



Hot Chili Limited
ACN 130 955 725

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

General Meeting to be held at

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

On Friday, 15 June 2018 at 11:00am (WST)

IMPORTANT NOTE

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

Contents

Item	Page
Notice of General Meeting	2
Voting Exclusions	4
Proxy Appointment, Voting and Meeting Instructions	5
Explanatory Statement	7
Glossary	16
Schedule 1 – Terms of New Options	18
Proxy Form	Attached

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 Wednesday, 13 June 2018
Snapshot date for eligibility to vote	5.00pm (WST) on Wednesday, 13 June 2018
General Meeting	11:00am (WST) on Friday, 15 June 2018

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 **Friday, 15 June 2018** 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 Tranche 1 Securities to Placement Participants

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 98,378,610 Placement Shares at an issue price of \$0.03 each, and 49,189,305 free-attaching New Options, under the Tranche 1 Placement on 9 May 2018, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 2: Ratification of issue of New Options to EverBlu Capital Pty Ltd

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 3,000,000 New Options at an issue price of nil to EverBlu Capital Pty Ltd (ACN 612 793 683) on 9 May 2018 pursuant to the Corporate Advisory Agreement, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 3: Approval to issue Tranche 2 Securities to Non-Related Placement Participants

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 19,954,724 Placement Shares at an issue price of \$0.03 each, and 9,977,363 free-attaching New Options, to Non-Related Placement Participants 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 Securities to a Related Party – Blue Spec Drilling Pty Ltd

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 13,333,333 Placement Shares at an issue price of \$0.03 each, and 6,666,666 free-attaching New Options, to Blue Spec Drilling Pty Ltd (ACN 601 943 364), 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 Tranche 2 Securities to a Related Party – Ostertag Holdings Pty Ltd (as trustee for the Easterday Family Trust)

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 1,666,667 Placement Shares at an issue price of \$0.03 each, and 833,333 free-attaching New Options, to Ostertag Holdings Pty Ltd (ACN 611 977 603) (as trustee for the Easterday Family Trust), 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.”

By order of the Board

Mr Lloyd Flint
Company Secretary

9 May 2018

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 parties.

Resolution	Excluded Parties
Resolution 1	A Placement Participant who received Tranche 1 Securities and their Associates.
Resolution 2	The Advisor and its Associates.
Resolution 3	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Tranche 2 Securities to Non-Related Placement Participants under the Tranche 2 Placement, and their Associates.
Resolution 4	Blue Spec and its Associates.
Resolution 5	Ostertag and its Associates.

The Company need not disregard a vote on a Resolution if it is cast by:

- the person as 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.

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 Wednesday, 13 June 2018**. A Proxy Form received after that time will not be valid.

By post: Company Secretary, Hot Chili Limited, PO Box 1725, Applecross, Western Australia

By hand: First Floor, 768 Canning Highway, Applecross, Western Australia

By fax: +61 8 9315 5004

By email: admin@hotchili.net.au

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 **FOR** 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 **5.00pm (WST) on Wednesday, 13 June 2018**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Questions from Shareholders

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

In addition to asking questions at the Meeting, written questions to the Board about the management of the Company may be submitted by no later than **5.00pm (WST) on Friday, 8 June 2018** in the same manner as outlined above for lodgement of Proxy Forms.

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 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 30 April 2018 the Company announced its intention to raise approximately \$4,000,000 (before costs) by way of a placement of Shares and free-attaching New Options exercisable at \$0.10 each on or before 31 May 2020 to various sophisticated and professional investors, on the basis of one free-attaching New Option for every two Shares subscribed for under the Placement.

The Placement is proposed to be conducted in two tranches as follows:

- (a) **Tranche 1 Placement:** a placement of 98,378,610 Shares to Placement Participants (all of whom are non-Related Parties of the Company) at an issue price of \$0.03 each, together with 49,189,305 free-attaching New Options, to raise approximately \$2,951,358 (before costs); and
- (b) **Tranche 2 Placement:** a placement of 34,954,724 Shares to Placement Participants (including Related Parties of the Company) at an issue price of \$0.03 each, together with 17,477,362 free-attaching New Options, to raise approximately \$1,048,642 (before costs).

The Tranche 1 Securities under the Tranche 1 Placement were issued by the Company on 9 May 2018 using its issuing capacities under Listing Rules 7.1 and 7.1A. Subsequent ratification of this issue by Shareholders is sought under Resolution 1.

The issue of the Tranche 2 Securities under the Tranche 2 Placement is subject to Shareholder approval, as these Securities are proposed to be issued in addition to the Company's issuing capacities under Listing Rules 7.1 and 7.1A, and a portion of these Securities will be issued to Related Parties of the Company. Approval for the issue of the Tranche 2 Securities is sought under Resolutions 3 to 5.

1.2 Corporate Advisory Agreement

The Company has entered into a corporate advisory agreement with the Advisor, pursuant to which the Advisor was appointed as a non-exclusive advisor and marketing agent of the Company to provide advice and marketing services to the Company in connection with the Placement (**Corporate Advisory Agreement**).

Pursuant to the Corporate Advisory Agreement, the Advisor is entitled to be paid or issued (as applicable), the following:

- (a) a fee of 6% (plus GST) of the total amount raised under the Placement other than in respect of monies raised from Excluded Investors;
- (b) 3,000,000 New Options; and

- (c) reimbursement of the Advisor's reasonable costs, professional fees and expenses in relation, and incidental, to the Placement.

The material terms of the Corporate Advisory Agreement are set out in section 7.2(c) of the Company's Prospectus.

The 3,000,000 New Options were issued to the Advisor by the Company on 9 May 2018 using its issuing capacity under Listing Rule 7.1. Subsequent ratification of this issue by Shareholders is sought under Resolution 2.

1.3 Prospectus

The offers of New Options to Placement Participants and the Advisor are made pursuant to the Company's prospectus dated 2 May 2018 (**Prospectus**).

The primary purpose of the Prospectus is to ensure that the New Options are issued with disclosure to facilitate the secondary trading of the New Options, and all Shares issued on the exercise of these Options.

The Prospectus is available on the Company's website (<http://www.hotchili.net.au/investors/prospectus/>) and the ASX announcements platform (<https://www.asx.com.au/asx/statistics/announcements.do>) using the Company's ASX code 'HCH'.

2. Resolution 1: Ratification of issue of Tranche 1 Securities to Placement Participants

2.1 Background

Resolution 1 is an ordinary resolution seeking ratification and approval by Shareholders of the prior issue of the Tranche 1 Securities pursuant to the Tranche 1 Placement.

A summary of the Tranche 1 Placement is outlined in Section 1.1.

The Company issued the Tranche 1 Securities to Placement Participants without Shareholder approval as follows:

- (a) 38,129,703 Placement Shares and 49,189,305 New Options were issued by the Company using its issuing capacity under Listing Rule 7.1; and
- (b) 60,248,907 Placement Shares were issued by the Company using its issuing capacity under Listing Rule 7.1A.

If Resolution 1 is approved, the Company's issuing capacities under Listing Rule 7.1 and 7.1A will be refreshed, allowing the Company to issue, without Shareholder approval, further Equity Securities representing up to an aggregate of 25% of the Company's issued capital in the next 12 months.

2.2 Applicable 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 the company during the previous 12 months, exceed 15% of the number of Equity Securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A permits eligible entities that have obtained the approval of shareholders by special resolution at an annual general meeting, to issue an additional 10% of its issued capital, over a 12 month period. The 10% capacity under Listing Rule 7.1A is in addition to the Company's 15% issuing capacity under Listing Rule 7.1.

Listing Rule 7.4 provides that an issue by a company of Equity Securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose

of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's shareholders subsequently approve it. Issues of securities made with approval under Listing Rule 7.1A can also be ratified under Listing Rule 7.4.

2.3 Listing Rule information requirements

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

(a) The number of securities issued

The following securities were issued under the Tranche 1 Placement:

- (i) 98,378,610 Placement Shares; and
- (ii) 49,189,305 New Options.

(b) The price at which the securities were issued

The Placement Shares were issued at \$0.03 each to raise approximately \$2,951,358 (before costs).

The New Options were issued as free-attaching Options on the basis of one New Option for every two Placement Shares subscribed for under the Tranche 1 Placement.

(c) The terms of the securities

The Placement Shares were fully paid ordinary shares that ranked equally with all existing Shares then on issue.

The New Options are exercisable at \$0.10 each, on or before 31 May 2020. The full terms and conditions of the New Options are set out in Schedule 1.

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

The Tranche 1 Securities were issued to Placement Participants, being various investors identified by the Company and the Advisor.

None of the Placement Participants that received Tranche 1 Securities were Related Parties of the Company.

Each Placement Participant was a sophisticated or professional investor for the purposes of the Corporations Act, being an investor to whom securities may be issued without a prospectus or other disclosure document.

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

As announced by the Company to ASX on 30 April 2018 and as further detailed in the Prospectus, the Company intends to use the funds raised from the Placement to initiate exploration and drilling activities at several outstanding high-grade copper opportunities within the El Fuego copper project in Chile, which are located within trucking distance of the Company's flagship Productora Project and otherwise, for general working capital requirements.

2.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 as it will refresh the Company's issuing capacities under Listing Rules 7.1 and 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 2: Ratification of issue of New Options to EverBlu Capital Pty Ltd

3.1 Background

Resolution 2 is an ordinary resolution seeking ratification and approval by Shareholders of the prior issue of 3,000,000 New Options to the Advisor.

The Advisor is entitled to receive 3,000,000 New Options as consideration for the provision of its services under the Corporate Advisory Agreement. A summary of the Corporate Advisory Agreement is set out in Section 1.2 above and in section 7.2(c) of the Prospectus.

The 3,000,000 New Options were offered to the Advisor under the Company's Prospectus and were issued to the Advisor pursuant to its application on 9 May 2018 using the Company's issuing capacity under Listing Rule 7.1.

If Resolution 2 is approved, the Company's issuing capacity under Listing Rule 7.1 will be refreshed, allowing the Company to issue, without Shareholder approval, further Equity Securities representing up to 15% of the Company's issued capital in the next 12 months.

3.2 Applicable Listing Rules

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.4 for the purpose of ratifying the prior issue of 3,000,000 New Options to the Advisor, and thereby excluding the issue of these New Options from the Company's 15% issuing capacity under Listing Rule 7.1. Listing Rules 7.1 and 7.4 are described in Section 2.2 above.

3.3 Listing Rule information requirements

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

(a) The number of securities issued

3,000,000 New Options were issued to the Advisor.

(b) The price at which the securities were issued

The New Options were issued for nil consideration as a fee for services provided by the Advisor to the Company in connection with the Placement, pursuant to the Corporate Advisory Agreement.

(c) The terms of the securities

The New Options are exercisable at \$0.10 each, on or before 31 May 2020. The full terms and conditions of the New Options are set out in Schedule 1.

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

The New Options were issued to the Advisor. The Advisor is not a Related Party of the Company.

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

The Company did not raise any funds from the issue of the New Options to the Advisor as the New Options were issued for nil cash consideration. Any funds raised on exercise of the New Options will be applied by the Company to its general working capital requirements at that time.

3.4 Directors' recommendation

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

4. Resolution 3: Approval to issue Tranche 2 Securities to Non-Related Placement Participants

4.1 Background

Resolution 3 is an ordinary resolution seeking Shareholder approval for the issue of Tranche 2 Securities to Non-Related Placement Participants pursuant to the Tranche 2 Placement.

A summary of the Tranche 2 Placement is outlined in Section 1.1.

As announced by the Company to ASX on 30 April 2018, the issue of the Tranche 2 Securities under the Tranche 2 Placement is subject to Shareholder approval, as these securities are proposed to be issued in addition to the Company's issuing capacities under Listing Rules 7.1 and 7.1A, and a portion of these Securities will be issued to Related Parties of the Company.

The New Options are offered to Non-Related Placement Participants under the Prospectus.

4.2 Applicable Listing Rules

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1. Listing Rule 7.1 is described in Section 2.2 above.

The effect of Resolution 3, if passed, will be that the Tranche 2 Securities to be issued to Non-Related Placement Participants under the Tranche 2 Placement will be excluded from (i.e. will not use) the Company's issuing capacities under Listing Rule 7.1 and Listing Rule 7.1A. This will allow the Company to issue Tranche 2 Securities to Non-Related Placement Participants and provide flexibility during the next 12 month period to issue, without Shareholder approval, further Equity Securities in order to raise additional working capital, if and as required.

If Resolution 3 is not passed, the Company's ability to complete the Tranche 2 Placement by issuing Placement Shares to Non-Related Placement Participants may be adversely affected.

4.3 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) The maximum number of securities to be issued

A maximum of 19,954,724 Placement Shares and 9,977,363 New Options will be issued to Non-Related Placement Participants.

(b) The date by which the securities will be issued

If Resolution 3 is approved, the Tranche 2 Securities are proposed to be issued on or about 20 June 2018 and, in any event, will be issued within 3 months after the date of the Meeting (or such later date as permitted by the Listing Rules).

It is intended that the issue of Tranche 2 Securities will occur on one date.

(c) The issue price of the securities

The Placement Shares will be issued at \$0.03 each to raise approximately \$598,642 (before costs).

The New Options will be issued as free-attaching Options on the basis of one New Option for every two Placement Shares subscribed for under the Tranche 2 Placement.

(d) **The name of the person to whom the securities will be issued**

The Tranche 2 Securities the subject to Resolution 3 will be issued to Non-Related Placement Participants, being various investors identified by the Company and the Advisor.

None of the Non-Related Placement Participants are Related Parties of the Company.

Each Non-Related Placement Participant is a sophisticated or professional investor for the purposes of the Corporations Act, being an investor to whom securities may be issued without a prospectus or other disclosure document.

(e) **The terms of the securities**

The Placement Shares will be fully paid ordinary shares that rank equally with all existing Shares then on issue.

The New Options are exercisable at \$0.10 each, on or before 31 May 2020. The full terms and conditions of the New Options are set out in Schedule 1.

The Company will apply for quotation of the Placement Shares, but does not intend to apply for quotation of the New Options. However, the Company will apply for quotation of the Shares issued on exercise of New Options.

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

The Company intends to use the funds raised for the purposes set out in Section 2.3(e) above.

4.4 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 as it will enable the Company to issue Tranche 2 Securities to Non-Related Placement Participants and complete the Tranche 2 Placement.

5. Resolutions 4 and 5: Approval to issue Tranche 2 Securities to Related Parties – Blue Spec and Ostertag

5.1 Background

Resolution 4 is an ordinary resolution seeking Shareholder approval for the issue of Tranche 2 Securities to Blue Spec Drilling Pty Ltd (**Blue Spec**) pursuant to the Tranche 2 Placement. Blue Spec is a Related Party of the Company as it is controlled by the Company's Non-Executive Chairman, Mr Murray Black.

Resolution 5 is an ordinary resolution seeking Shareholder approval for the issue of Tranche 2 Securities to Ostertag Holdings Pty Ltd (as trustee for the Easterday Family Trust) (**Ostertag**) pursuant to the Tranche 2 Placement. Ostertag is a Related Party of the Company as it is controlled by the Company's Managing Director, Mr Christian Easterday.

The Company has entered into subscription agreements with each of Blue Spec and Ostertag under which they agree to subscribe for securities under the Placement as follows, subject to Shareholder approval:

- (a) Blue Spec – 13,333,333 Placement Shares and 6,666,666 New Options; and
- (b) Ostertag – 1,666,667 Placement Shares and 833,333 New Options.

The material terms of the subscription agreements are set out in section 7.2(b) of the Company's Prospectus.

Blue Spec and Ostertag will receive the offer to subscribe for their entitlements to New Options under the Prospectus.

5.2 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 Messrs Black and Easterday) consider that the proposed issues to Blue Spec and Ostertag are reasonable in the circumstances. The Tranche 2 Securities proposed to be issued to Blue Spec and Ostertag under the Tranche 2 Placement will be issued on the same terms and at the same price as all Tranche 2 Securities issued to Non-Related Placement Participants under the Tranche 2 Placement. Accordingly, the proposed issues reflect arm's length terms.

The Directors (other than Messrs Black and Easterday) 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.

5.3 Applicable Listing Rules

Listing Rule 10.11 provides that a company must not issue or agree to issue any Equity Securities (e.g. Placement Shares), or other securities with rights to conversion to Equity Securities (e.g. New Options), to a Related Party without shareholder approval.

Blue Spec and Ostertag are each Related Parties of the Company, as each entity is controlled by a Director, as set out in Section 5.1 above.

If Resolution 4 is not passed, the Company will be unable to issue the Placement Shares and New Options to Blue Spec, and will therefore be unable to raise the relevant funds from the issue of these securities.

If Resolution 5 is not passed, the Company will be unable to issue the Placement Shares and New Options to Ostertag, and will therefore be unable to raise the relevant funds from the issue of these securities.

5.4 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 10.13, the following information is provided in relation to Resolutions 4 and 5:

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

In the case of Resolution 4, Blue Spec.

In the case of Resolution 5, Ostertag.

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

The maximum number of securities to be issued to Blue Spec is 13,333,333 Placement Shares and 6,666,666 free-attaching New Options.

The maximum number of securities to be issued to Ostertag is 1,666,667 Placement Shares and 833,333 free-attaching New Options.

(c) **The date by which securities will be issued**

If the relevant Resolutions are approved, the Tranche 2 Securities are proposed to be issued on or about 20 June 2018 and, in any event, within:

- 3 months of the date of the Prospectus (or such later period as permitted by the Corporations Act); and
- 1 month after the date of the Meeting (or such later date as permitted by the Listing Rules).

It is intended that the issue of Tranche 2 Securities will occur on one date.

(d) **The relationship requiring shareholder approval**

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

Ostertag is controlled by the Company's Managing Director, Mr Christian Easterday and is therefore a Related Party of the Company.

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

The Placement Shares will be issued at \$0.03 each to raise a total of approximately \$450,000 (before costs), and will be fully paid ordinary shares that rank equally with all existing Shares then on issue.

The New Options will be issued as free-attaching Options on the basis of one New Option for every two Placement Shares subscribed for under the Tranche 2 Placement. The New Options are exercisable at \$0.10 each, on or before 31 May 2020. The full terms and conditions of the New Options are set out in Schedule 1.

The terms of the Placement Shares and New Options reflect the same terms applicable to the Tranche 2 Securities proposed to be issued to Non-Related Placement Participants under the Tranche 2 Placement.

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

The Company intends to use the funds raised for the purposes set out in Section 2.3(e) above.

5.5 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 Securities to Blue Spec.

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.

5.6 Directors' recommendation – Resolution 5

The Directors (other than Mr Easterday) recommend that Shareholders vote in favour of Resolution 5 to permit the Company to fulfil its obligations under the subscription agreement with Ostertag to issue Tranche 2 Securities to Ostertag.

Mr Easterday has a material personal interest in the outcome of Resolution 5 and therefore declines to make any recommendation as to how Shareholders should vote on that Resolution.

Glossary

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

Advisor	EverBlu Capital Pty Ltd (ACN 612 793 683).
ASIC	The Australian Securities & Investments Commission.
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	Blue Spec Drilling Pty Ltd (ACN 601 943 364).
Board	The Board of Directors of the Company.
Business Day	Has the meaning given to that term in the Listing Rules.
Chairperson	The chair of the General Meeting.
Company	Hot Chili Limited (ACN 130 955 725).
Constitution	Means the Company's constitution.
Corporate Advisory Agreement	Has the meaning given to that term in Section 1.2.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Equity Securities	Has the meaning given to that term in the Listing Rules.
Excluded Investors	The following persons: <ul style="list-style-type: none">(a) Exploration Capital Partners 2008, LP;(b) Taurus Funds Management Pty Limited;(c) Blue Spec;(d) all Directors and their related bodies corporate; and(e) all Associates or affiliates of the persons specified in items (a) to (d) of this definition.
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.
Listing Rules	The listing rules of ASX, as amended from time to time.
New Option	An Option exercisable at \$0.10 each on or before 31 May 2020 and otherwise on the terms set out in Schedule 1.
Non-Related Placement Participants	All persons that are entitled to participate in the Tranche 2 Placement other than Blue Spec and Ostertag.
Notice or Notice of General Meeting	The notice of general meeting which accompanies this Explanatory Statement.
Option	An option to acquire a Share.
Ostertag	Ostertag Holdings Pty Ltd (ACN 611 977 603) (as trustee for the Easterday Family Trust).

Productora Project	The Productora copper project owned by SMEA and operated by the Company, located near Vallenar, Chile.
Placement	The Tranche 1 Placement and the Tranche 2 Placement, pursuant to which the Company seeks to issue a total of 133,333,334 Shares together with 66,666,667 free-attaching New Options to raise approximately \$4,000,000 (before costs).
Placement Participant	A participant in the Placement.
Placement Share	A Share to be issued to a Placement Participant under the Placement.
Prospectus	The Company's prospectus dated 2 May 2018.
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.
Section	A section of the Explanatory Statement.
Share	A fully paid ordinary share in the Company.
Shareholder	The holder of a Share.
SMEA	Sociedad Minera El Águila SpA, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.211-3 and a subsidiary of the Company.
Tranche 1 New Options	The free-attaching New Options to be offered to Placement Participants under the Placement Offer, pursuant to the Tranche 1 Placement.
Tranche 1 Placement	The placement by the Company of 98,378,610 Shares at an issue price of \$0.03 each, with one free-attaching New Option for every two Shares subscribed, to non-Related Party sophisticated and professional investors to raise approximately \$2,951,358 (before costs), as described in Section 1.1.
Tranche 1 Placement Shares	The Placement Shares to be issued to Placement Participants under the Tranche 1 Placement.
Tranche 1 Securities	The Tranche 1 Placement Shares and Tranche 1 New Options.
Tranche 2 New Options	The free-attaching New Options to be offered to Placement Participants (including Related Parties of the Company) under the Placement Offer, pursuant to the Tranche 2 Placement.
Tranche 2 Placement	The placement by the Company of 34,954,724 Shares at an issue price of \$0.03 each, with one free-attaching New Option for every two Shares subscribed, to sophisticated and professional investors (including Related Parties of the Company) to raise approximately \$1,048,642 (before costs), subject to Shareholder approval, as described in Section 1.1.
Tranche 2 Placement Shares	The Placement Shares to be issued to Placement Participants (including Related Parties of the Company) under the Tranche 2 Placement.
Tranche 2 Securities	The Tranche 2 Placement Shares and Tranche 2 New Options.
WST	Australian Western Standard Time, being the time in Perth, Western Australia.

Schedule 1 – Terms of New Options

The New Options are regulated by the Constitution, the Corporations Act, the Listing Rules and general law.

Each New Option will be issued on the following terms:

- (a) **Entitlement:** Each New Option entitles the holder (**Option Holder**) to subscribe for one fully paid ordinary Share in the Company.
- (b) **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an New Option.
- (c) **Exercise price:** The exercise price of each New Option is \$0.10 (**Exercise Price**).
- (d) **Expiry date:** Each New Option may be exercised at any time before 5.00pm (WST) on 31 May 2020 (**Expiry Date**). Any New Option not exercised by the Expiry Date will automatically expire.
- (e) **Certificate or holding statement:** The Company must give the Option Holder a certificate or holding statement stating:
 - (i) the number of New Options issued to the Option Holder;
 - (ii) the Exercise Price of the New Options; and
 - (iii) the date of issue of the New Options.
- (f) **Transfer:**
 - (i) The New Options are transferable, subject to applicable law.
 - (ii) Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the New Options at any time before the Expiry Date by:
 - A. a proper ASTC regulated transfer (as defined in the Corporations Act) or any other method permitted by the Corporations Act; or
 - B. a prescribed instrument of transfer.
 - (iii) An instrument of transfer of an New Option must be:
 - A. in writing;
 - B. in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
 - C. subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
 - D. 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 New Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that New Option, the right of the transferor to transfer that New Option and the proper execution of the instrument of transfer.

- (g) **Quotation of New Options:** The Company will not apply to ASX for official quotation of New Options.
- (h) **Quotation of Shares:** The Company will apply to ASX for official quotation of the Shares issued on exercise of New Options.
- (i) **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 New 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.
- (j) **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 New Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the New 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 New Option before the record date for determining entitlements to the issue.
- (k) **Pro rata issues:** If the Company makes a pro rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the New Option before the record date for determining entitlements to the issue, the Exercise Price of each New Option will be reduced in accordance with the Listing Rules.
- (l) **Reorganisation:** 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 New 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.
 - (i) 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.
 - (ii) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any New Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an New Option.
- (m) **Exercise:**
 - (i) To exercise New Options, the Option Holder must give the Company or its securities registry, at the same time:
 - A. a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of New Options being exercised and Shares to be issued;
 - B. 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
 - C. any certificate for the New Options.
 - (ii) The Option Holder may only exercise New Options in multiples of 10,000 New Options unless the Option Holder exercises all New Options held by the Option Holder.
 - (iii) New Options will be deemed to have been exercised on the date the exercise notice and Exercise Price are received by the Company.

- (n) **Re-issue of certificate or holding statement:** If the Option Holder exercises less than the total number of New Options registered in the Option Holder's name:
- (i) the Option Holder must surrender their New Option certificate (if any); and
 - (ii) the Company must cancel the New Option certificate (if any) and issue the Option Holder a new New Option certificate or holding statement stating the remaining number of New Options held by the Option Holder.
- (o) **Issue:**
- (i) Within five Business Days after receiving an application for exercise of New 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.
 - (ii) Subject to the Constitution, all Shares issued on the exercise of New 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.
- (p) **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
PROXY FORM

I/We (name of Shareholder)
of (address)

being a Shareholder/Shareholders of Hot Chili Limited HEREBY APPOINT:

(name).....
of (address)
and/or failing him/her (name)
of (address)

or, failing the person named, or if no person is named, the Chairperson of the Meeting as my/our proxy to act on my/our behalf at the General Meeting of Hot Chili Limited (ACN 130 955 725) (**Company**) to be held at **11:00am (WST) on Friday, 15 June 2018** at First Floor, 768 Canning Highway, Applecross, Western Australia (**Meeting**) and at any adjournment or postponement of the Meeting.

Except where I/we have marked a voting box for a Resolution below, I/we authorise my/our proxy to vote or abstain from voting on any Resolution in their discretion.

IMPORTANT NOTES:

- Refer to the Notice of General Meeting for important details of how to complete and return your Proxy Form.
- Should you wish to direct your proxy how to vote, please mark **FOR**, **AGAINST** or **ABSTAIN** in the voting boxes below. The Company encourages you to direct your proxy to vote for or against the Resolutions or to abstain from voting on each of the Resolutions.
- If the Chairperson is appointed your proxy, the Chairperson intends to vote all undirected proxies **FOR** each Resolution.
 - Completed Proxy Forms should be returned to the Company by **11:00am (WST) on Wednesday, 13 June 2018**

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

		For	Against	Abstain
Resolution 1	Ratification of issue of Tranche 1 Securities to Placement Participants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of issue of New Options to EverBlu Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval to issue Tranche 2 Securities to Non-Related Placement Participants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue Tranche 2 Securities to a Related Party – Blue Spec Drilling Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval to issue Tranche 2 Securities to a Related Party – Ostertag Holdings Pty Ltd (as trustee for the Easterday Family Trust)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director