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Announcement

Thursday 7th December 2023

Hot Chili Materially Improves Option Terms for Costa Fuego Coastal Copper Hub in Chile

Reduction in Option Payments of US$10 Million for 2024

Hot Chili Limited (ASX: HCH) (TSXV: HCH) (OTCQX: HHLKF) ("Hot Chili" or the "Company") is pleased to announce that the Company has materially improved the terms of several option agreements ("Options") to acquire landholdings as part of the Company's Costa Fuego Copper-Gold Project ("Costa Fuego" or "the Project") in the coastal range of the Atacama Region, Chile.

Highlights

- **Three Options due for exercise in 2024, have been terminated and replaced with one new option agreement (the "El Fuego Option") now exercisable in September 2026**
- **The El Fuego Option covers the San Antonio, Valentina and Santiago Z** privately-owned landholdings located along the eastern extent of Costa Fuego (refer to Figures 1 to 3)
- **The new El Fuego Option:**
  - **Materially reduces the Company's option payments due in 2024 from US$11 million to US$1 million**
  - **Increases Hot Chili's ownership from 90% to 100%,** subject to exercise of the option
  - **Extends the option expiry from 2024 to 2026 in exchange for aggregate payments of US$4.3 million over the next three years**, including the US$1 million noted above

Hot Chili's Managing Director Mr Christian Easterday commented that the Option re-negotiation is further confirmation of the strength of the Company's local partnerships in Chile.

"Alignment of local partners has been a key element of our consolidation strategy for Costa Fuego.

"The El Fuego Option allows the Company to focus its balance sheet toward exploration and growth of our mineral resource as opposed to property payments.

"Our near-term focus on increasing value per share and leverage to future copper price for our shareholders centres around enhancing Costa Fuego's mineral resource and potential economics in advance of a planned pre-feasibility study.

"We are actively evaluating the region for consolidation opportunities, and we expect to see further success on this front as we look to up-scale Costa Fuego's potential study scale toward 150kt per annum copper development, from its current 95kt per annum copper metal production scale as outlined in our recent Preliminary Economic Assessment[1] (see news release dated 28th June, 2023).

"Updates on growth drilling, resource up-grades and water conceptual studies are also expected."

[1] The PEA is preliminary in nature and includes 3% inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See Page 7 for additional cautionary language.

The remaining payments for the three terminated Options covering the El Fuego landholdings were:

- Hot Chili's subsidiary Sociedad Minera La Frontera SpA ("Frontera") had the right to earn a 90% interest, subject to final exercise payments, in the following privately owned landholdings:
  - **Valentina** – US$4,000,000 payable June 2024
  - **San Antonio** – US$6,600,000 payable September 2024
  - **Santiago Z** – US$400,000 payable January 2024
  - **Total Option payments previously due in 2024** – US$11, 000, 000

The material terms of the El Fuego Option covering the El Fuego landholdings now:

- Frontera has been granted the right to purchase 100% interest in the El Fuego landholding, privately owned by Arnaldo and Alfredo del Campo Arias (Arnaldo in his own capacity and also through several vehicles with Alfredo), by making the following payments:
  - US$300,000 paid September 30th 2023 (already satisfied)
  - US$1,000,000 payable September 30th 2024
  - US$1,000,000 payable September 30th 2025
  - US$2,000,000 payable at Frontera's election by September 30th 2026 to exercise the El Fuego Option.
- The total purchase price for the El Fuego landholdings, if the El Fuego Option is exercised in 2026, is now US$4,300,000.
- If the option is not abandoned, additional payments of up to US$4,000,000 in total are conditional on the following matters:
  - Additional payment of US$2,000,000, if the copper price average US$ 5.00/lb or above for a period of 12 consecutive months, within a period that expires January 1st 2030.
  - Additional payment US$2,000,000, if an independently estimated JORC compliant Mineral Resource is reported by Hot Chili or its subsidiaries containing 200 million tonnes or greater within the El Fuego landholdings, within a period that expires January 1st 2030. Such Mineral Resource shall be reported at or above Hot Chili's current mineral resource reporting cut-off grade (+0.21% copper equivalent[1] (CuEq) for open pit and +0.3% CuEq for underground).
  - An additional payment is to be made by March 2027, if compliance of the condition that justifies payment is verified until September 30th, 2026. From October 2026, payment is to be paid within 70 days after the relevant condition is satisfied.
- Continuation of existing lease mining agreements to third parties in respect to the San Antonio copper mine (limited to the mining rights San Antonio 1 al 5; Santiago 15 al 19; Santiago 1 al 14/20; San Juan Sur 1 al and San Juan Sur 6 al 23. The lease mining agreements are limited to 50,000 tonnes of material extracted per year and will expire 31st December 2025.

[1] CuEq considers assumed commodity prices and average metallurgical recoveries from testwork. See page 10 for complete mineral resource disclosure of Costa Fuego.

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Hot Chili thanks the Del Campo family for their ongoing support of Hot Chili, both as shareholders and partners, toward building a new large-scale copper mining hub for the Huasco region of Chile.

This announcement is authorised by the Board of Directors for release to ASX and TSXV.

Hot Chili's Managing Director and Chief Executive Officer Mr Christian Easterday is responsible for this announcement and has provided sign-off for release to the ASX and TSXV.

For more information please contact:

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or visit Hot Chili's website at www.hotchili.net.au

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Figure 1. Location of Hot Chili's coastal range Costa Fuego copper project and New Options

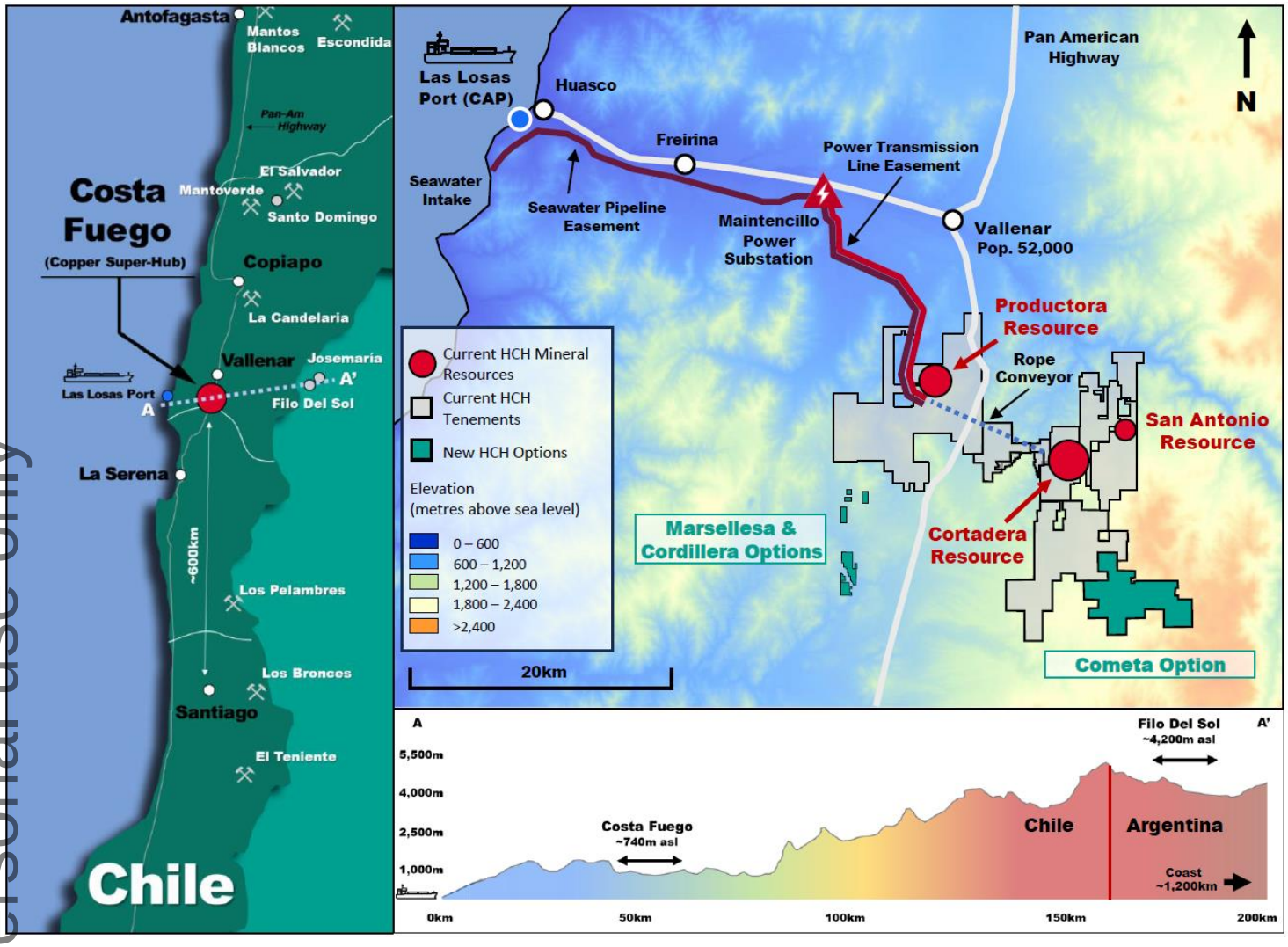

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Figure 2. Location of the Valentina, San Antonio and Santiago Z Options, which make up the El Fuego landholdings of the Costa Fuego copper project

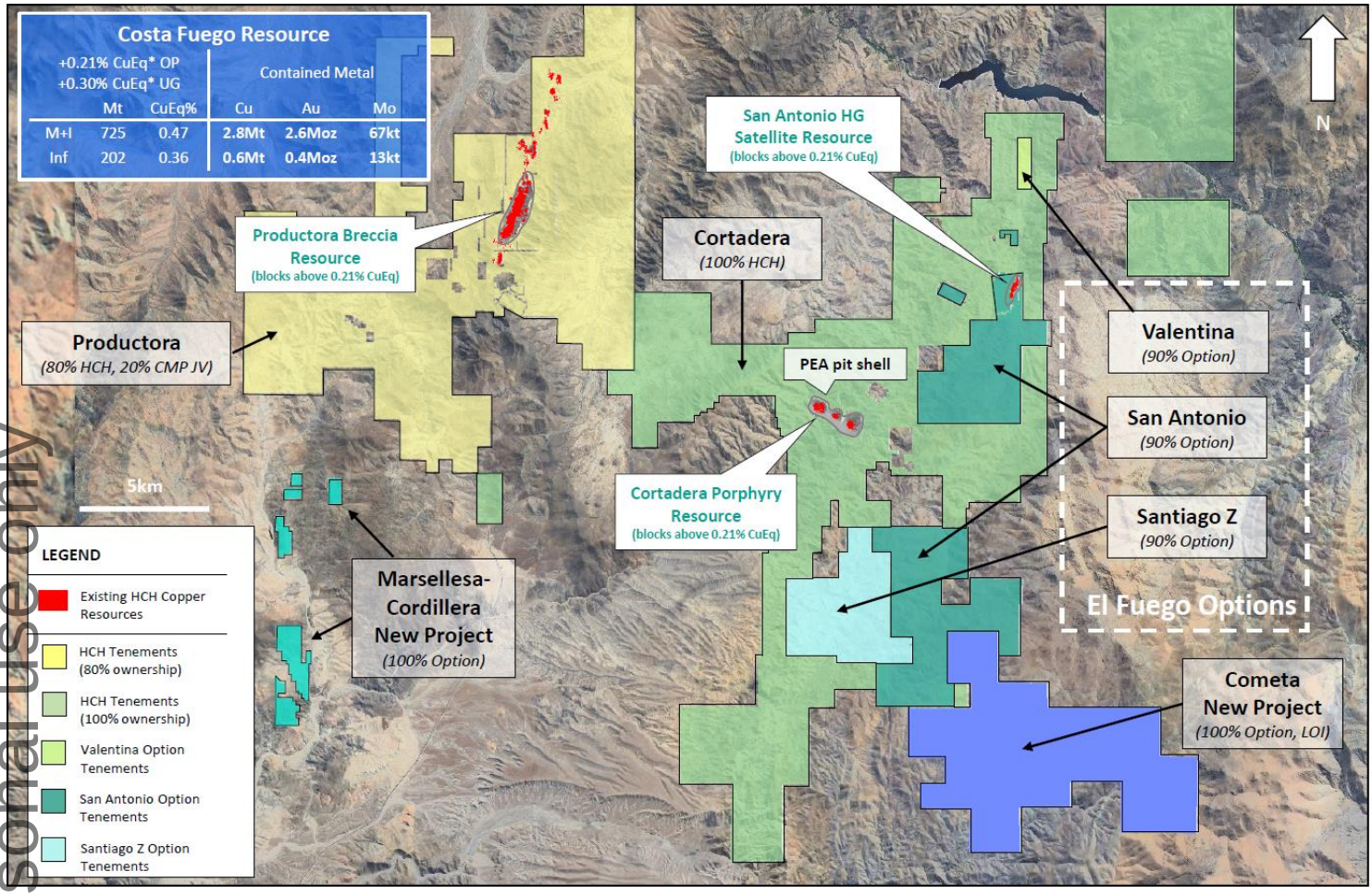

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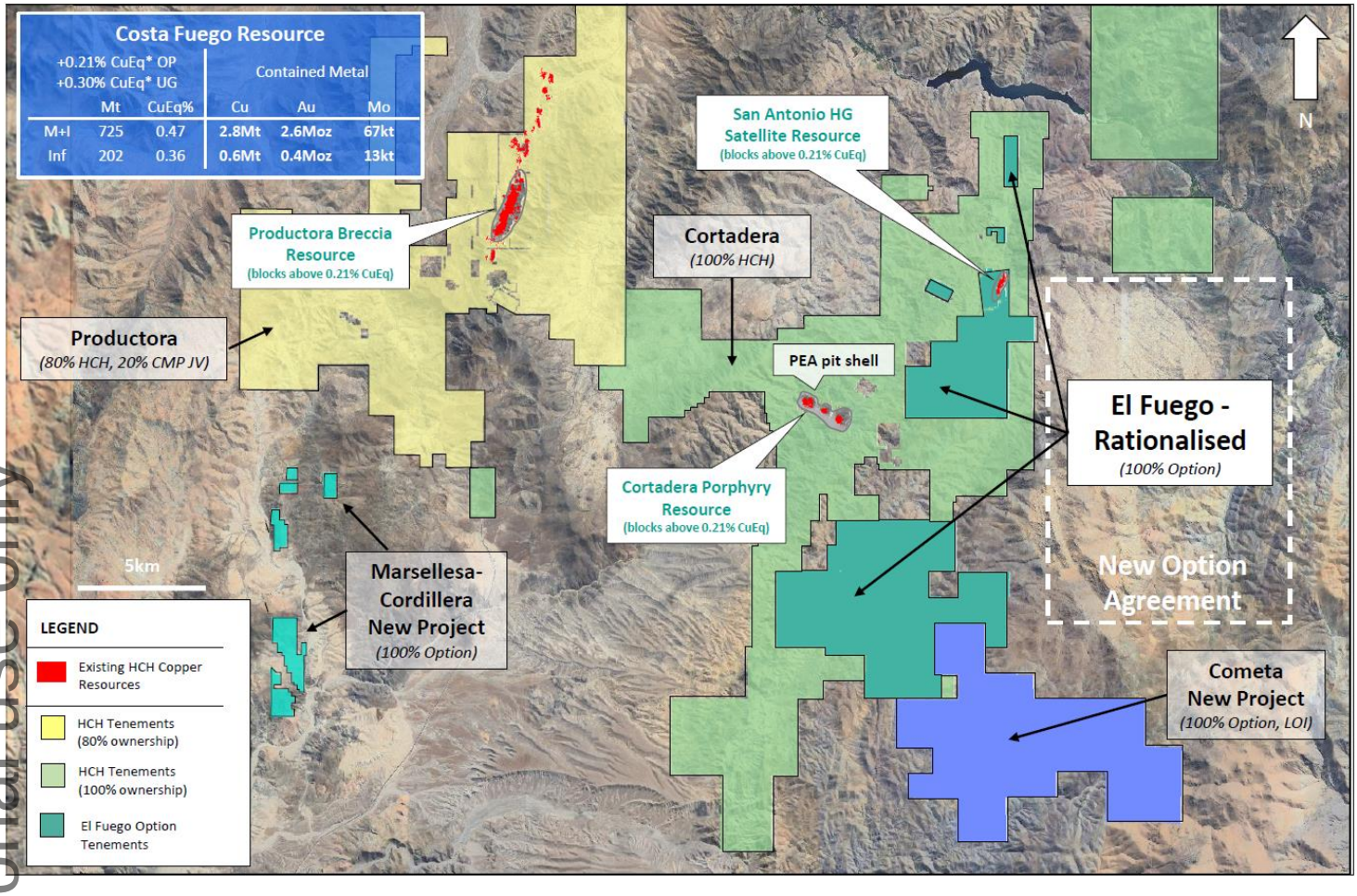
Figure 3. Location of the rationalised and re-negotiated El Fuego Option for Costa Fuego



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Qualifying Statements

Technical Report

Certain scientific, technical and economic information contained in this news release is derived from the PEA. For readers to fully understand such information, they should read the PEA technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") (available on www.sedarplus.ca or at www.hotchili.net.au) in its entirety, including all qualifications, assumptions, limitations and exclusions that relate to the information set out in this news release. The PEA is intended to be read as a whole, and sections should not be read or relied upon out of context. The technical information in this news release is subject to the assumptions and qualifications contained in the PEA.

Qualified Persons – NI 43-101

The PEA was compiled by Wood Australia Pty Ltd with contributions from a team of independent qualified persons (within the meaning of NI 43-101). The scientific, technical and economic information contained in this news release pertaining to Coast Fuego is based on the PEA, which was prepared by the following independent qualified persons (within the meaning of NI 43-101):

- Ms Elizabeth Haren (MAUSIMM (CP) & MAIG) of Haren Consulting – Mineral Resource Estimate
- Mr Dean David (FAUSIMM (CP)) of Wood Pty Ltd – Metallurgy
- Mr Piers Wendlandt (PE) of Wood Pty Ltd – Market Studies and Contracts, Economic Analysis
- Mr Jeffrey Steven (PE) of Wood Pty Ltd – Capital and Operating Costs
- Mr Anton von Wielligh (FAUSIMM) of ABGM Consulting Pty Ltd – Mine Planning and Scheduling
- Mr Edmundo Laporte (PE) of GAC – Environmental Studies, Permitting and Social or Community Impact
- Mr Dave Morgan (PE) of Knight Piésold – Project Infrastructure (TSF)

The independent qualified persons have verified the information disclosed in the PEA, including the sampling, preparation, security, and analytical procedures underlying such information.

Disclosure regarding mine planning and infrastructure has been reviewed and approved by Mr Grant King, FAUSIMM, Hot Chili's Chief Operations Officer, and a qualified person within the meaning of NI 43-101.

The scientific and technical information in this new release, other than such information derived from the PEA, has been reviewed and approved by Mr Christian Easterday, MAIG, Hot Chili's Managing Director and Chief Executive Officer, and a qualified person within the meaning of NI 43-101.

Competent Persons – JORC

The information in this announcement that relates to Exploration Results for the Marsellesa and Cordillera projects is based upon information 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 deposits 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.

The information in this announcement that relates to Mineral Resources for the Costa Fuego Project is based on information compiled by Ms Elizabeth Haren, Mr Dean David, Mr Piers Wendlandt, Mr Jeffrey Steven, Mr Anton von Wielligh, Mr Edmundo Laporte and Mr Dave Morgan. Ms Haren is a full-time employee of Haren Consulting Pty Ltd and a Member and Chartered Professional of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr David is a full-time employee of Wood Pty Ltd and a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Wendlandt is a full-time employee of Wood Pty Ltd and a Registered Professional Engineer in the State of Colorado. Mr Steven is a full-time employee of Wood Pty Ltd and a Registered Professional Engineer in the State of British Columbia. Mr von Wielligh is a full-time employee of ABGM Consulting Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Laporte is a full-time employee of GAC and a registered Professional Engineer in Alberta, Nova Scotia and Ontario, Registered Member of the Society for Mining, Metallurgy & Exploration and a Chartered Professional Engineer in Australia. Mr Morgan is a full-time employee of Knight Piésold Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy and Chartered Professional Engineer.

Ms Haren, Mr David, Mr Wendlandt, Mt Steven, Mr von Wielligh, Mr Laporte and Mr Morgan have sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

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Disclaimer

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

Cautionary Note for U.S. Investors Concerning Mineral Resources

NI 43-101 is a rule of the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Technical disclosure contained in this news release has been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ from the requirements of the U.S. Securities and Exchange Commission ("SEC") and resource information contained in this news release may not be comparable to similar information disclosed by domestic United States companies subject to the SEC's reporting and disclosure requirements.

All amounts in this news release are in U.S. dollars unless otherwise noted.

Forward Looking Statements

This news release contains certain statements that are "forward-looking information" within the meaning of Canadian securities legislation and Australian securities legislation (each, a "forward-looking statement"). Forward-looking statements reflect the Company's current expectations, forecasts, and projections with respect to future events, many of which are beyond the Company's control, and are based on certain assumptions. No assurance can be given that these expectations, forecasts, or projections will prove to be correct, and such forward-looking statements included in this news release should not be unduly relied upon. Forward-looking information is by its nature prospective and requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "believe", "could", "estimate", "expect", "may", "plan", "planned", "planning", "potential", "project", "projections", "should", "up-scale", "will", "would" and similar expressions are intended to identify forward-looking statements.

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

In this news release, forward-looking statements relate, among other things, to: the Company's timing and ability to enter into a definitive agreement with respect to the Option; the completion of the conditions to exercise the Option; receipt of all regulatory approvals in respect of the Option, including the approval of the TSXV (if required); prospects, projections and success of the Company and its projects; the ability of the Company to expand mineral resources beyond current mineral resource estimates; the results and impacts of current and planned drilling, to extend mineral resources and to identify new deposits, including at Marsellesa, Cordillera and Corroteo; the Company's ability to convert mineral resources to mineral reserves; opportunities for growth in mineral projects; the timing and outcomes of future planned economic studies; the Company's ability to up-scale the Project to 150,000 tpa of copper production; the timing and outcomes of regulatory processes required to obtain permits for the development and operation of the Costa Fuego Project as contemplated in the PEA and/or future planned economic studies; whether or not the Company will make a development decision and the timing thereof; the ability of the Company to consolidate additional landholdings around its Project; estimates of cost; and estimates of planned exploration across multiple Corroteo, Marsellesa and Cordillera.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this news release, including, but not limited to, the following material factors: the ability of the Company to complete the conditions to exercise the Option; obtaining all regulatory approvals for the completion of the Option; operational risks; risks related to the cost estimates of exploration; sovereign risks associated with the Company's operations in Chile; changes in estimates of mineral resources of properties where the Company holds interests; recruiting qualified personnel and retaining key personnel; future financial needs and availability of adequate financing; fluctuations in mineral prices; market volatility; exchange rate fluctuations; ability to exploit successful discoveries; the production at or performance of properties where the Company holds interests; ability to retain title to mining concessions; environmental risks; financial failure or default of joint venture partners, contractors or service providers; competition risks; economic and market conditions; and other risks and uncertainties described elsewhere in this news release and elsewhere in the Company's public disclosure record.

Although the forward-looking statements contained in this news release are based upon assumptions which the Company believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this news release, the Company has made assumptions regarding: future commodity prices and demand; availability of skilled labour; timing and amount of capital expenditures; future currency exchange and interest rates; the impact of increasing competition; general conditions in

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economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; future tax rates; future operating costs; availability of future sources of funding; ability to obtain financing; and assumptions underlying estimates related to adjusted funds from operations. The Company has included the above summary of assumptions and risks related to forward-looking information provided in this news release to provide investors with a more complete perspective on the Company's future operations, and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom.

For additional information with respect to these and other factors and assumptions underlying the forward-looking statements made herein, please refer to the public disclosure record of the Company, including the Company's most recent Annual Report, which is available on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile. New factors emerge from time to time, and it is not possible for management to predict all those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

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

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Mineral Resource Statement

Costa Fuego Combined Mineral Resource (Effective Date 31st March 2022)

Costa Fuego Open Pit Resource		Grade					Contained Metal				
Classification	Tonnes	CuEq[7]	Cu	Au	Ag	Mo	Copper Eq	Copper	Gold	Silver	Molybdenum
(+0.21% CuEq[7])	(Mt)	(%)	(%)	(g/t)	(g/t)	(ppm)	(tonnes)	(tonnes)	(ounces)	(ounces)	(tonnes)
Indicated	576	0.46	0.37	0.10	0.37	91	2,658,000	2,145,000	1,929,000	6,808,000	52,200
M+I Total	**576**	**0.46**	**0.37**	**0.10**	**0.37**	**91**	**2,658,000**	**2,145,000**	**1,929,000**	**6,808,000**	**52,200**
Inferred	147	0.35	0.30	0.05	0.23	68	520,000	436,000	220,000	1,062,000	10,000

Costa Fuego Underground Resource		Grade					Contained Metal				
Classification	Tonnes	CuEq[7]	Cu	Au	Ag	Mo	Copper Eq	Copper	Gold	Silver	Molybdenum
(+0.30% CuEq[7])	(Mt)	(%)	(%)	(g/t)	(g/t)	(ppm)	(tonnes)	(tonnes)	(ounces)	(ounces)	(tonnes)
Indicated	148	0.51	0.39	0.12	0.78	102	750,000	578,000	559,000	3,702,000	15,000
M+I Total	**148**	**0.51**	**0.39**	**0.12**	**0.78**	**102**	**750,000**	**578,000**	**559,000**	**3,702,000**	**15,000**
Inferred	56	0.38	0.30	0.08	0.54	61	211,000	170,000	139,000	971,000	3,400

Costa Fuego Total Resource		Grade					Contained Metal				
Classification	Tonnes	CuEq[7]	Cu	Au	Ag	Mo	Copper Eq	Copper	Gold	Silver	Molybdenum
	(Mt)	(%)	(%)	(g/t)	(g/t)	(ppm)	(tonnes)	(tonnes)	(ounces)	(ounces)	(tonnes)
Indicated	725	0.47	0.38	0.11	0.45	93	3,408,000	2,755,000	2,564,000	10,489,000	67,400
M+I Total	**725**	**0.47**	**0.38**	**0.11**	**0.45**	**93**	**3,408,000**	**2,755,000**	**2,564,000**	**10,489,000**	**67,400**
Inferred	202	0.36	0.30	0.06	0.31	66	731,000	605,000	359,000	2,032,000	13,400

[1] Mineral Resources are reported on a 100% Basis - combining Mineral Resource estimates for the Cortadera, Productora and San Antonio deposits. All figures are rounded, reported to appropriate significant figures, and reported in accordance with the Joint Ore Reserves Committee Code (2012) and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definition, as required by National Instrument 43-101.

[2] The Productora deposit is 100% owned by Chilean incorporated company Sociedad Minera El Aguila SpA (SMEA). SMEA is a joint venture (JV) company – 80% owned by Sociedad Minera El Corazón Limitada (a 100% subsidiary of Hot Chili Limited), and 20% owned by CMP Productora (a 100% subsidiary of Compañía Minera del Pacífico S.A (CMP)).

[3] The Cortadera deposit is controlled by a Chilean incorporated company Sociedad Minera La Frontera SpA (Frontera). Frontera is a subsidiary company – 100% owned by Sociedad Minera El Corazón Limitada, which is a 100% subsidiary of Hot Chili Limited.

[4] The San Antonio deposit is controlled through Frontera (100% owned by Sociedad Minera El Corazón Limitada, which is a 100% subsidiary of Hot Chili Limited) and has an Option Agreement with a private party to earn a 100% interest.

[5] The Mineral Resource estimates in the tables above form coherent bodies of mineralisation that are considered amenable to a combination of open pit and underground extraction methods based on the following parameters: Base Case Metal Prices: Copper US$ 3.00/lb, Gold US$ 1,700/oz, Molybdenum US$ 14/lb, and Silver US$20/oz.

[6] Metallurgical recovery averages for each deposit consider Indicated + Inferred material and are weighted to combine sulphide flotation and oxide leaching performance. Process recoveries: Cortadera and San Antonio – Weighted recoveries of 82% Cu, 55% Au, 82% Mo and 37% Ag. CuEq(%) = Cu(%) + 0.56 x Au(g/t) + 0.00046 x Mo(ppm) + 0.0043 x Ag(g/t). Productora – Weighted recoveries of 84% Cu, 47% Au, 47% Mo and 0% Ag (not reported). CuEq(%) = Cu(%) + 0.46 x Au(g/t) + 0.00026 x Mo(ppm). Costa Fuego – Recoveries of 83% Cu, 53% Au, 69% Mo and 23% Ag. CuEq(%) = Cu(%) + 0.52 x Au(g/t) + 0.00039 x Mo(ppm) + 0.0027 x Ag(g/t).

[7] Resource Copper Equivalent (CuEq) grades are calculated based on the 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 × Cu recovery). The base case cut-off grade for mineral resources considered amenable to open pit extraction methods at the Cortadera, Productora and San Antonio deposits is 0.21% CuEq while the cut-off grade for mineral resources considered amenable to underground extraction methods at the Cortadera deposit is 0.3% CuEq.

[8] Mineral resources are not mineral reserves and do not have demonstrated economic viability. These Mineral Resource estimates include Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as Mineral Reserves. It is reasonably expected that the majority of Inferred mineral resources could be upgraded to Measured or Indicated Mineral Resources with continued exploration.

[9] The effective date of the estimate of Mineral Resources is March 31st, 2022. Refer to ASX Announcement "Hot Chili Delivers Next Level of Growth" ("Resource Announcement") for JORC Code Table 1 information related to the Costa Fuego Resource Estimate (MRE) by Competent Person Elizabeth Haren, constituting the MREs of Cortadera, Productora and San Antonio (which combine to form Costa Fuego). Hot Chili confirms it is not aware of any new information or data that materially affects the information included in the Resource Announcement and all material assumptions and technical parameters stated for the Mineral Resource Estimates in the Resource Announcement continue to apply and have not materially changed.

[10] Hot Chili Limited is not aware of political, environmental or other risks that could materially affect the potential development of the Mineral Resources.

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