



ASX Announcement

Friday 24th March 2017

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Hot Chili Arranges Up To A\$13 Million Funding

Key Points

- Hot Chili arranges up to A\$13 million private placement offering (**Funding**) via an unsecured Convertible Note (**Notes**) structure
- Funding led by Sprott Capital Partners, a division of Sprott Private Wealth LP, and affiliates (collectively **Sprott**)
- Strong participation in Funding by Taurus Funds Management (**Taurus**) and CAP, the parent company of Compañía Minera del Pacífico S.A. (CMP), Hot Chili's joint venture partner at Productora
- Funds will be applied to the repayment of Hot Chili's outstanding secured US\$6.5 million loan facility with Sprott Resource Lending Partnership (eliminating all prior finance encumbrances over Hot Chili, its subsidiaries and their assets), and to provide for exploration and general working capital requirements
- Funding strengthens Hot Chili's balance sheet at a time of improving copper market conditions and the commencement of drilling activities at Productora to test multiple large-scale porphyry copper targets (see *ASX announcement also released today 22nd March 2017*)
- Notes will have a maturity of 5 years and a conversion price of A\$0.03333 per Ordinary Share
- The conversion price represents a strong premium to Hot Chili closing price of A\$0.025 on 16th March 2017
- All Notes shall automatically convert to Ordinary Shares in Hot Chili at the earlier of conversion by the Note holder or on the Maturity Date
- Annual Coupon Rate of 8% paid to Note holders on a quarterly basis, payable in cash or shares at the election of Hot Chili
- The issue of the Notes will be subject to the approval of Hot Chili's shareholders

ASX CODE

HCH

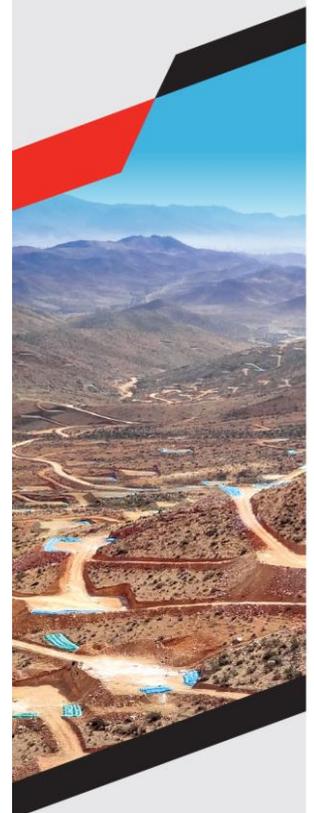
Contact

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Managing Director

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Hot Chili Limited (ASX code: HCH) (**Hot Chili** or **Company**) is pleased to announce that it has arranged an offering of unsecured convertible notes to raise up to A\$13 million, paving the way for repayment of all outstanding debt and boosting of the Company's cash reserves.





The Funding will couple balance sheet strength with an exciting new phase of growth for Hot Chili, following the commencement of drilling at Productora to test multiple large-scale porphyry copper targets - also announced today.

Hot Chili's Managing Director, Christian Easterday, said he was very pleased with the support of Sprott and the Company's shareholders, Taurus and CAP.

"The Funding is a strong endorsement of Hot Chili by leading global resource investment group, Sprott", Mr Easterday said

"Paying off our debt and ensuring the Company was well-positioned with funds were key near-term financing targets for Hot Chili.

"On completion of the Funding, the Company will be significantly de-risked and able to take advantage of rising copper market conditions and success from the drill bit.

"We look forward to welcoming a Sprott representative to the Board of Hot Chili following shareholder approval and remain focussed on delivering exploration success for our shareholders in the near term."

Private Placement A\$13 Million Funding Summary

Hot Chili has arranged the Funding led by Sprott and supported by Hot Chili's large shareholders, including Taurus and CAP.

The Funding will be raised via the issue of unsecured convertible notes to raise up to A\$13 million.

Funds will be applied to the payment of Hot Chili's outstanding US\$6.5 million loan facility (removing all finance encumbrances over Hot Chili, its subsidiaries and their assets), and to provide for exploration and general working capital requirements.

The issue of the Notes is subject to the approval of Hot Chili's shareholders, with the issue of Notes anticipated to occur on or around 17th May 2017.

Hot Chili will apply to have the Notes listed on the Australian Securities Exchange (**ASX**). In addition, Hot Chili has acknowledged to Sprott that it will in due course use commercially reasonable efforts to pursue a dual listing of its ordinary shares on the TSX Venture Exchange.

Sprott will also nominate a Non-Executive Director to the Board of Hot Chili.

The Company anticipates releasing a Notice of Meeting to the ASX in coming weeks for a meeting of shareholders to consider and approve the issue of the Notes.



Terms of Unsecured Convertible Note

Offering Minimum of 85,000 (A\$ 8,500,000) convertible notes issued by Hot Chili (**Convertible Notes** or **Notes**). This component is being offered to clients of Sprott.

Concurrent Offering Maximum of 45,000 Notes (A\$ 4,500,000). This component is supported by Hot Chili's major shareholders, Taurus and CAP.

Total Offering **Maximum of 130,000 Notes (A\$ 13,000,000)**

Issue Price / Face Value: A\$ 100 per Note (**Issue Price**)

Coupon / Interest: 8.0% calculated daily, compounded monthly and payable quarterly in arrears (**Interest**). Accrued Interest shall be cumulative and payable in cash or fully paid ordinary shares in the Company (**Shares**) at the election of the Company.

If the Company elects to pay Interest by the issue of Shares, the number of Shares to be issued shall be calculated by dividing the amount of accrued Interest being paid by the volume weighted average price of Shares traded on the Australian Securities Exchange (**ASX**) for the five trading day period ending on the last day of the quarter for which Interest is due.

Security: The Notes will not be secured.

Redemption: The Notes will not be redeemable by the Company before the second anniversary of issuance. On and after the second anniversary of issuance and provided the volume weighted average price of Shares traded on ASX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 300% of the Conversion Price (hereinafter defined), the Notes may be redeemed in whole or in part by the Company on not more than 60 days and not less than 30 days prior notice at the Issue Price for each Convertible Note held plus accrued and unpaid Interest.

Conversion: The principal amount and accrued and unpaid interest evidenced by the Notes will be convertible at the holder's option into Shares at any time prior to the earlier of the Maturity Date (as defined below) and the last business day immediately preceding the date specified for redemption by the Company at a conversion price of A\$ 0.03333 per Ordinary Share (**Conversion Price**), being a ratio of approximately 3,000 Ordinary Shares per Note (excluding interest).

Maturity: Five years after the Closing Date (**Maturity Date**). The principal amount and accrued and unpaid interest evidenced by all outstanding Notes shall automatically be converted into the number of Shares obtained by dividing the Issue Price of the Notes plus accrued and unpaid Interest by 95% of the 10-day volume weighted price of Shares traded on ASX immediately prior to the Maturity Date or by the Conversion Price, whichever is lower.

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Issue Closing Date: May 17th, 2017 or such other date or dates as the Company and Sprott may agree.

Use of Proceeds: The net proceeds from the Offering and the Concurrent Offering will be used for the repayment of all outstanding senior credit facilities, exploration activities on the Company's assets and for general corporate purposes.

Transfer: The Notes are transferable.

Listing: Application will be made to list the Notes on ASX.
Shares issued on the conversion of Notes and on payment of Interest will be quoted on ASX.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States of America. The securities have not been and will not be registered under the United States Securities Act of 1933 (the "1933 Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in the 1933 Act) unless registered under the 1933 Act and applicable state securities laws, or an exemption from such registration is available.

The Company looks forward to releasing its notice of meeting to the ASX in the coming weeks and to forthcoming updates on drilling activities at Productora.

For more information please contact:

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



Qualifying Statements

JORC Compliant Ore Reserve Statement

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

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

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Note 2: Price assumptions: Cu price - US\$3.00/lb; Au price US\$1200/oz; Mo price US\$14.00/lb. Note 3: Mill average recovery for fresh Cu - 89%, Au - 52%, Mo - 53%. Mill average recovery for transitional; Cu 70%, Au - 50%, Mo - 46%. Heap Leach average recovery for oxide; Cu - 54%. Note 4: Payability factors for metal contained in concentrate: Cu - 96%; Au - 90%; Mo - 98%. Payability factor for Cu cathode - 100%.

JORC Compliant Mineral Resource Statements

Productora Higher Grade Mineral Resource Statement, Reported 2nd March 2016

| Deposit | Classification | Tonnage (Mt) | Grade | | | Contained Metal | | |
|------------|------------------|--------------|-------------|-------------|------------|------------------|----------------|---------------------|
| | | | Cu (%) | Au (g/t) | Mo (ppm) | Copper (tonnes) | Gold (ounces) | Molybdenum (tonnes) |
| Productora | Indicated | 166.8 | 0.50 | 0.11 | 151 | 841,000 | 572,000 | 25,000 |
| | Inferred | 51.9 | 0.42 | 0.08 | 113 | 219,000 | 136,000 | 6,000 |
| | <i>Sub-total</i> | <i>218.7</i> | <i>0.48</i> | <i>0.10</i> | <i>142</i> | <i>1,059,000</i> | <i>708,000</i> | <i>31,000</i> |
| Alice | Indicated | 15.3 | 0.41 | 0.04 | 42 | 63,000 | 20,000 | 600 |
| | Inferred | 2.6 | 0.37 | 0.03 | 22 | 10,000 | 2,000 | 100 |
| | <i>Sub-total</i> | <i>17.9</i> | <i>0.41</i> | <i>0.04</i> | <i>39</i> | <i>73,000</i> | <i>23,000</i> | <i>700</i> |
| Combined | Indicated | 182.0 | 0.50 | 0.10 | 142 | 903,000 | 592,000 | 26,000 |
| | Inferred | 54.5 | 0.42 | 0.08 | 109 | 228,000 | 138,000 | 6,000 |
| | Total | 236.6 | 0.48 | 0.10 | 135 | 1,132,000 | 730,000 | 32,000 |

Reported at or above 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred.


Productora Low Grade Mineral Resource Statement, Reported 2nd March 2016

| Deposit | Classification | Tonnage (Mt) | Grade | | | Contained Metal | | |
|------------|------------------|-----------------|-------------|-------------|-------------|--------------------|------------------|------------------------|
| | | | Cu (%) | Au (g/t) | Mo (ppm) | Copper (tonnes) | Gold (ounces) | Molybdenum (tonnes) |
| Productora | Indicated | 150.9 | 0.15 | 0.03 | 66 | 233,000 | 170,000 | 10,000 |
| | Inferred | 50.7 | 0.17 | 0.04 | 44 | 86,000 | 72,000 | 2,000 |
| | <i>Sub-total</i> | <i>201.6</i> | <i>0.16</i> | <i>0.04</i> | <i>60</i> | <i>320,000</i> | <i>241,000</i> | <i>12,000</i> |
| Alice | Indicated | 12.3 | 0.14 | 0.02 | 29 | 17,000 | 7,000 | 400 |
| | Inferred | 4.1 | 0.12 | 0.01 | 20 | 5,000 | 2,000 | 100 |
| | <i>Sub-total</i> | <i>16.4</i> | <i>0.13</i> | <i>0.02</i> | <i>27</i> | <i>22,000</i> | <i>9,000</i> | <i>400</i> |
| Combined | Indicated | 163.2 | 0.15 | 0.03 | 63 | 250,000 | 176,000 | 10,000 |
| | Inferred | 54.8 | 0.17 | 0.04 | 43 | 91,000 | 74,000 | 2,000 |
| | <i>Total</i> | <i>218.0</i> | <i>0.16</i> | <i>0.04</i> | <i>58</i> | <i>341,000</i> | <i>250,000</i> | <i>13,000</i> |

Reported at or above 0.1% Cu and below 0.25 % Cu. Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting. Metal rounded to nearest thousand, or if less, to the nearest hundred. Metal rounded to nearest thousand, or if less, to the nearest hundred.

Mineral Resource and Ore Reserve Confirmation

The information in this report that relates to Mineral Resources and Ore Reserve estimates on the Productora copper projects were originally reported in the ASX announcements “Hot Chili Delivers PFS and Near Doubles Reserves at Productora” dated 2nd March 2016. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Competent Person’s Statement- Exploration Results

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

Competent Person’s Statement- Mineral Resources

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

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Competent Person's Statement- Ore Reserves

The information in this Announcement that relates to Productora Project Ore Reserves, is based on information compiled by Mr Carlos Guzmán, Mr Boris Caro, Mr Leon Lorenzen and Mr Grant King. Mr Guzmán is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a Registered Member of the Chilean Mining Commission (RM- a 'Recognised Professional Organisation' within the meaning of the JORC Code 2012) and a full time employee of NCL Ingeniería y Construcción SpA (NCL). Mr Caro is a former employee of Hot Chili Ltd, now working in a consulting capacity for the Company, and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Member of the Chilean Mining Commission. Mr Lorenzen is employed by Mintrex Pty Ltd and is a Chartered Professional Engineer, Fellow of Engineers Australia, and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr King is employed by AMEC Foster Wheeler (AMEC FW) and is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). NCL, Mintrex and AMEC FW have been engaged on a fee for service basis to provide independent technical advice and final audit for the Productora Project Ore Reserve estimate. Mr. Guzmán, Mr Caro, Mr Lorenzen and Mr King have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guzmán, Mr Caro, Mr Lorenzen and Mr King consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Forward Looking Statements

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

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