



Hot Chili Limited

ACN 130 955 725

Notice of Annual General Meeting, Explanatory Statement, and Proxy Form

Annual General Meeting to be held at

**1st floor
768 Canning Highway
Applecross Western Australia**

On Wednesday, 29 November 2017 at 10.30am (WST)

IMPORTANT NOTE

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

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Key dates

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

Event	Date
Snapshot date for eligibility to vote	10.30am WST on Monday, 27 November 2017
Last day for receipt of Proxies*	10.30am WST on Monday, 27 November 2017
Annual General Meeting	10.30am WST on Wednesday, 29 November 2017

*Proxy Forms received after 10.30am on this date will be disregarded.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Hot Chili Limited ACN 130 955 725 (**Hot Chili** or **Company**) will be held at **1st floor, 768 Canning Highway, Applecross, Perth, Western Australia** at **10.30am (WST)** on **Wednesday, 29 November 2017**.

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

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary as set out in the Explanatory Statement.

Agenda

Financial Report

To receive and consider the financial report of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2017, contained in the Annual Report for 2017.

Resolution 1 – Adoption of Remuneration Report

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

“That the Remuneration Report contained in the Directors’ Report for the year ended 30 June 2017 be adopted by the Company”

Notes: In accordance with the Corporations Act, the vote on the resolution is advisory only and does not bind the Directors or the Company.

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

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

<p>Voting exclusion: The Company will disregard any votes cast (in any capacity) on Resolution 1 by or on behalf of a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report and Closely Related Parties of those persons (which includes their spouse, child, dependent, other family members and any controlled company), unless the vote is cast as a proxy for a person who is entitled to vote on Resolution 1 in accordance with a direction on the Proxy Form or by the Chairman of the Meeting and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.</p>

Resolution 2 – Re-election of Mr Roberto de Andraca Adriasola

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

“That for the purposes of Listing Rule 14.4 and clause 11.3 of the Company’s constitution, Mr Roberto de Andraca Adriasola, being a Director of the Company who retires in accordance with clause 11.3 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

Resolution 3 – Re-election of Mr Murray Black as a Director

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

“That for the purposes of Listing Rule 14.4 and clause 11.3 of the Company’s constitution, Mr Murray Black, being a Director of the Company who retires in accordance with clause 11.3 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

Resolution 4 – Election of Mr George Randall Nickson as a Director

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

“That for the purposes of Listing Rule 14.4 and clause 11.12 of the Company’s constitution, Mr George Randall Nickson, being a Director of the Company who retires in accordance with clause 11.12 and, being eligible, offers himself for election, be elected as a Director of the Company.”

Resolution 5 – Ratify issue of Interest Shares

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

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the previous issue of 5,972,847 Interest Shares at a deemed issue price of \$0.0371 each to holders of Convertible Notes, in payment of interest pursuant to the terms of those Convertible Notes, on the terms and conditions set out in the Explanatory Statement.”

<p>Voting exclusion: The Company will disregard any votes on Resolution 5 by a person who participated in the issue and any Associate of those persons. However, the Company need not disregard a vote on the Resolution if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides</p>

Resolution 6 – Approval to issue Interest Shares to unrelated parties

To consider and, if thought fit, to pass, 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 of up to 35,169,357 Interest Shares at a deemed issue price of at least \$0.025 each to holders of Convertible Notes or their nominees, in payment of interest pursuant to the terms of those Convertible Notes, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion: The Company will disregard any votes on Resolution 6 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their Associates. However, the Company need not disregard a vote on the Resolution if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

Resolution 7 – Approval to issue Interest Shares to Blue Spec Drilling Pty Ltd

To consider and, if thought fit, to pass, 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 of up to 1,235,072 Interest Shares at a deemed issue price of at least \$0.025 each to Blue Spec Drilling Pty Ltd, being an associate of Mr Murray Black, a Director, or its nominee, in payment of interest pursuant to the terms of Convertible Notes held by Blue Spec Drilling Pty Ltd, on the terms and conditions set out in the Explanatory Statement”

Voting exclusion: The Company will disregard any votes on Resolution 7 by Blue Spec Drilling and its Associates. However, the Company need not disregard a vote on the Resolution if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

Resolution 8 – Approval of Additional Placement Facility

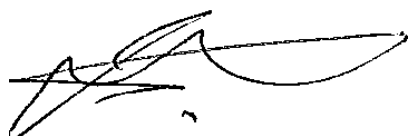
To consider and, if thought fit, to pass, with or without amendment, the following resolution as a special resolution:

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

Note: Resolution 8 is a special resolution. To be passed, it must be approved by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

Voting exclusion: The Company will disregard any votes on Resolution 8 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder if the resolution is passed. However, the Company need not disregard a vote on the Resolution if it is cast by the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

By order of the Board



Mr John Sendziuk

Company Secretary
25 October 2017

Proxy appointment, voting and Meeting instructions

Lodgement of a 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 given below by 10.30am (WST) on Monday, 27 November 2017 being not later than 48 hours before the commencement of the Annual General Meeting. Any Proxy Form received after that time will not be valid for the scheduled Annual General Meeting.

Proxy Forms may be lodged:

- In person:** 1st floor, 768 Canning Highway, Applecross, Western Australia
- By mail:** Company Secretary, Hot Chili Limited, PO Box 1725 Applecross Western Australia 6953
- By email:** john@hotchili.net.au
- By fax:** (08) 9315 5004 (within Australia)
+61 8 9315 5004 (outside Australia)

Appointment of a proxy

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

If you wish to appoint the Chairman of the Meeting as your proxy, mark the appropriate box on the Proxy Form. If you appoint the Chairman of the Meeting as your proxy, he or she can only cast your votes on Resolution 1 if you expressly authorise him or her to do so by marking the box on the Proxy form. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy.

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

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

Corporate Shareholders

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

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

Votes on Resolution

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

Voting restrictions that may affect your proxy appointment

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

Chairman voting undirected proxies

If the Chairman is your proxy, the Chairman will cast your votes in accordance with your directions on the Proxy Form. If you do not mark any of the boxes on the Resolutions, then you expressly authorise the Chairman to vote your undirected proxies at his discretion.

As at the date of this Notice of Meeting, the Chairman intends to vote undirected proxies FOR each of the Resolutions. In exceptional cases the Chairman's intentions may 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 Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at **10.30am (WST) on Monday, 27 November 2017**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

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 Annual General Meeting or at the registration desk on the day of the Annual General Meeting.

Defined Terms

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

Questions from Shareholders

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

Mr Alasdair Whyte of RSM Partners Australia, as the auditor responsible for preparing the auditor's report for the year ended 30 June 2017 (or his representative) will attend the Annual General Meeting. The Chairman will also allow a reasonable opportunity for Shareholders to ask the auditor questions about:

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

To assist the Board and the auditor of the Company in responding to questions please submit any questions you may have in writing no later than Wednesday, 22 November 2017:

In person: 1st floor, 768 Canning Highway, Applecross, Western Australia

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

By email: john@hotchili.net.au

By fax: (08) 9315 5004 (within Australia)
+61 8 9315 5004 (outside Australia)

Copies of written questions will be available at 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 Company's Annual General Meeting.

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

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary. All amounts referred to in this Explanatory Statement are in Australian dollars unless specified otherwise.

1. Annual Financial Report

The Corporations Act requires the Directors' report, Auditors' report and the financial statements of the Company for the year ended 30 June 2017 to be tabled at the Annual General Meeting. These reports are contained in the Company's 2017 Annual Report.

Neither the Corporations Act nor the Company's constitution requires a vote of Shareholders on the Reports or Financial Statements. However, Shareholders will be given reasonable opportunity to raise questions on the Reports and ask questions of the Company's auditor.

2. Resolution 1 – Adoption of Remuneration Report

The Remuneration Report is set out in the Directors' Report in the Company's 2017 Annual Report.

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

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

It is noted that at the Company's 2016 annual general meeting the votes cast against the remuneration report represented less than 25% of the total votes cast and accordingly, a spill resolution will not under any circumstances be required for the Annual General Meeting.

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

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

3. Resolution 2 – Re-election of Mr Roberto de Andraca Adriasola as a Director

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

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

Mr de Andraca Adriasola retires by rotation and offers himself for re-election as a Director.

Directors' recommendation

The Directors (other than de Andraca Adriasola) recommend that Shareholders vote in favour of the re-election of Mr de Andraca Adriasola.

4. Resolution 3 – Re-election of Murray Black as a Director

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

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

Mr Black retires by rotation and offers himself for re-election as a Director.

Directors' recommendation

The Directors (other than Mr Black) recommend that Shareholders vote in favour of the re-election of Mr Black.

5. Resolution 4 – Election of George Randall Nickson as a Director

In accordance with the Listing Rules and clause 11.12 of the Constitution, at every Annual General Meeting, any director who was appointed by the Board since the last General Meeting must retire and is eligible for election.

Mr Nickson was appointed to the Board on 17 August 2017 and offers himself for election as a Director.

Directors' recommendation

The Directors (other than Mr Nickson) recommend that Shareholders vote in favour of the election of Mr Nickson.

6. Background to Resolutions 5 to 7

As announced by the Company to ASX on 21 June 2017, the Company has closed a capital raising in the amount of \$11,300,900 by way of the placement of Convertible Notes to various sophisticated and professional investors in Australia, and to investors in other jurisdictions, including particularly the United States.

Pursuant to the terms of the Convertible Notes, interest of 8% per annum, calculated daily, compounding monthly, is payable to Noteholders on a quarterly basis in either cash or Shares, at the election of Hot Chili.

If Hot Chili elects to pay interest in Shares (**Interest Shares**), then pursuant to the terms of the Convertible Notes, the Interest Shares are issued at a deemed issue price equal to the VWAP of Shares over the five trading days prior to their issue date, being the last date of the relevant quarter (31 December, 31 March, 30 June and 30 September).

On 30 September 2017, Hot Chili paid to Noteholders, interest in the amount of \$223,644 in respect of the previous quarter. The interest was paid by the issue to Noteholders of 6,027,199 Interest Shares, including:

- (a) 5,972,847 Interest Shares to Noteholders unrelated to the Company, at a deemed issue price of \$0.0371, the ratification of which is the subject of Resolution 5; and
- (b) 54,352 Interest Shares to Blue Spec Drilling Pty Ltd, a Related Party of the Company, at a deemed issue price of \$0.0371.

To preserve its working capital, the Company anticipates that it will issue further Shares to satisfy interest that will become due and payable by the Company at the end of each quarter until the earlier of the conversion of the Convertible Notes by the Noteholder, and the Maturity Date of the Convertible Notes, being 20 June 2022 for those Notes held by unrelated parties, and 7 September 2022 for those Notes held by Blue Spec Drilling Pty Ltd (a Related Party of the Company).

Resolutions 6 and 7 seek Shareholder approval for the issue of Interest Shares to unrelated parties and Blue Spec Drilling Pty Ltd respectively, for the periods ending 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018 (each a **Relevant Quarter**).

The maximum number of Interest Shares that may be issued by the Company pursuant to each of Resolutions 6 and 7 is calculated on the basis that any Interest Shares will be issued at a minimum issue price of \$0.025 each, being \$0.003 higher than the minimum price at which Shares have traded on ASX in the 12 months to the date of this Notice.

The table below sets out the interest payable with respect to each Relevant Quarter, and the maximum number of Interest Shares that may be issued pursuant to Resolutions 6 and 7 for each Relevant Quarter, assuming the Interest Shares are issued at an issue price of \$0.025, \$0.04 and \$0.055 each.

Quarter ending		31/12/2017	31/03/2018	30/06/2018	30/09/2018
Interest payable		\$229,410.59	\$224,389.22	\$226,900.45	\$229,410.59
Number of Interest Shares to be issued	Issue price of \$0.025 per Interest Share	9,176,423	8,975,568	9,076,018	9,176,423
	Issue price of \$0.04 per Interest Share	5,735,264	5,609,730	5,672,511	5,735,264
	Issue price of \$0.055 per Interest Share	4,171,101	4,079,804	4,125,462	4,171,101

Quarter ending		31/12/2017	31/03/2018	30/06/2018	30/09/2018
	\$0.055 per Interest Share				

If the maximum number of Interest Shares are issued for each Relevant Quarter, which will only occur if the VWAP of Shares over the five trading days prior to the end of each Relevant Quarter is \$0.025 or less, then the number of Interest Shares to be issued will be 36,404,432, which represents approximately 6.49% of the Company's current issued Share capital, and the Company's shareholders will be diluted accordingly.

To the extent that the Interest Shares approved pursuant to Resolutions 6 and 7 do not entirely satisfy interest payable pursuant to the Notes for a given Relevant Quarter, then:

- (a) to the extent the difference is payable to unrelated parties, the Company intends to issue additional Interest Shares using its issuing capacity under Listing Rule 7.1, and if approved pursuant to Resolution 8, its issuing capacity under Listing Rule 7.1A; and
- (b) to the extent the difference is payable to Blue Spec Drilling Pty, being a Related Party, the Company intends to pay the difference to Blue Spec Drilling Pty Ltd in cash.

7. Resolution 5 – Ratify issue of Interest Shares

7.1 Background

Resolution 5 seeks ratification by Shareholders of the prior issue of 5,972,847 Interest Shares issued to Noteholders in satisfaction of interest that was due and payable with respect to their Convertible Notes as at 30 September 2017.

7.2 Listing Rules

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

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

Approval of Resolution 5 will mean that the 5,972,847 Interest Shares issued to Noteholders will not be included in the Company's issuing capacity calculation for the purposes of Listing Rule 7.1 and will effectively replenish this portion of the issuing capacity.

7.3 Listing Rule information requirements

Listing Rule 7.5 requires that the following information be provided to the Shareholders in relation to Resolution 5 for the purposes of obtaining approval under Listing Rule 7.4:

- (a) Number of securities issued
5,972,847 Interest Shares were issued.

(b) The price at which the securities were issued

The Interest Shares were issued at a deemed issue price of \$0.0371 each, but for nil cash consideration, in satisfaction of interest payable to Noteholders pursuant to the terms of their Convertible Notes.

(c) The terms of the securities

The Interest Shares issued were fully paid ordinary shares that ranked equally with all existing Shares then on issue. The Company has applied for quotation of all Interest Shares issued.

(d) The names of the persons to whom the securities were issued or the basis on which those persons were determined

The Shares were issued to the holders of Convertible Notes.

(e) The use or intended use of the funds raised

The Company did not raise any funds from the issue of the Shares as they were issued in satisfaction of the interest payable by the Company to Noteholders pursuant to the terms of their Convertible Notes.

7.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

8. Resolution 6 – Approval to issue Interest Shares to unrelated parties

8.1 Background

Resolution 6 seeks approval by Shareholders for the issue of up to 35,169,357 Interest Shares in satisfaction of interest in the amount of \$879,233.98 that will become due and payable by the Company with respect to Convertible Notes held by unrelated parties over the 12 months from the date of the Meeting, being with respect to the quarters ending on 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018 (each a **Relevant Quarter**).

As set out in Section 6 above, pursuant to the terms of the Convertible Notes, interest of 8% per annum, calculated daily, compounding monthly, is payable by the Company to Noteholders on a quarterly basis, and is payable in cash or Shares at the election of Hot Chili.

If Hot Chili elects to pay interest in Shares, then pursuant to the terms of the Convertible Notes, they are issued at a deemed issue price equal to the VWAP of Shares over the five trading days prior to their issue date, being the last date of the relevant quarter.

The table below sets out the amount of interest that will be payable to unrelated parties by the Company with respect to each Relevant Quarter, and the number of Interest Shares that may be issued pursuant to Resolution 6 for each Relevant Quarter, assuming the Interest Shares are issued at an issue price of \$0.025, \$0.04 and \$0.055 each.

Quarter ending		31/12/2017	31/03/2018	30/06/2018	30/09/2018
Interest payable		\$221,627.49	\$216,776.48	\$219,202.51	\$221,627.49
Number of Interest Shares to be	Issue price of \$0.025 per Interest Share	8,865,099	8,671,059	8,768,100	8,865,099

Quarter ending		31/12/2017	31/03/2018	30/06/2018	30/09/2018
issued	Issue price of \$0.04 per Interest Share	5,540,687	5,419,412	5,480,062	5,540,687
	Issue price of \$0.055 per Interest Share	4,029,590	3,941,390	3,985,500	4,029,590

If the maximum number of Interest Shares are issued for each Relevant Quarter, which will only occur if the VWAP of Shares over the five trading days prior to the end of each Relevant Quarter is \$0.025 or less, then the number of Interest Shares to be issued will be 35,169,357, which represents approximately 6.27% of the Company's current issued Share capital, and the Company's shareholders will be diluted accordingly.

To the extent that Interest Shares in addition to those approved pursuant to Resolution 6 are required to be issued to satisfy interest payable pursuant to the Notes for a given quarter, then the Company intends to issue those Interest Shares using its issuing capacity under Listing Rule 7.1 and, if applicable, Listing Rule 7.1A.

8.2 Listing Rules

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

Approval of Resolution 6 will mean that the Company will be able to issue up to 35,169,357 Interest Shares to Noteholders unrelated to the Company without those Interest Shares being included in the Company's issuing capacity calculation for the purposes of Listing Rule 7.1.

8.3 Listing Rule information requirements

Listing Rule 7.3 requires that the following information be provided to the Shareholders in relation to Resolution 6 for the purposes of obtaining approval under Listing Rule 7.1:

(a) Maximum number of securities to be issued

The maximum number of securities to be issued pursuant to Resolution 6 is 35,169,357 Interest Shares.

(b) Date by which securities will be issued

Listing Rule 7.3.2 requires that any securities issued pursuant to Shareholder approval under Listing Rule 7.1 must be issued within 3 months of the meeting at which approval was obtained.

ASX has granted the Company a waiver from Listing Rule 7.3.2 to the effect that, if Resolution 6 is passed, the Company may issue up to an aggregate of 35,169,357 Interest Shares to the unrelated Noteholders (or their nominees) no later than 7 days after 30 September 2018.

The Company anticipates issuing the 35,169,357 Interest Shares on four separate dates, each corresponding with the end of each quarter, being 31 December 2017, 31 March 2018, 30 June 2018, and 30 September 2018.

The full terms of the waiver of Listing Rule 7.3.2 that was granted by ASX, are set out in **Annexure 1** to this Explanatory Statement. A summary of the material terms of the Convertible Notes, as is required by the terms of the waiver, are set out in **Annexure 2** to this Explanatory Statement.

(c) Issue price of the securities

The Interest Shares will be issued at a deemed issue price equal to the VWAP of Shares over the five trading days prior to their issue date, being the last date of the relevant quarter (31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018).

(d) Name of the recipients of the securities

The recipients of the Interest Shares will be the Noteholders of the Company that are not Related Parties of the Company, or their nominees.

(e) Terms of the securities

The Interest Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the existing Shares on issue. The Company will apply for quotation of all Interest Shares issued.

(f) Use of (or intended use of) the funds raised

The Interest Shares are to be issued in satisfaction of interest payable by the Company to Noteholders pursuant to the terms of their Convertible Notes. Consequently, no funds will be raised by the issue of the Interest Shares.

8.4 Directors' recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

9. Resolution 7 – Approval to issue Interest Shares to Blue Spec Drilling Pty Ltd

9.1 Background

Resolution 7 seeks approval by Shareholders for the issue of up to 1,235,072 Interest Shares in satisfaction of interest in the amount of \$30,876.88 that will become due and payable by the Company with respect to Convertible Notes held by Blue Spec Drilling Pty Ltd over the 12 months from the date of the Meeting, being with respect to the quarters ending on 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018 (each a **Relevant Quarter**).

As set out in Section 6 above, pursuant to the terms of the Convertible Notes, interest of 8% per annum, calculated daily, compounding monthly, is payable by the Company to Noteholders on a quarterly basis, and is payable in cash or Shares at the election of Hot Chili.

If Hot Chili elects to pay interest in Shares, then pursuant to the terms of the Convertible Notes, they are issued at a deemed issue price equal to the VWAP of Shares over the five trading days prior to their issue date, being the last date of the relevant quarter.

The table below sets out the amount of interest that will be payable to Blue Spec Drilling Pty Ltd by the Company with respect to each Relevant Quarter, and the number of Interest Shares that may be issued pursuant to Resolution 7 for each quarter, assuming the Interest Shares are issued at an issue price of \$0.025, \$0.04 and \$0.055 each.

Quarter ending	31/12/2017	31/03/2018	30/06/2018	30/09/2018
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Interest payable			\$7,783.10	\$7,612.74	\$7,697.94	\$7,783.10
Number of Interest Shares to be issued	Issue price of \$0.025 per Interest Share		311,323	304,509	307,917	311,323
	Issue price of \$0.04 per Interest Share		194,577	190,318	192,448	194,577
	Issue price of \$0.055 per Interest Share		141,510	138,413	139,962	141,510

If the maximum number of Interest Shares are issued for each Relevant Quarter, which will only occur if the VWAP of Shares over the five trading days prior to the end of each Relevant Quarter is \$0.025 or less, then the number of Interest Shares to be issued will be 1,235,072 Shares, which represents approximately 0.22% of the Company's current issued Share capital, and the Company's shareholders will be diluted accordingly.

To the extent that Interest Shares in addition to those approved pursuant to Resolution 7 are required to be issued to satisfy interest payable pursuant to the Notes for a given Relevant Quarter, then the Company intends to satisfy that shortfall by way of a cash payment to Blue Spec Drilling Pty Ltd.

9.2 Listing Rules

Listing Rule 10.11 provides that a company must not issue or agree to issue any equity securities (e.g. Shares), or other securities with rights of conversion to equity, to a related party without shareholder approval.

Blue Spec Drilling is a company controlled by the Company's Chairman, Mr Murray Black. Accordingly, it is a related party of the Company for the purposes of the Listing Rules.

If Resolution 7 is approved, then approval is not required under Listing Rule 7.1 which sets a restriction on companies issuing equity securities where the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

9.3 Corporations Act exemption

The Convertible Notes held by Blue Spec Drilling Pty Ltd are on identical terms to the Convertible Notes held by each other Noteholder. Accordingly, any Interest Shares issued to Blue Spec Drilling Pty will be issued on the same terms and conditions as any Interest Shares issued to each other Noteholder, being terms and conditions agreed on commercial terms with arm's length parties.

The Directors (other than Mr Black) consider that any Interest Shares will therefore be issued on arm's length terms for the purposes of section 210 of the Corporations Act and the Directors (other than Mr Black) consider that Shareholder approval for the provision of a financial benefit to a related party under section 208 of the Corporations Act is not required.

9.4 Listing Rule information requirements

Listing Rule 10.13 requires that the following information be provided to the Shareholders in relation to Resolution 7 for the purposes of obtaining approval under Listing Rule 10.11:

- (a) The name of the recipient

Blue Spec Drilling Pty Ltd, a company controlled by Mr Murray Black, a Director, or its nominee.

- (b) The maximum number of securities to be issued

The maximum number of securities to be issued pursuant to Resolution 7 is 1,235,072 Interest Shares.

- (c) The issue date

Listing Rule 10.13.3 requires that any securities issued pursuant to Shareholder approval under Listing Rule 10.11 must be issued within 1 month of the meeting at which approval was obtained.

ASX has granted the Company a waiver from Listing Rule 10.13.3 to the effect that, if Resolution 7 is passed, the Company may issue up to an aggregate of 1,235,072 Interest Shares to Blue Spec Drilling Pty Ltd (or its nominee) no later than 7 days after 30 September 2018.

The Company anticipates issuing the 1,235,072 Interest Shares on four separate dates, each corresponding with the end of each quarter, being 31 December 2017, 31 March 2018, 30 June 2018, and 30 September 2018.

The full terms of the waiver of Listing Rule 10.13.3 that was granted by ASX, are set out in **Annexure 1** to this Explanatory Statement.

- (d) The issue price

ASX has granted the Company a waiver from Listing Rule 10.13.5 to the effect that the precise issue price of the Interest Shares (which cannot be calculated at the present date) is not required to be disclosed in this Explanatory Statement.

The full terms of the waiver of Listing Rule 10.13.5 that was granted by ASX, are set out in **Annexure 1** to this Explanatory Statement.

The Interest Shares will be issued at a deemed issue price equal to the VWAP of Shares over the five trading days prior to their issue date, being the last date of the relevant quarter (31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018).

- (e) The terms of the securities

The Interest Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the existing Shares on issue. The Company will apply for quotation of all Interest Shares issued.

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

The Interest Shares are to be issued in satisfaction of interest payable by the Company to Blue Spec Drilling Pty Ltd pursuant to the terms of the Convertible Notes held by Blue Spec Drilling Pty Ltd. Consequently, no funds will be raised by the issue of the Interest Shares.

9.5 Directors' recommendation

The Directors (other than Mr Black) recommend Shareholders vote in favour of Resolution 7.

10. Resolution 8 – Approval of Additional Placement Facility

10.1 Background

Resolution 8 seeks Shareholder approval for an additional issuing capacity under Listing Rule 7.1A (**Additional Placement Facility**).

If approved, Resolution 8 would enable the Company to issue additional Equity Securities (calculated below) over a 12 month period without obtaining Shareholder approval.

Resolution 8 is a special resolution. It must be passed by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

10.2 Applicable Listing Rules

Listing Rule 7.1A permits eligible entities that have obtained the approval of shareholders by special resolution at an annual general meeting, to have an addition capacity to issue additional Equity Securities issue equal to approximately 10% of its issued capital, over a 12 month period.

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

10.3 Information on Additional Placement Facility

(a) Quoted securities

Any Equity Securities issued under the Additional Placement Facility must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has one class of Equity Securities quoted on ASX, being Ordinary Shares.

(b) Number of Equity Securities that may be issued

Listing Rule 7.1 permits the Company to issue Equity Securities equal to approximately 15% of the Company's issued capital over a 12 month period without shareholder approval.

The Additional Placement Facility under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The effect of Shareholders passing Resolution 8 is to allow the Company to issue Equity Securities equal to approximately 25% of its issued capital during the next 12 months without first obtaining specific Shareholder approval.

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

At the date of this Notice the Company has 561,175,253 Ordinary Shares on issue. If Resolution 8 is passed, the Company will be permitted to issue (as at the date of this Notice) approximately:

- (i) 77,245,009 Equity Securities under the Listing Rule 7.1 15% placement capacity; and
- (ii) 56,117,525 Equity Securities under the Additional Placement Capacity.

(c) Formula for Additional Placement Facility

If this Resolution 8 is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

$$\text{Additional Placement Capacity} = (A \times D) - E$$

where:

A = the number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue:

- plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rule 7.1 or Listing Rule 7.4;
- less the number of fully paid ordinary securities cancelled in the 12 months.

D = 10%

E = the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

10.4 Listing Rule requirements

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the proposed approval of the Additional Placement Facility:

(a) Minimum price at which Equity Securities may be issued

The issue price of any Equity Security under the Additional Placement Facility will not be less than 75% of the VWAP for securities in the same class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the securities are to be issued is agreed; or
- (ii) if the securities are not issued within 5 trading days of the date above, the date on which the securities are issued.

(b) Risk of economic and voting dilution

If Resolution 8 is passed and the Company issues securities under the Additional Placement Facility, then there is a risk to existing Shareholders of economic and voting dilution, including the risk that:

- (i) the market price for Equity Securities in the same class may be significantly lower on the issue date of the new Equity Securities than on the date of this Meeting; and

- (ii) the new Equity Securities may be issued at a price that is at a discount to the market price for Equity Securities in the same class on the issue date or the new Equity Securities may be issued in consideration for the acquisition of a new asset.

The table below identifies the potential dilution to existing Shareholders following the issue of Equity Securities under the Additional Placement Facility (based on the formula set out above) using different variables for the number of issued Ordinary Shares and the market price of Ordinary Shares.

The numbers are calculated on the basis of the latest available market price of Ordinary Shares before the date of this Notice and the current number of Ordinary Shares on issue.

Variable A in Listing Rule 7.1A		Nominal issue price		
		\$0.038 (market price)	\$0.0285 (25% decrease in market price)	\$0.019 (50% decrease in market price)
Current issued capital A = 561,175,253	Ordinary Shares issued under LR 7.1A	56,117,525	56,117,525	56,117,525
	Voting dilution	10%	10%	10%
	Funds raised	\$2,132,466	\$1,599,349	\$1,066,233
	Economic dilution	0%	2.27%	4.55%
50% increase in issued capital A = 841,762,879	Ordinary Shares issued under LR 7.1A	84,176,287	84,176,287	84,176,287
	Voting dilution	10%	10%	10%
	Funds raised	\$3,198,699	\$2,399,024	\$1,599,349
	Economic dilution	0%	2.27%	4.55%
100% increase in current issued capital A = 1,122,350,506	Ordinary Shares issued under LR 7.1A	112,235,050	112,235,050	112,235,050
	Voting dilution	10%	10%	10%
	Funds raised	\$4,264,932	\$3,198,699	\$2,132,466
	Economic dilution	0%	2.27%	4.55%

This table has been prepared on the following assumptions:

- the latest available market price of Ordinary Shares, being the closing price as at 24 October 2017, was \$0.038;
- the Company issues the maximum number of equity securities available under the Additional Placement Facility;

3. existing Shareholders' holdings do not change from the date of this Meeting to the date of the issue under the Additional Placement Facility;
4. the Company issues Ordinary Shares only and does not issue other types of equity securities (such as Options) under the Additional Placement Facility; and
5. the impact of placements under Listing Rule 7.1 or following the exercise of options is not included in the calculations.
6. Economic dilution (ED) is calculated using the following formula:

$$ED = (MP - (NMC / TS)) / MP$$

where:

MP = the market price of shares traded on ASX, expressed in dollars;

MC = market capitalisation prior to issue of Equity Securities, being the MP multiplied by the number of shares on issue;

NMC = notional market capitalisation, being the market capitalisation plus the NSV;

NSV = new security value, being the number of new Equity Securities multiplied by the issue price of those Equity Securities; and

TS = total shares on issue following new Equity Security issue.

(c) Date by which Equity Securities may be issued

Equity Securities may be issued under the Additional Placement Facility for 12 months after the Meeting.

However, the approval to the Additional Placement Facility under this Resolution will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose for which Equity Securities may be issued

The Company may seek to issue Equity Securities under the Additional Placement Facility for the following purposes:

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

(e) Allocation policy

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

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

As at the date of this Notice, the Company has not identified any proposed allottees of Equity Securities using the Additional Placement Facility. However, the eventual allottees may include existing substantial Shareholders, other Shareholders and/or new investors.

None of the allottees will be a related party or an associate of a related party of the Company, except as permitted under Listing Rule 7.2. Existing Shareholders may or may not be entitled to subscribe for Equity Securities under the Additional Placement Facility and it is possible that their shareholding will be diluted.

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

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

- (f) Equity securities issued under previous placement facility approval

The Company did not obtain approval under Listing Rule 7.1A at its last annual general meeting.

- (g) Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 8 as it will give the Company the flexibility to raise and fund necessary working capital whilst preserving the Company's cash reserves.

Glossary

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

Additional Placement Capacity	Has the meaning given to that term on Section 10.1 of this Explanatory Statement.
A\$ or \$	Australian dollars.
Annual General Meeting or Meeting	Annual general meeting of Shareholders, or any meeting adjourned thereof, convened by the Notice.
Annual Report	The annual report of the Company for 2017, including the annual financial report, the Directors' report and the Auditor's report for the financial year ended 30 June 2017.
Associate	Has the meaning given to it by Division 2 of Part 1 of the Corporations Act.
ASX	ASX Limited and its Related Bodies Corporate, or the financial market known as the Australian Securities Exchange, as the context requires.
Board	The board of Directors of the Company.
Chairman	The chair of the Annual General Meeting.
Closely Related Party	Has same meaning given to it in section 9 of the Corporations Act, being, in relation to a member of Key Management Personnel: <ul style="list-style-type: none"> (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; or (f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth) (currently none are prescribed).
Company or Hot Chili	Hot Chili Limited ACN 130 955 725.
Company Secretary	The company secretary of the Company at the time of the Annual General Meeting, Mr John Sendziuk.
Constitution	The constitution of the Company.
Convertible Note	A convertible note issued by the Company with a face value of \$100, and otherwise on the terms and conditions set out in the Trust Deed between the Company and Equity Trustees Limited dated 25 May 2017 as varied by deed of variation dated 19 June 2017, as announced to ASX on 21 June 2017.

Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Equity Security	Has the meaning given to that term in the Listing Rules.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice.
Glossary	This glossary of terms.
Interest Shares	Shares issued in payment of interest pursuant to the terms of the Convertible Notes.
Key Management Personnel	Has the same meaning as the definition of that term in section 9 of the Corporations Act, being those persons details of whose remuneration are included in the remuneration report having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	The listing rules of ASX.
Noteholder	A holder of a Convertible Note.
Notice or Notice of Meeting	The notice of Annual General Meeting which accompanies this Explanatory Statement.
Proxy Form	The proxy form accompanying this Notice of Meeting.
Related Party	Has the meaning given to that term in the Listing Rules.
Remuneration Report	The remuneration report of the Company for the financial year ended 30 June 2017, appearing in the Annual Report.
Resolution	A resolution set out in the Notice.
Section	A section of this Explanatory Statement.
Shareholder	The holder of a Share.
VWAP	Volume Weighted Average Price.
WST	Australian Western Standard Time, being the time in Perth, Western Australia.

Annexure 1

Waivers of Listing Rules 7.3.2, 10.13.3 and 10.13.5

The terms of the waivers of Listing Rules 7.3.2, 10.13.3 and 10.13.5, as granted by ASX, are set out below.

ASX has granted the Company the following:

1. A waiver from listing rule 7.3.2 to allow the Company's notice of annual general meeting ("Notice") seeking shareholder approval for the issue of up to 35,169,357 shares in consideration for the payment of interest of 8% per annum due to unrelated parties ("Unrelated Noteholders"), payable quarterly through the issue of shares ("Interest Shares") over the 12 month period from the date of the Company's Annual General Meeting ("AGM"), in respect to the quarters ending on 31 December 2017, 31 March 2018, 30 June 2018 and 30 September 2018 (each a "Relevant Interest Period"), not to state that the date by which the Company will issue the Interest Shares will be no later than 3 months after the date of the AGM on the following conditions:
 - (i) the Interest Shares must be issued to the Unrelated Noteholders no later than 7 days after 30 September 2018;
 - (ii) for any annual reporting period during which any of the Interest Shares have been issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Interest Shares issued during the reporting period, the number of Interest Shares that remain to be issued and the basis on which the Interest Shares may be issued;
 - (iii) in any half year or quarterly report for a period during which any of the Interest Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Interest Shares issued during the reporting period, and the number of Interest Shares that remain to be issued and the basis on which the Interest Shares may be issued;
 - (iv) the terms of the waiver are disclosed in the Notice; and
 - (v) the Notice contains a summary of the material terms of the Convertible Notes.
2. A waiver from listing rules 10.13.3 and 10.13.5 to permit the Notice seeking shareholder approval for the issue of up to 1,235,072 Interest Shares in consideration for the payment of interest of 8% per annum due to Blue Spec Drilling Pty Ltd ("Blue Spec"), payable quarterly through the issue of Interest Shares over the 12 month period from the date of the AGM, in respect to the Relevant Interest Period, not to state that the Interest Shares will be issued to Blue Spec within 1 month of the date of the AGM and to permit the Notice not to include an issue price, subject to the following conditions:
 - (i) the Interest Shares are issued to Blue Spec no later than 7 days after 30 September 2018;
 - (ii) the Notice states that the Interest Shares will be issued at a deemed issue price equal to the volume weighted average price ("VWAP") of the Company's fully paid ordinary shares over the five trading days prior to their issue date, being the last date of the Relevant Interest Period.
 - (iii) for any annual reporting period during which any of the Interest Shares are issued or remain to be issued, the Company's annual report must set out in detail the number of Interest Shares issued in that annual reporting period, the number of Interest Shares that remain to be issued, and the basis on which the Interest Shares may be issued;

- (iv) in any half year or quarterly report for a period during which any of the Interest Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Interest Shares issued during the reporting period, and the number of Interest Shares that remain to be issued and the basis on which the Interest Shares may be issued; and
- (v) the terms of the waiver are disclosed in the Notice.

Annexure 2

Summary of material terms of Convertible Notes

Unless otherwise defined, capitalised terms in this Annexure 2 have the meanings given to them in the Terms and conditions of Convertible Notes, which were announced to ASX on 21 June 2017.

Face value	A\$100 per Note.
Conversion Price	A\$0.03333 per Share.
Maturity Date	20 June 2022, for those Notes held by unrelated parties, and 7 September 2022 for those Notes held by Blue Spec Drilling Pty Ltd.
Security Interest	<p>The Notes are not secured.</p> <p>8.0% calculated daily, compounded monthly and payable quarterly in arrears (Interest). Accrued Interest is cumulative and payable in cash or Shares at the election of the Company.</p> <p>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 VWAP for the five trading day period ending on the last day of the quarter for which Interest is due.</p>
Redemption	Notes are not be redeemable by the Company before their Maturity Date. On and after the Maturity Date, and provided the VWAP 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, 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 A\$100 for each Note held, plus accrued and unpaid Interest.
Conversion	The principal amount and accrued and unpaid Interest evidenced by the Notes is convertible at the holder's option into Shares at any time prior to the earlier of the Maturity Date, and the date which is 5 business days immediately preceding the date specified for redemption by the Company at the Conversion Price, being a ratio of approximately 3,000 Ordinary Shares per Note (excluding Interest).
Conversion at maturity	On the 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 VWAP for the 10 trading day period ending on the day prior to the Maturity Date, or by the Conversion Price, whichever is lower.
Bonus issues and reconstructions	If there is a Bonus Issue, the Company must issue to each Noteholder, that number of Bonus Securities which the Noteholder would have been entitled to receive, by way of participation in the issue of Bonus Securities, if the Convertible Notes had been converted into Shares immediately before the issue of Bonus Securities.
Ranking	The Notes at all times constitute unsecured debt obligations of the Company, which together with any accrued and unpaid Interest, ranks for payment in a Winding Up of the Company, behind any secured debt of the Company, equally with all present and future subordinated and unsecured debt obligations of the Company, and ahead of all Shares.
Negative Covenants	<p>For so long as any of the Notes remain outstanding, the Company must not and must procure that its Subsidiaries do not without the approval of a Noteholders Resolution:</p> <ul style="list-style-type: none"> (a) (new debt) incur any indebtedness for moneys borrowed or raised pursuant to any financial accommodation or agree to do so (including by entering into an indicative term sheet), except any Permitted New Debt; (b) (sale of assets) conduct or agree to conduct (including by entering into an indicative term sheet) any transaction or series of related transactions in which an entity in the Group sells significant assets or assets worth more than 10% of the Group's gross assets; (c) (dividends) declare or pay any dividends to Shareholders; (d) (capital reduction) other than in respect of the Notes, redeem, purchase, cancel, reduce, return capital on or otherwise acquire any share or other securities issued by a Shareholder of the Group for repayment or return of capital in a winding-up; or (e) (Security Interests) other than in the ordinary course of business:

	<ul style="list-style-type: none"> (i) create or permit to exist a Security Interest over any of its assets or attempt or agree to do so (including by entering into an indicative term sheet), except to secure any Permitted New Debt; or (ii) if the creation of a Security Interest cannot by law be restricted, create such a Security Interest over any of its assets without the holder of the Security Interest first entering into a deed of priority in form and substance acceptable to the Trustee.
Events default	<p>of The key events of default are:</p> <ul style="list-style-type: none"> (a) (non-issue of Shares) the Company fails to issue Shares on conversion in accordance within five Business Days after the date on which such issue is to be made; (b) (non-payment) the Company fails to pay any amount payable by it under the Note Terms within 10 Business Days after the date on which it is due and, where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within five Business Days; (c) (breach of Negative Covenants) a member of the Group fails to comply with a Negative Covenant (as set out above) and such failure remains unremedied for a period of 10 Business Days; (d) (breach of other obligations) the Company fails to comply with any of its other obligations under the Note Terms or any Transaction Document and such failure remains unremedied for a period of 10 Business Days after the earlier of (A) the Company receiving notice from the Trustee in respect of the failure to comply and (B) the Company becoming aware of the failure to comply; (e) (insolvency) an Insolvency Event occurs in respect of a member of the Group; (f) (sale of business or main undertaking) there is a sale of the business or the main undertaking of the Company that would require approval of Shareholders in accordance with Listing Rule 11.2; (g) (delisting) a Delisting Event occurs in respect of the Company; (h) (cessation of business) a member of the Group ceases or suspends (or threatens to cease or suspend) the conduct of all of its business or a substantial part of its business; (i) (unlawfulness) at any time, it is unlawful for the Company to perform any of its payment obligations under the Notes, the Trust Deed or the Note Terms; (j) (Government Agency) all or substantially all of the assets of the Group is assumed or compulsory acquired by any Government Agency; or (k) (vitiation) all or any obligations of the Company or rights of the Noteholders or the Trustee under the Trust Deed or the Note Terms are terminated or are or become void, illegal, invalid, unenforceable or of limited force and effect.
Transfer Rights Noteholders	<p>of The Notes are transferable.</p> <p>The Notes confer no rights on a Noteholder:</p> <ul style="list-style-type: none"> (a) to vote at any meeting of Shareholders; (b) to subscribe for or participate in any new issue of securities by the Company; or (c) to otherwise participate in the profits or property of the Company, except as set out in the Note Terms or the Transaction Documents.
Quotation	<p>The Notes are not quoted on ASX.</p> <p>The Company will apply for quotation of Shares issued on the conversion of Notes and on payment of Interest will be quoted on ASX.</p>

HOT CHILI LIMITED
ACN 130 955 725
PROXY FORM

I/We (name of Shareholder)

of (address)

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

(name).....

of (address)

and/or failing him/her (name)

of (address)

or failing that person then the Chairman of the Annual General Meeting as my/our proxy to act on my/our behalf and to vote in accordance with the following directions or, if no directions are given, as the proxy sees fit at the Annual General Meeting of the Company to be held at **10.30am (WST) on Wednesday, 29 November 2017 at Level 1, 768 Canning Highway, Applecross, Western Australia** and at any adjournment of the Annual General Meeting.

<input type="checkbox"/>	<p>Authorisation of Chairman to exercise undirected proxies on Resolution 1</p> <p>If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on the Resolutions, please place a mark in this box.</p> <p>By marking this box you expressly authorise the Chairman of the Meeting to vote as your proxy on Resolution 1 in accordance with his/her intention/s as set out in the Notice of Annual General Meeting and/or this form (except where you have indicated a different voting intention by marking the voting boxes below), even though Resolution 1 is connected directly or indirectly with the remuneration of members of Key Management Personnel.</p> <p>Directors (other than the Chairman of the Meeting, where authorised) and other Key Management Personnel of the Company and their Closely Related Parties will not cast any votes in respect of Resolution 1 that arise from any undirected proxy that they hold.</p> <p>The Chairman of the Meeting intends to vote all available undirected proxies in favour of each Resolution.</p>
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Should you wish to direct the proxy how to vote, you should mark 'For', 'Against' or 'Abstain' in the voting boxes below:

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

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Roberto de Andraca Adriasola	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Murray Black	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Mr George Randall Nickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratify issue of Interest Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval to issue Interest Shares to unrelated parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval to issue Interest Shares to Blue Spec Drilling Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Additional Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

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

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director