#### **Hot Chili Limited**

ACN 130 955 725

First Floor, 768 Canning Highway, Applecross, Western Australia 6153

PO Box 1725, Applecross, Western Australia 6953

P: +61 8 9315 9009

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www.hotchili.net.au



13 August 2021

Dear Shareholder

#### GENERAL MEETING OF SHAREHOLDERS

The Board of Directors of Hot Chili Limited (the **Company**) advises that it will be holding a general meeting at First Floor, 768 Canning Highway, Applecross, Western Australia on Wednesday 15 September 2021 at 11.00am (WST).

## **Notice of Meeting**

The Company will not be dispatching physical copies of the notice of general meeting (**Notice**). This reflects temporary changes made by the Commonwealth Government in response to the COVID-19 pandemic, which allow notices of meeting and other information regarding a meeting to be provided online.

You may contact Automic to obtain a hard copy Voting Form which will be mailed to you. The Notice is made available to shareholders electronically and can be viewed and downloaded online from the Company's website at the following link: <a href="https://www.hotchili.net.au/">https://www.hotchili.net.au/</a>. A personalised proxy form will be attached to this letter.

#### Voting

All resolutions at the general meeting will be decided on a poll.

The poll will be conducted based on votes submitted by proxy and those cast at the general meeting by shareholders who attend in-person.

To vote by proxy, please use one of the following methods:

By hand: Automic, Level 5, 126 Philip Street, Sydney NSW 2000

By post: Automic, GPO Box 5193, Sydney NSW 2001

By email: meetings@automicgroup.com.au

**By fax:** +61 2 8583 3040

Your proxy instructions must be received not later than 48 hours before the commencement of the general meeting, being 11.00am (WST) on 13 September 2021. Proxy Forms received later than this time will be invalid. Shareholders who wish to participate and vote at the general meeting are strongly encouraged to complete and submit their proxies as early as possible.

The Chairperson intends to vote all open proxies <u>in favour</u> of all resolutions, where permitted.

#### Questions

Shareholders will be able to ask questions at the general meeting.

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Shareholders are also encouraged to submit questions in advance of the general meeting to the Company. Questions must be submitted by email to admin@hotchili.net.au or in writing to the Company's office by 5.00pm (WST) on Wednesday 8 September 2021.

There will be no presentation at the meeting.

## Approved for release by the Board of Directors

## Lloyd Flint

Company Secretary



# Notice of General Meeting, Explanatory Statement and Proxy Form

General Meeting to be held at

First Floor 768 Canning Highway Applecross, Western Australia

On Wednesday, 15 September 2021 at 11.00am (WST)

## **Important Notice**

The Notice of 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.

# **Important Information**

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## Important dates

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

Event	Date
Last day for receipt of Proxy Forms – Proxy Forms received after this time will be disregarded	11.00am (WST) on Monday, 13 September 2021
Snapshot date for eligibility to vote	5.00pm (WST) on Monday, 13 September 2021
General Meeting	11:00am (WST) on Wednesday, 15 September 2021

## **Defined terms**

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

## **Notice of General Meeting**

Notice is hereby given that a General Meeting of Hot Chili Limited ACN 130 955 725 (Company) will be held at First Floor, 768 Canning Highway, Applecross, Western Australia on Wednesday, 15 September 2021 at 11:00am (WST) for the purpose of transacting the business referred to in this Notice of General Meeting.

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

## **AGENDA**

# Resolution 1 - Ratification of issue of 354,184,879 Tranche 1 Placement Shares to Placement Participants under Listing Rule 7.1

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

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue by the Company of 354,184,879 Shares, issued at a price of \$0.032 each to Tranche 1 Placement Participants within the Company's issuance capacity under Listing Rule 7.1, in the manner and on the terms and conditions set out in the Explanatory Statement."

# Resolution 2 - Ratification of issue of 310,819,632 Tranche 1 Placement Shares to Placement Participants under Listing Rule 7.1A

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

"That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue by the Company of 310,819,632 Shares, issued at a price of \$0.032 each to Tranche 1 Placement Participants within the Company's issuance capacity under Listing Rule 7.1A, in the manner and on the terms and conditions set out in the Explanatory Statement."

# Resolution 3 - Approval to issue Tranche 2 Placement Shares to Placement Participants (non-Related Parties)

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue by the Company of 334,995,489 Tranche 2 Placement Shares at an issue price of \$0.032 each, to Tranche 2 Placement Participants who are not Related Parties of the Company, under the Tranche 2 Placement, in the manner and on the terms and conditions set out in the Explanatory Statement."

# Resolution 4 - Approval to issue Tranche 2 Placement Shares to Blue Spec Sondajes SpA (a Related Party)

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue by the Company of 93,750,000 Tranche 2 Placement Shares at an issue price of \$0.032 each, to Blue Spec Sondajes SpA, a Related Party of the Company, under the Tranche 2 Placement, in the manner and on the terms and conditions set out in the Explanatory Statement."

## Resolution 5 - Approval to issue Shortfall Shares under the SPP Offer

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

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue by the Company of Shares that are not subscribed for by eligible Shareholders pursuant to the Company's proposed share purchase plan offer (**SPP Offer**) at an issue price of \$0.032 each, up to a maximum of 156,250,000 Shares, to the Underwriter of the SPP Offer, any subunderwriter of the SPP Offer and any non-Related Party professional and sophisticated investors as determined by the Directors or the Underwriter, in the manner and on the terms and conditions set out in the Explanatory Statement."

# Resolution 6 - Approval to issue Lead Manager Options to Lead Managers to Placement and SPP Offer

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

"That under and for the purposes of Listing Rule 7.1 and all other purposes, Shareholders hereby approve the issue of a total of 92,500,000 Lead Manager Options, each exercisable at \$0.045 each, on or before 30 September 2024, to the Lead Managers and/or their respective nominee(s), as a fee for arranging and managing the Placement and acting as Underwriter to the SPP Offer, in the manner and on the terms and conditions set out in Schedule 1 of this Notice of Meeting and the Explanatory Statement."

By order of the Board

Mr Lloyd Flint Company Secretary 13 August 2021

# **Voting Exclusions**

For the purposes of Listing Rule 14.11, the following voting exclusion statements apply to the Resolutions. The Company will disregard any votes cast in favour of the following Resolutions by or on behalf of the following persons or an Associate of those persons.

Resolution	Excluded Parties
Resolution 1	The Tranche 1 Placement Participants, being the persons to whom Tranche 1 Placement Shares were issued.
Resolution 2	The Tranche 1 Placement Participants, being the persons to whom Tranche 1 Placement Shares were issued.
Resolution 3	The Tranche 2 Placement Participants, and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares).
Resolution 4	Blue Spec Sondajes SpA, and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares).
Resolution 5	Veritas Securities, any nominee of Veritas Securities, any person who may sub- underwrite the SPP Offer, any person who will participate in the issue of the Shortfall Shares to the SPP Offer and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares).
Resolution 6	The Lead Managers (Veritas Securities and IAPW), any nominee of a Lead Manager who may be granted Lead Manager Options, and any other person who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares).

However, this does not apply to a vote cast in favour of the above Resolutions by:

- the person as proxy or attorney for a person who is entitled to vote on a Resolution, in accordance with directions given to the proxy or attorney to vote on a Resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on a Resolution, in accordance with a direction given to the chair to vote on a Resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary providing the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on a Resolution; and
  - the holder votes on a Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

# **Proxy Appointment and Voting Instructions**

#### **Proxy Form**

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address below by 11:00am (WST) on Monday, 13 September 2021, being not later than 48 hours before the commencement of the Meeting. A Proxy Form received after that time will not be valid.

By post: Automic Group

GPO Box 5193 Sydney NSW 2001

By hand: Automic Group

Level 5, 126 Phillip Street

Sydney NSW 2000

By email: <a href="mailto:meetings@automicgroup.com.au">meetings@automicgroup.com.au</a>

By fax: (02) 8583 3040 (within Australia)

+61 2 8583 3040 (outside Australia)

#### Appointment of a proxy

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

If you wish to appoint the Chairperson as your proxy, mark the appropriate box on the Proxy Form. If the person you wish to appoint as your proxy is someone other than the Chairperson, please write the name of that person in the space provided on the Proxy Form. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairperson will be your proxy.

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, you may photocopy the Proxy Form or an additional Proxy Form may be obtained by telephoning the Company on +61 8 9315 9009.

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 Resolution by inserting the percentage or number of Shares you wish to vote in the appropriate boxes. If you do not mark any of the boxes next to a Resolution, your proxy may vote as he or she chooses. If you mark more than one box on the Resolution, your vote will be invalid.

### Chairperson voting undirected proxies

If the Chairperson is your proxy, the Chairperson 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 Chairperson to vote your undirected proxies at his/her discretion.

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

#### Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at **11.00am (WST) on Monday, 13 September 2021**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

#### **Questions from Shareholders**

Questions for the Board of Directors can be emailed to admin@hotchili.net.au and must be received be submitted by no later than **5.00pm (WST) on Friday**, **10 September 2021**.

The board of Directors will endeavour to prepare answers to these questions, where necessary they will be moderated and curated to cover business of the meeting.

# **Explanatory Statement**

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

This Explanatory Statement should be read in conjunction with the Notice of General Meeting.

Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

## 1. Background to the Resolutions

#### 1.1 Placement

On 6 August 2021, the Company announced that it had successfully arranged a \$35 million (before costs) capital raising by private placement of 1,093,750,000 ordinary shares in the Company (**Placement Shares**), at an issue price of \$0.032 per Placement Share.

The Placement participants comprise:

- (a) various institutional, professional and sophisticated investors in Australia and overseas, as arranged by Veritas Securities as co-Lead Manager to the Placement;
- (b) various institutional and accredited investors in the United States and Canada, as arranged by independent broking firm iA Private Wealth Inc., as co-Lead Manager to the Placement;
- (c) Glencore Australia as a strategic investor in the Company; Glencore Australia will acquire a 9.99% shareholding interest in the Company on completion of the Placement; and
- (d) Blue Spec Sondajes SpA, which is a company associated with the Company's Chairman, Mr Murray Black, and therefore a Related Party of the Company.

The Placement has been and will be conducted in two tranches as follows:

- (e) **Tranche 1 Placement**: the placement and issue of 665,004,511 Shares to Tranche 1 Placement Participants (all of whom are non-Related Parties of the Company) at an issue price of \$0.032 each, raising approximately \$21.28 million (before costs); and
- (f) **Tranche 2 Placement**: a proposed issue of a total of 428,745,489 Shares at an issue price of \$0.032 each, comprising:
  - (i) 334,995,489 Shares to Tranche 2 Placement Participants who are not-Related Parties of the Company; and
  - (ii) 93,750,000 Shares to Blue Spec,

to raise approximately \$13.72 million (before costs), subject to Shareholder approval.

The Tranche 1 Placement Shares were issued by the Company on 12 August 2021 using its issuing capacities under Listing Rules 7.1 and 7.1A. Subsequent ratification of this issue by Shareholders is sought under Resolutions 1 and 2.

The issue of the Tranche 2 Placement Shares to non-Related Parties is subject to Shareholder approval of Resolution 3.

The issue of the Tranche 2 Placement Shares to Blue Spec is subject to Shareholder approval of Resolution 4.

The Company engaged the Lead Managers to arrange and manage the Placement.

#### 1.2 SPP Offer

The Company will provide existing eligible Shareholders an opportunity to subscribe for 156,250,000 new Shares (**SPP Shares**) by way of a share purchase plan offer (**SPP**) to raise \$5 million (before costs) (**SPP Offer**).

The Company intends to conduct the SPP Offer pursuant to a prospectus (**Prospectus**).

The SPP Shares will be offered at an issue price of \$0.032 per Share, being the same issued price per SPP Share as the price under the Placement.

Under the SPP Offer, each shareholder who held shares in the Company at 5.00pm (WST), Thursday 5 August 2021 (**SPP Record Date**) and who had a registered address in Australia or New Zealand will be entitled to apply for a minimum of \$2,000 and a maximum of \$15,000 of SPP Shares.

Details of the SPP Offer are contained in the Company's prospectus for the SPP Offer released to ASX on 13 August 2021.

The SPP Offer is not subject to Shareholder approval, however the issue of any SPP Shares not subscribed for by eligible Shareholders will comprise the shortfall to the SPP Offer and may be issued to Veritas Securities (in its capacity as Underwriter of the SPP Offer), any subunderwriter of the SPP Offer and any non-Related Party professional and sophisticated investors as determined by the Directors or the Underwriter, subject to Shareholder approval of Resolution 5 (refer Section 5 for further information).

#### 1.3 Use of funds raised under the Placement and SPP Offer

It is intended that funds from the Placement and SPP Offer (at full subscription of \$40 million) (together the **Capital Raising**) will used for the following purposes:

Use	Amount
Stage 3 US\$15.0m (approx. A\$20.0m) payment under the SCM Carola Option Agreement, for the acquisition of a 100% interest in the Cortadera Project.	\$20,000,000
Repayment of Compañia Minera del Pacifico SA ("CMP") Option Fee US\$1.5m for termination of CMP's option over Sociedad Minera El Águila SpA.	\$2,000,000
Up to 40,000 metres of diamond and RC drilling for:	\$10,000,000
Cortadera resource expansion drilling;	
Growth targets within the Cortadera discovery zone;	
<ul> <li>Resource definition drilling of nearby high-grade satellite deposits; and</li> </ul>	
<ul> <li>Exploration drilling at the Cortadera North Prospect and other priority targets within a 20km radius of Cortadera.</li> </ul>	
Delivery of an updated mineral resource at Cortadera and maiden resources at the San Antonio and Valentina deposits.	\$500,000
Completion of Pre-feasibility Study for the Costa Fuego Copper Project in Q3 2022.	\$2,000,000
Costs of the Placement and SPP Offer.	\$2,500,000
Working capital	\$3,000,000
Total	\$40,000,000

The intended use of funds as stated in table above reflects the Company's intentions as at the Notice Date. The actual use of funds may differ from the stated intentions depending on developments, exploration results and circumstances arising after the Meeting.

# 2. Resolutions 1 and 2- Ratification of issue of Tranche 1 Placement Shares to Placement Participants

#### 2.1 Requirement for Shareholder approval

As described in Section 1.2 above, the Company has issued a total of 665,004,511 Shares under the Placement to institutional, professional and sophisticated investors using its issuing capacity under Listing Rules 7.1 and 7.1A.

Resolutions 1 and 2 are ordinary resolutions seeking approval by Shareholders of the ratification of the issue of 665,004,511 Shares under the Tranche 1 Placement.

None of the Tranche 1 Placement Participants are Related Parties of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 15%. The Company obtained such approval at the Company's 2020 Annual General Meeting held on 30 November 2020.

The issue of the Placement Shares does not fall within any of exceptions to Listing Rule 7.1 and, as it has not yet been approved by the Company's Shareholders, it effectively uses up the 15% limit in Listing Rule 7.1 and part of the 10% limit in Listing Rule 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12-month period from the issue date of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 (or Listing Rule 7.1A as applicable) and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rules 7.1 and 7.1A

#### Purpose and effect of Resolution 1

Resolution 1 seeks Shareholder approval to the issue of 354,184,879 Tranche 1 Placement Shares under Listing Rule 7.1 for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the issue of 354,184,879 Tranche 1 Placement Shares will be <u>excluded</u> in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue date.

If Resolution 1 is not passed, the issue of 354,184,879 Tranche 1 Placement Shares will be <u>included</u> in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue date.

#### Purpose and effect of Resolution 2

Resolution 2 seeks Shareholder approval to the issue of 310,819,632 Tranche 1 Placement Shares under Listing Rule 7.1A for the purposes of Listing Rule 7.4.

If Resolution 2 is passed, the issue of 310,819,632 Tranche 1 Placement Shares will be <u>excluded</u> in calculating the Company's 10% limit in Listing Rule 7.1A, effectively increasing the number of equity securities it can issue without Shareholder approval before 30 November 2021 (being the date 12-months after the Company's 2020 Annual General Meeting at which the Company's additional 10% placement capacity under Listing Rule 7.1A was approved).

If Resolution 2 is not passed, the issue of 310,819,632 Tranche 1 Placement Shares will be <u>included</u> in calculating the Company's remaining capacity under Listing Rules 7.1 and 7.1A (being 112,044,568 equity securities), effectively decreasing the number of equity securities it can issue without Shareholder approval before 30 November 2021.

### 2.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided in relation to Resolutions 1 and 2:

#### (a) Basis on which Placement Participants were identified

Placement Shares were issued to Tranche 1 Placement Participants, being various institutional, professional and sophisticated investors identified by the Lead Managers and the Company.

Each Tranche 1 Placement Participant is a sophisticated or professional investor within the meaning of section 708(8), (10) or (11) of the Corporations Act, being an investor to whom securities may be issued without a prospectus or other disclosure document.

As a result of the Tranche 1 Placement, Glencore Australia has acquired a relevant interest in a total of 376,942,763 Shares, representing 9.99% of the total Shares on issue (3,773,200,826 Shares) as at the Notice Date.

None of the other Tranche 1 Placement Participants are Related Parties, key management personnel or advisers of the Company or substantial holders of Shares (i.e. no other Tranche 1 Placement Participant has a relevant interest in Shares of 5% or more of the total Shares on issue), or Associates of any such persons.

#### (b) The number and class of securities issued

Under the Tranche 1 Placement, the Company issued 665,004,511 Shares.

354,184,879 Shares were issued within the Company's 15% placement capacity under Listing Rule 7.1.

310,819,632 Shares were issued within the Company's additional 10% placement capacity under Listing Rule 7.1A.

All Tranche 1 Placement Shares were fully-paid ordinary shares in the Company which rank equally with all other Shares on issue.

#### (c) The date on which the securities were issued

The Tranche 1 Placement Shares were issued by the Company on 12 August 2021.

## (d) The price at which the securities were issued

The Tranche 1 Placement Shares were issued at \$0.032 each to raise approximately \$28.21 million (before costs).

#### (e) The purpose of the issue, including use or intended use of the funds raised

The purpose of the Placement is to raise capital. The Company intends to use the funds from the issue of the Placement Shares for the purposes described in Section 1.2.

(f) If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement

The Tranche 1 Placement Shares were issued under commitments provided to the Lead Managers and, in respect of some of the Tranche 1 Placement Shares, pursuant to share subscription agreements between the Company and the relevant Placement Participant which provide for:

- (i) the Placement Participant's agreement to subscribe for the Placement Shares at \$0.032 per Share;
- (ii) payment of the issue price of the Tranche 1 Placement Shares to the Company before the Tranche 1 Placement Shares were issued; and
- (iii) the Company's agreement to issue the Tranche 1 Placement Shares following receipt of the issue price.

#### **Agreement with Glencore**

In relation to the issue of Placement Shares issued to Glencore Australia, the Company and Glencore have entered into a separate agreement which provides for the following:

- (i) Glencore Australia has agreed to subscribe for Shares under the Placement to acquire a 9.99% shareholding interest under the Placement (Tranche 1 Placement Shares and Tranche 2 Placement Shares) for an overall investment of approximately \$13.93 million;
- (ii) Glencore Australia will have the right to appoint a Director to the Board of the Company;
- (iii) Glencore Australia will have the right to appoint members to a technical steering committee to advise the Company on operational matters with respect to the Company's projects; the role of the technical steering committee is advisory only;
- (iv) Subject to limited exceptions, the Company will not make any offer of Equity Securities unless Glencore Australia is given reasonable opportunity to participate in the offer of Equity Securities on equivalent terms to those offered to other subscribers to the offer;
- (v) Glencore Australia's rights referred to in paragraphs (i), (ii) and (iii) above will continue whilst it maintains at least a 7.5% shareholding interest in the Company;
- (vi) the Company has undertaken to grant Glencore offtake rights over 60% of concentrate produced for a period of 8 years from commercial production on arms-length commercially competitive benchmark terms; the agreements for the offtake rights will be negotiated between the Company and Glencore in good faith and if the parties fail to reach agreement, the outstanding matters will be referred to an independent expert for determination. After offtake agreements are entered into the Company will have the right to terminate the agreements on 6 months' notice if Glencore Australia's shareholding interest in the Company is less than 7.5% for 10 consecutive ASX trading days; and
- (vii) the requirement to maintain a holding of at least 7.5% of the share capital of Hot Chili does not apply where Glencore Australia did not have the opportunity to participate in a dilution event.

#### 2.3 Directors' recommendations – Resolutions 1 and 2

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 as it will refresh the Company's issuing capacity under Listing Rule 7.1 and give the Company the flexibility to raise additional working capital through the offer and issue of equity securities, if and as required.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2 as it will refresh the Company's issuing capacity under Listing Rule 7.1A and give the Company the flexibility to raise additional working capital through the offer and issue of equity securities, if and as required.

# 3. Resolution 3 – Approval to issue Tranche 2 Placement Shares to non-Related Party investors

## 3.1 Requirement for Shareholder approval

The Company proposes to place up to 334,995,489 Placement Shares to investors who are not Related Parties to the Company under the Tranche 2 Placement.

Resolution 3 is an ordinary resolution seeking approval by Shareholders for the proposed issue of 334,995,489 Tranche 2 Placement Shares.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of Tranche 2 Placement Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires approval of the Company's Shareholders under Listing Rule 7.1.

To that end, Resolution 3 seeks the required Shareholder approval for the issue under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to proceed with the issue of Tranche 2 Placement Shares to persons who are not Related Parties, and raise approximately \$10.72 million in capital for the Company (before costs). In addition, the issue will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of Tranche 2 Placement Shares and consequently, the Company will not raise approximately \$10.72 million capital.

### 3.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 3:

### (a) Names of persons being issues securities or basis on which they were identified

Tranche 2 Placement Shares are proposed to be issued to Placement Participants, being various professional and sophisticated investors identified by the Lead Managers and the Company.

The Placement Participants include:

(i) Blue Spec, which is a Related Party of the Company; the issue of 93,750,000 Placement Shares to Blue Spec is subject to Shareholder approval of Resolution 4; and

(ii) Glencore Australia, who will be issued up to 58,441 049 Tranche 2 Placements Shares. Glencore is a substantial Shareholder of the Company holding 9.99% of the total Shares on issue.

Except for Blue Spec and Glencore, none of the other Tranche 2 Placement Participants who were issued or will be issued more than 37,732,008 Shares under the Placement (being 1% of the total number of Shares on issue as at the Notice Date) is:

- (i) a Related Party of the Company;
- (ii) a member of key management personnel;
- (iii) a substantial Shareholder in the Company;
- (iv) an advisor of the Company; or
- (v) an associate of any of the above.

#### (b) Number and class of securities

Subject to approval of Resolution 3, 334,995,489 Shares will be issued to the Tranche 2 Placement Participants who are not Related Parties of the Company.

The Tranche 2 Placement Shares will be fully paid ordinary Shares in the Company which will rank equally with all Shares then on issue.

#### (c) Dates of issue

The Company anticipates that the Tranche 2 Placement Shares will be issued shortly following the conclusion of the Meeting, otherwise, no later than 3 months after the date of the Meeting.

#### (d) Price of Placement Shares

The Tranche 2 Placement Shares will be issued at a price of \$0.032 per Share.

The Company will raise a total of \$10.72 million (before costs) from the issue of Tranche 2 Placement Shares to Tranche 2 Placement Participants who are not Related Parties.

#### (e) Purpose of the issue

Refer to Sections 1.1 and 1.3which sets out the purpose of the Placement and the issue of Placement Shares, including Tranche 2 Placement Shares.

#### 3.3 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 as it will enable the Company to raise approximately \$10.72 million (before costs) in funds for the Company, intended to be used for the purposes described in Section 1.2.

# 4. Resolution 4 - Approval to issue Tranche 2 Placement Shares to a Related Party – Blue Spec Sondajes SpA

#### 4.1 Background

The Company has entered into a subscription agreement with Blue Spec Sondajes SpA (**Blue Spec**) pursuant to which Blue Spec has agreed to subscribe for 93,750,000 Tranche 2 Placement Shares at \$0.032 per Share, subject to Shareholder approval.

Resolution 4 is an ordinary resolution seeking Shareholder approval for the issue of 93,750,000 Tranche 2 Placement Shares to Blue Spec.

Blue Spec is a Related Party of the Company as it is controlled by the Company's Non-Executive Chairman, Mr Murray Black. Mr Black is a director of Blue Spec and controls 25% of the shares in Blue Spec. Mr Black is therefore deemed to control Blue Spec under section 50AA of the Corporations Act.

As at the Notice Date, Murray Black has a relevant interest in 216,044,652 Shares (5.72% of total Shares on issue as at the Notice Date) as follows:

- (a) Blue Spec Drilling Pty Ltd (102,032,567 Shares) Mr Black is a sole administrator and controller of 20% of this entity's shares. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act;
- (b) Kalgoorlie Auto Service Pty Ltd (16,750,000 Shares held on trust for Mr Black) Mr Black is the sole director and controlling shareholder of this entity; and
- (c) Blue Spec Sondajes SpA (97,262,085 Shares) Mr Black is a director and controller of 25% of the shares in this entity. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.

Murray Black also has a relevant interest in 3,384 Convertible Notes issued by the Company.

If Resolution 4 is approved and 93,750,000 Tranche 2 Placement Shares are issued to Blue Spec, it is anticipated that Mr Black and the entities which he controls will hold a total of 309,794,652 Shares, representing a relevant interest in 8.21% of the total Shares on issue.

#### 4.2 Corporations Act requirements

#### (a) Related party financial benefit restrictions

For a public company to give a financial benefit to a Related Party of the public company, either:

- the public company must first obtain the approval of its shareholders in the manner set out in sections 217 to 227 of the Corporations Act, and give the benefit within 15 months following such approval; or
- the giving of the financial benefit must fall within a prescribed exception set out in sections 210 to 216 of the Corporations Act.

#### (b) Arm's length exception

Section 210 of the Corporations Act provides that shareholder approval is not required to give a financial benefit on terms that:

- would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- are less favourable to the related party than arm's length terms.

The Directors (other than Mr Black) consider that the subscription agreement with Blue Spec reflects arm's length terms as the agreement is for the issue of Shares at the same price per Share (\$0.032) as Shares issued to the Tranche 1 Placement Participants. Accordingly, the proposed issue reflects arm's length terms.

The Directors (other Mr Black) have therefore resolved that Shareholder approval is not required for the purposes of section 208 of the Corporations Act as the exception under section 210 of the Corporations Act applies.

### 4.3 Listing Rule information requirements

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party; a related party includes a director and a person who will become a director;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rule 10.11.1 to 10.11.4 is such that, ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains approval of its shareholders.

The issue of Placement Shares to Blue Spec falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing rule 10.12. It therefore requires approval of the Company's Shareholders under Listing Rule 10.11.

If Resolution 4 is not passed, the Company will be unable to issue the Tranche 2 Placement Shares to Blue Spec and will therefore be unable to raise \$3,000,000 in funds from the issue of these Shares.

In accordance with the disclosure requirements of Listing Rule 10.13, the following information is provided in relation to Resolution 4:

#### (a) The name of the related party

Blue Spec Sondajes SpA.

#### (b) The relationship requiring shareholder approval

Blue Spec is deemed to be controlled by the Company's Non-Executive Chairman, Mr Murray Black, and is therefore a Related Party of the Company.

### (c) The maximum number of securities to be issued

The maximum number of securities to be issued to Blue Spec is 93,750,000 Tranche 2 Placement Shares.

### (d) The date by which securities will be issued

If Resolution 4 is approved, the Tranche 2 Placement Shares are proposed to be issued on or after 17 September 2021 and, in any event, on one date within 1 (one) month after the date of the Meeting (or such later date as permitted by the Listing Rules).

## (e) The issue price of the securities and a statement of the terms of the issue

Tranche 2 Placement Shares issued to Blue Spec will be issued at \$0.032 each to raise a total of \$3,000,000 (before costs) and will be fully paid ordinary shares that rank equally with all existing Shares then on issue.

#### (f) The purpose of the issue and intended use of the funds raised

The Company intends to use the funds raised for the purposes set out in Section 1.2 above.

#### (f) Remuneration details of the Related Party

Murray Black is entitled to Directors' fees as a non-executive Chairman, being an amount of \$66,267 per annum plus statutory superannuation.

#### 4.4 Directors' recommendation – Resolution 4

The Directors (other than Mr Black) recommend that Shareholders vote in favour of Resolution 4 to permit the Company to fulfil its obligations under the subscription agreement with Blue Spec to issue Tranche 2 Placement Shares to Blue Spec and to raise \$3,000,000 in funds.

Mr Black has a material personal interest in the outcome of Resolution 4 and therefore declines to make any recommendation as to how Shareholders should vote on that Resolution.

# 5. Resolution 5 - Approval to place Shortfall Shares to non-Related Party investors

#### 5.1 Requirement for Shareholder approval

As described in Section 1.2, those Shares not subscribed for by eligible shareholders under the SPP Offer form the shortfall to the SPP Offer.

Resolution 5 is an ordinary resolution seeking approval by Shareholders for the proposed issue of Shortfall Shares to non-Related Party professional and sophisticated investors.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of Shortfall Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires approval of the Company's Shareholders under Listing Rule 7.1.

To that end, Resolution 5 seeks the required Shareholder approval for the issue under and for the purposes of Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to proceed with the issue of Shortfall Shares and raise the capital necessary to complete the Acquisition. In addition, the issue will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of Shortfall Shares and consequently will not raise all of the \$5 million proposed to be raised under the SPP Offer.

### 5.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 5 -

#### (a) Names of persons being issues securities and basis on which they were identified

Shortfall Shares are proposed to be issued to various professional and sophisticated investors identified by the Company and Veritas Securities in its capacity as underwriter to the SPP Offer.

None of the recipients of Shortfall Shares will be:

- Related Parties of the Company;
- a member of key management personnel;

- a substantial Shareholder in the Company; and
- an associate of any of the above.

Conceivably Shortfall Shares may be issued to Veritas Securities in its capacity as underwriter of the SPP Offer, but in the event of a Shortfall to the SPP Offer it is anticipated that Veritas Securities will procure subscribers for Shortfall Shares who are professional and sophisticated investors that are not associates of Veritas Securities.

### (b) Number and class of securities

A maximum of 156,250,000 Shortfall Shares are proposed to be issued, being all of the Shares offered to Shareholders under the SPP and assuming no eligible Shareholder subscribes for Shares under the SPP Offer (an unlikely scenario).

Shortfall Shares will be fully paid ordinary Shares in the Company which will rank equally with all Shares then on issue.

#### (c) Dates of issue

The Company anticipates that Shortfall Shares will be issued shortly following the conclusion of the Meeting, otherwise, no later than 3 months after the date of the Meeting.

#### (d) Price of Shortfall Shares

Shortfall Shares are proposed to be issued at a price of \$0.032 per Shortfall Share, being the price of all Shares proposed to be issued under the Capital Raising.

The Company will raise up to \$5,000,000 (before costs) from the issue of Shortfall Shares.

#### (e) Purpose of the issue

Refer to Section 1.3. which sets out the purpose and use of funds from the Capital Raising.

## 5.3 Underwriting of the SPP Offer

Pursuant to an underwriting agreement between the Company and Veritas Securities (**Underwriting Agreement**), Veritas Securities has agreed to underwrite the SPP Offer on the following terms and conditions.

Veritas Securities agrees to manage the SPP Offer and underwrite any shortfall in applications to the SPP Offer by eligible Shareholders. The maximum total underwriting commitment is up to 156,250,000 Shares (**Underwritten Amount**) at \$0.032 per Share, being a total commitment of \$5,000,000.

In respect of those SPP Offer Shares not subscribed for by eligible Shareholders under the SPP Offer (Shortfall Shares), Veritas Securities must procure subscriptions for the Shortfall Shares.

Veritas Securities is entitled to:

- (a) a capital raising fee equal to 3% of the aggregate funds raised by the Company under the SPP Offer; and
- (b) a management fee equal to 2% of the aggregate funds underwritten, being a management fee of \$100,000.

The Company must also issue to Veritas Securities or its nominees, 12,500,000 Lead Manager Options, representing 8% of the Underwritten Amount. The issue of these Lead Manager Options is subject to Shareholder approval of Resolution 6 (refer Section 6).

In addition, the Company must pay or reimburse Veritas Securities for its reasonable costs, professional fees and expenses in relation, and incidental, to the SPP Offer.

The Company has given warranties and covenants to Veritas Securities which are of the type and form that is usual in an underwriting agreement of this nature.

Veritas Securities may terminate its underwriting obligations immediately by written notice to the Company in various circumstances, including if:

- (a) Shareholders do not approve the issue of the Shortfall Shares under Resolution 6; and
- (b) if during the term of the agreement any of:
  - (i) the S&P/ASX Small Resources Index (XSR.ASX); or
  - (ii) the United States dollar denominated spot price for gold (SPTGLD.FX, defined as one troy oz)); or
  - (iii) the LME US\$ Denominated Copper Grade A Cash Contract Price (IRESS code: COPP.LME),

(each as quoted on IRESS, respectively an Index), is for a period of at least one day more than 10% below that Index as at the close of normal trading on the trading day immediately preceding the date of the underwriting agreement.

#### 5.4 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5 as it will ensure the Company completes the Capital Raising to provide funds for the purposes described in Section 1.3.

## 6. Resolution 6 – Approval to issue Options to the Lead Managers

#### 6.1 Requirement for Shareholder approval

The Company has engaged the services of the Lead Managers to manage and arrange the Placement as described in Sections 1.1 and 1.2 and the services of Veritas Securities as underwriter to the SPP Offer as described in Section 5.3.

Resolution 6 seeks Shareholder approval to issue 92,500,000 Options, exercisable at \$0.045 each, expiring on 30 September 2024, to the Lead Managers (**Lead Manager Options**) as part of the fee payable by the Company to the Lead Managers for managing and arranging the Placement, and in the case of Veritas Securities in its capacity as underwriter of the SPP Offer.

Resolution 6 is an ordinary resolution seeking approval by Shareholders of the proposed issue of Lead Manager Options to the Lead Managers or its nominee(s).

None of the of the persons to whom Lead Manager Options may be issued will be Related Parties of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Lead Manager Options does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires approval of the Company's Shareholders under Listing Rule 7.1.

Resolution 6 seeks the required Shareholder approval for the issue of the Lead Manager Options under and for the purposes of Listing Rule 7.1.

If Resolution 6 is passed the Company will be able to proceed with the issue of the Lead Manager Options, increasing the total number of Options on issue. In addition, the Lead Manager Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Lead Manager Options to the Lead Managers or their nominee(s). In this scenario, the Company will not be required to satisfy its obligations under the engagement agreement to issue Lead Manager Options by way of a cash payment. However in this eventuality, the Lead Managers may be less inclined to assist the Company in its future capital raising endeavours.

#### 6.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 6:

### (a) Persons to whom the securities are to be issued

Lead Manager Options are to be issued to the Lead Managers and/or the nominees of the Lead Managers who are not Related Parties of the Company.

## (b) The number of securities to be issued

The Company proposes to issue up to a total of 92,500,000 Lead Manager Options. It is anticipated that Lead Manager Options will be allocated commensurate with the amounts of the total Capital Raising arranged or managed by each Lead Manager as follows:

- (i) Veritas Securities and/or its nominees 76,800,000 Options; and
- (ii) IAPW and/or its nominees 15,700,000 Options.

### (c) The terms of the securities

The Lead Manager Options are exercisable at \$0.045 each on or before 30 September 2024. The full terms of the unlisted Lead Manager Options are described in Schedule 1.

If exercised prior to expiry, the Lead Manager Options will become fully paid ordinary shares that rank equally with all existing Shares on issue.

#### (d) Dates of issue of Lead Manager Options

If Resolution 6 is approved, the Lead Manager Options are proposed to be issued within 5 Business Days after the Meeting and, in any event, within 3 (three) months after the date of the Meeting (or such later date as permitted by the Listing Rules).

It is intended that the issue of all Lead Manager Options will occur on one date.

#### (e) The price at which the securities will be issued

The Lead Manager Options will be issued at a nil issue price.

#### (f) The use or intended use of the funds raised

The Company will not raise any funds from the issue of Lead Manager Options.

If the Lead Manager Options are exercised prior to expiry, the Company the Company will raise up to \$4,162,500 on receipt of the exercise price for the Options and the anticipates it will use those funds for working capital purposes as required at that time.

#### (g) Material terms of engagement agreements with Lead Managers

Under engagement agreements with each Lead Manager, the Lead Managers were jointly engaged by the Company on an exclusive basis to:

- (i) to advise and assist in relation to the pricing, structure and timetable for the Placement;
- (ii) to assist in the preparation of required ASX announcements and offer documentation;
- (iii) to manage and co-ordinate the Placement;
- (iv) procure investors to the Placement; and
- (v) provide such other assistance to the Company with the Placement as agreed from time to time.

For performing these services, Lead Managers have been or will be paid as follows:

- (i) payment of cash fee 6% of the gross proceeds of the Placement Offer and SPP, other than the \$3 million subscribed for by Blue Spec under the Tranche 2 Placement, for a total cash fee; and
- (ii) the grant of the Lead Manager Options; the total number of Lead Manager Options is equivalent to 8% of the total number of Placement Shares and SPP Shares to be issued, other than 93,750,000 Tranche 2 Placement Shares to be issued to Blue Spec.

Veritas Securities has also been engaged as underwriter to the SPP Offer on the terms described in Section 5.3. The fees to be paid Veritas Securities and the Lead Manager Options to be issued as stated above, are inclusive of the fees and Lead Manager Options payable to Veritas Securities under the Underwriting Agreement referred to in Section 5.3.

On completion of the Tranche 2 Placement and SPP Offer, the Lead Managers (or their nominees) will be entitled to be granted a total of 92,500,000 Options (**Lead Manager Options**), subject to Shareholder approval of the grant of the Lead Manager Options.

In addition, the Company must pay or reimburse the Lead Managers for their reasonable costs, professional fees and expenses in relation, and incidental, to the Placement and the underwriting of the SPP Offer.

# **Glossary**

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

**Associate** Has the meaning given to that term in the Listing Rules.

ASX ASX Limited (ACN 008 624 691) or the financial market known as the

Australian Securities Exchange operated by ASX Limited, as the context

requires.

Blue Spec Sondajes SpA.

**Board** The Board of Directors of the Company.

Business Day A day:

(a) that is a business day as defined in the Listing Rules; and

(b) which is not a Saturday, Sunday, public holiday or bank holiday

in Perth, Western Australia.

**Capital Raising** The Placement and the SPP Offer to raise \$40 million (before costs).

**Chairperson** The chair of the General Meeting.

Company Hot Chili Limited (ACN 130 955 725).

**Company Secretary** The company secretary of the Company at the time of the Meeting.

**Constitution** The constitution of the Company.

Convertible Notes Convertible notes issued by the Company on the terms set out in

section 4.1 of the Company's prospectus dated 20 June 2017, with a face value of \$100 each and convertible to Shares at conversion price

of \$0.03333 per Share.

Corporations Act The Corporations Act 2001 (Cth).

Cortadera or Cortadera Project

The concessions located near Vallenar, Chile, owned by SCM Carola, which the Company's subsidiary Sociedad Minera Frontera SpA has an

option to acquire.

Costa Fuego or Costa Fuego Copper Project

The Company's combined projects in Chile comprising the Cortadera Project, Productora Project, San Antonio deposit and Valentina deposit.

**Director** A director of the Company.

**Equity Securities** Has the meaning given to that term in the Listing Rules.

Explanatory Statement

This explanatory statement which accompanies and forms part of the

Notice.

General Meeting or

Meeting

The general meeting of Shareholders or any adjournment thereof,

convened by the Notice.

**Glencore** Glencore International AG.

Glencore Australia Glencore Australia Holdings Pty Ltd.

IAPW iA Private Wealth Inc., a leading independent broking firm based in

Toronto, Canada.

**Lead Manager Options** Options proposed to be issued to the Lead Managers and/or their

respective nominees the subject of Resolution 6.

**Lead Managers** Veritas Securities and IAPW, the lead managers to the Placement.

**Listing Rules** The listing rules of ASX, as amended from time to time.

Notice or Notice of General Meeting

The notice of general meeting which accompanies this Explanatory

Statement.

**Option** An option to acquire a Share.

Option Holder The holder of an Option.

Placement The Tranche 1 Placement and the Tranche 2 Placement, pursuant to

which the Company will issue a total of 1,093,750,000 Shares to raise

\$35 million (before costs).

**Placement Participant** A participant in the Placement.

Placement Share A Share issued or to be issued under the Placement and Placement

**Shares** means the total number of Shares issued the Placement.

Productora or Productora Project

The Productora copper project owned by Sociedad Minera El Águila SpA (taxpayer identification number 76.032.211-3), a corporation organised and operated by the Company, existing under the laws of Chile and

located near Vallenar, Chile.

**Proxy Form** The proxy form accompanying the Notice.

**Related Party** Has the meaning given to that term in the Listing Rules.

**Resolution** A resolution set out in the Notice.

SCM Carola Sociedad Contractual Minera Carola, a Chilean mining company which

holds the concessions comprising the Cortadera Project.

**Section** A section of the Explanatory Statement.

**Share** A fully paid ordinary share in the Company.

**Shareholder** The holder of a Share in the Company.

**Shortfall Shares** Shares offered under the SPP Offer which are not subscribed for by

eligible Shareholders.

SPP Offer The proposed offer to eligible Shareholders of Shares under a share

purchase plan offer as described in Section 1.2 to raise \$5 million (before

costs).

**Tranche 1 Placement** The placement by the Company of 665,004,511 Shares issued at an

issue price of \$0.032 each, to non-Related Party sophisticated and professional investors, raising approximately \$21.28 million (before

costs), as described in Section 1.1.

**Tranche 1 Placement** 

Participants

The persons identified in Section 1.1(e) of the Explanatory Statement to

whom Tranche 1 Placement Shares were issued.

**Tranche 1 Placement** 

**Shares** 

The 665,004,511 Shares issued under the Tranche 1 Placement.

**Tranche 2 Placement** The placement by the Company of up to 428,745,489 Shares at an issue

price of \$0.032 each to Placement Participants, to raise approximately \$13.72 million (before costs), subject to Shareholder approval of

Resolutions 3 and 4, as described in Sections 3.1 and 4.1.

**Tranche 2 Placement** 

**Shares** 

The Shares to be issued under the Tranche 2 Placement.

Veritas Securities Veritas Securities Limited (ACN 117 124 535) AFSL 297043

WST

Australian Western Standard Time, being the time in Perth, Western Australia.

## Schedule 1 - Terms of Lead Manager Options

- 1. **Entitlement:** Each Option entitles the holder (**Option Holder**) to subscribe for one fully paid ordinary Share in the Company.
- 2. **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an Option.
- 3. **Exercise price:** The exercise price of each Option is \$0.045 (Exercise Price).
- 4. **Expiry date:** Each Option may be exercised at any time before 5.00pm (WST) on 30 September 2024 (**Expiry Date**). Any Option not exercised by the Expiry Date will automatically expire.
- 5. **Certificate or holding statement:** The Company must give the Option Holder a certificate or holding statement stating:
  - (a) the number of Options issued to the Option Holder;
  - (b) the Exercise Price of the Options; and
  - (c) the date of issue of the Options.

#### 6. Transfer:

- (a) Options are transferable, subject to applicable law.
- (b) Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:
  - (i) a proper ASTC regulated transfer (as defined in the Corporations Act) or any other method permitted by the Corporations Act; or
  - (ii) a prescribed instrument of transfer.
- (c) An instrument of transfer of an Option must be:
  - (i) in writing;
  - (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
  - (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
  - (iv) delivered to the Company, at the place where the Company's register of option holders is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
- 7. **Quotation of Options:** The Company will not apply to ASX for quotation of Options.
- 8. **Quotation of Shares:** The Company will apply to ASX for quotation of the Shares issued on exercise of Options.
- 9. New issues: The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless it has exercised its Options before the record date for determining entitlements to the new issue of Securities and participate as a result of holding

Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.

Bonus issues: If the Company makes a bonus issue of Shares or other Securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue.

#### 11. Reorganisation:

- (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (b) Any calculations or adjustments which are required to be made will be made by the Company's Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
- (c) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Option.

## 12. Exercise of Options:

- (a) To exercise Options, the Option Holder must give the Company or its Securities Registry, at the same time:
  - a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and Shares to be issued;
  - (ii) payment of the Exercise Price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and
  - (iii) any certificate for the Options.
- (b) The Option Holder may only exercise Options in multiples of 10,000 Options unless the Option Holder exercises all Options held by the Option Holder.
- (c) Options will be deemed to have been exercised on the date the exercise notice and Exercise Price are received by the Company.
- (d) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:
  - (i) the Option Holder must surrender their Option certificate (if any); and
  - (ii) the Company must cancel the Option certificate (if any) and issue the Option Holder a new Option certificate or Holding Statement stating the remaining number of Options held by the Option Holder.

#### 13. Issue of Shares on exercise of Options:

(a) Within five Business Days after receiving an application for exercise of Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.

- (b) Subject to the Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- 14. **Governing law:** These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.



Hot Chili Limited | ACN 130 955 725

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# **Proxy Voting Form**

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Your proxy voting instruction must be received by **11.00am (WST) on Monday, 13 September 2021,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### **SUBMIT YOUR PROXY**

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: https://investor.automic.com.au/#/home Shareholders sponsored by a broker should advise their broker of any changes.

#### STEP 1 - APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

#### STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item 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 items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

**Individual**: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

**Power of attorney**: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies**: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address**: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

#### **Lodging your Proxy Voting Form:**

#### Online:

Use your computer or smartphone to appoint a proxy at

https://investor.automic.com.au/#/loginsah or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



## BY MAIL:

Automic GPO Box 5193 Sydney NSW 2001

#### IN PERSON:

Automic Level 5, 126 Phillip Street Sydney NSW 2000

#### BY EMAIL:

meetings@automicgroup.com.au

#### BY FACSIMILE:

+61 2 8583 3040

#### All enquiries to Automic:

WEBCHAT: https://automicgroup.com.au/

**PHONE:** 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

STEP 1 - How to vote
APPOINT A PROXY:  I/We being a Shareholder entitled to attend and vote at the General Meeting of Hot Chili Limited, to be held at 11.00am (WST) on Wednesday,  15 September 2021 on the First Floor, 768 Canning Highway, Applecross WA 6153 hereby:
Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.
The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.  Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.
STEP 2 – Your voting direction
Resolutions For Against Abstain
Ratification of issue of 354,184,879 Tranche 1 Placement Shares to Placement Participants under Listing Rule 7.1
2. Ratification of issue of 310,819,632 Tranche 1 Placement Shares to Placement Participants under Listing Rule 7.1A
3. Approval to issue Tranche 2 Placement Shares to Placement Participants (non-Related Parties)
4. Approval to issue Tranche 2 Placement Shares to Blue Spec Sondajes SpA (a Related Party)
5. Approval to issue Shortfall Shares under the SPP Offer
6. Approval to issue Lead Manager Options to Lead Managers to Placement and SPP Offer
Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.
STEP 3 – Signatures and contact details
Individual or Securityholder 1 Securityholder 2 Securityholder 3
Sole Director and Sole Company Secretary Director Director / Company Secretary
Email Address:
Contact Daytime Telephone Date (DD/MM/YY)

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).