

**Hot Chili Limited**  
ACN 130 955 725



## **PROSPECTUS**

### **Placement Offer**

For the offer to each Placement Participant (or their nominee) to subscribe for one Offer Option at an issue price of nil, for every two Shares subscribed for under the Placement. Refer to Section 1.2 of this Prospectus for further details.

### **Advisor Offer**

For the offer to the Advisor of 3,000,000 Offer Options pursuant to the Corporate Advisory Agreement. Refer to Section 1.3 of this Prospectus for further details.

### **Offer Period**

The Offers open on Wednesday, 2 May 2018 and close at 5.00pm (WST) on Friday, 15 June 2018.

### **IMPORTANT NOTICE**

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This is an important document that should be read in its entirety. Please read the instructions in this document and on the accompanying Application Form regarding acceptance of the Offers. If you do not understand this document, you should consult your professional adviser. The Offer Options offered by this Prospectus should be considered speculative.

# Important Information

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## General

This Prospectus is dated 2 May 2018 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a transaction specific prospectus for the offers of options to acquire 'continuously quoted securities' (as defined in the Corporations Act), prepared in accordance with section 713 of the Corporations Act. In preparing this Prospectus, regard has been had to the fact that the Company is a 'disclosing entity' for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

Offer Options will not be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## Electronic prospectus

This Prospectus may be viewed in electronic form at [www.hotchili.net.au](http://www.hotchili.net.au) by Australian and New Zealand investors only. The electronic version of this Prospectus is provided for information purposes only. A paper copy of this Prospectus may be obtained free of charge on request during the Offer Period by contacting the Company. The information on the Company's website does not form part of this Prospectus.

## Risk factors

Before deciding to invest in the Company, potential investors should read the entire Prospectus. In considering the prospects for the Company, potential investors should consider the assumptions underlying the prospective financial information and the risk factors that could affect the performance of the Company. Potential investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from a stockbroker, accountant or other independent financial adviser before deciding to invest.

## Applications

Applications for Offer Options by Placement Participants may only be made on printed copies of the Application Form attached to or accompanying this Prospectus. Please read the instructions in this Prospectus and on the accompanying Application Form regarding the acceptance of an Offer. By returning the Application Form or lodging the Application Form with your stockbroker, an Applicant will be taken to acknowledge that they have received and read this Prospectus, have acted in accordance with the terms of the Offer to which the Application Form relates and have agreed to all of the terms and conditions as detailed in this Prospectus.

## Overseas Applicants

This Prospectus is not, and is not intended to constitute, an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. The distribution of this Prospectus and the

Application Forms (including electronic copies) outside Australia and New Zealand may be restricted by law. By submitting an Application Form, an Applicant represents and warrants that there has been no breach of such laws. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions. Please refer to Section 2.5 for further information.

## Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including the ASX website at [www.asx.com.au](http://www.asx.com.au)). The contents of any website or filing with ASIC or ASX by the Company are not incorporated into this Prospectus and do not constitute part of the Offers unless otherwise expressly stated. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest the Company or subscribe for Offer Options.

The Company has not authorised any person to give any information or make any representation in connection with an Offer which is not contained in this Prospectus. Any such extraneous information or representation may not be relied upon.

## Forward-looking statements

This Prospectus includes forward-looking statements that have been based on current expectations about future acts, events and circumstances, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur. Further, except during the Offer Period and otherwise as required by law, the Company may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

## Meaning of Terms

Capitalised terms and certain other terms used in this Prospectus are defined in the Glossary in Section 9.

## Currency

References to "\$", "A\$", "AUD", or "dollar" are references to Australian currency, unless otherwise stated.

## Time

References to time relate to the time in Perth, Western Australia, unless otherwise stated.

# Corporate Directory

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## Directors

Murray Edward Black  
(Non-Executive Chairman)

Christian Ervin Easterday  
(Managing Director)

Allan Trench  
(Non-Executive Director)

Michael Anderson  
(Non-Executive Director)

Roberto de Andraca Adriasola  
(Non-Executive Director)

George (Randall) Nickson  
(Non-Executive Director)

Melanie Jane Leighton  
(Alternate Director for Murray Black)

## Company Secretary

Lloyd Alan Flint

## Registered Office and Principal Office

First Floor  
768 Canning Highway  
Applecross, Western Australia 6153

Telephone: +61 8 9315 9009  
Facsimile: +61 8 9315 5004  
Email: admin@hotchili.net.au

## ASX Code

HCH

## Website

www.hotchili.net.au

## Solicitors to the Offers

Jackson McDonald  
Level 17, 225 St Georges Terrace  
Perth, Western Australia 6000

Telephone: +61 8 9426 6611  
Facsimile: +61 8 9321 2002

## Securities Registry\*

Security Transfer Australia Pty Ltd  
770 Canning Highway  
Applecross, Western Australia 6153

PO Box 52  
Collins Street West  
Victoria, Australia 6153

T (within Australia): 1300 992 916  
T (international): +61 3 9628 2200  
E: registrar@securitytransfer.com.au

## Auditor\*

RSM Australia Partners  
Level 32  
Exchange Tower  
2 The Esplanade Perth WA 6000

Telephone: +61 8 9261 9100  
Facsimile: +61 8 9261 9111

\*Included for information purposes only. This entity has not been involved in the preparation of this Prospectus.

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## Key Offer Information

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### Indicative Timetable

Event	Target Date
Announcement of Placement and Offers	Monday, 30 April 2018
Prospectus lodged with ASIC and ASX	Wednesday, 2 May 2018
Opening Date of the Offers	Wednesday, 2 May 2018
Issue of Tranche 1 Securities	Friday, 4 May 2018
Issue of Advisor Options	Friday, 4 May 2018
Despatch of Holding Statements for Tranche 1 Securities	Friday, 4 May 2018
Despatch of Holding Statements for Advisor Options	Friday, 4 May 2018
General Meeting	Friday, 15 June 2018
Closing Date of the Offers	Friday, 15 June 2018
Issue of Tranche 2 Securities	Wednesday, 20 June 2018
Despatch of Holding Statements for Tranche 2 Securities	Wednesday, 20 June 2018

#### Notes:

1. The above dates are indicative only and subject to change. The Company may vary these dates without notice, including whether to close an Offer early, extend an Offer, or accept late Applications, either generally or in particular cases. Investors who wish to submit an Application and subscribe for Offer Options under an Offer are encouraged to do so as soon as possible after the Offers open.
2. The issue of the Tranche 2 Securities is subject to Shareholder approval being obtained at the General Meeting and will occur after the date of the General Meeting as set out in the table above. Refer to Section 1.1 for further details.

### Key Offer Details

Offer	Details
Price per Offer Option under the Placement Offer and Advisor Offer	Nil
Offer Options offered under the Placement Offer	66,666,667
Offer Options offered under the Advisor Offer	3,000,000
Cash proceeds of the Offers (before costs)	Nil

# 1. Details of the Placement and the Offers

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## 1.1 Details of the Placement

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

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

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

The Company proposes to issue the Tranche 1 Securities pursuant to its issuing capacities under Listing Rule 7.1 and 7.1A. The issue of the Tranche 2 Securities is subject to Shareholder approval, as these Securities are proposed to be issued in addition to the Company's issuing capacities under Listing Rule 7.1 and 7.1A, and a portion of these Securities will be issued to Related Parties of the Company.

The Company has entered into the Corporate Advisory Agreement with the Advisor, pursuant to which the Advisor was appointed as a non-exclusive advisor and marketing agent of the Company to provide advice and marketing services to the Company in connection with the Placement. The Advisor is entitled to receive 3,000,000 Offer Options as consideration for the performance of its services under the Corporate Advisory Agreement. Refer to Section 7.2(c) for further details.

Funds raised by the Placement will be used to initiate exploration and drilling activities at several outstanding high-grade copper opportunities within the El Fuego copper project, which are located within trucking distance of the Company's flagship Productora Project and for general working capital requirements. Details of the proposed use of funds raised is set out in Section 1.5.

As at the Prospectus Date, the Company has entered into subscription agreements with various Placement Participants, including the Placement Participants set out below, and has agreed to place approximately 48,167,732 Placement Shares and 24,083,865 free-attaching Offer Options to raise approximately \$1,445,032 (before costs). The material terms of the subscription agreements are set out in Sections 7.2(a) and 7.2(b).

Name	Subscription Amount	Relationship
Taurus Funds Management Pty Limited	16,501,066 Placement Shares 8,250,533 Offer Options	Non-Related Party. This entity is affiliated with Taurus SM Holdings Pty Ltd, a substantial Shareholder. Refer to Section 3.4 for further details.
Exploration Capital Partners 2008, LP	16,666,666 Placement Shares 8,333,333 Offer Options	Non-Related Party.

Blue Spec Drilling Pty Ltd	13,333,333 Placement Shares 6,666,666 Offer Options	Related Party – related to Mr Murray Black, Non-Executive Chairman.
Ostertag Holdings Pty Ltd (ATF Easterday Family Trust)	1,666,667 Placement Shares 833,333 Offer Options	Related Party – related to Mr Christian Easterday, Managing Director.

**Notes:**

1. The Company proposes to issue all Placement Shares and Offer Options to Taurus under the Tranche 2 Placement, subject to Shareholder approval being obtained at the General Meeting.
2. The Company proposes to issue all Placement Shares and Offer Options to Exploration Capital Partners 2008, LP under the Tranche 1 Placement.
3. The Placement Shares and Offer Options to be issued to Blue Spec Drilling Pty Ltd and Ostertag Holdings Pty Ltd (ATF Easterday Family Trust) will be issued under the Tranche 2 Placement, subject to Shareholder approval being obtained at the General Meeting, as these entities are Related Parties of the Company.

As at the Prospectus Date, the Securities to be issued under the Placement have not been issued. The Securities to be issued under the Tranche 1 Placement are intended to be issued on or about 4 May 2018. The Securities to be issued under the Tranche 2 Placement are intended to be issued after Shareholder approval for their issue has been obtained at the General Meeting. Refer to the indicative timetable on page 1 of this Prospectus for further details.

Summaries of the terms and conditions of the Offer Options, and the Shares to be issued on exercise of the Offer Options, are set out in Section 5.

## 1.2 Details of the Placement Offer

### (a) Placement Offer

The Placement Offer made by this Prospectus invites Placement Participants (or their nominees) to subscribe for that number of Offer Options to which they are entitled to be issued under the terms of the Placement, being one Offer Option for every 2 Shares subscribed, at an issue per Offer Option of nil.

All Offer Options issued pursuant to this Prospectus will entitle the holder to subscribe for one Share, at an exercise price of \$0.10, on or before 31 May 2020.

The full terms and conditions of the Offer Options are set out in Section 5.1.

### (b) Purpose

The primary purpose of offering the Offer Options under the Placement Offer is for the Company to fulfil its obligation under the Placement to offer and issue Offer Options to the Placement Participants.

By offering the Offer Options under the Placement Offer, the Offer Options will be issued with disclosure under Chapter 6D of the Corporations Act. Accordingly, the Offer Options (and any Shares issued on their exercise) will not be subject to secondary trading restrictions.

### (c) Conditions

The issue of the Tranche 1 Offer Options under the Placement Offer is not subject to any conditions. The Company does not propose to seek Shareholder approval for the issue of the Tranche 1 Offer Options, as they will be issued pursuant to the Company's issuing capacity under Listing Rule 7.1.

The issue of the Tranche 2 Offer Options under the Placement Offer is conditional upon the Company obtaining Shareholder approval for the issue of the Tranche 2 Offer Options pursuant to Listing Rule 10.11 (and any other applicable Corporations Act or Listing Rule provisions) at the General Meeting.

(d) **Minimum subscription**

The Placement Offer is not subject to any minimum subscription condition or requirement.

(e) **Underwriting**

The Placement Offer is not underwritten.

### 1.3 **Details of the Advisor Offer**

(a) **Advisor Offer**

The Advisor Offer made by this Prospectus invites the Advisor (or its nominees) to subscribe for up to 3,000,000 Offer Options, at an issue per Offer Option of nil, pursuant to the terms of the Corporate Advisory Agreement.

All Offer Options issued pursuant to this Prospectus will entitle the holder to subscribe for one Share, at an exercise price of \$0.10, on or before 31 May 2020.

The full terms and conditions of the Offer Options are set out in Section 5.1.

(b) **Purpose**

The primary purpose of offering the Offer Options under the Advisor Offer is for the Company to fulfil its obligation under the Corporate Advisory Agreement to offer and issue the Offer Options to the Advisor.

By offering the Offer Options under the Advisor Offer, the Offer Options will be issued with disclosure under Chapter 6D of the Corporations Act. Accordingly, the Offer Options (and any Shares issued on their exercise) will not be subject to secondary trading restrictions.

(c) **Conditions**

The issue of the Offer Options under the Advisor Offer is not subject to any conditions.

(d) **Minimum subscription**

The Advisor Offer is not subject to any minimum subscription condition or requirement.

(e) **Underwriting**

The Advisor Offer is not underwritten.

### 1.4 **Timetable**

The Offers will open on Wednesday, 2 May 2018 and will close at 5.00pm (WST) on Friday, 15 June 2018.

The Directors reserve the right to extend the Offer Period or close an Offer prior to the Closing Date, subject to the requirements of the Corporations Act and the Listing Rules.

The full indicative timetable for the Offers is set out in the Key Offer Information section on page 1 of this Prospectus.

## 1.5 Proposed use of funds

The Company will not raise any funds under the Offers. Any funds raised on exercise of the Offer Options (approximately \$6,966,667) will be applied by the Company to its general working capital requirements at that time.

The Company intends to use the funds raised from the Placement as follows:

	<b>Amount</b>
<b>Funds available</b>	
Cash on hand	\$800,000
Funds from the Placement (before costs)	\$4,000,000
<b>Total funds available</b>	<b>\$4,800,000</b>
<b>Use of funds</b>	
Initiation of exploration and drilling activities at several high-grade copper opportunities within the El Fuego copper project	\$1,000,000
Costs of the Placement and the Offers	\$250,000
General working capital	\$3,550,000
<b>Total</b>	<b>\$4,800,000</b>

### Notes:

1. Working capital costs comprise the Company's administration and overhead costs, and include operating expenses, accounting costs, auditing costs, insurance costs, legal costs, securities registry costs, Directors' fees, ASX fees and regulatory compliance costs and expenses.
2. The stated use of funds is current as at the Prospectus Date. The use of funds may change depending on any intervening events or changes in the Company's circumstances. The Board reserves the right to change the way funds are used and applied.

## 1.6 Key risks

The key risks of investing in the Company are set out below. These risks are not an exhaustive list. Further details of specific risks and general investment risks are set out in Section 4. These risks may adversely affect the Company's financial position, prospects and price of its securities.

<b>Risk</b>	<b>Description</b>
<b>Market volatility</b>	The price at which the Shares may trade may be affected by market sentiment arising from factors including changes in interest rates and economic conditions and movements in the Australian and international financial markets.

Risk	Description
<b>Transactions with CMP</b>	The successful operation and development of the Company's flagship Productora Project is in part reliant upon the continued support of the Company's project partner, CMP. CMP holds various rights under the project transaction agreements with the Company (and its subsidiaries SMECL and SMEA) which include an option to exit its investment in the Productora Project by requiring the purchase of its shares in SMEA in certain circumstances (see the Company's Notice of General Meeting and Independent Expert's Report announced to ASX on 19 March 2015). The effect on the Company from the exercise of these rights by CMP will largely depend upon the Company's financial and operational circumstances at that time. The Board considers that the Company has a strong relationship with CMP and it does not have any reason to believe that CMP will exercise such exit rights. However, CMP is an independent entity and the Company cannot guarantee that CMP will not exercise its exit rights at some time in the future.
<b>Exploration</b>	The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. The actual costs of exploration may materially differ from those estimated by the Company. The Company cannot give any assurance that the cost estimates and the underlying assumptions used as a basis for those estimates will be realised in practice. This may materially and adversely affect the Company's viability.
<b>Sovereign risks</b>	While Chile is considered to be one of South America's most politically stable and prosperous nations, it may nonetheless be subject to social and economic uncertainty. Civil and political unrest and outbreaks of hostilities in Chile could affect the Company's access to its projects and subsequent exploration and development. Adverse changes in government policies or legislation in Chile affecting foreign ownership of mineral interests, taxation, profit repatriation, royalties, land access, labour relations, and mining and exploration activities, may affect the operations of the Company.
<b>Resource estimates</b>	Resource estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect the Company's future plans and ultimately its financial performance and value.
<b>Key personnel</b>	Recruiting and retaining qualified personnel is important to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited, and competition for such persons is strong. The Company may be adversely impacted by such employees ceasing their employment with the Company.
<b>Future capital requirements</b>	The Company will most likely require further financing for its future business activities, in addition to amounts raised pursuant to the Placement. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or the issue price under the Placement) or may involve restrictive conditions which limit the Company's operations and business strategies. There cannot be any assurance that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all.

Risk	Description
<b>Commodity price fluctuations</b>	<p>In the event of exploration and development success, any future revenue derived through the future sale of copper, gold, iron ore and molybdenum exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for such commodities, forward selling by producers and the level of production costs. Moreover, prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, these commodities.</p>
<b>Exchange rate fluctuations</b>	<p>The expenditure of the Company is and will be taken into account in Australian, US and Chilean currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the US dollar, the Australian dollar and Chilean currencies as determined in international markets.</p>

## 2. Applications for Offer Options

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### 2.1 Making an Application

Applications for Offer Options under the Placement Offer may only be submitted by Placement Participants (or their nominees) and must be made using the Placement Offer Application Form that accompanies this Prospectus.

Applications for Offer Options under the Advisor Offer may only be submitted by the Advisor (or its nominees) and must be made using the Advisor Offer Application Form that accompanies this Prospectus.

Each Application Form must be completed in accordance with the instructions set out on the back of that form.

Completed Application Forms must be received by the Company before **5.00pm (WST) on the Closing Date** at either of the following addresses:

<b>Delivery</b>	<b>Post</b>
Hot Chili Limited c/- Security Transfer Australia 770 Canning Highway Applecross, Western Australia 6153	Hot Chili Limited c/- Security Transfer Australia PO Box 52 Collins Street West Victoria, Australia 8007

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An original, completed and lodged Application Form constitutes a binding and irrevocable offer to subscribe for the number of Offer Options specified in that Application Form. The Application Form does not need to be signed to be valid.

If an Application Form is not completed correctly, it may be treated by the Company as valid at its discretion. The Directors' decision as to whether to treat such an Application Form as valid and how to construe, amend or complete a form is final.

Brokerage or transfer/stamp duty is not payable in relation to either Offer.

The Company reserves the right to refuse a completed Application Form if it has reason to believe that an Applicant has not received a copy of this Prospectus in paper or electronic form, or the Prospectus or Application Form provided to the Applicant has been altered or tampered with in any way.

### 2.2 Issue of Offer Options

The Tranche 1 Offer Options offered under the Placement Offer, and the Advisor Options offered under the Advisor Offer, are expected to be issued on the date specified in the Key Offer Information section on page 1 of this Prospectus.

The issue of the Tranche 2 Offer Options is conditional on Shareholder approval being obtained at the General Meeting.

The sale by an Applicant of Offer Options prior to the receipt of a Holding Statement is at the Applicant's own risk.

### 2.3 ASX quotation

The Company does not intend to apply for Official Quotation on ASX of the Offer Options issued pursuant to this Prospectus. However, the Company will apply to ASX for Official Quotation of the Shares issued on exercise of Offer Options.

## 2.4 **Withdrawal**

The Directors may decide to withdraw this Prospectus or an Offer at any time before the issue of any Offer Options under that Offer.

## 2.5 **Applicants outside of Australia**

This Prospectus does not constitute an offer of Offer Options in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus or make the Offers.

It is the responsibility of any Applicant who is resident outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional adviser as to whether any government or other consents are required, or whether any formalities need to be observed to enable them to apply for and be issued Offer Options. Return of a duly completed Application Form will constitute a representation and warranty by an Applicant that there has not been any breach of such regulations.

The Company has not taken any action to register or qualify the Offer Options or the Offers, or to otherwise to permit a public offering of the Offer Options, in any jurisdiction outside Australia.

Prospective investors located outside Australia are advised that the information contained within this Prospectus has not been prepared with regard to matters that may be of particular concern to them. Accordingly, prospective investors located outside Australia should consult with their own legal, financial and tax advisors concerning the information contained within this Prospectus and as to the suitability of an investment in the Offer Options in their particular circumstances.

### **Notice to investors in the United States of America**

The Offer Options have not been and will not be registered under the U.S. Securities Act of 1933, as amended (**Securities Act**), and may not be offered or sold except: (i) within the United States to “qualified institutional buyers” (**QIBs**) as defined by Rule 144A of the Securities Act in a transaction exempt from, or not subject to, the registration requirements under the Securities Act; or (ii) to certain persons in offshore transactions in compliance with Regulation S under the Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

Transfer of the Offer Options will be restricted and each purchaser of the Offer Options in the United States will be required to make the following acknowledgements, representations and agreements (capitalised terms used below have the meanings given to them in Rule 144A or Regulation S of the Securities Act):

- (a) Each purchaser of the Offer Options outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed decision and that:
  - (i) The purchaser is authorised to consummate the purchase of the Offer Options in compliance with all applicable laws and regulations.
  - (ii) The purchaser acknowledges that the Offer Options have not been and will not be registered under the Securities Act, or with any securities regulatory authority or any state of the United States, and are subject to significant restrictions on transfer.
  - (iii) The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Options was located outside the United States at the time the buy order for the Offer Options was originated and continues to be located outside the United States and has not purchased the Offer Options for the benefit of any person in the United States or entered into

any arrangement for the transfer of the Offer Options to any person in the United States.

- (iv) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Options from the Company or an affiliate thereof in the initial distribution of such Offer Options.
  - (v) The purchaser is aware of the restrictions on the offer and sale of the Offer Options pursuant to Regulation S described in this Prospectus.
  - (vi) The Offer Options have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.
  - (vii) The Company shall not recognise any offer, sale, pledge or other transfer of the Offer Options made other than in compliance with the above restrictions.
  - (viii) The purchaser acknowledges that the Company, the Selling Shareholders, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (b) Each purchaser of the Offer Options within the United States will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:
- (i) The purchaser is authorised to consummate the purchase of the Offer Options in compliance with all applicable laws and regulations.
  - (ii) The purchaser acknowledges that the Offer Options have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.
  - (iii) The purchaser (i) is a QIB (as defined in Rule 144A), and (ii) is acquiring such Offer Options for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Offer Options, as the case may be.
  - (iv) The purchaser is aware that the Offer Options are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act.
  - (v) If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Options, as the case may be, such Securities may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and / or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.
  - (vi) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Options from the Company or an affiliate thereof in the initial distribution of such Securities.

- (vii) The Offer Options are "restricted securities" within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any Offer Options, as the case may be.
- (viii) The Company shall not recognise any offer, sale pledge or other transfer of the Offer Options made other than in compliance with the above-stated restrictions.
- (ix) The purchaser acknowledges that the Company will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

## 2.6 **CHESS and issuer sponsorship**

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASX Settlement Rules. The Company operates an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of its Securities.

Under CHESS, the Company does not issue certificates to the holders of Securities. Instead, the Company provides holders with a Holding Statement (similar to a bank account statement) that sets out the number of Offer Options allotted and issued to them under this Prospectus.

This holding statement also advises investors of either their Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (**SRN**) in the case of a holding on the issuer sponsored sub-register.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time. However, a charge may be incurred for additional statements.

## 2.7 **Taxation implications**

The taxation obligations and the effects of participating in an Offer can vary depending on the circumstances of each individual Applicant. Applicants who are in doubt as to their taxation position should seek professional advice. It is the sole responsibility of Applicants to inform themselves of their taxation position resulting from participation in an Offer.

The Directors do not consider that it is appropriate to give potential Applicants advice regarding the taxation consequences of applying for Offer Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions for potential Applicants.

Neither the Company nor any of its advisers, officers or employees accept any responsibility or liability for any taxation consequences to potential Applicants in relation to an Offer.

## 2.8 **Privacy disclosure**

The Company collects information about each Applicant from the Application Form for the purpose of processing the Application and, if the Applicant is successful, for the purposes of administering the Applicant's Security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement.

The Company and the Securities Registry may disclose an Applicant's personal information for purposes related to the Applicant's investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act (**Privacy Act**):

- (a) the Securities Registry for ongoing administration of the Company's register;
- (b) the Company's related bodies corporate (as that term is defined in the Corporations Act), agents, contractors and third party service providers, as well as to ASX, ASIC and other regulatory authorities (including the Australian Taxation Office); and
- (c) the printers and the mailing house for the purposes of preparing and distributing Holding Statements and for the handling of mail.

If an Applicant becomes a Security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the Securities held) in its public register. This information must remain in the Company's register even if that person ceases to be a Security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Security holders) and compliance by the Company with legal and regulatory requirements.

If an Applicant does not provide the information required on the Application Form, the Company may not be able to accept or process their Application.

Under the Privacy Act, a person may request access to their personal information held by (or on behalf of) the Company or the Securities Registry. An Applicant can request access to their personal information by writing to the Company through the Securities Registry.

## 2.9 Enquiries

This Prospectus provides information for potential investors in the Company and should be read in its entirety.

If, after reading this Prospectus you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or financial advisor.

### 3. Purpose and effect of the Offers

#### 3.1 Principal effects of the Placement and the Offers on the Company

The principal effects of the Placement and the Offers will be to:

- increase the number of Shares on issue from 602,543,430 Shares as at the Prospectus Date to 735,876,764 Shares, representing a dilution of approximately 22.13% (following completion of the Placement and the Offers and assuming none of the existing Options and Offer Options are exercised and none of the Convertible Notes are converted into Shares);
- increase the number of Options on issue from 39,000,000 Options as at the Prospectus Date to 108,666,667 Options; and
- increase the Company's cash reserves by approximately \$3,750,000, immediately after completion of the Placement and the Offers and payment of the costs and expenses set out in Section 7.6.

#### 3.2 Effect on capital structure

The capital structure of the Company following completion of the Placement and the Offers is set out below.

<b>Securities</b>	<b>Number</b>
<b>Shares</b>	
Shares on issue at the Prospectus Date	602,543,430
Shares to be issued pursuant to the Placement	133,333,334
Shares to be issued pursuant to the Offers	Nil
<b>Total Shares following completion of the Placement and Offers</b>	<b>735,876,764</b>
<b>Options</b>	
Options exercisable at \$0.30 each on or before 27 June 2019	11,000,000
Options exercisable at \$0.10 each on or before 6 September 2018	8,000,000
Options exercisable at \$0.03333 each on or before 20 June 2019	20,000,000
<b>Total Options on issue at Prospectus Date</b>	<b>39,000,000</b>
Offer Options to be issued under the Placement Offer	66,666,667
Offer Options to be issued under the Advisor Offer	3,000,000
<b>Total Options on issue following completion of the Placement and Offers</b>	<b>108,666,667</b>
<b>Convertible Notes</b>	
Convertible Notes on issue at the Prospectus Date	113,009
Convertible Notes to be issued pursuant to the Placement	Nil
<b>Total Convertible Notes following completion of the Placement and Offers</b>	<b>113,009</b>

**Notes:**

1. The figures in the table above assume that:
  - (a) additional Securities are not issued prior to the close of the Offers (including on the exercise of Options or conversion of Convertible Notes); and
  - (b) Shareholder approval for the issue of the Tranche 2 Securities is obtained at the General Meeting.
2. The terms and conditions of the Convertible Notes are set out in section 4.1 of the Company's prospectus dated 20 June 2017 (and announced to ASX on 21 June 2017), a copy of which is available free of charge at the Company's website, at <http://www.hotchili.net.au/investors/announcements/>.

**3.3 Effect on control of the Company**

As at the Prospectus Date, the Company has 602,543,430 quoted Shares, 39,000,000 unquoted Options and 113,009 unquoted Convertible Notes on issue. Following completion of the Placement and the Offers, 133,333,334 Shares and 69,666,667 Offer Options will be issued by the Company.

Other than as set out in Section 3.4 below, the Company does not propose to issue any Placement Shares or Offer Options to any substantial Shareholders.

The Company does not anticipate that the acquisition of Shares by any Shareholder under the Placement, or Offer Options under the Offers, will result in any Shareholder either becoming a substantial Shareholder (including on exercise of Offer Options), or obtaining a relevant interest in Shares of 20% or more.

Accordingly, the Placement and the Offers (and subsequent issue of Shares on the exercise of Offer Options) should not have a material impact upon the control of the Company.

**3.4 Substantial holdings**

A "substantial holding" is defined under section 9 of the Corporations Act to mean a relevant interest in 5% or more of the voting shares of a company.

The table below sets out the Shareholders with a substantial holding as at the Prospectus Date.

<b>Name</b>	<b>Number of Shares in which party has a relevant interest at Prospectus Date</b>	<b>Proposed subscription under the Placement and Offers by substantial holder or related entities</b>	<b>Proposed number of Shares in which party will have a relevant interest after Placement and Offers</b>
Port Finance Ltd N.V.	65,725,296	Nil	65,725,296
Taurus SM Holdings Pty Ltd	68,959,750	16,501,066	85,460,816
Mr Murray Edward Black	58,190,856	13,333,333	71,524,189
Fratelli Investments Limited	31,432,753	Nil	31,432,753
Exploration Capital Partners	23,380,163	16,666,666	40,046,830

**Notes:**

1. The figures in the table above assume that:
  - (a) additional Shares are not issued after the Prospectus Date; and

- (b) none of the Options or Convertible Notes on issue at the Prospectus Date are exercised or converted into Shares (as the case may be).
- 2. Taurus SM Holdings Pty Ltd's relevant interest at the Prospectus Date arises through the following:
  - (a) 1,643,904 Shares held by Taurus Funds Management Pty Ltd as investment manager for the Taurus Resources No. 2 Trust, an associate of Taurus SM Holdings Pty Ltd; and
  - (b) 67,305,854 Shares held by Taurus Resources Ltd GP No. 2 LLC as investment manager for the Taurus Resources No. 2 Trust, an associate of Taurus SM Holdings Pty Ltd.
- 3. Taurus Funds Management Pty Limited is an entity controlled by Taurus SM Holdings Pty Ltd and has agreed to subscribe for 16,501,066 Placement Shares and 8,250,533 Offer Options under the Placement (refer to Section 7.2(a)). Accordingly, Taurus SM Holdings Pty Ltd will have a relevant interest in these Securities once they are issued to Taurus Funds Management Pty Limited.
- 4. Mr Murray Black's relevant interest at the Prospectus Date arises through the following:
  - (a) 24,246,210 Shares held by Blue Spec Sondajes SpA, a Chilean company of which Mr Black is the sole Administrator and a shareholder;
  - (b) 16,750,000 Shares held by Kalgoorlie Auto Service Pty Ltd, a company controlled by Mr Black; and
  - (c) 17,194,646 Shares held by Blue Spec Drilling Pty Ltd, a company controlled by Mr Black.
- 5. Following completion of the Placement and the issue of 13,333,333 Placement Shares to Blue Spec, Mr Black's relevant interest will increase to 71,524,189 Shares (assuming no other Shares are acquired or disposed of by Mr Black, and no Options are exercised or Convertible Notes converted).

### 3.5 Effect on financial position of the Company

The Company will not raise any funds from the Offers and so the Offers will not have a material effect on the Company's financial position.

However, the Company will raise approximately \$4,000,000 from the Placement (before costs), and accordingly the Placement will have a material effect on the Company's financial position.

Set out below is:

- (a) the unaudited (reviewed) consolidated statement of financial position of the Company as at 31 December 2017; and
- (b) the unaudited pro forma consolidated statement of financial position of the Company as at 31 December 2017, incorporating the effect of the Placement and the Offers.

The statement of financial position has been prepared to provide potential Applicants with information on the assets and liabilities of the Company and pro forma assets and liabilities of the Company as noted below. The historical and pro forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The consolidated statement of financial position below is to be read in conjunction with the notes to the financial statements as published in the Company's interim financial report for the half-year ended 31 December 2017 as reviewed by the Company's auditors.

**Unaudited Consolidated Statement of Financial Position  
As at 31 December 2017**

	Note	Unaudited (Reviewed) 31 December 2017	Maximum Subscription 31 December 2017	Pro Forma Maximum 31 December 2017
		\$	\$	\$
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1	1,606,828	3,772,022	5,378,850
Other current assets		35,376		35,376
<b>Total Current Assets</b>		<b>1,642,204</b>		<b>5,414,226</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		214,860		214,860
Exploration and evaluation expenditure		107,885,540		107,885,540
<b>Total Non-Current Assets</b>		<b>108,100,400</b>		<b>108,100,400</b>
<b>Total Assets</b>		<b>109,742,604</b>		<b>113,514,626</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables		2,264,642		2,264,642
Financial liabilities		7,825,526		7,825,526
<b>Total Current Liabilities</b>		<b>10,090,168</b>		<b>10,090,168</b>
<b>Non-Current Liabilities</b>				
Financial liabilities		3,491,073		3,491,073
<b>Total Non-Current Liabilities</b>		<b>3,491,073</b>		<b>3,491,073</b>
<b>Total Liabilities</b>		<b>13,581,241</b>		<b>13,581,241</b>
<b>Net Assets</b>		<b>96,161,363</b>		<b>99,933,385</b>
<b>Equity</b>				
Issued capital	2(a)	123,228,198	3,772,022	127,000,220
Option reserve	2(c)	1,473,539	21,720	1,495,259
Foreign currency translation reserve		1,222		1,222
Accumulated losses	3	(47,897,138)	(21,720)	(47,918,858)
Capital and reserves attributable to owners of Hot Chili		76,805,821		80,577,843
Non-Controlling Interest		19,355,542		19,355,542
<b>Total equity</b>		<b>96,161,363</b>		<b>99,933,385</b>

## Notes to Unaudited Consolidated Statement of Financial Position

### Note 1

#### Cash and Cash Equivalents

	Unaudited Reviewed 31-Dec-17 \$	Unaudited Pro-forma 31-Dec-17 \$
Cash and Cash Equivalents	1,606,828	1,606,828
Issue of shares	-	4,000,000
Raising costs	-	(183,240)
Cash expenses	-	(47,738)
<b>Total cash and cash equivalents</b>	<b>1,606,828</b>	<b>5,378,850</b>

### Note 2

#### Issued capital

	Consolidated entity			
	Unaudited Reviewed 31-Dec-17 Number	Reviewed 31-Dec-17 \$	Unaudited Pro-forma 31-Dec-17 Number	Unaudited Pro-forma 31-Dec-17 \$
<b>(a) Issued capital</b>				
Ordinary shares – fully paid	589,932,458	123,228,198	735,876,763	127,000,220
<b>(b) Movement in ordinary share capital</b>				
Balance at beginning of period	-	-	589,932,458	123,228,198
Shares issued in lieu of convertible note costs <sup>1</sup>	-	-	12,610,972	-
Shares issued pursuant to placement	-	-	133,333,333	4,000,000
Less costs associated with issue of share capital	-	-	-	(227,978)
Less costs associated with issue of share capital	-	-	-	-
<b>Balance at end of period</b>	<b>589,932,458</b>	<b>123,228,198</b>	<b>735,876,763</b>	<b>127,000,220</b>

<sup>1</sup> Issue of shares in lieu of interest payable on the Convertible Notes does not form part of the Placement or the Offers but is included to correctly reflect the number of ordinary shares on issue.

#### (c) Options over ordinary share capital

Grant date	Expiry date	Expiry price (\$)	Balance at start of the period	Number issued during the period	Number exercised during the period	Number expired during the period	Balance at end of the period
27/06/2014	27/06/2019	0.300	11,000,000	-	-	-	11,000,000
24/08/2016	06/09/2018	0.100	8,000,000	-	-	-	8,000,000
26/06/2017	20/06/2019	0.033	20,000,000	-	-	-	20,000,000
4/05/2018	31/05/2020	0.100		69,666,666	-	-	69,666,666

39,000,000	-	-	-	108,666,666
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**Note 3**

**Accumulated Losses**

	<b>Unaudited Reviewed 31-Dec-17 \$</b>	<b>Unaudited Pro-forma 31-Dec-17 \$</b>
Opening balance	(47,897,138)	(47,897,138)
Share based payments		(21,720)
<b>Total</b>	<b>(47,897,138)</b>	<b>(47,918,858)</b>

The unaudited pro forma consolidated statement of financial position has been prepared on the assumption that Shareholder approval is obtained for the issue of the Tranche 2 Securities, and represents the Company's consolidated statement of financial position as at 31 December 2017, adjusted on the basis that there has not been any material movement in the assets and liabilities of the Company between 31 December 2017 and the Closing Date save for:

- (a) the Company raising \$4,000,000 under the Placement through the issue of 133,333,334 Placement Shares and 66,666,667 free-attaching Offer Options;
- (b) the Company incurring approximately \$183,240 in relation to the costs of undertaking the Placement and the Offers;
- (c) the Company incurring \$44,738 in cash expenses in relation to the Placement and the Offers; and
- (d) the Company incurring \$21,720 in non-cash expenses for 3,000,000 Advisor Options (valued on a Black and Scholes methodology) offered and proposed to be issued to the Advisor under the Advisor Offer as consideration for the performance of its services under the Corporate Advisory Agreement in relation to the Placement and the Placement Offer.

No allowance has been made for expenditure incurred in the normal course of business from 31 December 2017 to the Closing Date.

## **4. Risk Factors**

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### **4.1 Introduction**

Activities in the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance. There can be no guarantee that the Company will achieve its stated objectives.

Potential investors should read the entire Prospectus and review announcements made by the Company to ASX (at [www.asx.com.au](http://www.asx.com.au) under the code HCH) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects.

An investment in the Company's Securities should be considered speculative. Securities carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those Securities.

Potential investors should also consider the risk factors in Section 1.5 above, and in Sections 4.2, 4.3 and 4.4 below which the Directors believe represent some of the general and specific risks that Shareholders should be aware of when evaluating the Company and deciding whether to acquire any Securities in the Company. The following risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

### **4.2 Company specific risks**

The following risks have been identified as being key risks specific to an investment in the Company. These risks may adversely affect the Company's financial position, prospects and price of its quoted Securities.

#### **(a) Transactions with CMP**

The Company is party to various agreements with its project partner, CMP, in relation to the Productora Project. Please refer to the Company's Notice of General Meeting and Independent Expert's Report announced to ASX on 19 March 2015 for further details. Whether the Productora Project can be successfully developed and operated will rely in part on the continued support of CMP.

CMP holds various rights under the project transaction agreements with the Company (and its subsidiaries SMECL and SMEA) which include an option to exit its investment in the Productora Project by requiring the purchase of its shares in SMEA under certain circumstances. Whether any such rights are exercised is ultimately at CMP's discretion. The effect on the Company from the exercise of these rights by CMP will largely depend upon the Company's financial and operational circumstances at that time. The Company cannot accurately predict these circumstances nor the extent to which the exercise of CMP's rights may adversely affect the Company or its operations. However, the Board considers that the Company has a strong relationship with CMP and it does not have any reason to believe that CMP will exercise such exit rights.

#### **(b) Exploration**

The success of the Company depends on the delineation of economically mineable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

The actual costs of exploration may materially differ from those estimated by the Company. There cannot be any assurance that the cost estimates and the underlying assumptions used as a basis for those estimates will be realised in practice, which may materially and adversely affect the Company's viability.

(c) **Sovereign risks**

While Chile is considered to be one of South America's most politically stable and prosperous nations, it may nonetheless be subject to social and economic uncertainty. Civil and political unrest and outbreaks of hostilities in Chile could affect the Company's access to its projects and subsequent exploration and development.

Adverse changes in government policies or legislation in Chile affecting foreign ownership of mineral interests, taxation, profit repatriation, royalties, land access, labour relations, and mining and exploration activities may affect the operations of the Company.

(d) **Resource estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates were appropriate when made, but may change significantly when new information becomes available.

There are risks associated with such estimates. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resource estimates could affect the Company's future plans and ultimately its financial performance and value.

(e) **Key personnel**

Recruiting and retaining qualified personnel is important to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited and competition for such persons is strong. If such persons cease to be employed or otherwise engaged by the Company for whatever reason, the Company may be adversely affected.

(f) **Future capital requirements**

The Company will most likely require further financing for its future business activities, in addition to amounts raised pursuant to the Placement. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or the issue price under the Placement) or may involve restrictive conditions which limit the Company's operations and business strategies.

There cannot be any assurance that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operation and this could have a material adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

(g) **Commodity price fluctuations**

In the event of exploration and development success, any future revenue derived through the future sale of copper, gold, iron ore and molybdenum exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for such commodities, forward selling by producers and the level of production costs. Moreover, prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, these commodities.

(h) **Exchange rate fluctuations**

The expenditure of the Company are and will be taken into account in Australian, US and Chilean currencies, exposing the Company to the fluctuations and volatility of the rates of exchange between the US dollar, the Australian dollar and Chilean currencies as determined in international markets.

## 4.3 Mining industry risks

Mineral exploration and mining may be hampered by circumstances beyond the control of the Company and are speculative operations which, by their nature, are subject to a number of inherent risks, including the following:

(a) **Ability to exploit successful discoveries**

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploitation would involve obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as those of the Company.

(b) **Mining and development risks**

Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Mining and development operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events.

(c) **Title risks**

The Company's interests in tenements in Chile are governed by legislation in that jurisdiction and are evidenced by the granting of mining concessions. Each mining concession is granted subject to conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if the tenement conditions are not met.

(d) **Environmental risks**

The operations and activities of the Company in Chile are subject to its environmental laws and regulations. As with most exploration projects and mining operations, the Company's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(e) **Joint venture parties, agents and contractors**

In addition to the risks outlined in Section 4.2(a), there is a risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party, or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(f) **Competition**

The Company competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There cannot be any assurance that the Company will be able to compete effectively with these companies.

(g) **Other**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other causes, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

#### 4.4 **General investment risks**

(a) **Securities market conditions**

As with all securities market investments, there are risks associated with an investment in the Company. Share prices may rise or fall and the price of Shares might trade below or above the price payable for Shares on exercise of the Offer Options.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(b) **Liquidity risk**

There cannot be any guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. There may be relatively few buyers or sellers of securities on ASX at any given time. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell Shares held by them.

(c) **Securities investment risk**

Applicants should be aware that there are risks associated with any Securities investment. Securities quoted on a securities market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Securities regardless of the Company's performance.

(d) **Other risks**

Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk, and other matters that may interfere with the business or trade of the Company.

## 5. Rights and liabilities attached to Offer Options and Shares

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### 5.1 Rights and liabilities attaching to Offer Options

The Offer Options offered pursuant to this Prospectus are regulated by the Constitution, the Corporations Act, the Listing Rules and general law.

Each Offer Option will be issued on the following terms:

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

- (g) **Quotation of Offer Options:** The Company will not apply to ASX for Official Quotation of Offer Options.
- (h) **Quotation of Shares:** The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Offer Options.
- (i) **New issues:** The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless it has exercised its Offer Options before the record date for determining entitlements to the new issue of Securities and participate as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.
- (j) **Bonus issues:** If the Company makes a bonus issue of Shares or other Securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Offer Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Offer Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Offer Option before the record date for determining entitlements to the issue.
- (k) **Pro rata issues:** If the Company makes a pro rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Offer Option before the record date for determining entitlements to the issue, the Exercise Price of each Offer Option will be reduced in accordance with the Listing Rules.
- (l) **Reorganisation:** If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Offer Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
  - (i) Any calculations or adjustments which are required to be made will be made by the Company's Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
  - (ii) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Offer Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Offer Option.
- (m) **Exercise:** To exercise Offer Options, the Option Holder must give the Company or its Securities Registry, at the same time:
  - A. a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Offer Options being exercised and Shares to be issued;
  - B. payment of the Exercise Price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and
  - C. any certificate for the Offer Options.
  - (ii) The Option Holder may only exercise Offer Options in multiples of 10,000 Offer Options unless the Option Holder exercises all Offer Options held by the Option Holder.
  - (iii) Offer Options will be deemed to have been exercised on the date the exercise notice and Exercise Price are received by the Company.

- (n) **Re-issue of certificate or Holding Statement:** If the Option Holder exercises less than the total number of Offer Options registered in the Option Holder's name:
  - (i) the Option Holder must surrender their Offer Option certificate (if any); and
  - (ii) the Company must cancel the Offer Option certificate (if any) and issue the Option Holder a new Offer Option certificate or holding statement stating the remaining number of Offer Options held by the Option Holder.
- (o) **Issue:**
  - (i) Within five Business Days after receiving an application for exercise of Offer Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.
  - (ii) Subject to the Constitution, all Shares issued on the exercise of Offer Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- (p) **Governing law:** These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

## 5.2 Rights and liabilities attaching to Shares

If Option holders convert their Offer Options into Shares, the Shares issued will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.

Full details of the rights and liabilities attaching to the Shares are contained in the Constitution and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules, the ASX Settlement Rules and the common law. The Constitution is available for inspection free of charge at the Company's registered office and on the Company's website ([www.hotchili.net.au](http://www.hotchili.net.au)).

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to Shares:

- (a) **Share capital:** All issued ordinary fully paid shares rank equally in all respects.
- (b) **Voting rights:** At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every partly paid Share held, a fraction of a vote equivalent to the proportion which the amount paid (not credited) on the Share is of the total amounts paid and payable (excluding amounts credited) on the Share. Where there is an equality of votes, the chairperson has a casting vote.
- (c) **Dividend rights:** Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend (at present there are none), all dividends as declared by the Directors shall be payable on all Shares out of the Company's profits:
  - (i) in accordance with the Corporations Act; and
  - (ii) in proportion to the amount of capital paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid.

Directors may authorise the payment or crediting by the Company to the Shareholder of such a dividend.

The Directors may, before declaring any dividend, set aside out of the profits of the Company such amounts as they may determine as reserves. The Directors may direct that payment of the dividend be made wholly or in part by the distribution of specific assets or other Securities of the Company.

- (d) **Rights on winding-up:** If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other Securities in respect of which there is any liability.

- (e) **Transfer of Shares:** Shares in the Company may be transferred by such means in accordance with the Constitution, the Corporations Act, Listing Rules and ASX Settlement Rules.

The Directors may, by providing their written notice, refuse to register a transfer of Shares (other than a market transfer) only in those circumstances permitted by the Constitution, the Listing Rules and ASX Settlement Rules.

- (f) **Further increases in capital:** Subject to the Constitution, the Corporations Act and Listing Rules, Shares in the Company are under the control of the Directors, who may allot or dispose of all or any of the Shares to such persons, at such price and on such terms, as the Directors think fit.

Subject to the Listing Rules, the Directors have the right to grant Options or other Securities with rights of conversion to Shares or pre-emptive rights to any Shares, to any person, for any consideration and for any stock.

- (g) **Variation of rights attaching to Shares:** The rights attaching to any class of Shares (unless otherwise provided by their terms of issue) may be varied by a special resolution passed at a separate general meeting of the holders of those Shares of that class, or in certain circumstances, with the written consent of the holders of at least seventy-five percent (75%) of the issued Shares of that class.

- (h) **General meeting:** Subject to the Listing Rules, the provisions of the Corporations Act and the Constitution relating to special resolutions and agreement for short notice, each holder of Shares will be entitled to receive at least 28 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given), to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Corporations Act and the Listing Rules.

## 6. Continuous disclosure documents

### 6.1 Continuous disclosure obligations

This is a prospectus for the offer of options to subscribe for continuously quoted securities (as defined in the Corporations Act), and is issued pursuant to section 713 of the Corporations Act as a transaction specific prospectus. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

The Company is a “disclosing entity” for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. As a listed company, the Company is subject to the Listing Rules which require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Shares, subject to certain exceptions.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The Offer Options to be issued under this Prospectus are options to subscribe for continuously quoted securities (i.e. Shares) that were quoted on the stock market of ASX at all times in the 12 months before the issue of this Prospectus.

### 6.2 Documents available for inspection

The Company has lodged the following announcements with ASX since the lodgement of the Company’s audited financial statements for the financial year ended 30 June 2017, which occurred on 29 September 2017:

Date	Description of ASX Announcement
30 April 2018	Quarterly Report
30 April 2018	HCH Closes Heavily Oversubscribed Placement
24 April 2018	Trading Halt
23 April 2018	Strong Result of 7.5m Grading 10.4% Copper at San Antonio
18 April 2018	Large Extensions Confirmed at San Antonio
05 April 2018	Change of Director's Interest Notice
04 April 2018	Appendix 3B
04 April 2018	Convertible Notes - Quarterly Interest Payment
03 April 2018	Change of Company Secretary
28 March 2018	HCH Presentation - Scale & Grade
20 March 2018	Initiation of Research on HCH by EverBlu
14 March 2018	Half Year Accounts
14 March 2018	Valentina DD Outlines Attractive Potential
08 March 2018	San Antonio Lease Mining Results
01 March 2018	El Fuego Reveals Size and Grade

<b>Date</b>	<b>Description of ASX Announcement</b>
21 February 2018	Third High Grade Deal for Hot Chili
12 February 2018	Corrected Appendix 3Y
12 February 2018	Change of Director's Interest Notice
01 February 2018	Recent Media Article on Hot Chili
31 January 2018	Quarterly Report for Period Ending 31st Dec 2017
04 January 2018	Change of Director's Interest Notice
04 January 2018	Appendix 3B
04 January 2018	Interest Payment
19 December 2017	Change of Director's Interest Notice
07 December 2017	Impressive Surface Results Returned from Lulu
05 December 2017	Change of Director's Interest Notice
29 November 2017	Results of Meeting
23 November 2017	High Grade Copper Confirmed at San Antonio
22 November 2017	Change of Director's Interest Notice
21 November 2017	Appendix 3B
21 November 2017	Closure of SPP Offer
13 November 2017	Extension of SPP by Four Days
08 November 2017	San Antonio Secured and Unveiled
07 November 2017	Lulu High Grade Satellite Copper Project Secured
02 November 2017	Cleansing Notice
01 November 2017	SPP Offer Document
01 November 2017	Notice of Annual General Meeting/Proxy Form
31 October 2017	Share Purchase Plan
30 October 2017	Quarterly Report for Period Ending 30th September 2017
25 October 2017	Resource Stocks Article on Hot Chili
24 October 2017	Change of Director's Interest Notice
17 October 2017	Change of Director's Interest Notice
02 October 2017	Change of Director's Interest Notice
02 October 2017	Interest Payment
02 October 2017	Appendix 3B
02 October 2017	Cleansing Notice
29 September 2017	Corporate Governance Statement
29 September 2017	Appendix 4G
29 September 2017	Mineral Resource and Ore Reserve Review
29 September 2017	Full Year Statutory Accounts

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

Copies of documents lodged with ASX in relation to the Company, including the Company's corporate governance policies, may be obtained from the Company's website ([www.hotchili.net.au](http://www.hotchili.net.au)) or at ASX's website ([www.asx.com.au](http://www.asx.com.au) using the Company's ASX Code 'HCH').

The Company will provide a copy of each of the following documents, free of charge, to any person on request from the Prospectus Date until the Closing Date:

- (a) the annual financial report of the Company for the financial year ended 30 June 2017, being the annual financial report of the Company most recently lodged with ASIC before the Prospectus Date;
- (b) the half year financial report of the Company for the half year ended 31 December 2017, being the half year financial report of the Company most recently lodged with ASIC before the Prospectus Date; and
- (c) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in Section 6.2(a) above until the Prospectus Date in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

## 7. Additional information

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### 7.1 General Meeting

The Board intends to hold a General Meeting of its Shareholders on or about Friday, 15 June 2018 at which Shareholder approval will be sought for the issue of all Tranche 2 Securities (including the Tranche 2 Securities to be issued to Related Parties of the Company).

The issue of the Tranche 2 Securities under the Placement Offer is conditional on the approval of Shareholders being obtained at the General Meeting.

The final date of the General Meeting may change, but the Board intends to convene the meeting as early as practicable.

### 7.2 Material and related party contracts

#### (a) Subscription Agreements – Non-Related Parties

The Company has entered into subscription agreements with Exploration Capital Partners 2008, LP and Taurus Funds Management Pty Ltd (**Subscribers**) pursuant to which the Subscribers have agreed to subscribe for Placement Shares and Offer Options under the Placement as follows:

- (i) Exploration Capital Partners 2008, LP – 16,666,666 Placement Shares and 8,333,333 Offer Options; and
- (ii) Taurus Funds Management Pty Ltd – 16,501,066 Placement Shares and 8,250,533 Offer Options.

The material terms of the subscription agreements include:

- (i) each Subscriber will apply for, and the Company will issue to the Subscriber, the Securities specified above;
- (ii) the issue price of the Placement Shares will be \$0.03, and the Subscriber will receive one free-attaching Offer Option for every two Placement Shares subscribed for;
- (iii) the Subscriber warrants that the Subscriber is a person to whom an offer and issue of Securities can be made without disclosure as a consequence of the operation of section 708 of the Corporations Act (i.e. an Exempt Investor); and
- (iv) within 5 Business Days after settlement under each agreement, the Company is required to:
  - A. announce to ASX a cleansing notice for the purpose of removing secondary trading restrictions from the Placement Shares pursuant to section 708A(5)(e) of the Corporations Act; and
  - B. lodge with ASIC a prospectus offering the Offer Options (i.e. this Prospectus) so that the Offer Options are issued with disclosure under Chapter 6D of the Corporations Act and the Offer Options (and any Shares issued on their exercise) will not be subject to secondary trading restrictions.

The subscription agreements otherwise contains terms and conditions considered standard for agreements of this nature.

(b) **Subscription Agreements – Related Parties**

The Company has entered into subscription agreements with Blue Spec and Ostertag Holdings Pty Ltd (ATF Easterday Family Trust) (**Ostertag**) (**Subscribers**) pursuant to which the Subscribers agree to subscribe for Securities under the Placement as follows:

- (i) Blue Spec – 13,333,333 Placement Shares and 6,666,666 Offer Options; and
- (ii) Ostertag – 1,666,667 Placement Shares and 833,333 Offer Options.

The agreements are on substantially the same terms and conditions as the subscription agreements described in Section 7.2(a) above, save that each agreement is conditional upon all legal, regulatory and Shareholder approvals being obtained to issue the Securities under the agreement.

As outlined above:

- (iii) Blue Spec Drilling Pty Ltd is controlled by the Company's Non-Executive Chairman, Mr Murray Black, and is therefore a Related Party of the Company for the purposes of the Corporations Act and the ASX Listing Rules; and
- (iv) Ostertag is controlled by the Company's Managing Director, Mr Christian Easterday, and is therefore a Related Party of the Company for the purposes of the Corporations Act and the ASX Listing Rules.

The Directors consider that the subscription agreements with each of Blue Spec and Ostertag reflect arm's length terms as each agreement is substantially the same as the subscription agreements described in Section 7.2(a) above which were entered into with non-Related Parties.

(c) **Corporate Advisory Agreement**

The Company and EverBlu Capital Pty Ltd (**Advisor**) have entered into a corporate advisory and capital raising mandate under which the Advisor was appointed as a non-exclusive advisor and marketing agent of the Company to provide advice and marketing services to the Company in connection with the Placement (**Corporate Advisory Agreement**).

Whilst the engagement of the Advisor is non-exclusive, the Company has agreed not to engage a third party to provide services to the Company that are similar to the services that the Advisor has agreed to provide the Company under the Corporate Advisory Agreement, or relate to the Placement, without first giving the Advisor notice of its intention to engage a third party to provide the relevant services, and the opportunity to provide the equivalent services on substantially similar terms.

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

- a fee of 6% (plus GST) of the total amount raised under the Placement other than in respect of monies raised from Excluded Investors;
- 3,000,000 Advisor Options; and
- reimbursement of the Advisor's reasonable costs, professional fees and expenses in relation, and incidental, to the Placement.

The Corporate Advisory Agreement otherwise contains terms and conditions considered standard for agreements of this nature.

### 7.3 Litigation

As at the Prospectus Date, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

### 7.4 Security holding interests of Directors

As at the Prospectus Date, the relevant interests of each Director in the Securities of the Company are as follows:

Director	Shares		Options	Convertible Notes
	Direct	Indirect		
Mr Murray Edward Black	Nil	58,190,856	Nil	3,384
Mr Christian Ervin Easterday	300,000	19,097,398	Nil	Nil
Dr Allan Trench	Nil	31,400	Nil	Nil
Mr Michael Anderson	Nil	Nil	Nil	Nil
Mr Roberto de Andraca Adriasola	Nil	80,000	Nil	Nil
George (Randall) Nickson	Nil	Nil	Nil	Nil
Mrs Melanie Jane Leighton	140,000	Nil	Nil	Nil

**Notes:**

1. Mr Black's relevant interest in Shares comprises:
  - (a) 24,246,210 Shares held by Blue Spec Sondajes Chile SpA, a Chilean company of which Mr Black is the sole Administrator and a shareholder;
  - (b) 16,750,000 Shares held by Kalgoorlie Auto Service Pty Ltd, a company controlled by Mr Black; and
  - (c) 17,194,646 Shares held by Blue Spec Drilling Pty Ltd, a company controlled by Mr Black.
2. Mr Easterday's relevant interest in Shares comprises:
  - (a) 300,000 Shares held by Mr Easterday;
  - (b) 16,750,000 Shares held by Kalgoorlie Auto as trustee for Mr Easterday;
  - (c) 1,612,398 Shares held by Ostertag Holdings Pty Ltd as trustee for the Easterday Family Super Fund; and
  - (d) 735,000 Shares held by Ostertag Holdings Pty Ltd as trustee for the Easterday Family Trust.
3. Mr Trench's Shares are held by Mr Trench and Suzanne Trench as trustees for the Trench Super Fund Account.
4. Mr de Andraca Adriasola's Shares are held by Charles Schwab on trust for Mr de Andraca Adriasola.

### 7.5 Remuneration of Directors

The Constitution provides that the Directors may be paid for their services as Directors, as determined by the Company prior to the first annual general meeting. Such payment, in relation to Non-Executive Directors, is to be paid by way of a fixed sum and not by a commission or percentage of operating revenue or Company profits. The fixed sum, which is

currently \$600,000, may be divided amongst the Directors as they may from time to time agree or, in the absence of agreement, in equal shares.

Subject to the provisions of any contract between the Company and any Executive Director, the remuneration for Executive Directors may be fixed by the Directors from time to time.

A Director may be paid fees or other amounts as the Directors determine, where a Director performs duties or provides services outside the scope of their normal duties. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The table below sets out the cash remuneration of each Director for the financial years ended 30 June 2016 and 30 June 2017.

<b>Director</b>	<b>Cash remuneration – financial year ended 30 June 2016 (exclusive of superannuation)</b>	<b>Cash remuneration – financial year ended 30 June 2017 (exclusive of superannuation)</b>
Mr Murray Edward Black	Director fee of \$29,583	Nil.
Mr Christian Ervin Easterday	Salary of \$291,600 under executive services agreement with the Company	Salary of \$259,200 under executive services agreement with the Company
Dr Allan Trench	Director fee of \$37,800	Director fee of \$33,600
Mr Michael Anderson	Consultancy fee of \$41,986 under consultancy services agreement between MRA Consulting Pty Ltd and the Company	Consultancy fee of \$36,792 under consultancy services agreement between MRA Consulting Pty Ltd and the Company
Mr Roberto de Andraca Adriasola	Director fee of \$19,600	Director fee of \$6,745
Mr George (Randall) Nickson	Nil	Nil
Mrs Melanie Jane Leighton	Salary of \$202,500 pursuant to employment agreement with the Company	Salary of \$180,000 pursuant to employment agreement with the Company

**Notes:**

1. Mr Black agreed with the Company to cease payment of his director fees from 1 December 2015. Blue Spec Sondajes Chile Limitada, a company of which Mr Black is a director, was paid \$1,570,540 for the financial year ended 30 June 2016 and \$276,499 for the financial year ended 30 June 2017, for drilling services. These payments were made at recognised commercial rates.
2. Mr Nickson was appointed as a Director on 17 August 2017 and accordingly did not receive any remuneration for the financial years ended 30 June 2016 and 30 June 2017.

Further information relating to the remuneration of Directors can be found in the Company's 2017 Annual Report, which can be found on the Company's website ([www.hotchili.net.au](http://www.hotchili.net.au)) or the ASX announcements webpage for the Company (ASX Code: HCH).

## 7.6 Expenses of the Placement and the Offers

The expenses of the Placement and the Offers are expected to comprise the following estimated costs and are exclusive of any GST payable by the Company:

<b>Expense</b>	<b>Amount</b>
Corporate advisory fees	\$183,240

<b>Expense</b>	<b>Amount</b>
Legal fees	\$24,000
Accounting fees	Nil
ASX fees	\$12,338
ASIC fees	\$2,400
Share registry fees	\$6,000
Miscellaneous fees	Nil
<b>Total</b>	<b>\$227,978</b>

## 7.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus:

- (a) all other persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus do not have, and have not had in the 2 years before the Prospectus Date, any interest in:
- (i) the formation or promotion of the Company;
  - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
  - (iii) the Offers; and
- (b) amounts have not been paid or agreed to be paid (whether in cash, Securities or otherwise), and other benefits have not been given or agreed to be given, to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the Offers.

<b>Expert/advisor</b>	<b>Service or function</b>	<b>Amount paid or to be paid</b>
EverBlu Capital Pty Ltd	Corporate advice and marketing services relating to the Placement	EverBlu will be paid the fees set out in Section 7.2(c) for advice and marketing services provided to the Company in connection with the Placement.
Jackson McDonald (a partnership)	Solicitors to the Offers	Jackson McDonald will be paid approximately \$24,000 (plus GST) for services related to this Prospectus and the Offers.  Jackson McDonald has been paid or is entitled to be paid approximately \$218,044 (plus GST) for legal services provided to the Company in the period 2 years prior to the Prospectus Date.
RSM Australia Partners	Auditing	RSM Australia Partners has been paid approximately \$128,265 (including GST) for the provision of professional auditing services to the Company in the period 2 years prior to the Prospectus Date.
Security Transfer Australia Pty Ltd	Securities registry	Security Transfer Australia Pty Ltd will be paid approximately \$6,000

Expert/advisor	Service or function	Amount paid or to be paid
		(including GST) for services to be provided in relation to receiving and managing subscriptions under the Offers. Security Transfer Australia Pty Ltd has been paid or is entitled to be paid approximately \$63,634 (including GST) for the provision of share registry services to the Company in the period 2 years prior to the Prospectus Date.

## 7.8 Consents and liability statements

The following persons have given their written consent to be named in this Prospectus in the form and context in which they are named and to the inclusion of a statement or report in this Prospectus in the form and context in which it is included:

Party	Capacity in which named	Statement or report in this Prospectus
EverBlu Capital Pty Ltd	Non-exclusive advisor and marketing agent	Not applicable.
Jackson McDonald (a partnership)	Solicitors to the Offers	Not applicable.
RSM Australia Partners	Auditing services	Not applicable
Security Transfer Australia Pty Ltd	Securities registry	Not applicable.

Each of the parties named above as providing their consent:

- (a) did not authorise or cause the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus nor is any statement in this Prospectus based on any statement by any of those parties other than as specified in this Section 7.8; and
- (c) to the maximum extent permitted by law, expressly disclaims any responsibility or liability for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with consent of that party as specified in this Section 7.8.

## 8. Directors' statement

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The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board by:



**Mr Christian Easterday**  
Managing Director

Date: 2 May 2018

## 9. Glossary of Terms

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<b>A\$ or \$</b>	Australian dollars.
<b>Advisor</b>	EverBlu Capital Pty Ltd (ACN 612 793 683).
<b>Advisor Offer</b>	The offer of 3,000,000 Offer Options to the Advisor pursuant to the terms of the Corporate Advisory Agreement under this Prospectus.
<b>Advisor Options</b>	The 3,000,000 Offer Options to be offered to the Advisor under the Advisor Offer.
<b>Applicant</b>	A person who applies for Offer Options under and in accordance with this Prospectus.
<b>Application</b>	A valid application for Offer Options offered under this Prospectus.
<b>Application Form</b>	The application forms that accompany this Prospectus, comprising the Placement Offer Application Form and the Advisor Offer Application Form.
<b>ASIC</b>	The Australian Securities & Investments Commission.
<b>ASX</b>	ASX Limited (ACN 008 624 691) trading as the 'Australian Securities Exchange'.
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ACN 008 504 532).
<b>ASX Settlement Rules</b>	The settlement rules of ASX Settlement.
<b>Blue Spec</b>	Blue Spec Drilling Pty Ltd (ACN 601 943 364).
<b>Board</b>	The board of Directors of the Company.
<b>Business Day</b>	Has the meaning given to that term in the Listing Rules.
<b>CHESS</b>	Clearing House Electronic Sub-register System operated by ASX Settlement.
<b>CHESS Statement or Holding Statement</b>	A statement of shares registered in a CHESS account.
<b>Closing Date</b>	The closing date of the Offers, being 5.00pm (WST) on Friday, 15 June 2018.
<b>CMP</b>	Compañía Minera del Pacifico S.A., a corporation organised and existing under the laws of Chile, and includes affiliated entities.
<b>Company</b>	Hot Chili Limited (ACN 130 955 725).
<b>Constitution</b>	The constitution of the Company.
<b>Convertible Notes</b>	The convertible notes that have been issued by the Company, on the terms set out in in section 4.1 of the Company's prospectus dated 20 June 2017 (and announced to ASX on 21 June 2017), a copy of which is available free of charge at the Company's website, at

	<a href="http://www.hotchili.net.au/investors/announcements/">http://www.hotchili.net.au/investors/announcements/</a> .
<b>Corporate Advisory Agreement</b>	Has the meaning given to that term in Section 7.2(c).
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of the Company as at the Prospectus Date.
<b>Executive Director</b>	An executive Director of the Company.
<b>Excluded Investors</b>	The following persons: <ul style="list-style-type: none"> <li>(a) Exploration Capital Partners 2008, LP;</li> <li>(b) Taurus;</li> <li>(c) Blue Spec;</li> <li>(d) all Directors and their Related Bodies Corporate; and</li> <li>(e) all associates or affiliates of the persons specified in items (a) to (d) of this definition.</li> </ul>
<b>Exempt Investor</b>	An investor to whom a Security may be issued without giving disclosure under Chapter 6D of the Corporations Act, including: <ul style="list-style-type: none"> <li>(a) 'professional investor' as that term is defined in section 9 of the Corporations Act;</li> <li>(b) a 'sophisticated investor' for the purposes of sections 708(8) to (10) of the Corporations Act;</li> <li>(c) a person, senior manager or a body corporate controlled by a senior manager for the purposes of section 708(12) of the Corporations Act.</li> </ul>
<b>General Meeting</b>	A general meeting of Shareholders to be held on or about 15 June 2018 at which Shareholder approval for the issue of the Tranche 2 Securities will be sought.
<b>GST</b>	Goods and services tax.
<b>Listing Rules</b>	The official listing rules of ASX.
<b>Non-Executive Director</b>	A non-executive Director of the Company.
<b>Offer Option</b>	An Option offered under this Prospectus, exercisable at \$0.10 each on or before 31 May 2020.
<b>Offer Period</b>	The period commencing on the Opening Date and ending on the Closing Date.
<b>Offers</b>	The Placement Offer and the Advisor Offer.
<b>Official Quotation</b>	The admission of Securities to the official list of ASX.
<b>Opening Date</b>	The opening date of the Offers, being Wednesday, 2 May 2018.
<b>Option</b>	An option to subscribe for a Share.
<b>Placement</b>	The Tranche 1 Placement and the Tranche 2 Placement, pursuant to which the Company will issue a total of 133,333,334 Shares together with 66,666,667 free-attaching

	Offer Options to raise approximately \$4,000,000 (before costs).
<b>Placement Offer</b>	The offer of 66,666,667 Offer Options (i.e. 49,189,305 Offer Options under the Tranche 1 Placement and 17,477,362 Offer Options under the Tranche 2 Placement) under this Prospectus.
<b>Placement Share</b>	A Share to be issued to a Placement Participant under the Placement.
<b>Placement Participant</b>	A participant in the Placement.
<b>Privacy Act</b>	<i>Privacy Act 1988</i> (Cth).
<b>Productora Project</b>	The Productora copper project owned by SMEA and operated by the Company, located near Vallenar, Chile.
<b>Prospectus</b>	This document, including the Application Forms.
<b>Prospectus Date</b>	The date of lodgement of this Prospectus with ASIC, being Wednesday, 2 May 2018.
<b>Related Bodies Corporate</b>	Has the meaning given to that term in the Corporations Act.
<b>Related Party</b>	Has the meaning given to that term in the Listing Rules.
<b>Section</b>	A section of this Prospectus.
<b>Securities</b>	Has the meaning given to that term in section 761A of the Corporations Act and includes a Share, an Option and a Convertible Note.
<b>Securities Registry</b>	The Company's securities registry, Security Transfer Australia Pty Ltd (ACN 008 894 488).
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	The holder of a Share.
<b>SMEA</b>	Sociedad Minera El Águila SpA, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.211-3, being a subsidiary of the Company and CMP.
<b>SMECL</b>	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.
<b>Taurus</b>	Taurus Funds Management Pty Limited (ACN 121 452 560).
<b>Tranche 1 Offer Options</b>	The free-attaching Offer Options to be offered to Placement Participants under the Placement Offer, pursuant to the Tranche 1 Placement.
<b>Tranche 1 Placement</b>	The placement by the Company of 98,378,610 Shares at an issue price of \$0.03 each, with one free-attaching Offer Option for every two Shares subscribed, to non-Related Party sophisticated and professional investors to raise approximately \$2,951,358 (before costs), as described in Section 1.1.

<b>Tranche 1 Placement Shares</b>	The Placement Shares to be issued to Placement Participants under the Tranche 1 Placement.
<b>Tranche 1 Securities</b>	The Tranche 1 Placement Shares and Tranche 1 Offer Options.
<b>Tranche 2 Offer Options</b>	The free-attaching Offer Options to be offered to Placement Participants (including Related Parties of the Company) under the Placement Offer, pursuant to the Tranche 2 Placement.
<b>Tranche 2 Placement</b>	The placement by the Company of 34,954,724 Shares at an issue price of \$0.03 each, with one free-attaching Offer Option for every two Shares subscribed, to sophisticated and professional investors (including Related Parties of the Company) to raise approximately \$1,048,642 (before costs), subject to Shareholder approval, as described in Section 1.1.
<b>Tranche 2 Placement Shares</b>	The Placement Shares to be issued to Placement Participants (including Related Parties of the Company) under the Tranche 2 Placement.
<b>Tranche 2 Securities</b>	The Tranche 2 Placement Shares and Tranche 2 Offer Options.
<b>WST</b>	Western Standard Time, being the time in Perth, Western Australia.