



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 Wednesday, 12 August 2020 at 11.00am (WST)

Important notice

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

Important Information

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Important dates

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

| Event | Date |
|--|--|
| Last day for receipt of Proxy Forms – Proxy Forms received after this time will be disregarded | 11.00am (WST) on Monday, 10 August 2020 |
| Snapshot date for eligibility to vote | 5.00pm (WST) on Monday, 10 August 2020 |
| General Meeting | 11.00am (WST) on Wednesday, 12 August 2020 |

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** at **11.00am (WST)** on **Wednesday, 12 August 2020** 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: Approval to grant Performance Rights to Christian Easterday, the Managing Director, under the Employee Incentive Plan

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

“That under and for the purposes of Listing Rule 10.14, and for all other purposes, Shareholders approve the grant by the Company of 20,000,000 Performance Rights to Mr Christian Easterday (or his nominees), the Managing Director of the Company, under the rules of the Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 2: Approval to grant Performance Rights to Melanie Leighton, an alternate Director, under the Employee Incentive Plan

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

“That under and for the purposes of Listing Rule 10.14, and for all other purposes, Shareholders approve the grant by the Company of 15,000,000 Performance Rights to Ms Melanie Leighton (or her nominees), an alternate Director of the Company, under the rules of the Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 3: Approval to issue Shares and Options to a Related Party – Blue Spec Sondajes Chile SpA for part-payment of drilling services in Chile

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 up to 33,333,334 Shares at an issue price of \$0.015 each and 16,666,667 free attaching Options, to Blue Spec Sondajes Chile SpA, a Related Party of the Company, 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

8 July 2020

Voting Exclusions

For the purposes of Listing Rule 14.11, the following voting exclusion statements apply to the Resolutions.

The Company will disregard any votes cast in favour of the following Resolutions by or on behalf of the following persons or an Associate of those persons.

| Resolution | Excluded persons |
|--------------|--|
| Resolution 1 | All Directors, officers, employees and consultants of the Company and any nominee of such persons, being persons who are eligible to participate in the Company's Incentive Plan. |
| Resolution 2 | All Directors, officers, employees and consultants of the Company of the Company and any nominee of such persons, being persons who are eligible to participate in the Company's Incentive Plan. |
| Resolution 3 | Blue Spec Sondajes Chile SpA and any other person who will obtain a material benefit as a result of the issue of the Securities, except a benefit solely by reason of being a holder of Shares. |

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

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

Proxy Appointment and Voting Instructions

Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address below, or by fax or email by **11.00am (WST) on Monday, 10 August 2020**. A Proxy Form received after that time will not be valid.

By post: Automic
GPO Box 5193
Sydney NSW 2001

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

By fax: 02 8583 3040 from within Australia

+61 2 8583 3040 from outside Australia

By email: meetings@automicgroup.com.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.

The Company encourages Shareholders to appoint the Chairperson as your proxy. To do so, 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 Monday, 10 August 2020**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Questions from Shareholders

Questions for the Board of Directors can be emailed to admin@hotchili.net.au and must be received by no later than **11.00am (WST) on Wednesday, 5 August 2020**.

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

Copies of written questions will be made available on the Company's website prior to 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. Resolutions 1 and 2: Approval to grant Performance Rights to Related Parties of the Company under the rules of the Incentive Plan

1.1 Background

Resolutions 1 and 2 seek Shareholder approval for the grant of 20,000,000 Performance Rights to Mr Christian Easterday (or his nominee), the Managing Director of the Company, and 15,000,000 Performance Rights to Ms Melanie Leighton (or her nominee), the Company's Corporate Projects Manager and an alternate Director of the Company (alternate to Murray Black), pursuant to the Company's employee incentive plan (**Incentive Plan**).

The Company received Shareholder approval to issue Securities pursuant to the Incentive Plan at the 2018 Annual General Meeting of the Company. A copy of the notice of annual general meeting discussing the terms of the Incentive Plan is available on the ASX website (<http://www.asx.com.au>) by searching the announcements tab under the Company's ASX code 'HCH'.

In addition to the proposed grant of Performance Rights to Mr Easterday and Ms Leighton, the Company intends to grant a further 25,000,000 Performance Rights to other management personnel on the same term and conditions, however, none of the other managers are Related Parties for the purposes of the Corporations Act and the ASX Listing Rules and consequently, Shareholder approval is not required for granting those Performance Rights.

In the event that the total number of proposed Performance Rights (i.e. 60,000,000 Performance Rights) to be granted vest into Shares, the number of Shares issued on vesting will represent 2% of total issued securities (i.e. Shares, convertible notes and Options) of the Company presently on issue.

1.2 Material terms of Performance Rights

The Company proposes to grant a total 35,000,000 Performance Rights to Christian Easterday and Melanie Leighton.

Each Performance Right entitles the holder of that Performance Right to be issued with one Share on the satisfaction of one or more of the following "Vesting Conditions".

| Class of Performance Rights | Christian Easterday entitlement | Melanie Leighton entitlement | Vesting Condition |
|-----------------------------|---------------------------------|------------------------------|---|
| Class A Performance Rights | 6,666,666 | 5,000,000 | The price of Shares traded on ASX is greater than \$0.06 per Share for 15 consecutive trading days or more before 31 July 2023. |

| Class of Performance Rights | Christian Easterday entitlement | Melanie Leighton entitlement | Vesting Condition |
|------------------------------------|--|-------------------------------------|---|
| Class B Performance Rights | 6,666,666 | 5,000,000 | The price of Shares traded on ASX is greater than \$0.08 per Share for 15 consecutive trading days or more before 31 July 2023. |
| Class C Performance Rights | 6,666,667 | 5,000,000 | The Company announcing to ASX global independently estimated JORC compliant resources at the Cortadera Project and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before 31 July 2023. |
| Total | 20,000,000 | 15,000,000 | |

The terms and conditions of the Performance Rights are set out in Schedule 1.

The Performance Rights are to be granted pursuant to the Incentive Plan, a summary of which is set out in Section 2.2(i) below.

1.3 Reasons for the grant of the Performance Rights

The Company proposes to grant Performance Rights to managers of the Company to provide management with an incentive and to align the interests of management with the success of the Company and an increase in the value of the Company to Shareholders.

1.4 Value of the Performance Rights

The Company engaged an independent accountant to value the respective Performance Rights. The methodologies and inputs of the valuation are summarised in Schedule 2. The Performance Rights that are proposed to be granted have been valued at:

- (a) \$320,000 - in respect of 20,000,000 Performance Rights proposed to be granted to Mr Easterday (or his nominee); and
- (b) \$240,000 - in respect of 15,000,000 Performance Rights proposed to be granted to Ms Leighton (or her nominee).

If Resolutions 1 and 2 are approved, the value of the Performance Rights for the Company's accounting purposes will depend on the closing price of Shares traded on ASX for HCH on the day of the Meeting, or if no Shares are traded on that day, the last recorded price of Shares prior to the Meeting. Accordingly, for the Company's accounting purposes, the value of the Performance Rights to be recorded in the Company's accounts when the Performance Rights are granted may differ from the value stated above.

The Performance Rights will not vest unless and until the prescribed Vesting Conditions are satisfied. If those vesting conditions are not satisfied prior to 31 July 2023, the Performance Rights will lapse and be of no value.

1.5 Directors' recommendation

The Directors (other than Mr Easterday and Ms Leighton) recommend that Shareholders vote in favour of Resolutions 1 and 2.

The Directors (other than Mr Easterday and Ms Leighton) consider that the grant of Performance Rights to Mr Easterday (or his nominee) and Ms Leighton (or her nominee):

- (a) aligns the interests of Mr Easterday and Ms Leighton with the success of the Company, in that achieving the vesting milestones of his Performance Rights would generally be highly beneficial for the Company; and
- (b) is a reasonable and appropriate method to provide cost effective and efficient remuneration, as the non-cash form of this benefit will allow the Company to spend a greater portion of its available cash on its operations than it would if alternative cash forms of remuneration were given to Mr Easterday and Ms Leighton.

2. Regulatory information

2.1 Listing Rule 10.14

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- 10.14.1 – a director of the company;
- 10.14.2 - an associate of a director of the company; or
- 10.14.3 – a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

Unless it obtains the approval of its shareholders.

The grant of Performance Rights falls within Listing Rule 10.14.1 above and therefore requires the approval of the Company's Shareholders under Listing Rule 10.14.

Resolutions 1 and 2 seek the required shareholder approval for the grant of Performance Rights under and for the purposes of Listing Rule 10.14.

If Resolutions 1 and 2 are passed, the Company will be able to proceed with the grant of Performance Rights in lieu of remunerating its Directors with only cash payments. This will enable the Company to free up capital and direct it to ongoing and future projects.

If Resolutions 1 and 2 are not passed, the Company will not be able to proceed with grant of Performance Rights and will be required to remunerate its Directors with cash payments only. In such a scenario, the Company may have less funds available to pursue potential business opportunities.

2.2 Information required by Listing Rule 10.15

Listing Rule 10.15 requires that information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.14 as follows:

(a) Names of persons to be issued securities

In respect of Resolution 1 – Mr Christian Easterday.

In respect of Resolution 2 – Ms Melanie Leighton.

(b) Which category in Listing Rules 10.14.1 to 10.14.3 the person falls in and why

Mr Easterday and Ms Leighton fall under Listing Rule 10.14.1 as they are both Directors of the Company.

(c) **The number and class of securities that are proposed to be issued to the person under the scheme for which approval is being sought**

In respect of Resolution 1 – 20,000,000 Performance Rights are proposed to be issued to Mr Easterday (or his nominee).

In respect of Resolution 2 – 15,000,000 Performance Rights are proposed to be issued to Ms Leighton (or her nominee).

(d) **Details of the Director's current total remuneration package**

Mr Easterday's annual salary is \$298,344, including superannuation and the value of share-based payments.

Ms Leighton's annual salary is \$204,360, including superannuation and the value of share-based payments.

Further details of remuneration of the Directors of the Company are set out in the remuneration report on pages 25 to 29 of the Company's 2019 Annual Report.

(e) **The number of securities that have previously been issued to the person under the Incentive Plan and the average acquisition price paid by the person for those securities**

Since obtaining Shareholder approval for the issue of securities under the Incentive Plan in 2018, the Company has issued the following securities under the Incentive Plan:

- (i) 6,000,000 Options to Mr Christian Easterday;
- (ii) 3,000,000 Options to Ms Melanie Leighton; and
- (iii) 3,000,000 Options to Mr Jose Ignacio Silva, the Company's legal counsel.

These Options were issued for nil consideration as they formed part of the remuneration payable to the above Directors and Key Management Personnel. The deemed value of each Option at the time of issue was \$0.00242 per Option. Each Option is exercisable at \$0.07 on or before 19 December 2021.

(f) **Material terms of the Performance Rights, reasons for the Performance Rights and value of the Performance Rights**

Refer to Section 1 above.

(g) **The date on which the Company will issue the Performance Rights**

Subject to Shareholder approval of Resolutions 1 and 2, Performance Rights are proposed to be issued as soon as practicable following the Meeting, and in any event within 3 years of the date on this Meeting.

(h) **The price at which the Company will issue the Performance Rights**

Performance Rights are proposed to be granted to Mr Easterday and Ms Leighton at a nil issue price.

(i) **Summary of the material terms of the Incentive Plan**

(i) **Eligibility**

The following persons can participate in the Incentive Plan if the Board makes them an offer to do so:

- A. a full-time or part-time employee, including an executive and non-executive Director of the Company or its related bodies corporate;

- B. a contractor of the Company or its related bodies corporate;
- C. a casual employee of the Company or its related bodies corporate where the employee or contractor is, or might reasonably be expected to be, engaged to work the pro-rata equivalent of 40% or more of a comparable full-time position; and
- D. a person to whom an offer of Awards has been made, but whose acceptance of the Offer is conditional upon the person becoming one of the above.

(ii) **Board discretions**

The Board has broad discretions under the Incentive Plan, including (without limitation) as to:

- A. the timing of making an offer to participate in the Incentive Plan;
- B. identifying persons eligible to participate in the Incentive Plan;
- C. the terms of issue of Awards (including vesting conditions, performance hurdles and exercise conditions if any); and
- D. the periods during which Awards may be exercised.

(iii) **5% Limit**

The Plan has been prepared to comply with ASIC Class Order [CO 14/1000] and as such, offers under the Plan are limited to the 5% capital limit set out in that Class Order.

(iv) **Exercise price**

The Exercise Price of an Award will be the price determined by the Board in its absolute discretion prior to or on grant of the Award.

(v) **Awards not to be quoted**

The Awards will not be quoted on the ASX. However, application will be made to ASX for official quotation of Shares issued upon the exercise of Awards, if the Shares are listed on ASX at that time.

(vi) **Shares issued on exercise of Awards**

Subject to any applicable vesting conditions, performance hurdles and exercise conditions:

- A. each Option entitles the holder to subscribe for and be issued with one Share; and
- B. each Performance Right entitles the holder to subscribe for and be issued with one Share.

Shares issued pursuant to the exercise of Awards will in all respects rank equally and carry the same rights and entitlements as other Shares on issue.

Holders of Awards have no rights to vote at meetings of the Company or receive dividends until Shares are allotted on the exercise of Awards pursuant to the Incentive Plan.

(vii) **Lapse of Awards**

Unless the Directors in their absolute discretion determine otherwise, Awards will automatically lapse and be forfeited if, prior to the satisfaction of an exercise condition or vesting condition:

- A. the holder resigns employment or terminates engagement with the Company;
- B. the holder is dismissed from employment or engagement with the Company for:
 - i. material breach of contract or negligence; or
 - ii. conduct justifying termination without notice;
- C. the holder ceases employment or engagement with the Company and breaches any post-termination restraint;
- D. the holder is ineligible to hold his or her office pursuant to the Corporations Act; or
- E. any performance milestones applicable to the Awards are not satisfied – if a portion are satisfied, then a proportionate number of Awards may continue at the Board's discretion.

Awards will not lapse and be forfeited if the holder ceases employment or engagement with the Company:

- A. due to:
 - i. death or permanent disablement;
 - ii. retirement; or
 - iii. redundancy; or
- B. where the Board determines that the Awards continue.

(viii) **Restrictions on disposal**

An Award holder is not able to sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Awards, or agree to do any of those things, without the prior consent of the Board or unless such disposal is required by law.

(ix) **Participation rights of Award holders**

Holders of Options and Performance Rights will only be permitted to participate in an issue of new Shares by the Company if they exercise their Options or Performance Rights (as applicable) before the record date for the relevant issue. The Company must ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue of new Shares is announced. This will give Option holders and Performance Right holders the opportunity to exercise their Options or Performance Rights prior to the date for determining entitlements to participate in any such issue.

(x) **Adjustment of Awards**

- A. If the Company makes a pro rata bonus issue, and an Option or Performance Right is not exercised before the record date for that bonus issue, then on exercise of the Option or Performance Right (as applicable), the holder is entitled to receive the number of bonus shares which would have been issued if the Option or Performance Right had been exercised before the record date.
- B. In the event of a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Awards to which each Award holder is entitled or the exercise price

or both will be changed in the manner required by the Listing Rules and, in any case, in a manner which will not result in any benefits being conferred on holders of Awards which are not conferred on Shareholders.

(xi) **Takeovers**

In the event of a takeover bid, certain capital reorganisations, or transactions occurring that give rise to certain changes of control of the Company, restrictions on the exercise of an Award may lapse so that Award holders are able to participate in the relevant transaction.

(xii) **Tax deferral**

Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth), which enables tax deferral on Awards offered under the Incentive Plan (subject to the conditions in that Act), may apply to Awards granted under the Incentive Plan.

(xiii) **Amending the Incentive Plan**

Subject to and in accordance with the Listing Rules, the Board (without the necessity of obtaining prior or subsequent consent of Shareholders) may from time to time amend all or any provisions of the Incentive Plan.

Details of any securities issued under the Incentive Plan will be published in the annual report of the Company relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.

Any additional persons covered by Listing Rule 10.14 who become entitled to participate in the scheme after the Resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.

2.3 Chapter 2E of the Corporations Act

Section 208(1) of the Corporations Act (set out in Chapter 2E) requires that, where a public company proposes to give a financial benefit to a Related Party, the public company must:

- obtain the approval of the company's members in accordance with section 208 of the Corporations Act in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Section 211 of the Corporations Act provides that shareholder approval is not required to give a financial benefit in circumstances where the benefit constitutes remuneration which would be reasonable given the company's and the Related Party's circumstances.

The issue of Performance Rights to a Director (or their nominee) constitutes the giving of a financial benefit to a Related Party of the Company for the purposes of section 208 of the Corporations Act.

The Performance Rights that are proposed to be granted to Mr Easterday have been valued at \$320,000 (refer Schedule 2) and the Performance Rights that are proposed to be granted to Ms Leighton have been valued at \$240,000 (refer Schedule 2).

If Resolutions 1 and 2 are approved, the value of the Performance Rights for the Company's accounting purposes will depend on the closing price of Shares traded on ASX for HCH on the day of the Meeting, or if no Shares are traded on that day, the last recorded price of Shares prior to the Meeting. Accordingly, for the Company's accounting purposes, the value of the Performance Rights to be recorded in the Company's accounts when the Performance Rights are granted may differ from the value stated above.

Notwithstanding the value ascribed to the Performance Rights stated above, vesting of Performance Rights (and the consequential issue of Shares on vesting) is conditional upon the satisfaction of Vesting Conditions set out in the table at Schedule 1 of this Explanatory Memorandum. If applicable Vesting Conditions are not satisfied, the relevant tranche or tranches of Performance Rights will expire and will be of no value.

Having considered the Company's circumstances and Mr Easterday's position as Managing Director of the Company and Ms Leighton's position as an alternate Director of the Company, the Board (other than Mr Easterday and Ms Leighton) has formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of Performance Rights to Mr Easterday and Ms Leighton, as the Performance Rights are being issued to Mr Easterday and Ms Leighton as a part of their remuneration for services provided to the Company in circumstances where the benefit constitutes remuneration which would be reasonable given the Company's and the Related Party's circumstances.

Accordingly, the Board (other than Mr Easterday and Ms Leighton) considers that the financial benefit is reasonable for the purposes of the exception in section 211 of the Corporations Act, and has determined not to seek Shareholder approval under section 208 of the Corporations Act for the grant of the Performance Rights.

3. Resolution 3: Approval to issue Securities to a Related Party – Blue Spec Sondajes Chile SpA for part-payment of drilling services in Chile

3.1 Background

After recent discussions with Blue Spec Sondajes Chile SpA (**Blue Spec Sondajes**), the Company and Blue Spec Sondajes have entered into a subscription agreement pursuant to which Blue Spec Sondajes has agreed, in good faith, to consider foregoing cash payment on previous drilling services. Blue Spec Sondajes may elect to subscribe for Shares and Options as payment for A\$500,000 worth of drilling services provided by Blue Spec Sondajes to SMEA under the Drilling Services Contract between SMEA and Blue Spec Sondajes dated 1 September 2011 (**Drilling Contract**), subject to Shareholder approval of the issue of the Shares and Options (**Subscription Agreement**).

Under the Subscription Agreement, the issue of Shares and Options is at the election of Blue Spec Sondajes, subject to Shareholder approval of Resolution 3. If Shareholders do not approve Resolution 3 or Blue Spec Sondajes does not elect to receive Shares and Options in payment of amounts owing under the Drilling Contract, then such amounts will be payable in cash.

The Directors (other than Mr Black) consider it appropriate and in the interests of the Company to allow for this payment owed to Blue Spec Sondajes by way of an issue of Securities, as it assists in preserving the cash reserves of the Company following the recent capital raising, whilst aligning the interest of Blue Spec Sondajes with the performance of the Company. The approval of Resolution 3 will also allow the Company to consider adding up to a further four (4) diamond tails to the drill programme at Cortadera following the COVID-19 drilling hiatus.

Resolution 3 is an ordinary resolution seeking Shareholder approval for the issue of 33,333,334 Shares at an issue price of A\$0.015 per Share and 16,666,667 free attaching Options to Blue Spec Sondajes under the Subscription Agreement.

The proposed issue of Shares and Options is at the same price (\$0.015 per Share) and on the same terms as the Shares and free attaching Options issued under the Company's A\$3.9 million entitlement offer to Shareholders completed in June 2020.

3.2 Interests of Murray Black and Blue Spec Sondajes

Blue Spec Sondajes is a Related Party to the Company as it is controlled by the Company's Non-Executive Chairman, Mr Murray Black. Mr Black is a director of Blue Spec Sondajes and controls 20% of the shares in Blue Spec Sondajes. He is therefore deemed to control Blue Spec Sondajes under section 50AA of the Corporation Act.

Mr Black presently has a relevant interest in 153,572,894 Shares (6.55% of total Shares on issue) as follows:

- (b) Blue Spec Sondajes (35,357,322 Shares) – Mr Black is a sole administrator and controller of 20% of this entity's shares. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.
- (c) Kalgoorlie Auto Service Pty Ltd (16,750,000 Shares held on trust for Mr Black) – Mr Black is the sole director and controlling shareholder of this entity.
- (d) Blue Spec Drilling Pty Ltd (101,465,572 Shares) – Mr Black is a director and controller of 25% of the shares in this entity. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.

If Resolution 3 is approved, it is anticipated that following the Meeting and in the event Blue Spec Sondajes elects to subscribe for Shares, Mr Black and the entities which he controls that hold Shares on his behalf will hold a total of 186,906,228 Shares (including up to 33,333,334 Shares issued pursuant to Resolution 3; representing a relevant interest in up to 7.97% of the total Shares then on issue), 16,666,667 Options and 3,384 Convertible Notes.

3.3 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:

- (i) 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
- (ii) 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:

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

The Directors (other than Mr Black) consider that the Subscription Agreement with Blue Spec Sondajes reflects arm's length terms as the issue price of the Shares and Options of \$0.015 per Share under the Subscription Agreement is the same as the issue price of Shares and free attaching Options under the Company's recent \$3.9 million capital raising by way of an entitlement issue to Shareholders and placement of shortfall to investors completed on 24 June 2020.

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

3.4 Listing Rule information requirements

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

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

If Resolution 3 is approved, then approval is not required under Listing Rule 7.1 for the issue of the Shares and Options to Blue Spec Sondajes.

If Resolution 3 is approved, the Company will be able to proceed with the issue of Shares and Options to Blue Spec Sondajes in lieu of paying for drilling services with cash payments. This will enable the Company to free up capital and direct it to ongoing and future projects.

If Resolution 3 is not passed or Blue Spec Sondajes does not elect to receive Shares and Options in payment of an amount owing under the Drilling Contract, then such amount will remain payable in cash.

In accordance with the disclosure requirements of Listing Rule 10.13, the following information is provided in relation to Resolution 3:

(a) The name of the Related Party and relationship requiring Shareholder approval

Blue Spec Sondajes.

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

(b) The maximum number of Securities to be issued

The maximum number of Securities that may be issued to Blue Spec is 33,333,334 Shares and 16,666,667 options.

(c) The issue price of the Securities and terms of the issue

The Shares will be issued at a \$0.015 each and will be fully paid ordinary shares that rank equally with all existing Shares then on issue.

The Options will be issued as free attaching to the Shares issued, on the terms set out in Schedule 3.

(d) The date by which securities will be issued

If the relevant Resolution 3 is approved, the Shares and Options are proposed to be issued on one date, within one (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 all the Shares and Option will occur on one date.

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

No funds will be raised by the issue of Shares and Options to Blue Spec Sondajes.

The issue of the Shares and Options will be in payment of up to the US\$ equivalent of A\$500,000 owing to Blue Spec Sondajes for drilling services provided to the Company's subsidiary SMEA under the Drilling Contract.

(f) Details of Murray Black's current total remuneration package

Mr Black's annual salary and fees as a Director is \$62,196, including superannuation.

Further details of remuneration of the Directors of the Company are set out in the remuneration report on pages 25 to 29 of the Company's 2019 Annual Report.

(g) Material terms of proposed Subscription Agreement

The proposed Subscription Agreement provides for the issue of Shares and Options to Blue Spec Sondajes in payment of any amount owing by SMEA under the Drilling Contract at the election of Blue Spec Sondajes, subject to Shareholder approval of Resolution 3.

The number of Shares that may be issued is calculated in accordance with the following formula:

$$N = CA \times ER \times 1/0.015$$

Where:

N is the number of Shares to be issued.

CA is the contract amount owing to Blue Spec Sondajes by SMEA under the Drilling Contract in US\$ which Blue Spec elects to have satisfied by the issue of Shares and Options.

ER is the A\$ equivalent to US\$1.00 at the exchange rate as published on the website of the Reserve Bank of Australia on the date that Blue Spec Sondajes notifies the Company that it elects to have an amount owing to it under the Drilling Contract satisfied in Shares and Options.

One Option is to be issued for every two Shares issued.

The maximum number of Securities that may be issued under the Subscription Agreement is 33,333,334 Shares and 16,666,667 Options.

If Shareholders do not approve Resolution 3 or Blue Spec Sondajes does not elect to receive Shares and Options in payment of an amount owing under the Drilling Contract, then such amount will remain payable in cash.

(h) **Material terms of the Drilling Contract**

The Drilling Contract was entered into on 1 September 2011 and SMEA has continued to engage Blue Spec Sondajes under the Drilling Contract for additional services beyond that date.

Blue Spec Sondajes has been contracted to provide reverse circulation (RC) and diamond drilling services to SMEA at the Productora and Cortadera project sites. Blue Spec Sondajes provides its own staff, drilling rigs and equipment.

Drilling services are provided at rates which the Company has determined are competitive and on arm's length commercial terms having regard to rates quoted by other drilling service providers operating in Chile.

SMEA may terminate the Drilling Contract by giving 3 days written notice.

The Drilling Contract is governed by Chilean law.

The current average costs per metre for Blue Spec's drilling services under the Drilling Contract are:

- RC drilling – US\$85 per metre (assumes 400m average depth); and
- standard diamond drilling – US\$153 per metre (assumes 700m average depth).

3.5 Directors' recommendation

The Directors (other than Mr Black) recommend that Shareholders vote in favour of Resolution 3 to allow for the payment of amounts owed to Blue Spec Sondajes under the Drilling Contract by way of an issue of Securities as it assists in preserving the cash reserves of the Company whilst also aligning the interest of Blue Spec Sondajes with the performance of the Company. The approval of Resolution 3 will also allow the Company to add up to a further four (4) diamond tails to the drill programme at Cortadera following the COVID-19 drilling hiatus.

Mr Black has a material person interest in the outcome of Resolution 3 and therefore declines to make any recommendation as to how Shareholders should vote on this Resolution.

Glossary of terms

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

| | |
|--|--|
| Annual General Meeting | The annual general meeting of the Company. |
| Associate | Has the meaning given to that term in the Listing Rules. |
| ASX | ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange operated by ASX Limited, as the context requires. |
| Blue Spec Sondajes | Blue Spec Sondajes Chile SpA, a company controlled by Murray Black, a Director. |
| 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. |
| Class A Performance Rights | 33% of the total number of Performance Rights proposed to be granted to Mr Easterday and Ms Leighton and described as “Class A Performance Rights” in paragraph 3(a) of Schedule 1. |
| Class B Performance Rights | 33% of the total number of Performance Rights proposed to be granted to Mr Easterday and Ms Leighton and described as “Class B Performance Rights” in paragraph 3(a) of Schedule 1. |
| Class C Performance Rights | 33% of the total number of Performance Rights proposed to be granted to Mr Easterday and Ms Leighton and described as “Class C Performance Rights” in paragraph 3(a) of Schedule 1. |
| Company | Hot Chili Limited (ACN 130 955 725). |
| 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 2018 as varied by deed of variation dated 19 June 2018, as announced to ASX on 21 June 2017. |
| Cortadera or Cortadera Project | The concessions located near Vallenar, Chile, owned by SCM Carola, which the Company’s subsidiary Frontera has an option to acquire. |
| Corporations Act | The <i>Corporations Act 2001</i> (Cth). |
| Director | A director of the Company. |
| Eligible Shareholder | A Shareholder who is eligible to participate in the Entitlement Offer as set out in the Prospectus. |
| 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. |
| Incentive Plan | The employee incentive plan of the Company as approved by Shareholders in the Company’s 2019 Annual General Meeting. |
| Listing Rules | The listing rules of ASX, as amended from time to time. |
| Managing Director | Mr Christian Easterday. |
| Notice or Notice of General Meeting | The notice of general meeting which accompanies this Explanatory Statement. |
| Option | An option to subscribe for a Share. |

| | |
|--------------------------|---|
| Option Holder | The holder of an Option. |
| Performance Right | Either Class A Performance Rights, Class B Performance Rights, or Class C Performance Rights as the case may require. |
| Proxy Form | The proxy form accompanying the Notice. |
| Related Party | Has the meaning given to that term in the Listing Rules. |
| Resolution | A resolution set out in the Notice. |
| SCM Carola | Sociedad Contractual Minera Carola, a Chilean mining company which holds the concessions comprising the Cortadera Project. |
| Section | A section of the Explanatory Statement. |
| Security | A Share, Option, Convertible Note or other security issued by the Company. |
| Share | A fully paid ordinary share in the Company. |
| Shareholder | The holder of a Share. |
| Vesting Condition | The conditions precedent under the Performance Rights, which when satisfied, entitles the holder of the right one Share in the Company as outlined in Schedule 1. |
| WST | Australian Western Standard Time, being the time in Perth, Western Australia. |

Schedule 1 - Terms and conditions attaching to Performance Rights

1. Grant

- (a) The Company will offer performance rights (**Performance Rights**) on and subject to these terms and conditions.
- (b) To the extent of any inconsistency between these terms and any Incentive Plan Rules, these terms will prevail.
- (c) The grant of any Performance Rights is subject to the approval of Shareholders at a general meeting.

2. Classes of Performance Rights

The following classes of Performance Rights will be granted by the Company on and subject to these terms:

- (a) Class A Performance Rights;
- (b) Class B Performance Rights; and
- (c) Class C Performance Rights.

3. Entitlement

- (a) Subject to this paragraph 3(a) and any applicable requirements of the ASX Listing Rules, each vested Performance Right entitles the holder of that Performance Right (**Holder**) to be issued with one Share (**Entitlement**) on the satisfaction of one or more of the following conditions (each a **Vesting Condition**):

| Class | Vesting Condition | Entitlement |
|----------------------------|---|---|
| Class A Performance Rights | The price of Shares traded on ASX is greater than \$0.06 per Share for 15 consecutive trading days or more before 31 July 2023. | 33% of total granted Performance Rights |
| Class B Performance Rights | The price of Shares traded on ASX is greater than \$0.08 per Share for 15 consecutive trading days or more before 31 July 2023. | 33% of total granted Performance Rights |
| Class C Performance Rights | The Company announcing to ASX global independently estimated JORC compliant resources at the Cortadera Project and surrounding satellite projects, excluding currently reported resources at Productora, of 750 Mt at 0.5% Cu equivalent or greater (within 0.2% CuEq grade envelope or higher as deemed appropriate in the independent resource estimate) before 31 July 2023. | 33% of total granted Performance Rights |

- (b) In the event there is a consolidation of Shares, the Share prices stated as the Vesting Conditions for the Class A and Class B Performance Rights will be increased by the inverse proportion of the ratio by which the Shares are consolidated.
- (c) The Company's obligations to the Holder in relation to a Performance Right are discharged and satisfied in full upon issuing the Entitlement for that class of Performance Rights.

4. **Vesting**

- (a) Subject to paragraph 13, a Performance Right within a class automatically vests in the Holder upon satisfaction of the Vesting Condition applicable to that class of Performance Right following which the Holder may elect to receive the Holder's Entitlement.
- (b) If a Vesting Condition for a class of Performance Rights is not achieved, that class of Performance Rights will not vest, subject to these terms and the Employee Incentive Plan Rules.
- (c) The Board's determination as to whether a Vesting Condition has been achieved is final.
- (d) Satisfaction of the Vesting Conditions is to be determined in relation to each class of Performance Rights, subject to these terms and the Employee Incentive Plan Rules.
- (e) If the Vesting Conditions for a class of Performance Rights are satisfied during the period of a Holder's employment with or directorship of the Company or a company within the Group, that class of Performance Rights will vest and will not be subject to forfeiture.

5. **Expiry and forfeiture**

- (a) Each Performance Right that has not vested will automatically:
 - (i) lapse and terminate at midnight on the last day by which the Vesting Condition for that class of Performance Rights must be achieved; and
 - (ii) lapse and be forfeited if the Holder:
 - A. voluntarily resigns from employment with the Company or a company within the Group; or
 - B. if the Holder's employment with the Group is summarily terminated by the employer in circumstances where the employer is expressly permitted by the terms of the employment agreement to summarily terminate the employment without notice.
- (b) A Performance Right will not lapse and be forfeited if the Holder ceases employment with the Company or a company within the Group due to death, permanent disablement, or any other circumstance in which the Board determines the Performance Right should not lapse and be forfeited.

6. **Transfer and encumbrances**

- (a) A Performance Right is not transferrable.
- (b) A Holder must not grant or permit any security interest or other encumbrances over a Performance Right.

7. **Quotation of Performance Rights**

The Company will not apply for quotation of any class of Performance Right.

8. **Quotation of Shares**

If the Entitlement is issued for a class of Performance Rights and the Company is admitted to ASX, the Company will apply to ASX for official quotation of those Shares.

9. **New issues**

A Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless the Holder's Performance Rights (or any of them) have vested and the

Entitlement has been issued before the record date for determining entitlements to the new issue of Securities and participate as a result of holding Shares.

10. **Participation in entitlements and bonus issues**

A Performance Right does not entitle a Holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to Shareholders, such as a bonus issue or an entitlement issue.

11. **Reorganisation**

- (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Holder in relation to each class of Performance Rights held by the Holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (b) Any calculations or adjustments which are required to be made in relation to paragraph 11(a) will be made by the Company's Board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Holder.
- (c) The Company must, within a reasonable period of a reorganisation paragraph 11(a) occurring, give to the Holder notice of any change to the number of Shares which the Holder is entitled to receive under the Entitlement for a class of Performance Rights.

12. **Issue of Entitlement**

- (a) If the Company elects to provide the Entitlement for a class of Performance Rights, within 10 days after issuing the Election Notice, the Company must issue to the Holder the Entitlement for that class.
- (b) Subject to the Company's Constitution, all Shares issued in relation to the Entitlement for a class of Performance Rights will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- (c) Any Shares that are acquired on the vesting of Performance Rights in accordance with a Rights Offer will be issued or transferred to the Rights Holder free of any holding lock or other restriction on dealing, subject to any restriction on trading by reason of the provisions of the Corporations Act applicable to secondary trading in Securities.

13. **Vesting on change of control**

In the event that:

- (a) a person, or a group of associated persons, becoming entitled to sufficient Shares to give that person or persons the ability, in a general meeting, to replace all or a majority of the Board;
- (b) a takeover bid under Chapter 6 of the Corporations Act is made in respect of the Company under which acceptances have been received for more than 50% of the Company's shares on issue and the bid is declared unconditional by the bidder; or
- (c) a Court grants orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies (including under Part 5.1 of the Corporations Act,

prior to the Performance Hurdles being achieved for one or more classes of Performance Rights (**Unvested Rights**) being achieved, then all of the Unvested Rights on issue will vest.

14. **Amendments required by ASX**

These terms may be amended as necessary by the Company's Board of Directors in order to comply with the ASX Listing Rules (if applicable), or any directions of ASX (if applicable) regarding the terms, provided that, subject to compliance with the ASX Listing Rules, the economic and other rights of the Holder are not diminished or terminated following such amendment.

15. **Governing law**

These terms and the rights and obligations of the Holder are governed by the laws of Western Australia. The Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia in this respect.

Schedule 2 – Valuation Performance Rights

Class A Performance Rights

| | |
|-------------------------|---------------------------------|
| Methodology | Trinomial Barrier Hybrid Method |
| Inputs: | |
| Underlying share price | \$0.02 cents/share |
| Barrier | \$0.06 cents/share |
| Date of Valuation | 23 June 2020 |
| Expiry date | 31 July 2023 |
| Volatility | 100% |
| Risk free interest rate | 0.26% |
| Value per right | \$0.015 |

Class B Performance Rights

| | |
|-------------------------|---------------------------------|
| Methodology | Trinomial Barrier Hybrid Method |
| Inputs: | |
| Underlying share price | \$0.02 cents/share |
| Barrier | \$0.08 cents/share |
| Date of Valuation | 23 June 2020 |
| Expiry date | 31 July 2023 |
| Volatility | 100% |
| Risk free interest rate | 0.26% |
| Value per right | \$0.013 |

Class C Performance Rights

| | |
|--------------------------|--------------------------|
| Methodology | Black and Scholes method |
| Inputs: | |
| Underlying share price | \$0.02 cents/share |
| Exercise price | Nil cents/share |
| Date of Valuation | 23 June 2020 |
| Expiry date | 31 July 2023 |
| Volatility | 100% |
| Risk free interest rate | 0.26% |
| Adjusted value per right | \$0.02 |

| Class of Performance Rights | Christian Easterday entitlement | Value | Melanie Leighton entitlement | Value | Total value |
|------------------------------------|--|------------------|-------------------------------------|------------------|--------------------|
| Class A Performance Rights | 6,666,666 | \$100,000 | 5,000,000 | \$75,000 | \$175,000 |
| Class B Performance Rights | 6,666,666 | \$86,667 | 5,000,000 | \$65,000 | \$151,667 |
| Class C Performance Rights | 6,666,667 | \$133,333 | 5,000,000 | \$100,000 | \$233,333 |
| Total | 20,000,000 | \$320,000 | 15,000,000 | \$240,000 | \$560,000 |

Schedule 3 - Terms of New Options

- 1.1 **Entitlement:** Each Option entitles the holder (**Option Holder**) to subscribe for one fully paid ordinary Share in the Company.
- 1.2 **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an Option.
- 1.3 **Exercise price:** The exercise price of each Option is \$0.025 (**Exercise Price**).
- 1.4 **Expiry date:** Each Option may be exercised at any time before 5.00pm (WST) on 20 May 2022 (**Expiry Date**). Any Option not exercised by the Expiry Date will automatically expire.
- 1.5 **Certificate or Holding Statement:** The Company must give the Option Holder a certificate or Holding Statement stating:
- (a) the number of Options issued to the Option Holder;
 - (b) the Exercise Price of the Options; and
 - (c) the date of issue of the Options.
- 1.6 **Transfer:**
- (a) Options are transferable, subject to applicable law.
 - (b) Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:
 - (i) a proper ASTC regulated transfer (as defined in the Corporations Act) or any other method permitted by the Corporations Act; or
 - (ii) a prescribed instrument of transfer.
 - (c) An instrument of transfer of an Option must be:
 - (i) in writing;
 - (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
 - (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
 - (iv) delivered to the Company, at the place where the Company's register of option holders is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
- 1.7 **Quotation of Options:** The Company will not apply to ASX for Official Quotation of Options.
- 1.8 **Quotation of Shares:** The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Options.
- 1.9 **New issues:** The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless it has exercised its Options before the record date for determining entitlements to the new issue of Securities and participate as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.
- 1.10 **Bonus issues:** If the Company makes a bonus issue of Shares or other Securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue.

- 1.11 **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 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.
- 1.12 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.
- 1.13 The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Option.
- 1.14 **Exercise of Options:**
- (a) To exercise Options, the Option Holder must give the Company or its Securities Registry, at the same time:
 - (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and Shares to be issued;
 - (ii) payment of the Exercise Price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and
 - (iii) any certificate for the Options.
 - (b) The Option Holder may only exercise Options in multiples of 10,000 Options unless the Option Holder exercises all Options held by the Option Holder.
 - (c) Options will be deemed to have been exercised on the date the exercise notice and Exercise Price are received by the Company.
 - (d) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:
 - (i) the Option Holder must surrender their Option certificate (if any); and
 - (ii) the Company must cancel the Option certificate (if any) and issue the Option Holder a new Option certificate or Holding Statement stating the remaining number of Options held by the Option Holder.
- 1.15 **Issue of Shares on exercise of Options:**
- (a) Within five Business Days after receiving an application for exercise of Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.
 - (b) Subject to the Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- 1.16 **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

GM Registration Card

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

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

Holder Number:

Vote by Proxy: HCH

Your proxy voting instruction must be received by **11.00am (WST) on Monday 10 August 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

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

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

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

VOTING UNDER STEP 1 - APPOINTING A PROXY

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

DEFAULT TO THE CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

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

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

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

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

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

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

CORPORATE REPRESENTATIVES

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




ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



| | | | |
|---------|--|---|---|
| Contact | Return your completed form | | All enquiries to Automic |
| |  BY MAIL Automic GPO Box 5193 Sydney NSW 2001 |  IN PERSON Automic Level 5, 126 Phillip Street Sydney NSW 2000 |  BY EMAIL meetings@automicgroup.com.au |

| | |
|----------------------------|--|
| STEP 1: Appoint Your Proxy | Complete and return this form as instructed only if you do not vote online I/We being a Shareholder entitled to attend and vote at the General Meeting of Hot Chili Limited, to be held at 11.00am (WST) on Wednesday 12 August 2020 at First Floor, 768 Canning Highway, Applecross Western Australia hereby: |
| | Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof. |

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote. Unless indicated otherwise by ticking the "for," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS
 Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 2 and 3 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 2 and 3 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

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|-------------------------------|--|--------------------------|--------------------------|--------------------------|
| STEP 2: Your Voting Direction | Resolutions | For | Against | Abstain |
| | 1. Approval to grant Performance Rights to Christian Easterday, the Managing Director, under the Employee Incentive Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | 2. Approval to grant Performance Rights to Melanie Leighton, an alternate Director, under the Employee Incentive Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | 3. Approval to issue Shares and Options to a Related Party – Blue Spec Sondajes Chile SpA for part-payment of drilling services in Chile | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

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|-------------------------------------|--|--|--|
| STEP 3: Sign Here + Contact Details | SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED | | |
| | Individual or Securityholder 1 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Sole Director and Sole Company Secretary | Securityholder 2 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director | Securityholder 3 <div style="border: 1px solid black; height: 30px; width: 100%;"></div> Director / Company Secretary |

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

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