

Notice of Annual
General Meeting and
Explanatory Statement

> 2014

Extraordinary General Meeting to be held at:

**1st, 768 Canning Highway, Applecross WA
On Friday, 21 November 2014 at 1.00pm WST**

The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.



Contents

Notice of Annual General Meeting	3
Proxy appointment and voting instructions	5
Explanatory Statement	7

Key Dates

An indicative timetable of key proposed dates is set out below.
These dates are indicative only and the dates are subject to possible change.

Event	Date
Eligibility to attend Meeting and vote (snapshot date)	1.00pm WST on Wednesday, 19 November 2014
Last day for receipt of Proxy Forms*	19 November 2014
Annual General Meeting	21 November 2014

*Proxy Forms received after 1.00pm WST on this date will be disregarded.

Notice of Meeting

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Hot Chili Limited ACN 130 955 725 (Hot Chili or Company) will be held at **1st floor, 768 Canning Highway, Applecross, Western Australia** on **Friday, 21 November 2014** at **1.00pm WST**.

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered.

Capitalised terms used in this Notice of Annual General Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary in Section 5 of the Explanatory Statement.

Agenda

Financial Report

To receive and consider the financial statements, Directors' report and auditor's report for the Company and its controlled entities for the year ended 30 June 2014.

Note: There is no requirement for Shareholders to approve these reports

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report contained in the Directors' report for the year ended 30 June 2014 be adopted by the Company."

Short explanation: The Company is required to put a resolution to Shareholders to adopt the Remuneration Report at each annual general meeting. The vote on the resolution is advisory only and does not bind the Directors or the Company.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (spill resolution) that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election. For further information, please refer to the Explanatory Statement.

Resolution 2 – Re-election of Dr Allan Trench as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 14.4 and clause 11.3 of the Company's constitution, Dr Allan Trench, being a Director of the Company who retires in accordance with clause 11.3 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Resolution 3 – Re-election of Dr Michael Anderson as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 14.4 and clause 11.3 of the Company's constitution, Dr Michael Anderson, being a Director of the Company who retires in accordance with clause 11.3 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

Resolution 4 – Ratification of previous issue of Warrants pursuant to the Debt Facility

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 11 million Warrants exercisable at \$0.30 per Warrant on or before the Expiry Date pursuant to the Debt Facility, in accordance with the terms and conditions set out in the Explanatory Statement."

Short explanation: The Company seeks Shareholder approval to ratify the Warrants issued to Spratt, Mr Neil Adshed and Resource Income Partners Limited Partnership in respect of the Debt Facility. This will have the effect of refreshing the Company's placement capacity under the Listing Rules.

Resolution 5 – Approval of Additional Placement Facility

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the number of fully paid ordinary securities of the Company on issue (at the time of issue) calculated in accordance with the formula set out in Listing Rule 7.1A.2 for a period of 12 months from the date of this Meeting on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusions

For the purposes of the Corporations Act and Listing Rule 14.11, the following voting exclusion statements apply to the Resolutions. The Company will disregard any votes cast on the following resolutions by or on behalf of:

Resolution	Excluded Parties
Resolution 1	A member of Key Management Personnel whose remuneration is disclosed in the Remuneration Report and any closely related parties of those persons or as a proxy by a member of Key Management Personnel or a closely related party.
Resolution 4	Sprott Resource Lending Partnership, Mr Neil Adshed, Resource Income Partners Limited Partnership, and their Associates.
Resolution 5	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder if the resolution is passed, and any of their associates.

However, the Company need not disregard a vote on Resolution 1 if it is cast as a proxy for a person who is entitled to vote on Resolution 1 in accordance with a direction on the Proxy Form as to the way the proxy is to vote on the Resolution or by the Chairman pursuant to an express authorisation on the Proxy Form.

Furthermore, the Company need not disregard a vote on Resolution 4 or Resolution 5 if it is cast by:

- the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form; or
- the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board

Mr John Sendziuk
Company Secretary

20 October 2014

Proxy

Proxy Appointment, Voting and Meeting Instructions

Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged no later than 48 hours before the time for holding the Meeting, being before **1.00pm WST on Wednesday, 19 November 2014**, as follows:

By post: Company Secretary, Hot Chili Limited, PO Box 1725, Applecross WA 6953

By hand: 1st floor, 768 Canning Highway, Applecross WA

By fax: +61 8 9315 5004

By email: john@hotchili.net.au

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Appointment of a Proxy

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy may, but need not be, a member of the Company.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on +61 8 9315 9009 or you may photocopy the Proxy Form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Corporate Shareholders

Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

Corporate Representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's share registry before the Meeting or at the registration desk on the day of the Meeting.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in the FOR, AGAINST or ABSTAIN box opposite the Resolution. All your votes will be cast in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolutions by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Voting restrictions that may affect your proxy appointment – Remuneration Resolution

Due to the voting exclusions that apply to certain items of business, the Key Management Personnel and their closely related parties will not be able to vote your proxy on Resolution 1 (Remuneration Report) unless you have directed them how to vote or, in the case of the Chairman, if you expressly authorise him.

Key Management Personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's Key Management Personnel for the financial year ended 2014. Their closely related parties are defined by the Corporations Act and include certain of their family members, dependants and companies they control.

If you intend to appoint a member of Key Management Personnel or their closely related parties as your proxy, you are encouraged to direct them how to vote on Resolution 1.

Chairman voting undirected proxies

If the Chairman is your proxy, he will cast your votes in accordance with your directions on the Proxy Form. If you do not mark any of the boxes on the Resolutions, then you expressly authorise the Chairman to vote your undirected proxies in his/her discretion including Resolution 1 even though that Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

As at the date of this Notice of Meeting, the Chairman intends to vote undirected proxies FOR each of the Resolutions. In exceptional cases the Chairman's intentions may change subsequently and if this event, the Company will make an announcement to the market.

Voting entitlement (snapshot date)

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snapshot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting.

The Company's Directors have determined that all Shares of the Company that are quoted on ASX at **1.00pm WST on Wednesday, 19 October 2014** shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Defined terms

Capitalised terms used in the Notice and the Explanatory Statement are defined in the Glossary.

Questions from Shareholders

At the Meeting, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management of the Company and the Remuneration Report.

Mr Alasdair Whyte of RSM Bird Cameron Partners, as the auditor responsible for preparing the auditor's report for the year ended 30 June 2014 (or his representative) will attend the Annual General Meeting. The Chairman will also allow a reasonable opportunity for Shareholders to ask the auditor questions about:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

In addition to asking questions at the Meeting, written questions to the Board about the management of the Company or the Remuneration Report, or to the Company's auditor about the content of the auditor's report or the conduct of the audit, may be submitted by no later than **1.00pm WST on Friday, 14 November 2014:**

By post: Company Secretary, Hot Chili Limited, PO Box 1725, Applecross WA 6953

By hand: 1st floor, 768 Canning Highway, Applecross WA

By fax: +61 8 9315 5004

By email: john@hotchili.net.au

Copies of written questions will be available at the Meeting.

Explanatory Statement

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

1. Resolution 1 – Adoption of Remuneration Report

The Remuneration Report is set out in the Directors' report in the Company's 2014 Annual Report.

The Corporations Act requires the Company to put a resolution to Shareholders that the Remuneration Report be adopted. In accordance with section 250R(3) of the Corporations Act, the vote on the Resolution is advisory only and does not bind the Directors or the Company.

In accordance with Division 9 of Part 2G.2 of the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election.

It is noted that at the Company's 2013 annual general meeting, the votes cast against the remuneration report represented less than 25% of the total votes cast and accordingly, a spill resolution will not, under any circumstances, be required for the Annual General Meeting.

A voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. Key Management Personnel and their closely related parties may not vote on this Resolution and may not cast a vote as proxy, unless the proxy appointment gives a direction on how to vote or the proxy is given to the Chairman and expressly authorises the Chairman to exercise the proxy. The Chairman intends to use any such undirected proxies to vote in favour of Resolution 1.

The Company encourages all Shareholders to cast their votes on Resolution 1 (Remuneration Report).

2. Resolutions 2 and 3 – Re-election of Dr Allan Trench and Dr Michael Anderson

In accordance with the Listing Rules and article 11.3 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are:

- (a) those who have been in office for 3 years since their appointment or last re-appointment;
- (b) those who have been longest in office since their appointment or last re-appointment; or
- (c) if the Directors have been in office for an equal length of time, by agreement.

Dr Allan Trench and Dr Michael Anderson retire by rotation and offer themselves for re-election as Directors.

Dr Allan Trench

Dr Trench is a geologist/geophysicist and business management consultant with over 24 years experience across a broad range of commodities. His minerals sector experience spans strategy formulation, exploration, project development and mining operations. Allan 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 a number of emerging resources companies, both in Australia and overseas.

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

Dr Trench maintains academic links as an Adjunct Professor to the Western Australian School of Mines, Curtin University of Technology.

Dr Michael Anderson

Dr Anderson has more than 22 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. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and most recently and relevantly as Managing Director at Exco Resources Limited, where he successfully oversaw the funding and development of the White Dam Gold Project, and the sale of the Company's Cloncurry Copper Project to Xstrata. He joined Taurus Funds Management Pty Ltd as a director in August 2011 and is also a non-executive director of ASX-listed Base Resources Ltd.

Directors' recommendation

The Directors (other than Dr Trench in respect of Resolution 2, and Dr Anderson in respect of Resolution 3) recommend that Shareholders vote in favour of Resolutions 2 and 3 for the re-election of Dr Trench and Dr Anderson.

3. Resolution 4 – Ratification of previous issue of Warrants pursuant to Debt Facility

3.1 Introduction

On 30 June 2014, the Company announced that it had completed a US\$25 million debt facility (**Debt Facility**) with Canadian resource financier Sprott Resource Lending Partnership (**Sprott**).

The Company has drawn down \$10 million under the Debt Facility as an initial advance, and may draw down the US\$15 million balance of the Debt Facility in tranches of not less than US\$5 million each subject to:

- (a) the grant of further security, including security directly over the Productora Project mining concessions and other assets held by of Hot Chili's 99.9995% held subsidiary, Sociedad Minera El Águila SpA (**SMEA SpA**); and
- (b) the Company substantially implementing its memorandum of understanding with CMP with respect to the Productora Project, the effect of which is summarised in Section 3.2 below.

Hot Chili intends to use the funds provided under the Debt Facility to develop the Productora Project.

In consideration of providing the Debt Facility, Hot Chili paid Sprott an establishment fee of US\$250,000, and granted 11 million Warrants divided between Sprott, Mr Neil Adshed, and Resource Income Partners Limited Partnership, with an exercise price of \$0.30 each, exercisable on or before the Expiry Date.

3.2 MOU with CMP

On 6 August 2014 the Company announced it had entered into a memorandum of understanding (**MOU**) with CMP in respect of the Productora Project.

Under the MOU, it is proposed that:

- (a) the Company will acquire through its 99.9% held subsidiary, Sociedad Minera El Corazón Limitada, certain surface rights and easements from CMP and CMP's interest in certain mining rights; the Company considers the acquisition of these assets will assist in the efficient development of key infrastructure needed to underpin the Productora Project;
- (b) CMP will receive 17.5% of the share capital of SMEA SpA, which is the company through which Hot Chili holds its interest in the Productora Project and
- (c) CMP will also receive an option to acquire a further 32.6% of SMEA SpA, for a minimum of US\$80 million following the successful completion of a pre-feasibility study, expected in the first half of 2015.

Further details of the transactions contemplated by the MOU are set out in the Company's announcement released to ASX on 6 August 2014, a copy of which is available on the Company's website at www.hotchili.net.au.

The Company is presently finalising the terms of the agreements with CMP for the transactions contemplated by the MOU.

The transactions contemplated by the MOU remain subject to CMP board ratification and the approval of the Company's Shareholders, which is proposed to be sought at a future meeting of Shareholders.

3.3 Listing Rules information requirements

Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's shareholders subsequently approve it.

Under Resolution 4, the Company seeks Shareholder approval for, and ratification of, the issue of the 11 million Warrants so as to refresh the Company's capacity under Listing Rule 7.1 to issue further securities representing up to 15% of the Company's issued capital in the next 12 months.

For the purposes of the information requirements of Listing Rule 7.5, the following matters are noted:

- (a) the Company issued 11 million Warrants;
- (b) the Warrants were issued at nil issue price;
- (c) the terms of the Warrants are set out in Schedule 1 to this Explanatory Statement;
- (d) the Warrants were issued to the following parties:
 - (i) 5,500,000 Warrants to Sprott;
 - (ii) 88,000 Warrants to Mr Neil Adshed; and
 - (iii) 5,412,000 Warrants to Resource Income Partners Limited Partnership, none of whom are related parties of the Company; and
- (e) the Warrants were issued as consideration under the Debt Facility and accordingly, no funds were raised from the issue of the Warrants.

3.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

4. Resolution 5 – Approval of Additional Placement Facility

4.1 Background

Listing Rule 7.1A permits eligible entities that have obtained the approval of shareholders by special resolution at an annual general meeting to issue an additional 10% of issued capital by way of placements over a 12 month period (**Additional Placement Facility**).

The Company is an eligible entity (being an entity with market capitalisation of \$300 million or less and is not included in the S&P/ASX 300 index) and seeks Shareholder approval under this resolution for the Additional Placement Facility.

4.2 Requirements of Listing Rule 7.1A

- (a) Quoted securities

Any equity securities issued under the Additional Placement Facility must be in the same class as an existing class of equity securities of the Company that are quoted on ASX. As at the date of this Notice, the Company has [one] class of equity securities quoted on ASX being fully paid ordinary shares. [Add any other quoted securities such as options]

- (b) Number of equity securities that may be issued

Listing Rule 7.1 permits the Company to issue 15% of issued capital over a 12 month period without shareholder approval. The Additional Placement Facility under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The effect of Shareholders passing this resolution is to allow the Company to issue up to 25% of its issued capital during the next 12 months without obtaining specific Shareholder approval before the placement.

The exact number of additional equity securities that the Company may issue under the Additional Placement Facility is not fixed but is calculated under a formula prescribed by the Listing Rules (set out below).

At the date of this Notice the Company has 347,732,196 Shares on issue. If all the resolutions in this Notice are passed, the Company will be permitted to issue (as at the date of this Notice):

- (i) 52,159,829 equity securities under Listing Rule 7.1 (15% placement capacity); and
- (ii) 34,773,219 equity securities under Listing Rule 7.1A (10% Additional Placement Facility).

- (c) Formula for calculating the number of equity securities that may be issued under the Additional Placement Facility.

If this resolution is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of equity securities calculated in accordance with the following formula.

(A x D) – E

A	The number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue: <ul style="list-style-type: none">plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2,plus the number of partly paid ordinary securities that became fully paid in the 12 months,plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rule 7.1 or Listing Rule 7.4,less the number of fully paid ordinary securities cancelled in the 12 months.
D	10%
E	The number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

4.3 Information required under the Listing Rules

(a) Minimum price

The issue price of any equity security under the Additional Placement Facility will be no less than 75% of the volume weighted average price for securities in the same class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed; or
- if the securities are not issued within five trading days of the date above, the date on which the securities are issued.

(b) Risk of economic and voting dilution

If this resolution is passed and the Company issues securities under the Additional Placement Facility, then there is a risk to existing Shareholders of economic and voting dilution including the risk that:

- the market price for equity securities in the same class may be significantly lower on the issue date of the new equity securities than on the date of this Meeting; and
- the new equity securities may be issued at a price that is at a discount to the market price for equity securities in the same class on the issue date or the new equity securities may be issued consideration for the acquisition of a new asset.

The table below identifies the potential dilution to existing Shareholders following the issue of equity securities under the Additional Placement Facility (based on the formula set out above) using different variables for the number of issued Shares and the market price of Shares. The numbers are calculated on the basis of the latest available market price of Shares before the date of this Notice and the current number of Shares on issue.

Variable A in Listing Rule 7.1A		Nominal issue price		
		\$0.23 (market price*)	\$0.1725 (25% decrease in market price)	\$0.115 (50% decrease in market price)
Current issued capital A = 347,732,196 Shares	Shares issued under LR 7.1A	34,773,219	34,773,219	34,773,219
	Voting dilution	10%	10%	10%
	Funds raised	\$7,997,840	\$5,998,380	\$3,998,920
	Economic dilution	0%	2.27%	4.55%
50% increase in issued capital A = 521,598,294 Shares	Shares issued under LR 7.1A	52,159,829	52,159,829	52,159,829
	Voting dilution	7.5%	7.5%	7.5%
	Funds raised	\$11,996,761	\$8,997,571	\$5,998,380
	Economic dilution	0%	2.27%	4.55%
100% increase in issued capital A = 695,464,392 Shares	Shares issued under LR 7.1A	69,546,439	69,546,439	69,546,439
	Voting dilution	5%	5%	5%
	Funds raised	\$15,995,681	\$11,996,761	\$7,997,840
	Economic dilution	0%	2.27%	4.55%

This table has been prepared on the following assumptions:

- (i) the latest available market price of Shares as at the date of the Notice was \$0.23;
- (ii) the Company issues the maximum number of equity securities available under the Additional Placement Facility
- (iii) existing Shareholders' holdings do not change from the date of this Meeting to the date of the issue under the Additional Placement Facility;
- (iv) the Company issues Shares only and does not issue other types of equity securities (such as options) under the Additional Placement Facility; and
- (v) the impact of placements under Listing Rule 7.1 or following the exercise of options is not included in the calculations.

(c) Placement period

Equity securities may be issued under the Additional Placement Facility at any time after the date of this Meeting until that date that is 12 months after this Meeting. The approval to the Additional Placement Facility under this resolution will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purposes for which equity securities may be issued

The Company may seek to issue equity securities under the Additional Placement Facility for the following purposes:

- (i) cash consideration to fund business growth, to acquire new assets or make investments, to develop the Company's existing assets and operations and for general working capital; and
- (ii) non-cash consideration to acquire new assets or make investments. In these circumstances the Company provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) Allocation policy

The Company's allocation policy for the issue of equity securities under the Additional Placement Facility will depend on the prevailing market conditions at the time of the proposed issue. The allottees will be determined on a case-by-case basis having regard to the factors such as:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the new securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate and other advisors.

At the date of this Notice the proposed allottees under the Additional Placement Facility have not been determined but may include existing substantial Shareholders, other Shareholders and/or new investors. None of the allottees will be a related party or an associate of a related party of the Company. Existing Shareholders may or may not be entitled to subscribe for equity securities under the Additional Placement Facility and it is possible that their shareholding will be diluted.

If the Additional Placement Facility is used to acquire new assets or investments then it is likely that the allottees will be the vendors of these assets/investments.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities under the Additional Placement Facility.

(f) Equity securities issued under previous placement facility approval

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

4.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

Glossary of defined terms

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annual General Meeting or Meeting	The Annual General Meeting of Shareholders or any adjournment thereof, convened by the Notice.
Annual Report	The Company's annual report, including the financial statements, the Directors' report and the auditor's report for the Company for the year ended 30 June 2014, which can be downloaded from the Company's website at http://www.hotchili.net.au/
Board or Hot Chili Board	The Board of Directors of the Company.
Business Day	A day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Western Australia.
Chairman	The chairman of the Annual General Meeting.
CMP	Compañía Minera del Pacífico S.A., a corporation organised and existing under the laws of Chile.
Company Secretary	The company secretary of the Company at the time of the Annual General Meeting, being Mr John Sendziuk.
Corporations Act	The <i>Corporation Act 2001</i> (Cth).
Debt Facility	The debt facility between the Company and Sprott described in Section 3.
Director or Hot Chili Director	A director of the Company.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Annual General Meeting.
Hot Chili or Company	Hot Chili Limited ACN 130 955 725.
Key Management Personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	The listing rules of ASX, as amended from time to time.
MOU	The memorandum of understanding between the Company and CMP to develop the Productora Project dated 6 August 2014.
Notice or Notice of Annual General Meeting	The notice of Annual General Meeting which accompanies this Explanatory Statement.
Proxy Form	The proxy form accompanying the Notice.
Productora Project	The Productora copper project in Chile.
Remuneration Report	The remuneration report appearing in the Annual Report.
Resolution	A resolution set out in the Notice.
Section	A section of this Explanatory Statement.
Share	A fully paid ordinary share in the Company.
Shareholder	A holder of a Share.
SMEA SpA	Sociedad Minera El Aguila SPA, a subsidiary of the Company and a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.211-3.
Sprott	Sprott Resource Lending Partnership, a general partnership organised and existing under the laws of the Province of Ontario.
Warrant	A warrant to subscribe for a Share.
WST	Australian Western Standard Time, being the time in Perth, Western Australian.
\$	Australian dollars.

Schedule 1 – Terms and conditions of Warrants

1. Expiry of Warrants

The Warrants will expire on the Expiry Date. Any warrant not exercised before the Expiry Date will automatically lapse on the Expiry Date.

2. Exercise of Warrants

A Warrant may be exercised at any time during the Exercise Period by the Warrant Holder who holds that Warrant (**Exercising Warrant Holder**) delivering to the Company a Notice of Exercise, duly executed on behalf of the Exercising Warrant Holder and stipulating:

- (a) the number of Warrants to be exercised;
- (b) the aggregate Exercise Price payable for the Warrants to be exercised (if any); and
- (c) the name and address of the party to whom the Warrant Shares are to be issued on exercise of the Warrants (being either the Exercising Warrant Holder or its Nominee).

3. Settlement

If a Warrant Holder serves a Notice of Exercise on the Company in accordance with the terms of paragraph 2 above:

- (a) Settlement shall take place before 5.00 p.m. on the date which is 5 Business Days after the date of service of the Notice of Exercise (or such earlier date as agreed between the Company and the Warrant Holder);
- (b) the Company shall, in accordance with the Listing Rules and within 5 Business Days after the date of service of the Notice of Exercise, make an application to have the Warrant Shares which are allotted pursuant to an exercise of a Warrant listed for quotation on ASX prior to delivery of the Warrant Shares;
- (c) on Settlement:
 - A) the Exercising Warrant Holder will pay to the Company an amount equal to the aggregate Exercise Price for all of the Warrants the subject of the Notice of Exercise;
 - B) the Company will issue to the Exercising Warrant Holder or its Nominee such number of Warrant Shares (rounded down to the nearest whole number) as is equal to the number of Warrant Shares in respect of each Warrant which is the subject of the Notice of Exercise. All Warrant Shares will rank equally in all respects with existing Shares;
 - C) the Company will procure its Share Registry to issue a holding statement to the Exercising Warrant Holder in respect of the Warrant Shares issued on exercise of those Warrants;
 - D) the Company will provide such other evidence satisfactory to the Exercising Warrant Holder of the admission and delivery of those Warrant Shares (including any documents issued by ASX); and
 - E) the Company shall lodge a notice with ASX that complies with sections 708A(5) and 708A(6) of the Corporations Act as soon as practical, and in any event no later than 5 Business Days, after the day on which the relevant Warrant Shares are issued to the Exercising Warrant Holder.

4. Company to maintain register of Warrant Holders

- (a) The Company must maintain a register of Warrant Holders, setting out:
 - (i) the full name of each Warrant Holder;
 - (ii) the address of each Warrant Holder;
 - (iii) the number of Warrants held by each Warrant Holder from time to time (and whether those Warrants were issued to that Warrant Holder by the Company or transferred to the Warrant Holder by another Warrant Holder (in which case the identity of the transferring Warrant Holder will be noted); and
 - (iv) the date of issue of each Warrant.
- (b) The Company must update the register of Warrant Holders to reflect and record transfers of Warrants made in accordance with this deed.
- (c) Each Warrant Holder will have the right to inspect the register of Warrant Holders (or a certified facsimile or email copy of that register) on request.
- (d) Each Warrant Holder will notify the Company within 10 Business Days of it changing its name or address, to enable the Company to update the register of Warrant Holders as required.

5. Provision of information

If requested by a Warrant Holder, the Company will, to the extent permitted by Law, provide the Warrant Holder with such information regarding the Company, its subsidiaries and its business as the Warrant Holder requires in order to prepare and lodge any notice or application given or made under or in connection with FATA or the FIRB Policy.

6. Anti-Dilution

- (a) A Warrant Holder cannot participate in a new issue of securities in the Company without first exercising the Warrants.
- (b) Warrant Holders who exercise their Warrants and are issued Warrant Shares before the applicable record date for the new issue will be entitled to participate in that new issue.
- (c) Except as expressly set out in this deed, a Warrant Holder does not have any right to change the Exercise Price of a Warrant or the number of Warrant Shares over which a Warrant can be exercised.
- (d) In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the rights of a Warrant Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation.

7. New Pro-Rata Issues

In the event that a Pro Rata Issue (other than a Bonus Issue) is made to the holders of the Shares, the Exercise Price of each Warrant will be reduced according to the following formula:

$$W' = \frac{W - E [P - (S + D)]}{N + 1}$$

where:

- W' = the new exercise price of the Warrant.
- W = the old exercise price of the Warrant.
- E = the number of underlying Shares into which one Warrant is exercisable immediately prior to the relevant Pro Rata Issue.
- P = the average market price per Share (weighted by reference to volume) of the Shares during the 5 Trading Days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a Share under the Pro Rata Issue.
- D = the dividend due but not yet paid on the existing Shares (except those to be issued under the Pro Rata Issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share in the Company.

8. Bonus issues

The number of Warrant Shares to be issued pursuant to the exercise of a Warrant will be adjusted for Bonus Issues made prior to exercise of that Warrant. The number of Warrant Shares will be increased so that upon exercise of the relevant Warrant the number of Warrant Shares received by the Exercising Warrant Holder on exercise of that Warrant will include the number of bonus Shares that would have been issued if the Warrant had been exercised and Warrant Shares allotted prior to the record date for Bonus Issues. The Exercise Price of a Warrant shall not change as a result of any such Bonus Issue.

9. Notifications

- (a) The Company must give each Warrant Holder at least 10 Business Days' written notice of any proposed Distribution.
- (b) The Company shall procure that each Warrant Holder receives a copy of any notice, correspondence or other communication provided to the shareholders of the Company from time to time including, but not limited to, any communication in respect of:
 - (i) a takeover offer for some or all of the Shares made pursuant to Chapter 6 of the Corporations Act; and
 - (ii) a compromise or arrangement in respect of the Company under Part 5.1 of the Corporations Act, and
 - (iii) any merger, consolidation, reclassification, reorganisation, purchase of all or substantially all the assets of the Company, or other change in the capital structure of the Company.

- (c) The Company must notify the Warrant Holders of any proposed new issue (including Pro Rata Issues of shares or securities in any of its Subsidiaries) 10 Business Days before the relevant record date for that issue or, if earlier, at the same time as it gives notice to the holders of Shares in order to give the Warrant Holders the opportunity to exercise their Warrants prior to the record date for the determination of entitlements to participate in that new issue.
- (d) The Company must notify each Warrant Holder and ASX within 1 month after the record date for a Pro Rata Issue or Bonus Issue of the resulting adjustment to the number of Shares over which a Warrant exists and/or the adjustment to the Exercise Price.

10. Transfers of Warrants

- (a) Each Warrant Holder shall be entitled, in its absolute discretion, to transfer some or all of its Warrants to any Permitted Transferee.
- (b) Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Warrants until the name of the transferee is entered into the register of Warrant Holders.
- (c) Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and it shall be accompanied by any evidence that the Company may reasonably require to prove title to of the transferor or his right to transfer the Warrants. All instruments of transfer that are registered may be retained by the Company.
- (d) If the proposed transferee is not already an Existing Warrant Holder, the proposed transferee must also execute and deliver to the Company a deed of transfer and accession.

11. Definitions

Adjustment Mechanism means the adjustments set out in clause 3 being adjustments to the Exercise Price of a Warrant and/or the number of Warrant Shares which will be received upon the exercise of a Warrant in the event that the Company's share capital is subject to a pro-rata issue (including a Bonus Issue).

ASX means ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange as appropriate.

ASX Operating Rules means the operating rules of ASX as amended from time to time.

Bonus Issue has the meaning given to that term in Chapter 19 of the Listing Rules.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are generally open in Sydney, Australia for normal business.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means each director from time to time of the Company.

Distribution means a dividend or distribution of any kind in respect of a Share (whether comprising money or other non-cash assets or otherwise as fees, profits or interest or by way of a redemption, repayment or return of capital).

Exercise Period means the period commencing on the Issue Date and ending on the Expiry Date.

Exercise Price means A\$0.30 per Warrant (subject to any adjustment pursuant to the Adjustment Mechanism) or such other exercise price agreed by the parties.

Exercising Warrant Holder has the meaning given to that term in clause 2.2.

Expiry Date means 5.00pm on a Business Day that is 5 years from the Issue Date or such other date agreed by the parties.

Facility Agreement means the credit agreement dated on the date of this deed between, among others, the Company and Lender.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

FIRB Policy means the guidelines and policies issued by the Australian Government and Foreign Investment Review Board in respect of FATA.

Issue Date means the date on which all conditions precedent under the Facility Agreement have been satisfied (other than the issue of the Warrants).

Law means all statutes, regulations, by-laws, ordinances and other delegated legislation and any rule of common law or equity from time to time.

Listing Rules means the listing rules of ASX.

Nominee means, in relation to a Warrant Holder, a nominee of that Warrant Holder nominated to receive Warrant Shares from the Company upon Settlement.

Notice of Exercise means a notice referred to in clause 2.2.

Permitted Transferee means:

- (a) any Professional Investor, Sophisticated Investor or investor otherwise able to avail itself of one of the disclosure exemptions set out in section 708 of the Corporations Act and who is also a Wholesale Client; and
- (b) for any investor which resides in or is subject to the Laws of any jurisdiction outside Australia, means an investor to whom the Warrants can be offered and transferred and the Warrant Shares can be issued:
 - (i) without the need for any registration, filing or lodgement under any such applicable Laws; and
 - (ii) without breaching the FATA or the FIRB Policy.

Professional Investor has the meaning given to that term in section 708(11) of the Corporations Act.

Pro Rata Issue has the meaning given to that term in Chapter 19 of the Listing Rules.

Settlement means, in relation to a Warrant, the time at which the relevant Warrant Shares are issued to the relevant Warrant Holder (or its Nominee) by the Company in accordance with the terms of this deed following exercise of that Warrant by the Warrant Holder.

Shares means fully paid ordinary shares in the capital of the Company.

Sophisticated Investor has the meaning given to that term in section 708(8) of the Corporations Act.

Subsidiaries has the meaning given to that term in the Corporations Act.

Trading Day means a day on which the ASX is open for trading, provided that if no closing price is reported in respect of the relevant Shares on the ASX for one or more consecutive dealing days, such day or days will be disregarded.

VWAP means, on any day, the average of the daily volume weighted average sale price (rounded to the nearest 0.01 of a cent) per Share of Shares sold on ASX during a specified period of days prior to that day but does not include any transaction defined in the ASX Operating Rules as "special" crossings, any crossings during any Session State of the ASX Trading Platform for Cash Market Transactions (each as defined in the ASX Operating Rules) other than an Open Session State (as defined in the ASX Operating Rules) and overnight crossings.

Warrants means 11,000,000 warrants to subscribe for Shares at the Exercise Price of A\$0.30 per Share (subject to adjustment under the Adjustment Mechanism).

Warrant Holder means Lender (or its Nominee) and any other party who becomes a party to this deed in accordance with the terms of this deed and pursuant to a Deed of Transfer and Accession.

Warrant Share means one Share to be issued upon exercise of a Warrant (subject to adjustment pursuant to the Adjustment Mechanism).

Wholesale Client has the meaning given to that term in section 761G of the Corporations Act.

Proxy Form



ACN 130 955 725

I/We (name of Shareholder) _____

of (address) _____

being a member/members of Hot Chili Limited HEREBY APPOINT:

(name) _____

of (address) _____

and/or failing him/her (name) _____

of (address) _____

or, failing the person named, or if no person is named, the Chairman of the Meeting as my/our proxy to act on my/our behalf at the Meeting to be held at **1.00pm WST** on **Friday, 21 November 2014** at 1st floor 768 Canning Highway, Applecross WA and at any adjournment or postponement of the Meeting.

The Company encourages you to you to direct your proxy to vote for or against the Resolutions or to abstain from voting on each of the Resolutions. Except where I/we have marked a voting box for a Resolution below, I/we authorise my/our proxy to vote or abstain from voting on any Resolution in their discretion.

If the Chairman is appointed your proxy, the Chairman intends to vote all undirected proxies FOR each Resolution.

Authorisation to the Chairman to cast votes on Resolution 1: If the Chairman is my/our proxy, I/we expressly authorise the Chairman to vote on Resolution 1 in his discretion (except where I/we have marked the voting boxes below) even though that Resolution is connected with the remuneration of a member of Key Management Personnel.

I/we acknowledge that the Directors (other than the Chairman) and other Key Management Personnel of the Company and their closely related parties will not cast any votes in respect of Resolution 1 that arise from any undirected proxy that they hold.

Should you wish to direct your proxy how to vote, please mark FOR, AGAINST or ABSTAIN in the voting boxes below.

I/We direct my/our proxy to vote in the following manner:

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Dr Allan Trench as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Dr Michael Anderson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of previous issue of Warrants pursuant to the Debt Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Additional Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This Proxy is appointed to represent _____% of my voting right, or if two proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my/our total votes.

My/our total voting right is _____ shares.

By:

Individuals and joint holders

Signature _____

Signature _____

Signature _____

Companies (affix common seal if appropriate)

Director _____

Director/Company Secretary _____

Sole Director _____