Notice of General Meeting, Explanatory Statement and Proxy Form

General Meeting to be held at

First Floor
768 Canning Highway
Applecross, Western Australia

On Friday, 26 June 2020 at 11.00am (WST)

Shareholders please refer to the Important Information regarding the General Meeting on pages 1 and 2 of this Notice.
Important Information

Contents

<table>
<thead>
<tr>
<th>Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notice of General Meeting</td>
<td>3</td>
</tr>
<tr>
<td>Voting Exclusions</td>
<td>4</td>
</tr>
<tr>
<td>Proxy Appointment, Voting and Meeting Instructions</td>
<td>5</td>
</tr>
<tr>
<td>Explanatory Statement</td>
<td>7</td>
</tr>
<tr>
<td>Glossary</td>
<td>14</td>
</tr>
<tr>
<td>Proxy Form</td>
<td>Attached</td>
</tr>
</tbody>
</table>

Important dates

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

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day for receipt of Proxy Forms – Proxy Forms received after this time will be disregarded</td>
<td>11.00am (WST) on Wednesday, 24 June 2020</td>
</tr>
<tr>
<td>Snapshot date for eligibility to vote</td>
<td>5.00pm (WST) on Wednesday, 24 June 2020</td>
</tr>
<tr>
<td>General Meeting</td>
<td>11.00am (WST) on Friday, 26 June 2020</td>
</tr>
</tbody>
</table>

Defined terms

Capitalised terms used in this Notice of General Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary set out in the Explanatory Statement.

Important information about the holding of the General Meeting to address COVID-19 virus health and safety requirements

In order to comply with government health regulations and requirements to prevent the spread of the COVID-19 virus, physical attendance at the General Meeting is strongly discouraged.

The Board of Directors have elected to implement certain protocols and practices to ensure the safe conduct of the General Meeting in line with general health advisory recommendation.

Please note the following:

- Hot Chili Limited’s General Meeting will be held at First Floor, 768 Canning Highway, Applecross Western Australia as noted on the front page of this Notice.
- There will be no presentations by the Chairman or the Managing Director. These will be lodged with ASX and made available on Hot Chili’s website before the commencement of the Meeting.
- No refreshments will be served at the Meeting.
- Voting on all Resolutions will be conducted by poll and not by show of hands.
• Shareholders are strongly encouraged to complete a proxy.

• Shareholders are strongly urged to appoint the Chair of the Meeting as their proxy. Shareholders can complete the proxy form to provide specific instructions on how a vote is to be exercised on each item of business, and the Chair of the Meeting must follow your instruction.

• The Chair of the Meeting will chair the Meeting from his physical location, and this will constitute a venue for the Meeting.

• The Managing Director and the Secretary will attend the Meeting in person (taking into account social distancing practices) but other Directors and senior management do not intend on attending in person. Those persons will participate via audio and/or visual facilities.

• The Meeting will be webcast. Shareholders can register to attend by going to https://www.hotchili.net.au and entering their holder details. A confirmation of registration email will be sent with how to join the meeting.

• Shareholders should have their SRN/HIN available.

• Questions for the Board of Directors can be emailed to admin@hotchili.net.au and must be received no later than 5.00pm (WST) on Friday, 19 June 2020.

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

Notice is hereby given that a General Meeting of Hot Chili Limited ACN 130 955 725 (Company) will be held at First Floor, 768 Canning Highway, Applecross, Western Australia at 11.00am (WST) on Friday, 26 June 2020 for the purpose of transacting the business referred to in this Notice of General Meeting.

The Explanatory Statement that accompanies and forms part of this Notice describes the various matters to be considered.

AGENDA

Resolution 1: Approval of issue of Placement Options to Placement Participants

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

“That under and for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders hereby approve the issue by the Company of up to 166,666,667 Options, exercisable at $0.025 on or before 20 May 2022, to the Placement Participants, in the manner and on the terms and conditions set out in Schedule 1 of this Notice of Meeting and the Explanatory Statement.”

Resolution 2: Ratification of issue of Placement Shares to Placement Participants

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

“That under and for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify and approve the issue by the Company of 333,333,334 Shares, issued at a price of $0.015 each, to the Placement Participants, in the manner and on the terms and conditions set out in the Explanatory Statement.”

Resolution 3: Approval to issue Options to Veritas Securities Limited

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

“That under and for the purposes of Listing Rule 7.1 and all other purposes, Shareholders hereby approve the issue of 50,000,000 Options, each exercisable at $0.025 each, on or before 20 May 2022, to Veritas Securities Limited, and/or its nominee(s), as a fee for arranging and managing the Placement and the Entitlement Offer, in the manner and on the terms and conditions set out in Schedule 1 of this Notice of Meeting and the Explanatory Statement.”

By order of the Board

Mr Lloyd Flint
Company Secretary
22 May 2020
Voting Exclusions

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

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

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Excluded Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution 1</td>
<td>The Placement Participants, being the persons who will obtain a material benefit as a result of the proposed issue.</td>
</tr>
<tr>
<td>Resolution 2</td>
<td>The Placement Participants, being the persons to whom Placement Shares were issued.</td>
</tr>
<tr>
<td>Resolution 3</td>
<td>Veritas Securities and any nominee of Veritas Securities who may be granted Lead Manager Options, being the persons who will obtain a material benefit as a result of the proposed issue.</td>
</tr>
</tbody>
</table>

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

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

Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address below, or by fax or email by 11.00am (WST) on Wednesday, 24 June 2020. A Proxy Form received after that time will not be valid.

By post: Automic
GPO Box 5193
Sydney NSW 2001

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

By fax: 02 8583 3040 from within Australia
+61 2 8583 3040 from outside Australia

By email: meetings@automicgroup.com.au

Appointment of a proxy

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

The Company encourages Shareholders to appoint the Chairperson as your proxy. To do so, mark the appropriate box on the Proxy Form. If the person you wish to appoint as your proxy is someone other than the Chairperson, please write the name of that person in the space provided on the Proxy Form. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairperson will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, you may photocopy the Proxy Form or an additional Proxy Form may be obtained by telephoning the Company on +61 8 9315 9009.

Please note, as the Company discourages physical attendance at the Meeting by Shareholders and/or proxies, it is recommended Shareholders complete the attached proxy form and send to the Company via the communication methods outlined above.

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

Corporate Shareholders

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

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

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's share registry before the Meeting or at the registration desk on the day of the Meeting.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in the ‘FOR’, ‘AGAINST’ or ‘ABSTAIN’ box opposite the Resolution. All your votes will be cast in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolution by inserting the percentage or number of Shares you wish to vote in the appropriate boxes. If you do not mark any of the boxes next to a Resolution, your proxy may vote as he or she chooses. If you mark more than one box on the Resolution, your vote will be invalid.

Chairperson voting undirected proxies

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

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

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5.00pm (WST) on Wednesday, 24 June 2020. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Questions from Shareholders

Questions for the Board of Directors can be emailed to admin@hotchili.net.au and must be received by no later than 5.00pm (WST) on Friday, 19 June 2020.

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

Copies of written questions will be made available on the Company’s website prior to the Meeting.
Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting.

Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

1. Background to the Resolutions

1.1 Capital Raising

On 18 May 2020, the Company announced that a $8.9 million capital raising comprising:

(a) a private placement of 333,333,334 Shares (Placement Shares) to various sophisticated and professional investors in Australia (Placement Participants), at an issue price of $0.015 per Placement Share, to raise $5,000,000 (before costs) (Placement); and

(b) an offer to eligible Shareholders to participate in a 3 for 20 pro-rata non-renounceable entitlement offer of new ordinary shares in the Company (New Shares) and an issue price of $0.015 per New Share with 1 (one) free attaching Option, exercisable at $0.025 on or before 20 May 2022 (New Options), for every 2 (two) New Shares subscribed for (together, New Securities), to raise up to approximately $3,900,000 (before costs) (Entitlement Offer),

together, the Capital Raising.

New Securities not subscribed for under the Entitlement Offer will form part of the Shortfall which may be placed at the discretion of the Directors.

The Company has engaged Veritas Securities as lead manager for Capital Raising and to arrange and manage the Placement and placement of any Shortfall.

In addition to the issue of the Placement Shares, the Company proposes to issue to Placement Participants 1 (one) free attaching option exercisable at $0.025 on or before 20 May 2022 for every 2 (two) Placement Shares subscribed for (Placement Options).

The issue of the Placement Options is subject to Shareholder approval under Listing Rule 7.1. Approval for the issue of the Placement Options, pursuant to Listing Rule 7.1, is sought under Resolution 1.

Placement Shares under the Placement were issued by the Company on 22 May 2020 using its issuing capacity under Listing Rules 7.1 and 7.1A. Subsequent ratification of this issue by Shareholders is sought under Resolution 2.
1.2 Use of funds raised under the Capital Raising

Funds from the Capital Raising (at full subscription of $8.9 million) will be used for the following purposes:

- US$2 million option extension payment to SCM Carola on the Cortadera Project
- Diamond drilling at the Cortadera Project
- Metallurgical testwork at the Cortadera and San Antonio projects and preliminary economic assessment for a combined development
- Delineation of maiden Cu-Au resources at the Cortadera and San Antonio projects
- Costs of the Capital Raising
- Working capital

2. Resolution 1: Approval of issue of Placement Options to Placement Participants

2.1 Requirement for Shareholder approval

Subject to Shareholder approval of Resolution 1, the Company proposes to issue up to a total of 166,666,667 Placement Options to the Placement Participants.

Resolution 1 is an ordinary resolution seeking approval by Shareholders of the proposed issue of the Placement Options.

None of the Placement Participants are Related Parties of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Options does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires approval of the Company's Shareholders under Listing Rule 7.1.

Resolution 1 seeks the required Shareholder approval for the issue of the Placement Options under and for the purposes of Listing Rule 7.1.

If Resolution 1 is passed the Company will be able to proceed with the issue of the Placement Options, increasing the total number of Options on issue. In addition, the Placement Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 1 is not passed, the Company will not be able to proceed with the issue of the Placement Options. In that scenario, Placement Participants will still be issued Placement Shares under the Placement but will not receive Placement Options as they are conditional on Shareholder approval in this Resolution 1. In this event, Placement Participants may view their investment in the Company unfavourably and may be less inclined to support the Company in its future endeavours.

2.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 1 for the purposes of obtaining approval under Listing Rule 7.1:

(a) Persons to whom the securities are to be issued
Placement Options are to be issued to the Placement Participants, being various sophisticated and professional investors identified by Veritas Securities and the Company and who are not Related Parties of the Company.

Each Placement Participant is a sophisticated or professional investor within the meaning of section 708(8), (10) or (11) of the Corporations Act, being an investor to whom securities may be issued without a prospectus or other disclosure document.

(b) The number of securities to be issued

The Company proposes to issue up to a total of 166,666,667 Placement Options.

(c) The terms of the securities

The Placement Options are exercisable at $0.025 each on or before 20 May 2022. The full terms of the unlisted Placement Options are described in Schedule 1.

If exercised prior to expiry, the Placement Options will become fully paid ordinary shares that rank equally with all existing Shares on issue.

(d) Dates of issue of Placement Options

If Resolution 1 is approved, the Placement Options are proposed to be issued within 5 Business Days after the Meeting and, in any event, within 3 (three) months after the date of the Meeting (or such later date as permitted by the Listing Rules).

It is intended that the issue of all Placement Options will occur on one date.

(e) The price at which the securities will be issued

The Placement Options will be issued at a nil issue price.

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

The Company will not raise any funds from the issue of Placement Options to Placement Participants.

If the Placement Options are exercised prior to expiry, a total of up to $4,166,667 will be received by the Company on the exercise of the Placement Options. The Company anticipates it will use those funds for working capital purposes as required at that time.

2.3 Directors’ recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 as it will enable the Company to issue Placement Options to Placement Participants pursuant to the Placement Offer and it will refresh the Company’s issuing capacities under Listing Rule 7.1 and give the Company the flexibility to raise additional working capital through the offer and issue of equity securities, if and as required.

3. Resolution 2: Ratification of issue of Placement Shares to Placement Participants

3.1 Requirement for Shareholder approval

As described in Section Error! Reference source not found. above, the Company has issued a total of 333,333,334 Shares under the Placement to professional and sophisticated investors using its issuing capacity under Listing Rule 7.1.

None of the Placement Participants are Related Parties of the Company.
Resolution 2 is an ordinary resolution seeking approval by Shareholders of the ratification of the issue of the Placement Shares.

None of the Placement Participants are Related Parties of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Placement Shares does not fall within any of these exceptions and, as it has not yet been approved by the Company’s Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company’s capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period from the issue date of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company’s capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 2 seeks Shareholder approval to the issue of the Placement Shares under and for the purposes of Listing Rule 7.4.

If Resolution 2 is passed, the issue of the Placement Shares will be excluded in calculating the Company’s 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

If Resolution 1 is not passed, the issue of the Placement Shares will be included in calculating the Company’s 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the issue date.

3.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided in relation to Resolution 2:

(a) **Basis on which Placement Participants were identified**

Placement Shares were issued to Placement Participants, being various sophisticated and professional investors identified by Veritas Securities and the Company and who are not Related Parties of the Company.

Each Placement Participant is a sophisticated or professional investor within the meaning of section 708(8), (10) or (11) of the Corporations Act, being an investor to whom securities may be issued without a prospectus or other disclosure document.

(b) **The number of securities issued**

The Company has issued 333,333,334 Placement Shares to Placement Participants.

The Placement Shares were fully paid ordinary Shares ranking equally with the Company’s existing Shares then on issue.

(c) **The date on which the securities were issued**

The Placement Shares were issued by the Company on 25 May 2020.
(d) The price at which the securities were issued

The Placement Shares were issued to Placement Participants at an issue price of $0.015 per Placement Share, being the same issue price as New Shares offered to Eligible Shareholders pursuant to the Entitlement Offer.

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

The purpose of the Placement is to raise capital. The Company intends to use the funds from the issue of the Placement Shares for the purposes described in Section 1.2.

3.3 Directors’ recommendation – Resolution 2

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2 as it will refresh the Company’s issuing capacities under Listing Rule 7.1 and give the Company the flexibility to raise additional working capital through the offer and issue of equity securities, if and as required.

4. Resolution 3 – Approval to issue Options to Veritas Securities Limited

4.1 Requirement for Shareholder approval

The Company has engaged the services of Veritas Securities to manage and arrange the Capital Raising by the Placement and the Entitlement Offer as described in Sections 1.1 and 1.2.

Resolution 3 seeks Shareholder approval to issue 50,000,000 Options, exercisable at $0.025 each, expiring on 20 May 2022, to Veritas Securities (Lead Manager Options) as part of the fee payable by the Company to Veritas Securities for managing and arranging the Capital Raising.

Resolution 3 is an ordinary resolution seeking approval by Shareholders of the proposed issue of Lead Manager Options to Veritas Securities or its nominee(s).

None of the of the persons to whom Lead Manager Options may be issued will be Related Parties of the Company.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Lead Manager Options does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires approval of the Company’s Shareholders under Listing Rule 7.1.

Resolution 3 seeks the required Shareholder approval for the issue of the Lead Manager Options under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed the Company will be able to proceed with the issue of the Lead Manager Options, increasing the total number of Options on issue. In addition, the Lead Manager Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Lead Manager Options to the Lead Manager or its nominee(s). In this scenario, the Company will not be required to satisfy its obligations under the engagement agreement to issue Lead Manager Options by way of a cash payment. In this eventuality, the Lead Manager may be less inclined to assist the Company in its future capital raising endeavours.
4.2 Listing Rule information requirements

In accordance with the disclosure requirements of Listing Rule 7.3, the following information is provided in relation to Resolution 3:

(a) **Persons to whom the securities are to be issued**

Placement Options are to be issued to Veritas Securities and/or nominees of Veritas Securities who are not Related Parties of the Company.

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

The Company proposes to issue up to a total of 50,000,000 Lead Manager Options.

(c) **The terms of the securities**

The Lead Manager Options are exercisable at $0.025 each on or before 20 May 2022. The full terms of the unlisted Lead Manager Options are described in Schedule 1.

If exercised prior to expiry, the Lead Manager Options will become fully paid ordinary shares that rank equally with all existing Shares on issue.

(d) **Dates of issue of Lead Manager Options**

If Resolution 3 is approved, the Lead Manager Options are proposed to be issued within 5 Business Days after the Meeting and, in any event, within 3 (three) months after the date of the Meeting (or such later date as permitted by the Listing Rules).

It is intended that the issue of all Lead Manager Options will occur on one date.

(e) **The price at which the securities will be issued**

The Lead Manager Options will be issued at a nil issue price.

(f) **The use or intended use of the funds raised**

The Company will not raise any funds from the issue of Lead Manager Options.

If the Lead Manager Options are exercised prior to expiry, the Company the Company will raise up to $1,250,000 on receipt of the exercise price for the Options and the anticipates it will use those funds for working capital purposes as required at that time.

(g) **Material terms of engagement agreement with Veritas Securities**

Under an engagement agreement, Veritas Securities has been engaged by the Company on an exclusive basis to:

(i) to advise and assist in relation to the pricing, structure and timetable for the Capital Raising;

(ii) to assist in the preparation of required ASX announcements and offer documentation;

(iii) to manage and co-ordinate the Capital Raising; and

(iv) provide such other assistance to the Company with the Capital Raising as agreed from time to time.

For performing these services, Veritas Securities will be paid as follows:

(i) a management fee of 2% of the gross proceeds of the Capital Raising; and
(ii) a selling fee of 4% of the gross proceeds of the Placement and any Shortfall placed by Veritas Securities.

If a total of $8,900,000 is raised under the Placement and the Entitlement Offer, the Veritas Securities will be entitled to be paid up to $534,000 plus GST as the management fee and the selling fee (being the maximum fee if none of the Entitlement Offer is subscribed for by Eligible Shareholders and 100% of the Shortfall is placed by Veritas Securities).

On completion of a successful Capital Raising, the Securities (or its nominees) will be entitled to be granted 50,000,000 New Options, subject to Shareholder approval of the grant of the Options.

In addition, the Company must pay or reimburse the Veritas Securities for its reasonable costs, professional fees and expenses in relation, and incidental, to the Capital Raising.
Glossary of terms

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

**Associate**
Has the meaning given to that term in the Listing Rules.

**ASX**
ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange operated by ASX Limited, as the context requires.

**Board**
The Board of Directors of the Company.

**Business Day**
Has the meaning given to that term in the Listing Rules.

**Capital Raising**
The raising of up to $8,900,000 under the Entitlement Offer and the Placement.

**Chairperson**
The chair of the General Meeting.

**Company**
Hot Chili Limited (ACN 130 955 725).

**Constitution**
The constitution of the Company.

**Cortadera or Cortadera Project**
The concessions located near Vallenar, Chile, owned by SCM Carola, which the Company’s subsidiary Frontera has an option to acquire.

**Corporations Act**
The Corporations Act 2001 (Cth).

**Director**
A director of the Company.

**Eligible Shareholder**
A Shareholder who is eligible to participate in the Entitlement Offer as set out in the Prospectus.

**Entitlement Offer**
The non-renounceable entitlement offer pursuant to this Prospectus of 3 (three) New Shares for every Shares held on the Record Date at an issue price of $0.015 per New Share, with 1 (one) free attaching New Option for every 2 (two) New Shares issued, to raise up to $3,900,000 (before costs).

**Explanatory Statement**
This explanatory statement which accompanies and forms part of the Notice.

**General Meeting or Meeting**
The general meeting of Shareholders or any adjournment thereof, convened by the Notice.

**Listing Rules**
The listing rules of ASX, as amended from time to time.

**New Options**
Options to be granted by the Company on the terms stated in Schedule 1.

**New Shares**
Shares proposed to be issued to Eligible Shareholders under the Entitlement Offer.

**New Securities**
New Shares and New Options.

**Notice or Notice of General Meeting**
The notice of general meeting which accompanies this Explanatory Statement.

**Option**
An option to acquire a Share.

**Option Holder**
The holder of an Option.

**Placement**
The placement of 333,333,334 Shares in the Company to the Placement Participants.

**Placement Participant**
A participant in the Placement.

**Placement Options**
Options issued to Placement Participants subject to Shareholder approval at the General Meeting of the Company

**Placement Share**
A Share issued under the Placement.

**Prospectus**
The prospectus of the Company dated 18 May 2020, including any electronic or online version of that prospectus.
| **Proxy Form** | The proxy form accompanying the Notice. |
| **Related Party** | Has the meaning given to that term in the Listing Rules. |
| **Resolution** | A resolution set out in the Notice. |
| **SCM Carola** | Sociedad Contractual Minera Carola, a Chilean mining company which holds the concessions comprising the Cortadera Project. |
| **Section** | A section of the Explanatory Statement. |
| **Share** | A fully paid ordinary share in the Company. |
| **Shareholder** | The holder of a Share in the Company. |
| **Shortfall** | The number of New Securities offered under the Entitlement Offer for which valid applications have not been received from Eligible Shareholders before the closing date of the Prospectus. |
| **Veritas Securities** | Veritas Securities Limited (ACN 117 124 535) AFSL 297043 |
| **Lead Manager Options** | Options proposed to be issued to Veritas Securities and/or its nominee(s) the subject of Resolution 3. |
| **WST** | Australian Western Standard Time, being the time in Perth, Western Australia. |
Schedule 1 - Terms of New Options

1.1 **Entitlement:** Each Option entitles the holder (Option Holder) to subscribe for one fully paid ordinary Share in the Company.

1.2 **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an Option.

1.3 **Exercise price:** The exercise price of each Option is $0.025 (Exercise Price).

1.4 **Expiry date:** Each Option may be exercised at any time before 5.00pm (WST) on 20 May 2022 (Expiry Date). Any Option not exercised by the Expiry Date will automatically expire.

1.5 **Certificate or Holding Statement:** The Company must give the Option Holder a certificate or Holding Statement stating:

   (a) the number of Options issued to the Option Holder;
   (b) the Exercise Price of the Options; and
   (c) the date of issue of the Options.

1.6 **Transfer:**

   (a) The Placement Options and Lead Manager Options are transferable, subject to applicable law.

   (b) Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:

      (i) a proper ASTC regulated transfer (as defined in the Corporations Act) or any other method permitted by the Corporations Act; or
      (ii) a prescribed instrument of transfer.

   (c) An instrument of transfer of an Option must be:

      (i) in writing;
      (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
      (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
      (iv) delivered to the Company, at the place where the Company's register of option holders is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.

1.7 **Quotation of Options:** The Company will not apply to ASX for Official Quotation of Options.

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

1.9 **New issues:** The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless it has exercised its Options before the record date for determining entitlements to the new issue of Securities and participate as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.

1.10 **Bonus issues:** If the Company makes a bonus issue of Shares or other Securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue.
1.11 **Reorganisation**: If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

1.12 Any calculations or adjustments which are required to be made will be made by the Company's Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.

1.13 The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Option.

1.14 **Exercise of Options**:

(a) To exercise Options, the Option Holder must give the Company or its Securities Registry, at the same time:

(i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and Shares to be issued;

(ii) payment of the Exercise Price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and

(iii) any certificate for the Options.

(b) The Option Holder may only exercise Options in multiples of 10,000 Options unless the Option Holder exercises all Options held by the Option Holder.

(c) Options will be deemed to have been exercised on the date the exercise notice and Exercise Price are received by the Company.

(d) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:

(i) the Option Holder must surrender their Option certificate (if any); and

(ii) the Company must cancel the Option certificate (if any) and issue the Option Holder a new Option certificate or Holding Statement stating the remaining number of Options held by the Option Holder.

1.15 **Issue of Shares on exercise of Options**:

(a) Within five Business Days after receiving an application for exercise of Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.

(b) Subject to the Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.

1.16 **Governing law**: These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.
GM Proxy Form

Hot Chili Limited | ACN 130955 755

Vote by Proxy: HCH

Your proxy voting instruction must be received by 11:00 am (WST) on Wednesday, 24 June 2020, being not later than 48 hours before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

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

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

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

SUBMIT YOUR PROXY VOTE BY PAPER

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

YOUR NAME AND ADDRESS

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

VOTING UNDER STEP 1 - APPOINTING A PROXY

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

DEFAULT TO THE CHAIRMAN OF THE MEETING

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

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF SECOND PROXY

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

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.

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

CORPORATE REPRESENTATIVES

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

ATTENDING THE MEETING

In order to comply with government health regulations and requirements to prevent the spread of the COVID-19 virus, physical attendance at the Meeting is strongly discouraged. Shareholders are encouraged to use the webcast facility set out in the Notice of Meeting to listen to the proceedings of the Meeting rather than attending the Meeting in person.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.
Complete and return this form as instructed only if you do not vote online

In order to comply with government health regulations and requirements to prevent the spread of the COVID-19 virus, physical attendance at the Meeting is strongly discouraged. Shareholders are encouraged to use the webcast facility set out in the Notice of Meeting to listen to the proceedings of the Meeting rather than attending the Meeting in person.

I/We being a Shareholder entitled to attend and vote at the General Meeting of Hot Chili Limited, to be held at 11.00am (WST) on Friday 26 June 2020 at First Floor, 768 Canning Highway, Applecross Western Australia hereby:

Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or if no person so named or, if no person is named, the Chair, or the Chair’s nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the “for”, “against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

Resolutions

1. Approval of Issue of Placement Options to Placement Participants
   For    Against    Abstain
   
2. Ratification of issue of Placement Shares to Placement Participants
   For    Against    Abstain
   
3. Approval to issue Options to Veritas Securities Limited
   For    Against    Abstain
   
Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1 | Securityholder 2 | Securityholder 3

Sole Director and Sole Company Secretary | Director | Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone: Date (DD/MM/YY)

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