term growth and success of the Company; demonstrate a clear relationship between performance and remuneration; and involve an appropriate balance between fixed and incentive remuneration, reflecting the short and long-term performance objectives to the Company circumstances and goals. The Nomination and Remuneration Committee may seek input from individuals on remuneration policies, but no individual may be directly involved in deciding his or her remuneration.

The primary responsibilities of the Nomination and Remuneration Committee include, with respect to nomination matters: (i) consider the appointment and retirement of directors; (ii) assess the necessary and desirable competencies of directors; (iii) oversee the directors' induction programme; (iv) ensure that directors have the appropriate mix of competencies to enable the Board to discharge its responsibilities effectively; (v) ensure that directors have access to appropriate continuing education to update and enhance their skills and knowledge; (vi) develop Board succession plans to ensure an appropriate balance of skills, experience and expertise is maintained; (vii) review the time commitment required from Non-Executive Directors and whether Directors are meeting that commitment; and (viii) evaluate the Board's performance.

In performing its functions, the Nomination and Remuneration Committee has the power to access management and to seek access to the Company's internal and external auditors without management present. The Nomination and Remuneration Committee may request any Company records or other information it requires from any officers, employees, contractors or agents of the Company. The Nomination and Remuneration Committee also has the power to conduct any enquiry or investigation relevant to its function under this document, including to interview any officers, employees, contractors or agents of the Company, and to seek explanations and additional information. For this purpose, the Nomination and Remuneration Committee may engage appropriate independent experts or professional advisors that it considers necessary at the cost of the Company.

Term Limits

The Constitution of the Company does not specify a maximum term for which a director may hold office. In accordance with the Constitution, directors (other than the Managing Director) must offer themselves for re-election by shareholders at least every three years. As a condition of listing on the TSV, the Company will undertake to hold director elections annually.

Policies Regarding Diversity

The Board has recently adopted a Diversity Policy relating to the promotion of diversity in Board positions, in executive and senior management and within the Company generally. The objectives of the policy are to ensure that the Company: (i) leverages unique skills values, backgrounds and experiences of the Company's personnel to better enable the Company to pursue its overall business objectives; and (ii) develops an inclusive work environment so that personnel can demonstrate their full potential, regardless of their background, gender, age, work status, marital status, religious identity or cultural identity.

As part of the Diversity Policy of the Company, the Company has adopted measurable objectives such that the Board will:

- review its diversity strategies from time to time, including annual diversity plans;
- consider best practice and contemporary topics in diversity;

- oversee the implementation of the diversity strategy across the Company;
- discuss with management any emerging diversity-related organisational issues;
- consider reports provided by management as to the progress of the implementation of the diversity strategy, including against key measurable objectives; and
- alert management to issues that would enhance the implementation of the diversity strategy.

The Diversity Policy of the Company can be found on the Company's website at www.hotchili.net.au. As at the date of this Prospectus, none of the members of the Board are women and none of the executive officers of the Company are women. As yet, no target gas been adopted regarding numbers of women on the board or women in executive roles given the stage of the lifecycle of the Company. Subject to a more mature status of the Company being achieved, the Company will align itself with Australian Securities Exchange recommendations.

Assessments

The Board reviews its own performance on an informal basis. The Board has not established formal assessments of the effectiveness and contribution of individual directors, the Audit and Risk Management Committee or the Nomination and Remuneration Committee. The directors may, in the future, adopt a process of formal written assessments as to their individual effectiveness.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the Underwriting Agreement between the Company and the Underwriters, the Underwriters have agreed to purchase as principals, and the Company has agreed to sell to the Underwriters, 19,355,000 Units on the Closing Date for gross proceeds of C$30,000,250.

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Units are subject to approval of legal matters by counsel and to other conditions, and that the obligation of the Underwriters to purchase the Units may also be terminated at the discretion of the Underwriters on the basis of their assessment of the state of the financial markets. The Underwriters must purchase all of the Units (other than those covered by the Over-Allotment Option described below) if they purchase any of the Units. The obligations of the Underwriters under the Underwriting Agreement are several, and not joint nor joint and several. The Offering Price was determined by negotiation between the Company and the Underwriters. Pursuant to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay the Underwriters' Fee to the Underwriters, which is equal to 6.0% of the gross proceeds of the Offering. In addition to the Underwriters' Fee, the Underwriters will be granted the Compensation Option to purchase that number of Ordinary shares equal to 6.0% of the aggregate number of Units sold pursuant to the Offering, including Units sold pursuant to the exercise of the Over-Allotment Option, for a period of 36 months following the Closing Date at a price of C$1.85 per Ordinary Share. Each of the Underwriters' Fee and the Compensation Option are subject to reduction to 4.0% of the gross proceeds from subscriptions from purchasers, if any, whose names appear on the President's List. This Prospectus qualifies the distribution of the Compensation Option.

The Company has also granted to the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the Closing Date (as defined herein) to purchase from the Company up to an additional 2,445,000 Units at the Offering Price. The Underwriters may exercise the Over-Allotment Option, in whole or in part, for the purpose of covering over-allotments, if any, in connection with this Offering and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' Fee and the net proceeds to the Company will be C$33,790,000, C$2,027,400 and C$31,762,600, respectively (assuming no sales to the President's List). Under applicable securities laws, this Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the additional Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases.

The Company has agreed in the Underwriting Agreement to indemnify each of the Underwriters and their affiliates and respective directors, officers and employees against certain liabilities and expenses and will contribute to payments that the Underwriters may be required to make in respect thereof.

The Units are being offered for sale by the Underwriters in: (i) each of the provinces of Canada, other than Québec, by way of long form prospectus; (ii) to, or for the account of benefit of, persons in the United States or U.S. Persons on a private placement basis pursuant to an exemption from the registration requirements of the 1933 Act; and (iii) in jurisdictions outside of Canada and the United States, in each case in accordance with all applicable laws and, in the case of (ii) and (iii), provided that no prospectus, registration statement or similar document is required to be filed in such jurisdiction.

The Company has received conditional approval to list the Ordinary Shares (including the Ordinary Shares issuable pursuant to the Compensation Option), Unit Shares and the Warrant Shares on the TSXV. Listing will be subject to the issuer fulfilling all the listing requirements of the TSXV.

After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the face page of this Prospectus, the price of the Units may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than the price specified on the cover page of this Prospectus and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will take place on or about December 21, 2021, or such later date as the Company and the Underwriters may agree, but in any event, on or before a date that is not later than 42 days after the date of the receipt for this Prospectus.

Pursuant to rules and policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Ordinary Shares for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions including a bid for or purchase of securities of the Company: (i) if the bid or purchase is made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; (ii) made for or on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) to cover a short position entered into prior to the commencement of a prescribed restricted period.

On the Closing Date, other than pursuant to certain exceptions, registration of interest in and transfers of Units held through CDS or its nominee will be made electronically in the non-certificated inventory ("**NCI**") system of CDS. On the Closing Date, the Company, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of shareholders who hold Units in CDS must be exercised through, and all payments or other property to which such shareholders are entitled will be made or delivered by CDS or the CDS participant through which the shareholder holds such Units. A holder of a Unit participating in the non-certificated inventory system will not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The Company has agreed not to directly or indirectly offer, issue, grant any option, right or warrant to purchase, enter into any derivative transaction or otherwise transfer or dispose of any Ordinary Shares, financial instruments or securities convertible into or exercisable or exchangeable for Ordinary Shares or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to certain employee or executive incentive compensation arrangements, pursuant to rights, securities, agreements or commitments currently outstanding, in connection with an arm's length acquisition or corporate transaction involving the Company, or with prior consent of iA, such consent not to be unreasonably withheld) for a period beginning at the closing of the Offering and ending 120 days after the Closing Date. In addition, each of the directors and members of management of the Company who will own an interest in the Company after the Closing Date have agreed that they will not, directly or indirectly, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any Ordinary Shares or securities convertible into or exercisable or exchangeable for Ordinary Shares or (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Ordinary Shares, whether any such transaction is to be settled by delivery of Ordinary Shares, other securities, cash or otherwise for a period beginning at the closing of the Offering and ending 90 days after the Closing Date.

United States Matters

The Units, the Unit Shares, the Warrant Receipts, the Warrants and the Warrant Shares have not been and will not be registered under the 1933 Act or any applicable state securities laws, and the Units may not be offered, sold or delivered, directly or indirectly, to, or for the account or benefit of, persons in the United States or U.S. Persons, except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as permitted by applicable United States federal and state securities laws, they will not offer or sell any of the Units to, or for the account or benefit of, persons in the United States or U.S. Persons. The Underwriting Agreement permits the Underwriters to offer and sell such securities purchased by them outside the United States to non-U.S. Persons in compliance with Regulation S under the 1933 Act. The Underwriting Agreement also enables the Underwriters, through their U.S. registered broker-dealer affiliates and certain other U.S. registered broker-dealers, to offer such securities to, or for the account or benefit of, persons in the United States or U.S. Persons pursuant to exemptions from registration under the 1933 Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units offered hereby to, or for the account or benefit of, persons in the United States or U.S. Persons by a dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act, unless such offer or sale is made pursuant to an exemption from registration under the 1933 Act. The Units, the Unit Shares and the Warrants Receipts offered or sold to, or for the account or benefit of, persons in the United States or U.S. Persons, any Warrants issuable upon conversion of such Warrant Receipts, and any Warrant Shares issuable upon exercise of such Warrants, will be "restricted securities" within the meaning of Rule 144(a)(3) of the 1933 Act. Certificates representing any securities that are sold or issued to, or for the account or benefit of, persons in the United States or U.S. Persons will bear a legend to the effect that the securities represented thereby are not registered under the 1933 Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the 1933 Act and any applicable state securities laws. Terms used and not defined in this paragraph shall have the meanings ascribed thereto by Regulation S under the 1933 Act.

Australian Matters

This Prospectus has not been prepared in accordance with, and is not a disclosure document for the purposes of, the Australian Corporations Act. This Prospectus has not been lodged with the Australian Securities and Investments Commission. This Prospectus does not constitute an offer or invitation to purchase Units in Australia if such an offer would require disclosure to purchasers under Chapter 6D of the Australian Corporations Act. This Prospectus is only being and may only be distributed to and directed at (i) persons outside Australia; or (ii) persons in Australia who are: (a) "sophisticated investors" pursuant to section 708(8) of the Corporations Act; (b) "professional investors" pursuant to section 708(11) of the Australian Corporations Act; (c) receiving the Offer through a financial services licensee pursuant to section 708(10) of the Australian Corporations Act; or (d) an exempt investor pursuant to any other exemption in section 708 of the Australian Corporations Act (all such persons being referred to as "**Exempt Investors**"). The Units are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Units will be engaged in only with Exempt Investors. Any person who is not an Exempt Investor should not act or rely on this document or any of its contents.

A portion of the Units distributed under this Offering are being offered for sale to the public in Australia by way of private placement (the "**Private Placement**"). Closing of the Private Placement is expected to occur concurrently with the Closing of this Offering. The Units issued under the Private Placement are qualified by this Prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this Prospectus, a summary of the principal Canadian federal income tax considerations generally applicable to an investor who acquires Units pursuant to the Offering. For purposes of this summary, references to "Shares" include Unit Shares and Warrant Shares unless otherwise indicated. This summary applies only to a purchaser who is a beneficial owner of Shares and Warrant Receipts acquired pursuant to this Offering and, if applicable, Warrants acquired on the conversion of Warrant Receipts and Warrant Shares acquired on the exercise of Warrants, and who, for the purposes of the Tax Act, and at all relevant times: (i) deals at arm's length with the Company and the Underwriters, (ii) is not affiliated with the Company or the Underwriters; and (iii) holds the Shares, Warrants and Warrant Receipts as capital property (a "**Holder**").

Shares, Warrants and Warrant Receipts will generally be considered to be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that has made a "functional currency" reporting election under the Tax Act to report its "Canadian tax results" as defined in the Tax Act in a currency other than Canadian currency; (iv) an interest in which is, or for whom a Share, Warrant or Warrant Receipt would be, a "tax shelter investment" for the purposes of the Tax Act; (v) in respect of which the Company is a "foreign affiliate" for the purpose of the Tax Act; or (vi) that has entered into a "derivative forward agreement" or a "synthetic disposition arrangement" or a "dividend rental arrangement" (as each such term is defined in the Tax Act), in respect of Shares, Warrants or Warrant Receipts. Such Holders should consult their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and that is or becomes (or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is or becomes), as part of a transaction or event or series of transactions or events that includes the acquisition of any Shares, Warrants or Warrant Receipts, controlled by a non-resident person (or by a group of non-resident persons that do not deal at arm's length with each other for purposes of the Tax Act) for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units pursuant to the Offering or to exercise Warrants to acquire Warrant Shares.

This summary assumes that the Company is, and at all relevant times will be, a non-resident of Canada for the purposes of the Tax Act. If the Company is (or becomes) a resident of Canada for the purposes of the Tax Act, the Canadian federal income tax consequences to a Holder may be materially different from those described in this summary.

This summary is based upon: (i) the current provisions of the Tax Act and the regulations thereunder ("**Regulations**") in force as of the date hereof; (ii) all specific proposals ("**Tax Proposals**") to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof; and (iii) counsel's understanding of the current published administrative policies and assessing practices of the CRA. No assurance can be given that the Tax Proposals will be enacted or otherwise implemented in their current form, if at all. If the Tax Proposals are not enacted or otherwise implemented as presently proposed, the tax consequences may not be as described below in all cases. This summary does not otherwise take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it address other federal or any provincial, territorial or foreign tax considerations.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice as to the income tax consequences to them of acquiring Units in their particular circumstances.

Currency Conversion

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Shares, Warrants and Warrant Receipts generally must be converted into Canadian dollars, including dividends, adjusted cost base and proceeds of disposition, using the single daily exchange rate as quoted by the Bank of Canada for the relevant day, or such other rate of exchange that is acceptable to the CRA.

Allocation of Cost

A Holder who acquires Units pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Unit Share and the one-half Warrant Receipt comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

For its purposes, the Company has advised that, of the C$1.55 subscription price for each Unit, it intends to allocate C$1.40 to each Unit Share and C$0.15 to each one-half Warrant Receipt and believes that such allocation is reasonable. The Company’s allocation, however, is not binding on the CRA or on a Holder. Holders should consult their own tax advisors in this regard.

The cost of each Unit Share comprising a part of a Unit acquired by a Holder pursuant to this Offering will be averaged with the adjusted cost base to such Holder of all other Ordinary Shares (if any) held by the Holder as capital property immediately prior to the acquisition for purposes of determining the adjusted cost base to a Holder of a Unit Share immediately following its acquisition.

Conversion of Warrant Receipts

No gain or loss will be realized by a Holder of a Warrant Receipt upon the conversion of such Warrant Receipt into a Warrant. When a Warrant Receipt is converted into a Warrant, the Holder's cost of the Warrant acquired thereby will be equal to the adjusted cost base of the Warrant Receipt to such Holder.

Exercise of Warrants

No gain or loss will be realized by a Holder of a Warrant upon the exercise of such Warrant. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Holder, plus the amount paid on the exercise of the Warrant. The cost of such Warrant Share must be averaged with the adjusted cost base to such Holder of all other Ordinary Shares (if any) held by the Holder as capital property immediately prior to the exercise of the Warrant for purposes of computing the adjusted cost base to the Holder of such Warrant Share immediately following its acquisition.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**").

Shares, Warrants and Warrant Receipts will not be "Canadian securities" for purposes of the irrevocable election under subsection 39(4) of the Tax Act to treat all "Canadian securities" owned by a person as capital property and therefore, such election will not apply to the Shares, Warrants or Warrant Receipts.

Dividends on Shares

The full amount of dividends received or deemed to be received by a Resident Holder on a Share will be included in computing the Resident Holder's income for the taxation year in which the dividends are received. In the case of a Resident Holder that is an individual, such dividends will not be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). In the case of a Resident Holder that is a corporation, such dividends will not be eligible for the deduction that is generally available for taxable dividends received from taxable Canadian corporations.

To the extent that foreign withholding tax is payable by a Resident Holder in respect of any dividends received or deemed to be received on Shares, the Resident Holder may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances described in the Tax Act. Prospective Resident Holders are advised to consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Disposition of Shares, Warrants and Warrant Receipts

A Resident Holder that disposes or is deemed to dispose of Shares, Warrants (other than on the exercise of such Warrants) or Warrant Receipts (other than on the conversion of such Warrant Receipts into Warrants) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition in respect of such Shares, Warrants or Warrant Receipts, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Holder of such Shares, Warrants or Warrant Receipts (as the case may be) immediately before the disposition. Generally, the expiry of an unexercised Warrant or cancellation of a Warrant Receipt (in the event the Shareholder Approval Condition is not satisfied by March 31, 2022) will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such expired Warrant or cancelled Warrant Receipt. See "Taxation of Capital Gains and Capital Losses".

Taxation of Capital Gains and Capital Losses

One-half of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year will be included in the Resident Holder's income for the year. One-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year must generally be deducted against taxable capital gains realized in that taxation year, to the extent and in the circumstances specified in the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation years against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

Foreign tax, if any, levied on any gain realized on the disposition of Shares, Warrants or Warrant Receipts may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances prescribed in the Tax Act. Prospective Resident Holders are advised to consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Foreign Property Information Reporting

A Resident Holder that is a "specified Canadian entity" for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (as such terms are defined in the Tax Act) at any time in the year or fiscal period exceeds C$100,000 will be required to file an information return for the year or period disclosing prescribed information in respect of such property. Subject to certain exceptions, a taxpayer that is resident in Canada during a taxation year will generally be a specified Canadian entity and a Share, Warrant and Warrant Receipt will each generally be a specified foreign property.

The foreign reporting rules in the Tax Act are complex and this summary does not purport to explain all circumstances in which reporting may be required. Resident Holders should consult their own tax advisors regarding whether they must comply with these reporting requirements.

Other Income Taxes

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a tax (refundable in certain circumstances) on its "aggregate investment income" (as defined in the Tax Act) for the year, including dividends and taxable capital gains.

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Shares or realizes a capital gain on the disposition or deemed disposition of Shares, Warrants or Warrant Receipts may be liable for minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty or convention: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold the Shares, Warrant Receipts or Warrants in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This summary does not apply to a Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or that is an "authorized foreign bank" (as defined in the Tax Act), and such Holders should consult their own tax advisors.

Dividends on Shares

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Company to a Non-Resident Holder on the Shares will not be subject to Canadian withholding tax.

Disposition of Shares, Warrants and Warrant Receipts

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Share, Warrant or Warrant Receipt unless the Share, Warrant or Warrant Receipt (as applicable) is, or is deemed to be, "taxable Canadian property" of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, a Share, Warrant or Warrant Receipt (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder provided that the Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes Tiers 1 and 2 of the TSXV and the ASX) at the time of disposition of such Shares, Warrants or Warrant Receipts (as applicable), unless at any time during the 60 month period immediately preceding the disposition, the following two conditions have been met concurrently: (i) at least 25% of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) at such time, more than 50% of the fair market value of the Ordinary Shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Share, Warrant or Warrant Receipt that is taxable Canadian property to that Non-Resident Holder, and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention, the consequences described above under the headings "*Holders Resident in Canada — Disposition of Shares, Warrants and Warrant Receipts"* and "— *Taxation of Capital Gains and Capital Losses*" will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

ONGOING SHAREHOLDER REPORTING REQUIREMENTS IN AUSTRALIA

Disclosure of Shareholding

The Australian Corporations Act requires that a shareholder who has, or together with associates (as defined in the Australian Corporations Act) have a voting power of 5% or more of the voting shares in the Company must give a prescribed notice to the Company and ASX of the fact, and that shareholder must (while they continue to have at least a 5% voting power) give a further prescribed notice each time there is a movement of at least 1% in their holding, or if they cease to have at least a 5% voting power.

Foreign Investment Review Board Approval

Under the Australian Foreign Acquisition and Takeovers Act, the Australian Treasurer may make blocking or unwinding orders if a non-Australian foreign person or entity acquires alone or with associates a substantial interest being 15% or more, or two or more foreign entities or persons acquires an aggregate substantial interest being 40% or more, of the company's issued shares or voting power in the company, without first obtaining approval from the Foreign Investment Review Board. Proposed acquisitions may require notification and the control of such acquisitions depends on the policy of the Australian Government and of the Australian Foreign Investment Review Board from time to time.

Takeover Provisions

The takeover provisions of the Australian Corporations Act apply to dealings in the Company's shares. Subject to certain exceptions, the Australian Corporations Act forbids the acquisition of a "relevant interest" (defined broadly as the power to vote or dispose of the share) in the voting shares in a company incorporated in Australia if, as a result, the "voting power" of the acquirer alone or with associates (or any other person) would increase from 20% or below to more than 20%, or increases from a starting point above 20% and below 90%.

RISK FACTORS

An investment in the Units is highly speculative due to the nature of the Company's present stage of development, its current financial position and its lack of operating revenues. An investment in the Units should only be considered by those persons who can afford a total loss of their investment. Prospective investors of Units should carefully consider the following risks, as well as the other information contained in this Prospectus, before purchasing Units. If any of the following risks actually occur, the Company's business could be materially impaired. The risks and uncertainties described below are not the only ones that the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware or that it deems immaterial, may also adversely affect the Company's business.

A positive return in an investment in the Units is not guaranteed.

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. An investment in the Units involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

The Company has broad discretion to use the net proceeds from this Offering.

The Company intends to use the net proceeds from the Offering to achieve its stated business objective as set forth under *"Use of Proceeds"*. The Company maintains discretion to spend the proceeds in ways that it deems most efficient. The application of the proceeds to various items may not necessarily enhance the value of the Ordinary Shares. The failure to apply the net proceeds as set forth under *"Use of Proceeds"*, or the failure of the Company to achieve its stated business objectives set forth in such section, could adversely affect the Company's business and, consequently, could adversely affect the price of the Ordinary Shares on the open market.

Market Price of Ordinary Shares

There can be no assurance that an active market for the Ordinary Shares will be sustained after the Offering. Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Ordinary Shares will be subject to market trends generally and the value of the Ordinary Shares on stock exchanges may be affected by such volatility in response to numerous factors. Factors unrelated to the financial performance or prospects of the Company include macroeconomic developments, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in commodity prices will not occur. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long term value of the Company. In addition, the market price of the Ordinary Shares is also likely to be significantly affected by changes, from time to time, in the Company's operating results, financial condition, acquisition opportunities, liquidity and other internal factors.

Dilution

Additional financing needed to continue funding the development and operation of the properties of the Company may require the issuance of additional securities of the Company. The issuance of additional securities and the exercise of share purchase warrants, stock options and other convertible securities will result in dilution of the equity interests of any persons who are or may become holders of Ordinary Shares, and may have a negative impact on the market price of the Ordinary Shares.

Unlisted Warrant Receipts and Warrants

The Warrant Receipts and the Warrants are not listed on any securities exchange, and the Company does not intend to list the Warrant Receipts or the Warrants on any securities exchange. Investors may be unable to sell the Warrant Receipts or the Warrants at the prices desired or at all. There is no existing trading market for the Warrant Receipts or the Warrants, and there can be no assurance that a liquid market will develop or be maintained for the Warrant Receipts or the Warrants, or that an investor will be able to sell any of the Warrant Receipts or Warrants at a particular time (if at all). The liquidity of the trading market in the Warrant Receipts and Warrants and the sale price, if any, for the Warrant Receipts and Warrants, may be adversely affected by, among other things:

- changes in the overall market for the Warrant Receipts and Warrants;
- changes in the Company's financial performance or prospects;
- changes or perceived changes in the Company's creditworthiness;
- the prospects for companies in the industry generally;
- the number of holders of the Warrant Receipts and Warrants; and
- the interest of securities dealers in making a market for the Warrants.

Uncertainty of Exploration and Development

Exploration and development projects are uncertain and consequently, it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. Since mines have limited lives based on Mineral Reserves and Mineral Resources, the Company will be required to continually replace and expand its Mineral Reserves and Mineral Resources as its mines continue to produce copper and gold. The life of mine estimates may not be correct. The Company's ability to maintain or increase its annual production of copper and gold in the future will be dependent in significant part on its ability to identify and acquire additional commercially viable mineral properties, bring new mines into production and to expand Mineral Reserves or Mineral Resources at existing mines. Mineral exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that the Company will successfully acquire additional mineral rights. While discovery of additional ore bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish Mineral Reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Development projects are subject to the completion of, among other things, successful feasibility studies and environmental assessments, issuance of necessary governmental permits and receipt of adequate financing. They typically require a number of years and significant expenditures during the development phase before production is possible. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves; anticipated metallurgical recoveries; environmental considerations and permitting; future copper and gold prices; and anticipated capital and operating costs.

Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tonnage of ore to be mined and processed; unanticipated adverse geotechnical conditions; incorrect data on which engineering assumptions are made; costs of constructing and operating a mine in a specific environment; availability and costs of processing and refining facilities; availability of economic sources of power; adequacy of water supply; adequate access to the site, including competing land uses (such as agriculture); unanticipated transportation costs; government regulations (including regulations regarding prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands); title claims, including aboriginal land claims; fluctuations in prices of precious metals; and accidents, labour actions and force majeure events. Anticipated capital and operating costs, production and economic returns, and other estimates contained in feasibility studies, if prepared, may differ significantly from the Company's actual capital and operating costs. In addition, delays to construction schedules may negatively impact the net present value and internal rates of return of the Company's mining properties as set forth in the applicable feasibility studies. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search for and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The future development of the Company's properties that are found to be economically feasible will require the expansion and improvement of existing mining operations, as well as the construction and operation of additional mines, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing and expanding mining operations and business enterprises including: the timing and cost, which will be considerable, of the construction of additional mining and processing facilities; the availability and costs of skilled labour, power, water, transportation and mining equipment; the availability and cost of appropriate smelting and/or refining arrangements; the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and the availability of funds to finance construction and development activities. The costs, timing and complexities of mine construction and development are increased by the remote location of some of the Company's mining properties. The timing and availability of skilled labour may be subject to further unpredictable delays and limitations as a result of COVID-19 and COVID-19 related mobility restrictions. It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Accordingly, there are no assurances that the Company will successfully develop and expand mining operations or profitably produce precious metals at its properties.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Company continues to realize its existing identified Mineral Reserves, convert Mineral Resources into Mineral Reserves, develop its Mineral Resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new Mineral Resources.

The figures for Mineral Reserves and Mineral Resources are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves could be mined or processed profitably. Actual Mineral Reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that copper and gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its Mineral Reserve estimates from time to time or may render the Company's Mineral Reserves uneconomic to exploit. Mineral Reserve data are not indicative of future results of operations. If the Company's actual Mineral Reserves and Mineral Resources are less than current estimates or if the Company fails to develop its Mineral Resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of Mineral Reserves and Mineral Resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of Inferred Mineral Resource is the least reliable Mineral Resource category and is subject to the most variability. The Company will regularly evaluate its Mineral Resources and Mineral Reserves and will determine the merits of increasing the reliability of its overall Mineral Resources.

Uncertainty Relating to Mineral Resources

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven Mineral Reserves and Probable Mineral Reserves as a result of continued exploration.

Construction and Start-up of New Mines

The success of construction projects and the start-up of new mines by the Company is subject to a number of factors including: the availability and performance of engineering and construction contractors mining contractors, suppliers and consultants; the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations; milling, processing and mining equipment and other operational elements that have to be factored in. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful; that the Company will be able to obtain sufficient funds to finance construction and start-up activities; that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company.

The timing and availability of skilled labour may be subject to further unpredictable delays and limitation as a results of COVID-19 and COVID-19 related mobility restrictions. It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, financial condition and results of operations.

Negative Operating Cash Flow and Additional Funding

The Company has limited financial resources and currently has negative operating cash flow, which may continue for the foreseeable future. During the fiscal year ended June 30, 2021 and the three month period ended September 30, 2021, the Company had negative cash flow from operating activities. The Company anticipates it will continue to have negative cash flow from operating activities in future periods until profitable commercial production is achieved at the Costa Fuego Project. The exploration and development of the Company's properties, including continuing exploration and development projects, and the growth of the Company, will require substantial additional financing. There is no assurance that additional funding will be available to the Company for the exploration and development of its projects. Failure to obtain sufficient financing could result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. An important source of funds available to the Company is through the sale of equity capital, properties, royalty interests or the entering into of joint ventures. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders or the Company taking on debt. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations and ability to grow.

Operational Risks

In addition, mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration and development of copper and gold properties including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, insufficient water, pit wall failure and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards such as fire, equipment failure or failure of retaining mechanisms, conditions which may result in environmental pollution and consequent liability. Additional developments regarding COVID-19 may cause the Company to re-evaluate operational risks over a rapid period of time.

COVID-19 Public Health Crisis

The Company's business, operations and financial condition, and the market price of the Ordinary Shares, could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in a number of countries, including Canada and Chile. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally, and the related financial impact, cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether, or to what extent, this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Such public health crises can result in volatility and disruptions in the supply and demand for copper, gold and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, share prices and inflation.

The risks to the Company of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 and its related impacts may over a longer term may have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Ordinary Shares.

As a direct result of the COVID-19 pandemic, the Company temporally suspended activities in response to Chilean Government actions. By May 2020, the Company had resumed all operations in Chile. The Company continues to monitor the situation closely, including any potential impact on its operations.

The Company is subject to foreign operations risks

The Company's projects and subsidiaries are located in Chile and, accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Chile. The Company's mineral exploration activities could be affected in varying degrees by such political change and changes in government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by political unrest, labour disputes, invalidation of government orders, permits or property rights, risk of corruption including violations under applicable foreign corrupt practices laws, civil disturbances, criminal acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements and changes to monetary or taxation policies. The occurrence of any of these risks may adversely affect the mining industry, mineral exploration and mining activities generally in Chile and could result in the impairment or loss of mineral concessions or other mineral rights.

The Chilean government has granted permits that enable the Company to conduct its current exploration activities, however the Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes, which may include increases in the validity fees or penalties payable to keep the mining property in good standing, increases in rates of current taxes or royalties payable to the government, or the creation of new taxes, contributions or other levies, over which the Company has no control.

The Company will be subject to the Chilean legal system

The Chilean legal system may expose the Company to risks such as: (a) effective legal redress in the courts, whether in respect of a breach of law or regulation or in an ownership dispute, may be more difficult to obtain; (b) differential discretion on the part of governmental authorities and different process for the redress of discretion; (c) different, and potentially more limited, judicial or administrative guidance on interpreting applicable rules and regulations; (d) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (e) relative sophistication of the judiciary, courts and enforcement processes related to such matters. The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain in Chile, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in Chile cannot be assured.

The Company is subject to risks related to political instability and expropriation

While the Company feels that Chile is a good country in which to do business, the risk of expropriation or nationalization among countries in Latin America has increased when compared with that under administrations over the last 20 years. There can be no certainty that such trends will not increase and spread regionally to impact on the business climate in Chile.

Governmental Regulation of the Mining Industry

The mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Company believes that the current exploration and operational activities at its properties are being carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations.

Commodity Price Volatility

The potential of the Company's projects will be dependent upon the market price of mineral commodities. Mineral prices, including the prices of copper and gold, fluctuate widely and are affected by numerous factors beyond the control of the Company. One such factor appeared in November of 2019, as a novel strain of the coronavirus, COVID-19, emerged in Wuhan, China and has now spread globally. COVID-19 has created a yet unknown impact on the market price and volatility of commodities. The level of interest rates, the rate of inflation, the world supply and liquidity of mineral commodities and the stability of exchange and future rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and on-going political developments. The price of mineral commodities, including the prices of copper and gold, has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, Mineral Reserve estimations and LOM plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Company's Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Foreign Currency Exchange Rate Fluctuation

Currency fluctuations may affect the Company's capital costs and the costs that the Company incurs at its operations. Copper and gold are sold throughout the world based principally on a U.S. dollar price, but a portion of the Company's expenses are incurred in, amongst others, Chilean pesos, Australian dollars and Canadian dollars. The appreciation of foreign currencies, particularly the Chilean peso, Australian dollar or Canadian dollar against the U.S. dollar, would increase the costs of copper and gold exploration, development, production or construction activities at properties located in those jurisdictions, which could materially and adversely affect the Company's earnings and financial condition. COVID-19 may have a material, yet unknown future impact on foreign currencies and in the volatility of exchange rates.

Permitting Risk

The Company's exploration and development operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Further delays may result from any reduction in governmental capacity to review permit applications as a result of COVID-19. Prior to any exploration, development or operations on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property.

Mineral and Surface Rights

Title to the Company's properties may be challenged or impugned. The Company's property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Surveys have not been carried out on the majority of the Company's properties and, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

A claim by a third party asserting prior unregistered agreements or transfer on any of the Company's properties, especially where Mineral Resources or Mineral Reserves have been located, could result in the Company losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect the Company's current operations due to the high costs of defending against the claim and its impact on the Company's senior management's time. Title insurance is generally not available for mineral properties and the Company's ability to ensure that the Company has obtained a secure claim to individual mineral properties or mining concessions may be severely constrained. The Company relies on title information and/or representations and warranties provided by the Company's grantors. If the Company loses a commercially viable property, such a loss could lower the Company's future revenues or cause the Company to cease operations if the property represented all or a significant portion of the Company's Mineral Reserves at the time of the loss.

Rights, Licenses, Permits and Concessions

Except for permits described herein as pending or required for planned activities, the Company presently holds licenses and permits required to carry on with activities in relation to the Costa Fuego deposits. Title reviews have been performed with respect to the Company's properties. Although title reviews are often done according to industry standards prior to the purchase of a mining property, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company which could result in a reduction of the revenue received by the Company. Third parties may have valid claims underlying portions of the interest in certain projects, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

There is no assurance that any of the rights, licenses, permits or concessions the Company currently holds will not be revoked or significantly altered to our detriment, or will not be challenged by third parties, including local governments and by indigenous groups.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the jurisdiction in which it operates. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

Government environmental approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration, development or operation of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Labour and Employment Matters

While the Company has good relations with its employees, activities at its mining exploration operations are dependent upon the efforts of the Company's employees. In addition, relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

Work Stoppages or Labour Disputes

The Company's operations may be subject to work stoppages or labour disputes. There is a risk that strikes, work slowdowns or other types of conflict with employees, including those of the Company's independent contractors or their unions, may occur at the Company's operations. COVID-19 presents a risk of work slowdown as employees may be restricted in whole or in part from participating in the Company's operations. This could be in response to governmental or corporate endeavours to combat the spread of COVID-19 between employees and elsewhere. The Company's contractors or service providers may be limited in their flexibility in dealing with their employees, including due to the presence of trade unions. If there is a material disagreement between contractors or service providers and their employees, the Company's operations could suffer an interruption or shutdown that could have a material adverse effect.

Contractors

A significant amount of the Company's construction and operations are performed by contractors. As a result, the Company is subject to a number of risks such as negotiating contracts with acceptable terms; failure of the contractor to comply with the terms of the contract or to follow regulatory requirements; or inability to replace the contractor in a timely manner if either party cancels the contract.

Attracting and Retaining Talented Personnel

The Company's success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of management and other personnel in conducting the business of the Company. The Company has a small management team and the loss of any of these individuals or the inability to attract suitably qualified staff could materially adversely impact the business. The Company's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. The Company may also experience difficulties in certain jurisdictions in efforts to obtain suitably qualified staff and retaining staff who are willing to work in that jurisdiction. The Company's success will depend on the ability of management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, key personnel may not continue their association or employment with the Company, which may not be able to find replacement personnel with comparable skills. The Company has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If the Company is unable to attract and retain key personnel, business may be adversely affected. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel.

In addition, the Company anticipates that, as it expands its existing production and brings additional properties into production, and as the Company acquires additional mineral rights, the Company will experience significant growth in its operations. The Company expects this growth to create new positions and responsibilities for management personnel and to increase demands on its operating and financial systems, as well as to require the hiring of a significant number of additional operations personnel. There can be no assurance that the Company will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth and hire enough additional operations personnel. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Company's business, financial condition or results of operations.

Local Legal, Political and Economic Factors

The Company's operations are primarily conducted in foreign jurisdictions and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from location to location and include, but are not limited to: the future spread and global impact of COVID-19; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; changes in fiscal and monetary policies; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Political instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in the termination of contract rights and expropriation of foreign-owned assets. Any changes in copper, gold or investment regulations and policies or a shift in political attitudes in the countries in which the Company intends to operate will be beyond the Company's control and may significantly hamper the ability to expand operations or operate the business at a profit. Examples of such changes are changes in laws in the jurisdictions in which the Company operates or into which it will expand that have the effect of favouring local enterprises, and changes in political views regarding the exploration, development and operation of mineral properties and economic pressures that may make it more difficult to negotiate agreements on favourable terms, obtain required licenses and permits, comply with regulations or effectively adapt to adverse economic changes, such as increased taxes, higher costs, inflationary pressure and currency fluctuations.

The Company conducts exploration, development and production activities in Chile in which the legal system is different from Canada, Australia or the United States. Doing business in foreign jurisdictions may result in risks such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, and (v) relative inexperience of the judiciary and courts in such matters. Other risks may include decisions of local governments leading to restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses, permits and agreements for business. These licenses, permits and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Property right transfers, joint ventures, licenses, license applications or other legal arrangements pursuant to which the Company operates and will operate may be adversely affected by the actions of government authorities and the effectiveness of and enforcement of rights under such arrangements in these jurisdictions may be impaired. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, Chile, Australia and United States could result in an increase in taxes, or other governmental charges, duties or impositions, or an unreasonable delay in the refund of certain taxes owing to the Company. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in profits being subject to additional taxation, result in not recovering certain taxes on a timely basis or at all, or that could otherwise have a material adverse effect on the Company.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Use of Derivatives

From time to time the Company may use certain derivative products as hedging instruments and to manage the risks associated with changes in copper prices, gold prices, silver prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk - the risk of default on amounts owing to the Company by the counterparties with which the Company has entered into transactions; (ii) market liquidity risk - risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk - the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products. COVID-19 has increased market volatility and credit risk and decreased liquidity in the derivative products. There is no assurance that any such hedging transactions designed to reduce the risk associated with fluctuations will be successful. Hedging may not protect adequately against volatility in the hedge transaction. Furthermore, although hedging may protect the Company from downside risk, it may also prevent the Company from benefiting in the upside opportunity.

Financing Requirements

Operations of the Company's properties, including continuing exploration and development at the Costa Fuego Project projects in Chile, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration and development of any or all of the Company's properties or even a loss of a property interest. When such additional capital is required, the Company plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. The Company may not be successful in locating suitable financing transactions in the time period required or at all and this risk may be further exacerbated by the undetermined future impact of COVID-19 on financial markets, may not obtain the capital required by other means and failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations. If the Company does succeed in raising additional capital, future financings are likely to be dilutive to shareholders, as additional Ordinary Shares or other equity will most likely be issued to investors in future financing transactions. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. The Company may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the copper and gold industries), the Company's market capitalization being below its planned future capital requirements if it were to construct all of its development assets, the location of the Company's copper-gold properties in Chile and prices of copper and gold on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management. The impact that COVID-19 will have on the future copper and gold prices and the volatility of such prices is undeterminable. Some of the contractual arrangements governing the Company's exploration activity may require commitment to certain capital expenditures, and the Company may lose contract rights if it does not have the required capital to fulfill these commitments. If the amount of capital raised from financing activities, together with cash flow from operations, is not sufficient to satisfy capital needs (even to the extent that operations are reduced), the Company may be required to cease operations and/or construction activities.

Liquidity and Counterparty Risk

The Company is exposed to liquidity and various counterparty risks including, but not limited to financial institutions that hold its cash, companies that have payables to the Company, including contractors, insurance providers, lenders and other banking counterparties and companies that have received deposits from the Company for the future delivery of equipment.

These factors may impact the Company's ability to obtain loans and other credit facilities in the future and, if obtained, on favourable terms. Furthermore, actions taken by central banks to impact fiscal and monetary policies in response to COVID-19 have increased levels of volatility and market turmoil. As a result of this uncertainty, planned growth could be adversely impacted, and the trading price of the Company's securities could be adversely affected.

Recent Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility. Access to public financing has been negatively impacted. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to it, if at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses as well as lead to an increase in liquidity risk. Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company will manage this risk through regular monitoring of its cash flow requirements to support ongoing operations and expansionary plans. The Company will use its best efforts to ensure that there are sufficient committed loan facilities to meet its business needs. If such increased levels of volatility and market turmoil continue, the operations of the Company could be adversely impacted and the trading price of Ordinary Shares may be adversely affected.

Community Relations

The Company's relationship with the communities in which it operates is critical to the successful development, construction and operation of its properties. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that the Company's efforts in this respect will mitigate this potential risk.

The Company's projects, including exploration projects, may also be impacted by relations with various community stakeholders, and the Company's ability to develop related mining assets may still be affected by unforeseen outcomes from such community relations.

Cybersecurity Risks

Cybersecurity refers to the combination of technologies, processes, and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. The Company is subject to cybersecurity risks. Information cybersecurity risks have significantly increased in recent years and, while the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, it could suffer such losses in the future. The Company's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a cybersecurity impact. If one or more of such events occur, it could potentially jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions or malfunctions in the Company's operations or the operations of the Company's customers or counterparties. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect the Company's business, financial condition or results of operations. Additionally, if the Company is unable to repair affected technologies or acquire or implement new technologies, it may suffer a competitive disadvantage, which could also have an adverse effect on the Company's results of operations, financial condition and liquidity.

Security and Privacy Breaches

Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, the Company may be required to expend significant additional resources to modify its protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. While the Company maintains insurance coverage relating to cybersecurity risks, it may be required to expend significant additional resources to modify the Company's protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are not fully insured.

The confidentiality and security of third-party information is critical to the Company's business. Any failures in the Company's security and privacy measures, such as "hacking" of the Company's systems by outsiders, could have a material adverse effect on its financial position and results of operations. If the Company is unable to protect, or third parties perceive that it is unable to protect, the security and privacy of its electronic information, its growth could be materially adversely affected. A security or privacy breach may harm the Company's reputation, expose the Company to liability, and increase the Company's expense from potential remediation costs.

Changes in Climate Conditions

A number of governments have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency are becoming more stringent. If the current regulatory trend to reduce greenhouse gas emission levels continues, this may result in increased costs at some of the Company's operations since diesel fuel is currently utilized to power generators at the El Castillo Complex and all operations utilize diesel fuel to run the Company's (and its mining contractor's) mobile equipment.

In addition, our operations could be exposed to a number of physical risks from climate change, such as changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures, increased snow pack, hurricanes and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt mining and transport operations, mineral processing and rehabilitation efforts, could create resource shortages and could damage our property or equipment and increase health and safety risks on site. Such events or conditions could have other adverse effects on our workforce and on the communities around our mines, such as an increased risk of food insecurity, water scarcity and prevalence of disease. The Company's facilities depend on regular supplies of consumables and reagents to operate efficiently. In the event that the effects of climate change or extreme weather events cause prolonged disruption to the delivery of essential commodities, production levels at the Company's operations may be reduced.

There can be no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

Foreign Subsidiaries

The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent company and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Competition for Exploration, Development and Operation Rights

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than the Company. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding the exploration, development, construction and operation of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

Higher commodity prices may encourage increases in mining exploration, development and construction activities, which may result in increased demand for, and cost of, exploration, development and construction services and equipment. Increased demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, or at all, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays or both.

Contract Renegotiation

The Company has contracts that provide access to projects and construction and operation of its mines. Although the contracts may be binding, they may contain provisions for price adjustments, or a party to the contract may request to renegotiate terms of the contract. A risk exists that the cost of the contract may rise or the parties may not reach acceptable terms causing an interruption to the access to or operation of the project. These negotiations may be with employees, suppliers, landholders or other interested parties.

Volatility of Market for Ordinary Shares

The market price of the Ordinary Shares may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond the Company's control, including: (i) dilution caused by issuance of additional Ordinary Shares and other forms of equity securities, which the Company expects to make in connection with future capital financings to fund operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies; (ii) announcements of new acquisitions, Mineral Reserve discoveries or other business initiatives by competitors; (iii) fluctuations in revenue from copper and gold operations as new Mineral Reserves come to market; (iv) changes in the market for copper and gold and/or in the capital markets generally; (v) changes in the demand for copper and gold; (vi) changes in the social, political and/or legal climate in the regions in which the Company operates; and (vii) the response of the market reactions related to COVID-19 and the actions taken by governments in relation thereto. In addition, the market price of the Ordinary Shares could be subject to wide fluctuations in response to: (a) periodic variations in operating expenses; (b) changes in the valuation of similarly situated companies, both in the copper and gold industries and in other industries; (c) changes in analysts' estimates affecting the Company, competitors and/or the industry; (d) changes in the accounting methods used in or otherwise affecting the industry; (e) additions and departures of key personnel; (f) fluctuations in interest rates, foreign currency exchange rates and the availability of capital in the capital markets; and (g) significant sales of the Company's Ordinary Shares, including sales by future investors in future offerings which may be made to raise additional capital. These and other factors will be largely beyond the Company's control, and the impact of these risks, singularly or in the aggregate, may result in material adverse changes to the market price of the Ordinary Shares and/or results of operations and financial condition.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. No evaluation can provide complete assurance that the Company's internal control over financial reporting and disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal control over financial reporting and disclosure controls and procedures will increase and will require that the Company continue to improve its internal control over financial reporting and disclosure controls and procedures. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with National Instrument 52-109 of the Canadian Securities Administrators.

Acquisitions and Integration

The Company's business plan focuses on international exploration and production opportunities, currently in Chile. In the event that the Company does not succeed in negotiating additional property acquisitions, future prospects in the long-term will likely be substantially limited, and the Company's financial condition and results of operations may deteriorate.

Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body acquired may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Risk Management

Copper and gold exploration, development and operating companies face many and varied kinds of risks that have been mentioned or alluded to throughout this document. While risk management cannot eliminate the impact of all potential risks, the Company will strive to manage such risks to the extent possible and practical.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company will maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The financial impact resulting from COVID-19 may not be fully covered by existing insurance coverage, if covered at all. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dilution Risk

In order to finance future operations and development efforts, the Company may raise funds through the issue of Ordinary Shares or securities convertible into Ordinary Shares. The constituting documents of the Company allow it to issue, among other things, an unlimited number of Ordinary Shares for such consideration and on such terms and conditions as may be established by the directors of the Company, in many cases, without the approval of shareholders. The size of future issues of Ordinary Shares or securities convertible into Ordinary Shares or the effect, if any, that future issues and sales of the Ordinary Shares will have on the price of the Ordinary Shares cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued Ordinary Shares or securities convertible into Ordinary Shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

Write-downs and Impairments

Mineral interests are the most significant assets of the Company and represent capitalized expenditures related to the development and construction of mining properties and related property, plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with mining properties are separately allocated to exploration potential, Mineral Reserves and Mineral Resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of mineral interests believed to be contained or potentially contained in properties to which they relate.

The Company reviews and evaluates its mining interests and any associated or allocated goodwill for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the recoverable value of the asset is less than the carrying amount of the asset. An impairment loss is measured and recorded to the net recoverable value of the asset. The recoverable value of the asset is the higher of: (i) value in use (being the net present value of total expected future cash flows); and (ii) fair value less costs to sell.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods for all assets other than goodwill. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset in an arm's length transaction. This is often estimated using discounted cash flow techniques. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of International Accounting Standards 36 in a discounted cash flow model. Where a recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Company to ensure compliance with the accounting policies and internal control over financial reporting of the Company. Future cash flows are estimated based on expected future production, commodity prices, operating costs, capital costs and reclamation and closure costs. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operation.

The assumptions used in the valuation of work-in process inventories by the Company include estimates of metal contained in the ore stacked on leach pads, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, estimates of metal contained in ore stock piles, assumptions of the amount of metal that will be crushed for leaching, estimates of metal-in-circuit, estimated costs of completion to final product to be incurred and an assumption of the copper and gold price expected to be realized when the copper and gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories to net realizable value, which would reduce the Company's earnings and working capital. Net realizable value is determined as the difference between costs to complete production into a saleable form and the estimated future precious metal prices based on prevailing and long-term metal prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the lower of the new net realizable value or the original cost.

Exchange Controls

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends received from foreign subsidiaries. Exchange controls may prevent transferring funds abroad.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies involved in natural resource exploration, development and operation or entities providing goods or services to companies in the natural resource industry and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

Enforcement of Civil Liabilities

The Company and its subsidiaries are organized under the laws of foreign jurisdictions and certain of the Company's directors, management personnel and advisors are located in foreign jurisdictions. Given that the Company's material assets and certain of its directors, management personnel and experts are located outside of Canada, shareholders may have difficulty in effecting service of process within Canada and collecting from or enforcing against the Company or its directors, officers and advisors, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

Foreign Corrupt Practices and Anti-Bribery Legislation

Our business is subject to the Canadian *Corruption of Foreign Public Officials Act* and similar worldwide anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm.

We operate in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. For example, the Canadian *Corruption of Foreign Public Officials Act* and anti-corruption and antibribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents.

Our Corporate Code of Conduct and other corporate policies mandate compliance with these anti-corruption and anti-bribery laws and we have implemented internal monitoring and controls to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will always protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by our affiliates, employees, contractors or agents. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, loss of operating licenses or permits or withdrawal of mining tenements, and may damage our reputation, which could have a material adverse effect on our business, financial position and results of operations or cause the market value of our shares to decline. We may face disruption in our permitting, exploration or other activities resulting from our refusal to make "facilitation payments" in certain jurisdictions where such payments are otherwise prevalent.

The Canadian Extractive Sector Transparency Measures Act ("**ESTMA**"), which became effective June 1, 2015, requires public disclosure of payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals which are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments, including Indigenous groups. Reporting on payments to Canadian First Nations commenced in 2018 for payments made in 2017. ESTMA requires reporting on the payments of any taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure improvement payments, and any other prescribed payment over C$100,000. Failure to report, false reporting or structuring payments to avoid reporting may result in fines of up to C$250,000 (which may be concurrent). The Company commenced ESTMA reporting in 2016. If the Company becomes subject to an enforcement action or in violation of ESTMA, this may result in significant penalties, fines and/or sanctions imposed on us resulting in a material adverse effect on the Company's reputation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Since the beginning of the most recently completed financial year for which financial statements of the Company are included in this Prospectus, there have been no legal proceedings to which the Company is or was a party or of which any of its projects is or was the subject of, nor are any such proceedings known to the Company to be contemplated.

In the past three years, the Company has not had any penalties or sanctions imposed on it by, or entered into any settlement agreements with, a court or a securities regulator relating to securities laws.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, there were no material interests, direct or indirect, of any director or executive officer of the Company, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Ordinary Shares, or any associate or affiliate of any of such persons or companies, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

On September 4, 2020, the Company issued, on a pre-Consolidation basis, 33,333,334 Ordinary Shares at a deemed price of 1.5 cents per share in lieu of cash to a creditor along with 16,666,667 free attaching Options following approval by shareholders at general meeting. The securities were issued to Blue Spec Sondajes Chile Limitada, a related party of Murray Black in lieu of A$500,000 of payment for drilling services provided to Hot Chili.

Blue Spec Sondajes Chile Limitada, a company in which Mr. Murray Black is a director, was provided A$10,379,605 (2020: A$4,151,946) rent and drilling services of which, as at June 30, 2021 A$3,718,982 (2020: A$1,802,486) was owing to Blue Spec Sondajes Chile Limitada for rent and for drilling at Cortadera.

INTERESTS OF EXPERTS

Certain legal matters relating to the issue and sale of Ordinary Shares offered hereby will be passed upon on behalf of the Company by Bennett Jones LLP and on behalf of the Underwriters by Peterson McVicar LLP.

As of the date hereof, partners and associates of each of Bennett Jones LLP and Peterson McVicar LLP do not own, directly or indirectly, more than one percent of the issued and outstanding Ordinary Shares. No partner or associate of Bennett Jones LLP or Peterson McVicar LLP is expected to be elected, appointed or employed as a director, officer or employee of the Company or any of its associates or affiliates.

Information of a scientific or technical nature in respect of the Costa Fuego Project included in this Prospectus is based upon the Costa Fuego Technical Report, dated December 13, 2021 with an effective date of October 29, 2021, prepared by Boris Caro of Caro & Navarro Limitada, and Elizabeth Haren of Haren Consulting.

To the best of the Company's knowledge, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firm(s), do not beneficially own, directly or indirectly, any Ordinary Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are RSM Australia Partners, Level 32, Exchange Tower 2 The Esplanade PERTH WA 6000, who advise that they are independent of the Company within the meaning of the Australian Corporations Act.

The Company's transfer agent and registrar in Australia is Computershare Registry Services Pty Ltd., which is located at Level 2, 45 St George's Terrace, Perth, Western Australia, 6000. The Company's transfer agent and registrar in Canada is Computershare Investor Services Inc., which is located at 100 University Ave., 8th Floor, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company to the date hereof which are currently in effect and considered to be currently material:

- Productora Joint Venture agreement with CMP:
  - Shareholders Agreement dated June 4, 2015 between Hot Chili's subsidiary SMECL and CMP. This agreement provides for an incorporated JV in respect of the shares in SMEA SpA, the holder of the Productor Project. Shares in SMEA SpA are held by SMECL (80%) and CMP (20%). The agreement initially provided for CMP with 17.5% interest. ON June 24, 2016 CMP purchased an additional 2.5% interest to bring their shareholding in SMEA SpA to 20%. The agreement provides for the shareholding interests in the SMEA SpA, the composition of the board of SMEA SpA in proportion to shareholding interests, decision making of the board of SMEA SpA, the establishment of a technical committee in respect of development of Productora, shareholders contribution

to expenses of SMEA SpA and project financing in proportion to shareholding interests and respective rights of first refusal over the disposal of shareholding interests.

- Option to acquire Purisima mining concession within the Cortadera area:
  - An option agreement dated December 14, 2018 between Hot Chili's subsidiary La Frontera SpA and Sociedad Legal Minera Purisima Una Sierra La Cortadera pursuant to which Frontera SpA has the option to acquire 100% of the Purisima mining concession within the Cortadera area for a purchase price of US$1,500,000, of which US$400,000 has already been paid and US$1,100,000 is payable at the election of Frontera SpA before December 14, 2021, the expiry date of the option. Following acquisition of the concession a 1.5% net smelter return royalty is payable on production from the concession.
- Lease and royalty agreement with CCHEN:
  - A lease agreement dated August 22, 2012 between CCHEN and SMEA SpA for the lease by SMEA SpA of the mining right Uranio 1-70 for the lease period expiring August 22, 2042, at an annual lease payment of US$250,000 per year payable to CCHEN and granting royalties as described further therein.
- Convertible Note Trust Deed for Convertible Notes:
  - Convertible Note Trust Deed dated May 25, 2017 as varied by a deed of variation dated June 19, 2017 between Hot Chili as issuer and Equity Trustees Limited as trustee, providing for the terms of issue of unsecured Convertible Notes issued by the Company, with a face value of A$100 (Issue Price) each and convertible to Ordinary Shares at a conversion price per Ordinary Share of A$0.03333 (pre-Consolidation) and A$1.6665 (post-Consolidation) (Conversion Price). The Convertible Notes mature on June 20, 2002 (Maturity Date). The Convertible Notes bear interest at the rate 8.0% per annum calculated daily, compounded monthly and payable quarterly in arrears (Interest). Accrued Interest is cumulative and payable in cash or Ordinary Shares at the election of the Company. On the Maturity Date, the principal amount and accrued and unpaid Interest evidenced by all outstanding Convertible Notes shall automatically be converted into the number of Ordinary Shares obtained by dividing the Issue Price of the Convertible Notes plus accrued and unpaid Interest by 95% of the volume weighted average price for Ordinary Shares traded on ASX for the 10 trading day period ending on the day prior to the Maturity Date, or by the Conversion Price, whichever is lower. The principal amount outstanding on the 68,776 Convertible Notes presently on issue is $6,877,600.
- The Warrant Receipt Agreement.
- The Warrant Indenture:
  - See "*Description of Securities Offered – Warrants*".

Copies of the material contracts described above are, or, in the case of the Warrant Indenture, will be available on SEDAR (www.sedar.com) under the Company's issuer profile.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. Purchasers on the President's List will have the same rights for rescission and/or damages against the Company and the Underwriters, as the case may be, as purchasers who acquired Units through the Underwriters. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

In an offering of Units, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Units is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

The Company and the Underwriters hereby confirm that purchasers who acquired the offered Units through the Company have the same rights and remedies for rescission and/or damages against the Company and Underwriters, as the case may be, as purchasers who acquired offered Units through the Underwriters.

ABBREVIATIONS AND DEFINITIONS

In this Prospectus, the capitalized terms set forth below have the following meanings:

"**$**" or "**CS**" means Canadian dollar.

"**1933 Act**" means the United States Securities Act of 1933, as amended.

"**A$**" means Australian dollar.

"**AAS**" has the meaning ascribed thereto under "*Costa Fuego Project – Cortadera – Sampling, Analysis and Data Verification*".

"**allowable capital loss**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*".

"**ALS**" means ALS Limited, a company that provides laboratory testing, inspection, certification and verification solutions.

"**ASX**" means the ASX Limited, or the Australian Securities Exchange as the context requires.

"**Audit and Risk Management Committee**" means the Audit and Risk Management Committee of the Company.

"**Awards**" has the meaning ascribed thereto under "*Summary of Hot Chili Employee Incentive Plan*".

"**Board**" means the board of directors of the Company.

"**BWi**" means Bond Ball Mill Work Index.

"**CCHEN**" means the Chilean Commission of Nuclear Energy.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Chile**" means the Republic of Chile.

"**CIM**" means the Canadian Institute of Mining, Metallurgy and Petroleum.

"**CIM Definition Standards**" means the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended.

"**Closing**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Closing Date**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**CLP**" means Chilean Pesos.

"**CMP**" means Compañía Minera del Pacífico S.A.

"**Company**" or "**Hot Chili**" means Hot Chili Limited.

"**Compensation Option**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Consolidation**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Convertible Notes**" means unsecured convertible notes issued by the Company on the terms set out in the Convertible Note Trust Deed dated May 25, 2017 and varied June 19, 2017 (released to ASX June 21, 2017), with a face value of A$100 each and convertible to Ordinary Shares at a conversion price per Ordinary Share of A$0.03333 (pre-Consolidation) and A$1.6665 (post-Consolidation).

"**Corporations Act (Australia)**" means the Australian Corporations Act 2001 (Cth), as amended.

"**Cortadera**" has the meaning ascribed thereto under "*Technical Information*".

"**Costa Fuego**" has the meaning ascribed thereto under "*Technical Information*".

"**Costa Fuego Project**" has the meaning ascribed thereto under "*Technical Information*".

"**Costa Fuego Technical Report**" has the meaning ascribed thereto under "*Technical Information*".

"**CRA**" means Canada Revenue Agency.

"**CRM**" means certified reference material.

"**designated foreign issuer**" means designated foreign issuer as defined in NI 71-102.

"**DD**" means diamond drill.

"**EBITDA**" has the meaning ascribed thereto under "*Earnings before Interest, Taxes, Depreciation, and Amortization*".

"**EIA**" means Environmental Impact Assessment.

"**El Fuego**" has the meaning ascribed thereto under "*Hot Chili Limited – Intercorporate Relationships*".

"**Employee Incentive Plan**" has the meaning ascribed thereto under "*Description of the Business of the Company – Three Year History*".

"**ENAMI**" has the meaning ascribed thereto under "*Description of the Business of the Company – Three Year History*".

"**ESTMA**" has the meaning ascribed thereto under "*Risk Factors*".

"**Exempt Investor**" has the meaning ascribed thereto under "*Plan of Distribution – Australian Matters*".

"**Form 51-102F6**" has the meaning ascribed thereto under "*Executive Compensation – General Provisions*".

"**forward-looking statement**" has the meaning ascribed thereto under "*Forward-Looking Statements*".

"**FPM**" means feet per minute.

"**Frontera SpA**" has the meaning ascribed thereto under "*Hot Chili Limited – Intercorporate Relationships*".

"**Glencore**" means Glencore plc, and any subsidiary of Glencore plc.

"**GMC**" means General Minerals Corporation.

"**Holder**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**iA**" means iA Private Wealth Inc.

"**Incentive Plan**" has the meaning ascribed thereto under "*Summary of Hot Chili Employee Incentive Plan*".

"**ICP-OES**" has the meaning ascribed thereto under "*Costa Fuego Project – Cortadera – Sampling, Analysis and Data Verification*".

"**Indicated Mineral Resource**" has the meaning ascribed thereto in the CIM Definition Standards.

"**Inferred Mineral Resource**" has the meaning ascribed thereto in the CIM Definition Standards.

"**IFRS**" has the meaning ascribed thereto under "*Presentation of Financial Statements*".

"**IRR**" means internal rate of return.

"**Investment Assets**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Offshore Investment Fund Property Rules*".

"**JORC**" means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia (JORC), being the Australian code for reporting of exploration results, mineral resources and ore reserves.

"**JV**" means joint venture.

"**LLC**" has the meaning ascribed thereto under "*Description of the Business of the Company – Emerging Market Issuer – Corporate Structure of Foreign Subsidiaries*".

"**marketing materials**" means marketing materials as defined in NI 41-101.

"**MD&A**" means management's discussion and analysis.

"**Mineral Resource**" or "**Resource**" has the meaning ascribed thereto in the CIM Definition Standards.

"**Mineral Reserve"** has the meaning ascribed thereto in the CIM Definition Standards.

"**Mining Contractor**" has the meaning ascribed thereto under "*Costa Fuego Copper Project – Productora – Mining Operations*".

"**NCL**" means NCL Ingeniería y Construcción SpA.

"**NEO**" or "Named Executive Officer" has the meaning ascribed thereto under "*Executive Compensation – General Provisions*".

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NI 71-102**" means National Instrument 71-102 – *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

"**Non-Executive Director**" means a non-executive director of the Company.

"**Non-Resident Holder**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**NP 58-201**" means National Policy 58-201 – *Corporate Governance Guidelines*.

"**NPV**" means net present value.

"**Offering**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Offering Price**" has the meaning ascribed thereto on the cover page of the Prospectus.

"**Options**" means options to subscribe for Ordinary Shares issued by the Company.

"**Ordinary Shares**" means the ordinary shares in the capital of the Company.

"**Over-Allotment Option**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**PDC**" means process design control.

"**Performance Rights**" means contractual rights granted by the Company entitling the holder to acquire Ordinary Shares, with each right bearing an entitlement to one (1) Ordinary Share, subject to the satisfaction of certain conditions for the vesting or exercise of the right.

"**PFS**" means pre-feasibility study.

"**President's List**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Private Placement**" has the meaning ascribed thereto under "*Plan of Distribution*".

"**Productora**" has the meaning ascribed thereto under "*Technical Information*".

"**Productora Central**" has the meaning ascribed thereto under "*Management's Discussion and Analysis – Overall Performance*".

"**Project**" has the meaning ascribed thereto under "*Technical Information*".

"**Prospectus**" means this prospectus of the Company relating to the Offering.

"**QA**" means quality assurance.

"**QC**" means quality control.

"**QEMScan**" means quantitative evaluation of minerals by scanning electron microscopy.

"**Qualified Person**" means a qualified person as defined in NI 43-101.

"**RC**" means reverse circulation.

"**Registered Plan**" has the meaning ascribed thereto under "*Eligibility for Investment*".

"**Regulations**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**Remuneration and Nomination Committee**" means the Remuneration and Nomination Committee of the Company.

"**Resident Holder**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**RQD**" means Rock Quality Designation.

"**Rules**" has the meaning ascribed thereto under "*Summary of Hot Chili Employee Incentive Plan*".

"**SABC**" means a semi autogenous ball-mill circuit.

"**San Antonio**" means the San Antonio copper-gold project of the Company.

"**Santiago Z**" means the Santiago Z landholding of the Company.

"**SCM Carola**" means Sociedad Contractual Minera Carola.

"**SEDAR**" means the System for Electronic Document and Analysis and Retrieval.

"**Shareholder Approval Condition**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**SMEA SpA"** means Sociedad Minera El Aguila SpA.

"**SMECL**" means Sociedad Minera El Corazón Limitada.

"**Tax Act**" means the *Income Tax Act*, RSC 1985, c 1.

"**Tax Proposals**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**taxable capital gain**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*".

"**TSX**" means the Toronto Stock Exchange.

"**TSXV**" means the TSX Venture Exchange.

"**Underwriters**" means iA Private Wealth Inc. and Cormark Securities Inc.

"**Underwriting Agreement**" means the underwriting agreement dated 20, 2021 between the Company and the Underwriters.

"**Underwriters' Fee**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Unit Share**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**US**" or "**U.S.**" means the United States.

"**US$**" or "**USD**" means US dollar.

"**U.S. Person**" means a "U.S. person" as such term is defined in Regulation S promulgated under the 1933 Act.

"**UST**" means unidirectional solidification textures.

"**United States**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"**Valentina**" means the Valentina landholding of the Company.

"**VAT**" means value added tax.

"**voting power**" means the voting power of a person, as such term is defined in section 610 of the Corporations Act (Australia), in respect of Ordinary Shares.

"**Warrant"** has the meaning ascribed thereto on the cover page of this Prospectus.

"**Warrant Agent**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Warrant Indenture**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Warrant Receipt**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Warrant Receipt Agreement**" has the meaning ascribed thereo under "*Description of Securities Offered – Warrant Receipts*".

"**Warrant Share**" has the meaning ascribed thereto on the cover page of this Prospectus.

"**Wood**" or "**Wood Mackenzie**" means Wood Mackenzie (Australia) Ltd.

"**XRF**" means X-ray fluorescence.

Abbreviation	Definition
Ag	Silver
Au	Gold
cm	Centimeter(s)
Cu	Copper
CuEq	Copper Equivalent
º	Degree(s)
g	Gram(s)
g/t	Gram(s) per tonne
ha	Hectare(s)
kg	Kilogram(s)
km	Kilometre(s)
kt	Kilotonne
Koz	Thousand ounces
kV	Kilovolte
kWh	Kilowatt hour
Lb	Pound
L/s	Litres per second
m	Metre(s)
m^3	Cubic metre
Ma	Magnesium
mm	Millimetre(s)
Mo	Molybdenum
Moz	Million Troy ounces
mRL	Maximum residue limits
Mt	Million tonnes
Mtpa	Metric Tonnes per Annum
m^3/h	Cubic metre per hour
NSR	Net smelter return
oz	Troy ounce(s)
ppm	Part per million
%	Percent(age)
t	Tonnes
t/hr	Tonnes per hour
tpa	Terapascal
tpd	Tonnes per day
tph	Tonnes per hour
t/month	Tonnes per month
µm	Micrometer
QA/QC	Quality Assurance / Quality Control
Zn	Zinc

CERTIFICATE OF THE COMPANY

Dated: December 20, 2021

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

HOT CHILI LIMITED

(signed) "Christian Easterday"
Christian Easterday
Managing Director and Chief Executive Officer

(signed) "Lloyd Flint"
Lloyd Flint
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "Murray Black"
Murray Black
Director

(signed) "Allan Trench"
Allan Trench
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: December 20, 2021

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of each of the provinces of Canada, other than Québec.

iA PRIVATE WEALTH INC.

(signed) "David M. Beatty"

David M. Beatty
Managing Director, Head of Mining and Metals, Investment Banking

CORMARK SECURITIES INC.

(signed) "Darren Wallace"

Darren Wallace
Managing Director, Investment Banking

SCHEDULE "A"

FINANCIAL STATEMENTS

The following financial statements are included in this Prospectus:

- unaudited interim financial statements of the Company as at, for the three months ended, September 30, 2021, together with the notes thereto;
- the audited annual financial statements of the Company as at or for the year ended June 30, 2021;
- the audited annual financial statements of the Company as at or for the year ended June 30, 2020; and
- the audited annual financial statements of the Company as at or for the year ended June 30, 2019.

First Quarter Report

Interim Financial Report for the three months ended 30 September 2021

Hot Chili Limited

and Controlled Entities

ABN: 91 130 955 725

Unaudited
(stated in Australian dollars, unless otherwise indicated)

Corporate Particulars

Directors
Murray Black (Non-Executive Chairman)
Christian Easterday (Managing Director)
Dr Allan Trench (Independent Non-Executive Director)
Roberto de Andraca Adriasola (Non-Executive Director)
George Randall Nickson (Independent Non-Executive Director)
Mark Jamieson (Non-Executive Director)

CFO/Company Secretary
Lloyd Flint

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

Share Registry

Australia	Canada
Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000	Computershare Investor Services Inc. 100 University Ave., Toronto, Ontario, M5J 2Y1

Auditors
RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth, Western Australia 6000

Bankers
Westpac Banking Corporation
Hannan Street
Kalgoorlie, Western Australia 6430

Statement of Profit or Loss and Other Comprehensive Income

For the three-month period ending 30 September 2021

	Consolidated	
	30 September 2021	30 September 2020
	$	$
Interest income	4	223
Stimulus funding	-	48,000
Gain on revaluation of derivative liability	124,928	-
Depreciation	-	-
Corporate fees	(150,419)	(46,970)
Legal and professional	(192,673)	-
Employee benefits expense	(674,407)	(269,536)
Administration expenses	(258,439)	(89,209)
Accounting fees	(68,926)	(57,125)
Share based payments	(741,345)	(1,580,284)
Travel costs	(18,176)	-
Finance costs	(543,884)	(518,799)
(Gain)/Loss on foreign exchange	106,852	(56,425)
Loss on revaluation of derivative liability	-	(3,509,467)
Other expenses	(356,866)	(131,163)
Loss before income tax	(2,773,351)	(6,210,755)
Income tax (expenses) / benefit	-	-
Loss for the period after income tax	(2,773,351)	(6,210,755)
Other comprehensive income	-	-
Total comprehensive loss for the period	**(2,773,351)**	**(6,210,755)**
Loss of the period attributable to:		
Owners of Hot Chili Limited	(2,740,654)	(6,187,626)
Non-controlling interest	(32,697)	(23,129)
	(2,773,351)	**(6,210,755)**
Basic and diluted loss per share (cents)	(0.08)	(0.26)

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

Statement of Financial Position

As at 30 September 2021

	Note	Consolidated 30 September 2021 $	30 June 2021 $
Current Assets			
Cash and cash equivalents		12,191,226	3,604,625
Other current assets		133	133
Total Current assets		12,191,359	3,604,758
Non-Current Assets			
Property, plant and equipment		61,944	61,944
Exploration and evaluation expenditure	3	185,825,730	158,329,683
Total Non-current assets		185,887,674	158,391,627
Total Assets		**198,079,033**	**161,996,385**
Current Liabilities			
Trade and other payables	4	6,442,276	6,375,148
Borrowings		5,404,052	4,999,787
Derivative financial instruments	5	2,564,916	2,729,777
Total Current liabilities		14,411,244	14,104,712
Total Liabilities		**14,411,244**	**14,104,712**
Net Assets		**183,667,789**	**147,891,673**
Equity			
Contributed equity	6	224,429,495	188,314,123
Share based payments reserve		5,208,571	2,774,476
Foreign currency translation reserve		1,222	1,222
Accumulated losses		(64,919,675)	(62,179,021)
Capital and reserves attributable to owners of Hot Chili Ltd		164,719,613	128,910,800
Non-Controlling interests		18,948,176	18,980,873
Total Equity		**183,667,789**	**147,891,673**

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

Statement of Changes in Equity

For the three-month period ended 30 September 2021

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest	Total Equity
	$	$	$	$	$	$
30 September 2021:						
Balance at 1 July 2021	188,314,123	2,774,476	1,222	(62,179,021)	18,980,873	147,891,673
Loss for the period	-	-	-	(2,740,654)	(32,697)	(2,773,351)
Total comprehensive income for the period				(2,740,654)	(32,697)	(2,773,351)
Shares issued during the period (net of costs)	36,115,372	-	-	-	-	36,115,372
Share based payment	-	2,434,095	-	-	-	2,434,095
Balance at 30 September 2021	224,429,495	5,208,571	1,222	(64,919,675)	18,948,176	183,667,789
30 September 2020:						
Balance at 1 July 2020	160,056,118	539,740	1,222	(52,534,204)	19,080,058	127,142,934
Loss for the period	-	-	-	(6,187,626)	(23,129)	(6,210,755)
Total comprehensive income for the period				(6,187,626)	(23,129)	(6,210,755)
Shares issued during the period (net of costs)	1,321,825	-	-	-	-	1,321,825
Share based payment	-	1,580,284	-	-	-	1,580,284
Balance at 30 September 2020	161,377,943	2,120,024	1,222	(58,721,830)	19,056,929	123,834,288

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

Statement of Cash Flows

For the three-month period ended 30 September 2021

	Consolidated	
	30 September 2021	30 September 2020
	$	$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(3,833,569)	(832,141)
Interest received	4	223
Other receipts	-	48,000
Net cash used in operating activities	**(3,833,565)**	**(783,918)**
Cash Flows from Investing Activities		
Payments for exploration and evaluation (net of reimbursements)	(23,304,474)	(2,732,800)
Payments for option fee deposit	(1,995,212)	-
Net cash used in investing activities	**(25,299,686)**	**(2,732,800)**
Cash Flows from Financing Activities		
Proceeds from issue of shares	40,177,354	2,899,354
Share issue costs	(2,564,354)	(1,593,412)
Net cash provided by financing activities	**37,613,000**	**1,305,942**
Net increase/(decrease) in cash held	8,479,749	(2,210,776)
Foreign exchange differences on cash	106,852	(56,425)
Cash and cash equivalents at the beginning of the three months	3,604,625	6,307,894
Cash and cash equivalents at the end of the three months	**12,191,226**	**4,040,693**

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

Notes to the Financial Statements

For the three-month period ended 30 September 2021

1. Summary of Significant Accounting Policies

Basis of Preparation

The three months 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 2021 and any public announcements made by Hot Chili Limited and its controlled entities during the three months in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The three months 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 or amended Accounting Standards and Interpretations adopted

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

Notes to the Financial Statements
For the three-month period ended 30 September 2021

1. Summary of Significant Accounting Policies (continued)

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of $2,773,351 and had net cash outflows from operating and investing activities of $3,833,565 and $25,299,686 respectively for the three months ended 30 September 2021. As at that date, the consolidated entity had cash and cash equivalents of $12,191,226 and net current liabilities of $2,219,885. As disclosed in Note 9, the consolidated entity has future option payment commitments of $1,526,506 in the next 12 months and $16,305,856 due after 12 months.

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 that it is reasonably foreseeable 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 after consideration of the following factors:

- Included in liabilities is a derivative liability of $2,564,916 (Note 5) and debt component of $5,404,052 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; and the company has the ability to curtail exploration, corporate and administration expenses and overhead cash outflows as and when required;
- As disclosed in Note 12 the company has lodged a preliminary prospectus for an initial public offering in Canada subsequent to the reporting date.
- The company has the ability to curtail exploration, corporate and administration expenses and overhead cash outflows as and when required; and
- The company can issue additional equity securities under the Corporations Act 2001, to raise further working capital. The company has a good record in raising capital from the issue of securities.

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

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

Notes to the Financial Statements
For the three-month period ended 30 September 2021

2. Segment Information

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

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

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

Operating revenues of approximately Nil (2020: 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.

30 September 2021

	Australia	Chile	Total
	$	$	$
Revenue	-	-	-
EBITDA	(2,074,765)	(154,706)	(2,229,471)
Depreciation expense			-
Interest income			(4)
Finance costs			543,884
(Loss) before income tax			**(2,773,351)**
Income tax expense			-
(Loss) after income tax expense			**(2,773,351)**
Assets			
Segment assets	8,937,717	189,141,317	
Total assets			**198,079,033**
Liabilities			
Segment liabilities	(14,595,189)	183,945	
Total liabilities			**(14,411,244)**

Notes to the Financial Statements
For the three-month period ended 30 September 2021

2. Segment Information (continued)

30 September 2020

	Australia	Chile	Total
	$	$	
Revenue	-	-	-
EBITDA	(6,555,766)	(173,565)	(6,729,331)
Depreciation expense			-
Interest income			(223)
Finance costs			518,799
(Loss) before income tax expense			**(6,210,755)**
Income tax expense			-
(Loss) after income tax expense			**(6,210,755)**
As at 30 June 2021			
Assets			
Segment assets	2,765,959	159,230,426	
Total assets			**161,996,385**
Liabilities			
Segment liabilities	(8,067,082)	(6,037,630)	
Total liabilities			**(14,104,712)**

	Consolidated entity	
	30 September 2021	30 June 2021
	$	$
3. Exploration and evaluation expenditure		
Mining tenements at cost	185,825,730	158,329,683
Tenements		
Carrying value at the beginning of the period	158,329,683	131,070,506
Capitalised mineral exploration and evaluation *	6,919,971	13,232,948
Consideration for mineral exploration acquisitions	20,576,076	14,026,229
Total exploration and evaluation expenditure	**185,825,730**	**158,329,683**

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

Notes to the Financial Statements
For the three-month period ended 30 September 2021

	Consolidated entity	
	30 September 2021 $	30 June 2021 $
4. Trade and other payables		
Payables and accrued expenses	6,442,276	4,379,936
Refundable deposit (Option fee)	-	1,995,212
Total trade and other payables	**6,442,276**	**6,375,148**

	Consolidated entity	
	30 September 2021 $	30 June 2021 $
5. Derivative financial instruments		
Derivative Liability - Convertible Note	2,564,916	2,729,777
	2,564,916	**2,729,777**

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

	Consolidated entity	
	30 September 2021 $	30 June 2021 $
Balance at beginning of period	2,729,777	1,445,136
Fair value of notes exercised during the period	(39,933)	(650,291)
Net Change in fair value during the period	(124,928)	1,934,932
At the end of the financial period	**2,564,916**	**2,729,777**

Notes to the Financial Statements
For the three-month period ended 30 September 2021

6. Issued capital

	Consolidated entity 30 September 2021 Number	30 September 2021 $	30 June 2021 Number	30 June 2021 $
(a) Issued capital				
Ordinary shares – fully paid	4,367,306,155	224,429,495	3,104,169,531	188,314,123
(b) Movement in ordinary share capital				
Balance at beginning of period	3,104,169,531	188,314,123	2,335,268,762	160,056,118
Shares issued during the period - funding	1,250,100,000	40,003,200	643,133,334	26,111,559
Shares issued in lieu of convertible note costs	4,026,784	139,448	20,034,236	622,593
Shares issued on conversion of convertible notes	2,043,668	55,675	29,456,210	1,232,728
Shares issued upon exercise of options	6,966,172	174,154	76,276,989	1,906,925
Costs associated with issue of share capital	-	(4,257,105)	-	(1,615,800)
Balance at end of period	**4,367,306,155**	**224,429,495**	**3,104,169,531**	**188,314,123**

7. Share based payment

(a) Options over ordinary share capital

Grant date	Expiry date	Exercise price $	Balance at start of the period	Number granted during the period	Number expired during the period	Exercised during the period	Balance at the end of the period	Number exercisable at the end of the period
19/12/18	19/12/21	0.070	12,000,000	-	-	-	12,000,000	12,000,000
12/11/19	15/11/21	0.100	15,000,000	-	-	-	15,000,000	15,000,000
29/06/20	20/05/22	0.025	287,446,276	-	-	(6,966,172)	280,480,104	280,480,104
14/01/21	30/11/22	0.100	25,000,000	-	-	-	25,000,000	25,000,000
20/09/21	30/09/24	0.045	-	[1]92,500,000	-	-	92,500,000	92,500,000
Total			**339,446,276**	**92,500,000**	**-**	**(6,966,172)**	**424,980,104**	**424,980,104**

([1]) 92,500,000 options were issued to lead managers of a capital raising and the issue was approved in general meeting on 15 September 2021. The inputs for the fair value model for fee options were as follows:

Consideration	Nil
Exercise price	$0.045
Issue date	20/9/2021
Expiry date	30/9/2024
Expected price volatility of the Company's shares	100%
Risk-free interest rate	0.17%
Spot price at date of issue	$0.041
Fair value of per option	$0.0183
Total value of options granted	$1,692,750

(b) Performance Rights

35,000,000 Performance Rights were issued during the period.

Notes to the Financial Statements
For the three-month period ended 30 September 2021

7. Share based payment (continued)

(b) Performance Rights (continued)

Class of Performance Rights	Quantity	Vesting Condition
Class A Performance Rights	11,666,666	The price of Shares traded on ASX is greater than $0.06 per Share for 15 consecutive trading days or more before 31 July 2023.
Class B Performance Rights	11,666,667	The price of Shares traded on ASX is greater than $0.08 per Share for 15 consecutive trading days or more before 31 July 2023.
Class C Performance Rights	11,666,667	The Company announcing to ASX global independently estimated JORC compliant resources at the Cortadera Project and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before 31 July 2023.
Total	**35,000,000**	

The valuation methodology for Classes A and B was the Hybrid Barrier Up and In Trinomial. The Black Scholes valuation model was used for Class C:

Performance rights issued during the three-month period ended 30 September 2021.

	Class A	Class B	Class C
Number	11,666,666	11,666,667	11,666,667
Valuation Date	20-09-21	20-09-21	20-09-21
Spot Price	$0.039	$0.039	$0.039
Exercise Price	Nil	Nil	Nil
Barrier Price	$0.06	$0.08	Nil
Vesting Date	N/A	N/A	N/A
Expiry Date	31-07-23	31-07-23	31-07-23
Expected Future Volatility	90%	90%	90%
Risk Free Rate	0.005%	0.005%	0.005%
Dividend Yield	Nil	Nil	Nil
Valuation	$0.03	$0.025	$0.039
Value	**$350,000**	**$291,667**	**$455,000**

The Performance Rights were issued to new executive employees and lead consultants under the Company's employee incentive plan. Classes A and B have been expensed in the current period. Class C Rights will be expensed over two years from date of issue. A total of $741,345 has been expensed in the period (2020: $1,580,284) in relation to the issue of the rights.

Performance rights outstanding at reporting date:

	No. of Performance Right
Opening balance at 1 July 2021	80,000,000
Performance rights issued during the period	35,000,000
Closing balance at 30 September 2021	**115,000,000**

Notes to the Financial Statements
For the three-month period ended 30 September 2021

8. Contingent Liabilities

There have been no significant changes to Contingent Liabilities since 30 June 2021.

9. Commitments

(a) 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 September 2021 tabled below.

	Consolidated entity	
	30 September 2021	30 June 2021
	$	$
Within one year	1,526,506	1,463,116
Later than one year but not later than five years	16,305,856	35,846,346
	17,832,362	**37,309,462**

10. Dividends

No dividends have been paid or proposed to be paid during the three months.

11. Related party transactions

Payments to Blue Spec Sondajes, a company controlled by Mr Murray Black, were made for rents of $6,000 and drilling services of $3,893,000. The Company also received $3,000,000 by way of participation in a placement by Blue Spec Sondajes being 93,750,000 shares applied for at $0.032 per share. As at reporting date Blue Spec Sondajes was owed $5,688,386 for drilling services incurred during the quarter.

Mr Black also received 222,291 shares in lieu of convertible note interest for the June 2021 quarter.

12. Events Subsequent to Reporting Date

Melanie Leighton resigned from the Company effective 1 October 2021. 15,000,000 of the performance rights granted to Ms Leighton lapsed on her resignation.

3,666,369 shares at a deemed issue price of $0.03808 per share were issued to convertible note holders in lieu of the September 2021 quarter convertible note interest of $139,617. Blue Spec Drilling Pty Ltd, a company controlled by Mr Black, was issued 204,388 of the interest shares.

6,412,082 shares were issued on receipt of notices to exercise options at $0.025 cents per share raising $160,302 before costs for the company.

A preliminary initial public offering prospectus was lodged with the Securities Commission in Canada with a view to making an application to list on the TSX Venture Exchange in Canada. The size of the offering has yet to be determined.

On the 14 October 2021 the company announced a 50 to 1 consolidation of securities on issue. The consolidation was approved in general meeting held on 15 November 2021.

15,000,000 unlisted options expired on the 15 November 2021.

Other than the above, the directors are not aware of any matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors Declaration

In the opinion of the directors:

a) the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

b) the attached interim financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2021 and of its performance for the period ended on that date; and

c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed for on behalf of the board by:

(signed) "Christian Easterday"

Christian Easterday
MANAGING DIRECTOR
18 November 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Hot Chili Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Hot Chili Limited (**Company**) and its subsidiaries (**Group**), which comprises the statement of financial position as at 30 September 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three-month period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group at the three-month period end or from time to time during the three-month period.

Directors' responsibility for the interim financial report

The directors are responsible for the preparation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2021 and its performance for the three-month period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. ASRE 2410 conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. In addition, AASB 134 conforms with International Financial Reporting Standards IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board. 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 an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

(a) Giving a true and fair view of the Group's financial position as at 30 September 2021 and of its performance for the three-month period ended on that date; and

(b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that the Group incurred a net loss of $2,773,351 and had net cash outflows from operating activities of $3,833,565 and from investing activities of $25,299,686 during the period ended 30 September 2021 and, as of that date, the Group's current liabilities exceeded its current assets by $2,219,885. 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 conclusion is not modified in respect of this matter.

(signed) "David Wall"

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 18 November 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hot Chili Limited for the three-month period ended 30 September 2021, 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.

(signed) "David Wall"

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 18 November 2021

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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 2021, 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.

(signed) David Wall
David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2021

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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 statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2021 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 $9,744,002 and had net cash outflows from operating activities of $3,614,989 and from investing activities of $25,345,294 during the year ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by $10,499,954. 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.

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 $158,329,683 as at 30 June 2021. 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 2021, 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.

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 2021.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2021, 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.

(signed) David Wall

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2021

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 2021 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

(signed) Christian E Easterday

Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2021
Perth

Statement of Profit or Loss & Other Comprehensive Income

	Note	Consolidated Entity 2021 $	2020 $
Interest income	4	1,065	4,115
Gain on revaluation of derivative liability	5	-	3,202,904
Other income	5	59,400	82,587
		60,465	**3,289,606**
Depreciation		(4,777)	(8,678)
Convertible notes expenses		(35,000)	(37,198)
Exploration expenses written off	10	-	-
Corporate fees		(207,820)	(202,902)
Legal and professional		(68,366)	(364,745)
Employee benefits expense		(1,549,884)	(997,656)
Administration expenses		(460,143)	(263,163)
Accounting fees		(251,891)	(194,098)
Travel costs		(63,031)	(103,136)
Other expenses		(654,494)	(397,513)
Foreign exchange loss		(285,248)	(154,186)
Share based payments		(2,234,736)	-
Loss on revaluation of derivative liability	5	(1,874,949)	-
Finance costs		(2,114,128)	(1,831,944)
Loss before income tax		(9,744,002)	(1,265,613)
Income tax expense	6	-	-
Loss after income tax		9,744,002)	(1,265,613)
Other comprehensive income		-	-
Total Comprehensive Loss		**(9,744,002)**	**(1,265,613)**
Loss attributable to:			
Non-controlling interests		(99,185)	(109,430)
Owners of Hot Chili Limited		(9,644,817)	(1,156,183)
		(9,744,002)	**(1,265,613)**
Basic earnings per share (cents)	16	(0.35)	(0.07)
Diluted earnings per share (cents)	16	(0.35)	(0.07)

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

	Note	Consolidated Entity 2021 $	Consolidated Entity 2020 $
Current Assets			
Cash and cash equivalents	7	3,604,625	6,307,894
Other current assets	8	133	6,960
Total Current Assets		3,604,758	6,314,854
Non-Current Assets			
Plant and equipment	9	61,944	57,431
Exploration and evaluation expenditure	10	158,329,683	131,070,506
Total Non-Current Assets		158,391,627	131,127,937
Total Assets		**161,996,385**	**137,442,791**
Current Liabilities			
Trade and other payables	11	6,375,148	4,667,920
Borrowings	12	4,999,787	-
Derivative financial instruments	13	2,729,777	1,445,136
Total Current Liabilities		14,104,712	6,113,056
Non-Current Liabilities			
Borrowings	12	-	4,186,801
Total Non-Current Liabilities		-	4,186,801
Total Liabilities		**14,104,712**	**10,299,857**
Net Assets		**147,891,673**	**127,142,934**
Equity			
Contributed equity	14	188,314,123	160,056,118
Share based payment reserve	15(b)	2,774,476	539,740
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(62,179,021)	(52,534,204)
Capital and reserves attributable to owners of Hot Chili Limited		128,910,800	108,062,876
Non-controlling interests	15(d)	18,980,873	19,080,058
Total Equity		**147,891,673**	**127,142,934**

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

Consolidated Entity	Contributed Equity $	Share based payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
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**
Balance at 1 July 2020	160,056,118	539,740	1,222	(52,534,204)	19,080,058	127,142,934
Loss for the year	-	-	-	(9,644,817)	(99,185)	(9,744,002)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(9,644,817)**	**(99,185)**	**(9,744,002)**
Shares issued	29,873,805	-	-	-	-	29,873,805
Share issue costs	(1,615,800)	-	-	-	-	(1,615,800)
Share based payments	-	2,234,736	-	-	-	2,234,736
Balance at 30 June 2021	**188,314,123**	**2,774,476**	**1,222**	**(62,179,021)**	**18,980,873**	**147,891,673**

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

	Note	Consolidated Entity 2021 $	2020 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(3,675,454)	(2,657,171)
Interest received		1,065	4,115
Other receipts		59,400	82,587
Net cash used in operating activities	19	(3,614,989)	(2,570,469)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(25,345,294)	(16,990,661)
Net cash used in investing activities		(25,389,701)	(16,990,661)
Cash Flows from Financing Activities			
Proceeds from issue of shares		28,018,525	26,008,924
Share issue costs		(1,615,800)	(1,403,565)
Net cash provided by financing activities		26,402,725	24,605,359
Net (decrease)/increase in cash held		(2,575,743)	5,044,229
Cash and cash equivalents at the beginning of the financial year		6,307,894	1,377,545
Effects of exchange rates on cash holdings in foreign currencies		(127,526)	(113,880)
Cash and cash equivalents at the end of the financial year	7	**3,604,625**	**6,307,894**

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

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.

(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 2021 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 $9,744,002 and had cash outflows from operating activities of $3,614,989 and from investing activities of $25,345,294 for the year ended 30 June 2021. As of that date, the consolidated entity had net current liabilities $10,499,954.

As disclosed in Note 20, the consolidated entity has future option payment commitments of $1,463,116 in the next 12 months and $35,846,346 due after 12 months. As disclosed in Note 21 the company paid $20,638,415 of the future option payment commitments subsequent to the reporting date which Is the final Instalment to acquire 100% interest in the Company's world-class Cortadera copper-gold discovery in Chile.

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

- The company completed the $40 million capital raising before costs, subsequent to the reporting date as disclosed in Note 21.
- Included in liabilities is a derivative liability of $2,729,777 (Note 13) and debt component of $4,999,787 (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; 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 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).

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 2021 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'.

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

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.

(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.

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

(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 any of the Hybrid Barrier Up and In Trinomial, 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.

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.

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

(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 includes 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.

(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.

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

(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.

(z) Foreign currency translation

The financial statements are presented in Australian dollars, which is Hot Chili Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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 (2020: 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.

2021	Australia $	Chile $	Total $
Assets	2,765,959	159,230,426	161,996,385
Liabilities	(8,067,082)	(6,037,630)	(14,104,712)
P&L (EBITDA)	(6,958,522)	(667,640)	(7,626,162)
Interest			1,065
Depreciation			(4,777)
Finance costs			(2,114,128)
P&L (Loss)			(9,744,002)

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	(766,642)	570,894
Interest			4,115
Depreciation			(8,678)
Finance costs			(1,831,944)
P&L (Loss)			(1,265,613)

4. INTEREST INCOME

	Consolidated Entity 2021 $	 2020 $
Interest income	1,065	4,115
	1,065	**4,115**

5. OTHER INCOME

Net gain on revaluation of derivative liability	(1,874,949)	3,202,904
Other	59,400	82,587
	(1,815,549)	**3,285,491**

6. INCOME TAX EXPENSE

	Consolidated Entity 2021 $	2020 $
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(9,744,002)	(1,265,613)
Prima facie income tax at 26% (2020: 27.5%)	(2,533,441)	(348,044)
Tax-effect of amounts not deductible in calculating taxable income	1,693,598	(356,069)
Tax loss not recognised	839,843	704,113
Income tax expense	**-**	**-**
(b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	26,600,968	24,873,513
Potential tax benefit at 26% (2020: 27.5%)	6,916,252	6,840,216

(a) The directors estimate that the potential deferred tax asset at 30 June 2021 in respect of tax losses not brought to account is $6,916,252 (2020: $6,840,216).

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $26,543,542 (2020: $28,093,526).

(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	3,604,625	6,307,894
	3,604,625	**6,307,894**

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	**3,604,625**	**6,307,894**

8. OTHER CURRENT ASSETS

Accounts receivable	-	6,827
VAT receivable	133	133
	133	**6,960**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	767,802	640,798
Less provision for depreciation	(705,858)	(583,367)
	61,944	**57,431**

Reconciliations:

Plant and equipment		
Carrying amount at the beginning of the year	57,431	157,919
Additions	-	-
Disposals and scrapped	-	-
Depreciation (i)	(21,709)	(17,891)
Foreign exchange	26,222	(82,597)
Carrying amount at the end of the year	**61,944**	**57,431**

(i) Depreciation of $16,932 (2020: $9,213) was capitalised into exploration costs.

10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2021	**2020**
	$	**$**
Carrying amount at the beginning of the year	131,070,506	113,176,541
Consideration given for mineral exploration acquisition	14,026,229	10,460,873
Capitalised mineral exploration and evaluation	13,232,948	7,433,092
Carrying amount at the end of the year (i)	**158,329,683**	**131,070,506**

(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	4,379,936	2,488,764
Refundable deposit (option fee) (i)	1,995,212	2,179,156
	6,375,148	**4,667,920**

(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.. In the case where the parties do not execute the option, Hot Chili shall refund CMP the Option fee. In this regard the option fee was repaid subsequent to the year end.

12. BORROWINGS

	Consolidated Entity	
	2021	2020
CURRENT	**$**	**$**
Convertible note – debt component[1]	4,999,787	4,186,801
	4,999,787	**4,186,801**

[1] There are a total of 69,453 convertible notes on issue as at 30 June 2021 (2020: 79,221). 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 9,768 (2020: 30,264) 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	4,186,801	4,561,540
Notes and accrued interest converted	(642,320)	(1,117,623)
Finance charges amortised	1,455,306	742,884
At the end of the financial year	**4,999,787**	**4,186,801**

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Liability - Convertible Note	2,729,777	1,445,136
	2,729,777	**1,445,136**

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	1,445,136	6,565,547
Fair value of Exercised Notes	(650,291)	(1,917,507)
Net Change in fair value during the period	1,934,932	(3,202,904)
At the end of the financial year	**2,729,777**	**1,445,136**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2021	2020	2021	2020
			$	$
At the beginning of the financial year	2,335,268,762	1,119,407,682	160,056,118	131,837,269
Shares issued on capital raising during the financial year	643,133,334	1,096,891,168	26,111,559	26,011,813
Shares issued in lieu of convertible note costs	20,034,236	27,900,513	622,593	779,883
Shares issued on conversion of convertible notes	29,456,210	91,069,399	1,232,728	3,341,419
Shares issued on exercise of options	76,276,989	-	1,906,925	-
Less cost of issue	-	-	(1,615,800)	(1,914,266)
At the end of the financial year	**3,104,169,531**	**2,335,268,762**	**188,314,123**	**160,056,118**

(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

	2021 Options	2020 Options
Balance at beginning of financial year	374,056,598	81,666,667
Issued during the financial year	41,666,667	362,056,598
Exercised during the year	(76,276,989)	-
Expired during the year	-	(69,666,667)
Balance at end of financial year	**339,446,276**	**374,056,598**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2021 (2020: 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 2021 $	Consolidated Entity 2020 $
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(52,534,204)	(51,401,511)
Net loss for the year	(9,644,817)	(1,156,183)
Options expired during the year	-	23,490
Accumulated losses at the end of the year	**(62,179,021)**	**(52,534,204)**

(b) Option reserve

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

As at 30 June 2021, no options to which the reserve relates have been exercised.

	2021 $	2020 $
Balance at the beginning of the year	539,740	52,530
Issues of options during the year	197,250	510,700
Issues of performance rights during the year	2,037,486	-
Options expiring during the year	-	(23,490)
Balance at the end of the year	**2,774,476**	**539,740**

80,000,000 Performance Rights were issued during the year (2020; nil).

Class of Performance Rights	Quantity	Vesting Condition
Class A Performance Rights	26,666,667	The price of Shares traded on ASX is greater than $0.06 per Share for 15 consecutive trading days or more before 31 July 2023.
Class B Performance Rights	26,666,666	The price of Shares traded on ASX is greater than $0.08 per Share for 15 consecutive trading days or more before 31 July 2023.
Class C Performance Rights	26,666,667	The Company announcing to ASX global independently estimated JORC compliant resources at the Cortadera Project and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before 31 July 2023.
Total	**80,000,000**	

15. RESERVES, ACCUMULATED LOSSES AND NON-CONTROLLING INTERESTS (CONT'D)

The valuation methodology for Classes A and B was the Hybrid Barrier Up and In Trinomial. The Black Scholes valuation model was used for Class C:

	Class A	Class B	Class C
Tranche 1			
Number	11,666,666	11,666,667	11,666,667
Valuation Date	12-08-20	12-08-20	12-08-20
Spot Price	$0.029	$0.029	$0.029
Exercise Price	Nil	Nil	Nil
Barrier Price	$0.06	$0.08	Nil
Vesting Date	N/A	N/A	N/A
Expiry Date	31-07-23	31-07-23	31-07-23
Expected Future Volatility	100%	100%	100%
Risk Free Rate	0.27%	0.27%	0.27%
Dividend Yield	Nil	Nil	Nil
Valuation	$0.0226	$0.0204	$0.0290
Value	**$263,667**	**$238,000**	**$338,333**
Tranche 2			
Number	13,333,334	13,333,333	13,333,333
Valuation Date	1-09-20	1-09-20	1-09-20
Spot Price	$0.046	$0.046	$0.046
Exercise Price	Nil	Nil	Nil
Barrier Price	$0.06	$0.08	Nil
Vesting Date	N/A	N/A	N/A
Expiry Date	31-07-23	31-07-23	31-07-23
Expected Future Volatility	100%	100%	100%
Risk Free Rate	0.27%	0.27%	0.27%
Dividend Yield	Nil	Nil	Nil
Valuation	$0.0406	$0.0375	$0.0460
Value	**$541,333**	**$500,000**	**$613,333**
Tranche 3			
Number	1,666,667	1,666,666	1,666,667
Valuation Date	3-Nov-20	3-Nov-20	3-Nov-20
Spot Price	$0.051	$0.051	$0.051
Exercise Price	Nil	Nil	Nil
Barrier Price	$0.06	$0.08	Nil
Vesting Date	N/A	N/A	N/A
Expiry Date	31-07-23	31-07-23	31-07-23
Expected Future Volatility	100%	100%	100%
Risk Free Rate	0.11%	0.11%	0.11%
Dividend Yield	Nil	Nil	Nil
Valuation	$0.0457	$0.0423	$0.051
Value	**$76,167**	**$70,500**	**$85,000**
Total Issued	**26,666,667**	**26,666,666**	**26,666,667**
Total Value	**$881,167**	**$808,500**	**1,036,666**

15. RESERVES, ACCUMULATED LOSSES AND NON-CONTROLLING INTERESTS (CONT'D)

The Performance Rights were issued to directors (related parties) and officers of the company in three tranches. The related party issues were approved in general meeting. Directors, Christian Easterday received 6,666,666 of each of Class A, B and C Rights and Melanie Leighton was issued 5,000,000 of each of Class A, B and C Rights. Classes A and B have been expensed in the current period. Class C Rights will be expensed over two years from date of issue. A total of $2,037,486 has been expensed in the period (2020: nil) in relation to the issue of the rights.

	Consolidated Entity	
	2021	2020
	$	$
(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	19,080,058	19,189,488
Share of loss for the year	(99,185)	(109,430)
Balance at the end of the year	**18,980,873**	**19,080,058**

16. LOSS PER SHARE

Loss after tax attributable to the owners of Hot Chili Limited	(9,644,817)	(1,156,183)
Basic loss per share (cents)	(0.35)	(0.07)
Diluted loss per share (cents)	(0.35)	(0.07)
Unexercised options are not dilutive.		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	2,774,507,436	1,641,345,793
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**2,774,507,436**	**1,641,345,793**

17. REMUNERATION OF AUDITORS

Audit Services – RSM Australia Partners		
- Auditing and reviewing of financial reports	55,000	48,750
Othert Services – RSM Australia Partners		
- Tax services and advice	8,750	8,750
	63,750	**57,500**

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 Chairman)
Christian E Easterday	(Managing Director)
Dr Michael Anderson	(Non-Executive Director – resigned 4 November 2020)
Dr Allan Trench	(Independent Non-Executive Director)
Roberto de Andraca Adriasola	(Non-Executive Director)
George Randall Nickson	(Independent Non-Executive Director)
Mark Jamieson	(Non-Executive Director – appointed 2 September 2021)

(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 2021:

	Consolidated Entity	
	2021	**2020**
	$	**$**
Directors		
Short-term benefits	553,989	459,976
Post-employment benefits	43,560	33,212
Share based payments	353,367	-
	950,916	**493,188**
Key Management Personnel		
Short-term benefits	461,755	332,300
Post-employment benefits	21,533	17,100
Share based payments	681,737	-
	1,165,025	**349,400**
Total	**2,115,941**	**842,588**

19. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Cash used in Operating Activities

	Consolidated Entity	
	2021	2020
	$	$
Loss for the year	(9,744,002)	(1,265,613)
Non-cash items:		
Depreciation	4,777	8,678
Effect of exchange rates on holdings in foreign currencies	101,304	113,880
Effect on revaluation of derivative liability	1,874,949	(3,202,904)
Amortised finance costs	601,231	782,771
Non-cash finance costs	1,455,406	1,049,173
Share based payments	2,234,736	-
Net cash flows from operating activities before change in assets and liabilities	**(3,471,599)**	**(2,514,015)**
Change in assets and liabilities during the financial year:		
Other current assets	6,826	485
Trade and other payables	(150,216)	(56,939)
Net cash outflow from operating activities	**(3,614,989)**	**(2,570,469)**

(b) Non cash investing and financing activities

2021

33,333,334 shares and 16,666,667 free attaching options were issued to Blue Spec Sondajes as part of an issue of securities in lieu of cash. The options are exercisable at AUD$0.025 per and expire 22 May 2022.

25,000,000 options were issued to lead managers of a capital raising. The options are exercisable at AUD$0.10 per and expire 30 November 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 2020	5 October 2020	160,820	$0.03866	4,159,818
31 December 2020	5 January 2021	155,660	$0.04194	3,711,453
31 March 2021	9 April 2021	145,303	$0.04099	3,544,806
30 June 2021	12 July 2021	139,448	$0.03463	4,026,784

A total of 9,768 Convertible Notes and respective interest to dates of conversion were converted to 29,456,210 shares during the year.

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 2021	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.

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	
	2021	**2020**
	$	**$**
Within one year	558,807	603,079
Later than one year but not later than five years	2,022,410	1,690,223
More than five years	5,652,949	7,183,448
	8,234,166	**9,476,750**

(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 2021 tabled below:

Within one year	1,463,116	1,019,962
Later than one year but not later than five years	35,846,346	54,495,119
	37,309,462	**55,515,081**

(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	103,285	103,284
Later than one year but not later than five years	68,857	172,140
	172,142	**275,424**

* 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 12 July 2021, quarterly interest of $139,448 was settled by the issue of 4,026,784 fully paid ordinary shares in the Company at deemed issue price $0.03463 each.

After the financial year end, 6,966,172 shares were issued on receipt of notice to exercise options. The options were exercised at $0.025 each raising $174,154 before costs.

On the 6 August 2021 the company announced a capital raising of $40.0m. The first tranche of 665,004,511 shares at an issue price of $0.032 were issued on 13 August 2021 raising $21,280,144 before costs. A Share Purchase Plan (SPP) forming part of the $40.0m raising raised $5.0m before costs and the 156,250,000 SPP shares were issued on 2 September 2021. Tranche 2 of the placement being 428,745,489 shares were issued on 17 September 2021 subsequent to approval at general meeting on 15 September 2021 at $0.032 per share raising $13,719,856 before costs. 93,750,000 of the shares were issued to Blue Spec Sondajes Spa, an entity controlled by Murray Black. 92,500,000 options with an exercise price of $0.045 expiring 30 September 2024 forming part of the capital arrangement fee were issued to co-lead managers.

2,043,668 shares were issued on conversion of 677 convertible notes.

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. In the case where the parties do not execute the option, Hot Chili shall refund CMP the Option fee. In this regard the option fee of USD$1,500,000 (AUD $1,995,212) was repaid subsequent to the year end.

The option agreement between Hot Chili and SCM Carola, the owners of the Cortadera landholding, was dually exercised in Santiago, Chile on Tuesday 21st September 2021 following the payment of and acknowledgement of receipt of the final instalment of US$15 million (AUD $20,638,415) to acquire a 100% interest in the Company’s world-class Cortadera copper-gold discovery in Chile.

On 2 September 2021, Mark Jamieson was appointed as Non-Executive Director.

The impact of the COVID-19 pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2021, 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.

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 17 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 $9,607 (2020: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2021 (2020: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $30,877 (2020: $30,962) for the year was settled by the issue of 794,912 shares (2020: 927,525). $7,698 was payable as at 30 June 2021 (2020: $7,698) which was settled by issue of 222,291 shares on 12 July 2021 (2020: 412,536 shares on 3 July 2020). 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 $10,379,605 (2020: $4,151,946) rent and drilling services of which, as at 30 June 2021 $3,718,982 (2020: $1,802,486) was owing to Blue Spec Sondajes Chile Limitada for rent and for drilling at Cortadera.

All transactions were made at commercial terms.

23. CONTINGENT LIABILITIES

As at 30 June 2021, Hot Chili Limited had accumulated VAT refund payments of $11,001,642 (CLP 6.018.998.372) with respect to VAT recovered as at 30 June 2021 by Sociedad Minera El Águila SpA and by Sociedad Minera Frontera SpA is $2,062,843 (CLP1.128.581.298).

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:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2021 %	Equity Holding 2020 %
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 24 (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-21	**30-Jun-20**
Summarised statement of financial position		
Current assets	223,291	132,116
Non-current assets	110,424,030	109,349,451
Total assets	110, 647,321	109,481,567
Current liabilities	63,596	45,827
Non-current liabilities	29,428,152	27,784,241
Total liabilities	29,491,748	27,830,068
Net assets	81,155,573	81,651,499
Summarised statement of profit or loss and other comprehensive income		
Revenue	(495,924)	(547,150)
Expenses	(495,924)	(547,150)
Loss before income tax expense		-
Income tax expense	(495,924)	(547,150)
Loss after income tax expense		-
Other comprehensive income	(495,924)	(547,150)
Total comprehensive loss	**(547,150)**	**(598,728)**
Statement of cash flows		
Net cash used in operating activities	(525,833)	(537,021)
Net cash used in investing activities	(1,026,903)	(673,347)
Net cash from financing activities	1,643,911	1,176,309
Net increase in cash and cash equivalents	91,175	(34,059)
Other financial information		
Loss attributable to non-controlling interests	(99,185)	(109,430)
Accumulated non-controlling interests at the end of reporting period	18,980,873	19,080,058

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 - 2021	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	-%	4,379,936	-	4,379,936	4,379,936
Refundable deposit	-%	1,995,212	-	1,995,212	1,995,212
Convertible note debt – fixed rate	8%	4,999,787	-	4,999,787	4,999,787
Total non-derivatives		**11,374,935**	**-**	**11,374,935**	**11,374,935**
Derivatives					
Convertible note debt	-%	2,729,777	-	2,729,777	2,729,777
Total derivatives		**2,729,777**	**-**	**2,729,777**	**2,729,777**

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**

(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
2021	$	$
AUD/USD + 10%	(47,884)	(47,884)
AUD/USD - 10%	87,061	87,061
	Post tax profit	Equity
2020	$	$
AUD/USD + 10%	-	-
AUD/USD - 10%	-	-

26. PARENT ENTITY DISCLOSURES

Financial position	2021 $	2020 $
Assets		
Current assets	2,654,013	6,165,562
Non-current assets	139,040,075	112,002,100
Total assets	**141,694,088**	**118,167,662**
Liabilities		
Current liabilities	8,067,082	1,770,247
Non-current liabilities	-	4,186,801
Total liabilities	**8,067,082**	**5,957,048**
Equity		
Issued capital	188,314,123	160,056,129
Reserves	2,775,764	541,009
Accumulated losses	(57,462,881)	(48,386,524)
Total equity	**133,627,006**	**112,210,614**
Financial performance		
Loss for the year	(9,076,357)	(494,408)
Total comprehensive income	**(9,076,357)**	**(494,408)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

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 2021 or 30 June 2020.

27. SHARE BASED PAYMENTS

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

(a) Options granted

Set out below is a summary of options on issue as at 30 June 2021:

Grant date	Expiry date	Balance at start of year	Number granted during year	Number expired during year	Exercised during the year	Balance at end of year	Number exercisable at end of year
19/12/2018[3]	19/12/2021	12,000,000	-	-	-	12,000,000	12,000,000
12/11/2019[1]	15/11/2021	15,000,000		-	-	15,000,000	15,000,000
29/06/2020[2]	20/05/2022	50,000,000		-	-	50,000,000	50,000,000
29/06/2020[2]	20/05/2022	297,056,598		-	(59,610,322)	237,446,276	237,446,276
4/09/2020[4]	20/05/2022	-	16,666,667	-	(16,666,667)	-	-
14/01/2021[5]	30/11/2022	-	25,000,000	-	-	25,000,000	25,000,000
Total		**374,056,598**	**41,666,667**	**-**	**(76,276,989)**	**339,446,276**	**339,446,276**

Weighted average exercise price of options on issue is $0.035 (2020: $0.029). The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.89 years (2020: 1.65 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.

2021

(4) These options are exercisable at 2.5c each expiring 22 May 2022 were issued pursuant to a creditor taking shares in lieu of cash. The creditor was Blue Spec Sondajes, an entity controlled by Murray Black and were free attaching options. They have the same terms and conditions of options issued at note 2 below and were approved in general meeting 14 January 2021:

(5) 25,000,000 options were issued to lead managers of a capital raising which took place in December 2020 and the issue was approved in general meeting on 14 January 2021. 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 – 19 January 2021
d) expiry date – 30 November 2022
e) expected price volatility of the Company's shares: 80%
f) risk-free interest rate: 0.08%
g) spot price at date of issue: $0.042
h) fair value of 0.789c per option (total $197,250)

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)

During the year the Company issued 20,034,236 shares (2020: 27,900,513) at a fair value of $713,997 (2020: $697,338) in lieu of interest on the convertible note issue and conversion of notes and accrued interest to shares. As at 30 June 2021 interest of $139,448 had accrued and the 4,026,784 shares issued on 12 July 2021 are not included in total issued for the year.

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

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

	2021 $	2020 $
Performance rights issued	2,037,486	-
Options issued	197,250	-
Shares issued for interest accrued on convertible notes	255,928	315,019
Convertible note costs	622,593	779,883
	3,113,257	**1,094,902**

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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.

(signed) David Wall

DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2020

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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.

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.

(signed) David Wall

DAVID WALL
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2020

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

(signed) Christian E Easterday
Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2020
Perth

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.

		Consolidated Entity	
		2020	2019
	Note	$	$
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.

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.

	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.

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.

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.

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 $	**2019 $**
Interest income	4,115	3,460
	4,115	**3,460**

5. OTHER INCOME

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	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

	2020	2019
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

	2020	2019
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**

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 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)

(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	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:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2020 %	Equity Holding 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**

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

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

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

(signed) RSM

RSM AUSTRALIA PARTNERS

(signed) Alasdair Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 30 September 2019

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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 (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 (the 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 $4,232,370 and had cash outflows from operating activities of $2,182,056 and from investing activities of $3,183,117 during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by $9,093,922. As stated in Note 1, these events or conditions, along with other matters as set forth in Note1, 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.

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, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Carrying value of Exploration and Evaluation Expenditure
Refer to Note 10 in the financial statements</td></tr>
<tr><td>The Group has capitalised a significant amount of exploration and evaluation expenditure, with a carrying value of $113,176,541 as at 30 June 2019.

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.</td><td>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;
• 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;
• Assessing that the impairment expensed recognised for the year ended was appropriately calculated; 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.</td></tr>
</table>

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 2019, 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.

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 2019.

In our opinion, the Remuneration Report of Hot Chili Limited, for the year ended 30 June 2019, 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.

(signed) RSM

RSM AUSTRALIA PARTNERS

(signed) Alasdair Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 30 September 2019

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 2019 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 the *Corporations Act 2001*.

On behalf of the directors

(signed) Christian E Easterday

Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2019
Perth

Statement of Profit or Loss & Other Comprehensive Income

	Note	Consolidated Entity 2019 $	2018 $
Interest income	4	3,460	6,708
Gain on revaluation of derivative liability	5	234,652	-
Other income	5	-	133,805
		238,112	**140,513**
Depreciation		(11,409)	(12,552)
Convertible notes expenses		(34,257)	(77,474)
Exploration expenses written off	10	(270,047)	(422,109)
Corporate fees		(81,843)	(94,722)
Legal and professional		(209,075)	(219,196)
Employee benefits expense		(984,246)	(824,946)
Administration expenses		(215,663)	(183,913)
Accounting fees		(182,135)	(63,142)
Travel costs		(14,006)	(29,229)
Other expenses		(351,476)	(350,116)
Foreign exchange loss		(167,465)	(76,081)
Loss on revaluation of derivative liability		-	(218,597)
Share based payments		(29,040)	-
Finance costs		(1,919,820)	(1,578,992)
Loss before income tax		(4,232,370)	(4,010,556)
Income tax expense	6	-	-
Loss after income tax		(4,232,370)	(4,010,556)
Other comprehensive income		-	-
Total Comprehensive Loss		**(4,232,370)**	**(4,010,556)**
Loss attributable to:			
Non-controlling interests		(119,746)	(106,610)
Owners of Hot Chili Limited		(4,112,624)	(3,903,946)
		(4,232,370)	**(4,010,556)**
Basic earnings per share (cents)	16	(0.47)	(0.65)
Diluted earnings per share (cents)	16	(0.47)	(0.65)

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

	Note	Consolidated Entity 2019 $	2018 $
Current Assets			
Cash and cash equivalents	7	1,377,545	3,656,560
Other current assets	8	7,445	12,086
Total Current Assets		1,384,990	3,668,646
Non-Current Assets			
Plant and equipment	9	157,919	193,353
Exploration and evaluation expenditure	10	113,176,541	108,743,662
Total Non-Current Assets		113,334,460	108,937,015
Total Assets		**114,719,450**	**112,605,661**
Current Liabilities			
Trade and other payables	11	3,913,365	2,302,535
Derivative financial instruments	13	6,565,547	7,010,455
Total Current Liabilities		10,478,912	9,312,990
Non-Current Liabilities			
Borrowings	12	4,561,540	3,814,764
Total Non-Current Liabilities		4,561,540	3,814,764
Total Liabilities		**15,040,452**	**13,127,754**
Net Assets		**99,678,998**	**99,477,907**
Equity			
Contributed equity	14	131,837,269	127,432,848
Option reserve	15(b)	52,530	1,497,028
Foreign currency translation reserve	15(c)	1,222	1,222
Accumulated losses	15(a)	(51,401,511)	(48,762,425)
Capital and reserves attributable to owners of Hot Chili Limited		80,489,510	80,168,673
Non-controlling interests	15(d)	19,189,488	19,309,234
Total Equity		**99,678,998**	**99,477,907**

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

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 2017	122,053,043	1,473,539	1,222	(44,858,479)	19,415,844	98,085,169
Loss for the year	-	-	-	(3,903,946)	(106,610)	(4,010,556)
Total Comprehensive Income for the Year	**-**	**-**	**-**	**(3,903,946)**	**(106,610)**	**(4,010,556)**
Shares issued	5,703,116	-	-	-	-	5,703,116
Share issue costs	(323,311)	-	-	-	-	(323,311)
Share based payments	-	23,489	-	-	-	23,489
Balance at 30 June 2018	**127,432,848**	**1,497,028**	**1,222**	**(48,762,425)**	**19,309,234**	**99,477,907**

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

	Note	Consolidated Entity 2019 $	2018 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,062,362)	(2,159,372)
Interest payment		(123,154)	(145,063)
Interest received		3,460	6,708
Other receipts		-	133,805
Net cash used in operating activities	19	(2,182,056)	(2,163,922)
Cash Flows from Investing Activities			
Payments for plant and equipment		-	(15,029)
Payments for exploration and evaluation		(3,183,117)	(1,581,470)
Net cash used in investing activities		(3,183,117)	(1,596,499)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,216,916	5,006,380
Share issue costs		(72,641)	(299,698)
Proceeds from issuance of Convertible Note		-	383,400
Repayment of borrowings		-	-
Net cash provided by financing activities		3,144,275	5,090,082
Net (decrease)/increase in cash held		(2,280,898)	1,329,661
Cash and cash equivalents at the beginning of the financial year		3,656,560	2,402,980
Effects of exchange rates on cash holdings in foreign currencies		(58,117)	(76,081)
Cash and cash equivalents at the end of the financial year	7	**1,377,545**	**3,656,560**

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

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

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

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

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

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

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

Classification

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

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

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

Measurement

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

Impairment

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

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

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

AASB 15 Revenue from Contracts with Customers – Accounting policies

The Group did not generate revenue for the 12 months ending 30 June 2019.

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

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

(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 2019 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.

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

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 $4,232,370 and had cash outflows from operating activities of $2,182,056 and from investing activities of $3,183,117 for the year ended 30 June 2019. As of that date, the consolidated entity had net current liabilities of $9,093,922.

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 current liabilities is a derivative liability of $ 6,565,547 (Note 13) and debt component of $4,561,540 (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 $2,138,850 (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 expects to issue equity securities in addition to the $16.7 million raised after year end (note 21) under the *Corporations Act 2001*, to fund ongoing working capital requirement. Other sources of funding may also be contemplated, including alternate funding optionss.

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 2019 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.

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

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.

(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.

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

(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.

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 includes 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.

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

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.

(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) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(w) 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been Issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the Impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short -term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will

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

be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity will adopt this standard from 1 July 2019. The impact of the new leases standard has however assessed as not having a material impact on the financial statements.

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.

3. SEGMENT INFORMATION (CONT'D)

Operating revenues of approximately Nil (2018: Nil) are derived from a single external party.

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

2019	Australia $	Chile $	Total $
Assets	1,235,623	13,483,827	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)

2018	Australia $	Chile $	Total $
Assets	3,473,294	109,132,367	112,605,661
Liabilities	(11,098,254)	(2,029,500)	(13,127,754)
P&L (EBITDA)	(1,401,145)	(917,965)	(2,319,110)
Interest			6,708
Depreciation			(12,552)
Finance costs			(1,578,992)
P&L (Loss)			(3,903,946)

4. INTEREST INCOME

	Consolidated Entity	
	2019 $	2018 $
Interest income	3,460	6,708
	3,460	**6,708**

5. OTHER INCOME

Net gain on revaluation of derivative liability	234,652	-
Other	-	133,805
	234,652	**133,805**

6. INCOME TAX EXPENSE

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(4,232,370)	(4,010,556)
Prima facie income tax at 27.5% (2018: 27.5%)	(1,163,902)	(1,102,903)
Tax-effect of amounts not deductible in calculating taxable income	594,861	471,044
Tax loss not recognised	569,041	631,859
Income tax expense	-	-
(b) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	22,690,187	20,620,946
Potential tax benefit at 27.5% (2018: 27.5%)	6,239,801	5,670,760

(a) The directors estimate that the potential deferred tax asset at 30 June 2019 in respect of tax losses not brought to account is $6,239,801(2018: $5,670,760)..

In addition, Chilean subsidiaries of Hot Chili Limited also have tax losses that are a potential deferred tax asset of $26,645,959 (2018: $20,713,268).

(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

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Cash at bank	1,377,545	3,656,560
	1,377,545	**3,656,560**
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	**1,377,545**	**3,656,560**

8. OTHER CURRENT ASSETS

Accounts receivable	7,311	11,953
VAT receivable	133	133
	7,444	**12,086**

9. PLANT AND EQUIPMENT

Plant and equipment at cost	723,395	723,395
Less provision for depreciation	(565,476)	(530,042)
	157,919	**193,353**
Reconciliations:		
Plant and equipment		
Carrying amount at the beginning of the year	193,353	219,928
Additions	-	15,029
Disposals and scrapped	-	-
Depreciation (i)	(35,434)	(41,604)
Carrying amount at the end of the year	**157,919**	**193,353**

(i) Depreciation of $24,025 (2018: $29,052) was capitalised into exploration costs.

10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2019	**2018**
	$	**$**
Carrying amount at the beginning of the year	108,743,662	107,555,248
Consideration given for mineral exploration acquisition	142,952	173,741
Capitalised mineral exploration and evaluation	4,559,974	1,436,782
Exploration costs written off	(270,047)	(422,109)
Carrying amount at the end of the year (i)	**113,176,541**	**108,743,662**

(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

	Consolidated Entity	
	2019	**2018**
	$	**$**
Trade payables and accruals	1,774,515	273,035
Refundable deposit (option fee) (i)	2,138,850	2,029,500
	3,913,365	**2,302,535**

(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	
	2019	2018
NON-CURRENT	**$**	**$**
Convertible note – debt component[1]	4,561,540	3,814,764
	4,561,540	**3,814,764**

[1] There are a total of 109,485 convertible notes on issue as at 30 June 2019 (2018: 113,009). 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 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

	Consolidated Entity	
	2019	2018
	$	**$**
Balance Brought forward	3,814,764	3,184,082
Proceeds from Issue	-	383,400
Notes and accrued interest converted	(150,767)	-
Derivative liability at inception	-	(340,608)
Transaction costs	-	(2,140)
Finance charges amortised	897,543	590,030
At the end of the financial year	**4,561,540**	**3,814,764**

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity	
	2019	**2018**
	$	**$**
Derivative Liability - Convertible Note	6,565,547	7,010,455
	6,565,547	**7,010,455**

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

	Consolidated Entity	
	2019	**2018**
	$	**$**
Balance at beginning of period	7,010,455	6,451,250
Derivative liability at inception	-	340,608
Fair value of Exercised Notes	(210,256)	-
Net Change in fair value during the period	(234,652)	218,597
At the end of the financial year	**6,565,547**	**7,010,455**

14. CONTRIBUTED EQUITY

(a) Share capital

	No. Shares		Consolidated Entity	
	2019	**2018**	**2019**	**2018**
			$	**$**
At the beginning of the financial year	735,876,764	554,381,254	127,432,848	122,053,043
Shares issued on capital raising during the financial year	321,697,937	162,090,539	3,216,979	5,006,502
Shares issued in lieu of convertible note costs	51,259,924	19,404,971	907,683	696,614
Shares issued on conversion of convertible notes	10,573,057	-	352,400	-
Less cost of issue	-	-	(72,641)	(323,311)
At the end of the financial year	**1,119,407,682**	**735,876,764**	**131,837,269**	**127,432,848**

(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.

14. CONTRIBUTED EQUITY (CONT'D)

(c) Movement in Unlisted Options

	2019 Options	2018 Options
Balance at beginning of financial year	108,666,667	39,000,000
Issued during the financial year	12,000,000	69,666,667
Expired during the year	(39,000,000)	-
Balance at end of financial year	**81,666,667**	**108,666,667**

Listed Options

There are no listed options over ordinary shares in the company at 30 June 2019 (2018: NIL).

(a) 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	
	2019 $	2018 $
(a) Accumulated losses		
Accumulated losses at the beginning of the year	(48,762,425)	(44,858,479)
Net loss for the year	(4,112,624)	(3,903,946)
Options expired during the year	1,473,538	-
Accumulated losses at the end of the year	**(51,401,511)**	**(48,762,425)**

(b) Option reserve

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

As at 30 June 2019, no options to which the reserve relates have been exercised.

	2019 $	2018 $
Balance at the beginning of the year	1,497,028	1,473,539
Issues of options during the year	29,040	23,489
Options expiring during the year	(1,473,538)	-
Balance at the end of the year	**52,530**	**1,497,028**
(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	19,309,234	19,415,844
Share of loss for the year	(119,746)	(106,610)
Balance at the end of the year	**19,189,488**	**19,309,234**

16. LOSS PER SHARE

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Loss after tax attributable to the owners of Hot Chili Limited	(4,112,624)	(3,903,946)
Basic loss per share (cents)	(0.47)	(0.65)
Diluted loss per share (cents)	(0.47)	(0.65)
Unexercised options are not dilutive		
The weighted average number of ordinary shares on issue used in the calculation of basic loss per share	866,697,528	596,376,912
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**866,697,528**	**596,376,912**

17. REMUNERATION OF AUDITORS

	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Audit Services – RSM Australia Partners		
- Auditing and reviewing of financial reports	47,000	46,000
Othert Services – RSM Australia Partners		
- Tax services	11,147	18,434
	58,147	**64,434**

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	(Chairman)
Christian E Easterday	(Executive 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 (also Alternate Director)

(d) Chief Legal Counsel and country manager

Jose Ignacio Silva

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(e) Details of Remuneration of Key Management Personnel for the year ended 30 June 2018:

	Consolidated Entity	
	2019	2018
	$	$
Directors		
Short-term benefits	455,243	397,914
Post-employment benefits	32,762	27,816
Share based payments	14,520	-
	502,525	**425,730**
Key Management Personnel		
Short-term benefits	349,981	388,212
Post-employment benefits	17,100	21,288
Share based payments	14,520	-
	381,601	**409,500**
Total	**884,126**	**835,230**

19. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of Net Cash used in Operating Activities

	Consolidated Entity	
	2019	2018
	$	$
Loss for the year	(4,232,370)	(4,010,556)
Non-cash items:		
Depreciation	11,409	12,552
Effect of exchange rates on holdings in foreign currencies	58,117	76,081
Exploration expenditure written off	126,422	422,109
Effect on revaluation of derivative liability	(234,652)	218,597
Amortised finance costs	893,385	587,888
Non-cash finance costs	903,279	677,443
Share based payments	29,040	-
Options issued in lieu of convertible note transaction costs	-	19,170
Net cash flows from operating activities before change in assets and liabilities	**(2,445,370)**	**(1,996,716)**
Change in assets and liabilities during the financial year:		
Other current assets	4,641	101,352
Trade and other payables	258,673	(268,558)
Net cash outflow from operating activities	**(2,182,056)**	**(2,163,922)**

19. NOTES TO STATEMENT OF CASH FLOWS (CONT'D)

(b) Non cash investing and financing activities

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	0.0325	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.

2018

66,666,667 options exercisable at 10c per share expiring on 31 May 2020 were issued as free attaching on a one option issued for every two shares successfully applied for in a placement of shares announced 30 April 2018. A further 3,000,000 of the same series of options were issued to EverBlu Capital Pty Ltd as fees for managing the placement.

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 2017	2 October 2017	223,644	0.03710	6,028,186
31 December 2017	4 January 2018	229,411	0.03520	6,511,789
31 March 2018	4 April 2018	224,389	0.03679	6,099,183
30 June 2018	3 July 2018	226,900	0.02840	7,989,446

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	
	2019	**2018**
	$	**$**
Within one year	589,572	375,715
Later than one year but not later than five years	2,481,107	2,746,584
More than five years	6,616,284	6,277,905
	9,686,963	**9,400,204**

(b) Option Payment Commitments

During the year the group entered into formal agreements to acquire a 100% interest in each the Cortadera project and the Purisima project over the next 3 years. 100% of the mining rights of the projects will be transferred upon satisfaction of the Option payments committed as at 30 June 2019 tabled below. The consolidated entity has previously (2018 year) entered into a formal agreement to acquire a 90% interest in the San Antonio Project and a 90% interest in the Valentina Project over a four-year period. The Joint ventures involves an Option agreement whereby the full interest of 100%, 90% and 90% respectively of the mining rights of the project will be transferred upon satisfaction of the agreed Option payments:

Within one year	7,272,209	101,475
Later than one year but not later than five years	53,472,123	18,197,808
	60,744,332	**18,299,283**

20. COMMITMENTS FOR EXPENDITURE (CONT'D)

(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:

	Consolidated Entity	
	2019	**2018**
	$	**$**
Within one year	75,533	113,300
Later than one year but not later than five years	-	75,533
	75,533	**188,833**

The Company sub leases its head office premises for 50% of the total cost under the lease agreement. The above operating lease commitments does not include the benefit under this sub lease arrangement.

21. EVENTS OCCURRING AFTER REPORTING DATE

On 2 July 2019 quarterly interest of $219,825 was settled by the issue of 6,765,859 fully paid ordinary shares in the Company at deemed issue price $0.03249 each.

On the 2 July 2019 the Company announced a placement of 166,666,667 shares at $0.03 cents each to raise $5.0m before costs. The placement was completed in two tranches. The 1st tranche of 150,000,000 shares was completed on 10 July 2019 and the 2nd tranche of 16,666,667 shares, which was subject to shareholder approval, was completed on 26 August 2019.

18,759,452 shares were issued on the conversion of 6,214 convertible notes and accrued interest to date of conversion as follows.

31/07/2019	1,710,519
14/08/2019	12,898,514
16/09/2019	4,150,419

The Company also issued 325,000,000 ordinary fully paid shares at $0.036c each to raise AUD$11.7m before costs on 30 September 2019.

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 17 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 (2018: $36,792) in directors and consulting fees. There were no amounts payable as at 30 June 2019 (2018: Nil).

Quarterly interest accruing on the convertible notes payable to Blue Spec Drilling Pty Ltd of $30,877 (2018: $25,110) for the year was settled by the issue of 1,701,861 shares (2018: 753,266). $7,698 was payable as at 30 June 2019 (2018: $7,698) which was settled by issue of 236,932 shares on 2 July 2019 (2018: 271,054 shares on 3 July 2018). 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 paid $1,519,911 (2018: $49,171) for rent and drilling services. As at 30 June 2019 $1,220,628 (2018: Nil) 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 2019, Hot Chili Limited had accumulated VAT refund payments totalling $12,602,329 (CLP 6,018,998,141). Under the terms of the VAT refund payment, the consolidated entity 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 30 June 2022 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:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2019 %	Equity Holding 2018 %
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 24 (b).

(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-19	SMEA 30-Jun-18
Summarised statement of financial position		
Current assets	166,175	185,614
Non-current assets	108,676,104	108,133,390
Total assets	108,842,279	108,319,004
Current liabilities	35,698	-
Non-current liabilities	26,607,932	25,521,627
Total liabilities	26,643,630	25,521,627
Net assets	82,198,649	82,797,377
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	133,805
Expenses	(598,728)	(666,849)
Loss before income tax expense	(598,728)	(533,044)
Income tax expense	-	-
Loss after income tax expense	(598,728)	(533,044)
Other comprehensive income	-	-
Total comprehensive loss	**(598,728)**	**(533,044)**
Statement of cash flows		
Net cash used in operating activities	(563,029)	(620,874)
Net cash used in investing activities	(542,714)	(778,468)
Net cash from in financing activities	1,086,304	1,383,201
Net increase in cash and cash equivalents	(19,439)	(16,141)
Other financial information		
Profit / (loss) attributable to non-controlling interests	(119,746)	(106,610)
Accumulated non-controlling interests at the end of reporting period	19,189,488	19,309,234

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 - 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**

Consolidated - 2018	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	-%	273,035	-	273,035	273,035
Refundable deposit	-%	2,029,500	-	2,029,500	2,029,500
Convertible note debt – fixed rate	8%	-	11,300,900	11,300,900	3,814,764
Total non-derivatives		**2,302,535**	**11,300,900**	**13,603,435**	**6,117,299**
Derivatives					
Convertible note debt	-%	7,010,455	-	7,010,455	7,010,455
Total derivatives		**7,010,455**	**-**	**7,010,455**	**7,010,455**

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**
2019	**$**	**$**
AUD/USD + 10%	-	-
AUD/USD - 10%	-	-
	Post tax profit	**Equity**
2018	**$**	**$**
AUD/USD + 10%	-	-
AUD/USD - 10%	-	-

26. PARENT ENTITY DISCLOSURES

	2019	2018
Financial position	**$**	**$**
Assets		
Current assets	1,193,511	3,419,774
Non-current assets	94,277,387	90,470,785
Total assets	**95,470,898**	**93,890,559**
Liabilities		
Current liabilities	6,933,886	7,170,490
Non-current liabilities	4,561,540	3,814,764
Total liabilities	**11,495,426**	**11,098,254**
Equity		
Issued capital	131,837,280	127,432,859
Reserves	52,530	1,497,029
Accumulated losses	(47,914,338)	(46,137,583)
Total equity	**83,975,472**	**82,792,305**
Financial performance		
Loss for the year	(3,250,293)	(2,992,689)
Other comprehensive income		-
Total comprehensive income	**(3,250,293)**	**(2,992,689)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

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 2019 or 30 June 2018.

27. SHARE BASED PAYMENTS

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

(a) Options issued

No options are currently issued to employees.

Set out below is a summary of options on issue as at 30 June 2019:

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
27/06/2014	27/06/2019	11,000,000	-	(11,000,000)	-	-	-
24/08/2016	06/09/2018	8,000,000	-	(8,000,000)	-	-	-
06/06/2017	20/06/2019	20,000,000	-	(20,000,000)	-	-	-
09/05/2018[2]	31/05/2020	52,189,305	-	-	-	52,189,305	52,189,305
21/06/2018[2]	31/05/2020	17,477,362	-	-	-	17,477,362	17,477,362
19/12/18[1]	19/12/2021	-	12,000,000	-	-	12,000,000	12,000,000
Total		**108,666,667**	**12,000,000**	**(39,000,000)**	**-**	**81,666,667**	**81,666,667**

Weighted average exercise price of options on issue is $0.096 (2018: $0.108). The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.86 years (2018: 1.52 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.

2019

([1]) 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

2018

([2]) 69,666,667 options exercisable at 10c each expiring 31 May 2020 were issued pursuant to a placement announced 30 April 2018 and a prospectus dated 2 May 2018. 66,666,667 of the options were free attaching options issued to successful places on a "one option for every two shares" successfully applied for. 3,000,000 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 – $0.10
c) issue date – 9 May 2018
d) expiry date – 31 May 2020
e) expected price volatility of the Company's shares: 100%
f) risk-free interest rate: 2.01%
g) spot price at date of issue: $0.03
h) fair value of 0.783c per option

27. SHARE BASED PAYMENTS (CONT'D)

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

During the year the Company issued 61,832,981 shares (2018: 19,404,971) at a fair value of $1,260,083 (2018: $923,514) in lieu of interest on the convertible note issue and conversion of notes and accrued interest to shares. As at 30 June 2019 interest of $219,825 had accrued and the 6,765,859 shares issued on 2 July 2019 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	
	2019	**2018**
	$	**$**
Employee Incentive Options issued	29,040	23,490
Shares issued for convertible notes and accrued interest converted	356,867	-
Convertible note interest	903,216	923,514
	1,289,123	**947,004**

SCHEDULE "B"

BOARD CHARTER

1. Introduction

The Board of Directors (**Board**) is responsible for guiding and monitoring Hot Chili Limited (**Company**) on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to, establishing goals for management and the strategic direction, policies, practices, and operation of the Company.

2. Role and responsibilities

Monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The specific responsibilities of the Board include (without limitation):

- overseeing the Company, including its control and accountability systems;
- appointing, evaluating, rewarding and if necessary, removing the Managing Director (or equivalent), the Company Secretary, and senior management personnel;
- ratifying the appointment, and where appropriate, the removal, of senior executives;
- in conjunction with members of the senior management team, developing corporate objectives, strategies and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the executive Directors to allow them to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company, including the reviewing and approving of annual budgets;
- monitoring the performance of senior management, including the implementation of strategy, and ensuring appropriate resources are available to them;
- identifying areas of significant business risk and ensure that the Company is appropriately positioned to manage those risks;
- assisting management to determine whether the Company has any material exposure to environmental or social risks and, if it does, disclosing to the public how it manages or intends to manage those risks;
- reviewing, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;

- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;

- ensuring that appropriate internal and external audit arrangements are in place and operating effectively;

- having a framework in place to help ensure that the Company acts legally, ethically, and responsibly on all matters consistent with the Company's Code of Conduct, including reviewing the procedures that the Company has in place to ensure compliance with:

    - laws and regulations, particularly those which may have a major impact on the Company in areas such as medicinal cannabis, pharmaceuticals, occupational health and safety and the environment; and

    - insider trading laws, continuous disclosure requirements and other best practice corporate governance processes, including requirements under the rules of any stock exchange on which the Company is listed; and

- reporting accurately to shareholders, on a timely basis.

In performing its responsibilities, the Board must act at all times in a manner which is conducive to creating and continuing to build sustainable value for the Company's shareholders, whilst recognising its overriding responsibility to act honestly, fairly, diligently and in accordance with law.

Individual Directors should devote the necessary time to the tasks entrusted to them. All Directors should consider the number and nature of their directorships and calls on their time from other commitments.

Directors and officers should be aware of their legal obligations.

3. Board composition

3.1 Membership

Appointments to the Board are based on merit against objective criteria that serve to maintain an appropriate balance of skills and experience on the Board.

In accordance with the Company's Constitution, the Company must have not less than 3 and not more than 10 Directors.

The Board will conduct appropriate background checks prior to appointing a person as a Director or recommending to shareholders that a person be appointed as a Director, including (but not limited to) checks as to good character, experience, education, qualifications, criminal history and bankruptcy.

3.2 Chairperson

The chairperson of the Board (**Chairperson**) is responsible for leading and managing the Board in the discharge of its duties. This includes the following key responsibilities:

- the efficient organisation and conduct of the Board's functioning;

- briefing of all Directors in relation to issues arising at Board meetings;

- overall shareholder communication;

- chairing shareholder meetings (where possible);

- arranging Board performance evaluation; and

- presiding over meetings of the Board.

The Chairperson should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board and management of the Company.

Any other position which the Chairperson may hold, either within or outside of the Company, should not hinder the effective performance of the Chairperson in carrying out his or her role as Chairperson of the Board.

3.3 Managing Director

In this document, a reference to the Managing Director includes any Director who performs the role and function of Managing Director of the Company.

The roles of the Chairperson and Managing Director should not be combined except in exceptional circumstances the Board considers that it is warranted, such as where the size and scope of the Company's operations necessitates the combining of the roles.

The Managing Director will have the overall responsibility for running the affairs of the Company under delegated authority from the Board. This includes:

- developing business plans, budgets and strategies for the Company for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the Company's business;
- undertaking and assessing risk management and internal control effectiveness;
- identifying and managing operational and other risks and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board;
- in relation to proposed transactions, commitments or arrangements that exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- implementing the policies and strategies set by the Board.
- devoting the whole of his or her time, attention and skill during normal business hours and at other times as reasonably necessary, to the duties of the office;
- managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
- being accountable for planning, co-ordinating and directing the operations of the Company;
- promoting the interests of the Company; and
- faithfully and diligently performing the duties and exercise the powers consistent with the position of a Managing Director of the Company and assigned by the Board.

In carrying out his or her responsibilities, the Managing Director:

- reports directly to the Board;
- provides prompt and full information to the Board regarding the conduct of the business of the Company;

- ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results; and

- complies with reasonable directions given by the Board.

3.4 Company Secretary

The Company Secretary supports the effectiveness of the Board. Specifically, the Company Secretary is responsible for:

- advising and supporting the Chairperson and the Board in relation to the management of the day-to-day governance framework of the Company and Board committees;

- monitoring compliance by the Board and its committees with applicable policies and charters;

- completing and despatching Board agendas and papers in a timely manner; and

- assisting with all matters related to the proper functioning of the Board, including advising on governance matters and arranging the induction and professional development of Directors.

The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.

3.5 Independence

The Board considers that Director will be "independent" if he or she:

- is a non-executive Director and who is not a member of the Company's day-to-day management team;

- is not, and has not within the last 3 years, been employed in an executive/employment capacity by the Company or another group member, and there has been a period of at least 3 years between ceasing such employment and serving on the Board;

- is not, and has not within the last 3 years been, a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;

- is not, and has not within the last 3 years, a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- does not have any material contractual relationship with the Company or another group member other than as a Director of the Company;

- does not have any close family ties with any person who fall within any of the categories described above; or

- has not been a Director of the entity for such a period that his or her independence may have been compromised.

The Board may determine that a Director's independence is not compromised notwithstanding that he or she has an interest, position, affiliation or relationship of the type described above, in which case the Company will disclose to the market details of the same, including an explanation of why the Board has come to such opinion.

The Company will disclose the names of those Directors that the Board considers to be independent and each Director's length of service with the Company.

If a Director's independent status changes, the Company will take reasonable steps to disclose such to the market in a timely manner.

3.6 Rotation

The Constitution of the Company does not specify a maximum term for which a Director may hold office.

In accordance with the Constitution, Directors (other than the Managing Director) must offer themselves for re-election by shareholders at least every 3 years.

4. Committees and delegation

While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it may establish committees to assist it in carrying out its responsibilities. The Board may delegate specific responsibilities to standing or ad hoc committees from time to time.

In this regard, the Board may approve charters setting out matters relevant to the composition, responsibilities and administration of such committees and other matters that the Board may consider appropriate.

The Board may establish the following committees:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

Pending establishment of these committees, the committee functions and responsibilities will be undertaken by the full Board.

The Board may not delegate its overall responsibility for the matters listed above. However, the responsibility for the day-to-day operation and administration of the Company may be delegated by the Board to the Managing Director.

The Board will ensure that the Managing Director and the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and any executive Directors.

While there is a clear division between the responsibilities of the Board and management of the Company, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval and monitoring of a strategic plan;
- approval of annual and semi-annual budgets and monitoring actual performance against budget; and
- procedures are in place to incorporate presentations at each Board meeting by financial, operations and marketing management, as appropriate.

5. Meetings

The Board will endeavour to meet for a minimum of 4 times in each financial year in order to appropriately discharge its responsibilities. The Board may convene additional meetings by following the procedure described in the Company's Constitution.

6. Management of conflicts

In the event of a conflict (including a conflict of duty and interest or a conflict of duties) or where a potential conflict may arise, involved Directors will, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter.

7. Independent professional advice

Each Director has the right to seek independent professional advice on matters relating to his or her position as a Director of the Company at the Company's expense, subject to the prior approval of the Chairperson, which shall not be unreasonably withheld.

8. Review and publication of this Charter

The Board will review this Charter on a periodic basis, and may amend this Charter, to ensure that it is appropriate for the Company's business and operations, is up to date with applicable laws and regulations and appropriately reflects the Board's roles and responsibilities.

SCHEDULE "C"

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. Introduction

The Board of Directors (**Board**) of Hot Chili Limited (**Company**) has established the Audit and Risk Management Committee (**Committee**).

This document governs the composition, role and responsibilities of the Committee in conjunction with the Company's Constitution.

2. Objectives of the Committee

The primary objectives of the Committee are to assist the Board to discharge its obligations with respect to:

- the integrity and quality of interim and annual financial reporting and disclosures of the Company;
- the integrity of the external audit of the Company (as applicable);
- identification of key business, financial and regulatory risks relevant to the Company;
- updating and implementing the risk management framework for the Company;
- compliance by the Company with relevant laws, regulations, standards and codes; and
- the adequacy of the internal financial and risk management controls of the Company.

3. Responsibilities of the Committee

The responsibilities of the Committee are to assist the Board in performing the following functions:

3.1 Financial reporting

- Review the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Company's financial reporting.
- Oversee the financial reports and the results of the external audits of those reports.
- Assess whether external reporting is adequate for shareholder needs.
- Assess management processes supporting external reporting.
- Establish procedures for treatment of accounting complaints.
- Review the impact of any proposed changes in accounting policies on the financial statements.
- Review the half yearly and annual results and the reports and financial statements before they are released.
- Review quarterly activities and cash-flow reports before they are released.
- Ensure that, before the Board approves the Company's financial statements for a financial period, the Managing Director and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

3.2 External audit

- Recommend to the Board procedures for the selection and appointment of external auditors and for the rotation of external auditor partners.
- Review performance, succession plans and rotation of the auditor's lead engagement partner.
- Approve the external audit plan and fees proposed for audit work to be performed.
- Discuss any necessary recommendations to the Board for the approval of quarterly, half-yearly and annual reports.
- Review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto.
- Meet with the external auditors at least twice in each financial year and at any other time the Committee considers appropriate.
- Provide pre-approval of audit and non-audit services that are to be undertaken by the external auditor.
- Ensure adequate disclosure as may be required by law of the Committee's approval of all non-audit services provided by the external auditor.
- Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.
- Receive from the external auditor their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with the Corporations Act.
- Ensure that the external auditor attends the Company's annual general meeting and is available to answer questions from shareholders relevant to the audit.

3.3 Internal audit

- Monitor the need for a formal internal audit function and its scope.
- Assess the performance and objectivity of any internal audit procedures that may be in place.
- Review risk management and internal compliance procedures.
- Monitor the quality of the accounting function.
- Review the internal controls of the Company via consideration of any comments from the Company's internal and/or external auditors and/or commissioning an independent report on the Company's internal controls.

3.4 Risk management

- Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.
- Assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate).
- Review the Company's risk management framework at least annually to satisfy itself that it continues to be sound.

- Review reports by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

3.5 Other responsibilities

- Oversee the Company's environmental risk management and occupational health and safety processes.

- Oversee procedures for whistleblower protection.

- As contemplated by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, approve any deviation or waiver from the Company Code of Conduct to the extent that such deviation or waiver does not result in any breach of the law. Any such waiver or deviation will be promptly disclosed where required by applicable law.

- Monitor transactions between the Company and related-parties of the Company.

4. Powers and authority

4.1 Access

The Committee has rights of access to the Company's management and to the Company's books and records.

The Committee may meet and communicate with the Company's auditors (internal and external) without management present, for the purposes of performing its function under this document.

The Committee may request any Company records or other information it requires from any officers, employees, contractors or agents of the Company.

The Company's external auditor will have unlimited free access to members of the Audit Committee.

4.2 Enquiries and access to advice

The Committee has the power to conduct any enquiry or investigation relevant to its function under this document, including to interview any officers, employees, contractors or agents of the Company, and to seek explanations and additional information.

The Committee may engage appropriate independent experts, legal counsel or other professional advisors that it considers necessary at the cost of the Company.

4.3 Resources

The Committee may seek provision of educational information on topics relevant to the Company and the functions of the Committee, to assist in fulfilling the Committee's duties.

5. Reliance

The Committee may rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- an employee of the Company whom the Committee reasonably believes to be reliable and competent in relation to the matters concerned;

- an expert or professional advisor to the Company in relation to matters that the Committee reasonably believes to be within the person's expert or professional competence; or

- another Director or officer of the Company in relation to matters within the Director's or officer's authority.

6. Composition of the Committee

6.1 Members

The Committee will have at least 3 members who are to be appointed by the Board, provided that if the Board comprises less than 3 non-executive Directors, the Committee will be comprised of only 2 members who are non-executive Directors.

The members should, where practicable, having regard to the size, nature and scope of the Company's operations, consist of:

- non-executive Directors, at least one of whom is considered to be 'independent' for the purposes of the Board Charter;
- at least one member who has qualifications and experience relevant to the role and responsibilities of the Committee, such as having relevant experience or qualifications in accounting, audit or financial matters;
- at least one member who has relevant experience or an understanding of the industry in which the Company operates;
- persons who are able to read and understand company financial statements; and
- persons who have an appropriate level of understanding of the ASX Corporate Governance *Council's Corporate Governance Principles and Recommendations.*

6.2 Chair

The Committee should, where practicable, having regard to the size, nature and scope of the Company's operations, be chaired by a non-executive Director who is considered to be 'independent' for the purposes of the Board Charter (Committee Chair).

The Committee Chair should not be the chairperson of the Board.

6.3 Secretary

The Company Secretary will be the secretary of the Committee, unless the Board determines otherwise.

7. Meetings

7.1 Frequency

The Committee must meet at least twice each financial year and may meet at such other times as reasonably required to perform its responsibilities.

7.2 Calling a meeting

A member of the Committee may request that the Company Secretary call a meeting of the Committee.

The Company Secretary must give all members of the Committee notice of the time, date and location of a proposed meeting far in advance as possible.

The Company Secretary will prepare an agenda, meeting papers and explanatory documents for a meeting of the Committee and submit them to the Committee Chair for approval prior to circulating to the members before the meeting.

7.3 Attendance and quorum

Members of the Committee may attend meetings in person or using telecommunications technology.

The quorum for a meeting of the Committee is at least 2 members who must be present at the beginning of the meeting and at all times during the meeting.

Further, if any independent Directors are members of the Committee, at least one such Director must also be present for a quorum to be met.

7.4 Invitees

The Committee may invite any person to attend part or all of any meeting of the Committee as it considers appropriate.

Any Director may attend a meeting of the Committee as an invitee, unless the Committee Chair determines that it is not appropriate to do so.

Senior management of the Company (including the Company's Managing Director and Chief Financial Officer (if applicable)) may, from time to time, be invited to attend Committee meetings, if it is considered appropriate by the Committee.

The Committee may invite the Company's external auditors to attend a Committee meeting in relation to the Company's full-year or half-year financial statements and any other Committee meeting if the matters to be discussed are relevant to the auditors' functions, such as reviewing the audit plan, discussing audit results or considering audit findings.

7.5 Acting chair

If the Committee Chair is not present for a meeting of the Committee or any part of that meeting, the other members present must elect one member as the acting chair.

7.6 Decision making

Decisions of the Committee will be based on a majority of votes. The Committee Chair will have a casting vote if the votes for and against a resolution of the Committee are equal.

The Committee may pass any resolution or otherwise approve any matter without a meeting if the resolution or approval is recorded in writing and signed by all members, provided that Committee Chair determines it appropriate to do so.

7.7 Minutes

The Company Secretary will be responsible for taking minutes of each Committee meeting and circulating them to Committee members as soon as practicable after the close of each meeting.

The minutes and other documentation of the Committee (such as written resolutions) will, where possible, be included in the meeting papers for the next Board meeting after each Committee meeting.

8. Reporting to the Board and shareholders

The Committee should compile a report to the Board following each Committee meeting on the proceedings of the meeting, the outcomes of the Committee's reviews and recommendations, and any other relevant issues. The report must also include, at a minimum, all matters relevant to the Committee's role and responsibilities. This may include the following matters:

- assessment of whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;

- assessment of the management processes supporting external reporting;

- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;

- recommendations for the appointment or, if necessary, the removal of the external auditor;

- assessment of the performance and independence of the external auditors, including whether the Committee is satisfied that provision of any non-audit services by the external auditor of the Company has not compromised the auditor's independence; and

- the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks.

The Committee will provide the Board with advice and recommend regarding the appropriate material and disclosures to be included in the Company's Corporate Governance Statement under the ASX Listing Rules and the Operating and Financial Review of the Company's annual report which relate to the Company's audit and risk management policies and practices.

9. Non-audited/non-reviewed reports

If the Company proposes to release to the public any periodic corporate report that is not audited or reviewed by an external auditor, the Company will seek to:

- verify the integrity of such report before releasing it to the public; and

- when releasing the report to the public, disclose such verification process.

10. Declarations

When submitting the Company's financial statements for a financial period to the Board for review, the Committee will procure that the Managing Director and Chief Financial Officer of the Company (if any) provide the Board with a declaration that, in their opinion:

- the financial records of the Company have been properly maintained;

- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and

- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

11. Performance evaluation

The Committee will review its performance from time to time and whenever there are material changes to the management of the Company.

The performance evaluation will have regard to the extent to which the Company has met its responsibilities in terms of this document.

12. Corporate Group

In this document, a reference to the Company includes any 'related body corporate' (as defined in the *Corporations Act 2001* (Cth)) of the Company, as the context requires.

13. Review and publication of this Charter

The Board will review this Charter on a periodic basis, and may amend this Charter, to ensure the effectiveness of the Committee and the Committee's roles and responsibilities are consistent with laws and regulations.