

Execution of US\$25 Million Funding Term Sheet

Hot Chili (ASX: HCH) is pleased to announce that it has executed a Term Sheet with Sprott Resource Lending Partnership (Sprott) in respect of a US\$25 million secured debt facility (the Facility) at a commercial rate of interest.

The funds from the Facility are intended to be directed towards the advancement of the Company's flagship Productora copper project in Chile. This would include completion of the Productora Pre-feasibility study, further drilling, general working capital and initial work on a Definitive feasibility study.

The Facility remains subject to a number of conditions, including among other things finalisation of non-geological due diligence, completion of documentation and approval by Sprott's partners. Hot Chili and Sprott are targeting satisfaction of the conditions precedent and first draw down of the Facility by around 30 June 2014.

Key terms of the Facility are:

- Facility amount of US\$25 million
- Term of 12 months, with an option to extend for a further 12 months subject to certain conditions and an extension fee of 2% of the amount outstanding, payable in Hot Chili shares
- Repayable prior to maturity, in full or in part, at the option of Hot Chili, provided a minimum of 6 months of interest has been paid
- Establishment fee of 1% of the facility amount payable in cash, plus 11 million Hot Chili equity options with a exercise price of A\$0.40 and a maturity of 5 years

In addition, Hot Chili has agreed to an exclusivity period through to 30 June 2014, where it is restricted from engaging in discussions with alternate finance providers. Should Hot Chili elect not to proceed with the Facility (in a situation where Sprott are prepared to complete the closing and advance the facility), Hot Chili is required to pay a fee to Sprott ("Break Fee") equal to 5.5 million Hot Chili options with a exercise price of A\$0.40 and a maturity of 5 years.

Sprott Resource Lending is a natural resource lender focused on providing financing to mining and oil and gas companies. In July 2013, Sprott Inc. completed the acquisition of Sprott Resource Lending Corp. which now operates as a subsidiary of Sprott Inc.

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