



Hot Chili Limited

ACN 130 955 725

Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form

General Meeting to be held at

1st Floor
768 Canning Highway
Applecross, Western Australia

On Thursday, 30 April 2015 at 1.30pm WST

Independent Expert's Report

The Independent Expert's opinions are that:

- the acquisition of the CMP Assets pursuant to Resolution 1 of the Notice is **not fair but reasonable** to non-associated Shareholders;
- the grant of the Option pursuant to Resolution 2 of the Notice is **not fair but reasonable** to non-associated Shareholders;
- the grant of the CMP Security pursuant to Resolution 3 of the Notice is **fair and reasonable** to non-associated Shareholders; and
- the grant of the exit rights in favour of CMP pursuant to Resolutions 4(s), 4(b) and 5 of the Notice is **not fair but reasonable** to non-associated Shareholders.

The Independent Expert has concluded that the terms of the CMP Transaction are, as a whole, **not fair but reasonable** to non-associated Shareholders. The Independent Expert considers that the CMP Transaction is **reasonable** due to the significant advantages that the Independent Expert considers the CMP Transaction, as a whole, will bring to the Company.

IMPORTANT NOTE

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

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Important dates

Eligibility to attend Meeting and vote – snapshot date	5.00pm WST on Tuesday, 28 April 2015
Last day for receipt of Proxy Forms*	1.30pm WST on Tuesday, 28 April 2015
General Meeting	1.30pm WST on Thursday, 30 April 2015

*Proxy Forms received after 1.30pm WST on this date will be disregarded.

Important notices

Competent Person's statement

The information in Appendix 3 of the Independent Expert's Report concerning the exploration results, mineral resources and ore reserves of the Company's Productora Project is extracted from the Company's announcements to ASX entitled *Maiden Ore Reserve at Productora Set for Strong Growth in 2014* dated 31 March 2014, *Impressive Drill Results at Alice Set to Grow Productora Resource* dated 22 January 2015 and *Oxide project set to boost scale of Productora* dated 19 February 2015 and are available to view on the Company's website at <http://www.hotchili.net.au/>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of mineral resources and ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented in Appendix 3 of the Independent Expert's Report have not been materially modified from the original market announcements.

Forward looking statements

Certain statements in the Explanatory Statement relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements. These statements reflect views only as of the date of the Explanatory Statement. Neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Explanatory Statement will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Notice of General Meeting

Notice is hereby given that a General Meeting of Hot Chili Limited ACN 130 955 725 (**Hot Chili or Company**) will be held at **1st Floor, 768 Canning Highway, Applecross, Western Australia** on **Thursday, 30 April 2015** at **1.30pm 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 of General Meeting describes the various matters to be considered.

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 of the Explanatory Statement.

Short explanation of business

The Company proposes to enter into an incorporated joint venture arrangement with Compañía Minera del Pacífico S.A (**CMP**), to advance and develop the Productora Project into a mine. CMP is associated with a Shareholder that holds more than 10% of the Shares on issue.

The proposed agreements with CMP contemplate:

- the acquisition of assets and rights from CMP and the transfer to CMP of a 17.5% interest in the Company's subsidiary, Sociedad Minera El Águila SpA (**SMEA**), which holds the Productora Project assets;
- the possible acquisition by CMP of further interests in SMEA upon exercise of the Option;
- the provision of a loan facility by CMP to be secured over certain assets of the Company and its subsidiaries; and
- the possible re-acquisition of CMP's interest in SMEA and the possible disposal by SMEA to CMP of the assets to be acquired from CMP, in certain circumstances.

The proposed and potential transactions with CMP are described in Section 2 of the Explanatory Statement and are generally referred to as the "CMP Transaction". As the CMP Transaction comprises transactions and potential transactions with a related party within the meaning of the Listing Rules, they require Shareholder approval to enable the Company's subsidiary to potentially acquire and dispose of certain assets and interests under the transactions. Resolutions 1 to 5 relate to the CMP Transaction.

In addition to the approvals required for the CMP Transaction noted above, the Notice contains a further item of business for the issue of Shares to Blue Spec which is a related party of the Company (see Resolution 6).

Independent Expert's Report

The Independent Expert's Report annexed to this Notice has been prepared to consider the fairness and reasonableness of the CMP Transaction the subject of the Resolutions 1 to 5.

The Independent Expert's opinions are that:

- the acquisition of the CMP Assets pursuant to Resolution 1 of the Notice is **not fair but reasonable** to non-associated Shareholders;
- the grant of the Option pursuant to Resolution 2 of the Notice is **not fair but reasonable** to non-associated Shareholders;
- the grant of the CMP Security pursuant to Resolution 3 of the Notice is **fair and reasonable** to non-associated Shareholders; and

- the grant of the exit rights in favour of CMP pursuant to Resolutions 4(s), 4(b) and 5 of the Notice is **not fair but reasonable** to non-associated Shareholders.

The Independent Expert has concluded that the terms of the CMP Transaction are, as a whole, **not fair but reasonable** to non-associated Shareholders. The Independent Expert considers the CMP Transaction to be **reasonable** due to the significant advantages that the Independent Expert considers the CMP Transaction, as a whole, will bring to the Company.

Please refer to Section 4.3 for the Independent Expert's determination in relation to each aspect of the CMP Transaction.

Agenda

Part A: Approvals for CMP Transaction

Resolution 1: Acquisition of CMP Assets

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

“That, subject to Resolutions 2 to 5 being approved by Shareholders, approval is given under Listing Rule 10.1 and for all other purposes for the Company’s subsidiary, SMEA, to:

- (a) acquire the CMP Assets from CMP or a CMP subsidiary entity; and*
- (b) issue or transfer the Merger Shares to CMP equating to a fully diluted shareholding interest of 17.5%, as consideration for the CMP Assets,*

in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 2: Grant and exercise of Option to enable CMP to acquire up to 50.1% of SMEA

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

“That, subject to Resolutions 1 and 3 to 5 being approved by Shareholders, approval is given under Listing Rule 10.1 and for all other purposes for the Company’s subsidiary, SMECL, to:

- (a) grant to CMP the Option to acquire from SMECL shares in SMEA that equate to a fully diluted interest of up to 50.1% in SMEA, in two tranches as follows:*
 - (i) a first tranche of SMEA shares equal to US\$26 million in value; and*
 - (ii) a second tranche of SMEA shares so as to increase CMP’s holding to 50.1% of the SMEA shares on issue; and*
- (b) for SMECL to transfer the Option Shares to CMP (or its nominee or assignee) on exercise of each tranche of the Option,*

in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 3: Grant of security to CMP to secure US\$13 million CMP Facility

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

“That, subject to Resolutions 1, 2, 4(a), 4(b) and 5 being approved by Shareholders, approval is given under Listing Rule 10.1, Listing Rule 11.1, Listing Rule 11.2 and for all other purposes for the Company and its subsidiaries, SMECL and SMEA, to:

- (a) grant the CMP Security, being a first-ranking security over assets of the Company, SMECL and SMEA on the terms set out in item 6 of Schedule 1, as security for the CMP Facility that may be provided by CMP to SMECL; and*
- (b) dispose of all or part of the assets subject to the security should of the CMP Security be exercised in the event of default,*

in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolutions 4(a) and 4(b): Approval of possible reacquisition of CMP's interest in SMEA under the terms of the Option granted to CMP

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

- “(a) That, subject to Resolutions 1, 2, 3, 4(b) and 5 being approved by Shareholders, approval is given under Listing Rule 10.1 and for all other purposes for the Company's subsidiary, SMECL, to acquire all of the shares in SMEA held by CMP if:*
- (i) a preliminary decision to mine at the Productora Project is made; and*
 - (ii) CMP elects not to exercise the first tranche of the Option,*
- in the manner and on the terms and conditions set out in the Explanatory Statement.”*
- “(b) That, subject to Resolutions 1, 2, 3, 4(a) and 5 being approved by Shareholders, approval is given under Listing Rule 10.1 and for all other purposes for the Company's subsidiary, SMECL, to acquire all of the shares in SMEA held by CMP if CMP elects not to exercise the second tranche of the Option, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

Resolution 5: Re-transfer and relinquishment of CMP Assets on discontinuance of Productora Project – approval for the disposal of a substantial asset

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

- “That, subject to Resolutions 1 to 4(b) being approved by Shareholders, approval is given under Listing Rule 10.1 and for all other purposes for the Company's subsidiary, SMEA, to transfer the CMP Assets back to CMP (or its nominee) and to cancel and relinquish the CMP Easements granted to SMECL by CMP if either:*
- (a) SMECL makes a definitive decision not to continue development of the Productora Project; or*
 - (b) SMECL and CMP Productora make a decision not to proceed with development of the Productora Project prior to CMP Productora exercising the first tranche of the Option,*
- in the manner and on the terms and conditions set out in the Explanatory Statement.”*

Part B: Approval to issue Shares for drilling services

Resolution 6: Approval to issue Shares to Blue Spec Sondajes Chile SpA for drilling services

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

- “That, approval is given under Listing Rule 10.11 and for all other purposes for the Company to issue up to 16,666,667 Shares in consideration of up to US\$1 million worth of drilling services provided to SMEA by Blue Spec Sondajes Chile SpA (or its nominee), an entity in which the Company's Chairman Mr Murray Black has an interest, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

By order of the Board

Mr John Sendziuk
Company Secretary

19 March 2015

Voting Exclusions

For the purposes of the Corporations Act and Listing Rule 14.11, the following voting exclusion statements apply to the Resolutions. The Company will disregard any votes cast on the following Resolutions by or on behalf of the following parties and their associates (as defined in the Listing Rules).

Resolution	Excluded Party(ies)
Resolution 1	CMP or any other party to the transaction.
Resolution 2	CMP or any other party to the transaction.
Resolution 3	CMP or any other party to the transaction, and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.
Resolutions 4(a) and 4(b)	CMP or any other party to the transaction.
Resolution 5	CMP or any other party to the transaction.
Resolution 6	Blue Spec and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

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

- the person as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form; or
- the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be lodged no later than 48 hours before the time for holding the Meeting, being before **1.30pm WST on 28 April 2015**, as follows:

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

By hand: 1st Floor, 768 Canning Highway, Applecross, Western Australia

By fax: +61 8 9315 5004

By email: admin@hotchili.net.au

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Appointment of a proxy

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

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

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

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

Corporate Shareholders

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

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

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

Chairman voting undirected proxies

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

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

Voting eligibility – snapshot date

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snapshot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Directors have determined that all Shares of the Company that are quoted on ASX at **5.00pm WST on 28 April 2015** shall, for the purpose of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Defined terms

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

Questions from Shareholders

At the Meeting, the Chairman 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 28 April 2015**:

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

By hand: 1st Floor, 768 Canning Highway, Applecross, Western Australia

By fax: +61 8 9315 5004

By email: admin@hotchili.net.au

Copies of written questions will be available at the Meeting.

Chairman's Letter

Dear Shareholder,

The Resolutions concerning the CMP Transaction are the culmination of significant negotiation with our project partner, CMP, in Chile over the past two years to establish a joint venture to develop one of Chile's fastest emerging coastal range copper projects – Productora.

The proposed joint venture is a blueprint to achieve production at Productora at a lower cost and in a shortened timeframe, by capturing substantial synergies for both companies.

Importantly for Shareholders, the transaction will significantly de-risk the ability of Hot Chili to develop the Productora Project in a challenging market environment.

Securing access to key infrastructure and final consolidation of ownership of project tenements is a key milestone in the development of Productora, particularly in advance of completing a Preliminary Feasibility Study this year. Without this access to infrastructure, the Productora Project would face significant time delays and cost burdens.

We also believe that the option for CMP to acquire up to 50.1% of the Company's operating subsidiary SMEA, which holds the Productora Project, secures a strong local partner with significant financing and operational experience. The proposed joint venture and Option aligns the interests of both groups to expedite the establishment of a new copper business in Chile.

The Option valuation range implies a significant multiple above Hot Chili's current market capitalisation and demonstrates CMP's confidence in the fundamental value being built at Productora.

The Independent Expert has concluded that the terms of the CMP Transaction are, as a whole, **not fair but reasonable** to non-associated Shareholders. In particular, the Independent Expert considers that the CMP Transaction is **reasonable** due to the significant advantages that it considers the CMP Transaction, as a whole, will bring to the Company. The Independent Expert has expressed an opinion in relation to each transaction. . The "not fair" aspect of the conclusions arise from the independent valuation placed on Productora. The strong valuation placed on Productora reflects the value of the successful exploration programs and development studies to date. Under the CMP Transaction, Hot Chili will be giving value to CMP in consideration for the assets provided by CMP to Productora, and the amounts payable by CMP if it exercises the Option, in order to ultimately position the Company to generate greater value for Shareholders over the longer term. In the Board's view, it is the assessment of "reasonable" that Shareholders should appreciate in considering Resolutions 1 to 5.

Your Board considers that if the CMP Transaction is approved, your Company will benefit not just from the addition of CMP as a partner in Productora, but also from the increased potential for funding as Hot Chili progresses through the final stages of development studies towards a decision to mine.

Resolutions 1 to 5 for approval of the CMP Transaction are recommended by all Directors other than Mr Roberto de Andraca Adriasola, who has abstained given his role as an executive director of CMP's majority shareholder, CAP S.A., and an alternate director of CMP.

I encourage you to read the Explanatory Statement and accompanying Independent Expert's Report in full.

I appreciate your consideration of the Resolutions and look forward to your support on these matters.



Murray Edward Black
Chairman

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.

Shareholders should also carefully read the Independent Expert's Report in **Annexure A** when considering how to vote on Resolutions 1 to 5.

Part A: Approvals for CMP Transaction

1. Key Information on the proposed CMP Transaction

Question	Answer	Further details (Section reference)
Who is the CMP Transaction with?	<p>Compañía Minera del Pacífico S.A. (CMP) and its proposed wholly owned subsidiary, CMP Productora SpA (to be incorporated) (CMP Productora).</p> <p>CMP and CMP Productora are associated with the Company's second largest shareholder, CAP S.A., which holds 11.8% interest in the Company via a holding entity.</p>	2.1 and 2.2
Which Company subsidiaries are involved?	<p>The CMP Transaction will involve the Company and its subsidiaries:</p> <ul style="list-style-type: none">• Sociedad Minera El Corazón Limitada (SMECL); and• Sociedad Minera El Águila SpA (SMEA), of which SMECL holds 99.99% of the shares. SMEA holds the Company's interests in the Productora Project.	2.1 and 2.4
What is the CMP Transaction?	<p>The CMP Transaction has a number of aspects which contemplate the following transactions or possible transactions:</p> <ul style="list-style-type: none">• acquisition of CMP Assets: the acquisition of various land interests, mining concessions and contractual rights to be beneficiary of mining easements over certain surface land held by CMP in consideration for the transfer to CMP of a 17.5% interest in SMEA;• joint venture: the establishment of a formal joint venture arrangement between SMECL (82.5%) and CMP (17.5%) as shareholders in SMEA;• option to CMP: the grant to CMP of an option to acquire additional shares in SMEA so as to potentially increase its holding from 17.5% to 50.1% in two tranches (CMP may assign its	2.1, 2.4 and Schedule 2

Question	Answer	Further details (Section reference)
	<p>rights under the Option to a related party or a third party);</p> <ul style="list-style-type: none"> • CMP loan facility: the provision of a secured loan facility by CMP to SMECL for working capital purposes; and • exit rights: the grant to CMP of the right to sell its interests in SMEA back to the Company and the right of SMEA to transfer back the CMP Assets in certain circumstances. 	
What are the CMP Assets to be acquired for the joint venture?	<p>It is proposed that the Company's subsidiary, SMEA, acquire from CMP:</p> <ul style="list-style-type: none"> • the CMP Mining Concessions; and • the CMP Surface Rights. <p>The CMP Assets also include contractual rights to be beneficiary of mining easements over certain surface land held by CMP.</p> <p>These assets are further described in Section 2.5. A list of the various assets is contained in Schedule 2.</p>	2.5 and Schedule 2
What are the key terms of the CMP Transaction?	<p>The CMP Transaction is outlined in Section 2 and material terms of the Transaction Documents are set out in Schedule 1.</p>	2 and Schedule 1
Why is the CMP Transaction being proposed?	<p>The CMP Transaction will consolidate the Productora Project assets into a single joint venture vehicle (i.e. SMEA) through which the parties will jointly seek to develop the project to production. It is anticipated that this structure will rationalise the time and costs for development of the project.</p> <p>In addition, SMEA will acquire contractual rights to be the beneficiary of mining easements over land held by CMP necessary to access electricity and water infrastructure routes required to optimally develop the Productora Project.</p> <p>Further, CMP is a key project partner for the Company with access to significant strategic infrastructure in the area surrounding the Productora Project. The transaction seeks to align both parties' interests to secure the development of the Productora Project.</p> <p>If the CMP Transaction does not proceed, the Company will need to seek alternative infrastructure arrangements to develop the Productora Project to production. The Directors consider this would involve significant difficulty and may also result in significant cost and delay.</p>	2.1, 2.4, 2.6 and 2.8
What are the key advantages and disadvantages of the CMP Transaction?	<p>The items below are not an exhaustive list. More detailed discussion of the advantages and disadvantages, and potential reasons to approve or not approve the CMP Transaction, can be found in Sections 2.6 and 2.7 below.</p>	2.6, 2.7 and the Independent Expert's Report

Question	Answer	Further details (Section reference)
	<p data-bbox="544 315 1182 376">Advantages / possible reasons to approve the CMP Transaction</p> <ul data-bbox="544 394 1182 1765" style="list-style-type: none"> <li data-bbox="544 394 1050 427">• Secures access to key infrastructure. <li data-bbox="544 445 1182 568">• Provides for a joint venture to develop the Productora Project with a local Chilean partner at project level (i.e. CMP) with strong operational and resource capabilities. <li data-bbox="544 586 1182 680">• Preserves the Company's control over the Productora Project until completion of a Definitive Feasibility Study. <li data-bbox="544 698 1182 904">• Provides the Company's subsidiary SMECL with a cash injection for working capital purposes, including progressing development of the Productora Project. Obtaining alternative finance for the Productora Project without introducing a new joint venture partner may otherwise be difficult. <li data-bbox="544 922 1182 1077">• Provides an exercise price for the Option which reflects a competitive value for the interest in SMEA that CMP may acquire having regard to the Productora Project's early stage of development. <li data-bbox="544 1095 1182 1279">• Provides the Company (through SMECL) with between US\$80 million and US\$110 million in sale proceeds if both tranches of the Option are exercised. This purchase price is based on a valuation of the Productora Project after the completion of the Preliminary Feasibility Study. <li data-bbox="544 1296 1182 1357">• Assists in de-risking the development of the Productora Project. <li data-bbox="544 1375 1182 1435">• Provides funds for repayment of the Sprott Facility. <li data-bbox="544 1453 1182 1547">• Preserves the Company's cash reserves for further development of the Productora Project and financial other obligations. <li data-bbox="544 1565 1182 1659">• Provides the Company with the opportunity to benefit from potential exploration upside in the areas surrounding the Productora Project. <li data-bbox="544 1677 1182 1765">• Not approving the CMP Transaction may have a negative impact on the Company's share price. <p data-bbox="544 1783 1182 1843">Possible disadvantages / possible reasons not to approve the CMP Transaction</p> <ul data-bbox="544 1861 1182 2092" style="list-style-type: none"> <li data-bbox="544 1861 1182 1955">• There is no certainty that CMP will exercise the Option and if it does, what the final capital structure and exercise proceeds will be. <li data-bbox="544 1973 1182 2092">• The transaction allows CMP to exit its investment in SMEA and require SMECL to purchase its shares in SMEA under certain circumstances. 	

Question	Answer	Further details (Section reference)
	<ul style="list-style-type: none"> • The Company (through SMECL) must fund its interest in project costs through to completion of the Definitive Feasibility Study. • The Option may limit the Company's ability to attract new or alternative investors for the development of the Productora Project. • The Option may potentially make the Company less attractive for investors seeking to acquire a significant interest in the Company. • The transaction does not provide for full repayment of the Sprott Facility by 30 June 2015. This facility will need to be extended. • The Company will not be compensated for any potential increase in value of the SMEA shares that CMP may acquire under the second tranche of the Option between the Preliminary Feasibility Study and the Definitive Feasibility Study. • The Company may lose its controlling stake of SMEA (and therefore the Productora Project) after the Definitive Feasibility Study if CMP exercises the second tranche of the Option. 	
What is the effect of the CMP Transaction on the Company's financial position?	The financial effect of the CMP Transaction on the Company is summarised in Section 3.	3
What was the Independent Expert's finding?	<p>The Independent Expert's opinions are that:</p> <ul style="list-style-type: none"> • the acquisition of the CMP Assets and merger is not fair but reasonable to non-associated Shareholders; • the Option is not fair but reasonable to non-associated Shareholders; • the CMP Security is fair and reasonable to non-associated Shareholders; and • the exit rights in favour of CMP are not fair but reasonable to non-associated Shareholders. <p>The Independent Expert has concluded that the terms of CMP Transaction are, as a whole, not fair but reasonable to non-associated Shareholders.</p> <p>The Independent Expert considers that the CMP Transaction is reasonable due to the significant advantages that the Independent Expert considers the CMP Transaction, as a whole, will bring to the Company.</p>	4.3 and Annexure A

Question	Answer	Further details (Section reference)
What do the Directors recommend?	The Directors (other than Roberto de Andraca Adriasola who declines to make a recommendation) unanimously recommend that Shareholders approve Resolutions 1 to 5.	2.9

2. Outline of the CMP Transaction

2.1 Overview

The Productora Project is the Company's flagship project in Chile. It lies in the centre of CMP's Huasco and Vallenar iron operations at low altitude, approximately 600 kilometres north of Santiago.

The Company and minority SMEA shareholder, KAS, entered into a Memorandum of Understanding on 29 January 2015 with CMP to establish an incorporated joint venture and develop the Company's flagship project, the Productora Project in Chile, to production. The MoU sets out the key terms of the CMP Transaction.

It is proposed that the parties will enter into a Master Agreement which will act as an umbrella agreement formalising the transactions contemplated under the MoU.

The CMP Transaction comprises the following transactions (and possible transactions) as summarised below:

(a) Acquisition of CMP Assets and establishment of joint venture

CMP (through a proposed wholly owned subsidiary, CMP Productora, to be incorporated) will exchange the following assets (i.e. the CMP Assets) for a 17.5% interest in Hot Chili's subsidiary, SMEA:

- (i) CMP's mining concessions at Productora;
- (ii) contractual rights to be the beneficiary of mining easements over CMP controlled land related to a proposed water pipeline and electricity lines from Productora to the coast near Huasco; and
- (iii) certain surface rights over the proposed mining development area of the Productora Project.

CMP Productora will merge with SMEA under a Chilean legal process known as merger by incorporation. SMEA will become a special purpose joint venture company which owns and operates the Productora Project. The Company's subsidiary SMECL (82.5%) and CMP (17.5%) will be the two shareholders of SMEA. KAS will cease to be shareholder of SMEA.

CMP will be free-carried up to completion of the Preliminary Feasibility Study. Following completion of the Preliminary Feasibility Study, CMP will be responsible for funding its proportionate share of expenditure or it will be subject to dilution of its interest.

These arrangements will be effected by the Merger Agreement and the Shareholders' Agreement.

The approval of Resolution 1 is required in order to implement these aspects of the CMP Transaction.

(b) Grant of Option

The second component of the CMP Transaction is the grant to CMP of the Option to acquire further shares in SMEA such that upon exercise of the Option, CMP will be entitled to acquire a further 32.6% interest, taking its total interest up to 50.1%, by acquiring existing shares from SMECL.

CMP must pay US\$1.5 million for the Option.

The Option is to be structured as follows:

- (i) The additional 32.6% shareholding interest in SMEA that CMP may acquire (**Option Shares**) shall be determined by the Valuation and have a minimum value of US\$80 million and a maximum value of US\$110 million.
- (ii) The Option will be exercisable in two separate tranches on key milestones being satisfied.

The exercise price for the first tranche of the Option is US\$26 million.

CMP will be transferred additional shares in SMEA calculated by dividing US\$26 million by the value of each SMEA share. The value of SMEA shares is to be calculated by dividing the total number of shares on issue by the higher of US\$245,398,733 and the value determined by an independent valuation of SMEA (**Valuation**) capped at US\$337,423,313. CMP's percentage interest in SMEA will be between:

- 10.6% (based on the minimum valuation of the Option Shares of US\$80 million); and
- 7.71% (based on the maximum valuation of the Option Shares of US\$110 million).

The first tranche is exercisable following completion of the Preliminary Feasibility Study, the Valuation and a preliminary decision to mine at Productora being made.

CMP can acquire shares in SMEA such that its shareholding increases to 50.1% under the second tranche. This would be between:

- 22% for US\$54 million if the results of the Valuation are at the low end of the price range; and
- 24.89% for US\$84 million if the results of the Valuation are at the high end of the price range.

The exercise price for the second tranche of the Option will be the balance of the amount of the Valuation.

The second tranche is exercisable following completion of the Definitive Feasibility Study, final project finance being secured and a final decision to mine at Productora being made.

Each share will have the same value as determined for the first tranche.

The value of any loan provided by CMP to the Company or its subsidiaries and the US\$1.5 million option fee will be off-set against the exercise price payable.

CMP may assign its rights under the Option to a related party of CMP or to a third party.

The approval of Resolution 2 is required to enable the grant of the Option to CMP to enable CMP to exercise the Option.

(c) **US\$13 million loan under CMP Facility**

CMP will provide SMECL with the CMP Facility, being a US\$13 million loan finance facility, following receipt of the exercise payment for the first tranche of the Option.

The CMP Facility will have a term of up to 24 months from first draw down. The loan will be repayable in full on the earlier of 24 months from becoming available for drawdown and the date on which the exercise price of the second tranche of the Option is payable.

Interest will accrue on the drawn portion of the loan facility per semester. The interest rate will be, at Hot Chili's election, either a fixed rate of 10% per annum or a rate of 8% per annum with a 1% upfront payment commitment.

The CMP Facility will, subject to Shareholders approving the Resolutions, be secured against certain assets of SMECL and both the Company and SMEA will provide secured guarantees. Refer to item 6 of Schedule 1 on page 51 (under "Security" heading) of this Notice for the specific details of the security.

The approval of Resolution 3 is required to enable the Company, SMECL and SMEA to provide security to CMP over certain of their assets in order obtain the CMP Facility.

The Independent Expert found the CMP Security to be **fair and reasonable** on the basis:

- (i) that the value of sale proceeds from the secured assets that would be provided to CMP in the event of a default under the CMP Facility is equivalent to or lower than the value of the liabilities that would be settled; and
- (ii) of the significant advantages that the Independent Expert considers the CMP Transaction, as a whole, will bring to the Company.

(d) **Exit rights**

CMP will have certain rights to exit its investment in the joint venture by selling its shares in SMEA to SMECL in certain circumstances as set out below.

If CMP elects not to exercise the first tranche of the Option but a preliminary decision to mine is made by the Company, CMP will have the right to either retain its shareholding interest (subject to standard dilution provisions) or to transfer its shareholding interest in SMEA to SMECL for an amount equal to 17.5% of the Valuation (capped at US\$59,049,080), payable within 24 months after 4 January 2016.

If CMP elects not to exercise the second tranche of the Option, it will have the right to either:

- retain its shareholding interest (subject to standard dilution provisions);
- transfer its shareholding interest in SMEA to a third party; or
- sell its shareholding interest in SMEA to SMECL for an amount proportionate to the interest it holds in SMEA as a percentage of the Valuation amount, with the purchase price to be paid upon project financing for the Productora Project being secured.

If both parties determine not to proceed prior to exercise of the first tranche of the Option, then:

- the merger between SMEA and CMP Productora will be terminated and deemed not to have had effect;
- SMEA must transfer back the CMP Assets acquired from CMP Productora;
- SMECL must return the US\$1.5 million fee paid for the Option.

These exit rights were sought by CMP as part of its agreement to the CMP Transaction.

The structure of the exit rights are such that if the Company is unable to proceed with the development of the Productora Project for whatever reason, the Company will not

be required to pay cash for the acquisition of CMP's interest in SMEA, and may instead transfer back to CMP the CMP Assets.

The approval of Resolutions 4(a), 4(b) and 5 is required to enable CMP to potentially exercise its exit rights.

2.2 CMP's holding in the Company

CMP is associated with the Company's second largest Shareholder, Port Finance Limited N.V., subsidiary of CAP S.A., which directly holds 11.8% of the Shares on issue.

CMP is a 75% owned subsidiary of CAP S.A. which is Chile's largest iron ore producer and integrated steel business. CAP S.A. controls Port Finance Limited N.V..

2.3 Current structure of Productora Project

Productora is the Company's flagship project in Chile, and lies in the centre of CMP's Huasco and Vallenar iron operations, approximately 600km north of Santiago.

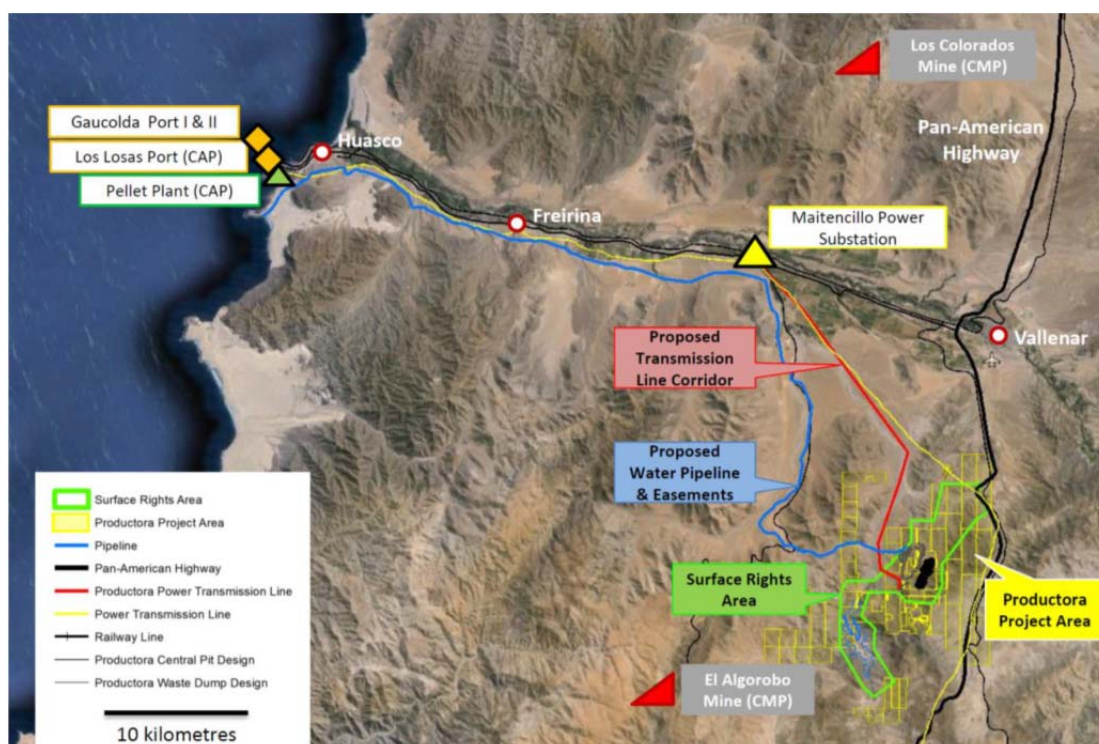


Figure 1. Location and existing infrastructure surrounding the Productora copper project, Region III Chile. Note the proposed water pipeline and electricity line corridor from Productora to the coast near Huasco. CMP control several areas of easement required to facilitate this proposed pipeline route under the definition of the Joint Infrastructure Agreement.

The Company holds its interests in the Productora Project through SMECL and SMEA.

SMEA currently holds the following mining rights shown in Figure 2 below:

- 100% of the mining rights coloured yellow;
- the exclusive right to acquire 100% of the mining rights coloured in red;
- a 30 year lease agreement to explore and exploit, exclusively, the mining right coloured blue; and
- the exclusive right to acquire 65% of the mining rights coloured green, pursuant to a joint venture agreement with CMP.

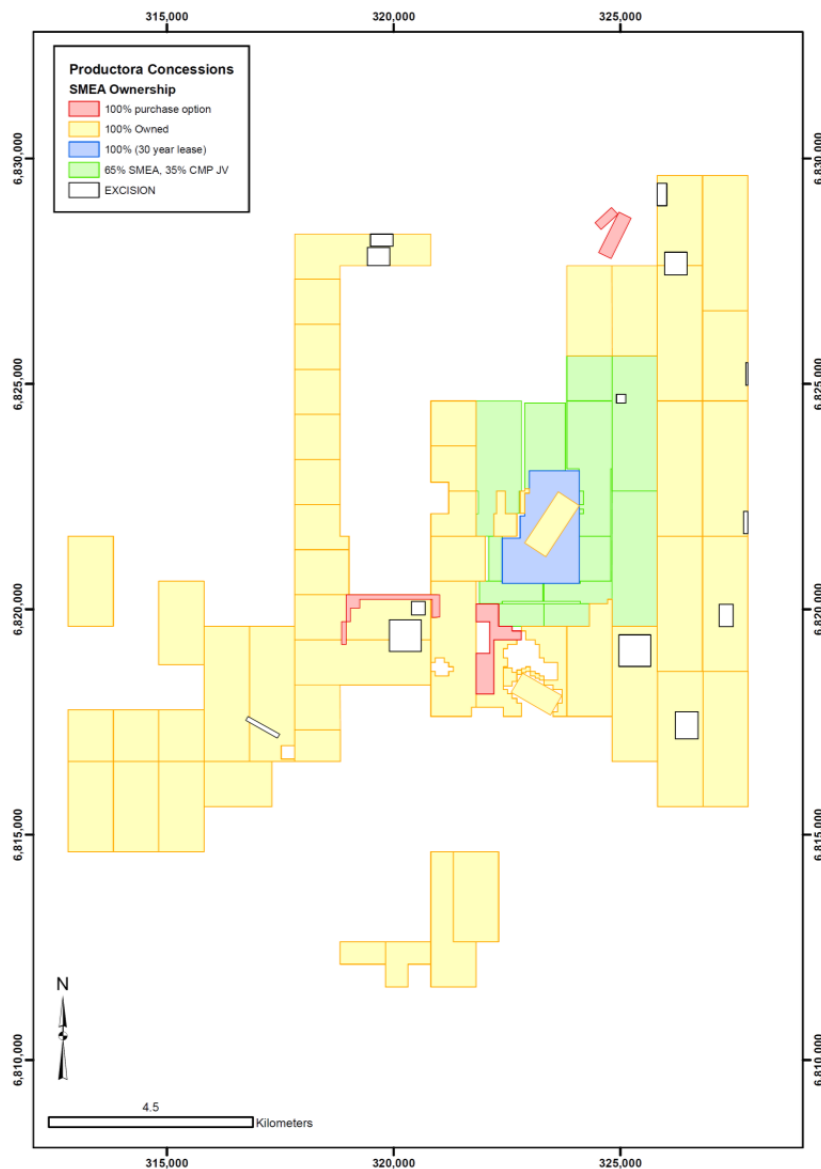


Figure 2. SMEA's current interest in the Productora Project area.

2.4 Proposed post-transaction structure

If the CMP Transaction is approved, all project assets for the Productora Project (including the CMP Assets) will be 100% owned by SMEA. SMEA will be a special purpose joint venture entity.

Hot Chili will hold fully diluted interest in the Productora Project of 82.5% via its subsidiary entities.

Figure 3 below sets out the proposed ownership structure in respect of the Productora Project on completion of the acquisition of the CMP Assets and establishment of the joint venture, but before any exercise of the Option by CMP. The interests of CMP and SMECL in SMEA are subject to change depending upon whether the Option is exercised.

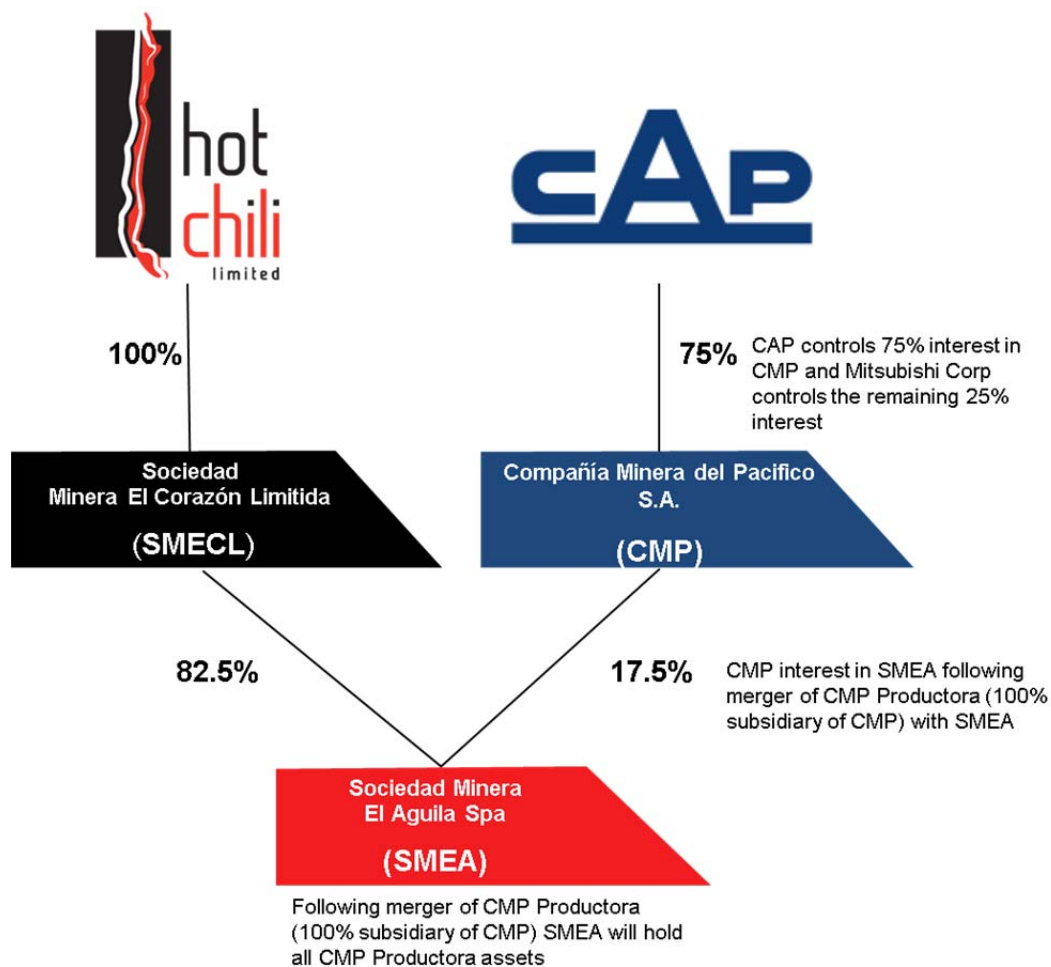


Figure 3. Proposed ownership of SMEA following completion of the CMP Transaction. SMEA will be the surviving entity once CMP Productora has been merged with SMEA.

If both tranches of the Option are exercised by CMP then the interests of the shareholders in SMEA will be: SMECL 49.9% and CMP 50.1%.

2.5 CMP Assets

The CMP Assets to be acquired by Hot Chili under the MoU, Master Agreement and Merger Agreement comprise the following:

(a) CMP Mining Concessions

The CMP Mining Concessions are CMP's title and interest in the mining concessions listed item 1 of Schedule 2.

SMEA currently holds the exclusive right to acquire a 65% interest in the CMP Mining Concessions pursuant to an existing joint venture agreement with CMP. The acquisition of 100% of these mining concessions will replace this acquisition right.

(b) CMP Easements

The CMP Easements are mining easements proposed to be granted by CMP to SMEA over CMP controlled land to provide an optimal route for water and electricity infrastructure between Productora and the coast near Huasco, as depicted in Figure 1 above.

CMP will constitute the CMP Easements on certain surface lands owned by it that will allow the development of the Productora Project. SMEA's mining concessions at the Productora Project will have the benefit of such easements. The CMP Easements are

necessary to facilitate the convenient exploration and exploitation of the mining concessions.

The CMP Easements are *in rem* rights, meaning that they encumber the surface land regardless of its owner. Therefore, if the mining concessions of the Productora Project are transferred to a third party, the CMP Easements will also be transferred and any new owner of the surface land will be bound to comply and respect those easements.

The CMP Easements may not be used for purposes other than those pertaining to the respective mining concession for which they have been created (in this case, the mining concessions of the Productora Project), and they shall cease to exist when such use concludes. This means the CMP Easements will last for the life of the mine, following which they will cease to exist.

If CMP's exit rights are triggered (refer Section 2.1(d)), the CMP Easements will also be relinquished.

The grant of the CMP Easements will enable SMEA to occupy such surface lands for the development of the Productora Project (in this case for pipelines and electrical grid) with a binding title enforceable against third parties. These rights are protected by the Chilean Political Constitution and the Chilean Mining Code.

Additional areas of easement must be obtained by SMEA from a limited number of small landholders to enable the proposed water and electricity infrastructure to be constructed.

(c) **CMP Surface Rights**

The CMP Surface Rights are certain surface rights over the proposed mining development area of the Productora Project area as depicted below in Figure 4. These surface rights cover an area of approximately 4,113 km².

SMEA will acquire the CMP Surface Rights from CMP to allow SMEA to develop the Productora Project. Such land will be transferred to SMEA which will become the exclusive owner of such lands.

According to Chilean regulation, the CMP Surface Rights are indefinite in term. If CMP's exit rights are triggered (refer Section 2.1(d)), the CMP Surface Rights may be transferred back to CMP.

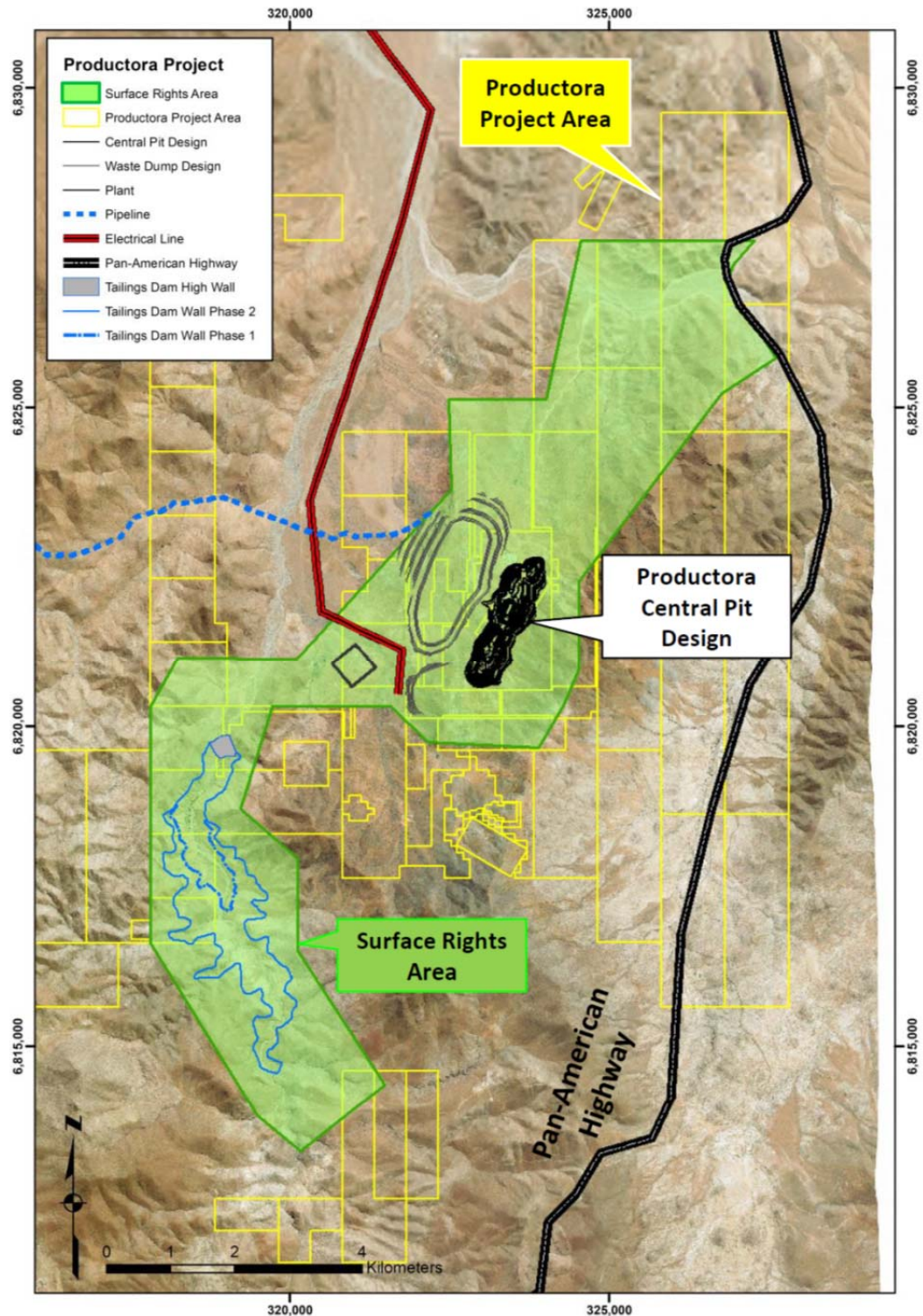


Figure 4. Defined CMP Surface Rights to be transferred to SMEA as a term of the Joint Infrastructure Agreement.

Securing the CMP Surface Rights provides the ownership of and the right to occupy such lands, in this case, for mine infrastructure, tailings storage facility, processing plant, waste dump, electrical substations and other infrastructure, with a binding title that is enforceable against third parties and is protected by the Chilean Political Constitution and the Chilean Mining Code.

2.6 Advantages of / potential reasons to approve the CMP Transaction

Set out below are the key advantages of and potential reasons to approve the CMP Transaction. This is not an exhaustive list of all possible advantages or reasons that Shareholders may consider approving to the CMP Transaction.

Infrastructure	<p>The CMP Transaction will provide the necessary access to establish key infrastructure required to develop the Productora Project at a lower cost and within a shortened timeframe. This infrastructure access materially de-risks the project.</p> <p>Importantly, access required for the infrastructure and the CMP Mining Concessions will be secured for the Productora Project until the earlier of project finance completion or 2 years from 4 January 2016.</p>
Key project partner	<p>CMP is a key local Chilean joint venture partner for Hot Chili. It has strong operational, infrastructure and resources capabilities. Importantly, the Productora Project lies within the centre of CMP's Vallenar and Huasco iron operations along the coastal range in northern Chile.</p> <p>The CMP Transaction provides a clear pathway to securing CMP as a long-term project partner.</p>
Consolidation	<p>Incorporation of the CMP Mining Concessions into the joint venture completes the final step in the consolidation of the Productora Project.</p>
Project control	<p>Hot Chili will maintain management control (subject to certain veto rights held by CMP) of the Productora Project during the initial development stages up to the completion of a Definitive Feasibility Study.</p> <p>CMP's right to exercise the Option and move to a controlling stake of 50.1% interest in SMEA following a Definitive Feasibility Study materially de-risks the project development. CMP's financial and operational strength is expected to greatly assist project financing efforts.</p>
Competitive value	<p>The Directors consider that the price payable by CMP for the Option Shares on exercise of the Option is a competitive price having regard to the early stage of the Productora Project's development. The pricing mechanism is based on a valuation of the Productora Project after the completion of the Preliminary Feasibility Study and sets both a floor and ceiling price range but allows for Hot Chili to receive the benefit of a valuation price within that range.</p> <p>The valuation price (at the lower end) is at several multiples to Hot Chili's current market capitalisation.</p>
Development funding	<p>CMP's option to acquire an increasing interest in Productora ensures Productora has a clear funding path through its final stages of growth and development studies should CMP exercise the first tranche of the Option.</p> <p>If CMP exercise both tranches of the Option, the Company will have access to working capital required to fund its interest in Productora through to completion of a Definitive Feasibility Study and will have a significant component of funds available towards project financing of the Productora Project.</p> <p>There is no certainty that alternative debt or equity funding could be obtained. Accordingly, the Directors consider the Option to be of significant importance to Hot Chili.</p>

Access to capital	<p>The CMP Transaction provides SMECL with a cash injection for working capital purposes and progressing development of the Productora Project.</p> <p>Exercise of the Option would result in Hot Chili (through SMECL) receiving between US\$80 million and US\$110 million in sale proceeds from the sale of further interests in SMEA to CMP. These funds would enable Hot Chili to repay the Sprott Facility and provide cash for the Company's share of funding required for the development of the Productora Project.</p> <p>Importantly, the CMP Facility does not dictate how the funds must be applied and will provide Hot Chili with funds for other working capital requirements.</p> <p>It is likely that the Company would experience difficulty in securing alternative finance for the Productora Project without introducing a new joint venture partner.</p>
Registration of legal interest in certain project interests	<p>Currently, SMEA is not registered as one of the owners of certain mining concessions (i.e. the CMP Mining Concessions) in which it has a part interest at the Productora Project. This is because Chilean law does not allow for registration of more than one owner of mining concessions.</p> <p>SMEA will also acquire various surface rights to land held by CMP which is subject to various mining concessions held by SMEA.</p> <p>The CMP Transaction will allow all Hot Chili's interest in the Productora Project to be legally registered and recognised through its ownership of shares in SMEA. This provides a more secure and suitable legal structure for project finance.</p>
De-risk project	<p>CMP's investment into the joint venture will assist in de-risking Hot Chili's investment in the Productora Project, particularly if CMP exercises the Option and increases its interest.</p>
Repayment of Sprott Facility	<p>If the Option is exercised, the exercise price will make funds available for the Company to repay the Sprott Facility.</p>
Preserves cash reserves	<p>The CMP Transaction allows the Company to preserve its cash reserves which may then be applied to other working capital requirements, including the further development of the Productora Project.</p>
Potential exploration upside	<p>The CMP Transaction secures access to the CMP Concession Interests and the CMP Surface Rights. This provides the Company with the benefit of sharing in the upside of any successful exploration in those areas.</p>
Negative impact on share price	<p>Failure to approve the CMP Transaction would likely have a negative impact on the Company's share price. This is due to the limited alternative development strategies available to the Company and the fact that the Company has made numerous announcements regarding the proposed CMP Transaction.</p>

2.7 Possible disadvantages of / potential reasons not to approve the CMP Transaction

Set out below are the possible disadvantages of or potential reasons not to approve the CMP Transaction. This is not an exhaustive list of all possible disadvantages or reasons that Shareholders may consider not approving the CMP Transaction.

Uncertainty of Option	Although the CMP Transaction provides for CMP to further invest in the Productora Project, CMP is not obliged to do so. Accordingly, until the Option expires or is exercised, there will be some level of uncertainty as to ownership structure of the Productora Project.
CMP's sale rights	<p>The CMP Transaction provides a mechanism for CMP to exit its investment in SMEA under certain circumstances.</p> <p>CMP retains rights to exit its investment in the Productora Project by requiring Hot Chili to repurchase its shares in SMEA. Although the payment terms allow a significant period within which Hot Chili can source funding, there is no certainty that the Company will be able to obtain the purchase price required to acquire CMP's interests in SMEA.</p>
Funding obligations	CMP will obtain a free-carried interest in the Productora Project up to completion of the Definitive Feasibility Study. Hot Chili will be solely responsible for funding further project development during this period.
Limitation on further investment	The Option may significantly limit the ability to obtain additional investors or joint venture partners for the Productora Project. In addition, third parties may be less likely to consider Hot Chili as a potential merger or takeover target.
Extension to Sprott Facility	The Company will not obtain sufficient funds under the Option or the CMP Facility to repay the Sprott Facility in full by its current repayment date of 30 June 2015. It is unlikely that the Company will be able to obtain other sources of funds to repay the Sprott Facility by this date and therefore the Company will need to seek and extension of the repayment date.
No compensation for increase in value	The SMEA shares that CMP may acquire under the second tranche of the Option may increase in value between the Preliminary Feasibility Study and the Definitive Feasibility Study. However, the price of these shares will not be adjusted and the Company will not receive any compensation for the increase in value of these shares.
Loss of control	If CMP exercises both tranches of the Option, the Company will lose its controlling shareholding stake in SMEA as CMP will obtain a 50.1% holding. This in turn reduces the interest of existing Shareholders in the Productora Project and associated benefits from any increase in its value.

Shareholders are encouraged to read and consider the Independent Expert's discussion on the potential advantages and disadvantages of the CMP Transaction at sections 12.4 and 12.5 of the Independent Expert's Report.

2.8 Potential effect of not approving the Resolutions

The CMP Transaction as outlined above will not proceed if any of Resolutions 1 to 5 are not approved by Shareholders.

If the CMP Transaction is not approved, the Directors consider that the table below sets out some of the potential adverse consequences for the Company and Shareholders. Importantly, this is not an exhaustive list.

No access to key infrastructure	<p>The Company will not have access to key infrastructure required to develop the Productora Project to production, including:</p> <ul style="list-style-type: none"> • infrastructure to transport water and electricity to the project site; and • access to develop all necessary mine infrastructure at the project site.
Joint venture uncertainty	<p>The future of the Productora Project and the continued availability of its key assets will be uncertain. The current unincorporated joint venture between the Company and CMP is due to expire on 30 April 2015. If the CMP Transaction is not approved and the existing joint venture is not extended, there is no certainty that CMP will continue to support development of the project.</p>
Adverse event under Sprott Facility	<p>A default event may be triggered under the Sprott Facility. This may result in the loan becoming immediately repayable and other enforcement action being taken by Sprott.</p> <p>In addition, approval of the CMP Transaction is a condition to any extension of repayment under the Sprott Facility.</p>
Project funding	<p>The Company will not have access to the key funding proposed for development of the Productora Project under the Option and the CMP Facility. There can be no assurance that an alternative source of funds could be obtained through debt or equity raising.</p>
Adverse effect on share price	<p>Securing infrastructure access is a critical step for the development of the Productora Project. The Company's share price may be adversely affected if the CMP Transaction is not approved.</p>

2.9 Directors' voting intentions and recommendation

Each Director, in his capacity as a Shareholder (where applicable and where permitted to vote), intends to vote in favour of the Resolutions on the basis of:

- the advantages of the CMP Transaction which appear to significantly outweigh the disadvantages; and
- the conclusions in the Independent Expert's Report.

The Directors, other than Roberto de Andraca Adriasola, unanimously recommend that Shareholders vote in favour of the Resolutions. Mr de Andraca Adriasola abstains from making a recommendation on the basis that he is an executive of CMP's majority shareholder, CAP (see Section 2.2), and also an alternate director of CMP.

3. Effect of CMP Transaction on the Company's financial position

3.1 Overview

The following Section sets out the anticipated financial impact and other relevant financial information for Shareholders to have regard to when considering the CMP Transaction and whether to approve the Resolutions.

3.2 Effect on capital structure

The CMP Transaction will not have any direct effect on the Company's capital structure as the Company will itself not issue, grant or cancel any securities.

The CMP Transaction will affect the Company's shareholding in its subsidiary, SMEA. The transaction will see the Company lose its 100% controlling interest in SMEA. CMP will take a shareholding interest between 17.5% and 50.1% in SMEA, depending upon whether or not it exercises the Option in full. CMP may also relinquish its shareholding in SMEA under the exit rights discussed at Section 2.1(d).

3.3 Pro-forma Statement of Financial Position

Set out below is:

- (a) the reviewed consolidated statement of financial position of the Company as at 31 December 2014; and
- (b) the reviewed pro-forma consolidated statement of financial position of the Company as at 31 December 2014 incorporating the effect of:
 - (i) entering the CMP Transaction and the merger between SMEA and CMP Productora;
 - (ii) tranche 1 of the Option being exercised;
 - (iii) tranche 2 of the Option being exercised, with the upper and lower ranges of the exercise price; and
 - (iv) the CMP Facility being provided.

	Reported December 2014	Resolution 1	Resolution 2 Tranche 1 of Option	CMP Loan	Resolution 2 Tranche 2 of Option (up to \$80m)	Resolution 2 Tranche 2 of Option (up to \$110m)
	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$	AUD \$
Current Assets						
Cash and cash equivalents	\$6,288,534	\$6,288,534	\$27,262,449	\$43,112,242	\$107,121,020	\$143,697,465
Other current assets	\$1,762,927	\$1,762,927	\$11,710	\$11,710	\$11,710	\$11,710
	\$8,051,461	\$8,051,461	\$27,274,159	\$43,123,952	\$107,132,730	\$143,709,175
Assets classified as held for sale	-	-	\$98,026,273	\$98,026,273	-	-
Total current assets	\$8,051,461	\$8,051,461	\$125,300,432	\$141,150,225	\$107,132,730	\$143,709,175
Non-Current Assets						
Property, plant and equipment	\$459,851	\$459,851	\$94,081	\$94,081	\$94,081	\$94,081

Receivables	-	-	-	-	-	-
Investments accounted for using the equity method	-	-	-	-	\$57,311,677	\$57,311,677
Exploration and evaluation expenditure	\$81,076,812	\$103,056,812	\$6,350,148	\$6,350,148	\$6,350,148	\$6,350,148
Total non-current assets	\$81,536,663	\$103,516,663	\$6,444,229	\$6,444,229	\$63,755,906	\$63,755,906
Total assets	\$89,588,124	\$111,568,124	\$131,744,661	\$147,594,454	\$170,888,636	\$207,465,080
Current Liabilities						
Trade and other payables	\$1,549,623	\$1,549,623	\$2,218,724	\$2,218,724	\$389,902	\$389,902
Borrowings	\$12,192,149	\$12,192,149	-	\$15,849,792	\$15,849,792	\$15,849,792
Total current liabilities	\$13,741,772	\$13,741,772	\$2,218,724	\$18,068,517	\$16,239,694	\$16,239,694
Total liabilities	\$13,741,772	\$13,741,772	\$2,218,724	\$18,068,517	\$16,239,694	\$16,239,694
Net assets	\$75,846,352	\$97,826,352	\$129,525,938	\$129,525,938	\$154,648,941	\$191,225,386
Equity						
Contributed equity	\$106,680,909	\$106,680,909	\$106,680,909	\$106,680,909	\$106,680,909	\$106,680,909
Option reserve	\$2,114,926	\$2,114,926	\$2,114,926	\$2,114,926	\$2,114,926	\$2,114,926
Foreign currency translation reserve	\$1,222	\$1,222	\$1,222	\$1,222	\$1,222	\$1,222
Retained earnings/(accumulated losses)	(\$32,950,705)	(\$58,220,705)	(\$58,220,705)	(\$58,220,705)	\$45,851,884	\$82,428,329
Equity attributable to owners of Hot Chili Limited	\$75,846,352	\$50,576,352	\$50,576,352	\$50,576,352	\$154,648,941	\$191,225,386
Non-controlling interest	\$0	\$47,250,000	\$78,949,585	\$78,949,585	\$0	\$0
Total equity	\$75,846,352	\$97,826,352	\$129,525,938	\$129,525,938	\$154,648,941	\$191,225,386

Notes: The above pro-forma statement of financial position has been prepared based on the following assumptions:

1. the assets and liabilities of the Company and its subsidiaries have not been subject to any material change between 31 December 2014 and the date that each relevant aspect of the CMP Transaction referred to in the statement occurs, other than in the initial merger between SMEA and CMP Productora;
2. the CMP Security is not enforced;
3. the values for assets reflect the book values of those assets as at 31 December 2014;
4. the costs and expenses of negotiating and entering the CMP Transaction have not been taken into account as these cannot be accurately estimated at this time; and

5. allowance has not been made for expenditure in the normal course of business between 31 December 2014 and the date that each relevant aspect of the CMP Transaction referred to in the statement occurs.

4. Resolutions and regulatory requirements

4.1 Listing Rules requirements

(a) Listing Rule 10.1

Listing Rule 10.1 provides that the approval of holders of an entity's ordinary securities is required where an entity or its subsidiaries proposes to, or agrees to, dispose of or acquire, a "substantial asset":

- (i) from a substantial holder (i.e. a party with a holding of 5% or more of the issued Shares) or an associate of a substantial holder; and
- (ii) the substantial holder and their associates together have, or had at any time during the preceding 6 months before the transaction, a relevant interest in at least 10% of the total votes attached to the voting securities.

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts of the relevant company given to ASX under the Listing Rules.

A "disposal" includes using an asset as collateral (i.e. security) and granting or exercising an option over an asset.

(b) Listing Rules 11.1 and 11.2

Listing Rule 11.1 provides that an entity must consult with ASX if it proposed to make a significant change to the nature and scale of its activities. ASX may require the entity to obtain shareholder approval for the change in nature and scale. In addition, ASX has the discretion to require the entity to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules as if the entity was applying for admission to ASX.

In relation to scale, ASX considers that (amongst other things) in an increase or decrease of more than 25% in any of the following is a significant change in the scale of an entity's activities:

- consolidated total assets;
- consolidated total equity interests;
- consolidated annual revenue, or in the case of a mining exploration entity or other entity that is no earning material revenue from operations, consolidated annual expenditure; or
- consolidated annual profits before tax and extraordinary items

Listing Rule 11.2 further states that, where the change is the disposal of its main undertaking, the entity must first obtain the approval of its shareholders for that disposal.

ASX considers that an entity's main undertaking is essentially its main business. As a rule of thumb, this would include a business that account for 50% or more of an entity's:

- consolidated total assets;
- consolidated annual revenue, or in the case of a mining exploration entity or other entity that is no earning material revenue from operations, consolidated annual expenditure; or
- consolidated annual profits before tax and extraordinary items.

(c) **Required approvals**

CMP and its associates hold an interest in 11.8% of the Shares on issue (see Section 2.2).

The Company's annual report for the period ending 30 June 2014 (as lodged with ASX on 26 September 2014) shows that its total equity position was approximately \$79.1 million.

The Directors consider that the value of the following assets would exceed 5% of the Company's equity interests as shown in its last annual report and therefore require approval under Listing Rule 10.1:

- (i) the CMP Assets to be acquired from CMP;
- (ii) the Merger Shares to be issued or transferred to CMP in consideration for the transfer or grant of the CMP Assets to SMEA;
- (iii) the shares in SMEA over which the Option will be granted;
- (iv) the assets over which the CMP Security will be granted and may be exercised; and
- (v) the shares in SMEA that CMP may require SMECL to purchase if CMP wishes to exit its investment in the joint venture.

Further, the Directors consider that the assets over which the CMP Security will apply constitute the Company's main undertaking and a disposal of those assets upon any enforcement of the CMP Security would be a significant change in the scale of the Company's activities. Therefore, approval to dispose of those assets if the security is enforced is required under Listing Rules 11.1 and 11.2.

(d) **ASX confirmations and waiver**

ASX has granted the Company a waiver from Listing Rule 10.7 to permit the Company to transfer, or SMEA to issue, SMEA shares to CMP comprising a 17.5% shareholding interest in SMEA in consideration for SMEA's acquisition of the CMP Assets.

ASX has also provided the following confirmations regarding the operation of Listing Rule 10.1 and chapter 11 of the Listing Rules in relation to the CMP Transaction to the following effect:

- (i) If Shareholders approve Resolution 2 in respect of the Option granted to CMP for the potential disposal by the Company of up to 50.1% of SMEA (in two tranches) and the transfer of shares in SMEA on the exercise of the Option for the purposes of Listing Rule 10.1, no further shareholder approval will be required in the future under Listing Rule 10.1 for the exercise by CMP of either tranche of the Option or the transfer of SMEA Shares on exercise of either tranche of the Option.
- (ii) If Shareholders approve Resolution 3 respect of the grant and enforcement of the CMP Security in connection with the CMP Transaction, for the purposes of Listing Rules 10.1 and 11.2:
 - A. no further shareholder approval will be required in the future under Listing Rules 10.1, 11.1.2 or 11.2 for such grant by the Company (including SMEA and SMECL) or enforcement by CMP; and
 - B. no further shareholder approval will be required in the future under Listing Rules 10.1 or 11.1.2 for such enforcement by the Company.
- (iii) If Shareholders approve Resolutions 4(a), 4(b) and 5 in respect of:

- A. the potential acquisition by SMECL of CMP's SMEA Shares in the event CMP elects not to exercise the first tranche of the Option and a preliminary decision to mine is made by the Company;
- B. the potential acquisition by SMECL of CMP's SMEA Shares in the event CMP elects not to exercise the second tranche of the Option; and
- C. the potential disposal by the Company (through SMEA) of the CMP Assets to CMP Productora (a wholly owned subsidiary of CMP) where both the Company and CMP determine not to proceed prior to the exercise of the first tranche of the Option,

(collectively, **Exit Rights**) for the purposes of Listing Rule 10.1, no further shareholder approval will be required in the future under Listing Rule 10.1 for any such acquisition or disposal.

4.2 Overview of Resolutions

(a) Resolution 1

Resolution 1 seeks Shareholder approval under Listing Rule 10.1 for SMEA to acquire the CMP Assets and issue the Merger Shares as consideration for the CMP Assets, under the Transaction Documents.

As outlined above, the Directors consider that both the CMP Assets and the Merger Shares constitute "substantial assets" for the purposes of Listing Rule 10.1.

Resolution 1 is subject to the Resolutions 2 to 5 inclusive being approved. Accordingly, it will not have any effect unless Shareholders approve **all** of Resolutions 1 to 5.

(b) Resolution 2

Resolution 2 seeks Shareholder approval under Listing Rule 10.1 for SMECL to do the following under the Transaction Documents:

- (i) grant the Option whereby CMP can acquire shares in SMEA from SMECL to increase its holding up to 50.1%, in two tranches; and
- (ii) dispose of the Option Shares on the exercise of the Option.

As outlined above, the Directors consider that the Option Shares constitute "substantial assets" for the purposes of Listing Rule 10.1.

Resolution 2 is subject to Resolutions 1, 3, 4(a), 4(b) and 5 being approved. Accordingly, it will not have any effect unless Shareholders approve **all** of Resolutions 1 to 5.

(c) Resolution 3

Resolution 3 seeks Shareholder approval under Listing Rules 10.1 and 11.2 for the Company, SMECL and SMEA to do the following under the Transaction Documents:

- (i) grant the CMP Security over their respective assets; and
- (ii) dispose of all or part of the secured assets to CMP on exercise of rights under the CMP Security.

As outlined above, the Directors consider that the assets encumbered by the CMP Security constitute "substantial assets" for the purposes of Listing Rule 10.1.

Further, the disposal of the assets encumbered by the CMP Security on its exercise would most likely constitute both a significant change in scale for the purposes of Listing Rule 11.1 and a disposal of the Company's main undertaking for the purposes of Listing Rule 11.2.

Resolution 3 is subject to Resolutions 1, 2, 4(a), 4(b) and 5 being approved. Accordingly, it will not have any effect unless Shareholders approve all of Resolutions 1 to 5.

(d) Resolutions 4(a) and (b)

Resolution 4(a) seeks Shareholder approval under Listing Rule 10.1 for SMECL to acquire all of the shares in SMEA held by CMP, upon request by CMP, if a preliminary decision to mine at the Productora Project is made but CMP elects not to exercise the first tranche of its Option.

Resolution 4(b) seeks Shareholder approval under Listing Rule 10.1 for SMECL to acquire all of the shares in SMEA held by CMP, upon request by CMP, if CMP elects not to exercise the second tranche of its Option.

Resolutions 4(a) and (b) are separate but related Resolutions.

As outlined above, the Directors consider that the shares in SMEA to be acquired by SMECL constitute "substantial assets" for the purposes of Listing Rule 10.1.

Resolutions 4(a) and (b) are subject to Resolutions 1, 2, 3 and 5 being approved. Accordingly, neither will have any effect unless Shareholders approve all of Resolutions 1 to 5.

(e) Resolution 5

Resolution 5 seeks Shareholder approval under Listing Rule 10.1 for SMEA to transfer back or relinquish the CMP Assets if:

- (i) SMECL makes a definitive decision not to continue development of the Productora Project; or
- (ii) SMECL and CMP Productora make a decision not to proceed with development of the Productora Project prior to CMP Productora exercising the first tranche of the Option.

As outlined above, the Directors consider that the CMP Assets constitute "substantial assets" for the purposes of Listing Rule 10.1.

Resolution 5 is subject to Resolutions 1 to 4(b) inclusive being approved. Accordingly, it will not have any effect unless Shareholders approve all of Resolutions 1 to 5.

4.3 Independent Expert's Report

In accordance with the requirements of Listing Rule 10.10.2, the Company has commissioned BDO Corporate Finance (WA) Pty Ltd to provide the Independent Expert's Report on the CMP Transaction.

The Independent Expert's Report sets out a detailed examination of the CMP Transaction to enable Shareholders to assess the merits of, and decide whether to approve, the Resolutions.

To the extent that it is appropriate, the Independent Expert's Report sets out further information in respect of the CMP Transaction and concludes that the CMP Transaction is not fair but reasonable to the Shareholders who are not associated with CAP S.A. or CMP.

The Independent Expert's opinions are that:

- (a) the acquisition of the CMP Assets and merger is **not fair but reasonable to non-associated Shareholders**;
- (b) the Option is **not fair but reasonable to non-associated Shareholders**;
- (c) the CMP Security is **fair and reasonable to non-associated Shareholders**; and
- (d) the exit rights in favour of CMP are **not fair but reasonable to non-associated Shareholders**.

The Independent Expert has concluded that the terms of the CMP Transaction are, as a whole, **not fair but reasonable** to non-associated Shareholders. The Independent Expert considers that the CMP Transaction is **reasonable** due to the significant advantages that the Independent Expert considers the CMP Transaction, as a whole, will bring to the Company.

Shareholders are encouraged to read carefully the Independent Expert's Report so as to understand its scope, the methodology of the assessment, the sources of information and the assumptions made.

The Independent Expert's Report is set out in **Annexure A** to this Explanatory Statement.

Part B: Approval to issue Shares for drilling services

5. Resolution 6 – Approval to issue Shares to Blue Spec Sondajes Chile SpA for drilling services

5.1 Background

Resolution 6 seeks Shareholder approval under Listing Rule 10.11 for the Company to issue up to 16,666,667 Shares to Blue Spec Sondajes Chile SpA (**Blue Spec**) for up to US\$1 million worth of drilling services provided by Blue Spec to SMEA under the Drilling Services Contract between SMEA and Blue Spec dated 1 September 2011 (**Drilling Contract**).

In February 2015, the Company, SMEA and Blue Spec agreed to vary the Drilling Contract. The Drilling Contract (as varied) contains clauses which provide for the Company to settle payments owed to Blue Spec by SMEA for services performed under the Drilling Contract by issue of Shares in lieu of cash (**Share Issue Provisions**). The Share Issue Provisions are conditional upon Shareholder approval being obtained under Listing Rule 10.11.

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

The Directors (other than Mr Black) consider it may be appropriate to make payment of the amounts owed to Blue Spec by way of Share issue as it assists in preserving the cash reserves of the Company whilst also aligning the interest of Blue Spec with the performance of the Company.

5.2 Overview of the Drilling Contract

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

Blue Spec has been contracted to provide reverse circulation (**RC**) and diamond drilling services to SMEA at the Productora Project site. Blue Spec 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.

On or about 19 December 2013, SMEA and Blue Spec agreed to extend the term of the Drilling Contract to 30 June 2015 and adjust the drilling rates.

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\$92 per metre;
- standard diamond drilling – US\$321 per metre; and
- geotech diamond drilling – US\$400 per metre.

5.3 Summary of Share Issue Provisions in the Drilling Contract

Share payment	<p>The Company may elect to settle all or part of SMEA's liability to pay Blue Spec for up to US\$1 million worth of drilling services by issuing Shares of equivalent value to Blue Spec or its nominee by giving written notice to that effect (Conversion Notice) to Blue Spec.</p> <p>The Company must make this election within 15 days of receiving a tax invoice for fees from Blue Spec.</p>
Nature of Shares	All shares issued are to be fully paid ordinary shares in the Company and must rank equally with all other Shares on issue.
Conversion rate	<p>The number of Shares to be issued is calculated as follows:</p> $S = (F \times CR) / V$ <p>where:</p> <p>S is the number of Shares to be issued, subject to a maximum of 16,666,667 Shares;</p> <p>F is the service fee (in US dollars) to be settled by the issue of Shares;</p> <p>CR is the US dollar to Australian dollar conversion rate as reported by the Reserve Bank of Australia on the date that a conversion election is made by the Company; and</p> <p>V is the volume weighted average price (VWAP) of Shares in the 30 trading days prior to the issue of a Conversion Notice.</p> <p>Any fractional entitlements are to be rounded down to the nearest whole Share.</p> <p>Note: The maximum quantum of Blue Spec's drilling fees which may be satisfied by the issue of Shares will not exceed US\$1 million and a maximum of 16,666,667 Shares will be issued to Blue Spec for its services.</p> <p>If the VWAP price of Shares (V) and/or the US\$/AU\$ conversion rate (CR) would otherwise result in more than 16,666,667 Shares being issued, the quantum of Blue Spec's fees which may be satisfied in Shares will be less than US\$1 million.</p>
Conditions precedent	<p>The issue of Shares is conditional upon the Company obtaining all applicable legal, regulatory and Shareholder approvals necessary.</p> <p>The Company must take all necessary steps to obtain such approvals within 60 days following the issue of a Conversion Notice. If the approvals are not obtained within this period, the relevant fee remains owing to Blue Spec and must be paid within 15 days.</p>
Takeover restrictions	The Company must not issue any Shares to Blue Spec, its nominee or any of their associates (as that term is defined in the Corporations Act) under the Drilling Contract if it would result in the voting power in the Company of Blue Spec, its nominee and either of their associates exceeding 19.99%, unless an exception in section 611 of the Corporations Act applies.

5.4 Corporations Act exemption

The Shares to be issued under Resolution 6 are to be issued at the VWAP of Shares traded in the 30 trading days prior to the issue of a Conversion Notice. The issue price should reasonably reflect the value of those Shares as determined by the market.

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

5.5 Listing Rule information requirements

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

Listing Rule 10.12 (exception 9) provides an exception to Listing Rule 10.11 if the equity securities (or other securities with rights to conversion to equity) are issued pursuant to an agreement to issue securities and the entity has complied with the Listing Rules when entering into that agreement.

In this instance, the Company seeks Shareholder approval under Listing Rule 10.11 of the Share Issue Provisions (i.e. the agreement to issue securities). If Resolution 6 is approved, then approval is not required under Listing Rule Listing Rule 7.1 which sets a restriction on companies issuing equity securities where the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Upon approval of Resolution 6, the Share Issue Provisions will constitute an agreement to issue equity securities for the purposes of the Listing Rules.

The following information is provided in accordance with Listing Rule 10.13 to enable Shareholders to assess the merits of Resolution 6 for the purposes of Listing Rule 10.11:

(a) **Name of the related party**

Blue Spec Sondajes Chile SpA, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.138.502-k.

(b) **Maximum number of securities to be issued**

The maximum number of Shares that may be issued if Resolution 6 is approved is 16,666,667.

The table below sets out various worked example scenarios for the possible numbers of Shares that may be issued under Resolution 6 by applying different VWAP and currency conversion variables, but assuming the total fees converted are the maximum of US\$1,000,000, as well as the associated dilution effect on existing Shareholders at that time.

VWAP	Amount to be converted	Australian dollar amount	Number of Shares to be issued	Dilution effect
US/Australian dollar conversion rate of US60c to A\$1.00				
\$0.10	US\$1,000,000	\$1,666,667	16,666,667 Shares	4.6%
\$0.20	US\$1,000,000	\$1,666,667	8,333,333 Shares	2.3%
\$0.30	US\$1,000,000	\$1,666,667	5,555,555 Shares	1.6%
\$0.40	US\$1,000,000	\$1,666,667	4,166,666 Shares	1.2%
\$0.50	US\$1,000,000	\$1,666,667	3,333,333 Shares	0.9%
US/Australian dollar conversion rate of US70c to A\$1.00				
\$0.10	US\$1,000,000	\$1,428,571	14,285,714 Shares	3.9%

VWAP	Amount to be converted	Australian dollar amount	Number of Shares to be issued	Dilution effect
\$0.20	US\$1,000,000	\$1,428,571	7,142,857 Shares	2.0%
\$0.30	US\$1,000,000	\$1,428,571	4,761,904 Shares	1.4%
\$0.40	US\$1,000,000	\$1,428,571	3,571,428 Shares	1.0%
\$0.50	US\$1,000,000	\$1,428,571	2,857,142 Shares	0.8%
US/Australian dollar conversion rate of US80c to A\$1.00				
\$0.10	US\$1,000,000	\$1,250,000	12,500,000 Shares	3.5%
\$0.20	US\$1,000,000	\$1,250,000	6,250,000 Shares	1.8%
\$0.30	US\$1,000,000	\$1,250,000	4,166,666 Shares	1.2%
\$0.40	US\$1,000,000	\$1,250,000	3,125,000 Shares	0.9%
\$0.50	US\$1,000,000	\$1,250,000	2,500,000 Shares	0.7%
US/Australian dollar conversion rate of US90c to A\$1.00				
\$0.10	US\$1,000,000	\$1,111,111	11,111,111 Shares	3.1%
\$0.20	US\$1,000,000	\$1,111,111	5,555,555 Shares	1.6%
\$0.30	US\$1,000,000	\$1,111,111	3,703,703 Shares	1.1%
\$0.40	US\$1,000,000	\$1,111,111	2,777,777 Shares	0.8%
\$0.50	US\$1,000,000	\$1,111,111	2,222,222 Shares	0.6%
US/Australian dollar conversion rate of US\$1.00 to A\$1.00				
\$0.10	US\$1,000,000	\$1,000,000	10,000,000 Shares	2.8%
\$0.20	US\$1,000,000	\$1,000,000	5,000,000 Shares	1.4%
\$0.30	US\$1,000,000	\$1,000,000	3,333,333 Shares	0.9%
\$0.40	US\$1,000,000	\$1,000,000	2,500,000 Shares	0.7%
\$0.50	US\$1,000,000	\$1,000,000	2,000,000 Shares	0.6%

Notes:

1. Assumes that fees totalling US\$1,000,000 are converted into Shares.
2. Assumes that the Company does not issue any further Shares prior to the issue of the Shares and that the total number of Shares on issue remains at 347,747,954, being the number of Shares on issue as at the date of this Notice.

3. All figures in the 'Australian dollar amount' column above have been rounded to the nearest whole number.
4. All figures in the 'Number of Shares to be issued' column above have been rounded down to the nearest whole number.
5. All figures in the 'Dilution effect' column above have been rounded to the nearest one decimal place.

(c) Date by which securities will be issued

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

ASX has granted the Company a waiver of Listing Rule 10.13.3 to the effect that, if Resolution 6 is passed, the Company may issue Shares to Blue Spec or its nominee under the Drilling Contract progressively within a 6 month period following the Meeting. Shares will not be issued under Resolution 6 beyond this date.

(d) Relationship requiring Shareholder approval

The Company's Chairman, Mr Murray Black, is an executive of Blue Spec and controls a shareholding interest in Blue Spec of 20%. Blue Spec is considered to be a related party of the Company for the purposes of the Listing Rules.

(e) Issue price of the securities

The issue price of the Shares issued to Blue Spec or its nominee will be nil as they are issued in lieu of monetary liabilities of the Company.

The Shares will be issued at a deemed issue price equal to the VWAP of Shares over the 30 trading days prior to the issue of a Conversion Notice. The currency will be converted to Australian dollars by applying the United States to Australian dollar conversion rate at the date of the Conversion Notice.

ASX has granted the Company a waiver from Listing Rule 10.13.5 to the effect that the actual issue price of the Shares need not be stated in this Explanatory Statement.

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

The Company will not raise any funds from the issue of the Shares to Blue Spec or its nominee as they are being issued in lieu of monetary liabilities of SMEA under the Drilling Contract.

5.6 Directors' recommendations

Mr Black declines to make a recommendation on how Shareholders should vote in respect of Resolution 6 as he holds material personal interest in the outcome of the Resolution through his association with Blue Spec.

The Directors (other than Mr Black) recommend Shareholders vote in favour of Resolution 6 as it will enable the Company to settle amounts payable by SMEA for ongoing drilling services in the continued development of the Productora Project whilst preserving the Company's cash reserves.

Glossary of defined terms

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

ASIC	The Australian Securities & Investments Commission.
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.
A\$ or \$	Australian dollars.
Blue Spec	Blue Spec Sondajes Chile SpA , a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.138.502-k which provides drilling services for the Productora Project.
Board	The Board of Directors of the Company.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
CAP	CAP S.A., a corporation organised and existing under the laws of Chile.
Chairman	The chairman of the General Meeting.
CMP	Compañía Minera del Pacífico S.A., a corporation organised and existing under the laws of Chile.
CMP Assets	The CMP Mining Concessions, the CMP Surface Rights and the CMP Easements.
CMP Easements	The contractual rights to be beneficiary of mining easements over certain surface land held by CMP, as summarised in Section 2.5(b) and specified in item 2 of Schedule 2.
CMP Facility	A US\$13 million secured debt facility to be provided by CMP to SMECL, as summarised in Section 2.1(c) and item 6 of Schedule 1.
CMP Facility Documents	The transaction documents that provide for and govern the CMP Facility and the CMP Security, on the terms and conditions as summarised in Section 2.1(c) and item 6 of Schedule 1.
CMP Mining Concessions	CMP's title and interest in the mining and exploration concessions to be transferred to SMEA under the CMP Transaction, as summarised in Section 2.5(a) and specified in item 1 of Schedule 2.
CMP Productora	CMP Productora SpA, a subsidiary of CMP to be incorporated that will be organised and existing under the laws of Chile.
CMP Security	The security for the CMP Facility, as summarised in Section 2.1(c) and item 6 of Schedule 1.

CMP Surface Rights	The surface rights held by CMP to be transferred to SMEA under the CMP Transaction, as summarised in Section 2.5(c) and specified in item 3 of Schedule 2.
CMP Transaction	The transactions contemplated under the MoU, as summarised in Section 2.1.
Competent Person	<p>A 'Competent Person' for the purposes of the JORC Code, being a minerals industry professional who is a Member or Fellow of the Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites.</p> <p>A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking.</p>
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Definitive Feasibility Study	A feasibility study (or bankable feasibility study) in accordance with the JORC Code in respect of the Productora Project.
Director or Hot Chili Director	A director of the Company.
Drilling Contract	The drilling services contract between SMEA and Blue Spec dated 1 September 2011 (as varied).
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.
Hot Chili or Company	Hot Chili Limited (ACN 130 955 725).
Independent Expert	BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).
Independent Expert's Report	The report of the Independent Expert set out in Annexure A to this Explanatory Statement.
JORC Code	'The Australian Code for Reporting of Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia, as amended or replaced from time to time.
KAS	Kalgoorlie Auto Service Pty Ltd (ACN 008 681 776).
Listing Rules	The listing rules of ASX, as amended from time to time.
Master Agreement	The proposed master agreement between the Company, CMP, SMECL and SMEA on the terms and conditions as summarised in item 2 of Schedule 1.
Merger Agreement	The proposed Merger Agreement between SMECL, CMP and CMP Productora on the terms and conditions as summarised in Section 2.1(a) and item 3 of Schedule 1.

Merger Shares	Shares in SMEA equating to a 17.5% fully diluted shareholding interest in SMEA.
MoU	The Memorandum of Understanding between the Company and CMP entered into on 29 January 2015, as summarised in Section 2.1(a) and item 1 of Schedule 1.
Notice or Notice of General Meeting	The notice of general meeting which accompanies this Explanatory Statement.
Option	An option for CMP to acquire shares in SMEA from SMECL such that its shareholding in SMEA increases to 50.1%, as summarised in Section 2.1(b) and item 5 of Schedule 1.
Option Agreement	The proposed Option Agreement between SMECL and CMP for the grant of the Option, on the terms and conditions as summarised in Section 2.1(b) and item 5 of Schedule 1.
Option Shares	The shares in SMEA held by SMECL that are the subject of the Option.
Preliminary Feasibility Study	A preliminary feasibility study in accordance with the JORC Code to assess whether extraction of ore from the Productora Project is economically mineable.
Productora or Productora Project	The Productora copper project owned by SMEA and operated by the Company, located near Vallenar, Chile.
Proxy Form	The proxy form accompanying the Notice.
Resolution	A resolution set out in the Notice.
Schedule	A schedule to this Explanatory Statement.
Section	A section of this Explanatory Statement.
Share	A fully paid ordinary share in the Company.
Shareholder	The holder of a Share.
Shareholders' Agreement	The proposed shareholders' agreement between SMECL and CMP in relation to their shareholdings in SMEA, on the terms and conditions as summarised in item 4 of Schedule 1.
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.
SMECL	Sociedad Minera El Corazón Limitada, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.199-0 and a subsidiary of the Company.
Sprott	Sprott Resource Lending Partnership (a general partnership organised and existing under the laws of the Province of Ontario).
Sprott Facility	The debt facility between the Company and Sprott entered into on or about 30 June 2014.

Transaction Documents

The agreements and other documents required to effect the transactions contemplated under the MoU, including but not limited to:

- (a) the MoU;
- (b) the Master Agreement;
- (c) the Merger Agreement;
- (d) the Shareholders' Agreement;
- (e) the Option Agreement; and
- (f) the CMP Facility Documents.

US\$

United States dollars.

Valuation

A valuation of SMEA to be conducted by an independent valuer, as outlined in item 5 of Schedule 1.

VWAP

The volume weighted average price of quoted securities as reported on Bloomberg L.P..

WST

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

Schedule 1 – Material Terms of CMP Transaction Documents

1. Memorandum of Understanding

The MoU sets out the framework for the CMP Transaction, including the key terms and conditions to be included in the Transaction Documents. These terms and conditions are detailed in this Section below.

The conditions precedent to the transactions under the MoU are summarised as follows:

- (a) each party (acting reasonably) being satisfied of its due diligence enquiries in relation to the transactions contemplated by the MoU and due diligence of the Company, SMECL, SMEA and related companies;
- (b) ratification of the MoU by the board of CMP – this condition has been satisfied;
- (c) the Company obtaining all necessary approvals under the Listing Rules, including shareholder approval under Listing Rule 10.1; and
- (d) any other regulatory approval that may be required to give effect to the matters and transactions contemplated by the MoU being obtained.

2. Proposed Master Agreement

It is proposed that a Master Agreement be entered into between the Company, CMP, SMECL and SMEA to effect the CMP Transaction as contemplated under the MoU. The Master Agreement is in effect to act as an umbrella agreement.

It is proposed that the Master Agreement will be prepared on the terms and conditions set out in the table below, in addition to other provisions considered usual for an agreement of this type.

Transactions	<p>The parties will effect the following transactions:</p> <ul style="list-style-type: none">• CMP will incorporate CMP Productora, being a wholly owned subsidiary, and will contribute:<ul style="list-style-type: none">○ certain mining concessions, title and property over Estancia Higuera de Las Minillas; and○ certain contractual rights to be the beneficiary of mining easements over surface lands and mining concessions held by CMP;• CMP Productora will merge with SMEA pursuant to which SMEA (as the surviving entity) will acquire all of the assets and liabilities of CMP Productora (including the CMP Assets) and CMP will hold a 17.5% interest in SMEA;• SMECL will grant the Option to CMP, being an option for CMP to increase its holding in SMEA up to 50.1% in two tranches;• SMECL and CMP will enter into the Shareholders' Agreement; and• CMP will provide the CMP Facility.
Free-carried interest	<p>CMP will be free-carried up to completion of the Preliminary Feasibility Study.</p>
Decision to mine prior to first tranche of Option	<p>If the Company and CMP make a decision not to proceed with development of the Productora Project prior to exercise of the first tranche of the Option:</p> <ul style="list-style-type: none">• the merger under the Merger Agreement will be relinquished and left without effect in all parts;

	<ul style="list-style-type: none"> the CMP Assets transferred to SMEA under the merger Agreement must be returned to CMP Productora or CMP's nominee or assignee; and SMECL must return the \$1.5 million fee paid for the Option under the Option Agreement.
Non-exercise of first tranche of the Option following preliminary decision to mine	<p>If a preliminary decision to mine at the Productora Project is made by the Company, SMECL and SMEA, and CMP elects not to exercise the first tranche of the Option:</p> <ul style="list-style-type: none"> SMEA will have the right to proceed with further development of the Productora Project; CMP will have the right to either: <ul style="list-style-type: none"> retain its shareholding interest in SMEA which will become subject to standard dilution associated with ongoing expenditure funded solely by the Company/SMECL; or transfer its shareholding to the Company/SMECL for the higher of US\$42.9 million and 17.5% of the amount determined under the Valuation, capped at US\$59,049,080, with the sale price to be paid within 24 months after 4 January 2016. <p>If CMP elects to transfer its shareholding in SMEA back to the Company/SMECL and development of the project is definitively suspended within the 24 month payment period, the Company/SMECL will have the right to transfer the CMP Mining Concessions and the CMP Surface Rights back to CMP and to relinquish the CMP Easements. In this case, CMP's shareholding in SMEA will be cancelled.</p>
Non-exercise of second tranche of the Option	<p>If CMP elects not to exercise the second tranche, it may:</p> <ul style="list-style-type: none"> retain its shareholding interest which will become subject to standard dilution associated with ongoing expenditure funded solely by the Company/SMECL; sell its shareholding interest to a third party; or within 90 days of electing not to exercise the second tranche, require the Company/SMECL to buy its shareholding interest at a price per share using the value calculated for the first tranche of the Option, with the purchase price to be paid on project financing being secured for the Productora Project.
Share transfer by KAS	KAS must transfer its shares in SMEA to SMECL immediately following the merger under the Merger Agreement.
Warranties	<p>The Master Agreement will include various warranties and representations considered standard for an agreement of this type, including (without limitation) warranties as to the following matters:</p> <ul style="list-style-type: none"> (a) due incorporation and good standing; (b) authority of parties and no conflict; (c) enforceability of the contemplated transactions; (d) enforceability of the agreement; (e) capital of the surviving corporation; (f) financial statements; (g) no undisclosed liabilities;

	<ul style="list-style-type: none"> (h) legal proceedings; (i) contracts; no defaults of contracts; (j) personal property; (k) environmental matters; (l) proprietary rights; (m) employee benefits; (n) compliance with applicable law and governmental authorizations; (o) insurance coverage; (p) mining property; (q) water rights; (r) taxes; (s) absence of certain changes and events; (t) brokers; (u) improper payments; (v) transactions with related parties; (w) board level approvals; (x) filings with governmental authorities; (y) sufficiencies of assets; (z) no circumstances giving rise to material adverse effects; (aa) no subsidiaries; and (bb) single purpose status.
Obligations and negative covenants	<p>The Master Agreement will have various obligations and negative covenants from the date of the merger until CMP exercises the second tranche of the Option, including (without limitation) warranties as to the following matters:</p> <ul style="list-style-type: none"> (a) access to information; (b) conduct of business in normal course; (c) payment of taxes; (d) dividend distributions; (e) amendments to bylaws; (f) acquisitions and investments; (g) sale of assets; (h) new indebtedness; (i) entering into, amending or terminating material contracts; (j) settlements and legal proceedings; and (k) accounting practices.
Termination	The Master Agreement may be terminated by mutual agreement of the parties or pursuant to the provisions of a specific Transaction Document.
Governing law and dispute resolution	The Master Agreement will be governed by the laws of Chile and disputes will be determined through arbitration at the Santiago Arbitration and Mediation Centre of the Santiago Chamber of Commerce.

3. Proposed Merger Agreement

It is proposed that a Merger Agreement be entered into between SMECL, KAS and CMP to implement a merger between SMEA and CMP Productora on the terms set out in the MoU and Master Agreement. CMP Productora will hold the CMP Assets to be acquired by SMEA under the merger.

It is proposed that the Merger Agreement will be prepared on the terms and conditions set out in the table below, in addition to other provisions considered usual for an agreement of this type.

Merger	<p>SMECL and KAS, as shareholders of SMEA, and CMP as the shareholder of CMP Productora, will each consent to CMP Productora's merger with SMEA.</p> <p>As a result of the merger by incorporation between SMEA and CMP Productora:</p> <ul style="list-style-type: none">• all assets and liabilities held by CMP Productora at the time of executing the Merger Agreement will become incorporated into SMEA, including the CMP Assets;• SMEA will be responsible for any debts of CMP Productora that exist at the time of the merger (note: the Company does not anticipate that CMP Productora will have any debts at the time of merger);• the capital of SMEA will be increase with the capital of CMP Productora and the shareholder interests of SMEA will be modified; and• the share capital of SMEA will be held by SMECL (82.5%) and CMP (17.5%).
Transfer of KAS shares	<p>KAS must transfer its shares in SMEA to SMECL immediately following the merger.</p>

4. Shareholders' Agreement

The MoU provides for a Shareholders' Agreement to be entered into between SMECL and CMP to govern each party's respective rights and responsibilities as shareholders in SMEA, including project management and funding.

It is proposed that the Shareholders' Agreement will be prepared on the terms and conditions set out in the table below, in addition to other provisions considered usual for an agreement of this type.

Board representation	<p>Upon the merger occurring under the Merger Agreement, SMEA's shareholders must amend its bylaws to provide as follows:</p> <ul style="list-style-type: none">• the board of directors shall comprise 5 directors with each to have an appointed alternate director;• a party holding 80% or more of the shares will be entitled to appoint 4 directors and corresponding alternates;• a party holding between 50% and 80% of the shares will be entitled to appoint 3 directors and corresponding alternates;• the aggregate number of shareholders holding between 20% and 50% of the shares will be entitled to appoint 2 directors and corresponding alternates; and• a party holding 20% or less of the shares will be entitled to appoint 1 director and corresponding alternate provided that the shareholders that hold between 50% and 80% retain their ability to
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	<p>appoint the number of corresponding directors stated above.</p> <p>If 2 or more shareholders are related parties, they shall be deemed 1 shareholder.</p>
Management	<p>The board of directors will be responsible for the general management of SMEA, subject to specific restricted matters.</p> <p>The board will appoint a general manager who will be responsible for general operations of SMEA.</p> <p>SMEA will have management committees (i.e. technical committee, exploration committee etc) that comprise representatives of CMP and SMECL.</p>
Deadlock	<p>Customary provisions for the resolution of deadlocks will be included in the Shareholders' Agreement.</p>
Use of assets	<p>CMP will have the right to use and benefit from certain SMEA assets and/or infrastructure if it pays SMEA the market price and such use does not interfere with the development or operation of the Productora Project.</p>
Funding	<p>SMECL will be solely responsible for funding SMEA prior to completion of the Preliminary Feasibility Study, following which each shareholder will be responsible for funding on a pro-rata basis in proportion to its shareholding.</p> <p>Each shareholder's interest will be subject to standard dilution if they do not contribute to required funding.</p> <p>The Productora Project will be financed by a project finance facility after the completion of the Definitive Feasibility Study.</p>
Dividends	<p>Subject to certain financial conditions of SMEA, shareholders will determine the amount of net profits to be distributed each year.</p>
Transfer of shares	<p>Each shareholder will have a first right of refusal to acquire shares that another shareholder wishes to dispose of other than in respect of transfers to controlled associates.</p> <p>Each shareholder will have tag-along rights which require their shares to be acquired if the other shareholder intends to sell its shares to a third party.</p> <p>Any third party that acquires shares in SMEA must be acceptable to SMEA's lenders under the terms of the relevant credit or finance agreements with those lenders.</p> <p>The shareholders must not encumber their shares.</p> <p>A party may transfer its shares to a party that controls, is under common control or is controlled by that party, subject to the transferee agreeing to be bound by the Shareholders' Agreement.</p>
Events of default	<p>Customary provisions for default and remedies on default will be included in the Shareholders' Agreement.</p>
Termination	<p>Customary provisions for termination will be included in the Shareholders' Agreement.</p>
Governing law	<p>The Shareholders' Agreement will be governed by the laws of Chile and disputes will be determined through arbitration at the Santiago Arbitration and Mediation Centre of the Santiago Chamber of Commerce.</p>

5. Option Agreement

It is proposed that an Option Agreement be entered into between SMECL and CMP to grant CMP the option to acquire additional SMEA shares from SMECL so as to obtain a shareholding of up to 50.1% in two tranches (i.e. the Option), on the terms set out in the MoU and Master Agreement.

It is proposed that the Option Agreement will be prepared on the terms and conditions set out in the table below, in addition to other provisions considered usual for an agreement of this type.

Grant of option	<p>SMECL grants CMP an option (Option) to purchase, free of encumbrances, SMEA shares such that CMP attains a fully diluted equity interest in SMEA of 50.1% (Option Shares).</p> <p>The Option will be exercisable in two tranches.</p> <p>The Option Shares will have a minimum value of US\$80 million and a maximum value of US\$110 million.</p>
Option fee	<p>CMP must pay a fee of US\$1.5 million for the grant of the Option (Option Fee) which will constitute an advance payment on the exercise price.</p>
First tranche	<p>The first tranche of the Option will be exercisable by CMP within 90 days of its satisfactory receipt of the following:</p> <ul style="list-style-type: none"> the results of the Preliminary Feasibility Study; the Valuation; and board minutes for Hot Chili, SMECL and SMEA making a preliminary decision to mine at the Productora Project. <p>The exercise price for the first tranche will be US\$26 million.</p> <p>The number of Option Shares available under the first tranche will be the same fraction of the total shares in SMEA corresponding to US\$26 million, divided by the higher of US\$245,398,733 and the value determined by the Valuation, capped at US\$337,423,313</p> <p>The value of SMEA shares is to be calculated by dividing the total number of shares on issue by the higher of US\$245,398,733 and the value determined by the Valuation, capped at US\$337,423,313.</p>
Second tranche	<p>The second tranche of the Option will be exercisable by CMP within 90 days of the satisfactory receipt of:</p> <ul style="list-style-type: none"> the results of the Definitive Feasibility Study; finalised project financing terms for the Productora Project; and board minutes by Hot Chili, SMECL and SMEA making a definitive decision to mine at the Productora Project. <p>CMP will acquire the remaining interest in SMEA that is required to take its shareholding to 50.1%.</p> <p>Each SMEA share will be valued using the value applied under the first tranche.</p> <p>Any loan amount outstanding under the terms of the CMP Facility and the Option Fee will be deducted from the exercise price.</p>
Application of funds	<p>US\$12 million from the exercise price must be used to repay the Spratt Facility and the remaining US\$14 million must be applied towards funding of Hot Chili's costs of conducting the Definitive Feasibility Study.</p> <p>The second tranche exercise price, less any loan amount outstanding under the terms of the CMP Facility and the Option Fee, will be applied to</p>

	the Company/SMECL's share of project financing costs for the Productora Project, and shall be held in a special bank account of SMECL which requires two signatures (one from the Company and one from CMP) until such application is made in full.
Valuation	<p>The Valuation is to be conducted by an independent expert appropriately qualified and experienced in the valuation of exploration and mining enterprises.</p> <p>The valuer will conduct a valuation on the basis that it includes a preferred valuation of SMEA at the date of the Preliminary Feasibility Study. It will include a valuation of the assets, liabilities and rights of SMEA, and 100% economic interest in the Productora Project. A premium for control must be included on the assumption that CMP will acquire 50.1% of the shares in SMEA.</p> <p>The Valuation must be prepared in accordance with market based valuation methodologies ordinarily used for companies engaged in exploration and mining in Australia, North America or South America.</p>
Assignment	CMP may assign its rights under the Option Agreement to a related party of CMP or to a third party.
Formal documents	The parties must execute a formal document for the sale of each tranche of Option Shares as promptly as possible following the exercise of the relevant tranche.
Governing law	The Option Agreement will be governed by the laws of Chile and disputes will be determined through arbitration at the Santiago Arbitration and Mediation Centre of the Santiago Chamber of Commerce.

6. CMP Facility Documents

The MoU provides for the CMP Facility to be established between CMP and SMECL to provide for a secured loan facility for funding development of the Productora Project to production.

It is proposed that the CMP Facility Documents will be prepared on the terms and conditions set out in the table below, in addition to other provisions considered usual for agreements of this type.

Parties	<p>CMP – lender</p> <p>SMECL – borrower</p> <p>Hot Chili and SMEA – guarantors</p>
Loan type	Secured term loan facility.
Principal amount	US\$13 million.
Facility term	<p>Subject to satisfying various conditions precedent, the CMP Facility will be available from the date that CMP is required to make payment of the first tranche of the Option.</p> <p>The facility will remain available until the earlier of:</p> <ul style="list-style-type: none"> • 12 months from the date that CMP is required to make payment of the first tranche of the Option; and • the date that the second tranche of the Option is exercised.
Drawdown	SMECL may drawdown the facility in one amount of US\$13 million.
Use	The funds must be used for:

	<ul style="list-style-type: none"> • further exploration, evaluation and development of the Productora Project, including conducting all feasibility studies and accessing infrastructure owned by CMP; • the Company and SMECL's general working capital; and • such other purposes as SMECL may deem appropriate.
Interest	<p>Interest accrues at the rate of 10% per annum or, at the election of SMECL, 8% per annum if it pays to CMP prior to drawdown a facility fee equal to 1% of the principal amount, being the sum of US\$130,000.</p> <p>Interest compounds and is payable on a monthly basis.</p>
Repayment	<p>All outstanding principal and interest must be repaid on the earlier of:</p> <ul style="list-style-type: none"> • 24 months from funds becoming available for drawdown; and • the date that the exercise price of the second tranche of the Option is payable by CMP to SMECL.
Prepayment	<p>SMECL may prepay any amount owing, in whole or in part, without penalty provided that 6 months interest has been paid on that amount and it gives prior notice of such prepayment.</p>
Change in control	<p>If any of the following occur, the outstanding amount under the CMP Facility will become immediately due and payable in full:</p> <ul style="list-style-type: none"> • any person(s) acquires control or a voting interest of 30% of the shareholder voting rights or economic interests in either Hot Chili or SMECL; or • the majority of directors are not nominated by the other directors (nor appointed by such nominee directors) or whose initial nomination occurs as a result of actual or threatened solicitation of proxies or consents for removal of one or more of the directors other than by the board.
Security	<p>Hot Chili, SMECL and SMEA (each a Credit Party) must provide first ranking security over all of their respective assets (except only as may be agreed with CMP after the completion of all due diligence) (CMP Security) including the following:</p> <ul style="list-style-type: none"> • a General Security Agreement governed by Western Australian law under which Hot Chili grants a first ranking security in favour of CMP over all of its present and after-acquired personal property; • a Share Pledge Agreement under which Hot Chili pledges and grants a security interest in favour of CMP over all of the shares in the capital of SMECL legally and beneficially owned by Hot Chili; • a Share Pledge Agreement under which SMECL pledges and grants a security interest in favour of CMP over all of the shares in the capital of SMEA legally and beneficially owned by SMECL; • guarantees by each of Hot Chili and SMEA that SMECL will perform its obligations under the CMP Facility Documents; • a first ranking fixed and floating charge or pledge security and specific registration against the Productora Project and a first assignment as security of all material contracts and all mining leases, rights, permits and licences entered into or held by SMEA, that CMP deems necessary through its due diligence process; and • a Mortgage Agreement under which SMEA will mortgage and

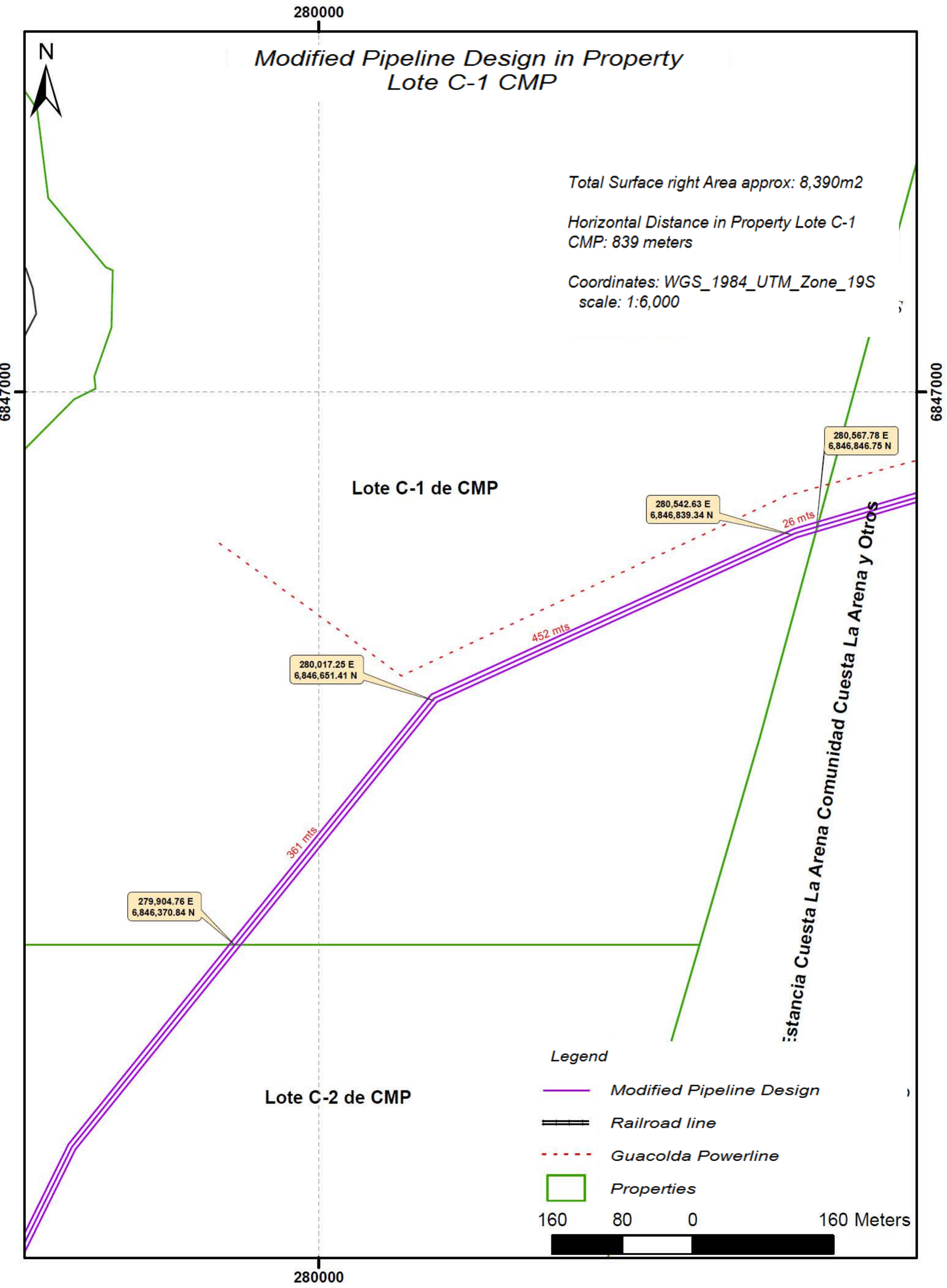
	grant a security interest in favour of CMP over all of the mining rights and real property owned by SMEA.
Conditions precedent to CMP Facility	<p>The CMP Facility is subject to various conditions precedent, including but not limited to:</p> <ul style="list-style-type: none"> • execution of the transaction documents contemplated under the MoU; • exercise by CMP of the first tranche of the Option; • repayment of the Sprott Facility and Sprott releasing all liens of the assets of SMEA; • execution, delivery and registration (as applicable) of a valid, binding and enforceable credit agreement and associated security documents to effect the CMP Security, including legal opinions and other supporting documents to CMP's satisfaction; • no material adverse change occurring in the business operations, assets or ownership of the Credit Parties, including that no pending or threatened litigation proceedings or investigations which could have a material adverse effect; • receipt of all applicable securities exchange and other regulatory approvals; and • all representations and warranties of the Credit Parties being true and accurate and covenants completed prior to closing.
Covenants, negative covenants and warranties	<p>The CMP Facility will include various covenants, negative covenants and warranties, including (without limitation) the following:</p> <ul style="list-style-type: none"> • a restriction on additional borrowing and granting of security by the Credit Parties, including not entering into any further debt obligations without CMP's prior consent; • the Credit Parties will maintain working capital (being current assets less current liabilities, but excluding the CMP Facility) of more than US\$1 million, on a consolidated basis, as well as a consolidated cash and cash equivalent amounts to exceed US\$1,500,000 at all times, tested on a monthly basis; • SMECL must provide monthly financial reports and summaries to CMP; • the Credit Parties must not make any material payments to shareholders, affiliates or executives (other than normal salaries) without the prior written consent of CMP, with such consent not to be unreasonably withheld; • shares in the Credit Parties (other than Hot Chili) and material assets must not be transferred without the consent of CMP other than amongst the Credit Parties and CMP; and • the Credit Parties must not make any material amendments, waivers or consents to material contracts without the consent of CMP, with such consent not to be unreasonably withheld.
Governing law	<p>The CMP Facility Documents will be governed by the laws of Chile, other than the general security agreement which is to be governed by the laws of Western Australia.</p> <p>Disputes will be determined through arbitration at the Santiago Arbitration and Mediation Centre of the Santiago Chamber of Commerce.</p>

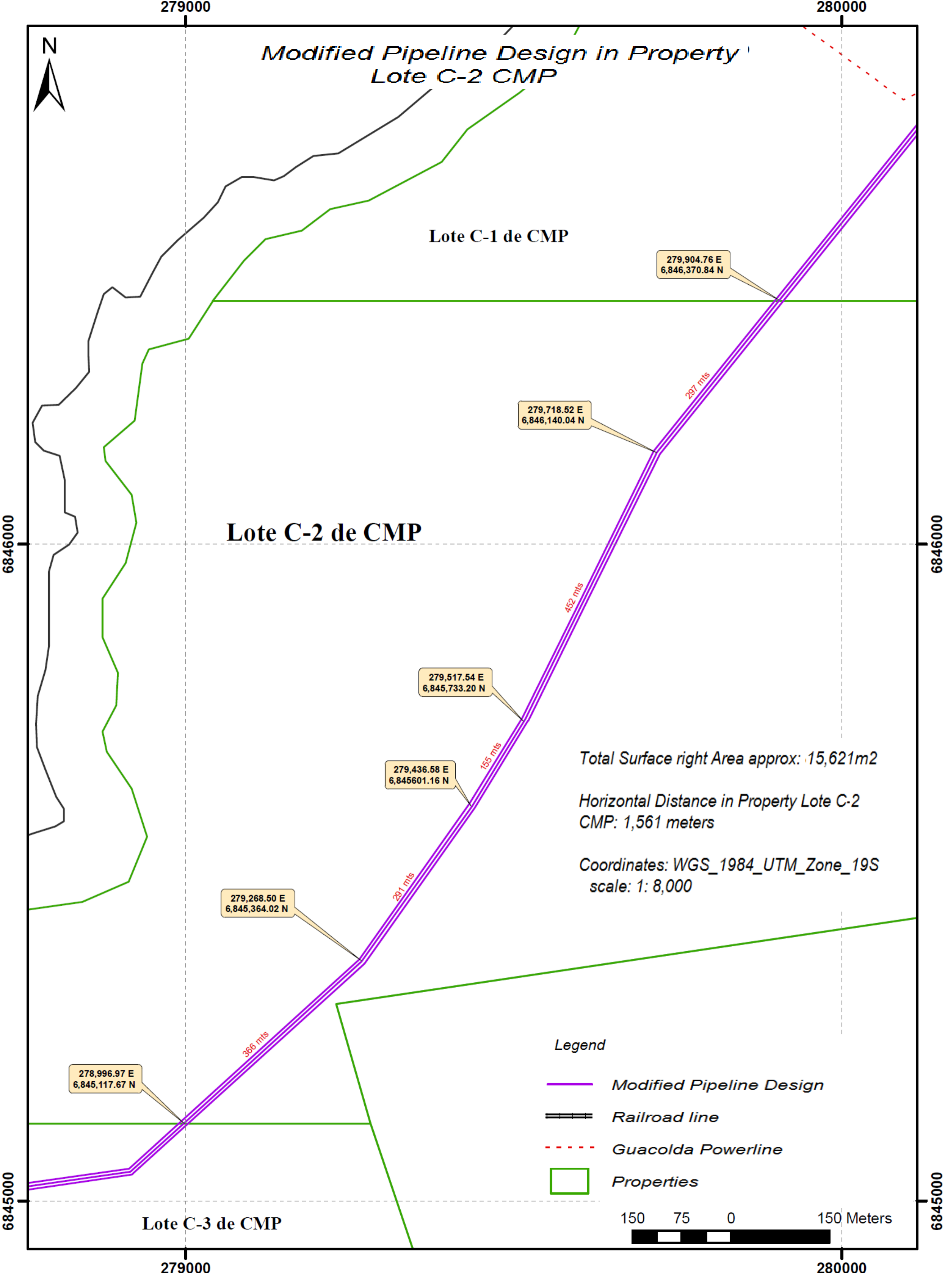
Schedule 2 – CMP Assets

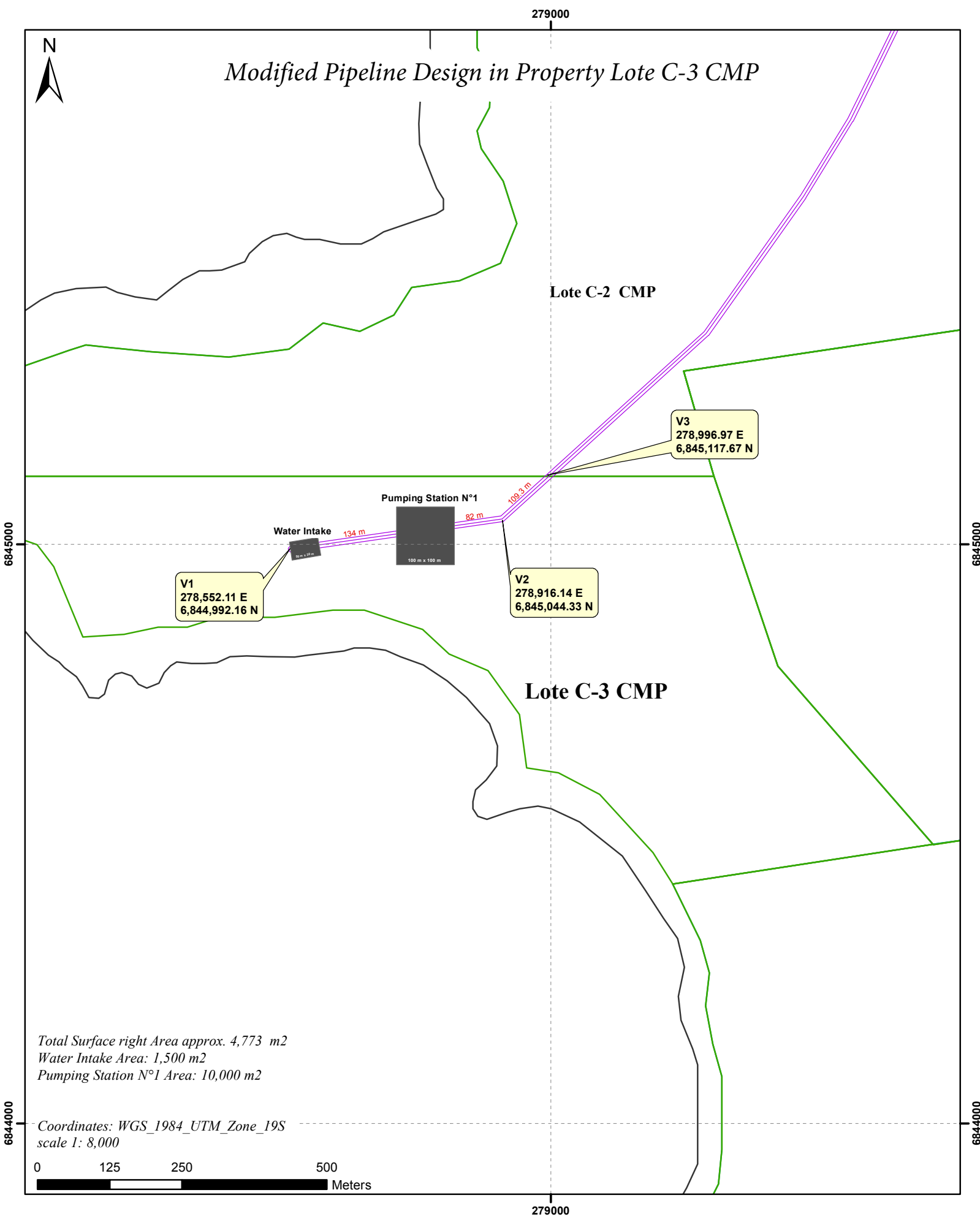
1. CMP Mining Concessions

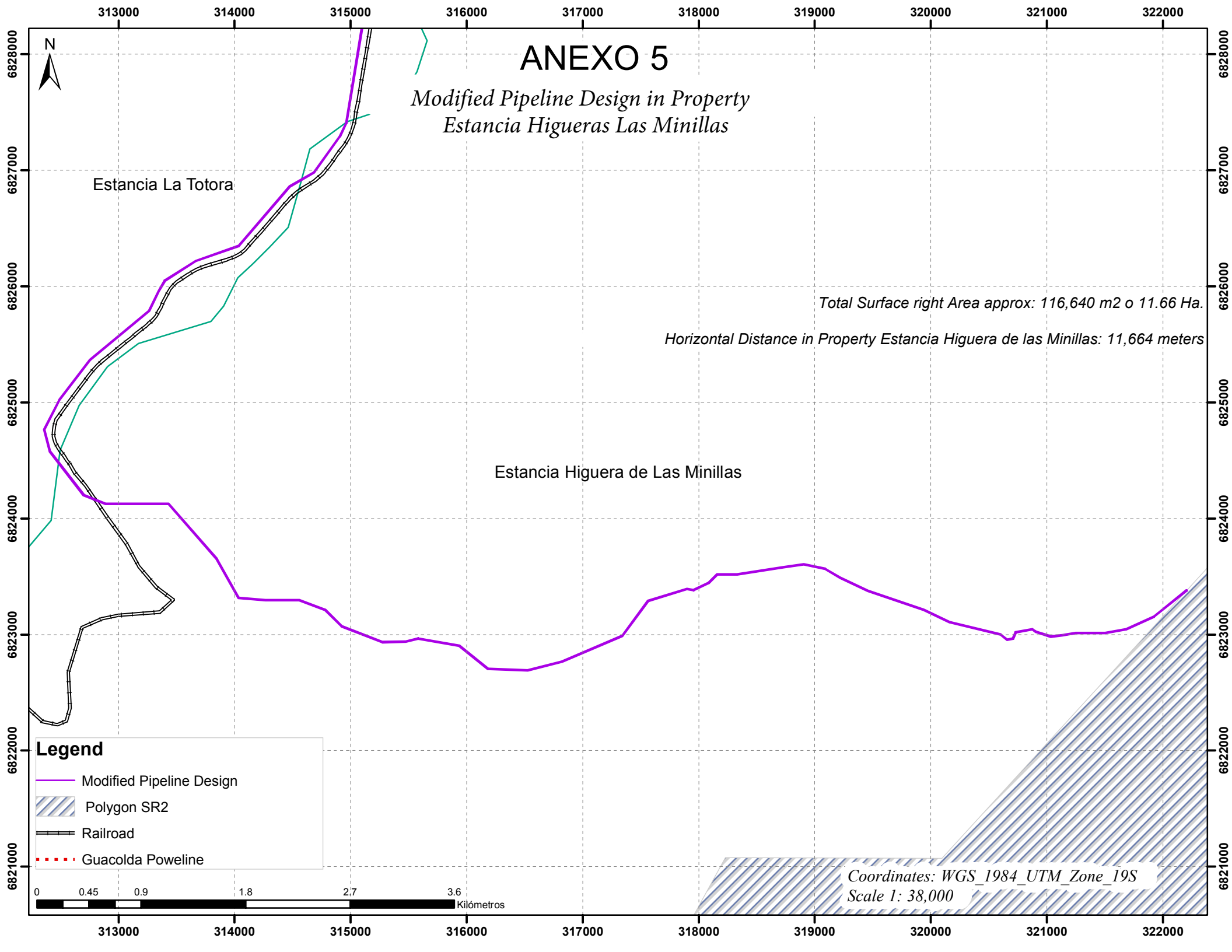
Licence ID	Holder	Licence Type	Area(ha)
CUENCA A, 1-51	CMP	Exploitation concession	255
CUENCA B, 1-28	CMP	Exploitation concession	139
CUENCA C, 1-51	CMP	Exploitation concession	255
CUENCA D	CMP	Exploitation concession	3
CUENCA E	CMP	Exploitation concession	1
CHOAPA 1-10	CMP	Exploitation concession	50
ELQUI 1-14	CMP	Exploitation concession	61
LIMARÍ 1-15	CMP	Exploitation concession	66
LOA 1-6	CMP	Exploitation concession	30
MAIPO 1-10	CMP	Exploitation concession	50
TOLTÉN 1-4	CMP	Exploitation concession	70
CACHIYUYITO 1, 1-60	CMP	Exploitation concession	300
CACHIYUYITO 2, 1-60	CMP	Exploitation concession	300
CACHIYUYITO 3, 1-60	CMP	Exploitation concession	300

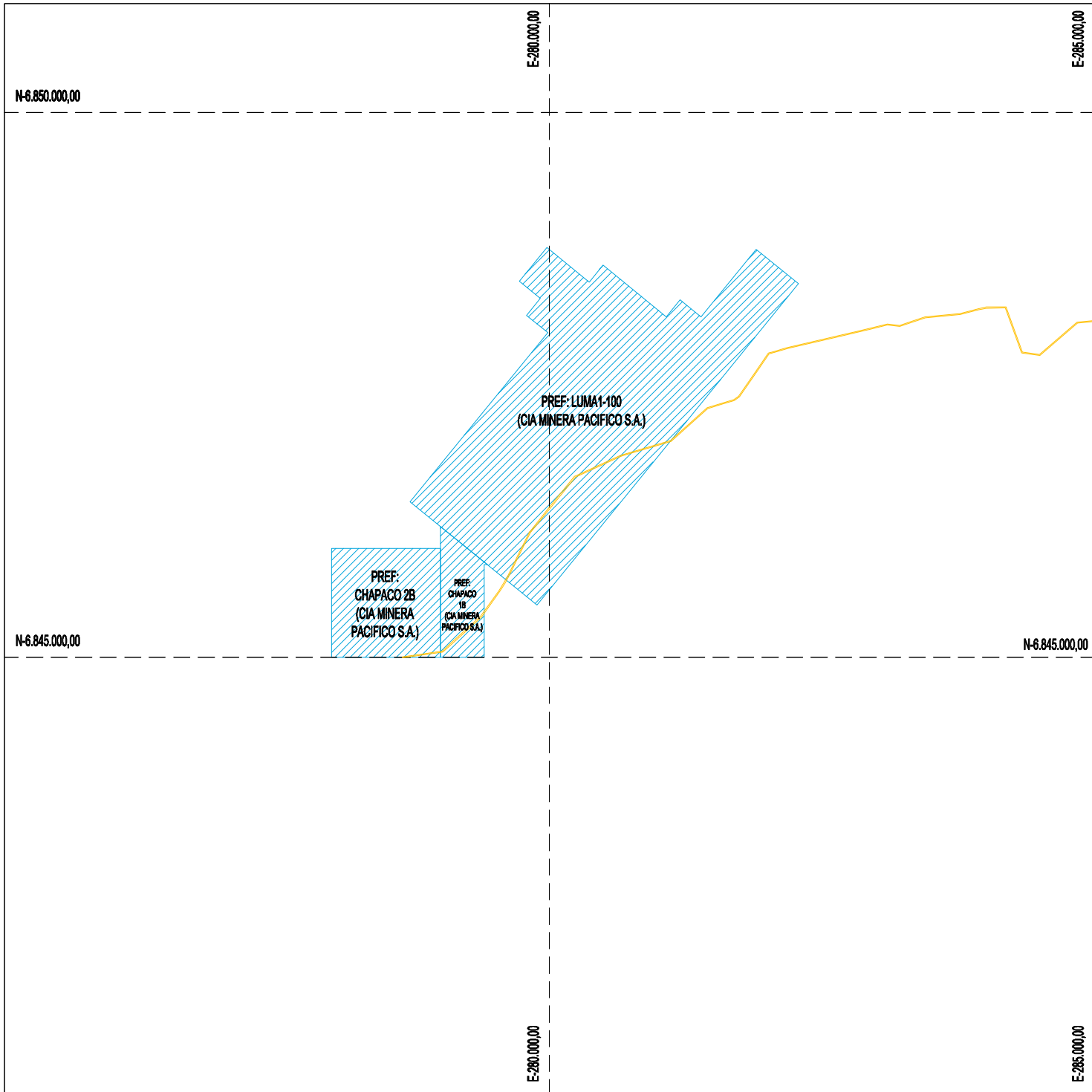
2. CMP Easements










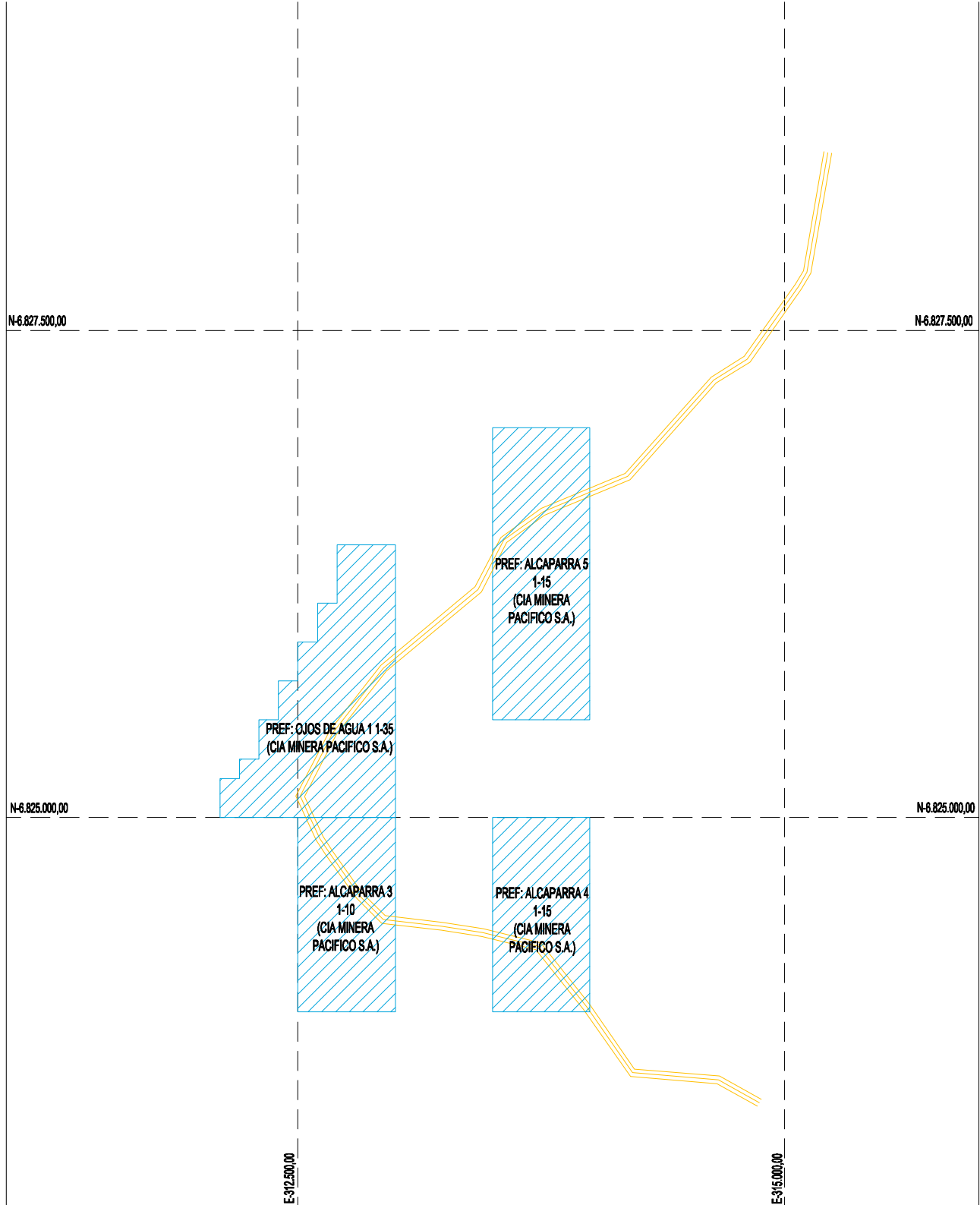


CMP MINING CONCESSIONS FOR PIPELINE IN LOTE C-1, C-2 AND C-3

SCALE 1:50.000

|CorreaGubbins.

LEGEND	
	CMP MINING CONCESSIONS

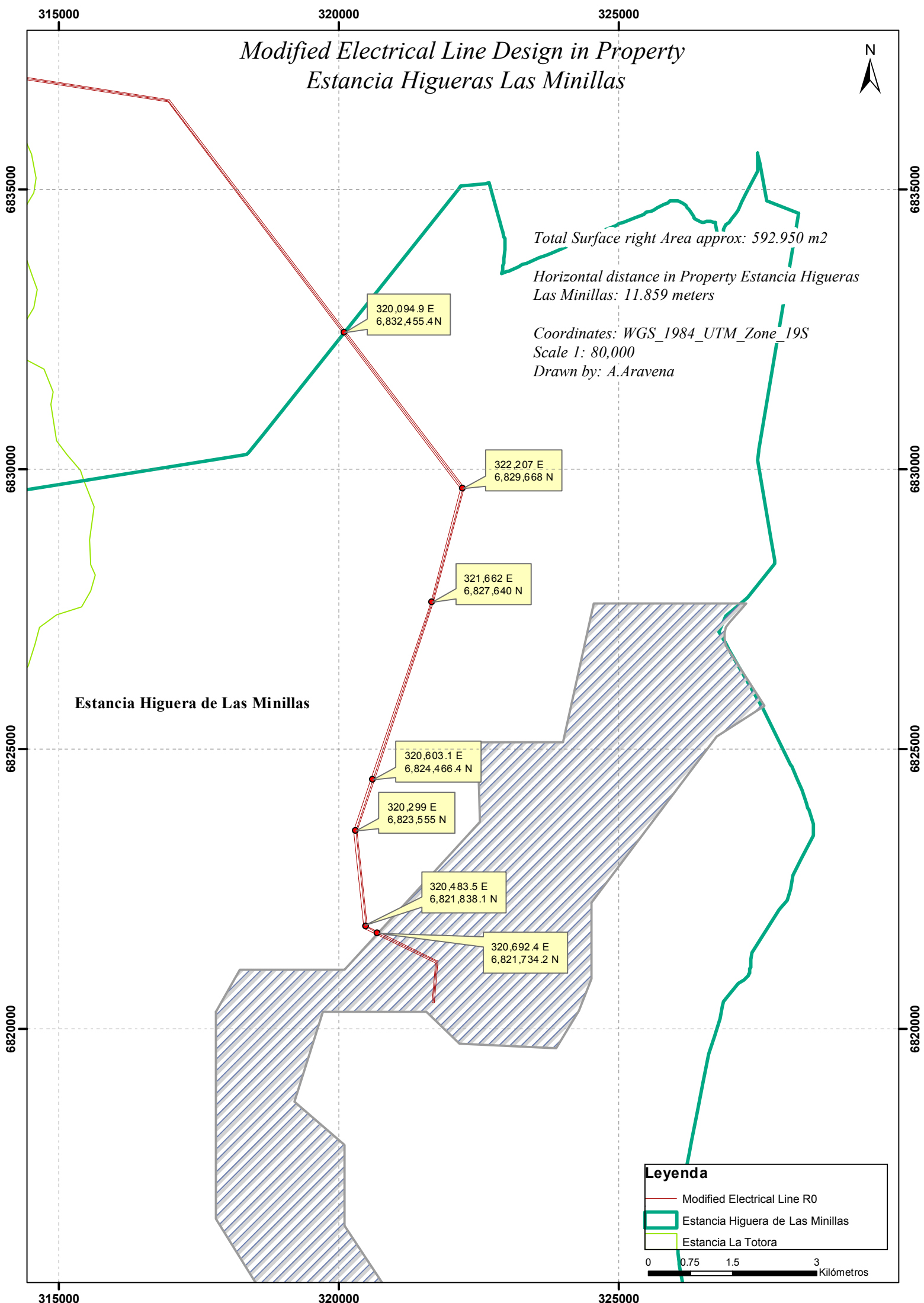


CMP MINING CONCESSION FOR PIPELINE IN ESTANCIA HIGUERA DE LAS MINILLAS

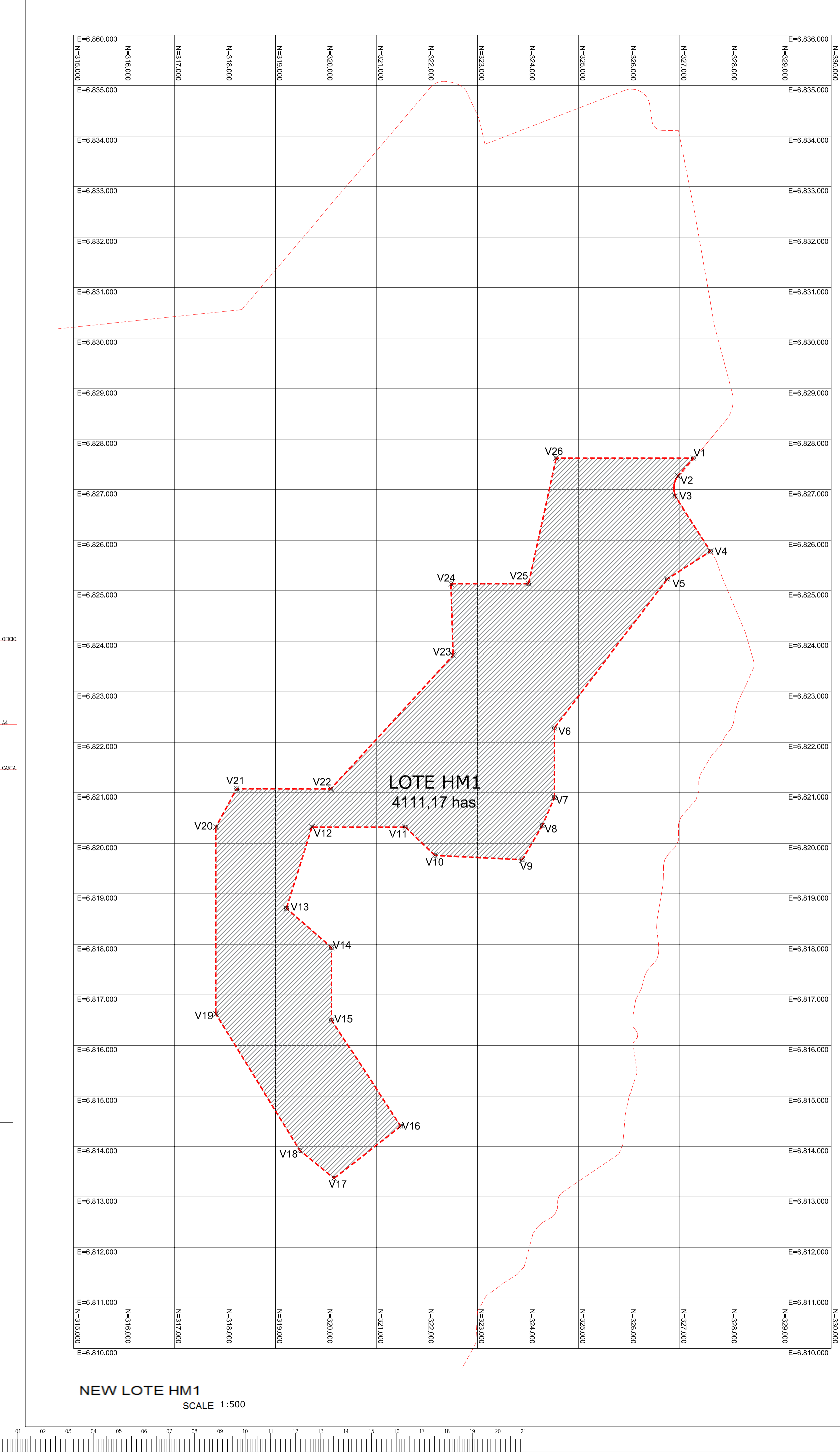
SCALE 1:50.000

| CorreaGubbins.

LEGEND	
	CMP MINING CONCESSIONS



3. CMP Surface Rights



	Norte	Este
V1	6.827.624,517	327.272,575
V2	6.827.270,429	326.963,733
V3	6.826.868,987	326.911,718
V4	6.825.781,266	327.610,639
V5	6.825.233,627	326.755,007
V6	6.822.283,256	324.521,241
V7	6.820.909,542	324.520,749
V8	6.820.354,530	324.280,616
V9	6.819.676,533	323.883,740
V10	6.819.762,523	322.154,023
V11	6.820.323,013	321.571,107
V12	6.820.323,480	319.722,368
V13	6.818.711,935	319.218,028
V14	6.817.938,278	320.110,229
V15	6.816.501,007	320.110,942
V16	6.814.403,615	321.477,455
V17	6.813.369,259	320.162,552
V18	6.813.921,880	319.484,069
V19	6.816.624,291	317.815,783
V20	6.820.323,480	317.815,452
V21	6.821.078,299	318.228,683
V22	6.821.073,798	320.096,609
V23	6.823.724,137	322.517,588
V24	6.825.139,123	322.473,410
V25	6.825.138,338	324.007,195
V26	6.827.624,391	324.556,206

PLAN MAESTRO

UBICACION

ETAPA

XXXXXXXXXXXXXXXXXXXX

MANDANTE

Nombre Mandante

ESPECIALISTAS

BLOKE PROYECTOS

AV. MANQUEHUAY SUR N° 880 - LAS CONDES

FONO: (02) 28388197 contact@bloke.cl

VP _____

ARQUITECTURA

BLOKE

Maximiliano Infante M.
Gerardo Ribón K.
Fernando Hurtado L.
ARQUITECTOS

AV. MANQUEHUAY SUR N° 880 - LAS CONDES
FONO: (02) 28388197 contact@bloke.cl
www.bloke.cl

MODIFICACIONES

VERSION

100

PROPIETARIO

FIRMA

ARQUITECTO

FIRMA

PROYECTO

CONTENIDO

XXX

XXX

XXX

XXX

DIBUJO	REVISO	FECHA
M.A.P	F.H.L	21/11/2013
SERIE	ESCALA	ROL
100	1/500	000-00

PLANO N°

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PROYECTO N°

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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 Chairman 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 **1.30pm WST on Thursday, 30 April 2015** at 1st 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.

NOTE: The Company encourages you to you to direct your proxy to vote for or against the Resolutions or to abstain from voting on each of the Resolutions. **If the Chairman is appointed your proxy, the Chairman intends to vote all undirected proxies FOR each Resolution.**

Should you wish to direct your proxy how to vote, please mark FOR, AGAINST or ABSTAIN in the voting boxes below.

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

		For	Against	Abstain
Resolution 1	Acquisition of CMP Assets and issue of Merger Shares – approval for the acquisition and disposal of substantial assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Grant and exercise of Option – approval for the disposal and acquisition of a substantial asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Grant of CMP Security and disposal on exercise – approval for the disposal of a substantial asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4(a)	Reacquisition of CMP interest after preliminary decision to mine – approval for the acquisition of a substantial asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4(b)	Reacquisition of CMP interest prior to exercise of second tranche of Option – approval for the acquisition of a substantial asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-transfer and relinquishment of CMP Assets on discontinuance of Productora Project – approval for the disposal of a substantial asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval to issue Shares to Blue Spec Sondajes Chile SpA for drilling services	<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

HOT CHILI LIMITED
ACN 130 955 725

Annexure A to Notice of General Meeting dated 19 March 2015
(Notice)

Independent Expert's Report

Independent Expert's Report dated 26 February 2015 prepared by BDO Corporate Finance (WA) Pty Ltd in relation to the General Meeting of Hot Chili Limited to be held on Thursday, 30 April 2015 at 1.30pm.

The Independent Expert has concluded that the CMP Transaction, on the whole, is ***not fair but reasonable*** to non-associated Shareholders.

More specifically, in relation to each aspect of the CMP Transaction, the Independent Expert concluded that:

- the acquisition of the CMP Assets pursuant to Resolution 1 of the Notice is ***not fair but reasonable*** to non-associated Shareholders;
- the grant of the Option pursuant to Resolution 2 of the Notice is ***not fair but reasonable*** to non-associated Shareholders;
- the grant of the CMP Security pursuant to Resolution 3 of the Notice is ***fair and reasonable*** to non-associated Shareholders; and
- the grant of the exit rights in favour of CMP pursuant to Resolutions 4(s), 4(b) and 5 of the Notice is ***not fair but reasonable*** to non-associated Shareholders.



HOT CHILI LIMITED Independent Expert's Report

OPINIONS:

BDO has concluded that the acquisition of the CMP Assets is not fair but reasonable to Shareholders

BDO has concluded that the Additional Option is not fair but reasonable to Shareholders

BDO has concluded that the security over the CMP Facility is fair and reasonable to Shareholders

BDO has concluded that the Exit Rights are not fair but reasonable to Shareholders

BDO has concluded that the CMP Transaction, on a whole, is not fair but reasonable to Shareholders

26 February 2015



Financial Services Guide

26 February 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Hot Chili Limited ('Hot Chili') to provide an independent expert's report on the proposal to dispose of an interest in Hot Chili's Productora Copper Project to Compania Minera del Pacifico S.A. ('CMP'). You will be provided with a copy of our report as a retail client because you are a shareholder of Hot Chili.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$48,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Hot Chili for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 4 - Independent Valuation Report prepared by Colliers International

26 February 2015

The Directors
Hot Chili Limited
768 Canning Highway,
Applecross WA 6153

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 6 August 2014, Hot Chili Limited ('Hot Chili' or 'the Company') announced a number of proposed transactions with Compania Minera Del Pacifico S.A. ('CMP') involving the Company's Productora Copper Project located in Chile ('the Productora Project'). The Company made a further announcement on 29 January 2015 that the Memorandum of Understanding ('MoU') that establishes the basis for the negotiations of the legal documentation for the transactions involving the Productora Project has been ratified by both the Company and CMP. The key terms of the MoU are as follows:

- 1) Hot Chili and CMP will form a joint venture whereby CMP will emerge with an initial 17.5% stake in the Productora Project in return for providing surface rights, easements and its existing 35% interest in certain Productora leases ('CMP Assets');
- 2) Hot Chili will grant CMP an option to increase its stake in the Productora Project by a further 32.6% interest, taking its total holding up to 50.1% ('Additional Option'). The value of the additional 32.6% interest shall be a minimum value of US\$80 million and a maximum value of US\$110 million and will be exercisable in two tranches, as follows:

First Tranche - exercisable within 90 days of the delivery of the results of a completed Pre-feasibility Study ('PFS'), an independent valuation report of the Productora Project undertaken by a jointly appointed expert and Hot Chili making a preliminary decision to mine at the Productora Project ('First Tranche').

Second Tranche - exercisable within 90 days of the delivery of the results of a completed Definitive Feasibility Study ('DFS'), project financing terms being finalised and Hot Chili making a definitive decision to mine at the Productora Project ('Second Tranche').

- 3) CMP will provide a US\$13 million loan facility to be secured over certain assets of the Company and its subsidiaries ('CMP Facility'); and
- 4) In certain circumstances, Hot Chili may be required to re-acquire CMP's interest in the Productora Project and the possible disposal by the Company of the CMP Assets back to CMP ('Exit Rights').

The transactions with CMP, referred to above, are collectively referred to as 'the CMP Transaction'.

We understand that the CMP Transaction is subject to the non-associated shareholders of Hot Chili ('Shareholders') approval which is to be sought under Australian Securities Exchange ('ASX') Listing Rule 10.1 as CMP's parent company, CAP S.A. ('CAP') is a substantial shareholder of Hot Chili and the potential value of the individual interests of the Productora Project to be disposed are considered to be greater than 5% of the equity interest of the Company.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Hot Chili have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion on whether the terms of the CMP Transaction are fair and reasonable to the non-associated shareholders of Hot Chili.

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting for Hot Chili in order to assist the Shareholders in their decision whether to approve the CMP Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the CMP Transaction as outlined in the body of this report. We have considered:

- How the value of the 17.5% interest in the Productora Project being disposed of compares to the combined value of the CMP Assets that will be acquired by Hot Chili;
- How the value of an additional 32.6% of the Productora Project that may be acquired under the Additional Option compares to the cash consideration payable by CMP;
- How the value of the proceeds of the sale of the certain assets that secure the CMP Facility in the event of a default compare to the value of the liabilities that would be settled;
- How the value of the interest in the Productora Project to be re-acquired by the Company if the Exit Rights are approved compares to the consideration that would be provided to CMP;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the CMP Transaction; and
- The position of Shareholders should the CMP Transaction not be granted.

2.3 Opinion

We have considered the terms of the CMP Transaction, as outlined in the body of this Report, and have the following opinions:

- The acquisition of the CMP Assets is not fair but reasonable. We consider the acquisition of the CMP Assets to be not fair as the value of the 17.5% interest in the Productora Project being disposed by the Company is greater than the value of the CMP Assets that the Company will receive. However, we consider the acquisition of the CMP Assets to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.

- The Additional Option is not fair but reasonable. As we do not have reasonable grounds, in accordance with RG 111, to determine the future value of the Productora Project following completion of the PFS and DFS, which is the subject of the Additional Option, we are unable to conclude that the Additional Option is fair for Shareholders. However, we consider the Additional Option to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.
- The security over the CMP Facility is fair and reasonable. We consider the security over the CMP Facility to be fair as the value of the proceeds of the sale of the assets that secure the CMP Facility that would be provided to CMP in the event of a default under the CMP Facility is equivalent or lower than the value of the liabilities that would be settled. We consider the security over the CMP Facility to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.
- The Exit Rights are not fair but reasonable. As there is no certainty as to when and if the Exit Rights will be exercised and we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the interest in the Productora Project that may be re-acquired by the Company, we are unable to conclude that the Exit Rights are fair for Shareholders. However, we consider the Exit Rights to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.

We have concluded that the terms of the CMP Transaction, on a whole, are not fair but reasonable.

We consider the CMP Transaction to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company, in particular;

- Providing the Company with the critical infrastructure necessary to develop the Productora Project faster than otherwise;
- Providing the Company with funds that it can use to contribute to its portion of development costs for the Productora Project;
- Introducing a partner at a project level with financial strength and significant local knowledge and experience to assist with the development of the Productora Project; and
- Reducing the development risk of the Productora Project.

2.4 Fairness

Acquisition of CMP Assets

In section 11 we determined that the value of the 17.5% interest in the Productora Project being disposed of compares with the combined value of the CMP Assets, as detailed below:

	Ref	Low \$m	Preferred \$m	High \$m
Value of 17.5% interest in the Productora Project being disposed	10.1	42.88	47.25	51.98
Value of CMP Assets	10.1	19.98	21.98	23.98

The above pricing indicates that, in the absence of any other relevant information the acquisition of the CMP Assets is not fair for Shareholders.

Additional Option

In order to express an opinion on the fairness of the Additional Option we are required to compare the value of the additional 32.6% interest in the Productora Project that may be disposed of, in two tranches following the PFS and DFS, to the value of the cash consideration that will be payable by CMP.

The exercise price payable by CMP for the Additional Option is between US\$80 million and US\$110 million and the timing and outcome of the PFS and DFS is uncertain. Accordingly we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the Productora Project might be following the completion of the PFS and DFS and are therefore unable to conclude that the Additional Option is fair for Shareholders.

Security over CMP Facility

We concluded that the value of the proceeds of the sale of the assets that secure the CMP Facility that would be provided to CMP in the event of a default under the CMP Facility is equivalent or lower than the value of the liabilities that would be settled. Therefore, we consider the provision of security under the CMP facility to be fair for Shareholders.

Exit Rights

In order to express an opinion on the fairness of the Exit Rights we are required to compare the value of the interest in the Productora Project that may be re-acquired by the Company to the value of the consideration that the Company will provide to CMP. At this point in time there is no certainty as to when and if the Exit Rights will be exercised and we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the interest in the Productora Project that may be re-acquired by the Company. Accordingly, we are not able to determine that the Exit Rights are fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 12 of this report, in terms of both:

- advantages and disadvantages of the CMP Transaction as a whole; and
- other considerations, including the position of Shareholders if the CMP Transaction does not proceed and the consequences of not approving the CMP Transaction.

In our opinion, the position of Shareholders if all contingent resolutions in relation to the CMP Transaction are approved is more advantageous than the position if all contingent resolutions in relation to the CMP Transaction are not approved. Accordingly, in the absence of any other relevant information, we believe that the CMP Transaction on a whole is reasonable.

The respective advantages and disadvantages considered for the CMP Transaction are summarised below:

ADVANTAGES AND DISADVANTAGES

Section	Advantages	Section	Disadvantages
12.4.1	Provides the Company with certainty regarding access to critical infrastructure	12.5.1	CMP holds Exit Rights which gives them an option to exit the joint venture

12.4.2	Introduces an experienced partner at a project level	12.5.2	The Company will not be compensated for any uplift in value from PFS to DFS
12.4.3	The CMP Transaction will provide a cash injection which can be used to progress the Productora Project	12.5.3	Potential loss of control of the Productora Project following DFS
12.4.4	The ability to obtain financing for the Productora Project without the introduction of a joint venture partner may be difficult	12.5.4	Sprott Facility will need to be extended
12.4.5	The exercise of the Additional Option places reliance on an independent valuation of the Productora Project after PFS		
12.4.6	The Company retains control of the Productora Project up until DFS		
12.4.7	Sprott Facility can be repaid		
12.4.8	Preservation of cash for further development of the Productora Project		
12.4.9	Provides the Company with the opportunity to benefit from any potential exploration upside in the surrounding areas		
12.4.10	Not approving the CMP Transaction may have a negative impact on the Company's share price		

Other key matters we have considered include:

Section	Description
12.1	Alternative Proposals available to Hot Chili
12.2	Practical level of control
12.3	Movement in Hot Chili's share price following announcements of the CMP Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the audited accounts as at 30 June 2014, the value of a 5% equity interest of Hot Chili is approximately \$3.95 million. We consider that the assets potentially disposed of or acquired

under the terms of the CMP Transaction are greater than the 5% equity interest of Hot Chili as at 30 June 2014.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. CMP's parent company, CAP, is considered a substantial shareholder, holding approximately 11.8% of the share capital of Hot Chili prior to the CMP Transaction.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the CMP Transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the CMP Transaction.

Accordingly, an independent expert's report is required for the CMP Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Hot Chili.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the CMP Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about the CMP Transaction.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test — that is, there should be a separate assessment of whether the CMP Transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the CMP Transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the CMP Transaction.

We do not consider the CMP Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the CMP Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. In the case of the CMP Transaction, an interest in the Productora Project is the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in section 3.2 we do not consider that the CMP Transaction to be a control transaction. As such, we have not included a premium for control when considering the values of the interests in the Productora Project that are being disposed under the CMP Transaction.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in a number of parts for the items included in the CMP Transaction as set out below:

- A comparison between the value of a 17.5% interest in the Productora Project being disposed of and the combined value of the CMP Assets to be received by the Company (fairness – see section 11 ‘Is the CMP Transaction Fair?’);
- A comparison between the value of an additional 32.6% interest in the Productora Project and the value of the consideration payable by CMP to exercise the Additional Option (fairness – see section 11 ‘Is the CMP Transaction Fair?’);
- A comparison between the value of the proceeds of the sale of the certain assets that secure the CMP Facility in the event of a default and the value of the liabilities that would be settled (fairness – see section 11 ‘Is the CMP Transaction Fair?’);
- A comparison between the value of the interest in the Productora Project to be re-acquired by the Company if the Exit Rights are approved and the consideration that would be provided to CMP (fairness – see section 11 ‘Is the CMP Transaction Fair?’); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolutions, after reference to the value derived above (reasonableness – see section 12 ‘Is the CMP Transaction Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (‘APES 225’). A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the CMP Transaction

On 6 August 2014, Hot Chili announced the proposed CMP Transaction which comprises a number of transactions with CMP involving the Productora Project. The Company made a further announcement on 29 January 2015 that the MoU that establishes the basis for the negotiations of the legal documentation for the CMP Transaction involving the Productora Project has been ratified by both the Company and CMP. The key terms of the MoU are discussed in detail below:

Acquisition of CMP Assets

The acquisition of the CMP Assets allows CMP to exchange its assets at Productora and surrounding areas for a 17.5% interest in the total shares in Sociedad Minera El Aguila SpA (‘SMEA’), Hot Chili’s Chilean subsidiary company which holds the Productora Project. The Productora Project is the only asset held by SMEA and the acquisition of the shares in SMEA will give CMP a 17.5% interest in the Productora Project. The assets proposed to be received by Hot Chili in consideration for the 17.5% interest in the Productora Project are as follows:

- CMP controlled easements related to the proposed water pipeline route from Productora to the coast near Huasco (‘Easements’);
- Certain surface rights over the proposed mining development area of Productora (‘Surface Rights’); and

- The existing 35% interest that CMP holds in certain mining rights at Productora ('Existing Interest').

The above consideration is collectively referred to as the 'CMP Assets'

In addition to receiving a 17.5% interest in the Productora Project, CMP shall be free-carried to completion of a PFS. Following completion of the PFS, CMP will be responsible for funding its share of expenditure in accordance with its ownership interest.

Additional Option

In addition to the acquisition of the CMP Assets above, the Company has agreed to grant CMP an option to acquire further shares in SMEA such that upon exercise of the Additional Option, CMP will be entitled to acquire a further 32.6% interest, giving CMP a maximum interest of up to 50.1% in SMEA, which equates to a 50.1% in the Productora Project. CMP is required to pay the Company a fee of US\$1.5 million upon the granting of the Additional Option.

The Additional Option will be exercisable by CMP in two tranches as follows:

First Tranche: Within 90 days after the receipt by the Company and delivery to CMP of the following documents:

- The results of the PFS;
- A valuation report of the Productora Project prepared by a suitably qualified valuation expert jointly appointed by Hot Chili and CMP to value the Productora Project, with any technical valuation of the mining concessions to be prepared in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('VALMIN Code') which states the valuation expert's preferred valuation of a 100% economic interest in the Productora Project at the date of the PFS ('the Valuation'); and
- The Company taking a preliminary decision to mine at the Productora Project;

CMP will have the right to acquire the same fraction of the total shares in SMEA corresponding to US\$26 million divided by the higher of:

- i. US\$245,398,773 (equates to a value of US\$80 million for a 32.6% interest); or
- ii. The VALMIN Code valuation report prepared up to a limit of US\$337,423,313 (equates to a value of US\$110 million for a 32.6% interest).

From the US\$26 million received from CMP for the First Tranche, US\$12 million will be used to repay the Sprott Resource Lending Partnership facility ('Sprott Facility') and the remaining US\$14 million will be used exclusively to contribute to Hot Chili's costs to complete the DFS. The First Tranche exercise payment shall be made within 60 days following the exercise of the First Tranche option, or by 4 January 2016.

Following payment of the exercise price of the First Tranche, CMP will provide the Company with the CMP Facility.

Second Tranche: Within 90 days after the receipt by the Company and delivery to CMP of the following documents:

- The results of a completed DFS;
- Project financing terms; and

- A definitive decision to mine at the Productora Project.

The exercise price of the Second Tranche will be determined by reference to the same valuation of the Productora Project used under the First Tranche so that its total interest will increase to 50.1%.

The outstanding amount under the CMP Facility and the US\$1.5 million CMP will pay to the Company upon the granting of the Additional Option will be deducted from the exercise price of the Second Tranche.

The funds provided to the Company as a result of the Second Tranche will be used exclusively by the Company to contribute its share of the project financing of the Productora Project.

CMP may assign its rights under the Additional Option to a related party of CMP or to a third party.

CMP Facility and associated security

CMP will provide the Company with the CMP Facility, being a US\$13 million loan finance facility, following receipt of the exercise payment for the First Tranche of the Additional Option.

The CMP Facility will have a term of up to 24 months from first draw down. The loan will be repayable in full on the earlier of 24 months from becoming available for drawdown and the date on which the exercise price of the Second Tranche of the Additional Option is payable. Interest will accrue on the drawn portion of the loan facility per semester. The interest rate will be, at Hot Chili's election, either a fixed rate of 10% per annum or a rate of 8% per annum with a 1% upfront payment commitment.

The CMP Facility will, subject to Shareholder approval, be secured against certain assets of the Company, SMECL and SMEA.

Exit Rights

CMP will have certain rights to exit its investment in the joint venture by selling its shares in SMEA to the Company under certain circumstances. If CMP elects not to exercise the First Tranche of the Additional Option but a preliminary decision to mine is made by the Company, CMP will have the right to either retain its shareholding interest (subject to standard dilution provisions), or to transfer its shareholding interest in SMEA to the Company for an amount equal to 17.5% of the Valuation (capped at US\$59,049,080), payable within 24 months after 4 January 2016.

If CMP elects not to exercise the Second Tranche of the Additional Option, it will have the right to either:

- retain its shareholding interest (subject to standard dilution provisions);
- transfer its shareholding interest in SMEA to a third party; or
- sell its shareholding interest in SMEA to the Company for an amount proportionate to the interest it holds in SMEA as a percentage of the Valuation amount, with the purchase price to be paid upon project financing for the Productora Project being secured.

If both parties determine not to proceed prior to exercise of the First Tranche of the Option, then:

- the merger will be terminated and deemed not to have had effect;
- SMEA must transfer back the CMP Assets acquired;
- SMECL must return the US\$1.5 million fee paid for the Additional Option.

The above terms are collectively referred to as the 'Exit Rights'

The structure of the Exit Rights are such that if the Company is unable to proceed with the development of the Productora Project for whatever reason, the Company will not be required to pay cash for the acquisition of CMP's interest in SMEA, and may instead transfer back to CMP the CMP Assets.

Further details on the CMP Transaction can be found in the attached Notice of Meeting.

5. Profile of Hot Chili Limited

Hot Chili acquires, explores, and develops mineral properties in Chile and was listed on the ASX on 3 May 2010. Its board of directors currently comprises:

- Murray Black - Non Executive Chairman
- Christian Easterday - Managing Director
- Allan Trench - Non Executive Director
- Roberto de Andraca Adriasola - Non Executive Director
- Michael Anderson - Non Executive Director

The Company has major interests in four multi-commodity copper projects that target iron-oxide-copper-gold and porphyry-style deposits with additional potential major endowments of molybdenum and gold. The Company's primary focus is on the Productora Project.

On 30 June 2014, the Company announced that it had executed the Sprott Facility for a US\$25 million secured debt facility with an interest rate of 12%. Funds from this facility are intended to be directed towards advancement of the Productora Project including completion of the PFS, further drilling, general working capital and initial work on a DFS. The Company also received a US\$8.7 million VAT Refund Payment from the Chilean Tax Authority during July 2014.

5.1 Productora Project

The Company's flagship project, the Productora Project, is located 15 km south of the town of Vallenar, at low altitude (less than 1,000m) in Chile's Region III. The project is in close proximity to existing infrastructure including the Pan-American Highway, rail, grid power, and established port facilities (within 40 km).

The Company formally commenced its PFS over the Productora Project immediately following the findings of a Scoping study. Ausenco, who managed the Scoping study, have been commissioned to manage the Pre-feasibility study in conjunction with the Company. The purpose of these studies is to fast-track Productora towards a decision to mine as a large-scale open pit project in cooperation with the Company's project partner and substantial shareholder CMP (Chile's largest iron ore miner).

On 17 February 2015, the Company announced that it had executed a Memorandum of Understanding with Puerto Las Losas SA ('PLL') to jointly study the provision of port services from PLL's facilities located at Huasco, adjacent to the Productora Project. PLL is a joint venture between the Company's largest shareholder, CAP, and Agrocomercial A.S Ltda. The Company and PLL have agreed to evaluate the basic engineering feasibility for PLL to provide the Company port services from its Las Losas facilities. The studies will be carried out by PLL within a 12 month period with the costs, capped at US\$500,000, to be financed by the Company.

Further details regarding the Productora Project can be found at Appendix 3.

5.2 Other projects

The Frontera Copper Project is Hot Chili's second major copper-gold project and lies approximately 70 km to the south of the Productora Project.

The Banderas Copper Project lies approximately 50 km north of Productora, adjacent to the Pan-American Highway, in Chile's Region III. Further exploration assessment of the project is scheduled for the second half of 2014 following the receipt of soil geochemical sampling results.

The Los Mantos Copper Project is located in Region IV, Chile approximately 60 km south of La Serena. In the second half of 2012 the Company significantly increased the size of this project under a farm-in agreement with a subsidiary company of CODELCO, the world's largest copper producer. The agreement represents the start of Hot Chili's efforts to significantly expand the size of its Los Mantos Copper Project. The most recent work completed includes surface geochemical sampling and geological mapping.

5.3 Historical Financial Information

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
CURRENT ASSETS			
Cash and cash equivalents	6,288,534	12,762,430	11,144,722
Other current assets	1,762,927	9,407,086	27,121
TOTAL CURRENT ASSETS	8,051,461	22,169,516	11,171,843
NON-CURRENT ASSETS			
Property, plant and equipment	459,851	483,748	502,540
Exploration and evaluation expenditure	81,076,812	69,805,477	63,056,905
TOTAL NON-CURRENT ASSETS	81,536,663	70,289,225	63,559,445
TOTAL ASSETS	89,588,124	92,458,741	74,731,288
CURRENT LIABILITIES			
Trade and other payables	1,549,623	2,777,323	3,989,936
Borrowings	12,192,149	10,596,588	-
TOTAL CURRENT LIABILITIES	13,741,772	13,373,911	3,989,936
TOTAL LIABILITIES	13,741,772	13,373,911	3,989,936
NET ASSETS	75,846,352	79,084,830	70,741,352
EQUITY			
Contributed equity	106,680,909	106,669,091	90,775,673
Option reserve	2,114,926	2,114,926	1,051,304
Foreign currency translation reserve	1,222	1,222	1,222
Accumulated losses	(32,950,705)	(29,700,409)	(21,086,847)
TOTAL EQUITY	75,846,352	79,084,830	70,741,352

Source: Audited Financial Statements of Hot Chili Limited for the years ended 30 June 2013 and 30 June 2014 and Reviewed Financial Statements for the half year ended 31 December 2014

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-14	Audited for the year ended 30-Jun-14	Audited for the year ended 30-Jun-13
	\$	\$	\$
Revenue			
Interest income	-	164,267	208,525
Other income	25,418	374,279	-
Expenses			
Depreciation	(13,565)	(122,109)	(90,647)
Consulting fees	-	(20,000)	(147,341)
Exploration expenses	(196,681)	(3,523,732)	-
Corporate fees	(80,178)	(140,684)	(142,133)
Legal and professional	(279,072)	(298,456)	(186,939)
Employee benefits expense	(579,681)	(1,757,664)	(1,755,722)
Administration expense	(562,072)	(580,371)	(651,356)
Accounting fees	(26,752)	(90,516)	(67,751)
Travel costs	(128,325)	(333,118)	(485,974)
Other expenses	(238,442)	(336,816)	(300,486)
Foreign exchange loss	(488,441)	-	(436,269)
Share based payments	-	-	(311,653)
Finance costs	(682,505)	(1,948,642)	-
Loss before income tax	(3,250,296)	(8,613,562)	(4,367,746)
Income tax expense	-	-	-
Loss after income tax	(3,250,296)	(8,613,562)	(4,367,746)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period	(3,250,296)	(8,613,562)	(4,367,746)

Source: Audited Financial Statements of Hot Chili Limited for the years ended 30 June 2013 and 30 June 2014 and Reviewed Financial Statements for the half year ended 31 December 2014

Commentary on Historical Financial Information

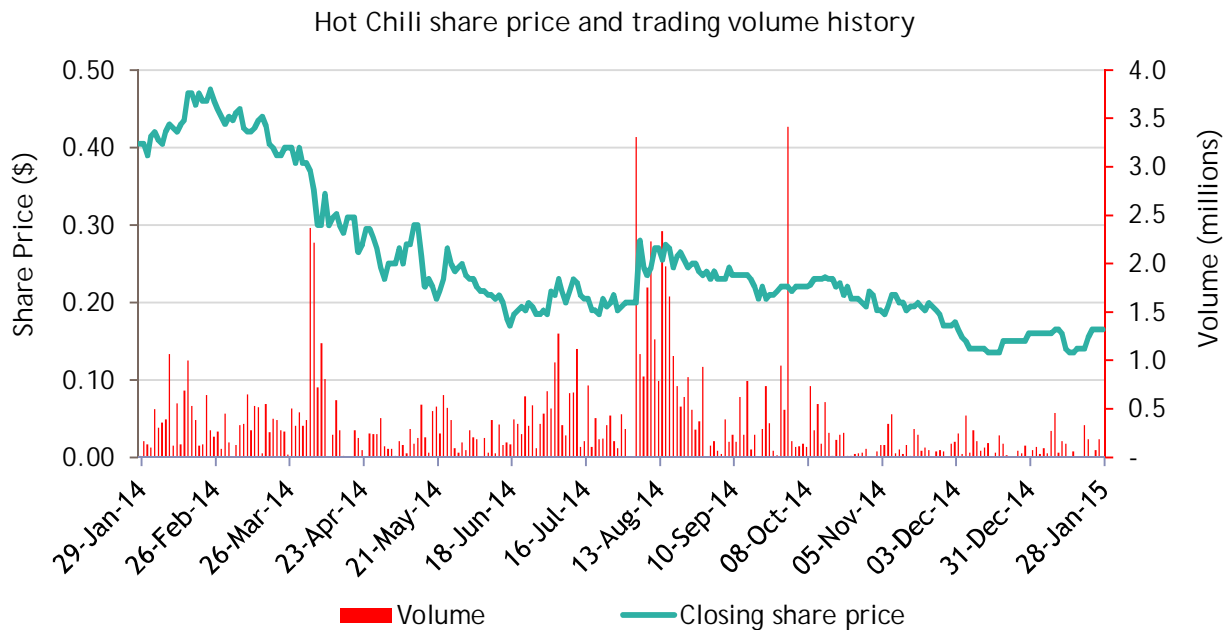
We note the following in regard to the historical financial information of the Company:

- Cash and cash equivalents decreased from \$16.86 million at 30 June 2012 to \$11.14 million at 30 June 2013. Major cash outflows included exploration expenditure of \$43.87 million and payments to suppliers and employees of \$3.56 million. These were partially offset by net proceeds from share issues of \$42.21 million. By 30 June 2014, cash and cash equivalents had increased to \$12.76 million mainly as a result of proceeds from share issues of \$16.59 million and borrowings of \$10.60 million, partially offset by \$21.28 million of exploration expenditure and payments to suppliers and employees of \$3.20 million. Cash and cash equivalents by 31 December 2014 had decreased further to \$6.29 million. The reduction in cash over this period was primarily due to exploration, evaluation and development expenditure of approximately \$12.80 million, which was partially offset by a tax credit receipt of approximately \$9.37 million.

- Exploration expenditure increased to \$63.06 million at 30 June 2013 from \$15.82 million at 30 June 2012. The Company capitalised \$47.18 million of its exploration expenditure during the year ended 30 June 2013 and also purchased \$0.52 million of mineral tenements. During the year ended 30 June 2014, the Company purchased \$0.51 million of mineral tenements and capitalised \$19.13 million of its exploration expenditure for the period. The Company also wrote off \$3.52 million of exploration expenditure during the year ended 30 June 2014 and re-classified \$9.37 million of its exploration expenditure as a VAT receivable, which was included in other assets. This receivable was received in cash on 11 July 2014. The increase in the level of capitalised exploration and evaluation expenditure at 31 December 2014 was a result of exploration work conducted during the period, as well as the purchase of prospects costing approximately \$1.05 million.
- Borrowings of \$10.60 million at 30 June 2014 relates to the drawn down amount of a US\$25 million facility received by the Company on 27 June 2014 from the Sprott Facility. The remaining balance is to be drawn down by 27 June 2015. The Sprott Facility is secured over the Company's property and is guaranteed by its Chilean subsidiaries.
- The Company disclosed a contingent liability which exists from July 2014. Under the terms of the VAT receivable discussed above, the Company has until 31 December 2019 to commercialise production from Productora and meet certain export targets. Hot Chili has the right to extend this term, however in the event the export targets are not met and the term not extended, the Company will be required to repay this amount to the Chilean Tax Authority.
- Other income for the years ended 30 June 2013 and 30 June 2014 of nil and \$0.37 million respectively, as well as the \$0.025 million for the half year ended 31 December 2014, relate to foreign exchange gains recorded in those periods.

5.4 ASX share trading analysis of Hot Chili

The graph below shows our analysis of the historical trading price and volume of Hot Chili shares on the ASX over the last 12 months up until the announcement made regarding the Transactions on 29 January 2015.



Source: Bloomberg and BDO analysis

The price of Hot Chili shares for the twelve months to 29 January 2015 has ranged from a low of \$0.13 on 17 December 2014 to a high of \$0.50 on 18 February 2014. During this period, Hot Chili's shares have been regularly traded. In the first half of 2014, Hot Chili's share price has shown a downward trend. The most significant trading volumes were experienced in the three months between August 2014 and October 2014. The highest days of trading over the period were experienced the day the Transactions were first announced to the market on 6 August 2014, where 3.31 million shares were traded and on 2 October 2013 where a further 3.42 million shares were traded.

During the last 12 months a number of other announcements were also made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
22/1/2015	Impressive drill results at Alice	0.155	▲	10.7%	0.165	▲	6.45%
21/11/2014	Alice confirmed as significant new copper discovery	0.190	▼	2.6%	0.190	►	0.0%
7/11/2014	Drilling returns strong results west of Productora	0.195	▲	5.4%	0.200	▲	2.6%
26/9/2014	Mineral resource and ore reserve statement	0.215	▲	2.4%	0.220	▲	2.3%
11/9/2014	Second drill rig accelerates major program at Productora	0.235	►	0.0%	0.235	►	0.0%
06/08/2014	Hot Chili and CMP Execute Landmark Agreement	0.280	▲	40.0%	0.245	▼	12.5%
06/08/2014	Suspension from Official Quotation	0.280	▲	40.0%	0.245	▼	12.5%
31/07/2014	Quarterly Report for Period Ending June 30th 2014	0.200	▲	2.6%	0.200	►	0.0%
23/07/2014	Sprott Natural Resources Conference Presentation	0.205	▲	10.8%	0.210	▲	2.4%
11/07/2014	Hot Chili Receives US\$8.7 Million VAT Refund Payment	0.230	▲	7.0%	0.205	▼	10.9%
30/06/2014	Hot Chili Completes US\$25M Debt Facility	0.185	►	0.0%	0.215	▲	16.2%
30/06/2014	Joint Infrastructure Agreement Progressing to Execution	0.185	►	0.0%	0.215	▲	16.2%
20/05/2014	Change of Director's Interest Notice	0.220	▼	4.3%	0.230	▲	4.5%
14/05/2014	Hot Chili Executes US\$25M Funding Term Sheet	0.300	►	0.0%	0.230	▼	23.3%
30/04/2014	Quarterly Report for Period Ending March 31 2014	0.245	▼	9.3%	0.250	▲	2.0%
31/03/2014	Maiden Ore Reserve at Productora Set for Strong Growth	0.400	▲	5.3%	0.370	▼	7.5%
14/03/2014	Half Yearly Report and Accounts	0.435	▲	2%	0.405	▼	7%
11/03/2014	Hot Chili Adds First Resource at Frontera	0.420	▼	1%	0.435	▲	4%
03/02/2014	Quarterly Reports Period Ending 31 Dec 2013	0.415	▲	6%	0.405	▼	2%
03/02/2014	Discovery of Another Large Zone of Copper-Gold at Productora	0.415	▲	6%	0.405	▼	2%

Source: Bloomberg and BDO analysis

On 31 March 2014, the Company announced that the Mineral Resource estimate at its Productora Project had grown to over 1 million tonnes of contained copper and 675,000 ounces of gold. The Company also announced that the Pre-feasibility study on Productora was expected to be completed later in the year with a decision to mine targeted for late 2015. On the day of the announcement, the Company's share price increased by 5.3% to \$0.40, however it fell by 7.5% in the three days subsequent.

On 30 April 2014, the Company released its March Quarterly Report which outlined the completion of a Maiden Ore Reserve estimate of 433,000 tonnes of copper, 308,000 ounces of gold and 15,500 tonnes of molybdenum at its Productora Project. On the day of the release, the Company's share price fell by 9.3% to \$0.245; however increased by 2.0% in the following three days.

On 14 May 2014, Hot Chili announced that it had executed a term sheet with Sprott in respect to a US\$25 million secured debt facility at a commercial rate of interest. The Company outlined the funds from the facility were to be directed towards the advancement of the Company's Productora Project. On the day of the announcement, the Company's share price remained unchanged; however the three days subsequent, the share price fell by 23.3% to \$0.23.

On 30 June 2014, the Company confirmed that its project partner, CMP, had successfully completed its technical due diligence and was progressing towards the execution of a MoU for a joint infrastructure agreement. On the day of the confirmation, the Company's share price remained unchanged; however in the following three days, the share price increased by 16.2% to \$0.215.

On 11 July 2014, the Company announced that it had received approximately US\$8.7 million equivalent in Chilean pesos from the Chilean Tax Authority following approval by the Chilean Ministry of Economy. On the day of the announcement, the Company's share price increased by 7% to \$0.230, however it fell by 10.9% in the three days subsequent.

On 6 August 2014, the Company first announced the terms regarding the CMP Transaction. On the day of the announcement, the Company's share price closed at a 40% premium to the previous trading day.

On 22 January 2015, the Company made an announcement regarding fresh drilling results at the Alice Discovery at its Productora Project. On the day of the announcement, the Company's share price closed at a 10.7% premium to the previous trading day and rose a further 6.45% over the following three trading days.

The weighted average market price for 10, 30, 60 and 90 day periods in Hot Chili shares to 28 January 2015 is set out below:

Share Price per unit	28-Jan-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.165				
Weighted average price		\$0.152	\$0.154	\$0.168	\$0.195

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Hot Chili shares for the twelve months to 28 January 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.140	\$0.165	188,864	0.05%
10 Days	\$0.135	\$0.165	1,005,092	0.29%
30 Days	\$0.135	\$0.165	3,006,167	0.86%
60 Days	\$0.130	\$0.215	7,219,200	2.08%
90 Days	\$0.130	\$0.235	16,734,481	4.81%
180 Days	\$0.130	\$0.290	62,556,467	17.99%
1 Year	\$0.130	\$0.500	91,501,018	26.31%

Source: Bloomberg, BDO analysis

Note: Volume of shares traded are adjusted for significant exceptional trades such as Lundin Mining Corp's sale of 21.78 million Hot Chili shares that was announced by Hot Chili on 15 August 2014.

5.5 Capital Structure

The share structure of Hot Chili as at 30 January 2015 is outlined below:

	Number
Total ordinary shares on issue	347,747,954
Top 20 shareholders	254,497,663
Top 20 shareholders - % of shares on issue	73.18%

Source: Share registry information

The range of shares held in Hot Chili as at 30 January 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	109	40,805	0.01%
1,001 - 5,000	428	1,305,093	0.38%
5,001 - 10,000	270	2,264,559	0.65%
10,001 - 100,000	845	30,852,293	8.87%
100,001 - and over	217	313,285,204	90.09%
TOTAL	1,869	347,747,954	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 30 January 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Kalgoorlie Auto SVC PL	67,000,000	19.27%
JP Morgan Nom Aust Ltd	44,071,379	12.67%
Port Finance Ltd NV	38,515,388	11.08%
Merrill Lynch Aust Nom PL	28,441,718	8.18%
Subtotal	178,028,485	51.19%
Others	169,719,469	48.81%
Total ordinary shares on Issue	347,747,954	100.00%

Source: Share registry information

Hot Chili has the following Options on issue as at 2 February 2015:

Current Options on Issue	Number
Unlisted options exercisable at \$0.30 on or before 27 June 2019	11,000,000

Source: Appendix 3B dated 2 February 2015

6. Profile of CMP

CMP is engaged in the extraction and production of iron ore. Its products include pellet feeds and iron ore pellets. The company was founded in 1981 and is headquartered in La Serena, Chile. It is the mining subsidiary of Chilean iron ore and steel producer CAP, the country's largest iron ore producer.

CMP is associated with one of Hot Chili's major shareholders, Port Finance Ltd NV, a subsidiary of CAP, which holds approximately 11.8% of the Company's issued capital.

For further information on CMP refer the attached Notice of Meeting.

7. Economic Analysis

7.1 Australia

Growth in the global economy continued at a moderate pace in 2014. China's growth was in line with policymakers' objectives. The US economy continued to strengthen, but the euro area and Japanese economies were both weaker than expected. Forecasts for global growth in 2015 envisage continued moderate growth.

Commodity prices have continued to decline, in some cases sharply. The price of oil in particular has fallen significantly over the past few months. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. The much lower levels of energy prices will act to strengthen global output and temporarily to lower CPI inflation rates.

Financial conditions are very accommodative globally, with long-term borrowing rates for several major sovereigns reaching new all-time lows over recent months. Some risk spreads have widened a little but overall financing costs for creditworthy borrowers remain remarkably low.

In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The fall in energy prices can be expected to offer significant support to consumer spending, but at the same time the decline in the terms of trade is reducing income growth. Overall, the Reserve Bank of Australia's ('RBA') assessment is that output growth will probably remain a little below trend for somewhat longer, and the rate of unemployment peak a little higher, than earlier expected. The economy is likely to be operating with a degree of spare capacity for some time yet.

The CPI recorded the lowest increase for several years in 2014. This was affected by the sharp decline in oil prices at the end of the year and the removal of the price on carbon. Measures of underlying inflation also declined a little, to around 2.25% over the year. With growth in labour costs subdued, it appears likely that inflation will remain consistent with the target over the next one to two years, even with a lower exchange rate.

Credit growth picked up to moderate rates in 2014, with stronger growth in lending to investors in housing assets. Dwelling prices have continued to rise strongly in Sydney, though trends have been more varied in a number of other cities over recent months. The RBA is working with other regulators to assess and contain economic risks that may arise from the housing market.

The Australian dollar has declined noticeably against a rising US dollar over recent months, though less so against a basket of currencies. It remains above most estimates of its fundamental value, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

For the past year and a half, the cash rate has been stable, as the RBA Board has taken time to assess the effects of the substantial easing in policy that had already been put in place and monitored developments in Australia and abroad. At the RBA's most recent meeting, taking into account the flow of recent information and updated forecasts, the RBA Board judged that, on balance, a further reduction in the cash rate was appropriate. This action is expected to add some further support to demand, so as to foster sustainable growth and inflation outcomes consistent with the target.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 3 February 2015.

7.2 Chile

In recent months, inflation has increased more than anticipated in a context where output growth has fallen short of expectations. The high inflation figures, which brought annual CPI to 5.5% in November, have largely reflected the significant depreciation of the peso in nominal terms. Most recently, however, inflation has also been influenced by specific and transitory elements. Inflation is expected to approach 3% mid-2015.

Early in the year, the Central Bank of Chile estimated that inflation would stand at 3% by the end of 2014, partly because the depreciation accumulated until then would have a limited impact on inflation within historical patterns. This estimate was based on, among other factors, the fact that the slowdown the economy was showing would limit the degree of transmission to final prices, wages and expectations. That assumption was modified when actual figures showed a larger than expected pass-through to prices. In the past few months, the transmission has proceeded as expected, but the sharper depreciation of the peso has pushed inflation above the forecast. These increases reversed somewhat in November, to which the decline in fuel prices also contributed.

Regarding output, in the third quarter both GDP growth and domestic demand growth were slower than had been forecast in September. As for the components of expenditure, private consumption grew marginally and investment continued to decline in annual terms. Chile also experienced a deterioration of durable consumption and investment in machinery and equipment. Thus, the sharp adjustment in expenditure and the peso depreciation have resulted in a fast reduction in the current-account deficit, when measured at either trend or actual prices.

This slow growth of the economy has occurred in a context in which the expectations of enterprises and households have turned more pessimistic. The scenario for consumers is one where higher inflation has affected the purchasing power of households. The unemployment rate remains around 6.5%, which is low by historical standards, but salaried job creation has remained low and surveys reveal greater uncertainty regarding the evolution of the labour market. For enterprises, the greater degree of pessimism has coincided with low levels of profitability and a climate for investment that firms judge less attractive. Also, there is a perception that inventories are above the desired levels, despite successive reductions in recent quarters. Thus, private expectations for growth this year and the next two have posted continuous declines, so an average annual increase of 2.7% for 2015-2016 is expected. Conversely, the cost of domestic financing has become more favourable, which is in line with the significant reduction in the Monetary Policy Rate that has been implemented over the past year. The exception is mortgage credit, which continues to grow strongly. The September Bank Lending Survey shows more supply-side constraints and mainly a reduction in demand. In the baseline scenario, output is estimated to grow 1.7% this year, somewhat below the September forecast, reflecting poor third-quarter figures that are prolonged over the fourth quarter. In 2015, GDP is forecast to grow between 2.5% and 3.5%, still less than the medium-term figure, which the Central Bank estimates to be in the 4% to 4.5% range.

Growth is forecast to grow in 2015 more than in 2014. This assumption is based on the rapid and substantial adjustment the economy has made this year, as reflected in the current account, interest rates and the real exchange rate.

Source: www.bcentral.cl Central Bank of Chile Monetary Policy Report, December 2014

8. Industry analysis

Copper is a soft malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphide ore from which it is converted to copper metal.

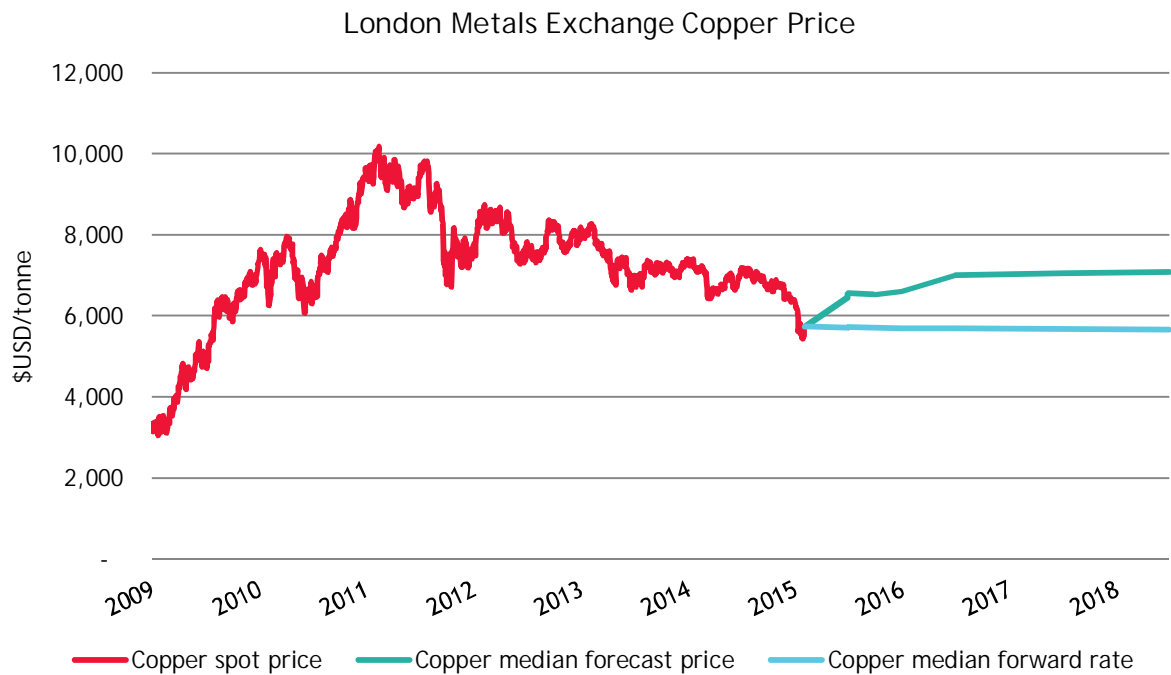
The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits copper is mined in very low concentrations and consequently is a volume intensive process. For this reason open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

8.1 Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. At the beginning of 2008, supply concerns, falling inventories and increased demand from emerging economies provoked a significant and accelerated rise in the copper price. As with most commodities, prices fell during the GFC. Prices have since overtaken the increases which occurred in 2008, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US\$10,000/Mt in February 2011. Since that peak, prices stabilised at around US\$8,000 per tonne during 2012 before declining to around US\$7,000 per tonne in 2013.

Prices in the first half of 2014 remained relatively stable around US\$7,000 with strong demand from China supporting the price of copper. During the first five months of 2014, world usage is estimated to have increased by around 15.5% compared to the same period of 2013, with China accounting for approximately 40% of this demand. The second half of 2014 has seen a decline in the copper price from an average of US\$6,916 over the half year to 30 June 2014 compared to an average price of US\$6,817 for the second half of 2014. This declining trend continued into 2015 with the copper price decreasing as low as US\$5,433 on 29 January 2015.

The forecast consensus view is for copper prices to stay between US\$6,500 and US\$7,000 for the short to medium term. The consensus view of analysts is for the copper price to increase in the longer term to approximately US\$7,080 by the end of 2018. This view on forecast copper prices is not reflected in the current average forward rates which remain around current spot levels for contracts extending to 2018. The historical spot price of copper, the current forward contract rates and consensus analyst forecasts are illustrated below.

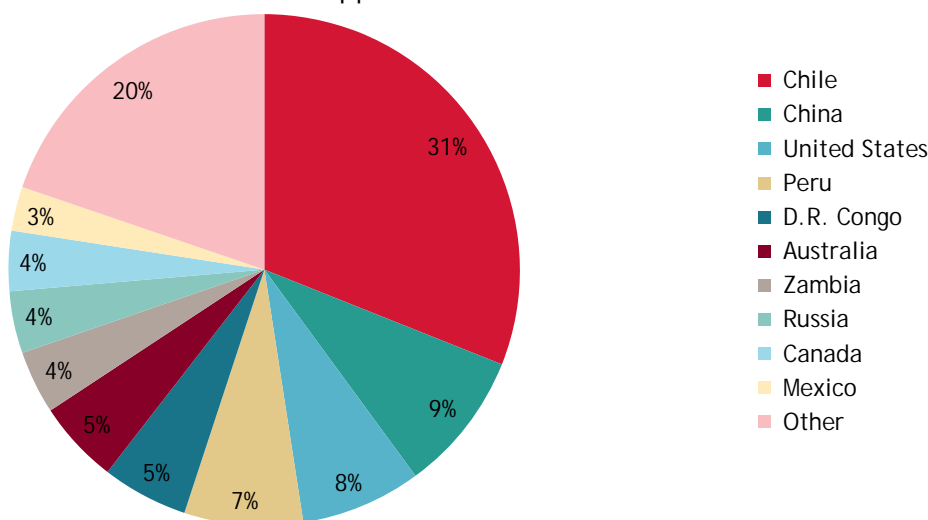


Source: Bloomberg and BDO Analysis

8.2 Production and Usage

Most of the world's copper comes from South and Central America, particularly in Chile and Peru. For the eleven months to 30 November 2014, Chile and Peru accounted for approximately 39% of the world's copper production. The graph below shows the split between the different country's productions for the eleven months to 30 November 2014:

Global Copper Production - 2014*



*Global production statistics are only available from Bloomberg for the eleven months to 30 November 2014

Source: Bloomberg and BDO Analysis

According to the International Copper Study Group, global copper production has increased 24% during the ten year period from 2004 to the end of 2013. Global usage of copper is estimated to have increased by 4% to 21.2 million tonnes compared to 2012. The increase was primarily driven by demand from China which increased by 7% compared to 2012. Excluding China, world usage increased by 1.4%, with growth in the United States, Brazil and Russia offsetting declines in South Korea and the European Union.

China's apparent usage growth was based on an increase in refined production which more than offset a decline in net imports of copper. Anecdotal evidence suggests that the decline in import levels in the first half of 2013 was accompanied by a decrease in inventories held in bonded warehouses.

World mine production increased by 8% to 18 million tonnes compared with that in 2012 as a result of a recovery in production levels from constrained output in 2012. This is evident by the recovery of production levels from constrained output from three major copper mines in 2013. Concentrate production increased by 9% while solvent extraction-electrowinning ('SX-EW') was up by 3.5%.

World refined production increased by approximately 4.5% to 21 million tonnes in 2013 compared with refined production in the same period of 2012. Primary production increased by 4%, and secondary production (from scrap) increased by 6.5% compared to levels in 2012. China was the main contributor of growth, where production increased by 11.5%. However, refined production in Chile, the world's second largest refined copper producer, declined by 5% as a result of smelter maintenance and other temporary shutdowns.

Source: International Copper Study Group (updated 31 October 2014)

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. A summary of each of these methodologies is outlined in Appendix 2.

RG 111.57 suggests that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111.58 further suggests that where the proposed transaction consists of an asset acquisition by the entity, it is fair if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

9.1 Acquisition of CMP Assets

For the acquisition of the CMP Assets to be considered fair the value of the assets being offered by Hot Chili, being 17.5% of the Productora Project, must be less than or equal to the value of the CMP Assets.

Valuation of 17.5% interest in the Productora Project

In our assessment of the value of the 17.5% interest in the Productora Project we have engaged Al Maynard & Associates Pty Ltd ('AM&A') to act as independent specialist and to provide an independent market valuation of the Company's Productora Project in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('VALMIN Code'). AM&A's full report may be found in Appendix 3.

Valuation of CMP Assets

The CMP Assets comprises the Surface Rights, Easements, and the Existing Interest. We have valued these components as follows.

Surface Rights - We have engaged Colliers International ('Colliers') to act as independent specialist and to provide an independent market valuation of CMP's Surface Rights over the proposed mining development area of the Productora Project.

Easements - We are unable to accurately determine the value of the Easements, therefore we have assigned nil value to this component of the CMP Assets.

Existing Interest - We have engaged AM&A to act as independent specialist and to provide an independent market valuation of CMP's existing 35% interest in certain mining leases at Productora in accordance with the VALMIN Code.

9.2 Additional Option

In order to express an opinion on the fairness of the Additional Option we are required to compare the value of the additional 32.6% interest in the Productora Project that may be disposed, through the First Tranche and the Second Tranche exercise payments, to the value of the cash consideration that will be payable by CMP.

The exercise price payable by CMP for the Additional Option will be the higher of US\$80 million and the value of the interest as determined by the Valuation in accordance with the VALMIN Code 2005 following completion of the PFS (capped at US\$110 million). Therefore the consideration payable to the Company by CMP will be between US\$80 million and US\$110 million for the additional 32.6% and will be paid in two tranches; the First Tranche following the results of the PFS and the Second Tranche following the results of the DFS for the Productora Project. The exercise price is not currently known. The Valuation, that will be used to set the exercise price payable by CMP, will be determined by an independent valuer following the results of the PFS.

In order to assess the fairness of the Additional Option we are required to assess what the future value of the Productora Project following completion of the PFS and the DFS will be. The Company is currently working towards completion of the PFS, which is expected to occur during 2015 and the timing for completion of the DFS is unknown at this point in time. As the timing and outcome of both the PFS and DFS are uncertain the future value of the Productora Project is also uncertain at this point in time.

Under RG 111.90, an expert's opinion should be based on reasonable grounds and these grounds should be set out in the report. Any statements or assumptions about future matters in which there are not reasonable grounds, will be seen as misleading. At this point in time we do not have reasonable grounds to assess the impact on the value of the Productora Project following completion of the PFS and following completion of the DFS. Accordingly, we do not have reasonable grounds to assess what the future value of the 32.6% interest in the Productora Project that may be disposed by the Company and we are therefore unable to compare this to the value of the First Tranche and the Second Tranche exercise payments which are also unknown but will be between US\$80 million and US\$110 million, in order to assess fairness.

Whilst this Additional Option is an option in the hands of CMP it is one for which the exercise price, volatility in value of the underlying asset and exercise period are all uncertain. Traditional option valuation models are not designed to value such arrangements. Whilst a Monte Carlo simulation may in theory be able to provide a future value for the Productora Project we do not have reasonable grounds to support the numerous hypothetical inputs that would be required.

As such, we are unable to perform a valuation regarding the Additional Option in which to assess fairness.

9.3 Security over the CMP Facility

In the case of the security to be provided over the CMP Facility for the purpose of ASX Listing Rule 10.1, the value of the proceeds from the sale of the assets provided as security, that would be provided to CMP in the event of default would be less than or equal to the value of the liabilities to be settled. Although the Company's interest in the Productora Project would form assets, in the event of default only the proceeds from the sale up to the value that recovers the principal and interest of the CMP Facility would be provided to CMP. Therefore we do not consider it necessary or relevant to value the Company or the assets that are to be provided as security.

In our assessment of the value of the liabilities to be settled we consider the nominal value of the cash amount payable in the event of default to represent the fair market value.

9.4 Exit Rights

CMP will have certain rights to exit its investment in the joint venture by selling its shares in SMEA to the Company under certain circumstances, as follows:

- If CMP elects not to exercise the First Tranche of the Additional Option but a preliminary decision to mine is made by the Company, CMP will have the right to either retain its shareholding interest (subject to standard dilution provisions), or to transfer its shareholding interest in SMEA to the Company for an amount that is the higher of US\$42.9 million and 17.5% of the Valuation (capped at US\$59,049,080), payable within 24 months after 4 January 2016. This is the subject of Resolution 4(a) of the attached Notice of Meeting;
- If CMP elects not to exercise the Second Tranche of the Additional Option, it will have the right to either retain its shareholding interest; transfer its shareholding interest to a third party or sell its shareholding interest to the Company for an amount proportionate to the interest it holds as a percentage of the Valuation amount. This is the subject of Resolution 4(b) of the attached Notice of Meeting; and
- If both parties determine not to proceed prior to the exercise of the First Tranche of the Additional Option then the merger will be terminated, the Company will transfer back the CMP Assets acquired and must return the US\$1.5 million fee payable for the Additional Option. This is the subject of Resolution 5 of the attached Notice of Meeting.

In order to express an opinion on the fairness of Resolutions 4(a) and 4(b) we are required to compare the value of the interest in the Productora Project that may be re-acquired by the Company to the value of the consideration that the Company will provide back to CMP.

If the Exit Rights are exercised under Resolutions 4(a) or 4(b) the amount that the Company will pay to CMP in order to re-acquire its shareholding interest will be based on the valuation of the Productora Project as determined under the Valuation. However, the Additional Option exercise price has a minimum and maximum value range so if the Valuation is lower or higher than this range, the minimum and maximum values will take precedence for the amount paid by the Company for the re-acquisition.

Therefore, in order to assess the fairness of the Exit Rights under Resolutions 4(a) or 4(b) we are required to assess the value of the Productora Project following completion of the PFS. The Company is currently working towards completion of the PFS, which is expected to occur during 2015. As the timing and outcome of the PFS is uncertain at this point in time, any effect that the PFS may have on the value of the Productora Project is also uncertain at this point in time.

Under RG 111.90, an expert's opinion should be based on reasonable grounds and these grounds should be set out in the report. Any statements or assumptions about future matters in which there are not reasonable grounds, will be seen as misleading. At this point in time we do not have reasonable grounds to assess the impact on the value of the Productora Project following completion of the PFS. Accordingly, we do not have reasonable grounds to assess what the future value of the Productora Project that may be re-acquired by the Company under the Exit Rights that is the subject of Resolutions 4(a) and 4(b).

As such, we are unable to perform a valuation regarding the Exit Rights that are the subject of Resolutions 4(a) and 4(b) in which to assess fairness.

In order to express an opinion on the fairness of Resolution 5 we are required to compare the value of the CMP Assets and the US\$1.5 million Additional Option fee that will be returned to CMP upon exercise of the Exit Rights to the value of the interest in the Productora Project that may be re-acquired by the Company.

If the Company and CMP decide not to proceed with development of the Productora Project prior to exercise of the First Tranche of the Additional Option the merger will be relinquished and the Company will return the CMP Assets and the US\$1.5 million Additional Option fee to CMP in return for the interest in SMEA (and therefore the Productora Project) that was provided to CMP. The Company will effectively be returned to the position it was in prior to the CMP Transaction.

At this point in time, there is no certainty as to when and if the Exit Rights, which are the subject of Resolution 5, will be exercised and as with our assessment of fairness in relation to the Exit Rights that are the subject of Resolution 4(a) and 4(b), we do not have reasonable grounds to assess what the future value of the Productora Project that may be re-acquired by the Company under the Exit Rights that are the subject of Resolution 5.

As such, we are unable to perform a valuation regarding the Exit Rights that are the subject of Resolution 5 in which to assess fairness.

10. Valuation assessment of the CMP Transaction

10.1 Valuation assessment of the acquisition of the CMP Assets

10.1.1 Valuation of 17.5% interest in the Productora Project

We have instructed AM&A to provide an independent market valuation of the Productora Project. AM&A considered a number of different valuation methods when valuing the Productora Project. AM&A did not rely on the DCF methodology as the Company is currently preparing a Pre-feasibility study which is yet to be completed. AM&A utilised the Comparable Transactions method, which involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a mineral asset. We consider this methodology used by AM&A to be appropriate given the current market for copper and the copper price.

As the CMP Assets includes CMP's existing 35% interest in certain mining leases at Productora, we have requested AM&A to value 100% the Productora Project assuming a 100% interest in these leases. The range of values for a 100% interest and a 17.5% interest in the Productora Project, as calculated by AM&A, is set out below:

Independent valuation		Low value	Preferred value	High value
AI Maynard & Associates Pty Ltd	%	\$m	\$m	\$m
Productora Project (assuming 100% interest in all Productora leases)	100%	245.00	270.00	297.00
Productora Project (assuming 17.5% interest in all Productora leases)	17.5%	42.88	47.25	51.98

The table above indicates a range of values for a 17.5% interest in the Productora Project to be between \$42.88 million and \$51.98 million, with a preferred value of \$47.25 million.

10.1.2 Valuation of CMP Assets

The CMP Assets comprises the Surface Rights, Easements, and the Existing Interest. We have valued these individual components below.

Surface Rights

The Surface Rights are currently owned by CMP and extend over the proposed mining development area of the Productora Project. We have engaged Colliers to act as independent specialist and to provide an

independent market valuation of CMP's Surface Rights. In valuing these Surface Rights, Colliers has relied on the market approach to value the Surface Rights. Colliers has based their valuation on comparable market sales and adjusted for total lot size and the ability to mine the land. Given the economies of scale observed in land prices, Colliers have applied an exponential price adjustment.

The range of values for the Surface Rights, as calculated by Colliers, is set out below:

Surface Rights valuation	Preferred value
Colliers International	
Surface Rights over proposed mining development area (US\$m)	3.90
Exchange Rate (US\$/A\$)	0.783
Surface Rights over proposed mining development area (A\$m)	4.98

The Surface Rights Valuation prepared by Colliers can be found at Appendix Four.

Easements

We are unable to reliably assign a value to the Easements to be received as part of the CMP Assets. As such, we have assigned a nil value to these Easements. The value of the Easements is therefore not included in our assessment of fairness. We have considered the benefits derived from obtaining the Easements under reasonableness in section 12 of this Report.

Existing Interest

We have instructed AM&A to provide an independent market valuation of CMP's existing 35% interest in certain mining leases at Productora. AM&A considered a number of different valuation methods when valuing the Existing Interest. AM&A utilised the Comparable Transactions method, which involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider this methodology used by AM&A to be appropriate to value the Existing Interest.

The range of values for CMP's existing 35% interest in certain mining leases at Productora, as calculated by AM&A, is set out below:

Existing Interest Valuation		Low value	Preferred value	High value
AI Maynard & Associates Pty Ltd	%	\$m	\$m	\$m
Existing Interest held by CMP	35%	15.00	17.00	19.00

The valuation of the Existing Interest by AM&A can be found in Appendix 3.

10.1.3 Valuation of CMP assets

In calculating the value of the CMP Assets, we have combined the values of the Surface Rights, Easements and the Existing Interest as shown below:

	Low value	Preferred value	High value
CMP Assets	\$m	\$m	\$m
Value of Surface Rights	4.98	4.98	4.98
Value of Easements	-	-	-
Value of 35% Existing Interest	15.00	17.00	19.00
Total	19.98	21.98	23.98

The table above indicates a range of values for the CMP Assets to be between \$19.98 million and \$23.98 million, with a preferred value of \$21.98 million.

10.2 Valuation assessment of the security over the CMP Facility

10.2.1 Valuation of assets provided as security in event of default

Hot Chili will provide certain assets to CMP under a first ranking fixed and floating charge to secure repayment of the CMP Facility that may be entered into between Hot Chili and CMP.

In the event of default, CMP would only be entitled to recover the principal and interest of the CMP Facility and not all the proceeds from the sale of the secured assets. Therefore, we do not need to consider the value of the Company or the secured assets for this purpose as CMP will not receive more than the value of the liability if the security is called.

10.2.2 Valuation of liabilities settled by the provision of the security

In the event the Company is in breach of the terms of the CMP Facility, CMP is entitled to seek repayment of any principal and accrued interest outstanding in respect of the CMP Facility by the sale of the assets secured by the first ranking fixed and floating charge.

The nominal value of the total secured amount (including amounts relating to the principal funds drawn down and interest) represents the valuation of liabilities settled by the provision of security.

Therefore, we consider the value of security provided to be less than or equal to the value of the liabilities settled.

11. Is the CMP Transaction fair?

Acquisition of CMP Assets

The value of the 17.5% interest in the Productora Project being disposed compares with the combined value of the CMP Assets, as detailed below:

	Ref	Low \$m	Preferred \$m	High \$m
Value of 17.5% interest in the Productora Project being disposed	10.1	42.88	47.25	51.98
Value of CMP Assets	10.1	19.98	21.98	23.98

The above pricing indicates that, in the absence of any other relevant information the acquisition of the CMP Assets is not fair for Shareholders.

Additional Option

In order to express an opinion on the fairness of the Additional Option we are required to compare the value of the additional 32.6% interest in the Productora Project that will be disposed in two stages (First Tranche and Second Tranche) to the value of the cash consideration that will be payable by CMP under the First Tranche and Second Tranche.

The total price payable by CMP for the Additional Option cannot be determined at this point in time. It will be based on an independent valuation to be prepared in accordance with the VALMIN Code which provides a preferred valuation of a 100% economic interest in the Productora Project at the date of the PFS. However, the consideration to be paid by CMP will be a minimum of US\$80 million and a will be capped at US\$110 million. We also note that the payment of the Second Tranche will not be payable following completion of the DFS; however the price to be paid will be determined on a valuation of the Productora Project only following PFS. We would expect that the value of the Productora Project would increase from PFS stage to DFS stage.

The timing and outcome of the PFS and DFS is uncertain at this point in time. Accordingly we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the Productora Project might be following the completion of the PFS and DFS and are therefore unable to conclude that the Additional Option is fair for Shareholders.

Security over CMP Facility

We concluded that the value of the proceeds of the sale of the assets that secure the CMP Facility that would be provided to CMP in the event of a default under the CMP Facility is equivalent or lower than the value of the liabilities that would be settled. Therefore, we consider the provision of security under the CMP facility to be fair for Shareholders.

Exit Rights

In order to express an opinion on the fairness of the Exit Rights we are required to compare the value of the interest in the Productora Project that may be re-acquired by the Company to the value of the consideration that the Company will provide to CMP. At this point in time there is no certainty as to when and if the Exit Rights will be exercised and we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the interest in the Productora Project that might be re-acquired by the Company. Accordingly, we are not able to determine that the Exit Rights are fair for Shareholders.

12. Is the CMP Transaction reasonable?

12.1. Alternative Proposals

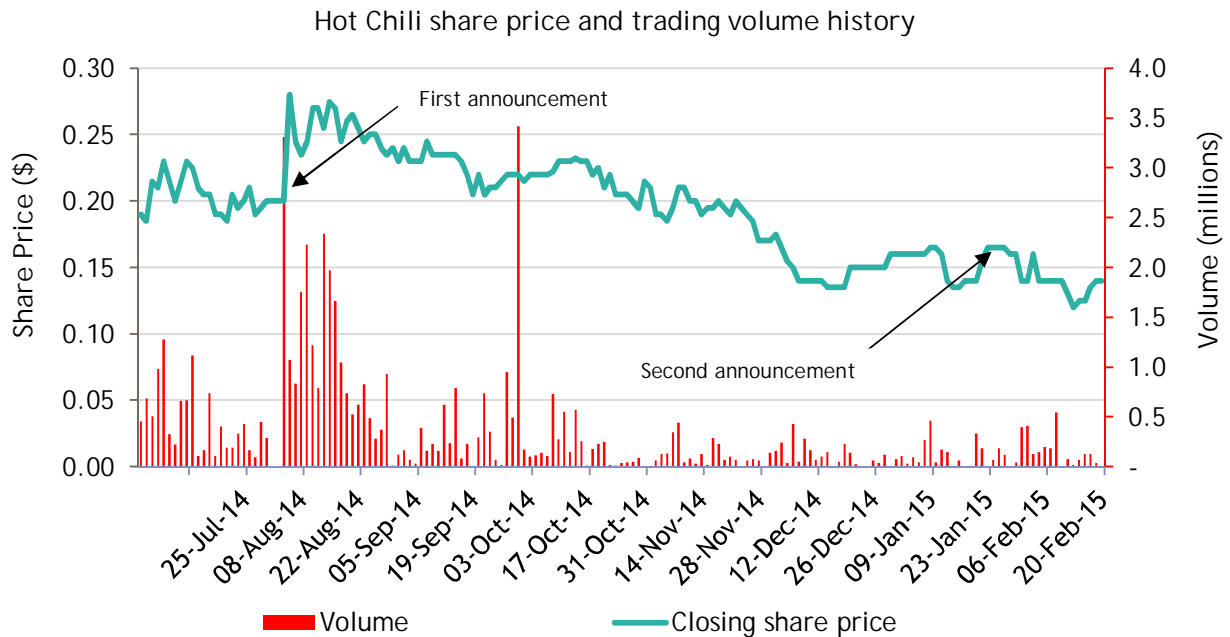
We are unaware of any alternative proposals that might be available to Hot Chili that offer the Shareholders of Hot Chili a premium over the value ascribed to, resulting from the CMP Transaction.

12.2. Practical Level of Control

If the CMP Transaction is approved there will be no change in the issued share capital of Hot Chili and CMP will not hold any interest in the issued share capital of Hot Chili. CMP will acquire shares in SMEA, Hot Chili's Chilean subsidiary company which holds the Productora Project. This is not a control transaction as defined by RG 111.

12.3. Movement in Hot Chili's share price following announcements of the CMP Transaction

We have analysed movements in Hot Chili's share price since the CMP Transaction was announced to the market. A graph of Hot Chili's share price prior to and following the announcements is set out below.



Source: Bloomberg and BDO analysis

The first announcement of the CMP Transaction was made to the market on 6 August 2014 which provided Shareholders with the initial details surrounding the transactions. On that day approximately 3.31 million shares were traded and Hot Chili's share price closed at \$0.28, an increase of 40% on its closing price on the last full trading day prior to this announcement. Following this increase the share price gradually declined toward the end of December 2014 and when the second announcement regarding CMP Transaction was made, on 29 January 2015, the Company's share price closed at \$0.16 on that day.

12.4. Advantages of approving the CMP Transaction

We have considered the following advantages when assessing whether all contingent resolutions in relation to the CMP Transaction are reasonable.

12.4.1. Provides the Company with certainty regarding access to necessary infrastructure

If the CMP Transaction is approved, the Company will obtain access to the Easements which are currently controlled by CMP. The Easements relate to the proposed water pipeline route from Productora to the coast near Huasco. The Company will also acquire the Surface Rights over the proposed mining development area of the Productora Project. Both these items are considered to be critical infrastructure items that are necessary to develop the Productora Project. The acquisition of CMP's Existing Interest will also consolidate the Company's tenement holding surrounding the Productora Project's central pit.

Access to CMP's infrastructure will allow the development of the Productora Project to progress more quickly than otherwise and would also have an effect of reducing the development risk of the Productora Project. Both these outcomes will provide a significant advantage to the Company and therefore its Shareholders.

The Company has also recently signed a memorandum of Understanding with PLL to study the provision of port services from PLL's facilities located at Huasco, adjacent to the Productora Project. The study into

the potential expansion of the port facilities will incorporate a copper concentrate ship loading capability at the port, which is located 40km east of the Productora Project. PLL is a joint venture in which CAP, CMP's parent company, hold a 51% interest. If the CMP Transaction is approved, and CMP become a joint venture partner in the Productora Project, the expansion of the port facilities is likely to align the interests of both CAP and Hot Chili and could therefore provide a benefit to Shareholders if the expansion of the port facilities progresses.

12.4.2. Introduces an experienced partner at a project level

The CMP Transaction introduces CMP as partner who can assist with the development of the Productora Project. CMP is a mining subsidiary of CAP, Chile's largest iron ore and steel producer. It is likely that the Company will benefit from the strategic direction that CMP is likely to provide at a project level and the Company will also benefit from having an experienced partner with operational strength within Chile.

The ability of the Company to obtain project financing may also increase as a result of the introduction of a partner with operational strength and significant local knowledge and experience.

12.4.3. The CMP Transaction will provide a cash injection which can be used to progress the Productora Project

If CMP elect to exercise the Additional Option, the Company will receive the following as a result of the First Tranche of the Additional Option being exercised:

- CMP is required to pay the Company a fee of US\$1.5 million upon the granting of the Additional Option. This amount will be deducted from the Second Tranche payment;
- The First Tranche exercise payment is US\$26 million; and
- Following receipt of the First Tranche exercise payment, CMP will provide the CMP Facility to the Company. The outstanding amount under the CMP Facility will be deducted from the Second Tranche payment.

The Company will use these funds to repay in full the Sprott Facility currently outstanding (as at 31 December 2014 this amount was approximately US\$10 million). The remaining balance will be used to fund the Company's share of costs to complete the DFS for the Productora Project. Some of the funds could also be used to fund the Company's expenditure in relation to the studies undertaken on the potential expansion of the port facilities with PLL.

If CMP elect to exercise the Second Tranche of the Additional Option, the Company will receive additional funds of between US\$54 million and US\$84 million less the \$1.5 million option fee already paid and any amount outstanding on the CMP Facility. These funds received by the Company will be used to contribute to its portion of development costs for the Productora Project.

We note that the CMP Facility does not dictate how the funds must be applied and will provide Hot Chili with funds for other working capital requirements.

12.4.4. The ability to obtain financing for the Productora Project without the introduction of a joint venture partner may be difficult

If Shareholders do not approve the CMP Transaction, it is likely the Company will have to seek an alternative option to further advance the Productora Project, which may not be as favourable to Shareholders. We consider the funding alternatives available to the Company are as follows:

- The Company could look to secure an alternate joint venture partner, however the Company is not aware of any alternative partners that have the same financial strength and in-country experience as CMP.
- The Company could source alternate funding through additional debt. The Company has already drawn down US\$10 million of the Sprott Facility with a remaining US\$15 million available for draw down. However, the Company would need to obtain additional funding in the longer term to progress the Productora Project past the PFS stage. Given the Company's current gearing, any additional debt facilities are likely to be at less favourable terms than those provided under the CMP Facility, if available at all.
- The Company could source equity funding from the market. Given the current state of equity capital markets, Hot Chili may find it difficult to raise the required funding. If the Company was successful in raising capital from the market, it would likely be at a discount to the current market price. An equity capital raising may also dilute existing Shareholders' interests, depending on the extent to which existing Shareholders participate in such a capital raising.

12.4.5. The exercise of the Additional Option places reliance on an independent valuation of the Productora Project after PFS

The valuation of the additional 32.6% interest that CMP can acquire if it exercises both tranches of the Additional Option will be based on a valuation report of the Productora Project to be prepared by a suitably qualified valuation expert jointly appointed by Hot Chili and CMP. This will value the Productora Project following the PFS, with any valuation of the mining concessions to be prepared in accordance with the VALMIN Code.

The value for the additional 32.6% interest will be a minimum value of US\$80 million and a maximum value of US\$110 million which gives an implied valuation range for a 100% interest in the Productora Project of between US\$245 million and US\$337 million.

The inclusion of a minimum value range provides Shareholders with some security and will provide a benefit if the independent valuation after PFS comes in lower than US\$245 million. However, Shareholders will be disadvantaged if the independent valuation comes in higher than US\$337 million and they will also not be compensated for any uplift in value between PFS and DFS as the exercise price for the Second Tranche will be set based on a valuation of the Productora Project after completion of only the PFS.

12.4.6. The Company retains control of the Productora Project up until DFS

If Shareholders approve the CMP Transaction, CMP will initially acquire a 17.5% interest in the Productora Project, in exchange for the CMP Assets. If Shareholders also approve the Additional Option and CMP exercise the First Tranche, CMP's interest in SMEA will increase by between 7.71% and 10.60%, to a total interest of between 25.21% and 28.10%.

The Second Tranche of the Additional Option is not exercisable by CMP until delivery of the results of a completed DFS, project financing terms being finalised and the Company taking a definitive decision to mine at the Productora Project. Only at this point in time can CMP exercise the Second Tranche and therefore increase its shareholding in SMEA to a maximum of 50.1%.

Therefore, the Company will retain a controlling interest in the Productora Project through the key phases of project development leading up to completion of the DFS.

12.4.7. Sprott Facility can be repaid

On 30 June 2014, the Company announced it had executed the Sprott Facility and as at 31 December 2014 the Company has drawn down US\$10 million. The Sprott Facility has an interest rate of 12% per annum and expires on 30 June 2015 however there is an option to extend for a further 12 months, subject to conditions and an extension fee payable of 2% of the outstanding balance.

If Shareholders approve the Additional Option, the funds from the First Tranche exercise payment will be wholly directed towards repayment of the Sprott Facility. CMP will also provide the CMP Facility, which will provide a US\$13 million facility with an interest rate either fixed at 10% per annum or 8% per annum with a 1% upfront payment commitment.

12.4.8. Preservation of cash for further development of the Productora Project

If Shareholders approve the CMP Transaction, the Company will acquire the necessary infrastructure for the Productora Project including Easements, Surface Rights and CMP's Existing Interest for no outlay of cash. Hot Chili's cash reserves can therefore be retained for the development of the Productora Project to the completion of the PFS.

Following completion of the PFS, CMP will be responsible for funding its share of expenditure in accordance with its relevant ownership interest.

12.4.9. Provides the Company with the opportunity to benefit from any potential exploration upside in the surrounding areas

If the CMP Transaction is approved by Shareholders, the Company will receive CMP's Surface Rights over the surrounding proposed mining development area of the Productora Project and CMP's Existing Interest. This represents a potential exploration upside for the Company, as any successful exploration of these areas may lead to an increase in Hot Chili's share value.

12.4.10. Not approving the CMP Transaction may have a negative impact on the Company's share price

The Company is currently working towards completing its PFS on the Productora Project, which is expected to occur during 2015.

If Shareholders do not approve the CMP Transaction the Company will have to explore an alternative development strategy that may not involve CMP. At this point in time, with CMP holding the critical infrastructure required to develop the project, this increases the risk of significant delay for development which in turn may have a negative impact on the Company's share price.

The market has also been made aware of the CMP Transaction through the Company's announcements made during August 2014 and January 2015. The first announcement made on 6 August 2014 saw the share price increase approximately 40% on its closing price on the last full trading day prior to this announcement.

12.5. Disadvantages of approving the CMP Transaction

If all contingent resolutions in relation to the CMP Transaction are approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

12.5.1. CMP holds Exit Rights

The CMP Transaction allows for CMP to exit its investment in the SMEA, under certain circumstances. The Exit Rights allow CMP to exit its investment in the Productora Project by requiring Hot Chili to repurchase its shares in SMEA.

The Exit Rights allow Hot Chili to source funding over an extended period however at this point in time there is no certainty that the Company will be able to obtain the required funds in order to acquire CMP's interests in SMEA.

12.5.2. The Company will not be compensated for any uplift in value from PFS to DFS

The exercise price for the Second Tranche of the Additional Option will be set based on an independent valuation of the Productora Project after PFS (between a minimum valuation of US\$80 million and a maximum valuation of US\$110 million). However, the payment of the Second Tranche will be provided following completion of the DFS. Therefore, Shareholders will not be compensated for any uplift in the value of the Productora Project between the completion of the PFS and completion of the DFS.

12.5.3. Potential loss of control of the Productora Project following DFS

If CMP decide to exercise both tranches of the Additional Option, the Company will lose control of the Productora Project, with CMP's interest increasing to 50.1%. Therefore, if the Additional Option is exercised the Company will go from holding a 100% interest in SMEA to holding a 49.9% interest. This therefore reduces existing Shareholders' indirect interest in the Productora Project and hence reduces their exposure to any potential uplift in its value.

12.5.4. Sprott Facility will need to be extended

If Shareholders approve the Additional Purchase Option, the funds received from the exercise of the First Tranche will be used to repay the outstanding amount of the Sprott Facility which expires on 30 June 2015.

It is unlikely that all the conditions will be met for payment of the First Tranche prior to the expiration date; therefore the Company will have to either source funds to repay the outstanding balance prior to this date or extend the Sprott Facility which will incur a 2% extension fee.

13. Conclusion

We have considered the terms of the CMP Transaction, as outlined in the body of this Report, and have the following opinions:

- The acquisition of the CMP Assets is not fair but reasonable. We consider the acquisition of the CMP Assets to be not fair as the value of the 17.5% interest in the Productora Project being disposed by the Company is greater than the value of the CMP Assets that the Company will receive. However, we consider the acquisition of the CMP Assets to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.
- The Additional Option is not fair but reasonable. As we do not have reasonable grounds, in accordance with RG 111, to determine the future value of the Productora Project following completion of the PFS and DFS, which is the subject of the Additional Option, we are unable to conclude that the Additional Option is fair for Shareholders. However, we consider the Additional

Option to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.

- The security over the CMP Facility is fair and reasonable. We consider the security over the CMP Facility to be fair as the value of the proceeds of the sale of the assets that secure the CMP Facility that would be provided to CMP in the event of a default under the CMP Facility is equivalent or lower than the value of the liabilities that would be settled. We consider the security over the CMP Facility to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.
- The Exit Rights are not fair but reasonable. As there is no certainty as to when and if the Exit Rights will be exercised and we do not have reasonable grounds, in accordance with RG 111, to assess what the future value of the interest in the Productora Project that may be re-acquired by the Company, we are unable to conclude that the Exit Rights are fair for Shareholders. However, we consider the Exit Rights to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company.

We have concluded that the terms of the CMP Transaction, on a whole, are not fair but reasonable.

We consider the CMP Transaction to be reasonable due to the significant advantages that we consider the CMP Transaction, as a whole, will bring to the Company, in particular;

- Providing the Company with the critical infrastructure necessary to develop the Productora Project faster than otherwise;
- Providing the Company with funds that it can use to contribute to its portion of development costs for the Productora Project;
- Introducing a partner at a project level with financial strength and significant local knowledge and experience to assist with the development of the Productora Project; and
- Reducing the development risk of the Productora Project.

14. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Final signed Memorandum of Understanding between Hot Chili and CMP dated 24 December 2014;
- Term Sheet for Secured Debt Facility;
- Reviewed financial information of Hot Chili for the half year ended 31 December 2014;
- Audited financial statements of Hot Chili Limited for the years ended 30 June 2014 and 30 June 2013;
- Independent Valuation Report of the Productora Copper Project dated 19 February 2015 performed by AI Maynard and Associates Pty Ltd;
- Independent Valuation Report of the surface rights for the Productora Project dated 5 February 2015 performed by Colliers International;
- Share registry information for Hot Chili Limited;
- Information in the public domain; and
- Discussions with Directors and Management of Hot Chili.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$48,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Hot Chili in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Hot Chili, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Hot Chili and CMP and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Hot Chili and CMP and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Hot Chili, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Hot Chili and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia,

Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

This report has been prepared at the request of Hot Chili for inclusion in the Explanatory Memorandum which will be sent to all Hot Chili Shareholders. Hot Chili engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to dispose of an interest in Hot Chili's Productora Project to CMP.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to CMP. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Hot Chili, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent valuation of the Productora Project and an independent valuation of the Surface Rights for the Productora Project.

The valuers engaged for the independent valuation of the Productora Project and the Surface Rights for the Productora Project, Al Maynard and Associates Pty Ltd and Colliers International respectively, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are considered appropriate for this report. We have received consent from the valuers for the use of their valuation reports in the preparation of this report and to append copies of their reports to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A black ink signature of Sherif Andrawes, written in a cursive style.

Sherif Andrawes

Director

A blue ink signature of Adam Myers, written in a cursive style.

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
Additional Option	Hot Chili's grant of an option to CMP to increase its stake in the Productora Project to 50.1%. It will have a minimum exercise price of US\$80 million and a maximum exercise price of US\$110 million exercisable in two tranches.
AM&A	Al Maynard & Associates Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CAP	CAP S.A.
Colliers	Colliers International
CMP	Compania Minera del Pacifico S.A
CMP Assets	The proposed Easements, Surface Rights and Existing Interest to be received by Hot Chili as consideration for the 17.5% interest in the Productora Project.
CMP Facility	Following payment of the exercise price of the First Tranche, CMP will provide Hot Chili with a secured debt facility for up to US\$13 million
The Company	Hot Chili Limited
DCF	Discounted Future Cash Flows
DFS	Definitive Feasibility Study
Easements	CMP controlled easements related to the proposed water pipeline route from Productora to the coast near Huasco
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Existing Interest	The existing 35% interest that CMP holds in certain mining rights at Productora

Exit Rights	In certain circumstances, Hot Chili may be required to re-acquire CMP's interest in the Productora Project and the possible disposal by the Company of the CMP Assets back to CMP
FME	Future Maintainable Earnings
Hot Chili	Hot Chili Limited
Independent Valuation	A valuation report of the Productora Project prepared by a suitably qualified technical expert jointly approved by Hot Chili and CMP to value the Productora Project in accordance with the VLAMIN code.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
MoU	The Memorandum of Understanding between the Company and CMP dated 24 December 2014
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
PFS	Pre-feasibility Study
PLL	Puerto Las Losas SA
Productora Project	Hot Chili's Productora Copper Project located in Chile
QMP	Quoted market price
RBA	The Reserve Bank of Australia
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Hot Chili not associated with CAP
SMEA	Sociedad Minera El Aguila SpA
Sprott Facility	Lending facility provided to Hot Chili for up to US\$26 million from Sprott Resource Lending Partnership
Surface Rights	Certain surface rights over the proposed mining development area of Productora
The CMP Transaction	Collectively, the transactions between Hot Chili and CMP contemplated by the MoU
VALMIN Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports

Valuation	The valuation of the Productora Project following PFS determined by an independent expert in accordance with the VALMIN Code
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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The Directors

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Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report prepared by AM&A

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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION REPORT

ON

HOT CHILI LIMITED's

PRODUCTORA MINERAL ASSETS,

Region III, CHILE.

PREPARED FOR

BDO CORPORATE FINANCE (WA) PTY LTD

Authors: Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM.

Company: Al Maynard & Associates Pty Ltd

Date: 19th February, 2015

EXECUTIVE SUMMARY

This independent valuation has been prepared by Al Maynard & Associates Pty Ltd (“AM&A”) at the request of BDO Corporate Finance (WA) Pty Ltd (“BDO”) in order to provide a fair market valuation of the “Productora” mineral assets held by Hot Chili (“HCH” or the “Company”) in Chile, South America.

This is in two parts:

- 1) Valuation of the Productora Project on a 100% basis; and
- 2) Valuation of CMP’s current 35% interest in the Productora leases.

For the purpose of the valuation described below, a valuation date as at 9th February, 2015 is used for the commodity prices and currency exchange rates whilst this report is dated 19th February, 2015.

This report is for inclusion in the BDO Independent Expert’s Report to accompany HCH’s Notice of Meeting to Shareholders to describe the mineral asset values before and after a transaction between HCH and local Chilean major resources company Compania Minera del Pacifico (“CMP”) where CMP will acquire a 17.5% holding in Productora for contributing surface rights, easements and mining rights relating to Productora. Details are outlined in the HCH release to ASX of 29th January, 2015.

The Productora project is Hot Chili’s flagship project in Chile. The project is located 15 km south of the town of Vallenar, at low altitude (less than 1,000 m), in Chile’s Region III. The project is one of the fastest emerging mid-tier copper projects being developed in Chile, with significant infrastructure advantages in the low-altitude coastal range.

Since drilling commenced in August 2010, the Company has completed almost 240,000 metres of drilling, and has outlined a large-scale, bulk tonnage copper-gold-molybdenum project amenable to open pit mining. Hot Chili is focussed on the continuation of resource growth and reserve conversion through targeted drilling and advancement of development studies at the Productora copper project.

In March 2014 the Company successfully completed the first open pit Ore Reserve for Productora. The maiden Ore Reserve is classified totally as Probable, and estimated at 90.5Mt grading 0.48% copper, 0.11g/t gold and 172 ppm molybdenum. Payable metal comprises 350,000 tonnes of copper, 152,000 ounces of gold and 9,000 tonnes of molybdenum. This Reserve now underpins the first nine years of mine life for the Company’s sulphide operational plans from a single central pit.

The company also published a Resource revision in March 2014, with the total resource base (inclusive of Ore Reserves) at Productora now standing at 214.3Mt grading 0.48% copper, 0.1g/t gold and 138ppm molybdenum for 1,029,000 tonnes of copper, 675,000 ounces of gold and 29,000 tonnes of molybdenum.

Both the Resource and Reserve estimates are JORC 2012 Compliant and have been independently estimated (Ore Reserve) and independently audited (Mineral Resource).

Copper-gold-molybdenum mineralisation at Productora is predominantly hosted in a structurally controlled breccia and fracture network developed within a larger body of hydrothermal K-feldspar-tourmaline magnetite breccia. Structurally-focused mineralised breccia zones are evident trending broadly NNE, sub-parallel to the Productora fault zone. Sulphides comprise pyrite, chalcopyrite, bornite and molybdenite developed as breccia, vein and cavity fill, as well as disseminations within the brecciated host rocks.

In early 2013, the Company announced the successful completion of a Scoping study into the development of a large mining operation at Productora.

The Scoping study concluded that conventional open pit, blast and haul mining methods will be suitable for mining the Productora copper project.

The planned central pit development contains a large continuous block of resources that is the focus for initial mine design to underpin a nominal processing throughput range of 8-12M tonnes per annum. Metallurgical test work has demonstrated that conventional processing including crushing, grinding and flotation will be suitable for the recovery of copper, gold and potentially molybdenum minerals. Initial indications are that high copper and gold recoveries (>90%, ~80% respectively) may be achieved with a relatively coarse grind size of 180 microns.

The study considered sea water processing to produce a high quality copper concentrate that would support a potential long-life, low cost copper operation at Productora.

The Company formally commenced a Pre-feasibility study (“PFS”) over Productora immediately following the favourable findings of the Scoping Study.

Engineering and project development group Mintrex, have been commissioned to manage the PFS in conjunction with Hot Chili's own development team.

The writer has sighted a copy of a report to HCH by local Chilean, Santiago based law firm “Correa Gubbins” dated June 26th 2014, entitled “Title Opinion” and concludes that HCH and JV Partner CMP have lawful access to the tenements as listed.

The information in this report concerning the exploration results, mineral resources and ore reserves of the Productora Project is extracted from Hot Chili's announcements to ASX entitled “Maiden Ore Reserve at Productora Set for Strong Growth in 2014 dated 31 March 2014”; “Impressive Drill Results at Alice Set to Grow Productora Resource dated 22 January, 2015; and “Oxide project set to boost scale of Productora dated 19 February 2015” and can be viewed on Hot Chili's website at <http://www.hotchili.net.au/>. Hot Chili has confirmed that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of mineral resources and ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Hot Chili has confirmed that the form and context in which the Competent Person's findings are presented in this report have not been materially modified from the original market announcements.

Valuation Conclusions Summary

TABLE 1: PRODUCTORA VALUATION SUMMARY.

Item	Low (A\$M)	Preferred* (A\$M)	High (A\$M)
Value of Hot Chili's interest	230	253	278
Value of CMP tenements	15	17	19
Total value of Productora	245	270	297

*NOTE: The details of the valuation conclusions are provided in Section 8.1 using ‘Comparable Transactions’ as a measure of worth related to the known Resources/Reserves and Exploration Potential (Target Mineralisation). Also note that the target mineralisation is not a resource or reserve of any description and that future work may or may not delineate the target either in whole or in part.

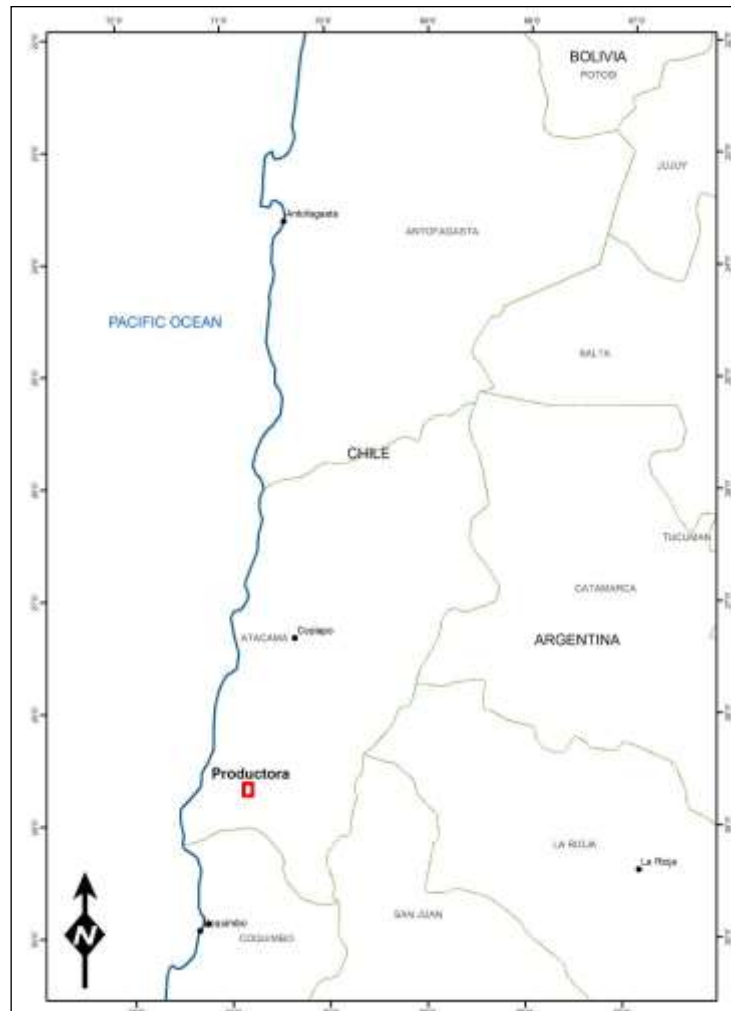


Figure 1: Hot Chili Productora Project Location Map.



Figure 2: Hot Chili Productora Location and Infrastructure Map.

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BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

19th February, 2015

Dear Sirs,

1.0 INTRODUCTION

This report has been prepared by Al Maynard and Associates (“AM&A”) at BDO’s request to provide an independent appraisal of the cash value of the Hot Chili relevant interests in properties prospective for base metals (copper, molybdenum) and gold in Region III of Chile, South America, as at 9th February, 2015.

1.1 SCOPE AND LIMITATIONS

This independent valuation and its accompanying geological description have been prepared at the request of Hot Chili to provide the writer’s opinion of the current cash value of the licences and applications listed in this report.

This valuation has been prepared in accordance with the guidelines of the Valmin code (2005) as adopted by the Australian Institute of Geoscientists (‘AIG’) and the Australasian Institute of Mining and Metallurgy (‘AusIMM’). This includes appropriate use of the 2012 JORC Code and ASIC Regulatory Guidelines 111 and 112.

This valuation is valid as at 9th February, 2015 and refers to the writer’s opinion of the value of the mineral assets at this date. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers’ technical training and experience in the mining industry. The opinions expressed represent the writer’s fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms’ length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved. The information presented in this report is based on technical reports provided by Hot Chili supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were made available.

Hot Chili will be invoiced and expected to pay a fee for the preparation of this report. This fee (\$8,000 to \$10,000) comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in Hot Chili. Hot Chili has confirmed in writing that all technical data known to be in the public domain is available to the writer.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Section 8.0. Regarding the project it is considered that sufficient geotechnical data has been provided from the reports covering the area to enable an understanding of the geology resources and reserves. This, coupled with general knowledge and site visits to the areas provides sufficient information to form an opinion as to the current value of the mineral assets.

1.2 STATEMENT OF COMPETENCE

This report has been prepared by geologist Allen J Maynard BAppSc(Geol), MAIG, MAusIMM with over 35 continuous years in the mining and exploration industry and more than 30 years of mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent “Expert” under the definitions of the Valmin Code. He also qualifies as ‘Competent Person’ within the AIM ‘Note’ for Mining, Oil and Gas companies.

2.0 VALUATION OF THE MINERAL ASSETS – METHODS AND GUIDES

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005) and the JORC Code, 2012 – we have derived the valuation estimate ranges listed below in Section 8 using the appropriate methods for the mineral exploration properties as described below with due regard for the published JORC Code 2012 Mineral Resource Estimates and Mineral Reserve estimates. (HCH Releases to ASX- see References).

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: ‘Regulatory Guidelines’ 111 & 112.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’

length purchaser will pay for a mining (or other) property in a transaction devoid of “forced sale” circumstances.

2.1 GENERAL VALUATION METHODS

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Empirical Method (Rule of thumb or Yardstick approach).

2.2 DISCOUNTED CASH FLOW/NET PRESENT VALUE

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is subjective according to the valuer’s opinion. The percentages used will vary according to the details of any particular deposit such as grade, waste: ore ratio, mining and treatment costs, metallurgical recovery and other relevant factors. Alternatively a value can be assigned on a royalty basis commensurate with the *In Situ* contained metal value.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 JOINT VENTURE TERMS

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

2.4 SIMILAR TRANSACTIONS

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

2.5 MULTIPLE OF EXPLORATION EXPENDITURE

The multiple of exploration expenditure method (‘MEE’) is used whereby a subjective factor (also called the prospectivity enhancement multiplier or ‘PEM’) is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a PEM multiplier (or deflator) can be selected that takes into account the valuer’s judgment of the prospectivity of the tenement and the value of the database. PEMs can typically range from 0 to 3.0 and occasionally up to 5.0 (where exceptional results are yielded) applied to previous exploration expenditure to derive a dollar value.

2.6 RATINGS SYSTEM OF PROSPECTIVITY (KILBURN)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to the BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 EMPIRICAL METHODS (YARDSTICK – REAL ESTATE)

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 GENERAL COMMENTS

The aims of the various methods are to provide an independent opinion of a "fair value" for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:

- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Resource and Reserve estimates;
- Current market values for properties in similar or analogous locations;
- Current commodity prices.

2.9 ENVIRONMENTAL IMPLICATIONS

Information to date indicates that the project areas have been reviewed by an environmental specialist for their fauna or flora species regarded as being rare, threatened or endangered.

The Productora Environmental Impact Assessment (EIA) exhibits good progress with approximately 70% of work already achieved. Environmental baselines are 100% complete with all seasonal baselines completed in October 2014. Non-seasonal archaeological and hydrogeological baselines have been completed. The EIA is on track to be submitted at completion of PFS.

2.10 OTHER CLAIMS

HCH informs us that no other claims are apparent at this point in time.

2.11 COMMODITIES-METAL PRICES

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews. (eg; “Kitco.com”, “Metalprices.com”).

2.12 RESOURCE/RESERVE SUMMARY

There are identified JORC Code compliant resources/reserves within the project tenements as listed below.

2.13 PREVIOUS VALUATIONS

HCH has confirmed and AM&A is not aware of any previous valuations on the projects.

2.14 ENCUMBRANCES/ROYALTY

No royalty payments are considered in this valuation as production is not imminent.

3.0 BACKGROUND INFORMATION

3.1 INTRODUCTION

This valuation has been provided by way of a detailed study of information provided by Hot Chili on the Productora copper project, Region III, Chile.

3.2 SPECIFIC VALUATION METHODS

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves to the more subjective rule-of-thumb assessments such as the Yardstick or Empirical methods or Comparative Value/Similar Transactions method. These methods are discussed above in Section 2.0.

4.0 THE PRODUCTORA PROJECT

4.1 INTRODUCTION

The Productora project is located 15km south of the township of Vallenar, at low altitude (<1,000m) in Chile’s Region III. Since drilling commenced in August 2010, the Company has outlined a large-scale, bulk tonnage copper-gold-molybdenum project amenable to open pit mining.

The most recent Ore Reserve and Mineral Resource estimate was published in March 2014. Classified totally as Probable, the Ore Reserve comprises payable metal of 433,000 tonnes of copper, 308,000 ounces of gold and 15,500 tonnes of molybdenum and underpins an initial nine year mine life.

The total Mineral Resource base (inclusive of Ore Reserves) at Productora now stands at 214.3Mt grading 0.48% copper, 0.1g/t gold and 138ppm molybdenum for 1,029,000 tonnes of copper, 675,000 ounces of gold and 29,000 tonnes of molybdenum. The Mineral Resource estimate was completed by Hot Chili in co-operation with independent consultants Coffey Mining Pty Ltd (Coffey).

The Mineral Resource estimate is the second major revision since Hot Chili established its first Mineral Resource at the project in early September 2011. Copper metal at Productora is classified as 78% Indicated and 22% Inferred.

Subsequent to completion of the Ore Reserve and Mineral Resource estimate in March 2014, the Company has focused on delivering growth at Productora through the study of oxide resources to capture as part of the forthcoming reserve estimate, and through resource additions by targeted drilling.

A Scoping Study to assess the potential for including a large copper oxide project to the Productora development has just been completed, and the Company expects to incorporate this study into the Pre-feasibility studies for the Productora project. It is expected that oxide resources will also be captured in the forthcoming Ore Reserve estimate, once detailed studies are completed.

Drill targeting has proven successful for the Company with the discovery of Alice copper porphyry mineralisation late in 2014. The Company intends to undertake resource definition drilling on the Alice prospect, and include it as part of the pending Mineral Resource revision in 2015. In the absence of a resource estimate, a potential mineralisation estimate has been utilised to assess the value of the Alice prospect.

The majority of copper-gold-molybdenum mineralisation at Productora is hosted in a structurally focused breccia and fracture network developed within a larger body of K-feldspar-tourmaline-magnetite hydrothermal breccia. Structurally-focused mineralised breccia zones are evident trending broadly sub-parallel to the Productora fault zone (NNE).

Hot Chili considers that the Productora copper project has considerable resource and reserve growth up-side. Advanced targeting has been very successful at Productora and the Company is intends drill testing a series of exploration targets that will contribute towards establishing a long-life copper operation from Productora's initial mine life of 9 years.

4.2 LOCATION AND ACCESS

The Productora Project is located within the low altitude coastal range belt and is located 15km south of the regional mining centre of Vallenar in Region III of Chile, approximately half way between La Serena and Copiapo.

The project is 5km off the main sealed Pan-American Highway connecting Vallenar to La Serena in the south. It has good access to power and the adjacent rail corridor which connects the project to the Huasco Port (controlled by CAP/ CMP, Hot Chili's project partner), which is 40km to the west.

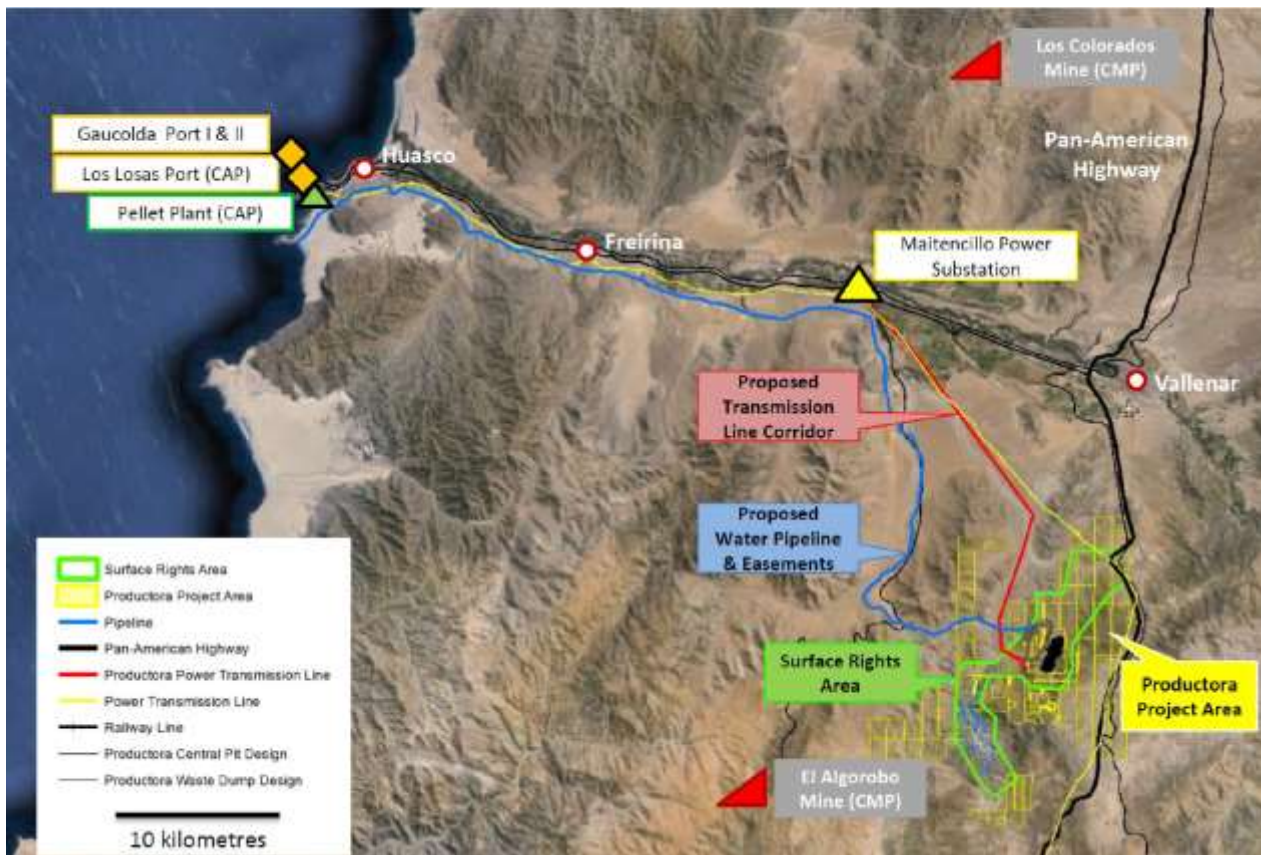


Figure 3: Location and existing infrastructure surrounding the Productora copper project, Region III Chile.

4.3 TENEMENT DETAILS

Hot Chili (through its subsidiary company SMEA SpA) controls an area measuring approximately 12.5 km north-south by 5 km east-west at the project through various agreements with private land holders, CMP (Chile's largest iron ore producer) and government organisations.

In addition to this, the Company has also secured large tenement holdings in its own right across available extensions at the project. The acquired tenements expand the area of the Productora Project, providing further up-side to Hot Chili's plans to delineate and develop significant copper-gold-molybdenum resources at the project. The list of tenements is included in Appendix '1'. In addition, the writer has sighted a copy of a report to HCH by local Chilean law firm "Correa Gubbins" dated June 26th 2014, entitled "Title Opinion" and concludes that HCH and JV Partner CMP have lawful access to the tenements as listed.

Importantly, these parties together with Hot Chili control 100% of the strike extent of defined mineralisation within this land position.

Two underground copper mines were in operation within the central mining lease of the Productora project from late 2006 until mid-2013. These underground mines were operated by lease miners under the terms of Hot Chili's (SMEA SpA's) agreement with the owners of

the Productora 1/16 concession. In 2013 the purchase option was exercised, mining ceased, and all equipment was removed.

Hot Chili has established close working relationships with both government and private stakeholders, of particular note is the major local partnership with CMP (Chile's largest iron ore producer).

4.4 MINERAL TENURE IN CHILE

In general, the Political Constitution of the Republic and the provisions of Chilean law make no distinction among Chileans and non-Chileans regarding the enjoyment of basic rights, the acquisition of property, and the development of economic activities.

According to article 2 of the Constitutional Law on Mining Concessions ("Law 18.097"), a mining concession is: "an in rem property right, different and independent from ownership of the surface land, even if it belongs to one and the same owner; enforceable against the State and any other person; transferable and transmissible; subject to mortgage and other in rem rights and, in general, to any act or contract".

4.5 COPPER MINING CONCESSIONS

Mining concessions grant the right to exploit or explore the mineral substances existing in the area covered by the concession.

Mining concessions are granted by a judicial award issued by a competent court of justice in the context of a non-litigious proceeding filed with such court.

The territorial extension of a mining concession takes on the shape of a solid, the surface of which is a horizontal parallelogram of right angles, and the depth of which is indefinite within the vertical planes that establish its boundaries.

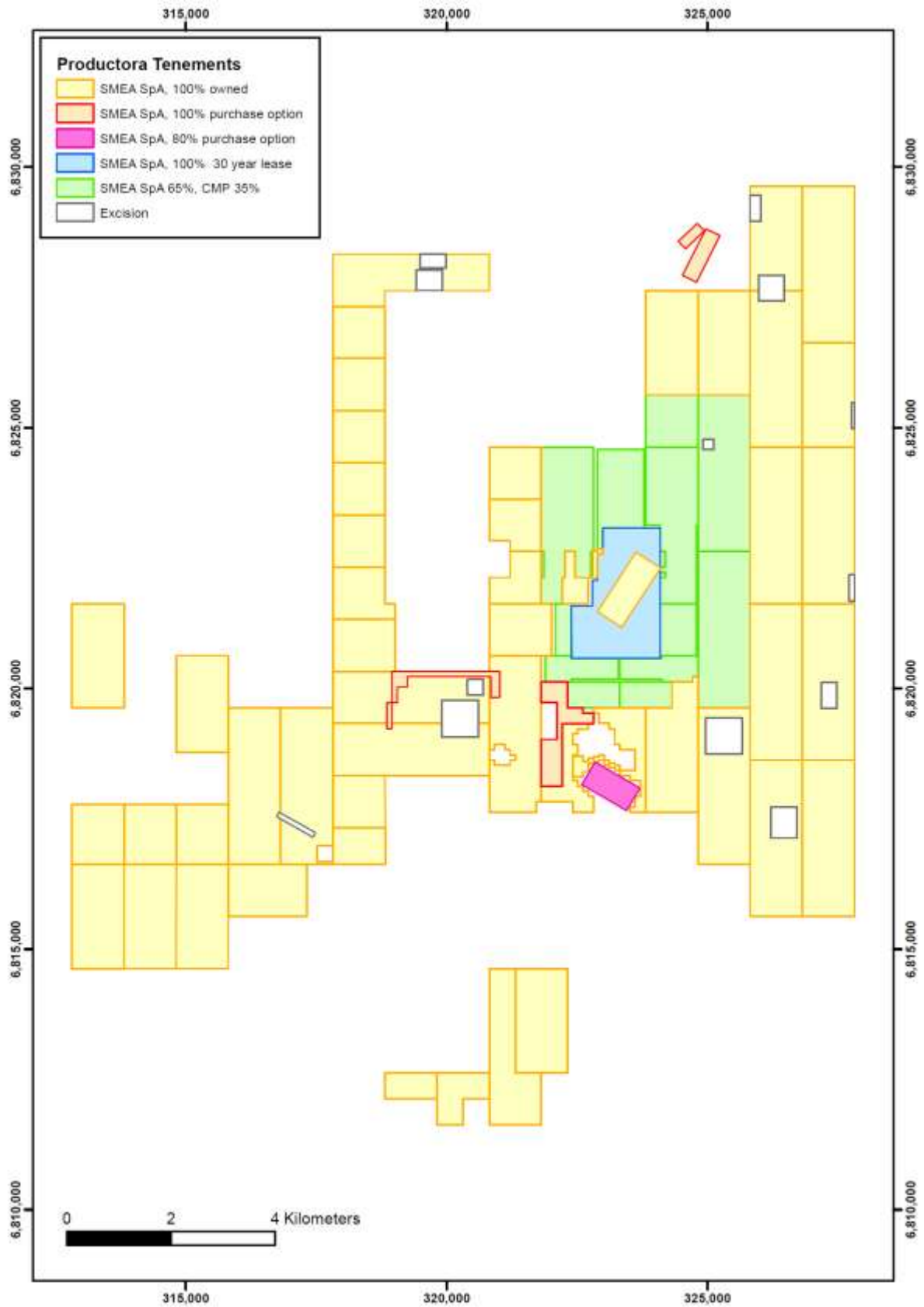


Figure 4: Productora Project Tenement Map.

4.6 GEOLOGICAL SETTING

4.6.1 REGIONAL GEOLOGY

The region lies at the boundary between the Coastal Cordillera and the Atacama fault system. During the Cretaceous, a thick sequence of andesites and minor sediments (Bandurrias Group) developed in an extensional regime within volcanic island-arc settings. A variety of porphyritic volcanic have intruded this sequence, some of which are probably contemporaneous with the host volcanics. These porphyritic intrusions appear to be responsible for most of the alteration and mineralisation observed in the area. Jurassic to Late Cretaceous granodioritic and monzodioritic batholiths are exposed over large areas throughout the Coastal Cordillera.

The project area encompasses a small part of the Chilean Iron Belt. The Iron Belt extends for more than 600 km along a 20 to 30 kilometre wide, north-northeast trending zone at the east side of the Coastal Cordillera.

Several large copper deposits within this belt are currently in production including the Candelaria, Manto Verde, and Punta del Cobre. It is interesting to note that all three have significant iron contents. Many of the iron deposits within and near the Productora are known to carry low copper content, and a few very small deposits were mined for copper oxide. There has been very little exploration in this area for large bulk tonnage copper mineralisation.

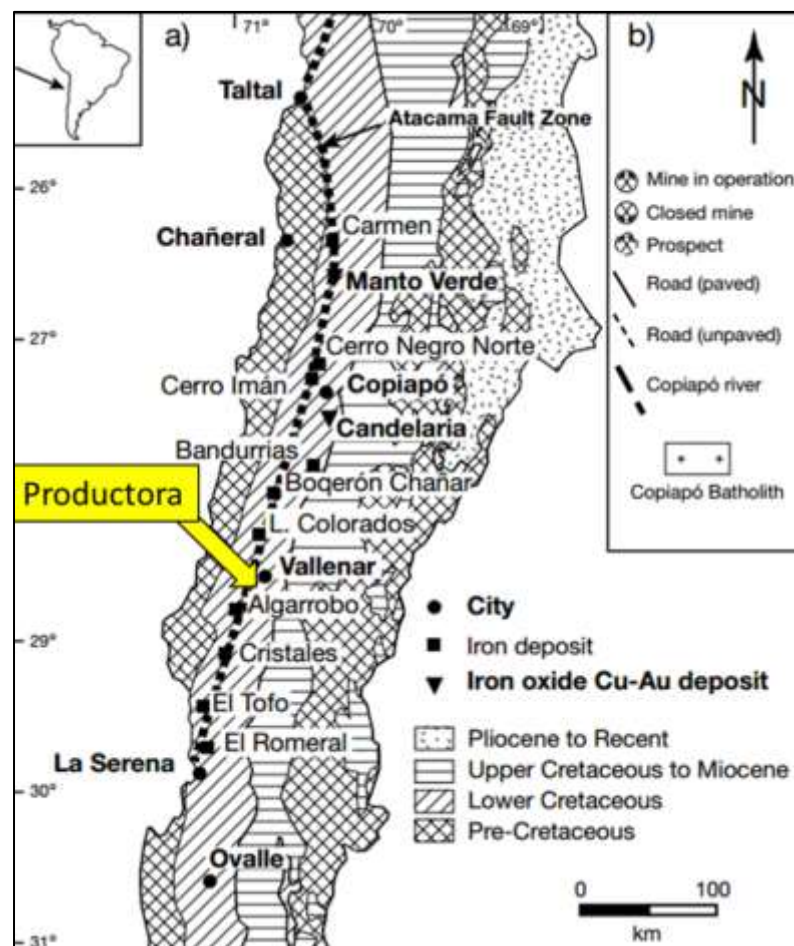


Figure 5: Productora regional geological setting.

4.6.2 PROJECT GEOLOGY

The Productora copper-gold-molybdenum deposit is hosted in the Neocomian (lower Cretaceous) Bandurrias Group, a thick volcano-sedimentary sequence comprising intermediate to felsic volcanic rocks and intercalated sedimentary rocks. The Bandurrias Group consists of variably plagioclase- porphyritic and amygdaloidal andesitic rocks overlain by a felsic volcanic sequence composed of weakly porphyritic rhyolitic to rhyodacitic lavas, tuffs and volcanic breccias.

Dioritic dykes intrude the volcano-sedimentary sequence at Productora, typically along west to northwest-trending late faults, and probably represent sub-volcanic feeders to an overlying andesitic sequence not represented in the resource area.

The host sequence dips gently (15-30°) west to west-northwest and is transected by several major north- to northeast-trending fault zones, including the Productora fault zone which coincides with the main mineralised trend. These major fault zones comprise mylonite and cataclasite, which along the Productora fault zone are associated with extensive tectonic breccias (damage zones) that host copper-gold-molybdenum mineralisation.

Later faults cross-cut and offset the volcano-sedimentary sequence together with the Productora (and sub-parallel) major faults. Late faults generally show a west to north-westerly strike and are typically low-displacement structures that show a combination of sinistral and dip-slip movements but no significant rotational displacements.

The volcano-sedimentary sequence at Productora is extensively altered, particularly along major faults and associated damage zones, and a distinctive alteration zonation is evident. Common alteration assemblages include a K-feldspar-tourmaline-magnetite-silica-(hematite), typically associated with higher-grade poly-metallic mineralisation along the Productora fault zone, with flanking distal zones of relatively lower-temperature alteration comprising a chlorite-magnetite-epidote-albite-silica-carbonate-(hematite) assemblage.

The distribution of alteration mineral assemblages and spatial zonation suggest a gentle northerly plunge for the Productora mineral system, disrupted locally via vertical and strike-slip movements across late faults.

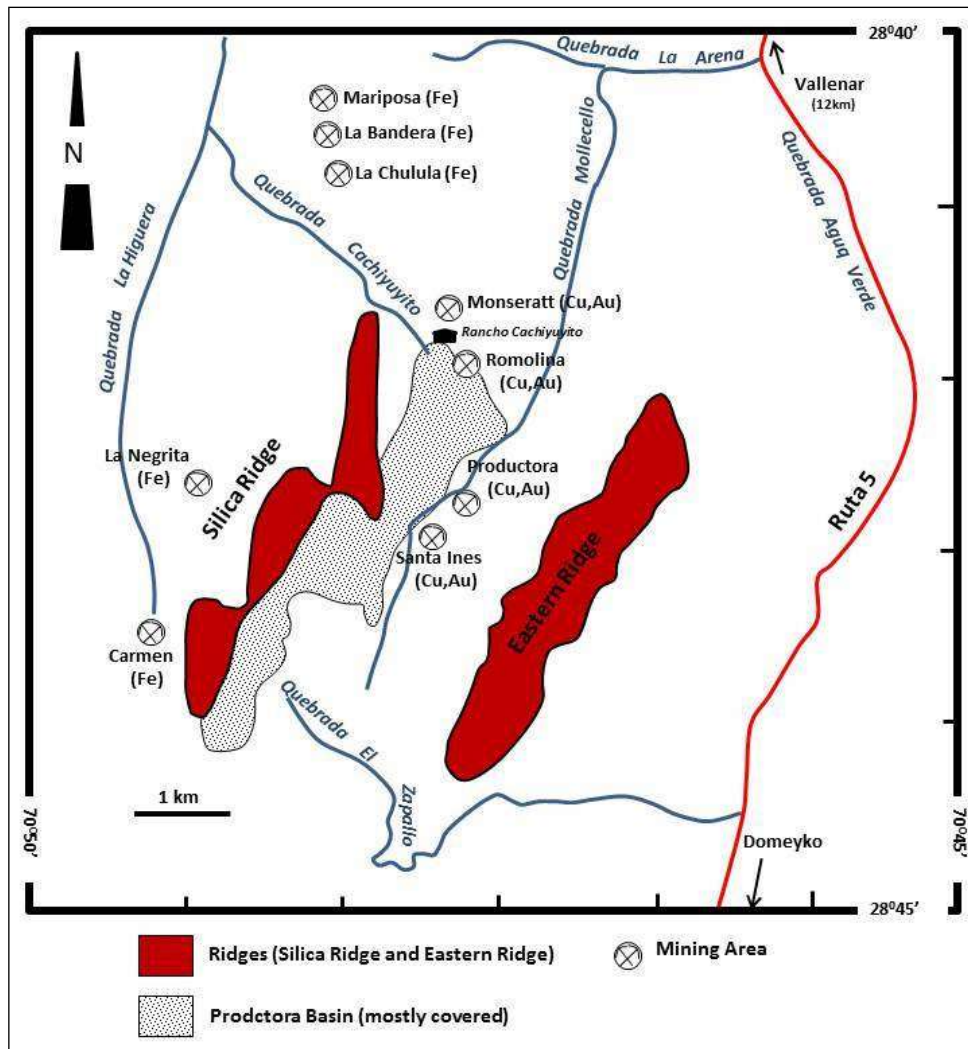


Figure 6: Geomorphological summary of the Productora project area, from Fox 2000.

4.6.3 PRODUCTORA MINERALISATION

Mineralisation at Productora is associated with a series of vertical lodes and some minor sub-horizontal lodes (mantos zones) within a felsic volcanic country rock which has been extensively intruded by a tourmaline breccia along the main mineralised north-east trend.

Mineralisation is pre-dominantly hosted by steeply west dipping lodes that locally widen into larger and higher-grade mineralisation near the upper surface of the tourmaline breccia (within the shallower extents of the resource). Late during 2014, steep easterly dipping lodes were also recognised with the discovery of the high-grade Habanero zone within the eastern flank of the central pit area.

Sulphide ore mineralogy comprises pyrite, chalcopyrite, bornite and molybdenite developed as breccia, vein and cavity fill, as well as disseminations within the brecciated host rocks. Within the oxide zone copper is predominantly associated with malachite although further work has recognised other copper oxide species including azurite, chrysocolla and neotocite.

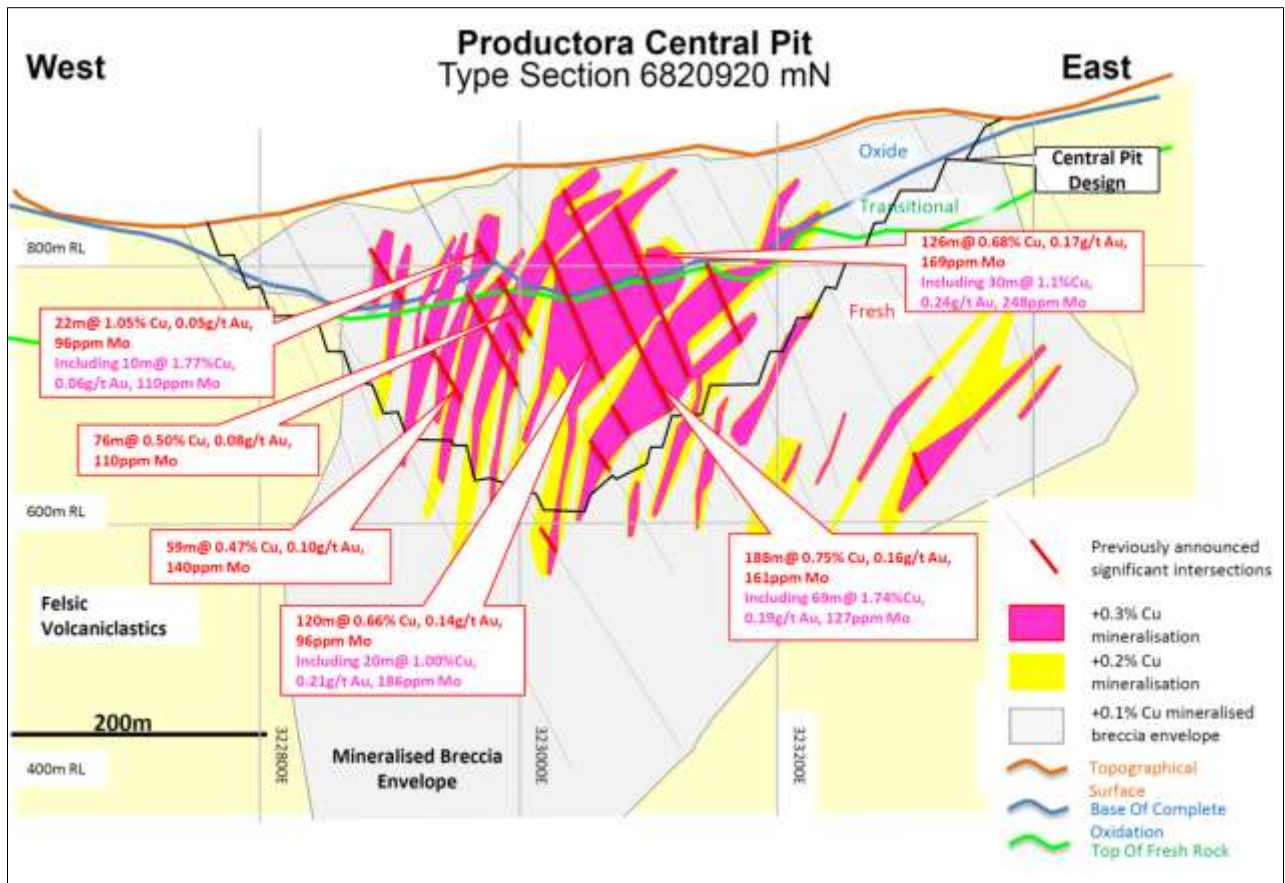


Figure 7: Cross section view looking north at the grade-shell model of the Mineral Resource in relation to geology, weathering and the central pit design.

Porphyry-style copper mineralisation at Alice is associated with finely disseminated pyrite and chalcopyrite which is evenly disseminated throughout a non-brecciated dacite porphyry host rock. Alteration associated with the dacite porphyry which hosts Alice has been identified over a large area and at this stage significant potential exists to discover more near-surface porphyry copper.

4.7 HISTORICAL WORK COMPLETED

An underground copper mine was in operation until late 2012, within the central mining lease (Productora 1/16) of the Productora project. It produced ~250,000 tonnes of copper per year. This ore was treated by the government operated (ENAMI) processing plant which is approximately 20 km to the northeast via haul road or the sealed Pan American Highway.

The Productora area has been historically exploited for iron, copper, gold, and apatite since pre-Hispanic times. Historical iron mining has occurred at the La Chulula, La Bandera, Mariposa, Carmen, and La Negra mines. Copper mining in the past century has occurred at the Productora, Santa Innes, Remolina, and Montserrat mines. In addition, there are more than 80 smaller pits, workings, or mineralized outcrops in the project area containing iron, copper, gold, or apatite mineralization.

In the 1980s the Chilean Commission for Nuclear Energy (CCHEN) explored the area near and to the south of the Productora mine for uranium, with no significant uranium mineralisation found. Analysis of drilling by CCHEN revealed significant intercepts of copper, molybdenum and gold.

General Minerals Corporation (GMC) acquired the Productora area in 1995 to search for a Candelaria- type iron-oxide-copper-gold (IOCG) deposit. Drilling completed by GMC intersected copper-gold-mineralisation typically 30 to 70 metres thick and averaging 0.3-0.6% Cu with elevated quantities of Au, Mo, Co, U and REEs.

4.8 RECENT EXPLORATION

The Productora copper-gold-molybdenum resource has been established over a four year period of drill assessment which commenced in August, 2010. Exploration and resource definition work completed over the Productora main mineralised trend over the past five years includes:

Several mapping campaigns allowing compilation and validation of geological information along the mineralised zone.

Geochemical sampling demonstrated that significantly elevated Cu-Au-Mo grades, together with other elevated pathfinder elements are evident within soil samples.

RC and Diamond Drilling completed by Hot Chili at the project totals 265,370 metres.

4.9 EXPLORATION POTENTIAL

During 2014 Hot Chili's exploration and generative geology team undertook a comprehensive review of the Productora copper project and its growth potential. During this review, a 3D alteration model was constructed which highlighted strong alteration associations to copper metal at Productora.

Several targets were generated from this work, including the Habanero and Rocoto targets. The alteration model was a key driver in the Company's decision to drill-test Habanero for mineralisation dipping to the east when most mineralisation at Productora dips to the west.

Habanero has since been confirmed as a significant new zone of high-grade copper and gold located within the eastern flank of the planned central pit at Productora. Drilling at the end of 2013 produced the Company's second discovery at Rocoto, a large-scale, copper-gold zone located immediately below the planned central pit.

Both discoveries confirm the predictive nature of Hot Chili's advanced targeting approach and its potential for further discoveries at Productora.

The first exploration drilling outside the main mineralised corridor at the project in more than two years was successful in discovering the Alice porphyry hosted copper mineralisation late in 2014. The discovery of Alice has significant implications for the growth potential of Productora as it is a bulk-style of mineralisation not previously identified at the

project. The addition of Alice and any further porphyry-style discoveries will underpin substantial increases to Productora's Mineral Resources and Ore Reserves.

Hot Chili is now reviewing its exploration and drilling results over other potential porphyry footprints identified at Productora. The Company believes there is strong evidence to suggest that Productora may host a cluster of deposits, as is the case at other known copper porphyry systems globally and within Chile.

The Productora copper project has considerable resource and reserve growth up-side, with advanced targeting proving very successful. The Company intends to continue building on its Mineral Resource and Ore Reserve base in parallel with the completion of Pre-feasibility studies during 2015.

5.0 ORE RESERVES

Productora's maiden open pit Ore Reserve was published in March 2014, and is summarised in the below table. The Ore Reserve estimate was completed by leading independent Chilean mining engineering firm NCL Ingeniería y Construcción SpA (NCL).

TABLE 2: PRODUCTORA OPEN PIT PROBABLE ORE RESERVE STATEMENT - MARCH 2014.

Ore Type	Category	Tonnage (Mt)	Grade			Contained Metal			Payable Metal		
			Cu	Au	Mo	Cu	Au	Mo	Cu	Au	Mo
			(%)	(g/t)	(ppm)	(t)	(Oz)	(t)	(t)	(Oz)	(t)
Transitional	Probable	10.2	0.54	0.10	128	55,000	34,000	1,300	27,000	13,000	1,000
Fresh	Probable	80.3	0.47	0.11	177	378,000	274,000	14,200	323,000	139,000	8,000
Total	Probable	90.5	0.48	0.11	172	433,000	308,000	15,500	350,000	152,000	9,000

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC Code 2012 guidance on Mineral Resource and Ore Reserve reporting.

Note 2: Average recoveries applied to Probable Ore Reserve estimate are: Fresh Cu- 88.8%; Fresh Au - 65%; Fresh Mo - 60%, Transitional Cu- 50%, Transitional Au- 50% and Transitional Molybdenum- 50%. Payable factors applied for Cu- 96.5%, Au- 78% and Mo- 98%

The Probable Ore Reserve was estimated using price assumptions of US\$3.0/lb copper, US\$1,250/oz gold and US\$10/lb molybdenum and an exchange rate (AUD:USD) of 0.88.

Open pit mining studies have indicated that bulk tonnage mining utilising large fleet selection is optimal for the mining development of Productora. Large excavators and ultra-class trucks for haulage, with drill and blast practices for rock breakage and wall control have indicated average mining costs to be US\$1.80/ tonne. An average processing cost of US\$10.90/tonne as determined in the Scoping study was also applied.

At this stage, Hot Chili has estimated an Ore Reserve only for the central pit development at Productora and no copper oxide resources have been included within the Ore Reserve estimate. No transitional ore type was used to drive pit optimisations ensuring the pit design process was considered robust against fresh sulphide ore types only.

Metallurgical recoveries applied to gold, molybdenum and transitional copper ore types were conservatively applied having consideration for benchmarking of other similar Chilean copper operations and limited test work results completed.

6.0 MINERAL RESOURCES

Also published in March, 2014, the Mineral Resource estimate for Productora completed by Hot Chili in co-operation with independent consultants Coffey Mining Pty Ltd (Coffey) is summarised in the below table. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

TABLE 3: PRODUCTORA MINERAL RESOURCE STATEMENT - MARCH 2014.

Classification (+0.25% Cu)	Tonnage (Mt)	Grade			Contained Metal		
		Cu	Au	Mo	Cu	Au	Mo
		(%)	(g/t)	(ppm)	(t)	(Oz)	(t)
Indicated	158.6	0.50	0.11	152	799,000	540,000	24,000
Inferred	55.6	0.41	0.08	97	229,000	133,000	5,000
Total	214.3	0.48	0.10	138	1,029,000	675,000	29,000

Note 1: Figures in the above table are rounded, reported to two significant figures, and classified in accordance with the Australian JORC code 2012 guidance on mineral resource reporting.

The information in this report concerning the exploration results, mineral resources and ore reserves of the Productora Project is extracted from Hot Chili's announcements to ASX entitled "Maiden Ore Reserve at Productora Set for Strong Growth in 2014 dated 31 March 2014"; "Impressive Drill Results at Alice Set to Grow Productora Resource dated 22 January, 2015; and "Oxide project set to boost scale of Productora dated 19 February 2015" and can be viewed on Hot Chili's website at <http://www.hotchili.net.au/>. Hot Chili has confirmed that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of mineral resources and ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Hot Chili has confirmed that the form and context in which the Competent Person's findings are presented in this report have not been materially modified from the original market announcements.

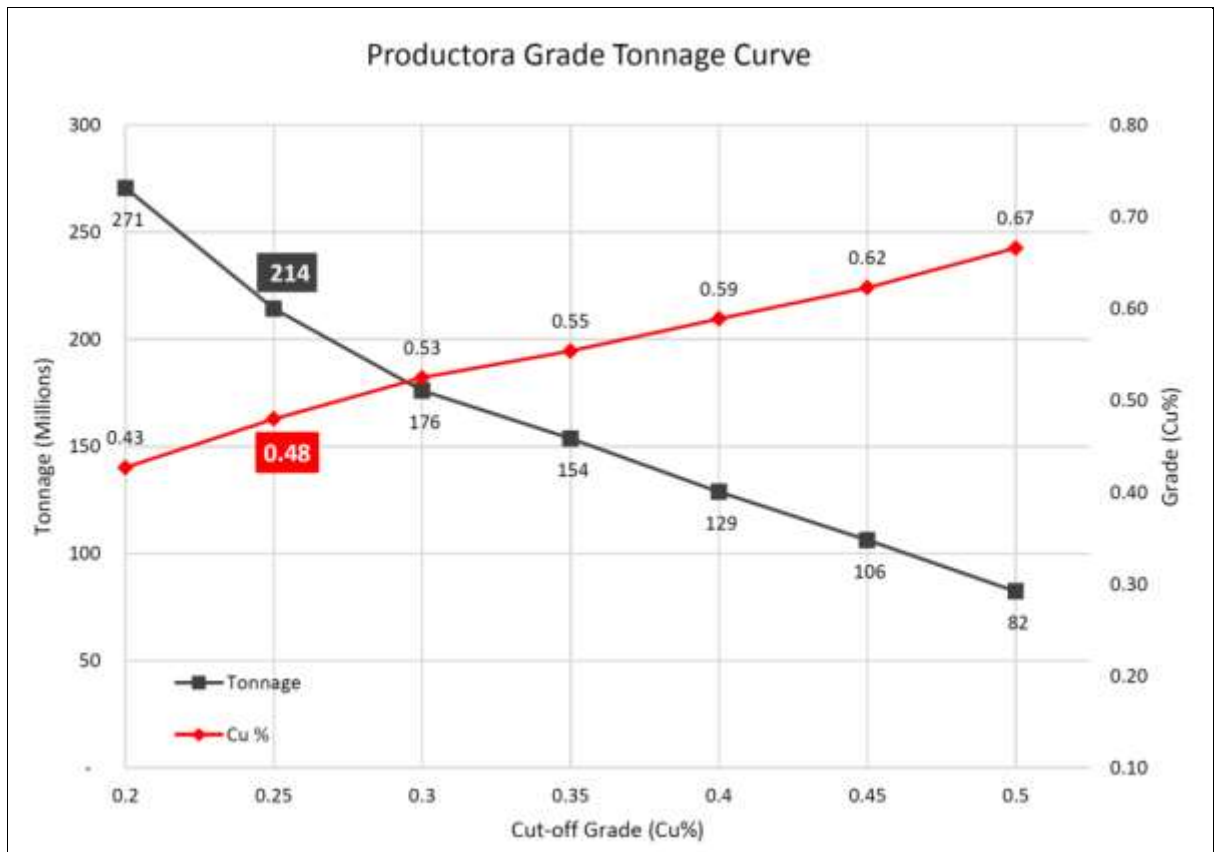


Figure 7: Grade-Tonnage curve of the total Mineral Resource estimate for the Productora copper project as reported March 2014.

The current Mineral Resource uses a nominal +0.1%, +0.2% and +0.3% copper grade shell model to constrain the block model Mineral Resource estimation.

The Mineral Resources have been modelled over a vertical extent of approximately 500m from surface. Average depth of oxidation is approximately 70m from surface, and average depth to fresh material is approximately 100m from surface.

7.0 CONCLUSIONS

Chile is a premier mining country with a stable political regime and an established regulatory framework. The Company's projects have many advantages, including strong local partnerships and good working relationships with Government.

The project is a fast emerging mid-tier copper project being developed in Chile, with significant infrastructure advantages in the low-altitude coastal range.

The Company is focussed on the continuation of resource growth drilling and development study activities at the Productora copper project.

8.0 VALUATION OF THE PROJECTS

8.1 SELECTION OF VALUATION METHODS

To determine a fair market value several aspects need to be considered regarding appropriate valuation methods. HCH is preparing a Pre-feasibility study on the whole project and as this will take some time to complete it is decided that a DCF method is not yet applicable. The Kilburn Method is considered to generate such a wide range of values that it is not relevant here. The JV method is not directly applicable because it is not a typical straight forward arrangement where Company A earns an interest of a certain percentage by spending an agreed sum over one or more stages (HCH 1 2015). Therefore a form of the Empirical Method is considered appropriate. Rather than utilising the empirical MEE method – because the known resources/reserves ‘outweigh’ the practicality of that method, we worked with the known mineral resource/reserve estimates and used appropriate discount factors derived from a range of comparable transactions listed in Appendix 3.

We also consider the “Exploration Potential” (Target Mineralisation) as a measure of worth by applying a greater discount (99.5%) to the theoretical potential value of target mineralisation. Note that target mineralisation is conceptual in nature and may or may not be delineated in whole or in part with future work.

A suitable discount range was derived from two sources; One is published data from “Minesonline.com” that showed the global one year average transaction price for copper projects was US\$0.43 per Cu lb insitu. A second list of comparable transactions for only Chilean copper projects has a mean of US\$0.09 per insitu Cu lb.

The average of these two data sets is A\$0.30/lb which was applied as shown in Appendix 3. This represents a discount factor of 92% to the insitu theoretical values. Accordingly the same discount factor of 92% (+/- 10%) was considered relevant and also applied to the other metals (gold and molybdenum) to derive the value ranges.

The Mineral Resources at Productora are discounted to range from 8% of the combined insitu metal values for resources/reserves down to 0.5% for target mineralisation. This discount is considered appropriate to reflect the ‘likely, theoretical, insitu, metal value’ of the resources and is based on comparable transactions. Whereas the 99.5% discount of the target mineralisation is considered to suitably reflect the risk that future work may or may not outline such targets.

Table 4 lists the valuation estimates for the Project. The ascribed fair market preferred value for the Productora Project being a value of \$270 million. The fair market preferred value of CMP’s share, prior to the JV, is \$17 million. A low and high range for these values is shown in Table 4 below.

TABLE 4: RANGE OF FAIR MARKET VALUES.

Item	Low (A\$M)	Preferred (A\$M)	High (A\$M)
Reserves (total payable metal)	48	53	58
Resources (Combined Cu, Au, Mo)	194	213	234
Conceptual Mineralisation (Cu only)	4	4	4
Total value of Productora Project	245	270	297

Item	Low (A\$M)	Preferred* (A\$M)	High (A\$M)
Value of Hot Chili's interest	230	253	278
Value of CMP tenements	15	17	19
Total value of Productora Project	245	270	297

VALUATION CONCLUSION

The current fair market value ranges, as at 9th February, 2015 for the project are summarised in Table 4 above. The value of the Productora Project (on a 100% interest basis) is between a low of \$245 million and a high of \$297 million, with a preferred value of \$270 million. The valuation of the CMP tenements, prior to the JV transaction, is between a low of \$15 million and a high of \$19 million, with a preferred value of \$17 million.

Yours faithfully,



Allen J. Maynard

BAppSc (Geol), MAIG, MAusIMM.

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HCH Releases to ASX:

HCH 1 2015: Hot Chili and CMP Ratify Joint Infrastructure Agreement for Productora, 29th January 2015

HCH 2 2015: Impressive Drill Results at Alice Set to Grow Productora Resource, 22nd January 2015

HCH 3 2014: Maiden Ore Reserve at Productora Set for Strong Growth in 2014, 31st March 2014

HCH 4 2015: Oxide project set to boost scale of Productora, 19th February 2015

10.0 GLOSSARY

Alteration Zone	Zone within which rock - forming minerals have been chemically changed.
Anomaly	Value higher or lower than the expected or norm.
Anomalous	Outlining a zone of potential exploration interest but not necessarily of commercial significance.
Anticline	Upward arching fold or rock strata (antonym = syncline).
Axial plane	A plane which joins the hinge lines of successive beds in a fold.
Axis	Hinge-line of a fold.
Basalt	A fine-grained volcanic rock composed primarily of plagioclase feldspar and mafic minerals.
Batholith	A very large, usually granitic intrusion.
Bedding	A rock surface parallel to the surface of deposition.
Cataclasite	Type of cataclastic rock that is formed by fracturing and comminution during faulting. It is normally cohesive and non-foliated, consisting of angular clasts in a finer-grained matrix.
Cleavage	The tendency of a rock and minerals to split along closely spaced, parallel planes.
Country rock	A general term applied to rock surrounding or penetrated by mineral veins.
Diorite	Grey to dark-grey intermediate intrusive igneous rock
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Fold	A bend in the rock strata or planar structure.
Foliation	The laminated structure resulting from the parallel arrangement of different minerals.
Footwall	Rocks underlying mineralisation .
Geophysics	Study of the earth by quantitative physical methods.
Hanging wall	Rocks overlying mineralisation.
Inferred Resource	A resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
JORC Code	Joint Ore Reserves Committee- Australasian Code for Reporting for Identified Resources and Ore Reserves.
Lode	A deposit of potentially valuable material or minerals between definite boundaries.
Mafic	A deposit of potentially valuable material or minerals between definite boundaries.
Mineralisation	A loosely used group-name for silicate minerals that are rich in iron and magnesium, and for rocks in which these minerals are abundant.
Monzodiorite	A plutonic rock intermediate between monzonite and diorite.
Monzonite	Igneous intrusive rock. It is composed of approximately equal amounts of plagioclase and alkali feldspar, with less than 5% quartz by weight
Neotocite	Secondary mineral from the alteration of rhodonite and other manganese silicates.
Opencut Ore	Descriptive of a mine worked open from the surface. A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Orebody	A continuous, well-defined mass of ore.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Plunge	Angle of the axis of folding with a horizontal plane.

Porphyry	A rock with conspicuous crystals in a fine-grained ground mass.
Primary mineralisation	Mineralisation which has not been affected by near-surface oxidising process.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Soil sampling	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Vein	A narrow intrusive mineral body.

Chemical Symbols

Code	Definition
Au	Gold
Cu	Copper
Mo	Molybdenum

Abbreviations

Code	Definition	Code	Definition	Code	Definition
g	gram	kg	kilogram	km	kilometre
km ²	square kilometre	m	metre	m ²	square metre
m ³	cubic metre	mm	millimetre	t	tonne
oz	Troy ounce, equivalent to 31.1035g.	ppb	parts per billion	ppm	parts per million
lb	pound				

APPENDIX 1: SUMMARY TABLE OF ASSETS.

Licence ID	Holder (1)	% Interest	Licence Type	Area (ha)	Exploration and Expenditure Commitment-Payments	Comments
FRAN 1, 1-48	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 2, 1-20	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 3, 1-60	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 4, 1-20	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 5, 1-20	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 6, 1-60	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 7, 1-37	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 8, 1-30	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 12, 1-40	SMEA SpA	100%	Exploitation concession	200	None	Constituted
FRAN 13, 1-40	SMEA SpA	100%	Exploitation concession	200	None	Constituted
FRAN 14, 1-40	SMEA SpA	100%	Exploitation concession	200	None	Constituted
FRAN 15, 1-60	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 18, 1-60	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 21, 1-60	SMEA SpA	100%	Exploitation concession	300	None	Constituted
FRAN 22	SMEA SpA	100%	Mining Petition	400	None	Constituted
ALGA 7A, 1-32	SMEA SpA	100%	Exploitation concession	89	None	Constituted
ALGA VI, 5-24	SMEA SpA	100%	Exploitation concession	66	None	Constituted
MONTOSA 1-4	SMEA SpA	100%	Exploitation concession	35	None	Constituted
CHICA	SMEA SpA	100%	Exploitation concession	1	None	Constituted
ESPERANZA 1-5	SMEA SpA	100%	Exploitation concession	11	None	Constituted
LEONA SEGUNDA 1-4	SMEA SpA	100%	Exploitation concession	10	None	Constituted
CARMEN I, 1-60	SMEA SpA	100%	Mining Claim	300	None	Being processed
CARMEN II, 1-60	SMEA SpA	100%	Mining Claim	300	None	Being processed
ZAPA 1, 1-10	SMEA SpA	100%	Exploitation concession	100	None	Constituted
ZAPA 3, 1-23	SMEA SpA	100%	Exploitation concession	92	None	Constituted
ZAPA 5A, 1-16	SMEA SpA	100%	Exploitation concession	80	None	Constituted
ZAPA 7, 1-24	SMEA SpA	100%	Exploitation concession	120	None	Constituted
ZAPA 1-6	SMEA SpA	100%	Exploitation concession	6	None	
CABRITO, CABRITO 1-9	SMEA SpA	80%	Exploitation concession	50	None	Constituted
CUENCA A, 1-51	CMP	65%	Exploitation	255	Total Exploration	5 Year- 65% JV

Hot Chili – Independent Appraisal of Mineral Projects

			concession		Expenditure Commitment of US\$4,000,000 over 5 years (Yr1- US\$750,000, Yr2 US\$500,000, Yr3- US\$500,000, Yr4- US\$1,000,000, Yr5- US\$1,250,000). Already satisfied. Exercise Payment (price) of US\$100,000	Earn-in option Agreement executed Expiration date October 5th, 2014
CUENCA B, 1-28	CMP	65%	Exploitation concession	139		
CUENCA C, 1-51	CMP	65%	Exploitation concession	255		
CUENCA D	CMP	65%	Exploitation concession	3		
CUENCA E	CMP	65%	Exploitation concession	1		
CHOAPA 1-10	CMP	65%	Exploitation concession	50		
ELQUI 1-14	CMP	65%	Exploitation concession	61		
LIMARÍ 1-15	CMP	65%	Exploitation concession	66		
LOA 1-6	CMP	65%	Exploitation concession	30		
MAIPO 1-10	CMP	65%	Exploitation concession	50		
TOLTÉN 1-4	CMP	65%	Exploitation concession	70		
CACHIYUYITO 1, 1-60	CMP	65%	Exploitation concession	300		
CACHIYUYITO 2, 1-60	CMP	65%	Exploitation concession	300		
CACHIYUYITO 3, 1-60	CMP	65%	Exploitation concession	300		
LA PRODUCTORA 1-16	SMEA SpA	100%	Exploitation concession	75	None	Constituted

APPENDIX 2: SUMMARY OF RESERVES AND RESOURCES

ORE RESERVES - (100% OWNED BY HCH).

Ore Type	Category	Tonnage (Mt)	Grade			Contained Metal				Payable Metal	
			Cu (%)	Au (g/t)	Mo (ppm)	Cu (t)	Gold (Oz)	Molybdenum (t)	Copper (t)	Gold (Oz)	Molybdenum (t)
Transitional	Probable	10.2	0.54	0.1	128	55,000	34,000	1,300	27,000	13,000	1,000
Fresh	Probable	80.3	0.47	0.11	177	378,000	274,000	14,200	323,000	139,000	8,000
Total	Probable	90.5	0.48	0.11	172	433,000	308,000	15,500	350,000	152,000	9,000

MINERAL RESOURCES - OWNERSHIP BEFORE JV TRANSACTION.

Landholder	Class	Tonnage		Contained Metal				
		Mt	Cu %	Au g/t	Mo ppm	Copper (tonnes)	Gold (ounces)	Molybdenum (tonnes)
CMP	Indicated	8.0	0.39	0.06	31	31,500	16,100	245
	Inferred	6.3	0.35	0.06	52	21,700	12,985	350
	Total	14.3	0.37	0.06	40	53,200	29,050	595
HCH	Indicated	74.8	0.45	0.09	115	340,500	219,900	8,655
	Inferred	44.7	0.41	0.08	115	184,300	119,955	5,250
	Total	119.6	0.44	0.09	115	524,800	339,855	13,905
Grand Total	Indicated	82.9	0.45	0.09	107	372,000	235,000	8,700
	Inferred	51.0	0.40	0.08	107	207,000	133,000	5,500
	Total	133.9	0.43	0.09	107	578,000	369,000	14,300

CONCEPTUAL MINERALISATION- (100% OWNED BY HCH)

“Alice” Conceptual Target Mineralisation*						
Landholder	Type	Tonnage Mt	Cu %	Au g/t	Mo ppm	Cu tonnes
HCH (100%)	Target Mineralisation	30.0	0.4	0	0	120,000

*NOTE: Not to be mistaken for any form of Resource or Reserve;

Future work may or may not outline the target either in whole or in part.

APPENDIX 3: COMPARABLE TRANSACTIONS V2.

Announce Date	Project/Company acquired	Target	Acquirer	Location	Interest	Consideration (\$USm)	Resource (Mlb)	Reserve (Mlb)	Total resources & reserves (Mlb)	Resource multiple (\$US/lb)
14-Dec-11	Antucoya-Buey Muerto	Antofagasta PLC	Marubeni Corp	Chile	30.0%	350	2,695.0	1,486.0	4,181.0	\$ 0.13
24-Aug-10	Mirador	Antofagasta PLC	Marubeni Corp	Chile	30.0%	105	13,545.0	195.0	13,740.0	\$ 0.01
14-Apr-10	Escondida	International Finance Corp	Mitsubishi Coprt, Nippon Mining	Chile	2.5%	534	3,058.0	1,718.0	4,776.0	\$ 0.17
18-Feb-10	Cerro Casale	Kinross Gold Corp	Barrick Gold Corp	Chile	25.0%	454	5,062.0	3,810.0	8,872.0	\$ 0.09
07-Jan-10	El Morro	Xstrata PLC	Goldcorp	Chile	70.0%	513	10,441.0	8,059.0	18,500.0	\$ 0.05
								Mean		\$ 0.09

MinesOnline.com Transaction Market Metrics ⁴	Operation Assets Reserve Multiple (US\$/lb)
1 year average	\$0.43
3 year average	\$0.55
5 year average	\$0.28

Source: www.minesonline.com.

The average of the 'Mean' from the Chilean sector and the global reserve multiple from 'Minesonline' is A\$0.30.

This is considered to be an appropriate factor to apply to Productora as it is an 'Advanced Project' including Probable Reserves.

Appendix 4 – Independent Valuation Report prepared by Colliers

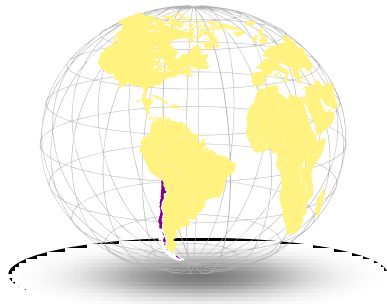


Accelerating Success

Accelerating success.

Valuation Report

*Asset valuation of a portion of the
"Estancia Higuera de las Minillas"*



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El Regidor 66, Piso 12
Las Condes
Santiago, Chile
Tel: (56-2) 496 1500
www.colliers.cl

Santiago, February 5th, 2014

Mr Sherif Andrawes
BDO Corporate Finance (WA) Pty Ltd

Of our consideration,

We are pleased to send you the final valuation report of a portion of the property called "Estancia La Higuera of CMP Minillas". In this report you will find the estimated fair value results of the asset mentioned above, with the goal of determining it's fair value.

The criteria used for the fair value estimation has relation to the type, size and location of the asset analyzed, we used different sources of information including the background provided by the administration of the Society.

This report covers our work proposal, dated January 15th 2015, which includes the delivery of fair value on January 30th 2015.

As said before, we have considered an industry analysis, meetings held with Hot Chili administration, information provided by Hot Chili and market information.

It should be noted that the information provided has not been subject to audit or confirmation from us. Therefore, as it was established on our proposal, it is the responsibility of Hot Chili the accuracy and reliability of the data provided, leaving our conclusions subject to it.

Colliers has consented to this report, in the form and context in which it appears, being included in the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document without the prior consent of Colliers' Sincerely,

Colliers International

Daniel Machiavello

Senior Analyst

Jaime Ugarte M.

Director Finances &
Administration

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Executive Summary

Executive Summary



General Results

Commissioned by Hot Chili, we performed the valuation of certain assets. For the purposes of our work, we understand the fair market value as the following:

“it is the value at which an asset would change hands between a potential buyer and a potential seller when neither of these are acting under compulsion and when both have reasonable knowledge of the relevant facts”.

As a result of the methodologies and procedures of valuation as illustrated in the below table, we chose the **market approach** to value the asset.

Type of Asset	City	Lotes	Area (Hectares)	Fair Value Total Market Approach (USD)	Unit Value Market Approach (USD / Hectares)	Fair Value Total Income Approach (USD)	Unit Value Income Approach (USD / Hectares)
surface Plot	Freirina	Estancia Higuera de las Minillas	4.111	3.895.637	947,6	3.941.001	958,6
Value approach to valuation			4.111	3.895.637	947,6	3.941.001	958,6
Final Value Adopted						USD 3.895.637	

- Exchange rate (USD) used as a reference CLP 626,48 to January 30th 2015

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Objectives and scope

Objectives and scope (cont.)

Detailed objectives

e) Presentation of our results.

The objective of this work is to obtain an estimation of the fair value of certain assets owned by CMP, emplaced in "Estancia Higuera de las Minillas". The objectives of this study are the following:

- Define an activation policy of present and future assets based on the market and income approach, considering its actual and current market conditions.
- The scope of our work includes the determination of fair value of a portion of the property "Estancia Higuera de las Minillas", specified in the detailed scope of this report.
- The scope of our work does not include:
 - a) The valuation of mineral exploration and exploitation rights.
 - b) The estimation or analysis of the book value of land.

For the purposes of this study, our work provides assessment on the different stages of the project, you will find further information on the annex of developed activities ,which specifically considers:

- a) Physical inspection, market and income approach.
- b) Analysis of the technical information.
- c) Analysis of the market conditions.
- d) Assigned fair values according to the methodologies mentioned, and

Objectives and scope (cont.)

Detail Scope

Type of Asset	City	Lotes	Area (Hectares)
surface Plot	Freirina	Estancia Higueras de las Minillas	4,111
Value approach to valuation			4,111



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Developed Activities

Developed Activities

As part of the valuation process of the assets covered in our scope, a series of activities were developed to support from a technical and economic point of view the results obtained. These activities were:

❖ Activity N°1

Work Planification

- Meeting with Hot Chili's staff to coordinate the work and responsibility.
- The request of technical information was sent to Hot Chili

❖ Activity N°2

Analysis of technical information

- Study of technical information delivered by Hot Chili according to the assets to value and inspect, regarding the information requirement sent by Colliers International.

❖ Activity N°3

Assigning fair values

- Technical data submitted by Hot Chili and the information available in the market were analyzed to determine the most appropriate methodology to obtain fair values. Then, the valuation forms were created and the market values were determined, as well as the cash flow of the asset included in our scope.

❖ Actividad N°4

Results and final report

- The preliminary results were presented to Hot Chili, in order to finish the report all the comments of Hot Chili were considered and taken into account.
- Final report and valuation forms will be delivered to Hot Chili

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Concepts

Definition of Concepts

Fair Value

Commonly, the fair value of an asset is determined according to its market estimate value, considering the use of it expected in the future.

When there are no market representative or trust-worthy values and/or it is not feasible to determine the fair value regarding the future flows associated directly to the specific asset, determined over the base of an expected use, the cost of replacement value is considered acceptable.

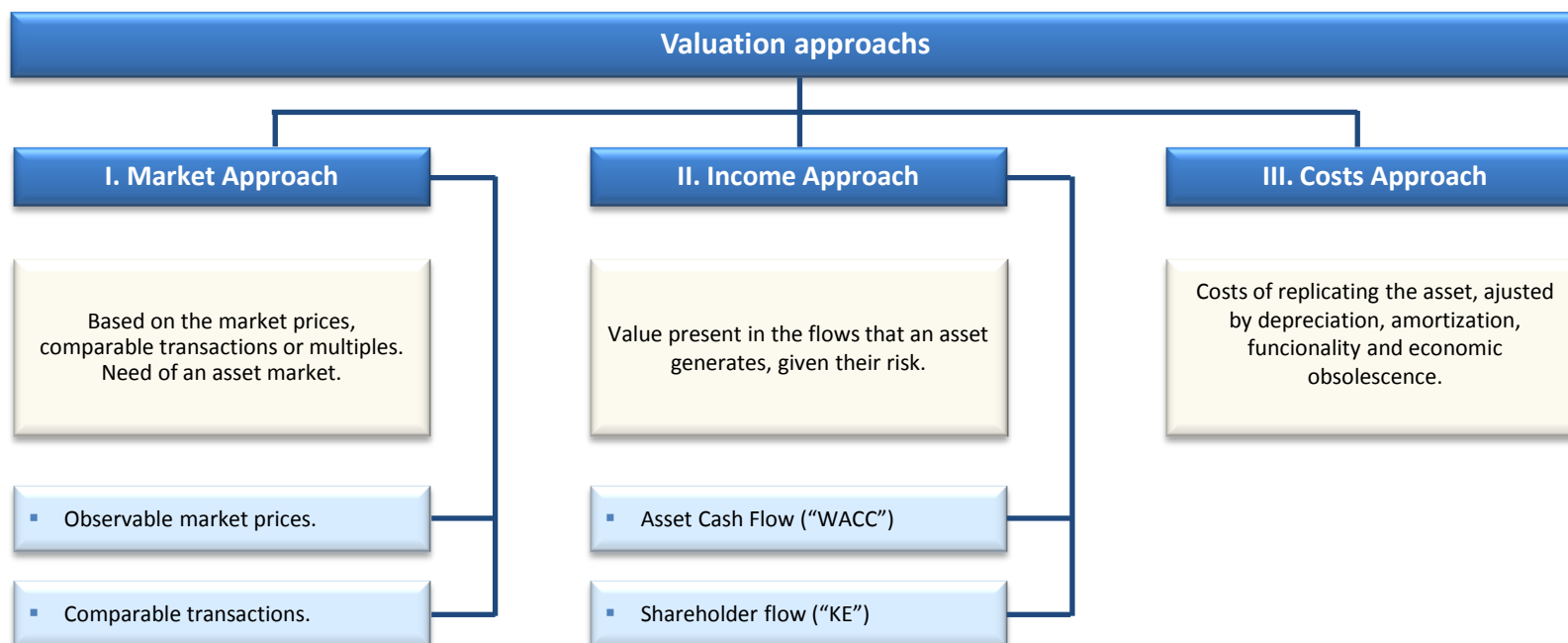
When valuation is used according to the cost of replacement, the effects of physical, functional and economic depreciation must be duly considered.

In the case of property used temporarily or that are declared expendable or non-transferable, the fair value is equivalent to the estimated value of construction or realization.

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Methodology

Valuation approaches accepted by the International Accounting Standards



In the following chapters we describe the methodology used for the valuation of each type of asset included in our scope.

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Assumptions and considerations

Assumptions and considerations

Market Approach

Land

To value this type of asset the Market Approach was used. For this analysis it is paramount to define the market value, which we understand as:

"The value that a buyer, duly informed, is willing to pay for a property and as such, acts in good faith, and is no subject to pressure. This value should be consistent to the price a duly informed buyer would fix, and as such is not facing any financial distress and acts on good faith, so the transaction would be fair on both sides."

In order to apply the market approach, there must be an asset market, in which the type of appraised asset is traded.

Observable Prices and Market Transactions

The market value is the analysis that assigns a value to a particular asset, based on measuring or estimating the value of this asset as the result of an analysis of properties with similar characteristics.

Thus we believe it is possible to compare the value of our assets understanding as such that sum of money that a seller could get for a similar asset valued at standard conditions of an active market comparable.

It is essential that the analysis process is carried out with similar properties, replaceable or equivalent in technical quality and functional,

analyzing the similarities and / or differences they may have in relation to the comparable asset analyzed. This method is valid as long as the market analyzed is robust and presents a wealth of information.

In the case of observable prices, proceeded to collect samples for each asset to value, considering public information relating to comparable sales offers and / or sales in a period not exceeding twelve months old.

Adjustment criteria were used for surface, shape, business closure of market offerings, plus an adjustment factor for special cases. For all cases where it is not possible to identify the characteristics of any of these factors, our position has been neutral or indifferent assigning a factor of one.

The offers of land were standardized to make them comparable with the assets tested. We understand the value of a comparable according to the following formula:

$$\text{Comparable Value} = \text{Surface (m}^2\text{)} * \text{Land Value (UF/m}^2\text{)} * \text{Correct Coefficient}$$

Assumptions and considerations

Income Approach

A reasonableness was performed to the values obtained by the income approach, for the assets analyzed and it was possible to find rental comparables.

The income approach considers the actualization of flows associated to the assets under analysis.

The present value was estimated projecting a flow based on income obtained by the renting of the properties, For the projection of similar assets were considered, potential rentable surfaces, estimated vacancies, payment to the real estate broker, administration of contracts and taxes expected, for a period of 60 years of projection.

Mathematically it could be defined as:

$$VAN = 0 \Leftrightarrow \sum_{t=1}^T \frac{E_t[FC_t]}{(1+r)^t} = I_0$$

A terminal value was considered, corresponding to the perpetuity without growth, using the Gordon formula.

In all cases, we applied a real annual discount rate of 7,42%, in Chilean pesos, based on real estate comparables in Chile.

Assumptions used for the projection

Time Horizon: It was considered perpetual for all assets.

Explicit projection horizon: Flows projected during the complete useful life of the assets, considering maintenances at 60 years.

Currency: Projected in USD to January 30th 2015

Residual Value: It is considered as a residual value a perpetuity calculated according to Gordon Theorem with a 0.5% growth.

Periodicity of estimated flows: the annual flows were projected for each asset.

Discount Rate: A discount rate was considered for all assets in real Chilean Pesos, to the valuation date. The calculation of the discount rate is associated to the real estate rate described previously and of a capital cost of 7,42%.

Assumptions and considerations

Income Approach

- **Income:** The income comes from the estimated rent royalties of the assets. Contracts of a 2 year duration in average were assumed, with a readjustment at the end of each year of the contracts, considering an estimated vacancy, in the renovation of the contracts. The initial leasing fees are associated to the market and internal information of Colliers.
- **Expenditures:** A series of variables are considered as expenditures, professional fees and administration of contract. The tax effect considered was 27% in the complete horizon of the projection. Working capital and the effects of IVA in the flow were not considered.
- **Mid year:** It is considered that the flows are received in June each year.
- **Lease Payment:** For each asset a rent payment is associated to the useful meters to be rented.

General Assumptions:

	Input
Year Contract	2 year
Variation Fee	0,1%
Vacancy	20%
Real State Broker	2%
Contract Administration	2%
Tax	27%
Rate	7,42%

Cost of Equity		Cost of Debt			
Unlevered beta	0,70	Risk Free Rate (a)		1,7%	
		Spread (d)		5,0%	
		Cost of debt before Taxes		6,65%	
		Tax Rate (e)		27,0%	
Risk Free Rate (a)	1,70%	Tax Adjusted Cost of delt		4,9%	
Market Risk Premium(c)	5,5%				
Levered Beta	1,19				
Size Premium (b)	1,7%				
Cost of equity	9,9%				
(a) BCU					

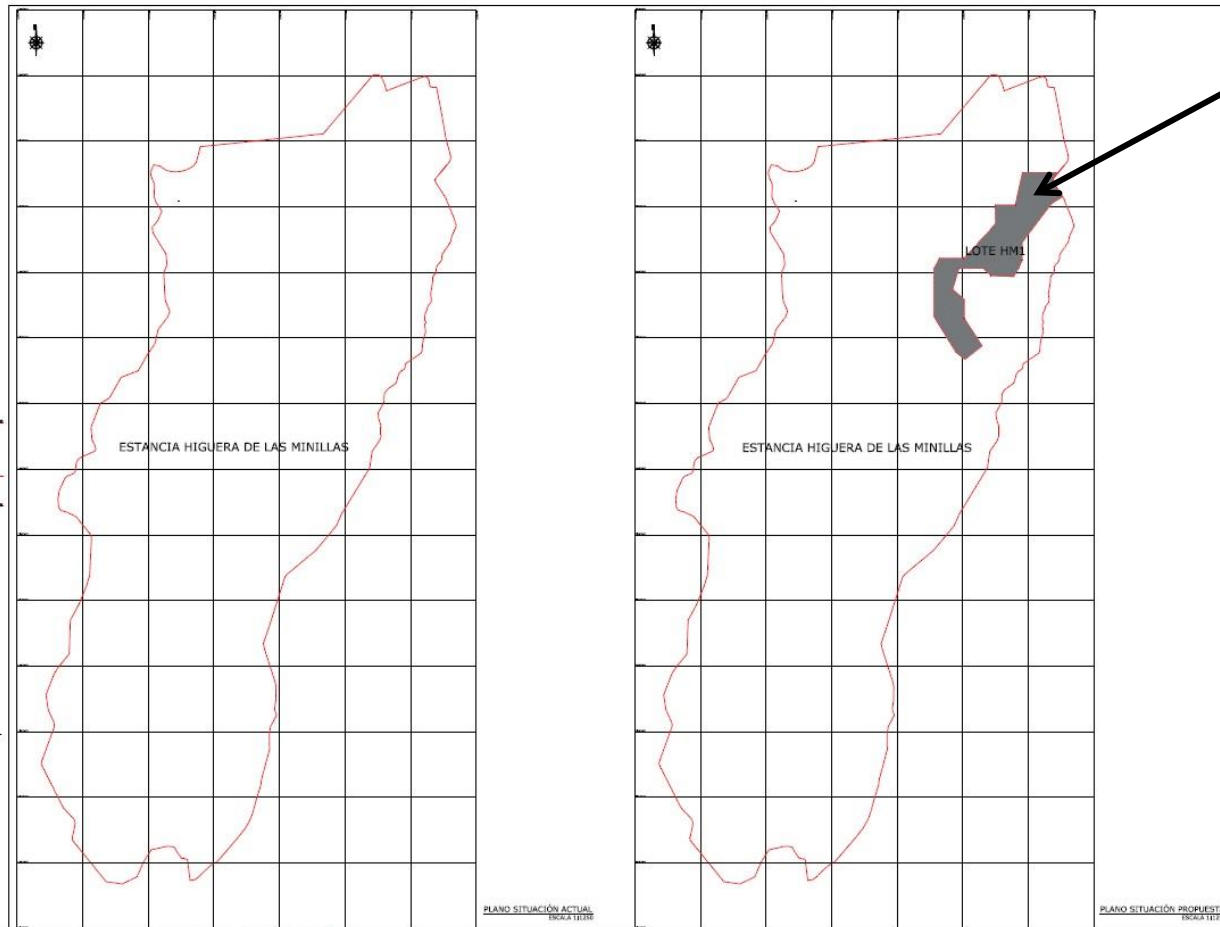
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Asset Description

Asset Description

Location and Descripción_Activo_001

The asset valued in this presentation is part of La Estancia Higuera de Las Minillas. Currently, La Estancia Higuera de Las Minillas has a total area of 15,020 Há, of which 4,111 Há are subject to valuation.



Asset

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Detailed Results

Detailed Results

Detailed Results

According to the methodologies and assumptions used, we estimated the fair value of the assets of Hot Chili. However, the estimated fair value of these assets may be highly sensitive to variations in the cases analyzed. Therefore, it is important to note that changes or deviations that may occur in relation to projected variables, could significantly alter our conclusions regarding the fair values of the assets tested.

It should be noted that the values listed are valid at the date of valuation, and if the analysis is scheduled for another date, the results may present variations.

Type of Asset	City	Lotes	Area (Hectares)	Fair Value Total Market Approach (USD)	Unit Value Market Approach (USD / Hectares)	Fair Value Total Income Approach (USD)	Unit Value Income Approach (USD / Hectares)
surface Plot	Freirina	Estancia Higuera de las Minillas	4.111	3.895.637	947,6	3.941.001	958,6
Value approach to valuation			4.111	3.895.637	947,6	3.941.001	958,6
Final Value Adopted						USD 3.895.637	

- Exchange rate (USD) used as a reference CLP 626,48 to January 30th 2015

A decorative graphic consisting of three overlapping, wavy bands of blue in different shades (dark, medium, and light) that sweep across the lower half of the slide from left to right.

Projected Cash Flows

Projected Cash Flows



Projected flows		Years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income													
Hectares for Rent	Hectares		4.111	4.111	4.111	4.111	4.111	4.111	4.111	4.111	4.111	4.111	4.111
monthly rent	USD / Hectares		8,99	8,99	9,00	8,99	9,00	8,99	9,01	8,99	9,02	8,99	9,03
			443.365	443.365	443.808	443.365	444.252	443.365	444.696	443.365	445.141	443.365	445.586
Annual Rent	USD		443.365	443.365	443.808	443.365	444.252	443.365	444.696	443.365	445.141	443.365	445.586
Vacancy	%		20,0%	0,0%	20,0%	0,0%	20,0%	0,0%	20,0%	0,0%	20,0%	0,0%	20,0%
Annual Rent	USD		354.692	443.365	355.046	443.365	355.402	443.365	355.757	443.365	356.113	443.365	356.469
Expenses													
Real State Broker	USD		-8.867	0	-8.876	0	-8.885	0	-8.894	0	-8.903	0	-8.912
Contract Administration	USD		-7.094	-8.867	-7.101	-8.867	-7.108	-8.867	-7.115	-8.867	-7.122	-8.867	-7.129
Expenses Net			-15.961	-8.867	-15.977	-8.867	-15.993	-8.867	-16.009	-8.867	-16.025	-8.867	-16.041
Gross Flow													
	USD		338.731	434.497	339.069	434.497	339.409	434.497	339.748	434.497	340.088	434.497	340.428
Tax Effect	USD		-91.457	-117.314	-91.549	-117.314	-91.640	-117.314	-91.732	-117.314	-91.824	-117.314	-91.916
Net Flow													
	USD		247.273	317.183	247.521	317.183	247.768	317.183	248.016	317.183	248.264	317.183	248.512
Terminal Value	0,1%												
Discount Rate/ Mid Year	7,4%		0,5	1,5	2,5	3,5	4,5	5,5	6,5	7,5	8,5	9,5	10,5
Discount Factor			0,96	0,90	0,84	0,78	0,72	0,67	0,63	0,58	0,54	0,51	0,47
Discounted Stream													
			238.576	284.879	206.949	246.866	179.514	213.926	155.716	185.381	135.073	160.644	117.167
Income Approach			3.941.001										
USD / Hectares			958,61										

(1) Some periods have been hidden for presentation purposes.

A decorative graphic consisting of several overlapping, flowing shapes in various shades of blue (dark blue, medium blue, and light blue) that create a wave-like pattern across the lower half of the slide.

Sensitivity Analysis

Sensitivity Analysis

Variation in Discount Rate

monthly rent		6,70%	7,05%	7,42%	7,79%	8,18%
	9,9	4.805.567	4.569.135	4.344.953	4.142.462	3.949.894
	9,4	4.576.730	4.351.557	4.138.051	3.945.202	3.761.803
	9,0	4.358.791	4.144.340	3.941.001	3.757.335	3.582.670
	8,5	4.140.851	3.937.123	3.743.951	3.569.468	3.403.536
	8,1	3.933.809	3.740.267	3.556.753	3.390.995	3.233.360

Value USD

Variation in Discount Rate

monthly rent		6,70%	7,05%	7,42%	7,79%	8,18%
	9,9	1.168,90	1.111,40	1.056,87	1.007,61	960,77
	9,4	1.113,24	1.058,47	1.006,54	959,63	915,02
	9,0	1.060,23	1.008,07	958,61	913,93	871,45
	8,5	1.007,22	957,66	910,68	868,24	827,88
	8,1	956,86	909,78	865,14	824,82	786,48

Value USD/Hectares

Annual Variation of Lease

monthly rent		0,25%	0,15%	0,05%	-0,05%	-0,15%
	9,9	4.395.785	4.370.071	4.344.953	4.320.413	4.296.432
	9,4	4.186.462	4.161.973	4.138.051	4.114.679	4.091.840
	9,0	3.987.107	3.963.784	3.941.001	3.918.742	3.896.990
	8,5	3.787.751	3.765.594	3.743.951	3.722.804	3.702.141
	8,1	3.598.364	3.577.315	3.556.753	3.536.664	3.517.034

Value USD

Annual Variation of Lease

monthly rent		0,25%	0,15%	0,05%	-0,05%	-0,15%
	9,9	1.069,23	1.062,98	1.056,87	1.050,90	1.045,06
	9,4	1.018,31	1.012,36	1.006,54	1.000,85	995,30
	9,0	969,82	964,15	958,61	953,19	947,90
	8,5	921,33	915,94	910,68	905,53	900,51
	8,1	875,27	870,15	865,14	860,26	855,48

Value USD/Hectares

A decorative graphic consisting of several overlapping, wavy bands of different shades of blue (dark blue, medium blue, and light blue) that sweep across the lower half of the slide from left to right.

Market comparables

Market comparables

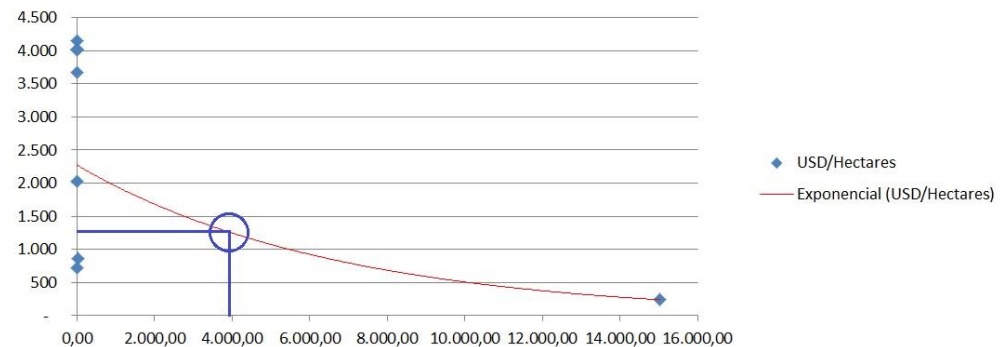
Comparable sales market							
City	Contact	Type	Operation	Location	Value (USD)	Hectares	USD/Hectares
Atacama	OLX Vallenar	Land	Offer	Vallenar	1.591	1	1.591
Coquimbo	Clasifimas	Land	Offer	50km al norte de La Serena	219.662	200	1.098
Atacama	OLX Vallenar	Land	Offer	Vallenar	1.001.215	170	5.890
Atacama	Casas Mitula	Land	Offer	Sierra Gorda	397.939	150	2.653
Antofagasta	Evisos Antofagasta	Land	Offer	La Negra	63.670	100	637
Antofagasta	Evisos Antofagasta	Land	Offer	La Negra	31.835	42	758
Antofagasta	OLX Vallenar	Land	Offer	40km de Vallenar	318.351	100	3.184
						Maximum Value	5.890
						Mean Value	1.591
						Minimum Value	637

Comparable market leases							
City	Contact	Type	Operation	Location	Value (USD)	Hectares	USD/Hectares
Atacama	Vivastreet	Rent	Offer	Sector Domeyko Huasco	9.550	10	955
Atacama	Casas Mitula	Rent	Offer	Puerto de Caldera	7.139	1500	5
Atacama	OLX Vallenar	Rent	Offer	24km de Copiapo	1.591	25	64
						Maximum Value	955
						Mean Value	64
						Minimum Value	5

Market comparables

Comparable sales market adjusted									
City	Contact	Type	Operation	Location	Value (USD)	Hectares	USD/Hectares	Unit Value Adjustment Land 15.020 Hectares (USD/Hectares)	Unit Value Adjustment Land 4.111 Hectares (USD/Hectares)
Atacama	OLX Vallenar	Land	Offer	Vallenar	1.591	1,00	1.591	143	497
Coquimbo	Clasifimas	Land	Offer	50km al norte de La Serena	219.662	200,00	1.098	294	1.020
Atacama	OLX Vallenar	Land	Offer	Vallenar	1.001.215	170,00	5.890	51	177
Atacama	Casas Mitula	Land	Offer	Sierra Gorda	397.939	150,00	2.653	61	211
Antofagasta	Evisos Antofagasta	Land	Offer	La Negra	63.670	100,00	637	284	987
Antofagasta	Evisos Antofagasta	Land	Offer	La Negra	31.835	42,00	758	284	987
Antofagasta	OLX Vallenar	Land	Offer	40km de Vallenar	318.351	100,00	3.184	260	902
								Maximum Value	1.020
								Mean Value	902
								Minimum Value	177

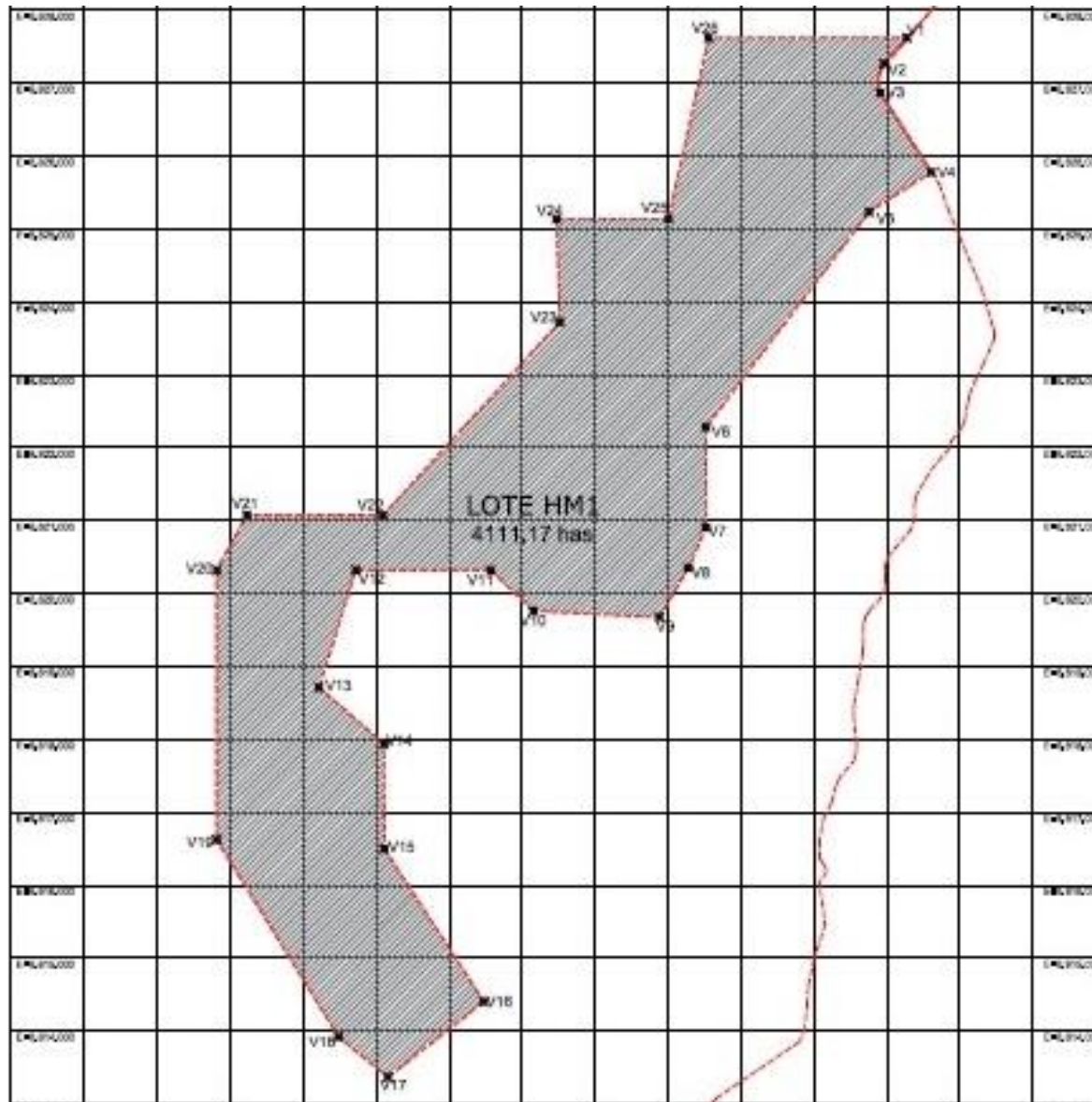
The comparables shown have been adjusted for total lot size and potential ability to mine the land. Given that no market comparables exist for large lots, smaller lots were used as comparables that have similar characteristics and a similar location. It should be noted that given economies of scale seen in land prices we have used an exponential price adjustment.



A decorative graphic consisting of several overlapping, semi-transparent blue geometric shapes, primarily triangles and quadrilaterals, arranged in a way that creates a sense of movement and depth across the lower half of the page.

Annexes

Annex 1. Details



Annex 1. Details



Annex 1. Details





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THANK YOU