

Hot Chili completes US\$25m debt facility

Funds will be used to advance the Productora copper project into DFS

Hot Chili (ASX: HCH) is pleased to announce that it has executed a Credit Agreement with Canadian resource financier Sprott Resource Lending Partnership ("Sprott") for a US\$25 million debt facility ("Facility") (see ASX announcement dated May 15, 2014).

The Company has drawn down US\$10 million under the Facility, which will help fund activities associated with the strategy to develop its flagship Productora copper project in Chile. These include completion of its pre-feasibility study, further drilling, general working capital and initial work on a definitive feasibility study.

As part of this strategy, Hot Chili is continuing discussions with several major groups, all of which are active in the Company's data room, in relation to Productora's funding and development.

Material terms of Facility

The key terms of the Credit Agreement are as follows:

- Total facility amount of US\$25 million
- Term of 12 months, with an option to extend for a further 12 months subject to certain conditions and an extension fee of 2% of the amount outstanding, payable in Hot Chili shares
- Repayable prior to maturity, in full or in part, at the option of Hot Chili without penalty, provided a minimum of 6 months of interest has been paid
- Interest rate of 12% per annum, payable monthly
- Establishment fee of 1% of the facility amount payable in cash, plus 11 million Hot Chili equity options with an exercise price of A\$0.30 and a maturity of 5 years
- Security package including general security over the property of the Company and guarantees from the Company's Chilean subsidiaries

The Company has proceeded to draw down US\$10 million as an initial advance.

The Company may draw down the US\$15 million balance of the Facility in tranches of not less than US\$5 million each (Subsequent Advances), subject to:

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- the grant of further security, including security directly over the Productora Project mining concessions and other assets held by Sociedad Minera El Aguila SpA (Aguila- the holder of the Company's Productora Project assets); and
- the Company reaching agreement and substantially implementing the proposed joint infrastructure agreement with Compania Minera Del Pacifico S.A. (CMP), which the Company and CMP are presently working towards finalising.

The Facility is subject to change of control and management change covenants whereby:

- (a) the Facility is immediately repayable if a party acquires control of 30% or more of the voting shares in the Company, or if the majority of the Board comprises persons who were not nominated by the Board or persons whose nomination resulted from an actual or threatened solicitation of proxies with a view to removing one or more of the existing directors;
- (b) the Facility is repayable within 30 days in the event both Murray Black ceases to be a director and the Chairman of the Company, and Christian Easterday ceases to be the Managing Director.

The Facility is subject to various market covenants, including restrictions on incurring further debt and granting security interests in respect of its assets, and minimum working capital covenants, which are considered usual for a facility of this nature.

Sprott Resource Lending

Hot Chili is very pleased to have secured the support and commitment of Sprott Resource Lending.

Sprott Resource Lending is a natural resource lender focused on providing financing to mining and oil and gas companies. In July 2013, Sprott Inc. completed the acquisition of Sprott Resource Lending Corp. which now operates as a Subsidiary of Sprott Inc.

Adviser

Rothschild acted as financial advisor to Hot Chili in respect of the Facility.

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