



Tuesday 20 June 2017

ASX Announcement

Not for distribution to United States newswire services or for dissemination in the United States

Prospectus Lodgement

Hot Chili Limited (ASX Code: HCH) (**Company**) announces that it has today lodged a prospectus with the Australian Securities & Investments Commission for the issue of:

- (a) 20,000,000 options to subscribe for fully paid ordinary shares in the Company at an exercise price of \$0.03333 on or before 20 June 2019 at an issue price of nil, pursuant to the Finder Agreements entered into by the Company Sprott Global Resource Investments, Ltd. and Sprott Private Wealth LP (or their nominees), as approved at the Company's general meeting held on 6 June 2017;
- (b) 7,232,576 fully paid ordinary shares in the Company (**Shares**) to Sprott Capital Partners (or its nominees) at a deemed issue price of \$0.025 each; and
- (c) 4,068,400 Shares to Taurus Funds Management Pty Limited (or its nominees) at a deemed issue price of \$0.025 each.

These securities are to be issued by the Company in part-satisfaction of fees payable in respect of the Company's issue of convertible notes.

A copy of the Company's prospectus accompanies this announcement.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States of America. The securities have not been and will not be registered under the United States Securities Act of 1933 (the "1933 Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in the 1933 Act) unless registered under the 1933 Act and applicable state securities laws, or an exemption from such registration is available.

For more information please contact:

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Hot Chili Limited
ACN 130 955 725



PROSPECTUS

Finders Offer

For the offer to the Finders (or their nominees) of up to 20,000,000 Finder Options at an issue price of nil pursuant to the Finder Agreements. Refer to Section 1.1 of this Prospectus for more information in respect of the Finders Offer.

The Finders Offer opens on 20 June 2017 and closes at 5.00pm (WST) on 23 June 2017.

Advisor Offer

For the offer to the Advisor (or its nominee) of up to 7,232,576 Advisor Shares at a deemed issue price of \$0.025 each pursuant to the Advisor Agreement. Refer to Section 1.2 of this Prospectus for more information in respect of the Advisor Offer.

The Advisor Offer opens on 20 June 2017 and closes at 5.00pm (WST) on 23 June 2017.

Taurus Offer

For the offer to Taurus (or its nominee) of up to 4,068,400 Taurus Shares at a deemed issue price of \$0.025 each pursuant to the Taurus Subscription Agreement. Refer to Section 1.3 of this Prospectus for more information in respect of the Taurus Offer.

The Taurus Offer opens on 20 June 2017 and closes at 5.00pm (WST) on 23 June 2017.

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 Forms regarding acceptance of each Offer. If you do not understand this document, you should consult your professional adviser. The Securities offered by this Prospectus should be considered as a speculative investment.

Important information

General

This Prospectus is dated 20 June 2017 and was lodged with the Australian Securities and Investment Commission (**ASIC**) on the same date. Neither ASIC nor ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange (**ASX**) takes 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 an offer of 'continuously quoted securities' (as defined in the Corporations Act) and options to subscribe for continuously quoted securities, 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 Securities 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 by Australian investors only. The electronic version of this Prospectus is provided for information purposes only. A paper copy of the Prospectus may be obtained free of charge on request during an 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 Securities by eligible participants may only be made on printed copies of an Application Form attached to or accompanying the Prospectus. Please read the instructions in this Prospectus and on the accompanying Application Forms regarding the acceptance of an Offer. By returning an Application Form, lodging an Application Form with your stockbroker or otherwise arranging for payment for Offer Securities in accordance with the instructions on the Application Form, 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 applies and agreed to all of the terms and conditions as detailed in this Prospectus.

Applicants from overseas

This Prospectus does not make any offer to investors who reside outside of Australia, Canada or the United States of America. The distribution of this Prospectus and the Application Forms (including electronic copies) outside Australia may be restricted by law. This Prospectus does not, and is not intended to, constitute an offer or invitation in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. 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 1.11 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). 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 an Offer 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 Securities.

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 an 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 8.

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

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)

Melanie Jane Leighton
(Alternate Director for Murray Black)

Company Secretary

John Edward Sendziuk

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

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Auditor

RSM Australia Partners
8 St Georges Terrace
Perth, Western Australia 6000

Telephone: +61 8 9336 1266
Facsimile: +61 8 9430 6744

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

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Key Offer Information

Indicative Timetable

Event	Target Date ¹
General Meeting	6 June 2017
Lodgement of Prospectus with ASIC	20 June 2017
Opening Date of the Offers	20 June 2017
Closing Date of the Offers	5.00pm, 23 June 2017
Issue of Offer Securities	23 June 2017
Despatch of Holding Statements	26 June 2017

Note: These 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, without notification. Investors who wish to submit an Application and subscribe for Offer Securities under an Offer are encouraged to do so as soon as possible after the Offers open.

Key Offer Details

Offer	Details
Finders Offer	
Price per Finder Option under the Finders Offer	Nil
Finder Options offered under the Finders Offer	20,000,000
Cash proceeds of the Finders Offer (before costs)	Nil
Advisor Offer	
Deemed issue price per Advisor Share under the Advisor Offer	\$0.025
Advisor Shares offered under the Advisor Offer	7,232,576
Cash proceeds of the Advisor Offer (before costs)	Nil
Taurus Offer	
Deemed issue price per Taurus Share under the Taurus Offer	\$0.025
Taurus Shares offered under the Taurus Offer	4,068,400
Cash proceeds of the Taurus Offer (before costs)	Nil

Notes: The figures in the table above assume full subscription under each Offer.

1. Details of the Offer

1.1 Finders Offer

(a) **Offer**

This Prospectus invites the Finders (or their nominees) to participate in an offer of 20,000,000 new Finder Options at a cash issue price of nil, in accordance with the Finder Agreements (**Finders Offer**).

All Finder Options issued pursuant to this Prospectus will entitle the holder to subscribe for one Share at an exercise price of \$0.03333 on or before 20 June 2019, and will otherwise be issued on the terms set out in Section 4.2.

Please refer to Section 1.7(a) for details on how to apply for Finder Options under the Finders Offer.

(b) **Conditions**

The Finders Offer was conditional upon the Company obtaining approval to issue the Finder Options under Listing Rule 7.1, which approval was obtained at the General Meeting (see Section 6.1).

(c) **Minimum subscription**

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

(d) **Underwriting**

The Finders Offer is not underwritten.

1.2 Advisor Offer

(a) **Offer**

This Prospectus invites the Advisor (or its nominee) to participate in an offer of 7,232,576 new Advisor Shares at a deemed issue price of \$0.025 each, in accordance with the Advisor Agreement (**Advisor Offer**).

All Advisor Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the existing Shares on issue. Further details of the rights attaching to Shares are set out in Section 4.3.

Please refer to Section 1.7(b) for details on how to apply for Advisor Shares under the Advisor Offer.

(b) **Minimum subscription**

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

(c) **Underwriting**

The Advisor Offer is not underwritten.

1.3 Taurus Offer

(a) Offer

This Prospectus invites the Advisor (or its nominee) to participate in an offer of 4,068,400 new Taurus Shares at a deemed issue price of \$0.025 each, in accordance with the Taurus Subscription Agreement (**Taurus Offer**).

All Taurus Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the existing Shares on issue. Further details of the rights attaching to Shares are set out in Section 4.3.

Please refer to Section 1.7(c) for details on how to apply for Taurus Shares under the Taurus Offer.

(b) Minimum subscription

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

(c) Underwriting

The Taurus Offer is not underwritten.

1.4 Purpose of Offers

(a) Finders Offer

The primary purpose of the Finders Offer is for the Company to fulfil its obligation to under the Finder Agreements to issue the Finder Options to the Finders or their nominees.

By this Prospectus, the Finder Options will be issued with disclosure under Chapter 6D of the Corporations Act. Accordingly, neither the Finder Options (which pursuant to their terms cannot be transferred in any event) nor the Shares issued on their exercise will be subject to secondary trading restrictions.

(b) Advisor Offer

The primary purpose of the Advisor Offer is for the Company to fulfil its obligation to under the Advisor Agreement to issue the Advisor Shares to the Advisor or its nominee.

By this Prospectus, the Advisor Shares will be issued with disclosure under Chapter 6D of the Corporations Act. Accordingly, the Advisor Shares will not be subject to secondary trading restrictions.

(c) Taurus Offer

The primary purpose of the Taurus Offer is for the Company to fulfil its obligation to under the Taurus Subscription Agreement to issue the Taurus Shares to Taurus or its nominee.

By this Prospectus, the Taurus Shares will be issued with disclosure under Chapter 6D of the Corporations Act. Accordingly, the Taurus Shares will not be subject to secondary trading restrictions.

1.5 Timetable

The Finders Offer will open for receipt of Applications on **20 June 2017** and will close at **5.00pm (WST) on 23 June 2017**.

The Advisor Offer will open for receipt of Applications on **20 June 2017** and will close at **5.00pm (WST) on 23 June 2017**.

The Taurus Offer will open for receipt of Applications on **20 June 2017** and will close at **5.00pm (WST) on 23 June 2017**.

The Directors reserve the right to extend the Offer Periods or close an Offer prior to the Closing Date for that Offer, 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.

1.6 Key risks

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. In addition to the risks described in detail in Section 3, prospective investors should be aware of the following (non-exhaustive) key risks which have particular application to the Company's operations and projects, and to an investment in Securities.

Risk	Description
Market volatility	The price at which the Advisor 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.
Transactions with CMP	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.
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. 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.

Risk	Description
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.
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. 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.
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. The Company may be adversely impacted by such employees ceasing their employment with the Company.
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.
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.
Exchange rate fluctuations	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.

1.7 Applications for Offer Securities

(a) Finders Offer

Applications for Finder Options may only be submitted by the Finders (or their nominees) and be made using the Finders Offer Application Form that accompanies this Prospectus. The Finders Offer Application Form must be completed in accordance with the instructions set out on the back of the form.

Completed Finders Offer Application Forms and accompanying cheques must be received by the Company before the Closing Date for the Finders Offer at either of the following addresses:

Post	Delivery
Hot Chili Limited c/- Security Transfer Australia 770 Canning Highway APPLECROSS WA 6153	Hot Chili Limited c/- Security Transfer Australia PO Box 535 APPLECROSS WA 6953

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

If a Finders Offer 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 a Finders Offer Application Form as valid and how to construe, amend or complete a form is final.

(b) **Advisor Offer**

Applications for Advisor Shares may only be submitted by the Advisor (or its nominee) and be made using the Advisor Offer Application Form that accompanies this Prospectus. The Advisor Offer Application Form must be completed in accordance with the instructions set out on the back of the form.

Completed Advisor Offer Application Forms and accompanying cheques must be received by the Company before the Closing Date for the Advisor Offer at either of the following addresses:

Post	Delivery
Hot Chili Limited c/- Security Transfer Australia 770 Canning Highway APPLECROSS WA 6153	Hot Chili Limited c/- Security Transfer Australia PO Box 535 APPLECROSS WA 6953

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

If a Advisor Offer 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 a Advisor Offer Application Form as valid and how to construe, amend or complete a form is final.

(c) **Taurus Offer**

Applications for Taurus Shares may only be submitted by the Taurus (or its nominee) and be made using the Taurus Offer Application Form that accompanies this Prospectus. The Taurus Offer Application Form must be completed in accordance with the instructions set out on the back of the form.

Completed Taurus Offer Application Forms and accompanying cheques must be received by the Company before the Closing Date for the Taurus Offer at either of the following addresses:

Post	Delivery
Hot Chili Limited c/- Security Transfer Australia 770 Canning Highway APPLECROSS WA 6153	Hot Chili Limited c/- Security Transfer Australia PO Box 535 APPLECROSS WA 6953

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

If a Taurus Offer 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 a Taurus Offer Application Form as valid and how to construe, amend or complete a form is final.

1.8 Issue of Offer Securities

The Offer Securities offered under each Offer are expected to be issued on the date specified in the Key Offer Information section on page 1 of this Prospectus, and in any event as soon as practicable following the Closing Date for the relevant Offer.

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

1.9 ASX quotation

(a) Finders Options

The Company does not intend to apply for Official Quotation on ASX of the Finder Options issued pursuant to this Prospectus.

(b) Advisor Shares and Taurus Shares

Application for Official Quotation on ASX of the Advisor Shares and Taurus Shares issued pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Advisor Shares or Taurus Shares offered under this Prospectus are not admitted to Official Quotation within 3 months after the date of this Prospectus (i.e. by 20 August 2017), the Company will not issue any Advisor Shares under the Advisor Offer, or Taurus Shares under the Taurus Offer (as applicable).

The fact that ASX may agree to grant Official Quotation of the Advisor Shares or the Taurus Shares is not to be taken in any way as an indication of the merits of the Company or its Securities.

1.10 Withdrawal

The Directors may decide to withdraw this Prospectus or an Offer at any time before issue of any Offer Securities.

1.11 Applicants outside of Australia

This Prospectus does not constitute an offer of Offer Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the 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 Securities. 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 Securities or an Offer, or otherwise to permit a public offering of the Offer Securities, 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 the Prospectus and as to the suitability of an investment in the Offer Securities in their particular circumstances.

(a) Notice to investors in Canada

The offer and sale of Offer Securities in Canada will only be made in the Province of Ontario or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus with the securities regulators in the Province of Ontario.

The Offer Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions (**NI 45-106**) or subsection 73.3(1) of the Securities Act (Ontario). Any resale of the Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

The Company hereby notifies prospective Canadian purchasers that: (a) it may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Securities purchased) (**personal information**), which Form 45-106F1 may be required to be filed by the Company under NI 45-106; (b) such personal information may be delivered to the Ontario Securities Commission (**OSC**) in accordance with NI 45-106; (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Ontario Securities Commission under this Prospectus will be deemed to have authorised the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to

have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Prospectus, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including, for greater certainty, any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

(b) Notice to investors in the United States of America

The Offer Securities 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 Securities will be restricted and each purchaser of the Offer Securities 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):

- (i) Each purchaser of the Offer Securities 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:
- A. The purchaser is authorised to consummate the purchase of the Offer Securities in compliance with all applicable laws and regulations.
 - B. The purchaser acknowledges that the Offer Securities 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.
 - C. The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Securities was located outside the United States at the time the buy order for the Offer Securities was originated and continues to be located outside the United States and has not purchased the Offer Securities for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Securities to any person in the United States.
 - D. 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 Securities from the Company or an affiliate thereof in the initial distribution of such Offer Securities.
 - E. The purchaser is aware of the restrictions on the offer and sale of the Offer Securities pursuant to Regulation S described in this Prospectus.
 - F. The Offer Securities have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- G. The Company shall not recognise any offer, sale, pledge or other transfer of the Offer Securities made other than in compliance with the above restrictions.
 - H. 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
- (ii) Each purchaser of the Offer Securities 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:
- A. The purchaser is authorised to consummate the purchase of the Offer Securities in compliance with all applicable laws and regulations.
 - B. The purchaser acknowledges that the Offer Securities 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.
 - C. The purchaser (i) is a QIB (as defined in Rule 144A), and (ii) is acquiring such Offer Securities 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 Securities, as the case may be.
 - D. The purchaser is aware that the Offer Securities 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.
 - E. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Securities, 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.
 - F. 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 Securities from the Company or an affiliate thereof in the initial distribution of such Securities.
 - G. The Offer Securities 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 Securities, as the case may be.
 - H. The Company shall not recognise any offer, sale pledge or other transfer of the Offer Securities made other than in compliance with the above-stated restrictions.

- I. The purchaser acknowledges that the Company will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

1.12 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 Securities 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 is 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.

1.13 Taxation implications

The Directors do not consider that it is appropriate to give potential Applicants advice regarding the taxation consequences of applying for Offer Securities 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 or officers accept any responsibility or liability for any taxation consequences to potential Applicants in relation to an Offer. Potential Applicants should, therefore, consult their own tax adviser in connection with the taxation implications of the Offers.

1.14 Privacy disclosure

The Company collects information about each Applicant from the Application Forms 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.

1.15 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.

2. Purpose and effect of the Offers

2.1 Background

As announced by the Company to ASX on 16 March 2017 the Company is conducting a capital raising by way of the placement of Convertible Notes to various sophisticated and professional investors in Australia, and to investors in other jurisdictions, including particularly the United States and Canada. A summary of the terms and conditions of the Convertible Notes is set out in Section 4.1.

As at the date of this Prospectus, the Company has placed or agreed to place 113,009 Convertible Notes at an issue price of \$100 each to raise \$11,300,900 (**Placement**). The subscribers for Notes include the following persons:

- (a) Sprott Global Resource Investments, Ltd. (**SGRIL**), Sprott Private Wealth LP (**SPW**), (together, the **Finders**) and their clients have subscribed for 3,833 Notes in addition to the 85,000 Notes for or which Shareholder approval was obtained at the Company's general meeting held on 6 June 2017 (**General Meeting**), being a total of 88,833 Convertible Notes, for a total subscription amount of \$8,883,300;
- (b) Taurus Funds Management Pty Limited (**Taurus**), which currently has a relevant interest in 13.08% of the Company's issued share capital, has subscribed for 3,833 Notes in addition to the 16,509 Notes for which Shareholder approval was obtained at the General Meeting, being a total of 20,342 Convertible Notes, for a total subscription amount of \$2,034,200; and
- (c) Blue Spec Drilling Pty Ltd. (**Blue Spec**), which subject to the Company obtaining the necessary Shareholder approval for the purpose of Listing Rule 10.11, which the Company intends to seek at a later date, Blue Spec has agreed to subscribe for 3,834 Convertible Notes, being a total subscription amount of \$383,400; as the issue of these Notes is subject to Shareholder approval, they will be issued at a later date than other Notes to be issued under the Placement.

Funds raised by the issue of Convertible Notes will be applied to the repayment of Hot Chili's outstanding secured US\$6.5 million loan facility with Sprott Resource Lending Partnership (**Sprott Facility**), an entity related to each of the Finders, eliminating all prior finance encumbrances over Hot Chili, its subsidiaries and their assets, and providing for exploration and general working capital requirements. Detail of the use of funds raised is set out below in Section 2.6.

The Company intends to issue 109,175 Convertible Notes on or about 20 June 2017. The 3,834 Convertible Notes to be issued to Blue Spec will be issued by the Company at a later date, subject to the requisite Shareholder approval for the purpose of Listing Rule 10.11 being obtained.

As set out in Section 6.1 below, the Company has capacity to issue up to an additional 3,824 Notes pursuant to the Shareholder approvals obtained at the General Meeting, and may issue those Convertible Notes to sophisticated investors within the period of 3 months from the date of the General Meeting.

Please refer to Sections 6.2(b) and 6.2(c) for further details on the terms of the subscription agreements for Convertible Notes.

2.2 Finders Offer

As set out in the notice of meeting for the Company's general meeting held on 6 June 2017, the Company has entered into a definitive finders agreement (**Finders Agreement**) with each of Sprott Private Wealth LP and SGRIL (**Finders**), to place up to 85,000 of the Convertible Notes to raise \$8.5 million. Pursuant to the Finders Agreement, the Finders are entitled to be issued an aggregate of 20,000,000 Finders Options. These 20,000,000 Finders Options are offered to the Finders pursuant to the Finders Offer.

Further details of the Finders Agreements are set out in Section 6.2(d).

2.3 Taurus Offer

Pursuant to the subscription agreement entered into by the Company and Taurus on 19 June 2017, Taurus is entitled to be paid by the Company a commission of 5% commission on the total subscription amount of Notes subscribed for by Taurus, being an amount of \$101,710, which the Company will satisfy by the issue to Taurus of 4,068,400 Shares at a deemed issue price of \$0.025. These 4,068,400 Shares are offered to Taurus pursuant to the Taurus Offer.

Further details of the subscription agreement with Taurus are set out in Section 6.2(b).

2.4 Advisor Offer

To assist with the placement of Convertible Notes, by letter agreement dated 29 March 2017, amended and restated by letter agreement dated 14 June 2017, the Company engaged Sprott Capital Partners, a division of Sprott Private Wealth LP, to act as financial advisor to the Company (**Advisory Agreement**). Under this engagement, Sprott Capital Partners is entitled to be paid an advisory fee in the amount of \$180,814.40, or to be issued by Hot Chili, 7,232,576 Shares at a deemed issue price of \$0.025 each, being equal to the closing price of Shares on ASX on the last trading day prior the announcement of the Placement, being 16 March 2017. These 7,232,576 Shares are offered to Sprott Capital Partners pursuant to the Advisor Offer.

Further details of the Advisory Agreement are set out in Section 6.2(e).

2.5 Subscription by Blue Spec

Pursuant to the subscription agreement entered into by the Company and Blue Spec on 16 June 2017, Blue Spec is entitled to be paid by Hot Chili a commission of 5% commission on the total subscription amount of Notes subscribed for by Blue Spec, being an amount of \$19,170, which subject to the Company obtaining the necessary Shareholder approval for the purpose of Listing Rule 10.11 (which the Company intends to seek at a later date), the Company will satisfy by the issue to Blue Spec of 766,800 Shares at a deemed issue price of \$0.025.

Further details of the subscription agreement with Blue Spec are set out in Section 6.2(b).

2.6 Use of funds

The Company will not raise any funds under either the Finders Offer or the Advisor Offer. Any funds raised on exercise of the Finder Options (up to \$666,600) 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:

	Amount
Funds available	
Cash on hand	\$353,000
Funds from the Placement (before costs)	\$11,300,900
Total funds available	\$11,653,900

	Amount
Use of funds	
Repayment of the balance owing under the Sprott Facility, being US\$6.5 million, which will eliminate all prior finance encumbrances over Hot Chili, its subsidiaries and their assets	\$8,563,900
Costs of the Placement and the Offers	\$502,513
General working capital	\$2,587,487
Total	\$11,653,900

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.
3. The Sprott Facility is denominated in United States dollars. The amount specified in the above table for the repayment of the Sprott Facility has been calculated using the US\$:A\$ exchange rate as at 16 June 2017, being US\$0.759:A\$1.00. The precise amount in Australian dollars that will be payable to satisfy the Sprott Facility will depend on the US\$:A\$ exchange rate at the time of repayment.

2.7 Capital structure

If all Convertible Note that have been agreed to be issued by the Company are issued, and all Offer Securities are subscribed for, the capital structure of the Company is expected to be as follows.

Security type	Number	Percentage of total
Shares		
Shares on issue at the Prospectus Date	543,080,278	97.96%
Shares to be issued pursuant to the Advisor Offer	7,232,576	1.30%
Shares to be issued pursuant to the Taurus Offer	4,068,400	0.73%
Total Shares following completion of the Placement and Offers	554,381,254	100%
Convertible Notes – unquoted		
Convertible Notes on issue at the Prospectus Date	Nil	Nil
Convertible Notes to be issued pursuant to the Placement	113,009	100%
Total Convertible Notes following completion of the Placement and Offers	113,009	100%
Options – unquoted		
Options exercisable at \$0.30 each on or before 27 June 2019 (on issue at the Prospectus Date)	11,000,000	28.20%

Security type	Number	Percentage of total
Options exercisable at \$0.10 each on or before 6 September 2018 (on issue at the Prospectus Date)	8,000,000	20.51%
Finder Options to be issued under the Finders Offer	20,000,000	51.28%
Total Options on issue following the Finders Offer	39,000,000	100%

Note: The figures in the table assume:

- (a) additional Securities are not issued after the Prospectus Date;
- (b) none of the Options on issue at the Prospectus Date are exercised;
- (c) the Offers close fully subscribed; and
- (d) Shareholder approval is obtained for the issue of 3,834 Convertible Notes to Blue Spec.

2.8 Effect on control

(a) Placement

If all 113,009 Notes are issued (including the Notes to be issued to Blue Spec, subject to Shareholder approval) and all Notes are converted into Shares at the Conversion Price (being A\$0.03333 per Share), then approximately 339,060,906 Shares would be issued. As the Company currently has 543,080,278 Shares on issue, assuming the Company does not issue any other Shares (including on the conversion of interest payable with respect to the Convertible Notes), this would represent a 62.43% increase to the Company's issued Share capital. Consequently, the Company's existing Shareholders who do not participate in the Offering or Concurrent Offering, will have their percentage interest in the Company diluted.

(b) Finders Offer

The shareholding interests of existing Shareholders may be diluted if the Finder Options issued under the Finders Offer are exercised, as this would result in up to 20,000,000 new Shares being issued if full subscription under that offer is reached.

Assuming the Company does not issue any other Shares (including on the conversion of interest payable with respect to the Convertible Notes), this represents a dilutive effect of approximately 3.61%, assuming that the Advisor Shares and Taurus Shares are issued, and the Company does not issue any other additional Shares.

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

(c) Advisor Offer

The shareholding interests of existing Shareholders will not be materially diluted by the Advisor Offer as only an additional 7,232,576 new Shares will be issued if full subscription is reached, which represents a 1.30% increase to the Company's issued Share capital.

Accordingly, the Advisor Offer will not have a material impact upon the control of the Company and any dilutive effect on existing Shareholders is negligible.

(d) Taurus Offer

The shareholding interests of existing Shareholders will not be materially diluted by the Advisor Offer as only an additional 4,068,400 new Shares will be issued if full

subscription is reached, which represents a 0.73% increase to the Company's issued Share capital.

Accordingly, the Taurus Offer will not have a material impact upon the control of the Company and any dilutive effect on existing Shareholders is negligible.

(e) **Proposed issue of Convertible Notes and Shares to Blue Spec**

As described in Sections 2.1 and 2.5, subject to the Company obtaining the necessary Shareholder approvals for the purpose of Listing Rule 10.11, which the Company intends to seek at a later date, the Company will issue to Blue Spec:

- (i) up to 3,834 Convertible Notes to Blue Spec at an issue price of \$100 each, for a total subscription amount of \$383,400; and
- (ii) up to 766,800 Shares at a deemed issue price of \$0.025 each.

The shareholding interests of existing Shareholders will not be materially diluted by the issue of either the Shares or Convertible Notes to Blue Spec as only 766,800 new Shares will be issued, and if all Convertible Notes are converted into Shares at the Conversion Price (being A\$0.03333 per Share), then approximately 11,503,150 Shares would be issued, being an aggregate increase of 2.07% to the Company's current issued Share capital, assuming that the Advisor Shares and Taurus Shares are issued, and the Company does not issue any other additional Shares.

2.9 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.

Name	Number of Shares	Percentage interest
Port Finance Ltd N.V.	65,725,296	12.10%
Taurus SM Holdings Pty Ltd	68,959,750	12.70%
Mr Murray Edward Black	56,996,210	10.49%
Fratelli Investments Limited	31,432,753	5.79%
Blue Spec Sondajes SpA	24,246,210	4.46%

Notes:

1. The figures in the table assume:
 - (a) additional Shares are not issued after the Prospectus Date; and
 - (b) that none of the Options on issue at the Prospectus Date are exercised
2. Taurus SM Holdings Pty Ltd's relevant interest arises through the following:
 - (a) 1,643,904 Shares held at the Prospectus Date 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. Mr Black's relevant interest arises through the following:
 - (a) 24,246,210 Shares held at the Prospectus Date 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 at the Prospectus Date by Kalgoorlie Auto Service Pty Ltd, a company controlled by Mr Black; and

- (c) 16,000,000 Shares held at the Prospectus Date by Blue Spec Drilling Pty Ltd, a company controlled by Mr Black.

2.10 Effect on financial position of the Company

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

However, the Placement will have a material effect on the Company's financial position.

Set out below is:

- (a) the unaudited consolidated statement of financial position of the Company as at 31 December 2016; and
- (b) the unaudited pro forma consolidated statement of financial position of the Company as at 31 December 2016, 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 2016 Annual Financial Report.

Unaudited Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Unaudited 31 December 2016	Maximum subscription 31 December 2016	Pro forma maximum 31 December 2016
		\$	\$	\$
Assets				
Current Assets				
Cash and cash equivalents	1	2,223,041	1,741,690	3,964,731
Other current assets		105,664	-	105,664
Total Current Assets		2,328,705	1,741,690	4,070,395
Non-Current Assets				
Property, plant and equipment		294,154	-	294,154
Exploration and evaluation expenditure		106,999,380	-	106,999,380
Total Non-Current Assets		107,293,534	-	107,293,534
Total Assets		109,622,239	1,741,690	111,363,929
Liabilities				
Current Liabilities				
Trade and other payables		2,403,336	-	2,403,336
Financial liabilities	2	8,982,863	(1,690,728)	7,292,135
Total Current Liabilities		11,386,199	(1,690,728)	9,695,471
Non-Current Liabilities				
Financial liabilities		-	3,744,187	3,744,187
Total Non-Current Liabilities		-	3,744,187	3,744,187
Total Liabilities		11,386,199	2,053,459	13,439,658
Net Assets		98,236,040	(311,769)	97,924,271
Equity				
Issued capital		121,770,516	301,694	122,072,210
Option reserve		1,257,004	424,000	1,681,004
Foreign currency translation reserve		1,222	-	1,222
Accumulated losses		(44,277,982)	(1,037,463)	(45,315,445)
Capital and reserves attributable to owners of Hot Chili		78,750,760	(311,769)	78,438,991
Non-Controlling Interest		19,485,280	-	19,485,280
Total equity		98,236,040	(311,769)	97,924,271

Notes to Unaudited Consolidated Statement of Financial Position

Note 1

Cash and cash equivalents

	Audited 31-Dec-16 \$	Unaudited Pro- forma 31-Dec-16 \$
Cash and cash equivalents	2,223,041	3,964,731
Hot Chili cash and cash equivalents as at 31 December 2016		2,223,041
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Proceeds from the Placement		11,300,900
Repayment 31 December 2016 debt balance from the proceeds of the Placement		(8,982,863)
Costs of the Offer and Placement		(576,347)
		<u>1,741,690</u>
Pro-forma cash and cash equivalents		<u><u>3,964,731</u></u>

Note 2

Financial liabilities

	Audited 31-Dec-16 \$	Unaudited Pro- forma 31-Dec-16 \$
Financial liabilities	8,982,863	11,036,322
Hot Chili financial liabilities as at 31 December 2016		8,982,863
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Current financial liabilities		
Convertible Note derivative liability		7,292,135
Repayment of 31 December 2016 debt balance from proceeds of the Placement		(8,982,863)
		<u>(1,690,728)</u>
Non-current financial liabilities		
Convertible Note debt		4,008,765
Capitalised transaction costs attributable to derivative liability		(264,578)
		<u>3,744,187</u>
Pro-forma financial liabilities		<u><u>11,036,322</u></u>

Note 3**Contributed equity**

	Number of shares	\$
Hot Chili issued share capital as at 31 December 2016	543,080,278	121,770,516
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Equity portion of Notes recognised on initial recognition	-	-
Costs of the Placement paid in Shares	12,067,776	301,694
Pro-forma issued share capital	543,080,278	121,770,516

Note 4**Accumulated losses**

	Audited 31-Dec-16 \$	Unaudited Pro-forma 31-Dec-16 \$
Accumulated losses	(44,277,982)	(45,315,445)
Hot Chili accumulated losses as at 31 December 2016		(44,277,982)
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Costs of the Offer expensed		(613,463)
Cost of Finder Options issued under the Offer		(424,000)
Pro-forma accumulated losses		(1,037,463)
		(45,315,445)

Note 5**Reserves**

	Audited 31-Dec-16 \$	Unaudited Pro-forma 31-Dec-16 \$
Option reserve	1,257,004	1,681,004
Hot Chili option reserve as at 31 December 2016		1,257,004
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Finder Options issued under the Offer		424,000
Pro-forma option reserve		1,681,004

The unaudited pro forma consolidated statement of financial position have been prepared on the assumption that Shareholder approval is obtained for the issue of 3,834 Convertible Notes to Blue Spec to raise \$383,400, and represents the Company's consolidated statement of financial position as at 31 December 2016, adjusted on the basis that there has not been any material movement in the assets and liabilities of the Company between 31 December 2016 and the Closing Date of the Convertible Note Offer (i.e. the last Closing Date) save for:

- (a) the Company raising \$11,300,900 on full subscription under the Placement, and the Company incurring \$576,347 in relation to the costs of undertaking the Placement and the Offers;
- (b) the Company incurring \$576,347 in cash expenses in relation to the Placement and the Offers, being the following amounts:
 - (i) Finders – \$444,165;
 - (ii) Equity Trustees Limited – \$22,000;
 - (iii) Jackson McDonald – \$88,000;
 - (iv) ASX – \$2,929;
 - (v) Accounting – \$7,150;
 - (vi) General meeting costs – \$7,518;
 - (vii) ASIC – \$2,350; and
 - (viii) Miscellaneous – \$2,235.

3. Risk Factors

3.1 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 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 1.6 above, and in Sections 3.2, 3.3 and 3.4 set out 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.

3.2 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.

3.3 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 3.2(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.

3.4 General investment risks

(a) **Securities market conditions**

As with all securities market investments, there are risks associated with an investment in the Company. Convertible Note prices may rise or fall and the price of Convertible Notes might trade below or above the Offer Price under the Convertible Note Offer.

General factors that may affect the market price of Convertible Notes 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.

4. Rights and liabilities attached to Offer Securities

4.1 Rights and liabilities attaching to Convertible Notes

A summary of the terms of the Convertible Notes is set out below:

Face value	A\$100 per Note.
Conversion Price	A\$0.03333 per Share.
Maturity Date	20 June 2022.
Security	The Notes will not be secured.
Interest	<p>8.0% calculated daily, compounded monthly and payable quarterly in arrears (Interest). Accrued Interest shall be cumulative and payable in cash or Shares at the election of the Company.</p> <p>If the Company elects to pay Interest by the issue of Shares, the number of Shares to be issued shall be calculated by dividing the amount of accrued Interest being paid by the VWAP for the five trading day period ending on the last day of the quarter for which Interest is due.</p>
Redemption	The Notes will not be redeemable by the Company before 20 June 2019. On and after 20 June 2019, and provided the VWAP traded on ASX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 300% of the Conversion Price, the Notes may be redeemed in whole or in part by the Company on not more than 60 days and not less than 30 days prior notice at A\$100 for each Note held, plus accrued and unpaid Interest.
Conversion	The principal amount and accrued and unpaid Interest evidenced by the Notes will be convertible at the holder's option into Shares at any time prior to the earlier of the Maturity Date, and the date which is 5 business days immediately preceding the date specified for redemption by the Company at the Conversion Price, being a ratio of approximately 3,000 Ordinary Shares per Note (excluding Interest).
Conversion at maturity	On the Maturity Date, the principal amount and accrued and unpaid Interest evidenced by all outstanding Notes shall automatically be converted into the number of Shares obtained by dividing the Issue Price of the Notes plus accrued and unpaid Interest by 95% of the VWAP for the five trading day period ending on the day prior to the Maturity Date, or by the Conversion Price, whichever is lower.
Bonus issues and reconstructions	<p>If there is a Bonus Issue, the Company must issue to each Noteholder, that number of Bonus Securities which the Noteholder would have been entitled to receive, by way of participation in the issue of Bonus Securities, if the Convertible Notes had been converted into Shares immediately before the issue of Bonus Securities.</p> <p>If there is a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, then subject to the Listing Rules, the basis for conversion of the Notes will be reconstructed in the same proportion as the issued capital of the Issuer is reconstructed and in a manner which will not result in any additional benefits being conferred on the Noteholders which are not conferred on Members.</p>
Ranking	The Notes at all times constitute unsecured debt obligations of the Company, which together with any accrued and unpaid Interest, ranks for payment in a Winding Up of the Company, behind any secured debt of the Company, equally with all present and future subordinated and unsecured debt obligations of the Company, and ahead of all Shares.

Negative Covenants

For so long as any of the Notes remain outstanding, the Company must not and must procure that its Subsidiaries do not without the approval of a Noteholders Resolution:

- (a) **(new debt)** incur any indebtedness for moneys borrowed or raised pursuant to any financial accommodation or agree to do so (including by entering into an indicative term sheet), except any Permitted New Debt;
- (b) **(sale of assets)** conduct or agree to conduct (including by entering into an indicative term sheet) any transaction or series of related transactions in which an entity in the Group sells significant assets or assets worth more than 10% of the Group's gross assets;
- (c) **(dividends)** declare or pay any dividends to Shareholders;
- (d) **(capital reduction)** other than in respect of the Notes, redeem, purchase, cancel, reduce, return capital on or otherwise acquire any share or other securities issued by a Shareholder of the Group for repayment or return of capital in a winding-up; or
- (e) **(Security Interests)** other than in the ordinary course of business:
 - (i) create or permit to exist a Security Interest over any of its assets or attempt or agree to do so (including by entering into an indicative term sheet), except to secure any Permitted New Debt; or
 - (ii) if the creation of a Security Interest cannot by law be restricted, create such a Security Interest over any of its assets without the holder of the Security Interest first entering into a deed of priority in form and substance acceptable to the Trustee.

Events of default

of

The key events of default are:

- (a) **(non-issue of Shares)** the Company fails to issue Shares on conversion in accordance within five Business Days after the date on which such issue is to be made;
- (b) **(non-payment)** the Company fails to pay any amount payable by it under the Note Terms within 10 Business Days after the date on which it is due and, where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within five Business Days;
- (c) **(breach of Negative Covenants)** a member of the Group fails to comply with a Negative Covenant (as set out above) and such failure remains unremedied for a period of 10 Business Days;
- (d) **(breach of other obligations)** the Company fails to comply with any of its other obligations under the Note Terms or any Transaction Document and such failure remains unremedied for a period of 10 Business Days after the earlier of (A) the Company receiving notice from the Trustee in respect of the failure to comply and (B) the Company becoming aware of the failure to comply;
- (e) **(insolvency)** an Insolvency Event occurs in respect of a member of the Group;
- (f) **(sale of business or main undertaking)** there is a sale of the business or the main undertaking of the Company that would require approval of Shareholders in accordance with Listing Rule 11.2;
- (g) **(delisting)** a Delisting Event occurs in respect of the Company;
- (h) **(cessation of business)** a member of the Group ceases or suspends (or threatens to cease or suspend) the conduct of all of its business or a substantial part of its business;
- (i) **(unlawfulness)** at any time, it is unlawful for the Company to perform any of its payment obligations under the Notes, the Trust Deed or the Note Terms;
- (j) **(Government Agency)** all or substantially all of the assets of the Group is assumed or compulsory acquired by any Government Agency; or
- (k) **(vitiation)** all or any obligations of the Company or rights of the Noteholders or the Trustee under the Trust Deed or the Note Terms are terminated or are or become void, illegal, invalid, unenforceable

	or of limited force and effect.
Transfer	The Notes are transferable.
Rights of Noteholders	The Notes confer no rights on a Noteholder: (a) to vote at any meeting of Shareholders; (b) to subscribe for or participate in any new issue of securities by the Company; or (c) to otherwise participate in the profits or property of the Company, except as set out in the Note Terms or the Transaction Documents.
Quotation	The Company does not intend to apply for Official Quotation on ASX of the Convertible Notes issued pursuant to this Prospectus. Shares issued on the conversion of Notes and on payment of Interest will be quoted on ASX.

4.2 Terms and conditions of Finder Options

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

Each Finder Option will be issued on the following terms:

(a) **Entitlement**

Each Finder 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 a Finder Option.

(c) **Exercise price**

The exercise price of each Finder Option is \$0.03333 (**Exercise Price**).

(d) **Expiry date**

Each Finder Option may be exercised at any time before 5.00pm (WST) on 20 June 2019 (**Expiry Date**). Any Finder 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 Finder Options issued to the Option Holder;
- (ii) the Exercise Price of the Finder Options; and
- (iii) the date of issue of the Finder Options.

(f) **Transfer**

The Finder Options are not transferable.

(g) **Quotation of Finder Options**

The Company will not apply to ASX for official quotation of Finder Options.

(h) **Quotation of Shares**

The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Finder Options.

(i) **New issues**

The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless they have exercised their Finder 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 Finder Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Finder 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 Finder 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 Finder Option before the record date for determining entitlements to the issue, the Exercise Price of each Finder Option will be reduced in accordance with the Listing Rules.

(l) **Reorganisation**

- (i) 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 Finder 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.
- (ii) 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.
- (iii) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Finder Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of a Finder Option.

(m) **Exercise**

- (i) To exercise Finder 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 Finder 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 Finder Options.

- (ii) The Option Holder may only exercise Finder Options in multiples of 10,000 Finder Options unless the Option Holder exercises all Finder Options held by the Option Holder.
- (iii) Finder 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 Finder Options registered in the Option Holder's name:

- (i) the Option Holder must surrender their Finder Option certificate (if any); and
- (ii) the Company must cancel the Finder Option certificate (if any) and issue the Option Holder a new Finder Option certificate or holding statement stating the remaining number of Finder Options held by the Option Holder.

(o) **Issue**

- (i) Within five business days after receiving an application for exercise of Finder 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 Finder 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.

4.3 Rights and liabilities attaching to Shares

If Noteholders or Option holders convert their Convertible Notes or Finder 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).

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the 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 (1) vote on a show of hands and on a poll, one (1) 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.

5. Continuous disclosure documents

5.1 Continuous disclosure obligations

This is a Prospectus for the offer of convertible notes convertible into continuously quoted securities (as defined in the Corporations Act) and options to subscribe for continuously quoted securities, 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 the Company’, 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 Advisor Shares to be issued under this Prospectus are in a class continuously quoted securities (i.e. Shares), and the Finder Options to be issued under this Prospectus are options to subscribe for continuously quoted securities (i.e. Shares).

5.2 Documents available for inspection

The Company has lodged the following announcements with ASX since the lodgement of the Company’s 2016 annual financial report to shareholders on 30 September 2016:

Date	Description of ASX Announcement
6 June 2017	Results of Meeting
17 May 2017	LADU 2017 Presentation – Hot Chili Reloaded
3 May 2017	Notice of General Meeting
28 April 2017	Amended Quarterly Report Period for Ending 31 March 2017
28 April 2017	Quarterly Report for Period Ending 31 March 2017
27 April 2017	First Drill Results Confirm Alice Extensions at Productora
24 March 2017	Reinstatement to Official Quotation
24 March 2017	Hot Chili Arranges Up To A\$13 Million Funding
24 March 2017	Drilling Underway at Productora
21 March 2017	Suspension from Official Quotation
17 March 2017	Trading Halt
14 March 2017	Half Yearly Report and Accounts
20 January 2017	Quarterly Report for Period Ending 31st Dec 2016
8 December 2016	Hunting Giants Presentation
14 November 2016	Results of Meeting

Date	Description of ASX Announcement
27 October 2016	Quarterly Report for Period Ending 30th September 2016
12 October 2016	Notice of Annual General Meeting/Proxy Form
30 September 2016	Appendix 4G and Corporate Governance Statement

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) or at ASX's website (www.asx.com.au using 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 date of this Prospectus until the Closing Date of the Convertible Note Offer:

- (a) the annual financial report of the Company for the financial year ended 30 June 2016, being the annual financial report of the Company most recently lodged with the ASIC before the issue of this Prospectus;
- (b) the half year financial report of the Company for the half year ended 31 December 2016, being the half year financial report of the Company most recently lodged with ASIC before the issue of this Prospectus; 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 5.2(a) above until the issue of the Prospectus 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.

6. Additional information

6.1 General Meeting

The Company held a general meeting of its Shareholders on 6 June 2017 at which Shareholders approved the following (amongst other things), for the purposes of Listing Rule 7.1, the issue of the following securities:

- (a) 85,000 Convertible Notes to clients of the Finders;
- (b) 16,509 Convertible Notes to Taurus;
- (c) 11,491 Convertible Notes to sophisticated investors as arranged by the Company or the Finders; and
- (d) 20,000,000 Finder Options under the Finders Offer.

As set out in Section 2.1:

- (e) the Finders and their clients have agreed to subscribe for 88,833 Notes; these Notes are being issued pursuant to the Shareholder approvals referred to in Section 6.1(a) and (c), above; and
- (f) Taurus has agreed to subscribe for 20,342 Notes; these Notes are being issued pursuant to the Shareholder approvals referred to in Section 6.1(b) and (c), above.

The Company has capacity to issue up to an additional 3,824 Notes pursuant to the Shareholder approval referred to in Section 6.1(c), above, and may issue those Convertible Notes to sophisticated investors within the period of 3 months from the date of the General Meeting.

6.2 Material and related party contracts

(a) Trust Deed

The Trust Deed governs the terms and conditions on which the Notes are to be issued and is subject to the Corporations Act and Listing Rules. Schedule 1 to the Trust Deed contains the terms of issue of the Notes (**Note Terms**).

The following is a summary of the material provisions of the Trust Deed. To obtain a complete understanding of the Trust Deed, it is necessary to read it in full. A complete copy of the Trust Deed will be available for inspection without charge during normal office hours at the registered office of the Company at First Floor, 768 Canning Highway, Applecross, Western Australia, on and from the date of this Prospectus until the close of the Offers.

The Trust Deed will also be released to ASX and will be available from its website (www.asx.com.au).

(i) Legal Nature of the Notes

The Trust Deed provides that the Notes:

- A. constitute separate and independent acknowledgements of the indebtedness of the Company;
- B. are subject to the terms of the Trust Deed;
- C. are redeemable, unsecured obligations of the Company;

- D. are convertible into Shares on and in accordance with the Note Terms;
- E. rank equally between themselves;
- F. do not carry a right to vote at any general meeting or to dividends paid by the Company.

The Company's obligations in relation to the Notes, as constituted by and specified in the Trust Deed, are to the Trustee and to those persons who are registered as Noteholders. The Company may elect to issue certificates to Noteholders.

(ii) Declaration of Trust

The Trustee declares that it holds on trust for the Noteholders the Trust Fund, and:

- A. the right to enforce the Company's duty to pay the moneys owing on the Notes on the due date for payment in accordance with the Note Terms; and
- B. the right to enforce any other duties that the Company has under the Trust Deed, each subscription agreement entered into by the Company and a Noteholder (**Subscription Agreements**), the Note Terms or Chapter 2L of the Corporations Act, on the terms of this Deed.

(iii) Company's undertakings

Under the Trust Deed, the Company undertakes to the Trustee that it will among other things:

- A. pay to the Trustee (on behalf of the Noteholders) all moneys owing from time to time as and when due in accordance with the Note Terms or as otherwise required under the Trust Deed;
- B. notify the Trustee after it becomes aware that any material condition of the Trust Deed cannot be fulfilled or after it becomes aware of any Material Adverse Effect (as that term is defined in the Trust Deed) or the occurrence of an Event of Default (as defined in the Note Terms);
- C. comply with the terms of the Trust Deed, including the Note Terms and the meeting provisions;
- D. comply with its reporting and other obligations to the Trustee, ASIC, ASX and to the Noteholders under the Corporations Act and Listing Rules;
- E. if the Notes are quoted on ASX, use all reasonable endeavours to ensure that such quotation is maintained;
- F. comply with all laws binding on it with respect to the Notes;
- G. provide to the Trustee (amongst other things) a copy of the Company's audited accounts in respect of each financial year;
- H. carry on and conduct its business in a proper and efficient manner (and procure that each of its subsidiaries does likewise); and
- I. provide to the Trustee any information which the Trustee may reasonably require for the purposes of the discharge of Trust Deed or for compliance with the Corporations Act.

(iv) Trustee's undertakings

Under the Trust Deed, the Trustee makes certain undertakings including that it will:

- A. act as trustee of the Trust;
- B. act honestly and in good faith and comply with all applicable laws in performing its duties and the exercise of its discretions under the Trust Deed; and
- C. act in accordance with the Trust Deed, having regard to the rights of the Noteholders as a whole and without regard to any interests arising from taxation or other circumstances of particular Noteholders; and
- D. keep accounting records and, to the extent it holds Trust assets, keep those assets separate from all other assets of the Trustee.

(v) Powers of the Trustee

In addition to those powers arising under law, the Trustee has certain powers and discretions as set out in the Trust Deed, including the power:

- A. to waive any breach by the Company of its obligations under the Trust Deed, Note Terms or General Security Deeds, including any Event of Default (subject to a direction by special resolution of Noteholders in certain circumstances);
- B. to decide whether or not to take action to enforce the Trust Deed, Subscription Agreements, or Note Terms as it sees fit in its absolute discretion (subject to a direction by special resolution of Noteholders in certain circumstances);
- C. to delegate its functions; and
- D. to amend the Trust Deed in certain circumstances (by agreement with the Company).

The Trustee may hold Notes and may enter into transactions with the Company or any Related Body Corporate of the Company.

(vi) Limited liability and indemnity of Trustee

The liability of the Trustee is limited in the manner set out in the Trust Deed.

The Trustee will have no liability for any loss under or in connection with the Trust Deed or the Note Terms (whether to any Noteholders, creditors or any other person) other than to the extent to which the liability is able to be satisfied out of any part of the Trust Fund from which the Trustee is entitled to be, and is in fact, indemnified for the liability, except to the extent that the liability of the Trustee is not satisfied because the Trustee is not entitled to indemnification as a result of its wrongful act or omission, fraud, negligence, breach of trust or breach of section 283DA of the Corporations Act.

The Trustee will be indemnified against and for all fees, actions, losses, costs, charges, expenses, taxes and liabilities (**Costs**) incurred and payments made in or about the execution, administration or enforcement of the Trust Deed, among other things, except to the extent that the Cost arises out of the Trustee's wrongful act or omission, fraud, negligence, breach of trust or breach of section 283DA of the Corporations Act or it relates to any taxes (excluding GST) imposed on the Trustee's remuneration for its services as trustee.

The Trustee will be entitled to the following fees with respect to the Placement:

- (i) establishment fee of \$10,000;
- (ii) annual fee of \$25,000 for each of years 1 to 3, irrespective of whether or not the fees are with respect to the whole or part of the year;
- (iii) annual fee of \$25,000 for each of years 4 and 5, to be adjusted on a *pro rata* basis with respect to any part year;
- (iv) all legal expenses incurred by the Trustee for negotiation and amendment of related documents;
- (v) closure fee of \$10,000 payable at the termination of the Notes; and
- (vi) all out of scope time to be charged at a rate of \$500 per hour.

All fees are plus GST, and are subject to ongoing CPI adjustment from the second year.

The Trustee is not entitled to be paid any amount specifically with respect to the Offers or this Prospectus.

(b) Convertible Note Subscription Agreements for Australian subscribers

The Company entered into various Convertible Note Subscription Agreements with the Exempt Investors who participated in the Placement. These agreements have substantially the same terms and conditions.

The material terms of these Convertible Note Subscription Agreements include:

- (i) Each investor applied for a specific allocation of Convertible Notes set out in the agreement.
- (ii) The issue price of the Convertible Notes is \$100 each.
- (iii) The Company will do all things reasonably necessary to facilitate the quotation on ASX, of any Shares that may be issued on the conversion of any Notes or as interest pursuant to the terms of the Notes, and the secondary trading of those Shares.

The Convertible Note Subscription Agreements otherwise contained terms and conditions considered standard for agreements of that nature.

In addition to the terms set out above:

- (i) the subscription agreement entered into by the Company and Taurus on 19 June 2017 provides that Taurus is entitled to be paid by the Company a commission of 5% commission on the total subscription amount of Notes subscribed for by Taurus, being an amount of \$101,710, which the Company will satisfy by the issue to Taurus of the 4,068,400 Taurus Shares offered under the Taurus Offer; and
- (ii) the subscription agreement entered into by the Company and Blue Spec on 16 June 2017, provides that Blue Spec is entitled to be paid by Hot Chili a commission of 5% commission on the total subscription amount of Notes subscribed for by Blue Spec, being an amount of \$19,170, which subject to the Company obtaining the necessary Shareholder approval for the purpose of Listing Rule 10.11 (which the Company intends to seek at a later date), the Company will satisfy by the issue to Blue Spec of 766,800 Shares at a deemed issue price of \$0.025.

(c) **Convertible Note Subscription Agreements for United States, Canadian and other overseas subscribers to the Placement**

The Company has entered into various Convertible Note Subscription Agreements with investors located in the United States, Canada and elsewhere, who participated in the Placement. All such investors are permitted by local securities laws to participate in the Placement, being:

- (i) for investors located in the United States, “accredited investors”, as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (US);
- (ii) for investors located in Canada, “Canadian Accredited Investors”, as defined in National Instrument 45-106; and
- (iii) for investors located elsewhere, investors who are exempt from any requirement for a prospectus or any approval in connection with the issue and sale or resale of convertible notes under the applicable securities laws in the relevant jurisdiction.

These agreements have substantially the same terms and conditions. The material terms of these Convertible Note Subscription Agreements include:

- (i) Each investor applied for a specific allocation of Convertible Notes set out in the agreement.
- (ii) The issue price of the Convertible Notes is \$100 each.
- (iii) The Company will use commercially reasonable efforts to facilitate the quotation on ASX, of any Shares that may be issued on the conversion of any Notes or as interest pursuant to the terms of the Notes, and to lodge a cleansing notice pursuant to section 708A(5) of the Corporations Act, or if such a notice is unavailable, a cleansing prospectus, for the purpose of removing secondary market restrictions from any Shares that may be issued on the conversion of any Convertible Notes.

The Convertible Note Subscription Agreements otherwise contained terms and conditions considered standard for agreements of that nature.

(d) **Finders Agreements**

The Company has entered into a definitive finders agreement (**Finders Agreement**) with each of Sprott Private Wealth LP and Sprott Global Resource Investments, Ltd. (**Finders**) pursuant to which the Finders were engaged to seek to place to their clients, up to 88,833 Convertible Notes to raise \$8,883,300.

Pursuant to the Finders Agreements, the Finders are entitled to:

- (i) be issued an aggregate of 20,000,000 Finder Options exercisable at A\$0.03333 each on or before 20 June 2019; and
- (ii) be paid a finders’ fee of a 5% commission on all Notes placed by the Finders being \$444,165.

Pursuant to the Finders Agreements, for so long as the Finders (and their affiliates) own or control at least 5% of the Convertible Notes, the Finders may nominate one non-executive Director to the Board (**Nominated Designate**), and the Company must nominate and recommend that Nominated Designate for re-election to the Board at each general meeting held for the election of Directors to the Board.

(e) **Advisory Agreement**

By letter agreement dated 29 March 2017, amended and restated by letter agreement dated 14 June 2017, the Company engaged Sprott Capital Partners, a division of

Sprott Private Wealth LP, to act as financial advisor to the Company with respect to any equity or convertible into equity financings.

Under this engagement, Sprott Capital Partners is entitled to be paid an advisory fee equal to 1.6% of the total subscription amount for all Convertible Notes to be issued by the Company pursuant to the Placement, being the amount of \$180,814.40, or to be issued by Hot Chili, 7,232,576 Shares at a deemed issue price of \$0.025 each, being equal to the closing price of Shares on ASX on the last trading day prior the announcement of the Placement, being 16 March 2017.

The 7,232,576 Advisor Shares offered under the Advisor Offer are to be issued satisfaction of the Company's obligation to pay the advisory fee under the Advisor Agreement.

(f) **Executive service agreement – Mr Christian Easterday**

The Company has entered into an executive service agreement with Mr Christian Easterday, as Managing Director. Under this agreement, Mr Easterday originally received an annual salary of \$360,000, plus superannuation at the rate of 12% and other entitlements. Mr Easterday currently receives a salary of \$259,000, plus statutory superannuation and other entitlements. Mr Easterday's remuneration is subject to annual review.

Mr Easterday's salary and superannuation entitlement under this agreement has been adjusted by mutual agreement with the Company as set out in Section 6.5.

(g) **Consulting agreement – Mr Michael Anderson**

The Company has entered into a consulting services agreement with MRA Consulting Pty Ltd (**MRA**), a company associated with Mr Michael Anderson, for the provision of technical consulting services.

MRA has been paid, or is entitled to be paid approximately of \$83,972 by the Company in relation to technical consulting services provided under the agreement in period 2 years prior to the Prospectus Date.

(h) **Drilling services contract with Blue Spec Sondajes Chile SpA**

The Company's Chilean subsidiary, SMEA, has entered into a drilling services contract (**Drilling Contract**) with Blue Spec Sondajes Chile SpA (**Blue Spec Chile**), a company associated with Mr Murray Black, for the provision of drilling services at the Company's projects in Chile on terms and at rates considered by the Directors (other than Mr Black) to be reasonable arm's length commercial terms having regard to rates quoted by other drilling service providers operating in Chile.

On or about 9 August 2016, SMEA and Blue Spec agreed to extend the term of the Drilling Contract to 8 August 2017.

The Drilling Contract is governed by Chilean law.

The Company, SMEA and Blue Spec Chile agreed to vary the agreement in 2015 so as to allow the Company to satisfy, on behalf of SMEA, up to \$1,667,667 worth of drilling fees through the issue of Shares. Please refer to the Company's Notice of General Meeting announced to ASX on 19 March 2015 for further details.

The Company subsequently issued 2,601,193 Shares to Blue Spec Chile on 21 October 2015 in satisfaction of \$285,460 of drilling fees owed by SMEA.

Blue Spec Chile has been paid approximately \$1,864,419 by SMEA in relation to services provided under the agreement in period 2 years prior to the Prospectus Date. This figure is inclusive of the \$285,460 satisfied by the issue of Shares as outlined above.

(i) **Directors' indemnity and insurance deeds**

The Company has entered into deeds of access, indemnity and insurance with each Director.

Under the deeds, the Company has undertaken, subject to the restrictions in the Corporations Act, to:

- (i) indemnify each Director and officer in certain circumstances;
- (ii) maintain directors' and officers' insurance cover (if available) in favour of each Director whilst a Director and for 7 years after the Director or officer has ceased to be a Director;
- (iii) cease to maintain directors' and officers' insurance cover in favour of each Director if the Company reasonably determines that the type of coverage is no longer available; and
- (iv) provide access to any Company records which are relevant to the Director's holding of office with the Company, for a period of 7 years after the Director has ceased to be a Director.

The deeds otherwise contain terms and conditions considered standard for deeds of this nature.

6.3 Litigation

As at the date of this Prospectus, 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.

6.4 Security holding interests of Directors

At the date of this Prospectus the relevant interest of each of the Directors in the Shares and Options of the Company are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr Murray Edward Black	Nil	56,996,210	Nil	Nil
Mr Christian Ervin Easterday	300,000	16,750,000	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
Mrs Melanie Jane Leighton	40,000	Nil	Nil	Nil

Notes:

1. Mr Black's relevant interest in Shares comprises:
 - (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) 16,000,000 Shares held by Blue Spec Drilling Pty Ltd, a company controlled by Mr Black.

- Mr Easterday has an indirect relevant interest in Shares held by Kalgoorlie Auto Service Pty Ltd on bare trust for Mr Easterday.
- Mr Trench's Shares are held by Mr Trench and Suzanne Trench as trustees for the Trench Super Fund Account.
- Mr de Andraca's Shares are held by Charles Schwab on trust for Mr de Andraca.

6.5 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 sum fixed, 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 current cash remuneration of each Director.

Director	Cash remuneration – financial year ended 30 June 2015 (exclusive of superannuation)	Cash remuneration – financial year ended 30 June 2016 (exclusive of superannuation)
Mr Murray Edward Black	Director fee of \$71,000	Director fee of \$29,583
Mr Christian Ervin Easterday	Salary of \$342,000 under executive services agreement with the Company (see Section 6.2(f))	Salary of \$291,600 under executive services agreement with the Company (see Section 6.2(f))
Dr Allan Trench	Director fee of \$42,000	Director fee of \$37,800
Mr Michael Anderson	Consultancy fee of \$47,040 under consultancy services agreement between MRA Consulting Pty Ltd and the Company (see Section 6.2(g))	Consultancy fee of \$41,986 under consultancy services agreement between MRA Consulting Pty Ltd and the Company (see Section 6.2(g))
Mr Roberto de Andraca Adriasola	Director fee of \$51,660	Director fee of \$19,600
Mrs Melanie Jane Leighton	Salary of \$225,000 pursuant to employment agreement with the Company	Salary of \$202,500 pursuant to employment agreement with the Company

Notes:

- Mr Black and Mr Andraca agreed with the Company to cease payment of their director fees from 1 December 2015. Mr Andraca's entitlement to director fees was reinstated in May 2017.
- Mr Easterday's salary was reduced to \$259,200 plus the minimum statutory superannuation (currently 9.5%) from January 2016.

Further information relating to the remuneration of Directors can be found in the Company's 2016 Annual Report, which can be found on the Company's website (www.hotchili.net.au) or ASX announcements webpage for the Company (ASX Code: HCH).

6.6 Expenses of the Offers

The expenses of the Offers (assuming full subscription) are expected to comprise the following estimated costs.

Expense	Amount
Legal fees (including GST)	\$15,000
Accounting fees	\$7,150
ASX fees	\$2,929
ASIC fees	\$2,350
Share registry fees	\$1,000
Miscellaneous fees	\$2,000
TOTALS	\$30,429

6.7 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 benefit 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.

Expert/advisor	Service or function	Amount paid or to be paid
Jackson McDonald (a partnership)	Solicitors to the Offers	Jackson McDonald will be paid approximately \$15,000 (plus GST) for services related to this Prospectus. Jackson McDonald has been paid or is entitled to be paid approximately \$207,271 (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 \$80,800 (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 \$1,000 (including GST) for services to be provided in relation to receiving and managing subscriptions under the Offers.

Expert/advisor	Service or function	Amount paid or to be paid
		Security Transfer Australia Pty Ltd has been paid or is entitled to be paid approximately \$53,109.64 (including GST) for the provision of share registry services to the Company in the period 2 years prior to the Prospectus Date.

6.8 Consents and liability statements

The following persons have given their written consent to be named in the 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
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 6.8; 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 6.8.

7. Directors' statement

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: 20 June 2017

8. Glossary of Terms

A\$ or \$	Australian dollars.
Advisor	Sprott Capital Partners, a division of Sprott Private Wealth LP.
Advisor Agreement	The agreement between the Advisor and the Company described in Section 6.2(e).
Advisor Offer	The offer of the 7,232,576 Advisor Shares to the Advisor or its nominee under this Prospectus.
Advisor Offer Application Form	The application form for the Advisor Shares that accompanies this Prospectus.
Advisor Shares	The 7,232,576 Shares offered to the Advisor or its nominee, pursuant to the Advisor Offer.
Applicant	A person who applies for Offer Securities under and in accordance with this Prospectus.
Application	A valid application for Offer Securities offered under this Prospectus.
Application Form	The Finders Offer Application Form, Advisor Offer Application Form, or Taurus Offer Application Form, or each of them, as the context requires.
Application Moneys	Money received from an Applicant in respect of an Application.
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) trading as the 'Australian Securities Exchange'.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532).
ASX Settlement Rules	The settlement rules of ASX Settlement.
Blue Spec	Blue Spec Drilling Pty Ltd (ACN 601 943 364).
Board	The board of Directors of the Company.
Bonus Securities	Any issue of Securities by way of capitalisation of profits, reserves, share premium account or capital redemption reserve fund or otherwise, but excluding any issue of Securities made in place of a cash payment as a dividend under the Constitution.
Business Day	Has the meaning given to it in the Listing Rules.
CAP	Compañía de Acero del Pacífico S.A.
CHESS	Clearing House Electronic Sub-register System operated by ASX Settlement.
CHESS Statement or Holding Statement	A statement of shares registered in a CHESS account.

Closing Date	The closing date of the Offers, being 5.00pm (WST) on 20 June 2017.
CMP	Compañía Minera del Pacífico S.A., a corporation organised and existing under the laws of Chile, and includes affiliated entities.
Company or Hot Chili	Hot Chili Limited (ACN 130 955 725).
Concurrent Offering	Has the meaning given to it in Section 2.1.
Constitution	The constitution of the Company.
Conversion Price	A\$0.03333 per Share.
Convertible Notes or Notes	The convertible notes to be issued by the Company, a summary of the terms and conditions of which is set out in Section 4.1.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Delisting Event	A delisting event will occur if the Shares cease to be quoted on ASX or trading of the Shares or Notes on ASX is suspended for a period of more than 20 consecutive Business Days.
Director	A director of the Company as at the date of this Prospectus.
Executive Director	An executive Director of the Company.
Exempt Investor	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"> (a) 'professional investor' as that term is defined in section 9 of the Corporations Act; (b) a 'sophisticated investor' for the purposes of sections 708(8) to (10) of the Corporations Act; (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.
Finder Agreements	The definitive finders agreements entered into by each of the Finders with the Company dated 24 March 2017, each as amended by separate letter agreements, under which the Company engaged each of the Finders to provide capital raising services.
Finders Offer	The offer to the Finders (or their nominees) of 20,000,000 Finder Options a cash issue price of nil pursuant to the Finder Agreements.
Finders Offer Application Form	The application form for the Finders Offer that accompanies this Prospectus.
Finder Option	An Option on the terms and conditions set out in Section Error! Reference source not found..
Finders	Sprott Private Wealth LP, and Sprott Global Resource Investments, Ltd.

General Meeting	The general meeting of Shareholders held on 6 June 2017 at which Shareholders approved the issue of Convertible Notes under Offering and Finder Options under the Finders Offer.
Government Agency	A government, a government department or a governmental, semi-governmental, statutory, administrative, parliamentary, provincial, public, municipal, local, judicial or quasi-judicial body.
Group	The Company and its Related Bodies Corporate.
GST	Goods and services tax.
HST	Harmonized sales tax, being a consumption tax in Canada.
Insolvency Event	Occurs in relation to a body corporate if: <ul style="list-style-type: none"> (a) it is (or states that it is) insolvent (as defined in the Corporations Act); or (b) it has a controller (as defined in the Corporations Act) appointed, or is in receivership, in receivership and management, in liquidation, in provisional liquidation, under administration or wound up or has had a receiver appointed to any part of its property; or (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute, dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the creditors); or (d) an application or order has been made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or (e) it is taken (under section 459(F)(1) of the Corporations Act) to have failed to comply with a statutory demand; or (f) it is otherwise unable to pay its debts when they fall due; or (g) something having a substantially similar effect to (a) to (f) happens in connection with it under the law of any jurisdiction.
Listing Rules	The official listing rules of ASX.
Maturity Date	20 June 2022.
Non-Executive Director	A non-executive Director of the Company.
Noteholder	A holder of a Convertible Note.

Noteholders Resolution	<p>(a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:</p> <p>(i) by at least 50% of the persons voting on a show of hands (unless clause (ii) below applies); or</p> <p>(ii) if a poll is duly demanded, then by a majority consisting of at least 50% of the votes cast; or</p> <p>(b) a resolution passed by postal ballot or circular written resolution by Noteholders representing (in aggregate) at least 50% of the principal amount then outstanding of all of the Notes.</p>
Note Terms	The terms and conditions of the Convertible Notes, a summary of which is set out in Section 4.1.
Offer Period	In relation to an Offer, the period commencing on the Opening Date and ending on the Closing Date for that Offer.
Offer Security	A Finder Option, Advisor Share or Taurus Share, as the context requires.
Offering	Has the meaning given to it in Section 2.1.
Offers	Each of the offers under this Prospectus, being the Finders Offer, the Advisor Offer, and the Taurus Offer.
Official Quotation	The admission of Securities to the official list of the ASX.
Opening Date	The opening date of the Offers, being 20 June 2017.
Option	An option to subscribe for a Share.
Permitted New Debt	Indebtedness that is incurred by the Company to finance the development and placing of the Company's assets into commercial production, provided that the terms of the financial accommodation are commercial, at arm's length, and are not in any respect unusual or onerous.
Placement	The placement of 113,009 Convertible Notes at an issue price of \$100 each to raise \$11,300,900, as described in Section 2.1.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Productora Project	The Productora copper project owned by SMEA and operated by the Company, located near Vallenar, Chile.
Prospectus	This document, including the Application Forms.
Prospectus Date	The date of lodgement of this Prospectus with ASIC, being 20 June 2017.
Related Bodies Corporate	Has the meaning given to it in the Corporations Act.
Related Party	Has the meaning given to it in the Listing Rules.
Section	A section of this Prospectus.

Securities	Has the meaning given to that term in section 761A of the Corporations Act and includes a Share, an Option and a Convertible Note.
Securities Registry	The Company's securities registry, Security Transfer Australia Pty Ltd (ACN 008 894 488).
Security Interest	Any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset, including any retention of title other than in the ordinary course of business and any charge or lien arising by operation of law.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	The holder of a Share.
SMEA	Sociedad Minera El Águila SpA, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.211-3, being a subsidiary of the Company and CMP.
SMECL	Sociedad Minera El Corazón Limitada, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.032.199-0 and a subsidiary of the Company.
Sprott	Sprott Resource Lending Partnership (a general partnership organised and existing under the laws of the Province of Ontario).
Sprott Facility	The secured US\$25 million credit facility between the Company, SMECL and SMEA and Sprott entered into on or about 30 June 2014.
Taurus	Taurus Funds Management Pty Limited.
Taurus Offer	The offer of the 4,068,400 Taurus Shares to Taurus or its nominee under this Prospectus.
Taurus Offer Application Form	The application form for the Taurus Shares that accompanies this Prospectus.
Taurus Shares	The 4,068,400 Shares offered to Taurus or its nominee, pursuant to the Taurus Offer.
Taurus Subscription Agreement	The subscription agreement between Taurus and the Company described in Section 6.2(b).
Transaction Document	Means the Trust Deed (including the Note Terms), each Subscription Agreement and each Note.
Trust Deed	The trust deed entitled 'Trust Deed for the Hot Chili Limited Note Trust' between the Company and the Trustee in accordance with the requirements of Part 2L.1 of the Corporations Act
Trustee	Equity Trustees Limited ACN 004 031 298.

VWAP	The volume weighted average sale prices of the Shares sold on ASX, excluding any transaction defined in the ASX Operating Rules as 'special', crossings prior to the commencement of normal trading, crossings during the after-hours adjust phase and any overseas trades or exchange traded option exercises.
Winding Up	In respect of a person the appointment of a liquidator or provisional liquidator of that person (and where the appointment is made by a court, by a court of competent jurisdiction in Australia).
WST	Western Standard Time, being the time in Perth, Western Australia.