hot chili limited

COPPER POWERING RENEWABLE ENERGY SYSTEMS

ANNUAL REPORT 2021

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2021 Key Highlights

OPERATIONAL

Costa Fuego Becomes a Leading Global Copper Development

- **Hot Chili's combined Costa Fuego project now ranks as one of the world's largest low-altitude, clean concentrate (no arsenic), copper-gold Mineral Resources not controlled by a major mining company**
- **The Cortadera maiden Mineral Resource takes the total Mineral Resource estimate for Costa Fuego to 724Mt at 0.48% copper equivalent (CuEq*) for 2.9Mt copper, 2.7Moz gold, 9.9Moz silver and 64kt molybdenum**
- **The Cortadera maiden Mineral Resource, is one of just two major global copper discoveries recorded in the world since 2016 (S&P Global) and comprises (+0.25% CuEq*) 451Mt at 0.46% CuEq*, including a higher grade component (+0.6% CuEq*) of 104Mt at 0.74% CuEq***

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

- **Fully funded 40,000m drill programme underway at the Cortadera copper-gold discovery in Chile, with three rigs in operation 24/7**
- **Step-out drilling confirms that the two largest porphyries (Cuerpo 2 and 3) join at depth, with several extensional drilling intersections returned post Cortadera 451Mt resource estimate**
- **Multiple additional high grade intersections have demonstrated strong continuity across northern flank of the Cuerpo 3 main porphyry, and potential for lateral expansion of high grade core at Cortadera, following eight world-class drill result returned from Cortadera**
- **On track to deliver a significant upgrade to Cortadera's 451Mt maiden resource in late 2021**

Pipeline of New Growth Targets Identified and Being Prepared for Drill Testing

- **4km long copper porphyry footprint named Santiago Z, secured just 5km south of Cortadera**
- **Exploration efforts (geochemical sampling and surface mapping), have identified and confirmed Santiago Z as a large-scale copper porphyry footprint which has never been drill tested**
- **First pass drill testing completed at Cortadera North "look-alike" porphyry target with anomalous silver returned**
- **Further exploration work programmes 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**

Costa Fuego Pre-Feasibility Study Commences

- **Excellent initial copper recoveries and compatible metallurgy from sulphide testwork confirm that all three of Costa Fuego's deposits (Cortadera, Productora and San Antonio) can be incorporated into one combined development**
- **Wood appointed as lead engineer for Costa Fuego Pre-Feasibility Study (PFS), aiming to create a globally significant, low altitude, clean concentrate, copper-gold project, which can leverage from a central processing and combined infrastructure approach**
- **Crucial water extraction rights granted for the Costa Fuego coastal copper development, securing a critical infrastructure requirement and sufficient water supply to support a large-scale conventional copper-gold operation**

* Reported at or above 0.25% CuEq.

** 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%.

CORPORATE

Strong Funding, Acquisition of Cortadera and Glencore Investment

- **The Company continued to be strongly supported by shareholders and new investors, raising $25.6 million during the reporting period**
- **The Company's recent $40 million capital raising (announced to ASX 6th August 2021) has secured the final payment for the 100% acquisition of Cortadera and the continued growth and development of Costa Fuego**
- **Glencore, one of the world's largest natural resource companies, becomes Hot Chili's largest shareholder at 9.99% through its strategic investment in the $40 million funding and adds representative Mr Mark Jamieson to the Board of Hot Chili**

Hot Chili Commences North American Listings - OTCQB & TSXV

- **Hot Chili commenced trading on the US-based OTCQB Venture Market under the Ticker symbol HHLKF (OTCQB: HHLKF) on 6th May 2021 as a first step towards enhancing the visibility and accessibility of Hot Chili to North American shareholders.**
- **Hot Chili has commenced the formal application process to list on the TSX Venture Exchange (TSXV) by the end of 2021, with the move to dual list in Canada considered a key step toward the future funding and development of Costa Fuego.**
- **The Canadian market has a proven track record in supporting large-scale exploration and development companies in the copper and gold space with the transformative dual listings from Equinox Minerals (C$7.3Bn takeover by Barrick Gold Corp) and Andean Resources Limited (C$3.6Bn takeover by Goldcorp Inc) the stand-outs.**
- **A TSXV dual listing would position Hot Chili favourably amongst its Canadian peers which trade at significantly higher valuation multiples and who control the other leading copper developments in South America such as Marimaca Copper Corp. (Chile, TSXV:MARI), Filo Mining Corp. (Argentina, TSXV:FIL), Solaris Resources Inc (Ecuador, TSX: SLS), Josemaria Resources Inc. (Chile, TSX: JOSE) and SolGold Plc (Ecuador, TSX: SOLG).**

VAT Refund Approval from Chilean Tax Authority and Strong Cash

- **VAT refund funds set to boost Hot Chili's annual cash position.**

1 Chairman's Letter

Dear Shareholder,

Hot Chili has remained steadfast in its vision to transform the Company into a major copper-gold producer. Central to this vision has been the consolidation of a large coastal region capable of hosting a Tier-1 copper endowment in the world's largest copper producing country – Chile.

Our journey feels like it has just begun, following a stunning period of exploration success which has catapulted Hot Chili to the largest copper developer on the ASX.

Two years ago, we executed a deal to buy a small private discovery named Cortadera located 14km from Productora copper-gold resource, and today we stand with 100% ownership of one of the most significant global copper discoveries of recent time and a new centrepiece to our Costa Fuego development.

The addition of Cortadera has tripled the company's resource base, which now stands at 724Mt for 2.9Mt copper and 2.7Moz gold. More exciting than that, is what Cost Fuego's resource base may become following another year of successful expansion drilling at Cortadera.

Against a challenging COVID backdrop, copper prices have surged and Hot Chili's talented and growing team have continued to drive the Company's work programmes forward. This work and the Company's growing stature amongst senior copper developers has been endorsed by one of the world's largest natural resource companies with Glencore taking a 9.99% stake in the Company this year.

Our team's grit and determination have built a rare opportunity to generate significant shareholder value at a very exciting time for the copper sector. We aimed high from the beginning and our move to dual list the Company in Canada continues our graduation toward production and catalysing our true value.

I look forward to another exciting year and would like to thank our people and shareholders for their ongoing support to make Hot Chili's vision a reality.

Murray Edward Black
Chairman

Hot Chili's combined Costa Fuego project now ranks as one of the world's largest low-altitude, clean concentrate (no arsenic), copper-gold Mineral Resources not controlled by a major mining company.

Costa Fuego Becomes a Leading Global Copper Development

2 Review of Operations

Costa Fuego Becomes a Leading Global Copper Development

In October 2020, Hot Chili announced a significant milestone– a maiden 451Mt resource for its world-class Cortadera copper-gold porphyry discovery in Chile.

The addition of Cortadera brings Costa Fuego's combined resource base to 724Mt grading 0.48% CuEq for 2.9Mt copper, 2.7Moz gold, 9.9Moz silver and 64kt molybdenum – ever closer to the Company's target of a Tier-1 copper resource (+5Mt copper).

The Cortadera maiden mineral resource estimate, compares favourably with the only other significant new copper discovery announced globally since 2016 (source S&P Global Market Intelligence, Wood August 2020) – 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 28th July 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 451Mt at 0.46% copper equivalent (CuEq) takes the total Mineral Resource estimate for Costa Fuego to 724Mt at 0.48% CuEq for 2.9Mt copper, 2.7Moz gold, 9.9Moz Silver and 64kt molybdenum.
- The Cortadera maiden Mineral Resource includes a 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, and the high grade core has the potential to grow significantly with further drilling, representing a potential large underground development opportunity.

Tables 1 and 2 outline the maiden Cortadera Mineral Resource estimate, the re-stated Productora Mineral Resource estimate and the Global Mineral Resource for the combined Costa Fuego project, respectively.

For further details on the Cortadera Mineral Resource Estimate refer to ASX release "Costa Fuego Becomes a Leading Global Copper Project" (12th October 2020).

Table 1 Independent JORC Code Cortadera Mineral Resource

Cortadera Resource		Grade					Contained Metal				
Classification (+0.25% CuEq*)	Tonnage (Mt)	CuEq (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Indicated	183	0.49	0.40	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	935,500	1,022,000	5,633,000	19,400
Total	**451**	**0.46**	**0.37**	**0.13**	**0.7**	**61**	**2,086,000**	**1,663,000**	**1,911,000**	**9,860,000**	**27,300**

Reported at or above 0.25% CuEq*. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with the JORC Code - Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. 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 Cortadera (Inferred + Indicated), the average Metallurgical Recoveries were: Cu=83%, Au=56%, Mo=82%, and Ag=37%.

Table 2 Independent JORC Code Costa Fuego Combined Mineral Resource

Costa Fuego Combined Resource			Grade					Contained Metal				
Deposit	Classification (+0.25% CuEq*)	Tonnage (Mt)	CuEq (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (ppm)	Copper Eq (tonnes)	Copper (tonnes)	Gold (ounces)	Silver (ounces)	Molybdenum (tonnes)
Cortadera	Indicated	183	0.49	0.40	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	935,500	1,022,000	5,633,000	19,400
	Sub Total	***451***	***0.46***	***0.37***	***0.13***	***0.7***	***61***	***2,086,000***	***1,663,000***	***1,911,000***	***9,860,000***	***27,300***
Productora	Indicated	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	255,500	167,000	-	7,200
	Sub Total	***273***	***0.52***	***0.44***	***0.09***		***133***	***1,417,000***	***1,215,000***	***810,000***	***-***	***36,400***
Costa Fuego (Combined)	Indicated	391	0.52	0.43	0.12		95	2,027,000	1,688,000	1,533,000	-	37,000
	Inferred	334	0.44	0.36	0.11		80	1.476,000	1,191,000	1,189,000	-	26,700
	Total	***724***	***0.48***	***0.40***	***0.12***	***0.7*****	***88***	***3,503,000***	***2,879,000***	***2,722,000***	***9,860,000***	***63,700***

Reported at or above 0.25% CuEq*. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with the JORC Code - Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. 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 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%.

** Note: Silver (Ag) is only present within the Cortadera Mineral Resource estimate

NB. Costa Fuego is Hot Chili's central development hub which combines the Productora, Cortadera & El Fuego (San Antonio, Valentina and Santiago Z) projects

Cortadera's high grade core has delivered eight world-class drilling intersections since it was discovered by Hot Chili in August 2020.

2 Review of Operations (cont'd)

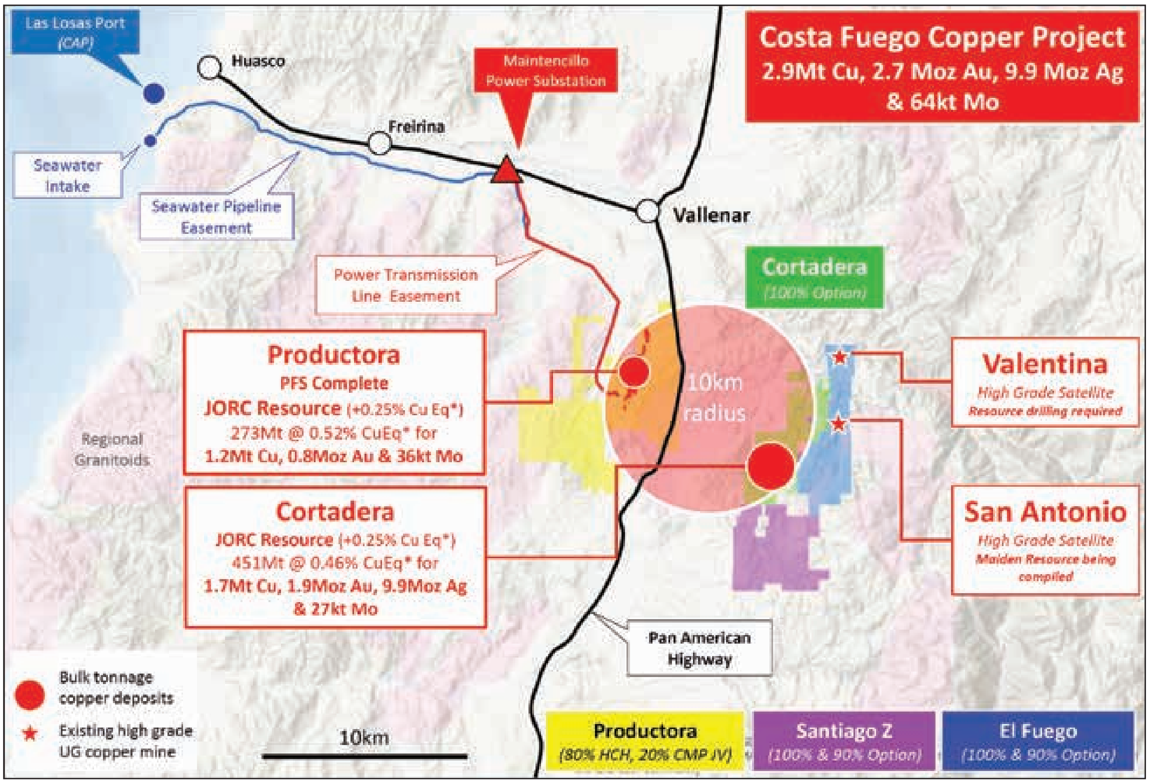


Figure 1 Location and infrastructure of the Costa Fuego copper project, located along the Chilean coastal range 600km north of Santiago

Refer to ASX Announcement "Costa Fuego Becomes a Leading Global Copper Project" (12th October 2020) for JORC Table 1 information related to the Cortadera JORC compliant Mineral Resource estimate by Wood and the Productora re-stated JORC compliant Mineral Resource estimate by AMC Consultants

* 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%.

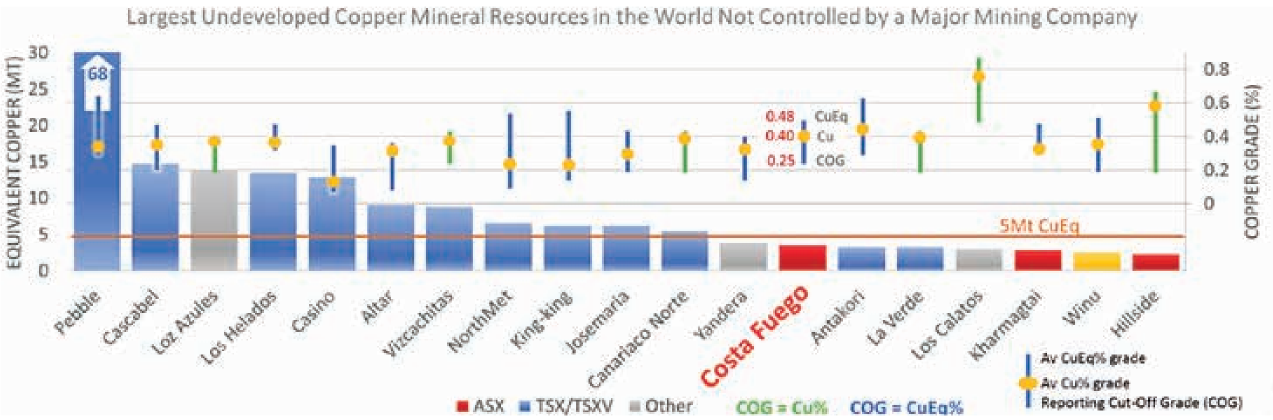
** Reported on a 100% Basis - combining Cortadera and Productora Mineral Resources using a +0.25% CuEq reporting cut-off grade

The addition of the maiden Cortadera mineral resource estimate positions Costa Fuego favourably amongst the largest undeveloped copper Mineral Resources in the world not controlled by a major mining company, as outlined in Table 3 and Figure 2.

Table 3 Largest Copper Resources in the World Not Controlled by a Major Mining Company (except Winu)

Rank	Project	Company	Country	Stock Exchange	Contained CuEq Metal (Mt)	Average CuEq Grade (%)	Average Cu Grade (%)	Cut-off Grade (%)	Cut-off Grade Basis	Surface Elevation (masl)
1	Pebble	Northern Dynasty	USA	TSX	68.3	0.63	0.34	0.3	CuEq	305
2	**Cascabel**	**SolGold**	**Ecuador**	**LSE/TSX**	**14.7**	**0.46**	**0.35**	**0.21**	**CuEq**	**1100**
3	Loz Azules	McEwen Mining	Argentina	NYSE	13.9	0.38	0.37	0.2	Cu	3775
4	Los Helados	NGEx Resources	Chile	TSXV	13.5	0.46	0.36	0.33	CuEq	3400
5	Casino	Western Copper	Canada	TSX	12.8	0.33	0.13	0.08	CuEq	1300
6	Altar	Aldebaran Res.	Argentina	TSXV	9.1	0.35	0.31	0.09	CuEq	3400
7	Vizcachitas	Los Andes Copper	Chile	TSXV	8.7	0.42	0.37	0.25	Cu	2000
8	NorthMet	PolyMet Mining	USA	TSX	6.5	0.52	0.23	0.1	CuEq	488
9	King-king	St Augustine Gold	Phillippines	TSX	6.2	0.54	0.23	0.15	CuEq	600
10	Josemaria	Josemaria Res.	Argentina	TSX	6.2	0.42	0.29	0.2	CuEq	4180
11	Canariaco Norte	Cadente Copper	Peru	TSX	5.5	0.42	0.39	0.2	Cu	3000
12	Yandera	Era Resources	PNG	Private	3.7	0.38	0.32	0.15	CuEq	2000
13	**Costa Fuego**	**Hot Chili Limited**	**Chile**	**ASX**	**3.5**	**0.48**	**0.4**	**0.25**	**CuEq**	**800**
14	Antakori	Regulus Resources	Peru	TSXV	3.2	0.61	0.44	0.3	CuEq	3800
15	La Verde	Solaris Resources Inc	PNG	TSXV	3.2	0.42	0.39	0.2	Cu	700
16	Los Calatos	CD Capital NR	Peru	Corporate	3.0	0.86	0.76	0.5	Cu	3000
17	Kharmagtai	Xanadu Mines Ltd	Mongolia	ASX/TSX	2.8	0.46	0.32	0.3	CuEq	1300
18	**Winu**	**Rio Tinto**	**Australia**	**ASX, LSE, NYSE**	**2.5**	**0.5**	**0.35**	**0.2**	**CuEq**	**240**
19	Hillside	Rex Minerals	Australia	ASX	2.2	0.66	0.58	0.2	Cu	50

All projects selected only include those not controlled by a major mining company (except Winu) who have stated 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.



All projects selected only include those not controlled by a major mining company (other than Winu) who have stated 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 Appendix 1.

Figure 2 Costa Fuego ranks as one of the largest copper Mineral Resources in the world not controlled by a major mining company, and is also one of the few undeveloped large copper resources that is both low-altitude and with no arsenic impurity

2 Review of Operations (cont'd)

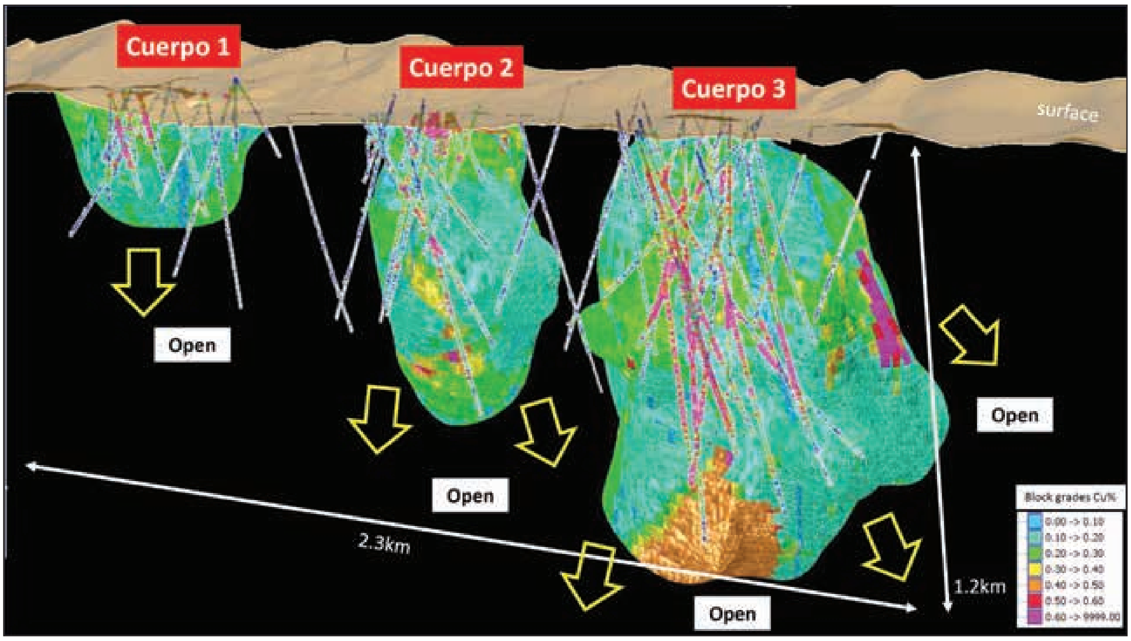


Figure 3 outlines the extent, morphology, and areas of open extensional potential across the Cortadera Mineral Resource estimate.

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 Reverse Circulation (RC) and Diamond (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 4, and all significant intercepts are recorded in Table 5.

Drilling and other field activities adhered to strict safety protocols, allowing operations to continue relatively seamlessly during the pandemic.

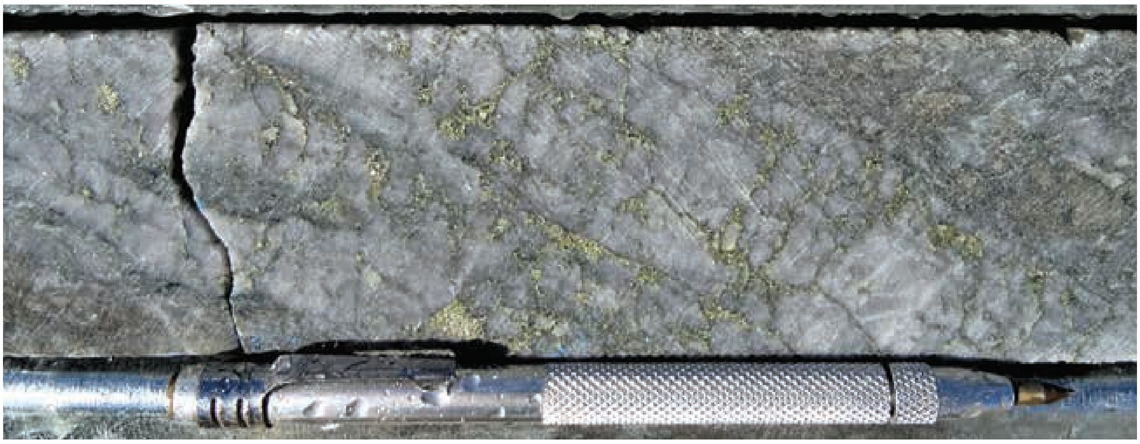
2 Review of Operations (cont'd)

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.



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

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 copper-gold resource 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)**

2 Review of Operations (cont'd)

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.

While, no significant results have been recorded so far, the Company is encouraged by broad results of pathfinder elements being recorded, such as 124m grading 1.3g/t silver from 92m depth down-hole in drill hole CRP0079.

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.

The third phase of drilling at Cortadera North has been postponed due to drill rig prioritisation for RC pre-collar drilling at Cortadera, and will be recommenced later in 2021.

Exploration by Hot Chili across Santiago Z has confirmed that the 4km-long soil molybdenum anomaly is associated with a zone of hydrothermal brecciation.

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

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

A review of historical geophysical datasets across Santiago Z is underway ahead of planning a programme of extensional soil geochemistry and detailed mapping in advance of first-pass drilling later in 2021. Further detailed mapping will focus across the corridor of hydrothermal brecciation and identified porphyries.

2 Review of Operations (cont'd)

Pipeline of New Growth Targets Identified and Being Prepared for Drill Testing

Exploration workstreams during the period have included expanded surface geochemical surveys, detailed surface mapping, completion of ground magnetic surveys and the Company's first-ever application of advanced three-dimensional (3D) geochemical targeting.

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 copper-gold development hub in Chile.

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 – 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.

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 copper-gold development hub in Chile.

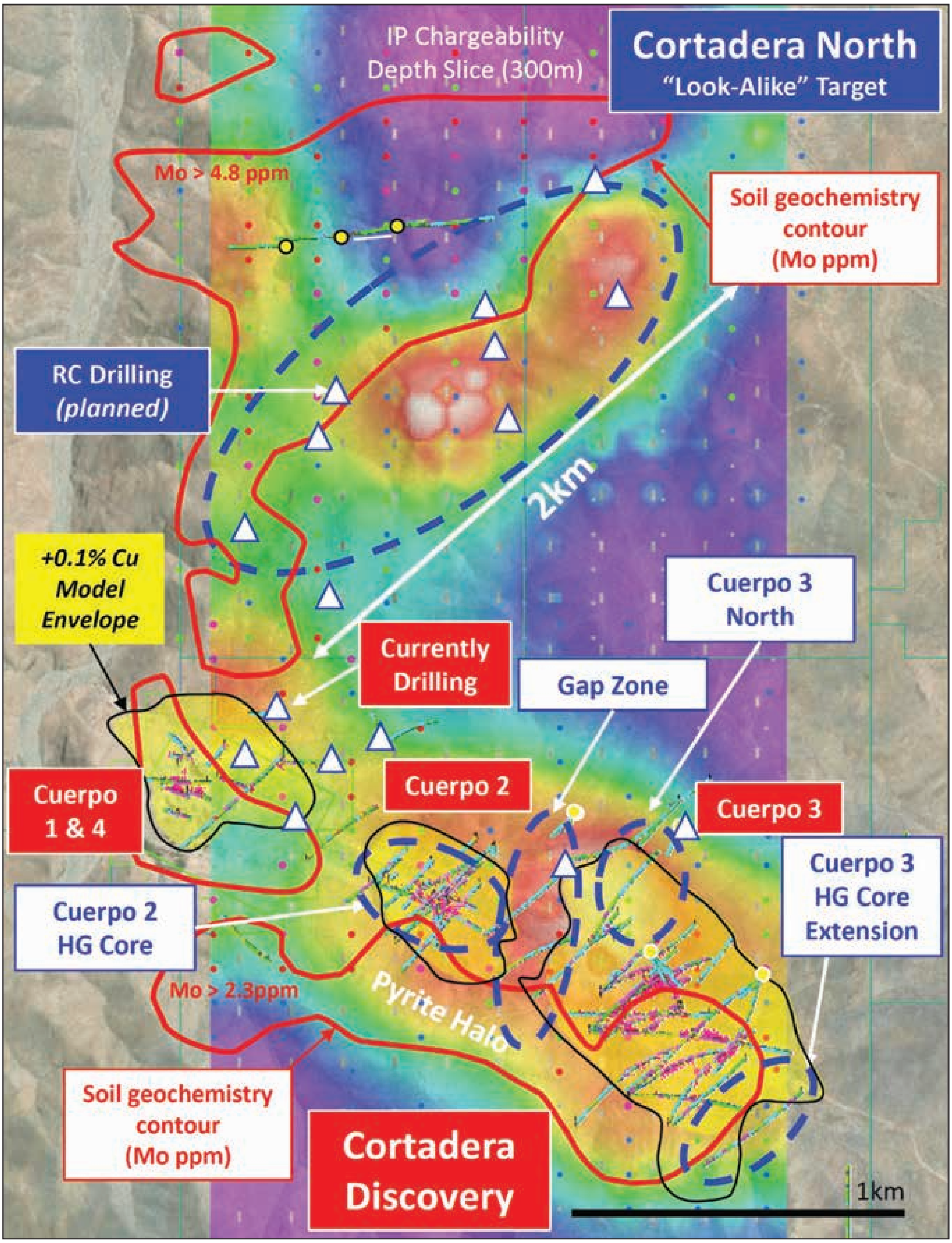


Figure 4. Plan view displaying the location of the Cortadera discovery zone in relation to the Cortadera North target. The plan displays the location of Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu) in relation to surface molybdenum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

2 Review of Operations (cont'd)

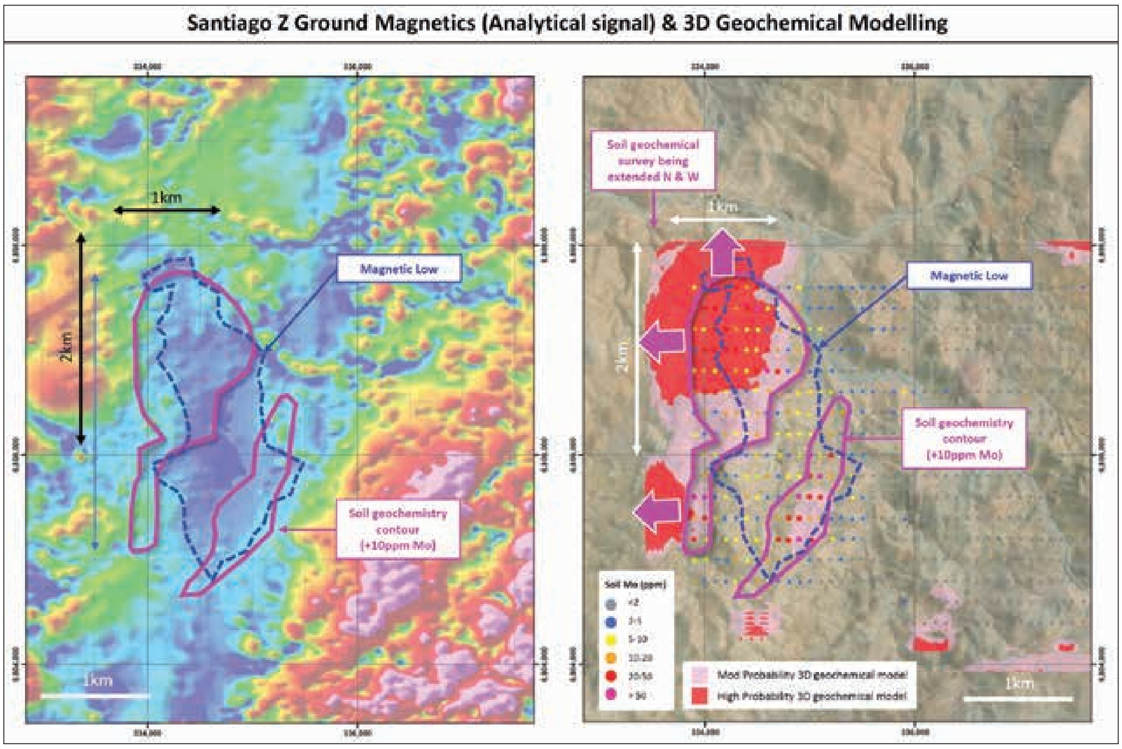


Figure 5. Plan views displaying recently acquired ground magnetic survey in addition to 3D Geochemical Modelling of surface geochemistry across the Santiago Z surface molybdenum anomaly. Correlation of surface geochemistry, mapping, magnetics and 3D geochemical modelling outlines a compelling large-scale target for first-pass drill testing. Santiago Z is located approximately 5km south of Cortadera

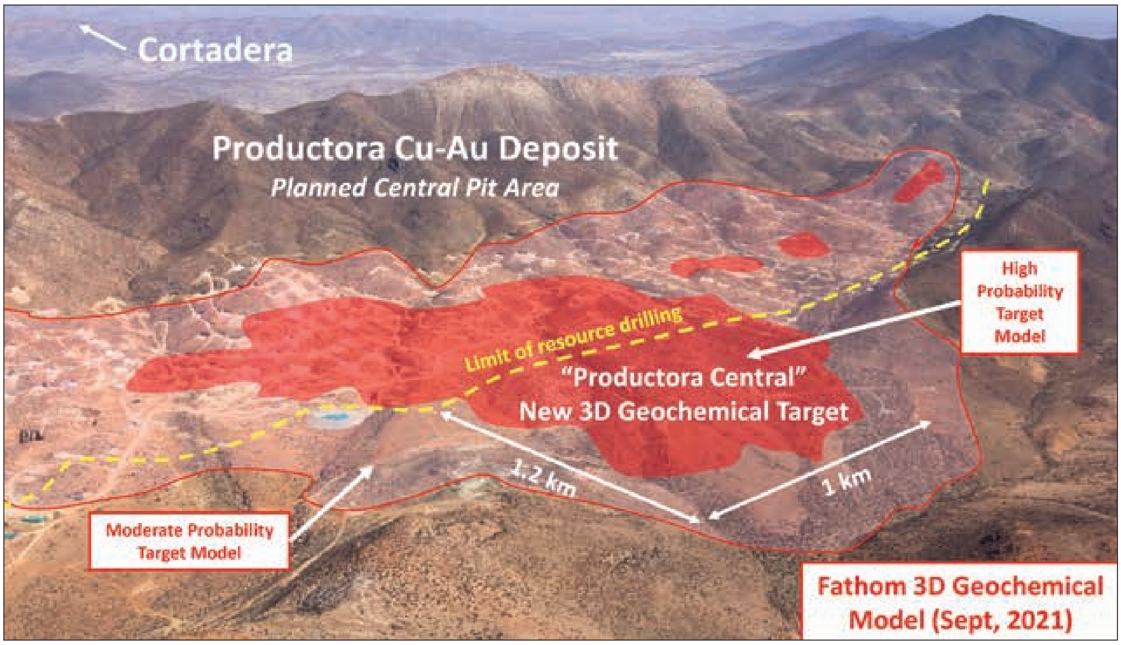


Figure 6. View looking SE across Productora – New, large 3D geochemical target set to be drilled in Q4 2021

Costa Fuego Pre-feasibility Study Commences

The Costa Fuego Pre-feasibility Study (PFS) commenced in June 2021. It aims to transform the Company's 2016 Productora PFS to create a globally significant, low altitude, clean concentrate, copper-gold project, which can leverage from a central processing and combined infrastructure approach.

Wood has been appointed 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 inhouse capability over the whole project life cycle of mining & mineral developments.

With the addition of Cortadera, located just 14 km from Productora, the resource base of the combined project has effectively tripled and expected to grow- currently 724Mt grading 0.48% CuEq for 2.9Mt contained copper and 2.7Moz gold. Costa Fuego is expected to capture significant option-value through sequencing of deposit extraction.

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 PFS benefits 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 PFS will consider a concentrator and leach throughput range of 20Mtpa to 30Mtpa and is expected to be complete in Q3 2022.

2 Review of Operations (cont'd)

Initial Metallurgy Supports Combined Development Approach for Costa Fuego

Excellent initial copper recoveries and compatible metallurgy from sulphide testwork confirm that all three of Costa Fuego'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 Costa Fuego as a clean-concentrate combined copper 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 copper development.

Water Rights Secured for Costa Fuego Copper-Gold Super Hub

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

Following a rigorous seven-year application process, Hot Chili is now one of the few copper 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.

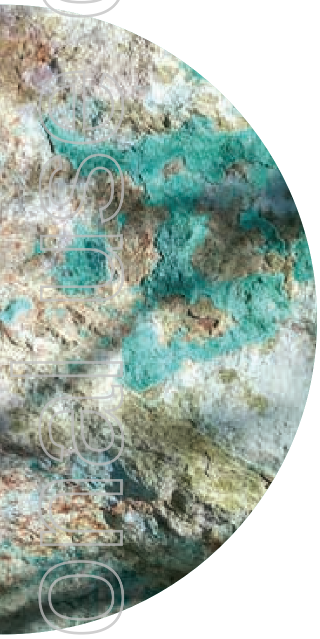
The water rights represent a major step forward in establishing an infrastructure-ready major coastal copper development which can leverage from a central processing and combined infrastructure approach.

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 Costa Fuego 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 development.

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 Costa Fuego.

Productora's current resource of 273Mt grading 0.44% Cu and 0.09g/t Au supports a bulk tonnage open pit ore reserve estimate of 166.9Mt 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.

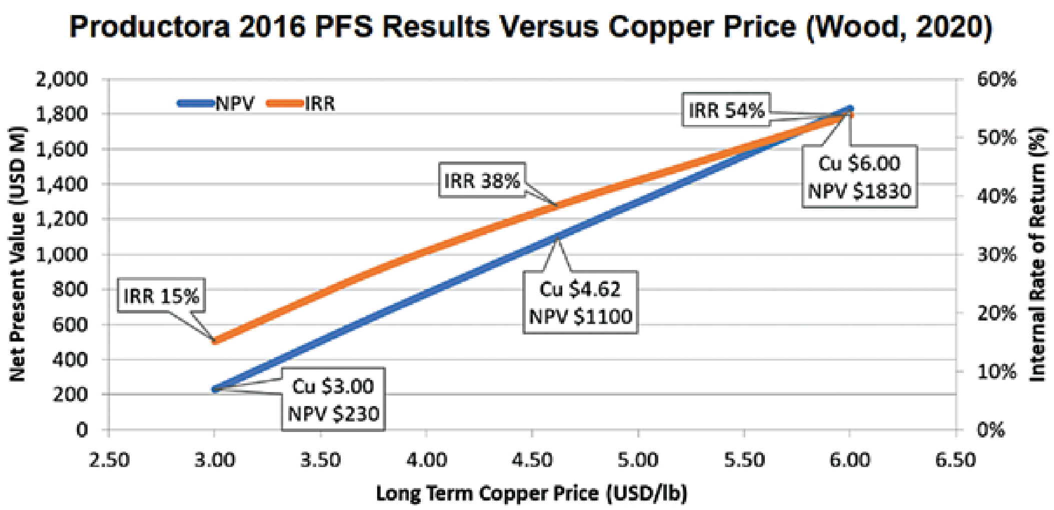
Structural analysis and mapping suggest the additional zones are high grade (+0.4% Cu) short range breccias which exist within the current drill density at Santa Innes.

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 Costa Fuego.

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 PFS. These items are considered significant potential value levers for the project.



Refer to "Hot Chili Delivers PFS and Near-Doubles Reserves at Productora", 2nd March 2016. 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 USD/oz Au (increased 300 USD/oz), Mo = 12.00 USD/lb Mo (decreased 2.00 USD/lb), Foreign Exchange CLP:USD was adjusted from 690 CLP : 1 USD to 719 CLP : 1 USD (the average FX rate for YTD according to S&P Global, increased 4%)

Figure 7. Productora 2016 PFS Results (NPV & IRR) Versus Copper Price (Wood, 2020)

2 Review of Operations (cont'd)

Productora Lease Mining & Processing Agreement with ENAMI Expanded

Hot Chili, through its Chilean subsidiary company Sociedad Minera El Aguila SpA (SMEA), 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.

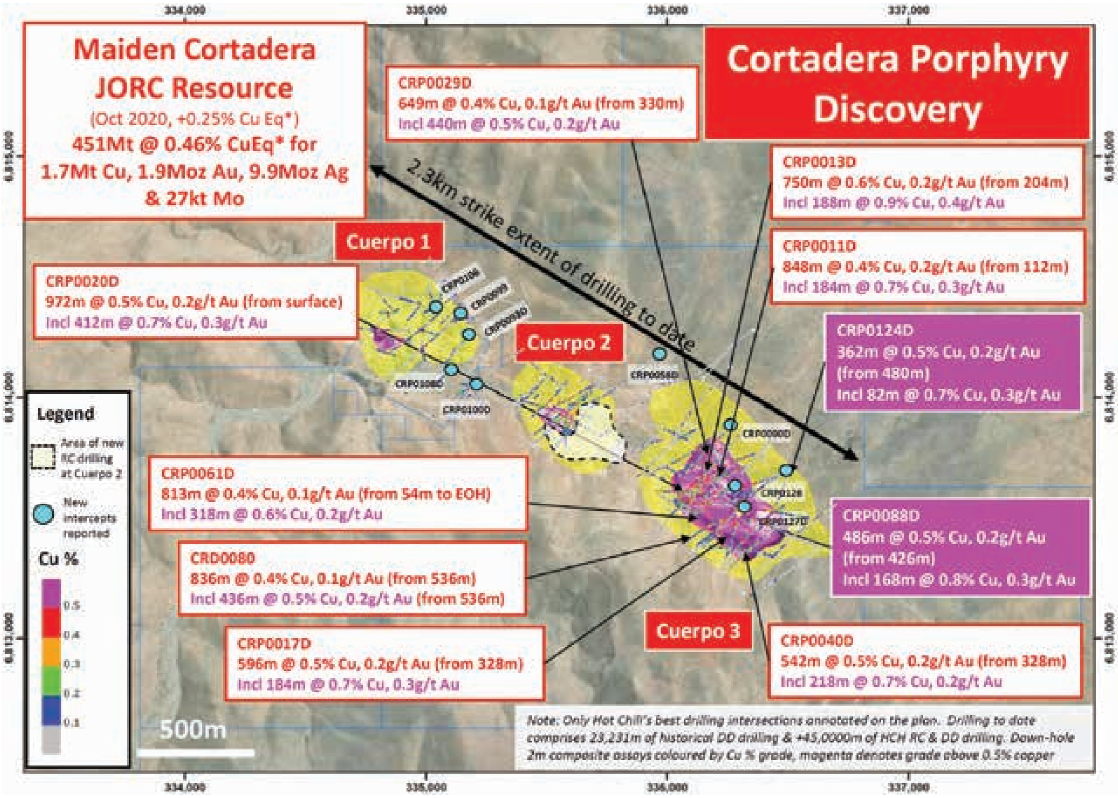


Figure 8. Plan view across the Cortadera discovery area displaying significant historical copper-gold DD intersections across Cuerpo 1, 2, 3 and 4 tonalitic porphyry intrusive centres (represented by modelled copper envelopes, yellow- +0.1% Cu and magenta +0.4% Cu). Note the selected HCH drilling intersections (white) and the new result reported from CRP0088D and CRP0124D (magenta)

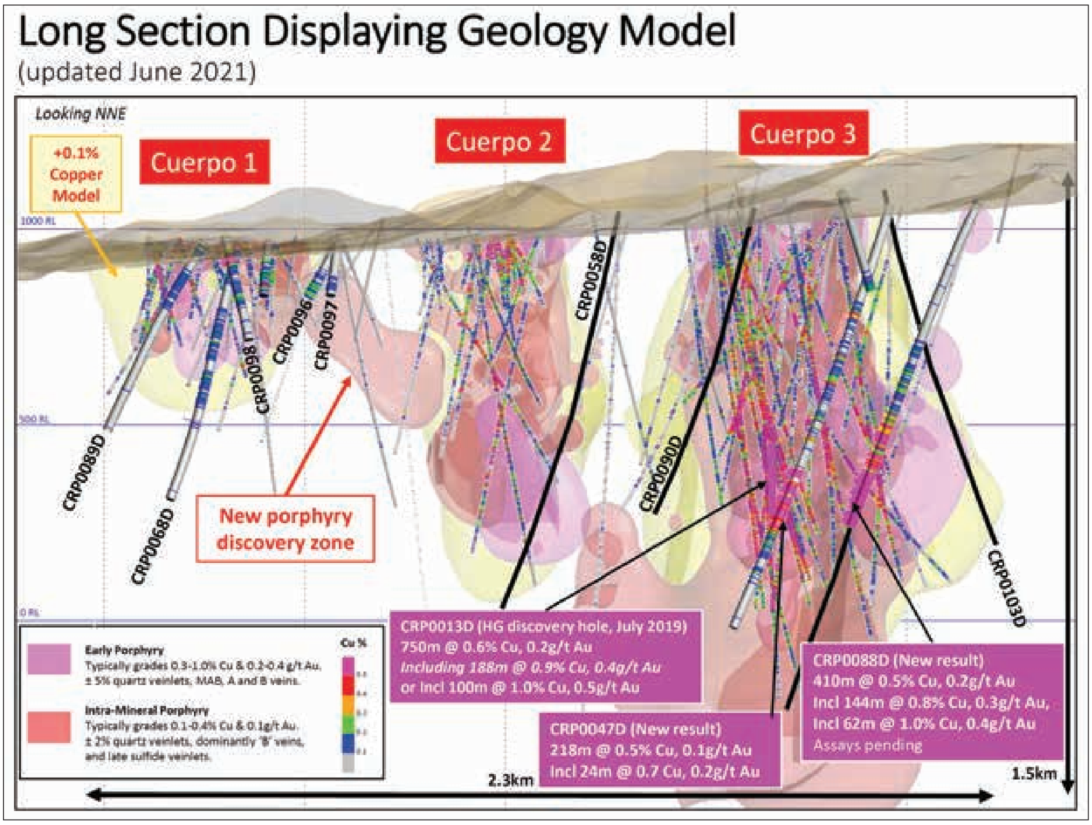


Figure 9. Long Section displaying the location of CRP0088D and CRP0047D in relation to the Cortadera copper-gold discovery window. A new shallow porphyry zone confirms that all of Cortadera's porphyries join across 2.3km strike length. Results are pending for CRP0090D, CRP00103D and CRP0058D

2 Review of Operations (cont'd)

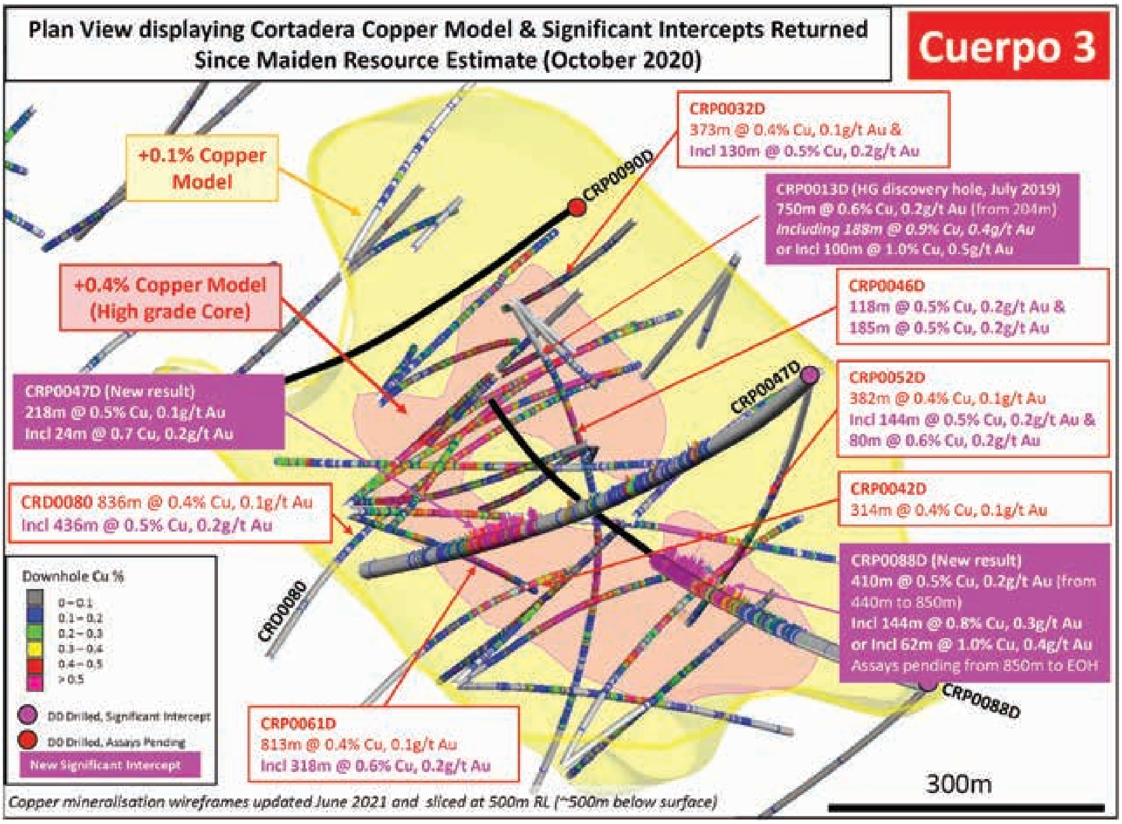


Figure 10. Plan view across the Cortadera discovery area displaying significant copper-gold DD intersections across Cuerpo 3 since the October 2020 resource estimate. The plan view displays the Mineral Resource extents (represented by modelled copper envelope, yellow- +0.1% Cu). Note the new result reported from CRP0088D and CRP0047D (Magenta collar) as well as the location of CRP0090D which is pending assay results (black traces, red collars)

Step-out drilling confirms that the two largest porphyries (Cuerpo 2 and 3) oin at depth, with several extensional drilling intersections returned post Cortadera 451Mt resource estimate.

Table 4 Significant Drill Results Reported in 2021

Hole_ID	Coordinates (WGS84)			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)
CRP0016D	6,813,617	336,264	1028	247	-60	652	106	240	134	0.4	0.2	0.8	19	0.48
	including						**178**	**220**	**42**	**0.6**	**0.3**	**1.0**	**28**	**0.71**
							360	610	250	0.5	0.2	0.7	61	0.60
	including						**392**	**582**	**190**	**0.6**	**0.2**	**0.9**	**58**	**0.68**
CRP0042D	6,813,273	335,968	1106	40	-62	943	616	930	314	0.4	0.1	0.3	213	0.48
CRP0032D	6,813,851	336,312	1057	224	-70	1021	648	1021	373	0.4	0.1	0.7	116	0.48
	including						**676**	**806**	**130**	**0.5**	**0.2**	**0.9**	**165**	**0.64**
CRP0041D	6,814,214	336,267	1079	221	-60	890	574	602	28	0.2	0.1	1.1	5	0.27
CRP0053D	6,814,075	335,726	997	240	-70	844	230	844	614	0.3	0.1	0.6	41	0.31
	including						**446**	**694**	**248**	**0.4**	**0.1**	**0.8**	**15**	**0.43**
	including						**502**	**534**	**32**	**0.6**	**0.3**	**1.5**	**10**	**0.69**
	including						**634**	**658**	**24**	**0.6**	**0.2**	**1.7**	**3**	**0.69**
CRP0052D	6,813,690	336,496	1051	195	-70	1036	524	906	382	0.4	0.1	1.1	229	0.50
	including						**646**	**790**	**144**	**0.5**	**0.2**	**2.3**	**229**	**0.68**
	including						**654**	**734**	**80**	**0.6**	**0.2**	**0.9**	**246**	**0.74**
CRP0061D	6,813,542	336,010	1027	109	-77	867	54	867	813	0.4	0.1	0.7	72	0.44
	Including						**440**	**758**	**318**	**0.6**	**0.2**	**1.0**	**89**	**0.68**
CRP0046D	6,813,763	336,183	1026	147	-60	1101	248	362	114	0.5	0.2	0.7	17	0.54
							568	753	185	0.5	0.2	0.9	41	0.57
CRP0063	6,814,476	335,088	969	272	-61	132	58	70	12	0.5	0.0	2.9	30	0.52
CRP0064	6,814,470	335,080	968	271	-60	171	60	74	14	0.4	0.0	2.3	38	0.40
CRP0068	6,814,345	335,029	960	226	-61	324	0	22	22	0.5	0.1	0.9	26	0.53
CRP0069	6,814,338	335,031	960	0	-60	296	0	62	62	0.3	0.1	31.4	1	0.40
CRP0074	6,814,337	334,950	950	71	-58	120	0	104	104	0.2	0.0	30.2	1	0.32
CRP0075	6,814,295	335,031	955	41	-59	120	0	36	36	0.4	0.1	0.9	27	0.44
	Including						**24**	**34**	**10**	**0.7**	**0.2**	**1.8**	**46**	**0.79**
CRP0079	6,815,374	335,273	1062	39	-59	468	92	216	124	0.0	0.0	1.3	4	0.01
CRD0080	6,813,391	335,926	1093	35	-70	1474	536	1372	836	0.4	0.1	0.8	109	0.5
	including						**536**	**972**	**436**	**0.5**	**0.2**	**0.9**	**154**	**0.6**
CRP0047D	6,813,692	336,497	1050	227	-60	1149	282	326	44	0.3	0.1	0.4	40	0.3
							414	426	12	0.3	0.1	0.3	29	0.4
							470	492	22	0.3	0.1	0.4	20	0.3
							576	588	12	0.3	0.2	0.6	23	0.4
							632	646	14	0.4	0.2	0.7	10	0.5
							720	938	218	0.5	0.1	0.8	147	0.6
	including						**720**	**744**	**24**	**0.7**	**0.2**	**1.2**	**74**	**0.8**
	including						**756**	**890**	**134**	**0.6**	**0.2**	**1.0**	**177**	**0.7**
CRP0068D	6,814,344	335,030	955	225	-61	679	0	22	22	0.5	0.1	0.9	26	0.5
CRP0088D	6,813,365	336,621	1060	286	-63	1434	426	912	486	0.5	0.2	0.8	77	0.6
	including						**682**	**850**	**168**	**0.8**	**0.3**	**1.4**	**109**	**1**
	or including						**714**	**830**	**116**	**0.9**	**0.3**	**1.5**	**130**	**1.1**
	or including						**718**	**780**	**62**	**1**	**0.4**	**1.6**	**96**	**1.2**
CRP0091	6,814,199	335,058	962	27	-69	106	0	14	14	0.4	0.1	0.8	6	0.4
							76	106	30	0.3	0.1	0.3	83	0.3
CRP0094	6,814,200	335,059	962	209	-60	150	2	12	10	0.5	0.1	0.9	4	0.5
CRP0098	6,814,226	334,956	975	174	-60	282	40	96	56	0.4	0.1	1.0	17	0.5
	including						**56**	**76**	**20**	**0.7**	**0.2**	**1.6**	**7**	**0.7**

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.

Table 5 Details of all Drillholes Completed at Cortadera in 2021

Hole ID	Coordinates (WGS84)			Hole Depth	Azimuth	Dip	Prospect
	East	North	RL				
CRD0080	335,926	6,813,391	1,093	1,474	35	-70	Cuerpo 3
CRP0016D	336,264	6,813,617	1,028	652	247	-60	Cuerpo 3
CRP0041D	336,267	6,814,214	1,079	890	221	-60	Cuerpo 3
CRP0044	336,180	6,813,770	1,026	168	132	-60	Cuerpo 3
CRP0045D	336,184	6,813,767	1,025	270	139	-60	Cuerpo 3
CRP0046D	336,183	6,813,763	1,026	1,101	148	-60	Cuerpo 3
CRP0047D	336,497	6,813,692	1,050	1,149	230	-60	Cuerpo 3
CRP0048	335,680	6,814,111	1,003	270	223	-69	Cuerpo 2
CRP0049	335,728	6,814,080	997	96	194	-70	Cuerpo 2
CRP0050	336,356	6,814,278	1,130	366	233	-64	Cuerpo 3
CRP0052D	336,499	6,813,698	1,050	1,036	195	-70	Cuerpo 3
CRP0053D	335,729	6,814,076	997	844	238	-71	Cuerpo 2
CRP0054	335,277	6,815,862	966	366	265	-59	Cortadera North
CRP0055	335,442	6,815,886	987	504	87	-60	Cortadera North
CRP0056	335,280	6,815,862	966	500	85	-59	Cortadera North
CRP0057	335,117	6,815,822	956	318	267	-59	Cortadera North
CRP0058D	335,957	6,814,177	1,032	1,163	223	-66	Cuerpo 2
CRP0059	336,248	6,814,120	1,122	192	200	-68	Cuerpo 2-3 Gap Zone
CRP0060	335,959	6,814,172	1,040	132	200	-68	Cuerpo 2-3 Gap Zone
CRP0061D	336,010	6,813,542	1,027	867	110	-77	Cuerpo 3
CRP0062D	335,958	6,814,175	1,031	1,462	200	-73	Cuerpo 2-3 Gap Zone
CRP0063	335,088	6,814,476	969	132	272	-60	Cuerpo 1
CRP0064	335,085	6,814,468	968	171	271	-60	Cuerpo 1
CRP0065	335,082	6,814,472	968	315	316	-60	Cuerpo 1
CRP0066	335,091	6,814,469	968	48	90	-70	Cuerpo 1
CRP0067	335,092	6,814,471	968	66	88	-70	Cuerpo 1
CRP0068D	335,033	6,814,334	960	679	226	-60	Cuerpo 1
CRP0069	335,031	6,814,338	960	296	0	-60	Cuerpo 1
CRP0070	335,270	6,814,297	974	108	212	-58	Cuerpo 1
CRP0071	335,271	6,814,297	974	312	70	-60	Cuerpo 4
CRP0072	335,404	6,814,368	1,015	314	280	-60	Cuerpo 4
CRP0073	335,241	6,814,165	958	93	57	-60	Cuerpo 4
CRP0074	334,950	6,814,337	950	120	71	-58	Cuerpo 1
CRP0075	335,030	6,814,281	955	120	40	-59	Cuerpo 1
CRP0076	335,054	6,814,380	955	126	49	-59	Cuerpo 1
CRP0077	335,148	6,814,249	971	168	0	-60	Cuerpo 1
CRP0078	336,421	6,813,811	1,080	250	205	-62	Cuerpo 3
CRP0079	335,273	6,815,374	1,062	468	40	-59	Cortadera North
CRP0081	335,262	6,815,370	1,062	360	240	-60	Cortadera North
CRP0082	335,668	6,815,573	1,050	414	249	-61	Cortadera North
CRP0083	335,665	6,815,575	1,050	516	300	-60	Cortadera North

Hole ID	Coordinates (WGS84)			Hole Depth	Azimuth	Dip	Prospect
	East	North	RL				
CRP0084	335,670	6,815,578	1,050	500	0	-60	Cortadera North
CRP0085	335,270	6,815,380	1,062	486	310	-60	Cortadera North
CRP0086	335,200	6,815,170	1,101	300	270	-60	Cortadera North
CRP0087	336,621	6,813,365	1,060	120	295	-63	Cuerpo 3
CRP0088D	336,621	6,813,365	1,060	1434.4	286	-63	Cuerpo 3
CRP0089D	334,950	6,814,376	984	508	280	-60	Cuerpo 1
CRP0090D	336,247	6,813,873	1,059	999	230	-65	Cuerpo 3
CRP0091	335,059	6,814,200	962	120	30	-70	Cuerpo 1
CRP0092D	335,147	6,814,255	972	106	210	-75	Cuerpo 1
CRP0093	336,235	6,813,275	1,083	270	48	-59	Cuerpo 3
CRP0094	335,083	6,814,175	963.4343	150	209	-60	Cuerpo 1 south
CRP0095	335,238	6,814,170	957.0982	177	251	-60	Cuerpo 1 south
CRP0096	335,186	6,814,041	954.68	148	271	-60	Cuerpo 1 south
CRP0097	335,182	6,814,039	965.251	138	210	-61	Cuerpo 1 south
CRP0098	334,954	6,814,233	974.2872	282	174	-60	Cuerpo 1 south
CRP0099	335,110	6,814,342	960.4399	84	201	-61	Cuerpo 1 south
CRP0100D	335,183	6,814,041	965.2685	438.6	239	-70	Cuerpo 1 south
CRP0101	335,082	6,813,751	974.0505	72	39	-60	Cuerpo 1 south
CRP0102	335,084	6,813,750	974.0029	60	350	-60	Cuerpo 1 south
CRP0103D	336,324	6,813,200	1092.534	1149.2	37	-58	Cuerpo 3
CRP0104	335,373	6,813,977	965.6053	138	251	-60	Cuerpo 1 south
CRP0105	335,186	6,814,039	965.2233	114	108	-61	Cuerpo 1 south
CRP0106	335,009	6,814,366	953.5673	271	343	-60	Cuerpo 1
CRP0107	335,105	6,813,940	960.9218	93	288	-61	Cuerpo 1 south
CRP0108D	335,074	6,814,105	945.898	288.3	227	-70	Cuerpo 1 south
CRP0109	335,102	6,813,940	961.0525	270	250	-60	Cuerpo 1 south
CRP0110	336,500	6,813,694	1049.31	244	215	-88	Cuerpo 3
CRP0111D	335,904	6,813,876	999.18	1039	104	-80	Cuerpo 2
CRP0112D	335,183	6,814,034	965.0869	486.6	159	-63	Cuerpo 1 south
CRP0113	335,904	6,813,876	999.18	162	139	-80	Cuerpo 2
CRP0114	335,373	6,813,975	965.6802	131	196	-60	Cuerpo 2 South
CRP0115	335,446	6,813,806	994.4349	198	259	-60	Cuerpo 2 South
CRP0116D	335,552	6,814,035	979.5295	717.3	302	-80	Cuerpo 2
CRP0117	335,552	6,814,037	979.5483	154	38	-80	Cuerpo 2
CRP0118	335,678	6,813,716	1017.445	132	13	-70	Cuerpo 2
CRP0119	335,375	6,813,978	965.6506	90	348	-71	Cuerpo 2
CRP0120	335,376	6,813,977	965.6657	120	0	-82	Cuerpo 2
CRP0121	335,982	6,813,647	1014.944	241	281	-60	Cuerpo 3
CRP0122	336,037	6,813,663	1016.302	270	300	-70	Cuerpo 3
CRP0123	336,500	6,813,694	1049.31	120	239	-70	Cuerpo 3

3 Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting.

Note 2: Price assumptions: Cu price - US$3.00/lb; Au price US$1200/oz; Mo price US$14.00/lb.

Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%.

Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

JORC Compliant Mineral Resource Statements

Independent JORC Code Costa Fuego Combined Mineral Resource (Reported 12th October 2020)

Costa Fuego Combined Resource			Grade					Contained Metal				
Deposit	Classification (+0.25% CuEq*)	Tonnage (Mt)	**CuEq** (%)	**Cu** (%)	**Au** (g/t)	**Ag** (g/t)	**Mo** (ppm)	**Copper Eq** (tonnes)	**Copper** (tonnes)	**Gold** (ounces)	**Silver** (ounces)	**Molybdenum** (tonnes)
Cortadera	Indicated	183	0.49	0.40	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	935,500	1,022,000	5,633,000	19,400
	Sub Total	***451***	***0.46***	***0.37***	***0.13***	***0.7***	***61***	***2,086,000***	***1,663,000***	***1,911,000***	***9,860,000***	***27,300***
Productora	Indicated	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	255,500	167,000	-	7,200
	Sub Total	***273***	***0.52***	***0.44***	***0.09***		***133***	***1,417,000***	***1,215,000***	***810,000***	***-***	***36,400***
Costa Fuego (Combined)	Indicated	391	0.52	0.43	0.12		95	2,027,000	1,688,000	1,533,000	-	37,000
	Inferred	334	0.44	0.36	0.11		80	1.476,000	1,191,000	1,189,000	-	26,700
	Total	***724***	***0.48***	***0.40***	***0.12***	***0.7*****	***88***	***3,503,000***	***2,879,000***	***2,722,000***	***9,860,000***	***63,700***

Reported at or above 0.25% CuEq*. Figures in the above table are rounded, reported to appropriate significant figures, and reported in accordance with the JORC Code - Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. 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 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%.

** Note: Silver (Ag) is only present within the Cortadera Mineral Resource estimate

Competent Person's Statement

Competent Person's Statement *- Exploration Results*

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

Competent Person's Statement *- Productora Mineral Resources*

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

Competent Person's Statement *- Cortadera and Costa Fuego Mineral Resources*

The information in this report that relates to Mineral Resources for the Cortadera and combined Costa Fuego Project is based on information compiled by Elizabeth Haren, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Elizabeth Haren is employed as an associate Principal Geologist of Wood, who was engaged by Hot Chili Limited. Elizabeth Haren has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Elizabeth Haren consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Reporting of Copper Equivalent

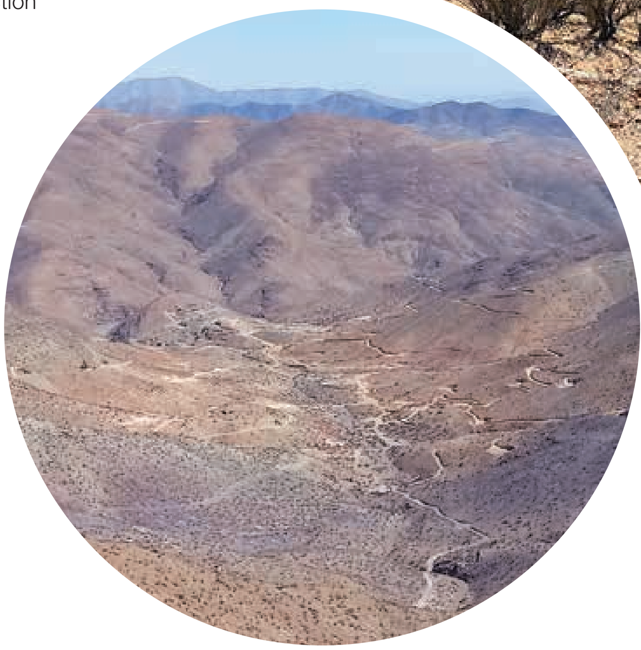
Copper Equivalent (CuEq) reported for the resource were calculated using the following formula: CuEq% = ((Cu% × Cu price 1% per tonne × Cu_recovery)+(Mo ppm × Mo price per g/t × Mo_recovery)+(Au ppm × Au price per g/t × Au_recovery)+ (Ag ppm × Ag price per g/t × Ag_recovery)) / (Cu price 1 % per tonne). 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%.

3 Qualifying Statements (cont'd)

Forward Looking Statements

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

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



The move to dual list in Canada is a key step toward the future funding and development of the Company's large-scale Costa Fuego copper-gold project in Chile.

4 Corporate Activities

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

A$25.6 Million Placement

On 1 December 2020 the Company announced its intention to raise approximately $25.6m (before costs) by way of a placement of 609,800,000 Shares at 4.2 cents per share.

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 and were issued 25,000,000 fee options with an exercise price of 10c per share (expiring 30 November 2022). 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.

Issue of Shares for Drilling Services

On 4 September 2020 the Company issued 33,333,334 shares at a deemed price of 1.5c 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, a related party of Murray Black in lieu of A$500,000 of payment for drilling services provided to 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
3 July 2020	160,816	$0.01866	8,618,159
5 October 2020	160,820	$0.03866	4,159,818
5 January 2021	155,660	$0.04194	3,711,453
9 April 2021	145,303	$0.04099	3,544,806
12 July 2021	139,448	$0.03463	4,026,784

29,456,210 shares were issued on conversion of 9,768 convertible notes and interest to conversion date during the year.

Options over Ordinary Shares

76,276,989 shares were issued on exercise of 76,276,989 $0.025 options during the year.

Hot Chili Commences Trading on the OTCQB

Hot Chili joined US-based OTCQB Venture Market under the Ticker symbol HHLKF (OTCQB: HHLKF). Trading commenced in the US on 6 May 2021 (http://www.otcmarkets.com/stock/HHLKF/quote).

The OTCQB is a well-established trading platform, operated by OTC Markets Group in New York, that provides live-market trading in developing companies which hold primary listings in other markets. There are no additional compliance or regulatory standards over and above Hot Chili's compliance with ASX Listing Rules.

OTC trading is non-dilutive to existing shareholders, as no new shares are being issued to enable trading on the OTCQB and Hot Chili's shares will continue to trade on the Australian Securities Exchange under the symbol ASX:HCH.

OTC trading will enhance the visibility and accessibility of the Company to North American shareholders and media partners.

Hot Chili Commences TSXV Dual Listing Process

Hot Chili has announced its intention to list in Canada on the TSX Venture Exchange (TSXV) by the end of 2021. The move to dual list in Canada is a key step toward the future funding and development of the Company's large-scale Costa Fuego copper-gold project in Chile.

The Company has paid application fees, appointed legal advisors and commenced the formal application process for dual listing.

The Canadian market has a proven track record in supporting large-scale exploration and development companies in the copper and gold space with the transformative dual listings from Equinox Minerals (C$7.3Bn takeover by Barrick Gold Corp) and Andean Resources Limited (C$3.6Bn takeover by Goldcorp Inc) the stand-outs.

A TSXV dual listing would position Hot Chili favourably amongst its Canadian peers which trade at significantly higher valuation multiples and who control the other leading copper developments in South America such as Marimaca Copper Corp. (Chile, TSXV:MARI), Filo Mining Corp. (Argentina, TSXV:FIL), Solaris Resources Inc (Ecuador, TSX: SLS), Josemaria Resources Inc. (Chile, TSX: JOSE) and SolGold Plc (Ecuador, TSX: SOLG).

A listing on the TSXV is subject to all necessary approvals of the TSXV, and there can be no guarantee that Hot Chili will be accepted for listing pending completion of the application process.

5 Directors' Report

The Directors have pleasure in presenting their report, together with the financial statements, for the year ended 30 June 2021 and the auditor's report thereon.

Directors

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

Murray E Black
Non-Executive Chairman

Christian E Easterday
Managing Director

Dr Michael Anderson
Non-Executive Director – 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

Melanie Leighton
Alternate for M Black

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

Directors' Information

Murray Edward Black
Non-Executive Chairman

Mr Black has over 45 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.

Christian Ervin Easterday
Managing Director

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

Dr Allan Trench
Independent Non-Executive Director

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

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

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

Dr Michael Anderson
Non-Executive Director (resigned 4 November 2020)

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

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

Roberto de Andraca Adriasola
Non-Executive Director

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

5 Directors' Report (cont'd)

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Directors (cont'd)

George Randall Nickson
Independent Non-Executive Director

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

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

Mark Jamieson
Non-Executive Director (appointed 2 September 2021)

Mr Jamieson 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 JV's.

Mark brings 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.

Mark 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.

Melanie Leighton
Alternate Director for M Black

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

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

Corporate Information

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

Principal Activities

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

Results of Operations

The results of the consolidated entity for the year ended 30 June 2021 was a loss of $9,744,002 (2020: loss $1,265,613).

Dividends

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

Review of Operations

Refer to Operations Report on pages above.

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

On 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 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 following 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 CMP 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 significance events occurring after the balance date that require reporting.

Likely Developments and Expected Results of Operations

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

Corporate Governance Statement

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

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

Security Holding Interests of Directors

As at reporting date	**Ordinary Shares**		**Options Over Ordinary Shares**		**Performance Rights**		**Convertible Notes**	
Directors	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**
Murray E Black	-	310,016,943	-	-	-	-	-	3,834
Christian E Easterday	21,921,429	5,362,647	-	6,000,000	20,000,000	-	-	-
Dr Allan Trench	-	459,358	-	16,803	-	-	-	-
Michael Anderson[1]	-	-	-	-	-	-	-	-
Roberto de Andraca Adriasola	5,000,000	1,000,000	-	-	-	-	-	-
George Randall Nickson	-	-	-	-	-	-	-	-
Mark Jamieson[2]	-	-	-	-	-	-	-	-
Melanie Leighton (Alternate for M Black)	180,000	-	3,000,000	-	15,000,000	-	-	-

[1] As at date of resignation 4 November 2020.
[2] As at date of appointment 2 September 2021.

Shares under Option

There were 339,446,276 ordinary shares under option at 30 June 2021 (2020: 374,056,598).

Shares Issued on the Exercise of Options

76,276,989 ordinary shares of Hot Chili Limited issued during the year ended 30 June 2021 (2020: nil) from the exercise of 76,276,989 options.

Options Lapsed/ Cancelled During the Year

Nil options (2020; 69,666,667) lapsed or were cancelled during the year.

Convertible Notes

There are 69,453 convertible notes on issue as at 30 June 2021 (2020: 79,221). 29,456,210 shares (2020: 91,069,399) were issued during the financial year on conversion of convertible notes and interest accrued to date of notice to convert. No shares were issued on redemption were issued and there were no repayments during the year. Quarterly interest payable on the convertible notes was settled by the issue of shares.

Directors Benefits

Since 30 June 2021, no Director of the consolidated entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) by reason of a contract made by the consolidated entity with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Company Secretary – Lloyd Flint

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

Indemnification and Insurance of Directors and Officers

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

Indemnification and Insurance of Auditor

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

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

Directors' Meetings

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

Director	Eligible Meetings while in office	Eligible Meetings attended
Murray E Black	7	7
Dr Michael Anderson	3	3
Christian E Easterday	7	7
Dr Allan Trench	7	7
Roberto de Andraca Adriasola	7	3
George Randall Nickson	7	7
Melanie Leighton (Alternate for M Black)	-	-

Environmental Issues

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

The Directors advise that during the year ended 30 June 2021 no claim has been made by any competent authority that any environmental issues, condition of license or notice of intent has been breached.

The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period, 1 July 2020 to 30 June 2021, the Directors have assessed that there are no current reporting requirements but may be required to do so in the future.

Occupational Health and Safety

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

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

In terms of Safety performance, "Lost Time Incident Frequency Rate (LTIFR*)" is the main indicator we monitor to make sure our action plan remains effective and relevant. The LTIFR during the last 24 months (until 30 June 2021) is 27.0.

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

Proceedings on Behalf of Company

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

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

Non-Audit Services

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

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

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

Rounding of amounts

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

Auditors Independence Declaration

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

5 Directors' Report (cont'd)

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited.

Principles used to determine amount and nature of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The current base remuneration for Directors was last reviewed with effect from November 2020. All director fees are periodically recommended for approval by shareholders.

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

Details of Remuneration of Directors

2021	**Short Term**		**Post-Employment**	**Share-based Payments**		
	Salary and Cash Fees	**Other Benefits**	**Superannuation**	**Performance Rights**	**Total**	**Performance Related**
Name	**$**	**$**	**$**	**$**	**$**	**%**
Murray E Black	66,267	-	6,295	-	**72,562**	-
Dr Michael Anderson[1]	9,607	-	-	-	**9,607**	-
Christian E Easterday	353,067	-	33,541	353,367	**739,975**	47.8
Dr Allan Trench	39,200	-	3,724	-	**42,924**	-
Mark Jamieson[2]	-	-	-	-	**-**	-
Roberto de Andraca Adriasola	42,924	-	-	-	**42,924**	
George R Nickson	42,924	-	-	-	**42,924**	-
	553,989	**-**	**43,560**	**353,367**	**950,916**	**37.2**

[1] To date of resignation 4 November 2020.

[2] Appointed 2 September 2021.

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

Remuneration of Key Management Personnel

2021	Short Term		Post-Employment	Share-based Payments		
	Salary and Cash Fees	Other Benefits	Superannuation	Performance Rights	Total	Performance Related
Name	**$**	**$**	**$**	**$**	**$**	**%**
Melanie Leighton (Corporate Projects Manager / Alternate Director)	226,667	-	21,533.35	215,000	**463,200**	46.4
Jose Ignacio Silva (Chief Legal Counsel)	235,088	-	-	466,737	**701,825**	66.5
	461,755	**-**	**21,533**	**681,737**	**1,165,025**	**58.5**

2020	Short Term		Post-Employment	Share-based Payments		
	Salary and Cash Fees	Other Benefits	Superannuation	Performance Rights	Total	Performance Related
Name	**$**	**$**	**$**	**$**	**$**	**%**
Melanie Leighton (Corporate Projects Manager / Alternate Director)	180,000	-	17,100	-	**197,100**	-
Jose Ignacio Silva (Chief Legal Counsel)	152,300	-	-	-	**152,300**	-
	332,300	**-**	**17,100**	**-**	**349,400**	**-**

Key Management Personnel Interests in the Shares, Options and Convertible Notes of the Company

Shares

The number of shares in the company held during the financial year, and up to 30 June 2021, by each Key Management Personnel of Hot Chili Limited, including their personally related parties, is set out below. There were no shares granted as compensation during the year.

2021	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	153,154,734	-	62,889,918	216,044,652
Christian E Easterday	27,082,371	-	-	27,082,371
Dr Allan Trench	257,653	-		257,653
Dr Michael Anderson	-	-	-	-
Roberto de Andraca Adriasola	6,000,000	-	-	6,000,000
George Randall Nickson	-	-	-	-
	186,494,758	**-**	**62,889,918**	**249,384,676**
Key Management Personnel				
Melanie Leighton	180,000	-	-	180,000
Jose Ignacio Silva	9,350,734	-	(2,000,000)	7,350,734
	9,530,734	**-**	**(2,000,000)**	**7,530,734**
Total	**196,025,492**	**-**	**60,889,918**	**256,915,410**

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

Options

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

2021	Balance at the start of the year	Granted as compensation[1]	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	-	-	-[1]	-
Dr Allan Trench	16,803	-	-	16,803
Christian E Easterday	6,000,000	-	-	6,000,000
Key Management Personnel	3,000,000			3,000,000
Melanie Leighton	3,609,830	-	-	3,609,830
Jose Ignacio Silva	12,626,633	-	-	12,626,633
	21,166,666	**-**	**-**	**12,626,633**

[1] Net change. 16,666,667 free options exerciseable at 2.5c per share attaching to a placement of shares were issued 4 September 2020 pursuant to shareholder approval and exercised 3 June 2021.

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

Convertible Notes

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

2021	Balance at the start of the year	Issued during the year	Other changes during the year	Balance at the end of the year
Directors				
Murray E Black	3,834	-	-	3,834
	3,834	**-**	**-**	**3,834**

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

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

5 Directors' Report (cont'd)

Performance Rights

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

2021	Balance at the start of the year	Granted as compensation[1]	Other changes during the year	Balance at the end of the year
Directors				
Christian E Easterday	-	20,000,000	-	20,000,000
Key Management Personnel				
Melanie Leighton	-	15,000,000	-	15,000,000
Jose Ignacio Silva	-	15,000,000	-	15,000,000
Total	**-**	**50,000,000**	**-**	**50,000,000**

[1] Refer to note 15b for details of the issue of performance rights.

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

Service Contracts

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

Remuneration

Under the agreement, Mr Easterday will receive an annual salary of $400,000, plus superannuation at the rate of 10.0% and other entitlements. Mr Easterday's remuneration is subject to annual review.

Term and termination

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

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

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

Termination entitlements

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

Post termination restraints

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

Service Contracts

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

Remuneration

Under such agreement, Mr. Silva will receive an annual salary of CLP 136,775,000 before any legal and voluntary reductions. The superannuation is included in such amount. Mr. Silva's remuneration is subject to annual review.

Term and termination

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

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

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

Termination entitlements

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

Post termination restraints

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

Service contracts

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

Remuneration

Under the agreement, Ms Leighton will receive an annual salary of $250,000, plus superannuation at the rate of 10.0% and other entitlements. Ms Leighton's remuneration is subject to annual review.

Term and termination

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

Termination entitlements

There are no entitlements accruing upon termination of the agreement.

Non-executive Directors

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

	Murray Black	Allan Trench	George Nickson	Roberto de Andraca Adriasola	Mark Jamieson
Term	n/a	n/a	n/a	n/a	n/a
Remuneration	$6,479 per month inclusive of super-annuation	$3,833 per month inclusive of super-annuation	$3,833 per month	$3,833 per month	-
Termination benefits	Nil	Nil	Nil	Nil	Nil

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
Other income	60,465	3,289,606	238,112	140,513	1,356,693
Expenses	(9,304,467)	(4,555,219)	(4,470,482)	(4,151,069)	(3,855,169)
EBITDA	7,525,912	680,324	(2,184,855)	(2,419,012)	(1,311,457)
EBIT	7,530,689	671,646	(2,196,264)	(2,431,564)	(1,327,339)
Loss after income tax	(9,744,002)	(1,265,613)	(4,232,370)	(4,010,556)	(2,498,476)

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

	2021	2020	2019	2018	2017
Share price at financial year end ($)	0.034	0.017	0.032	0.03	0.023
Basic earnings per share (cents per share)	(0.35)	(0.07)	(0.47)	(0.65)	(0.44)

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

MRA Consulting Pty Ltd, a company associated with Dr Anderson, a director, was paid $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 on commercial terms.

End of Remuneration Report

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

On behalf of the directors

Christian E Easterday
Managing Director

30 September 2021
Perth, WA

6 Auditors' Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hot Chili Limited for the year ended 30 June 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.

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2021

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7 Auditors' Report

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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.

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 $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.

7 Auditors' Report (cont'd)

RSM

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

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

David Wall
Partner
RSM Australia Partners

Perth, WA
Dated: 30 September 2021

8 Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 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

Director

Christian E Easterday
Managing Director

Dated this 30th day of September 2021
Perth

9 Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

Statement of Profit or Loss & Other Comprehensive Income

	Note	Consolidated Entity 2021 $	Consolidated Entity 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.

10 Statement of Financial Position

AS AT 30 JUNE 2021

	Note	Consolidated Entity 2021 $	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.

11 Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

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.

12 Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	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.

13 Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

(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

	2021 $	2020 $
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 $	Consolidated Entity 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

	2021 $	2020 $
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

	2021 $	2020 $
Accounts receivable	-	6,827
VAT receivable	133	133
	133	**6,960**

9. PLANT AND EQUIPMENT

	2021 $	2020 $
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

	2021	2020
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

	2021	2020
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

	2021	2020
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	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:

			Equity Holding	
Name of Entity	**Country of Incorporation**	**Class of Shares**	**2021 %**	**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**

14 Shareholder Information

AS AT 24 SEPTEMBER 2021

Information Required by the Australian Securities Exchange Limited

(a) Spread of Holdings

			Shareholders	Units	%
1	-	1,000	130	29,630	0.00%
1,001	-	5,000	224	627,321	0.01%
5,001	-	10,000	185	1,580,490	0.04%
10,001	-	100,000	3,718	154,460,853	3.54%
100,001	&	Over	2,805	4,210,607,861	96.41%
			7,062	**4,367,306,155**	**100%**

There are 845 holders of unmarketable parcels comprising 5,773,159 shares.

(b) The names of the twenty largest shareholders as at 24 September 2021, who between them held 46.58% of the issued capital are listed below:

		Number of Ordinary Shares	%
1	GLENCORE AUSTRALIA HOLDINGS PTY LIMITED	435,383,812	9.97%
2	GS GROUP AUSTRALIA PTY LTD <GS GROUP AUSTRALIA A/C>	282,250,000	6.46%
3	CITICORP NOMINEES PTY LIMITED	200,545,482	4.59%
4	BLUE SPEC SONDAJES CHILE SPA	191,012,085	4.37%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	171,019,871	3.92%
6	BLUE SPEC DRILLING PTY LTD	102,254,858	2.34%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	79,636,603	1.82%
8	JAERICA PTY LTD	77,856,733	1.78%
9	CAP S A	66,153,868	1.51%
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	64,811,123	1.48%
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	60,870,280	1.39%
12	MR GLEN CORBY BULL	54,765,000	1.25%
13	MRS NERIDA RUTH SCOTT <SCOTT FAMILY A/C>	52,000,000	1.19%
14	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	46,195,834	1.06%
15	SAMLISA NOMINEES PTY LTD	35,000,000	0.80%
16	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	24,933,128	0.57%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	24,171,713	0.55%
18	SURPION PTY LTD <M W SUHR & CO A/C>	22,500,000	0.52%
19	CHRISTIAN ERVIN EASTERDAY	21,535,714	0.49%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,193,271	0.49%
Total		**2,034,089,375**	**46.58%**
Total issued capital		**4,367,306,155**	**100.00%**

(c) Substantial Shareholders (from substantial shareholder notices)

Murray Edward Black	310,016,943	7.09%
Glencore Australia Holdings Pty Ltd	376,942,763	9.99%
GS Group Australia Pty Ltd atf GS Group Australia Trust	194,050,000	6.38%

(d) As at 24 September 2021 there are 69 holders of the 68,776 Convertible Notes on issue. Convertible Note holders holding more than 20% of the notes are as follows:

J P MORGAN NOMINEES AUSTRALIA	20,342	29.6%

There are no voting rights attached to Convertible Notes

(e) As at 24 September 2021 there are 669 holders of the 424,980,104 Options over shares on issue.

VERITAS SECURITIES LIMITED	107,550,000	25.3%

There are no voting rights attached to Options

(f) As at 24 September 2021 there 10 holders of the 115,000,000 Performance Rights on issue. There are no performance rights holders holding more than 20% of the rights.

(g) As at 24 September 2021 there is no current on-market buyback under way.

15 Tenement Schedule

Cortadera Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Agreement Details
MAGDALENITA 1/20		100% Frontera SpA	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	HCH 100% option earn in: US$17 million already paid. US$15M paid on 21 September, 2021
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	
ROMERO 1 AL 31		100% Frontera SpA	31	
PURISIMA		100% Frontera SpA	20	HCH 100% option earn in: US$400,000 already paid. US$1.1 million to be paid by 14 December, 2021 NSR 1.5%

Note. Frontera SpA is a 100% owned subsidiary company of Hot Chili Limited

Productora Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Agreement Details
FRAN 1, 1-60	80% SMEA SpA		220	
FRAN 2, 1-20	80% SMEA SpA		100	
FRAN 3, 1-20	80% SMEA SpA		100	
FRAN 4, 1-20	80% SMEA SpA		100	
FRAN 5, 1-20	80% SMEA SpA		100	
FRAN 6, 1-26	80% SMEA SpA		130	
FRAN 7, 1-37	80% SMEA SpA		176	
FRAN 8, 1-30	80% SMEA SpA		120	
FRAN 12, 1-40	80% SMEA SpA		200	
FRAN 13, 1-40	80% SMEA SpA		200	
FRAN 14, 1-40	80% SMEA SpA		200	
FRAN 15, 1-60	80% SMEA SpA		300	
FRAN 18, 1-60	80% SMEA SpA		273	
FRAN 21, 1-46	80% SMEA SpA		226	
ALGA 7A, 1-32	80% SMEA SpA		89	
ALGA VI, 5-24	80% SMEA SpA		66	
MONTOSA 1-4	80% SMEA SpA		35	NSR 3%
CHICA	80% SMEA SpA		1	
ESPERANZA 1-5	80% SMEA SpA		11	
LEONA 2A 1-4	80% SMEA SpA		10	
CARMEN I, 1-50	80% SMEA SpA		222	
CARMEN II, 1-60	80% SMEA SpA		274	
ZAPA 1, 1-10	80% SMEA SpA		100	
ZAPA 3, 1-23	80% SMEA SpA		92	
ZAPA 5A, 1-16	80% SMEA SpA		80	
ZAPA 7, 1-24	80% SMEA SpA		120	
CABRITO, CABRITO 1-9	80% SMEA SpA		50	
CUENCA A, 1-51	80% SMEA SpA		255	
CUENCA B, 1-28	80% SMEA SpA		139	
CUENCA C, 1-51	80% SMEA SpA		255	
CUENCA D	80% SMEA SpA		3	
CUENCA E	80% SMEA SpA		1	
CHOAPA 1-10	80% SMEA SpA		50	
ELQUI 1-14	80% SMEA SpA		61	
LIMARÍ 1-15	80% SMEA SpA		66	
LOA 1-6	80% SMEA SpA		30	
MAIPO 1-10	80% SMEA SpA		50	
TOLTÉN 1-14	80% SMEA SpA		70	
CACHIYUYITO 1, 1-20	80% SMEA SpA		100	
CACHIYUYITO 2, 1-60	80% SMEA SpA		300	
CACHIYUYITO 3, 1-60	80% SMEA SpA		300	
LA PRODUCTORA 1-16	80% SMEA SpA		75	
ORO INDIO 1A, 1-20	80% SMEA SpA		82	
AURO HUASCO I, 1-8	80% SMEA SpA		35	

15 Tenement Schedule (cont'd)

Productora Project (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Agreement Details
URANIO, 1-70	0%	0%	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	
ARENA 2 1-17	80% SMEA SpA		113	
ZAPA 1 – 6	80% SMEA SpA		6	NSR 1%

Note. SMEA SpA is subsidiary company - 80% owned by Hot Chili Limited, 20% owned by CMP (Compañía Minera del Pacífico)

El Fuego Project

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
Santiago 21 al 36		90% Frontera SpA	76	90% (HCH)-10% (Arnaldo del Campo) JV. 6 year term. USD 200,000 already paid. USD 300,000 to be paid by November 7, 2022 USD 6,700,000 final exercise payment to be paid 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	
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	
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, 1-20	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% HCH Purchase Option Agreement USD 600,000 to be paid by January 22, 2024. NSR 1.5%
PORFIADA I		100% Frontera SpA	300	
PORFIADA II		100% Frontera SpA	300	
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% (HCH) Option Agreement USD 150,000 by June 1, 2023. USD 4,000,000 by 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	

15 Tenement Schedule (cont'd)

El Fuego Project (cont'd)

Licence ID	HCH % Held	HCH % Earning	Area (ha)	Exploration and Expenditure Commitment-Payments
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		300	

Note. Frontera SpA is a 100% owned subsidiary company of Hot Chili Limited

16 Corporate Directory

Directors

Murray E Black
(Non-Executive Chairman)

Christian E 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)

Melanie Leighton
(Alternate for M Black)

Company Secretary

Lloyd Flint

Executive Management

Jose Ignacio Silva
(Chief Legal Counsel

Grant King
(Chief Operating Officer)

John Hearne
(Executive Studies Manager)

Principal Place of Business and Registered Office

First Floor, 768 Canning Highway
APPLECROSS WA 6153

Telephone: 08 9315 9009
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Email: admin@hotchili.net.au
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Solicitors

Australia
Blackwall Legal LLP
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PERTH WA 6000

Canada
Bennet Jones
3400 One First Canadian Place,
P.O. Box 130
Toronto ON M5X 1A4

Share Registry

Computershare Registry Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
PERTH WA 6000

Principal Banker

Westpac Banking Corporation
Hannan Street
KALGOORLIE WA 6430

Stock Exchange Code

ASX: HCH
OTCQB: HHLKF

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OTCQB: HHLKF
www.hotchili.net.au