



Hot Chili Limited
ACN 130 955 725

Entitlement Offer Prospectus

Entitlement Offer to Eligible Shareholders

For a non-renounceable pro rata offer of 3 (three) fully paid ordinary shares in the Company (**New Shares**) for every 20 Shares held by Shareholders registered at 5.00pm (WST) on Thursday, 21 May 2020 (**Record Date**) at an issue price of \$0.015 per New Share, with 1 (one) free attaching option exercisable at \$0.025 each on or before 20 May 2022 (**New Options**) for every 2 (two) New Shares issued, to raise up to approximately \$3,900,000 before costs (**Entitlement Offer** or **Offer**).

The Entitlement Offer opens on Monday, 25 May 2020 and closes at 5.00pm (Perth time) on Wednesday, 10 June 2020 (unless extended).

Offers of New Options to Placement Participants and Lead Manager

For the offer to each Placement Participant (or their nominee) to subscribe for one New Option at an issue price of nil for every two Shares subscribed for under the Placement (**Placement Options Offer**) and the offer of New Options to the Lead Manager (**Lead Manager Offer**). Refer to Section 3 of this Prospectus for further details.

Lead Manager



Veritas Securities Limited AFSL 297043

This document contains important information about the Offer. You should read the entire document. Please read the instructions in this document and the accompanying Entitlement and Acceptance Form regarding your Entitlement. If you have any questions about the Offer or this Prospectus, you should speak to your professional adviser.

The securities offered by this Prospectus should be considered speculative.

Important information

Prospectus

This Prospectus is dated 18 May 2020 and was lodged with ASIC on that date. Neither ASIC, ASX nor their officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is a transaction specific prospectus for the offer of continuously quoted securities (as defined in the Corporations Act) and options to acquire continuously quoted securities and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

No securities will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date. Application for quotation of the New Shares will be made to ASX within 7 days after the Prospectus Date.

Electronic prospectus

This Prospectus may be viewed in electronic form at <https://www.hotchili.net.au/investors/prospectus/> 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 the Offer Period by contacting the Company. The information on <https://www.hotchili.net.au/investors/prospectus/> does not form part of this Prospectus.

Risk factors

Investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors are set out in Sections 1.5 and 7.2 of this Prospectus. These risks, together with other general risks applicable to all investments in quoted securities not specifically referred to, may affect the value of the Securities in the future. An investment in the Company should be considered speculative. Investors should consider these risk factors in light of personal circumstances and should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

Overseas Shareholders

This Prospectus is not, and is not intended to constitute, an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. By applying for New Securities, including by submitting the Entitlement and Acceptance Form or making a payment using BPay® you represent and warrant that there has been no breach of such laws.

The distribution of this Prospectus and accompanying Entitlement and Acceptance Form (including electronic copies) outside Australia and New Zealand may be restricted by laws and persons who come into possession of it should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liability to such persons.

No action has been taken to register or qualify this Prospectus, the New Securities or the Offer, or otherwise to permit a public offering of the New Securities, in any jurisdiction outside Australia and New Zealand.

Please refer to Sections 2.3 and 4.8 for further details of requirements applicable to certain countries in which Shareholders may reside.

United States offer restrictions

This Prospectus may not be released or distributed in the United States of America. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States of America. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States of America except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Residents of Chile

This Prospectus has not been and will not be approved or authorised by, and the Shares have not been and will not be registered with, nor will they be supervised by or bound to any information obligation to, the Comisión para el Mercado Financiero (Chilean Financial Market Commission) pursuant to Ley 18,045 de Mercado de Valores (Securities Market Law), as amended, of the Republic of Chile. Accordingly, this Prospectus may not be distributed or circulated, and the Shares may not be offered or sold, directly or indirectly, in the Republic of Chile, except in circumstances which have not resulted and will not result in a public offering or securities intermediation within the meaning of such terms under Chilean law.

Residents of Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

Residents of New Zealand

The New Securities offered to Eligible Shareholders in New Zealand under this Prospectus are offered in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). This Prospectus is not an investment statement or Prospectus under New Zealand law and may not contain all the information that an investment statement or Prospectus under New Zealand law is required to contain.

Residents of Singapore

This Prospectus has not been registered with the Monetary Authority of Singapore. This Prospectus and any other materials in connection with the offer or sale, solicitation or invitation for subscription, or purchase of New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore, other than to the following (each an Exempt Investor):

- to an 'institutional investor' under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (SFA);
- to a 'relevant person' pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and, in each case, in accordance with the conditions specified in section 275 of the SFA; or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Securities are subscribed for or purchased, and if you are an Exempt Investor, you are subject to restrictions on transferability and re-sale. The New Securities may not be transferred or re-sold in Singapore, except as permitted under the SFA. By accepting this Prospectus, you agree to be bound by the disclaimers, limitations and restrictions described herein. This Prospectus is distributed in connection with an offer of New Securities in Singapore that will not be issued to any person other than a person to whom this Prospectus is sent with the consent of the Company. A person receiving a copy of this Prospectus in Singapore may not treat the same as constituting an invitation to that person unless such an invitation could lawfully be made to them without compliance with any registration or legal requirements, or where such registration or legal requirements have been complied with.

Residents of the United Kingdom

For recipients in the UK, the content of this Prospectus has not been approved by an authorised person within the meaning of the Prospectus Directive (Directive 2003/71/EC) or as a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000 (FSMA).

If you are considering engaging in any investment activity, you should seek appropriate independent financial advice and make your own assessment. It is emphasised that this Prospectus is being provided to you in reliance upon your acknowledgement and acceptance that this Prospectus is being made to and directed solely at persons in the UK who are reasonably believed to be of a kind described in Article 19(5) (Persons having professional experience in matters relating to investment) or Article 49(2)(a)-(d) (High net worth companies, unincorporated associations, etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), and persons who are otherwise permitted by law to receive it (all such persons together being referred to as "Relevant Persons").

This Prospectus must not be acted upon or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will only be engaged in with such persons. Any recipient of this Prospectus who is not a Relevant Person should return it to Hot Chili immediately and take no other action.

This Prospectus is not a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and/or Part 6 of FSMA.

Publicly available information

Information about the Company is publicly available and can be obtained from ASIC and ASX (including ASX's website www.asx.com.au). The contents of any website or ASIC or ASX filing by the Company are not incorporated into this

Prospectus and do not constitute part of the Offer. 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 in New Securities of the Company.

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with this Prospectus.

Forward-looking statements

This Prospectus may contain forward-looking statements that have been based on current expectations about future acts, events and circumstances. Any 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.

Accepting the Offer

Applications for New Securities may only be made on an original application form as sent with this Prospectus. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Entitlement Offer. Please read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

By returning an acceptance form or lodging an acceptance form with your stockbroker or otherwise arranging for payment for your New Securities in accordance with the instructions on the form, you acknowledge that you have received and read this Prospectus, you have acted in accordance with the terms of the Offer detailed in this Prospectus and you agree to all of the terms and conditions as detailed in this Prospectus.

Defined terms

Certain capitalised terms and other terms used in this Prospectus are defined in the Glossary of defined terms in Section 11.

Currency

All references in this Prospectus to "\$", "AUD" or "dollar" are references to Australian currency unless otherwise indicated.

Reference to time

All references in this document to time relate to Western Standard Time in Perth, Western Australia.

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Key Information

Indicative timetable for Entitlement Offer

Event	Date
Announcement of Entitlement Offer	Monday, 18 May 2020
Prospectus lodged with ASIC and ASX (Appendix 3B lodged with ASX)	Monday, 18 May 2020
Ex-date (date from which Shares begin trading without the right to participate in the Entitlement Offer)	Wednesday, 20 May 2020
Record Date (to identify Shareholders entitled to participate in the Entitlement Offer)	Thursday, 21 May 2020
Prospectus and Entitlement and Acceptance Forms sent to Eligible Shareholders	Monday, 25 May 2020
Offer opens (Opening Date)	Monday, 25 May 2020
Last day to extend the Closing Date	Thursday, 4 June 2020
Offer closes (Closing Date)	Wednesday, 10 June 2020
New Shares quoted on a deferred settlement basis	Thursday, 11 June 2020
Notice to ASX of Shortfall	Monday, 15 June 2020
New Securities issued	Wednesday, 17 June 2020
Quotation of New Shares on ASX commences on normal basis	Thursday, 18 June 2020

The above dates are indicative only and may be subject to change. The Directors may vary these dates subject to any applicable requirements of the Corporations Act or the Listing Rules. The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX before the Closing Date.

Key details of Entitlement Offer

Entitlement	3 New Shares for every 20 Shares held at the Record Date plus one free-attaching New Option for every 2 New Shares issued
Offer Price	\$0.015 per New Share
Maximum number of New Shares to be issued	260,000,000 (approximately)
Maximum funds to be raised (before costs)	\$3,900,000 (approximately)
Minimum subscription	There is no minimum subscription to the Entitlement Offer

Delivery of Prospectus and Entitlement and Acceptance Forms

The Company is aware that, due to the Covid-19 pandemic, there may be significant postal delivery delays with the potential to impact on Shareholders' ability to receive and return their Prospectus and Entitlement and Acceptance Forms in time to participate in the Entitlement Offer. Shareholders who wish to participate in the Entitlement Offer, are encouraged to provide their email address to the Company's share registry to permit electronic delivery of their Entitlement and Acceptance Forms for participation in the Entitlement Offer.

If you have not provided your email address to the share registry, Automic Group, or the Company's former share registry Security Transfer Australia, or if you are unsure, to receive a copy of the Prospectus and a personalised Entitlement and Acceptance Form please contact Hot Chili's Company Secretary via admin@hotchili.net.au prior to the Closing Date of the Entitlement Offer noted above.

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)

George (Randall) Nickson
(Non-Executive Director)

Melanie Jane Leighton
(Alternate Director for Murray Black)

Company Secretary

Lloyd Alan Flint

Registered and Principal Office

First Floor
768 Canning Highway
Applecross WA 6153
Telephone: +61 8 9315 9009
Facsimile: +61 8 9315 5004
Email: admin@hotchili.net.au

Share Registry*

Automic Group
Perth Office:
Level 2, 267 St Georges Terrace, Perth WA
6000

Sydney Office:
Level 5, 126 Phillip Street, Sydney NSW 2000

Correspondence:
GPO BOX 5193, Sydney NSW 2001

Telephone:

Within Australia: 1300 288 664
Outside Australia: +61 02 9698 5414

Web: www.automicgroup.com.au

ASX Code: HCH

Website

www.hotchili.net.au

Auditors*

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

Solicitors to the Company

Jackson McDonald
Level 17, 225 St Georges Terrace
Perth WA 6000

Lead Manager

Veritas Securities Limited
Level 8, 350 Collins Street
Melbourne VIC 3000

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

1. Investment overview

1.1 Entitlement Offer

The Company invites 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, for every 2 (two) New Shares subscribed for, to raise up to approximately \$3,900,000 (before costs) (**Entitlement Offer**).

Further details of the Entitlement Offer are set out in Section 2.1.

Any New Shares not subscribed for under the Entitlement Offer will form part of the Shortfall which may be placed at the discretion of the Directors. No offer of the Shortfall is made to Eligible Shareholders under this Prospectus..

1.2 Offers of Options to Placement Participants and Lead Manager

The Company has successfully arranged the issue of 333,333,334 Shares by way of private placement to various sophisticated and professional investors in Australia and overseas (**Placement Participants**), at an issue price of \$0.015 per share, to raise \$5,000,000 (before costs) (**Placement**).

Placement Participants are entitled to 1 (one) free attaching Option, exercisable at \$0.025 on or before 20 May 2022, for every 2 (two) New Shares issued under the Placement (**Placement Options**), conditional on Shareholders approving the issue of the Placement Options (**Placement Options Offer**).

The offer of Placement Options is by invitation only to Placement Participants and is not made to the public or to Shareholders.

Further details of the Placement Options Offer are set out in Section 3.

1.3 Purpose of the Entitlement Offer

The purpose of the Entitlement Offer is to raise funds up to approximately \$3,900,000 (based on the number of Shares on issue at the Prospectus Date). These funds and the funds to be raised by the completion of the Placement (\$5,000,000), totalling up to \$8,900,000, are planned to be used as follows:

Use of funds ¹	Amount at full subscription
US\$2.0m option extension payment for the Carola Option Agreement on the Cortadera Project ²	\$3,125,000
Diamond drilling at the Cortadera Cu-Au Project in Chile	\$2,000,000
Metallurgical testwork at the Cortadera and San Antonio projects and preliminary economic assessment for a combined development	\$300,000
Delineation of maiden Cu-Au resources at the Cortadera and San Antonio Projects	\$200,000
Costs of the Offer	\$452,000

Use of funds ¹	Amount at full subscription
Working capital ³	\$2,823,000
Total	\$8,900,000

Notes:

1. If funds raised are less than full subscription, the Company will allocate those funds first towards the costs of the Offer, then to the repayment of debt, and then to working capital.
2. Exchange rate of AUD:USD \$0.64
3. Working capital includes corporate administration and operating costs and may be applied to directors' fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.

The information in this table is a statement of present intention as at the Prospectus Date. The exact amount of funds spent by the Company will depend on many factors that cannot be ascertained at this time.

On completion of the Offer and the Placement the Board believes the Company will have sufficient funds to achieve these objectives.

No funds will be raised from the issue of New Options under the Placement Options Offer or the Lead Manager Offer.

1.4 Company background

Hot Chili is one of the top ASX listed copper developers with an advanced Chilean coastal range portfolio and a resource base of 1.5Mt copper and 1Moz gold already established including the exciting and rapidly emerging Cortadera Project.

The Cortadera Project is a privately-owned, major copper-gold porphyry discovery located along the Chilean coastal range, where historical world-class discovery drill results have only recently been publicly released by Hot Chili from February 2019. On 22 February 2019, Hot Chili announced the execution of a formal Option Agreement to acquire a 100% interest in Cortadera.

Cortadera is located 14km from the Company's Productora copper project (JORC compliant Mineral Resource of 236.6Mt grading 0.48% Cu & 0.1g/t Au).

Hot Chili's recent drill holes at Cuerpo 3 (the largest of the four porphyries discovered to date) include some of the worlds' stand-out copper-gold porphyry drill results reported in recent time. The Cuerpo 3 porphyry remains open to the north, south and at depth. Significant intersections reported by Hot Chili since July 2019 include:

- 972m grading 0.5% copper and 0.2g/t gold from surface (including 412m grading 0.7% copper and 0.3g/t gold);
- 750m grading 0.6% copper and 0.2g/t gold from 204m down-hole depth (including 188m grading 0.9% copper and 0.4g/t gold);
- 848m grading 0.4% copper and 0.2g/t gold from 112m down-hole depth (including 184m grading 0.7% copper and 0.3g/t gold);
- 864m grading 0.4% copper and 0.1g/t gold from 62m down-hole depth (including 348m grading 0.6% copper and 0.2g/t gold);
- 649m grading 0.4% copper and 0.1g/t gold from 328m down-hole depth (including 440m grading 0.5% copper and 0.2g/t gold);

- 596m grading 0.5% copper and 0.2g/t gold from 328m down-hole depth (including 184m grading 0.7% copper and 0.3g/t gold); and
- 542m grading 0.5% copper and 0.2g/t gold from 422m down-hole depth, (including 218m grading 0.7% copper and 0.2g/t gold).

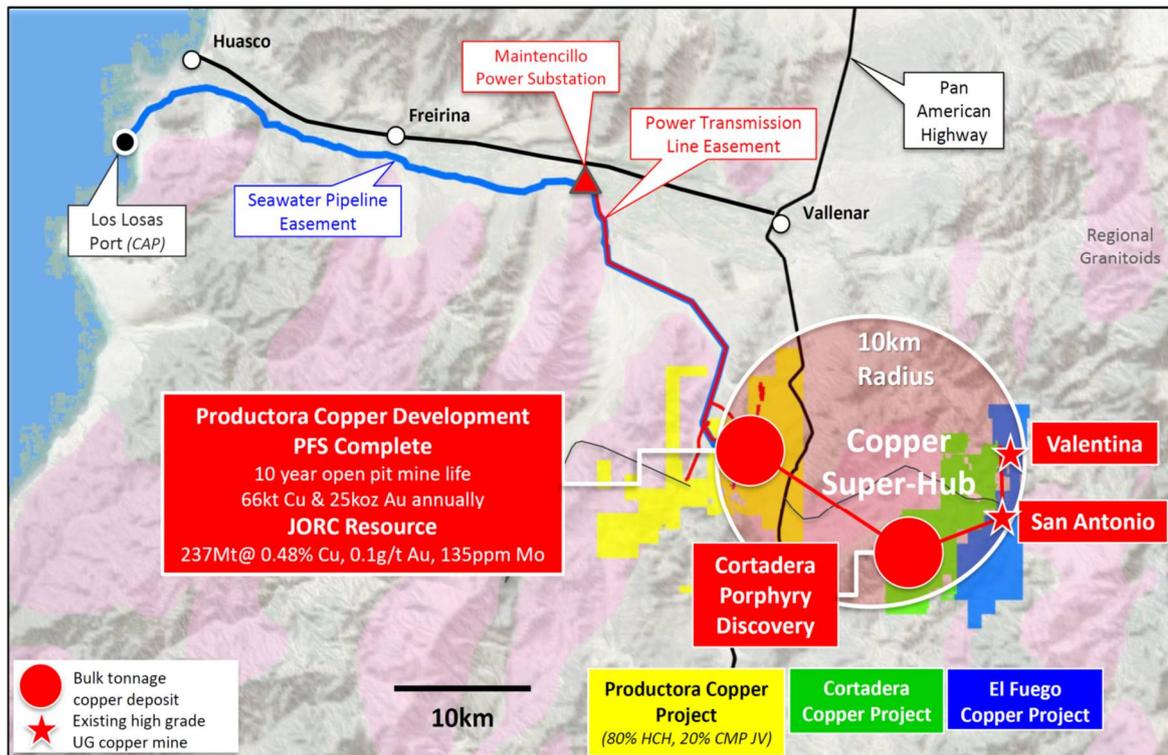


Figure 1 Location of Productora and the Cortadera discovery in relation to the consolidation of new growth projects and coastal range infrastructure

Cortadera is shaping up as a globally significant standalone copper-gold project which can utilise the Productora project resources, and leverage from a central processing and combined infrastructure approach along the coastline of Chile.

The Company's recent discovery and definition of a higher-grade bulk tonnage underground development opportunity in combination with shallow, high grade bulk tonnage open pit sources - places Cortadera in a unique position amongst potential large-scale global copper-gold developments.

Given the shortage of new large copper supply from low-risk, stable mining jurisdictions, Hot Chili is now well positioned to establish itself in 2020 as a premier ASX-listed copper developer.

Hot Chili plans to be in a position to release a large initial resource estimate and robust view of Cortadera's potential magnitude this year in addition to continuing to rapidly expand the discovery towards a Tier 1 status with further drilling.

Note:

The information in this Section 1.4 referring to exploration results is taken from the Company's announcements to ASX dated 20 March 2020 entitled '*Another Record Step-Out Drill Result at Cortadera*'. The announcement contains information relating to the reporting of exploration results, data and sampling techniques in accordance with the requirements of the JORC Code. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcements.

1.5 Key risks

In addition to risks specific to the Company as described in detail in Section 7, the risks set out below 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 securities.

Risk	Description
Funding to maintain and exercise Cortadera option	The Company's right to explore the concessions comprising the Cortadera Project is held via an option agreement pursuant to which the Company's subsidiary, Frontera, may acquire the concessions from the owner, SCM Carola. To maintain Frontera's rights under the option and acquire 100% of the Cortadera concessions, following a payment of US\$2 million to extend the option term from funds raised under the Placement and the Offer, the Company must make further payments of US\$10 million in mid-July 2021 and US\$15 million in mid-July 2022. The Company will need to raise further funds to make these payments in order to maintain and exercise the option. If the Company is unable to raise sufficient funds at the relevant time(s), Frontera may lose its rights to explore and/or acquire the Cortadera Project, which would have a material adverse effect on the Company's activities, financial position and value of the Company's assets.
Operational risk associated with Covid-19	The Company has suspended drilling and other operational activities at the Cortadera Project during the current Covid-19 pandemic for the safety of its personnel. The Company anticipates that it will be in a position to resume drilling and other operational activities within coming weeks, however the date by which drilling activities will resume has yet to be determined. There is a risk that the recommencement of drilling and other operational activities might be affected or delayed by reason of Chilean government requirements for the health and safety of personnel in relation to Covid-19. Any prolonged delay to the resumption of drilling activities might have a material adverse effect on the Company.
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 right at some time in the future.

Risk	Description
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.
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 the amounts raised pursuant to the Offer and 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.
Market volatility	The price at which the Shares may trade may be affected by market sentiment arising from factors including changes in interest rates and economic conditions and movements in the Australian and international financial markets.

Risk	Description
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.

1.6 The Board

- Murray Edward Black (Non-Executive Chairman)
- Christian Ervin Easterday (Managing Director)
- Allan Trench (Non-Executive Director)
- Michael Anderson (Non-Executive Director)
- Roberto de Andraca Adriasola (Non-Executive Director)
- George (Randall) Nickson (Non-Executive Director)
- Melanie Jane Leighton (Alternate Director for Murray Black)

2. Details of the Entitlement Offer

2.1 The Entitlement Offer

The Company is making a non-renounceable pro rata offer of Shares (**New Shares**) to Eligible Shareholders (**Entitlement Offer**).

Eligible Shareholders will be entitled to apply for 3 (three) New Shares for every 20 Shares held at 5.00pm (WST) on the Record Date, at 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 for every 2 (two) New Shares subscribed for (**New Options**). The issue price is payable in full on application.

As at the Prospectus Date the Company has 1,738,533,112 Shares, 80,095 Convertible Notes and 96,666,667 unlisted Options of various expiration dates on issue.

Based on the number of Shares expected to be on issue on the Record Date, up to 260,729,966 New Shares and up to 130,389,983 New Options will be offered under the Entitlement Offer, raising up to \$3,911,699 before costs of the Entitlement Offer.

The purpose of the Entitlement Offer and the intended use of the funds raised is set out in Section 1.3.

Information about how to accept your Entitlement and apply for the New Securities is set out in Section 4.

2.2 Non-renounceable offer

The Entitlement Offer is non-renounceable. Eligible Shareholders are not able to sell or transfer their Entitlements. Any Entitlements not taken up by Eligible Shareholders will lapse and the corresponding New Shares will form part of the Shortfall.

2.3 Entitlements and eligibility

The Offer is made to Eligible Shareholders only.

Eligible Shareholders are those Shareholders who are registered as the holder of Shares at 5.00pm (WST) on Thursday, 21 May 2020 (**Record Date**) and who:

- (a) have a registered address listed on the Company's share register in Australia, New Zealand, Chile, Hong Kong, Singapore or the United Kingdom;
- (b) are not in the United States and are not a US person or acting for the account or benefit of a person in the United States or a US person; and
- (c) are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

The Entitlement Offer is not extended to Shareholders who are not Eligible Shareholders.

Eligible Shareholders resident in New Zealand, Chile, Hong Kong, Singapore and the United Kingdom should take into account the foreign investment restrictions set out in the "Important Information" section at the beginning of this Prospectus.

The number of New Shares to which you are entitled is shown on your Entitlement and Acceptance Form accompanying this Prospectus.

Where the determination of the Entitlements of any Eligible Shareholder results in a fraction of a New Share, such fractions will be rounded to the nearest whole New Share, except where there is a half cent, in which case fractions will be rounded down.

Where the Entitlement to New Shares is an odd number, the number of New Options forming the Entitlement will be determined by the number of Shares rounded down to next even number.

To apply for New Shares under the Entitlement Offer, you must complete your Entitlement and Acceptance Form and lodge it with payment for the New Shares, or make a payment by the BPay® facility, by no later than 5.00pm (WST) on the Closing Date. Please see Section 4 for further information about accepting the Entitlement Offer.

Your right to participate in the Entitlement Offer will lapse if you do not accept your Entitlement by the Closing Date. Any New Shares not applied for will form part of the Shortfall.

The Company reserves the right (in its sole discretion) to:

- (d) reject any application that it believes comes from a person who is not an Eligible Shareholder; and
- (e) reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claim to be entitled to participate in the Entitlement Offer proves to be false, exaggerated or unsubstantiated.

The Directors reserve the right not to proceed with the whole or any part of the Entitlement Offer at any time prior to the allotment of New Shares. In that event, relevant Application Monies will be refunded without interest.

2.4 Excluded Shareholders

Shareholders who do not meet the criteria to participate in the Entitlement Offer are Excluded Shareholders. Excluded Shareholders are not entitled to participate in the Entitlement Offer to subscribe for New Shares.

Refer to Section 4.8 for further details.

2.5 Opening Date and Closing Date

The Offer will open for receipt of Applications on Monday, 25 May 2020 (**Opening Date**) and will close at 5.00pm (WST) on Wednesday, 10 June 2020 (**Closing Date**). Subject to compliance with the ASX Listing Rules (as relevant), the Company reserves the right to close the Offer early or to extend the Closing Date.

2.6 No minimum subscription

There is no minimum subscription to the Offer.

2.7 No underwriting

The Entitlement Offer is not underwritten.

2.8 Lead Manager

The Company has appointed Veritas Securities Limited as lead manager (**Lead Manager**) to the Offer and the Placement pursuant to a Lead Manager Engagement Agreement (**Lead Manager Engagement Agreement**).

Refer to Section 9.3 for services to be performed by the Lead Manager and the fees payable to the Lead Manager under the Lead Manager Engagement Agreement.

2.9 Rights and liabilities attaching to New Securities

The New Shares issued under this Prospectus and upon the exercise of New Options will be fully paid Shares and will rank equally in all respects with existing Shares. Refer to Section 6.1 for a summary of the rights and liabilities attaching to Shares.

Each New Option will be exercisable at \$0.025 on or before 20 May 2022. Refer to Section 6.2 for the terms and conditions of the New Options.

2.10 Shortfall

Any New Securities not applied for under the Entitlement Offer will form the Shortfall. Shortfall Securities may be placed at the Directors' discretion.

The Shortfall is not offered to any Eligible Shareholder or other investor pursuant to this Prospectus.

The Directors propose and reserve the right to allocate Shortfall Securities to sophisticated and professional investors as defined in sections 708(8), 708(10) and 708(11) of the Corporations Act, subject to the Listing Rules and any restrictions under applicable law, within 3 months of the close of the Entitlement Offer. The Directors will have discretion as to how to allocate all or any of the Shortfall.

The Directors will not allocate the Shortfall to the extent that the recipient's voting power in the Company on issue of Shortfall Securities would exceed 20%.

As at the Prospectus Date the Directors propose to allocate any Shortfall to new investors only having regard to the best interests of the Company, and the Company's desire to maximise the amount of funds raised from new investors and increase the institutional Shareholder base of the Company.

3. Details of the Placement Options Offer and Lead Manager Offer

3.1 Placement Options Offer

(a) Description

The Company proposes to issue 333,333,334 Shares (**Placement Shares**) to various sophisticated and professional investors in Australia and overseas (**Placement Participants**), at an issue price of \$0.015 per Placement Share, to raise \$5,000,000 (before costs) (**Placement**). The Placement has been arranged and managed by the Lead Manager. None of the Placement Participants are Related Parties of the Company.

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

The Placement is proposed to be conducted as follows:

- (i) the issue of 333,333,334 Placement Shares to Placement Participants utilising the Company's placement capacity under Listing Rules 7.1 and 7.1A; and
- (ii) the issue of 166,666,667 Placement Options to all Placement Participants subject to Shareholder approval at the upcoming general meeting of the Company for the purposes of Listing Rules 7.1 and 10.11.

As at the Prospectus Date, the Placement Securities to be issued under the Placement have not been issued.

Placement Shares are intended to be issued to Placement Participants on or about 22 May 2020.

Placement Options to be issued Placement Participants are intended to be issued after Shareholder approval for their issue has been obtained at the General Meeting, anticipated to be held on or about 24 June 2020.

Details of the proposed use of funds raised from the Offer and the Placement are set out in Section 1.3.

(b) Purpose

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

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

(c) Terms and conditions

The issue of the Placement Options under the Placement Options Offer is conditional upon the Company obtaining Shareholder approval for the issue of the Placement Options pursuant to Listing Rule 7.1 (and any other applicable Corporations Act or Listing Rule provisions) at the General Meeting.

Full terms and conditions attaching to the Placement Options are set out in Section 6.2.

(d) **No minimum subscription**

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

(e) **No underwriting**

The Placement Options Offer is not underwritten.

3.2 Lead Manager Offer

(a) **Description and purpose**

The Lead Manager Offer made by this Prospectus invites the Lead Manager (or its nominees) to subscribe for 50,000,000 New Options, at an issue per Option of nil, pursuant to the terms of the Lead Manager Engagement Agreement.

The primary purpose of offering the New Options under the Lead Manager Offer is for the Company to fulfil its obligation to the Lead Manager to offer and issue the Lead Manager Options to the Lead Manager (or its nominees) as part of the fee for the services provided by the Lead Manager in managing the Offer and the Placement.

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

(b) **Terms and conditions**

The issue of the Lead Manager Options is conditional upon the Company obtaining Shareholder approval for the issue of the Lead Manager Options pursuant to Listing Rule 7.1 (and any other applicable Corporations Act or Listing Rule provisions) at the General Meeting.

Full terms and conditions attaching to the Lead Manager Options are set out in Section 6.2.

(c) **Minimum subscription**

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

(d) **Underwriting**

The Lead Manager Offer is not underwritten.

4. Accepting the Entitlement Offer

4.1 Eligible Shareholders' options

If you are an Eligible Shareholder your Entitlement to New Securities is shown on the accompanying Entitlement and Acceptance Form. Before taking any action in relation to the Entitlement Offer, you should read this Prospectus in its entirety and if required seek professional advice from your accountant, stockbroker or other professional adviser.

You will be sent more than one personalised Entitlement and Acceptance Form if you have more than one holding of Shares. You need to complete each Entitlement and Acceptance Form and make payment of the applicable Application Money for each separate holding.

Options	Action
Take up all or part of your Entitlement	<p>Please follow the instructions in Section 4.2 of this Prospectus and on the Entitlement and Acceptance Form and to accept all or part of your Entitlement.</p> <p>For Australian Eligible Shareholders - make payment for the applicable amount of Application Money (for the number of New Securities you wish to apply for) using BPAY® so that it is received by the Closing Date. If you use BPAY® you do not need to complete and return the Entitlement and Acceptance Form.</p> <p>For international Eligible Shareholders - complete and return the Entitlement and Acceptance Form together with a confirmation of electronic funds transfer for the Application Money as per the details on the Entitlement and Acceptance Form (for the number of New Securities you wish to apply for) so that it is received by the Closing Date.</p> <p>If you only take up part of your Entitlement, the balance of your Entitlement will lapse and form the Shortfall.</p>
Do nothing	<p>You do not need to take any action if you do not wish to accept any of your Entitlements.</p> <p>If you do nothing then your Entitlement will lapse. The New Securities not applied for will form part of the Shortfall.</p>

4.2 Accepting your Entitlement in full or in part

If you wish to accept your Entitlement in full or in part, either:

- (a) **for Australian Eligible Shareholders** - make a payment through the BPay® facility for the number of New Securities you wish to apply for in accordance with the instructions on the Entitlement and Acceptance Form (refer to Section 4.3 for further information); or
- (b) **for international Eligible Shareholders** - complete the Entitlement and Acceptance Form for the number of New Securities you wish to apply for in accordance with the instructions on the form. Return your completed form together with a confirmation of electronic funds transfer for the Application Money to the Company's Share Registry (refer to Section 4.4 for further information).

Your BPay® payment or your electronic funds transfer with an Entitlement and Acceptance Form must be received by no later than 5.00pm (WST) on the Closing Date.

If you do not accept all of your Entitlement, then the balance of your Entitlement will lapse and the New Securities that are not subscribed for will form part of the Shortfall.

If you do not take up all of your Entitlement, then your percentage shareholding in the Company will reduce.

4.3 Payment by BPay®

Payment by BPay® should be made according to the instructions set out on the Entitlement and Acceptance Form using the BPay® Biller Code and Customer Reference Number shown on the form. You can only make a payment via BPay® if you are a holder of an account with an Australian financial institution that supports BPay® transactions.

The reference number shown on each Entitlement and Acceptance Form (**Reference Number**) is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the relevant Reference Number to pay for each holding separately. Failure to do so may result in an underpayment. If you pay by BPay® and do not pay for your full Entitlement, the remaining Entitlement will form part of the Shortfall.

If you pay by BPay®:

- (a) you do not need to return the Entitlement and Acceptance Form but are taken to have made the declarations on that form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of New Securities which is covered by your Application Monies.

You must ensure that your completed Entitlement and Acceptance Form(s) or payment by BPay® is received by 5.00pm (WST) on the Closing Date. Your financial institution may implement cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. The Company is not responsible for any postal or delivery delays or delay in the receipt of BPay® payment.

4.4 Lodging your Entitlement and Acceptance Form

Unless you are making payment by BPay®, completed Entitlement and Acceptance Forms and accompanying electronic funds transfer confirmations of Application Monies must be **emailed to corporate.actions@automicgroup.com.au** or delivered to:

By hand delivery:

Hot Chili Limited

c/- Automic Group
Perth Office
Level 2
267 St Georges Terrace
Perth WA 6000

By post:

Hot Chili Limited

c/- Automic Group
GPO Box 5193
Sydney NSW 2001

Your completed Entitlement and Acceptance Form and funds transfer confirmation must reach the Share Registry no later than 5.00pm (WST) on the Closing Date.

The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Securities. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Company's decision as to

whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

4.5 Issue of New Securities and ASX quotation of New Shares

New Securities under the Offer are expected to be issued and Holding Statements despatched as soon as practicable after the Closing Date, in accordance with the ASX Listing Rules and the timetable set out on page iv. New Securities issued under the Shortfall will be issued on a progressive basis. No issue of Securities will be made until ASX grants permission for quotation of the New Shares.

Application for official quotation on ASX of the New Shares issued pursuant to this Prospectus will be made within 7 days after the Prospectus Date. The fact that ASX may agree to grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. If permission for quotation is not granted by ASX within 3 months after the Prospectus Date, the New Shares will not be allotted and Application Monies will be refunded (without interest) as soon as practicable.

It is your responsibility to determine your holdings before trading in Securities. Any person who sells Securities before receiving confirmation of their holding will do so at their own risk.

The Directors reserve the right not to proceed with the whole or any part of the Offer at any time before the allotment of New Securities. In that event, relevant Application Monies will be refunded without interest.

4.6 No brokerage

No investor will pay brokerage as a subscriber for New Securities under the Offer.

4.7 Holding of Application Monies

Application Monies will be held in a trust account until the New Securities are issued.

The trust account established by the Company for this purpose will be solely used for handling Application Monies.

Any interest earned on Application Monies will be for the benefit of, and will remain the sole property of, the Company, and will be retained by the Company whether or not the allotment and issue of New Securities takes place.

Applications and Application Monies may not be withdrawn once they have been received by the Company.

4.8 Excluded Shareholders

The Entitlement Offer is not made to Shareholders who on the Record Date have a registered address outside Australia, New Zealand, Chile, Hong Kong, Singapore and the United Kingdom (**Excluded Shareholders**). Neither the Prospectus nor the Entitlement and Acceptance Form constitutes an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The Company has made this decision taking into account the number of Shareholders located outside of Australia, New Zealand, Chile, Hong Kong, Singapore and the United Kingdom, the number and value of New Securities to which those Shareholders

would otherwise be entitled and the potential cost of complying with the legal requirements and regulatory requirements in those overseas jurisdictions.

New Securities that would have been offered under the Entitlement Offer to Excluded Shareholders, had they been entitled to participate in the Entitlement Offer, will form part of the Shortfall.

The Entitlement Offer made to Eligible Shareholders with an address in New Zealand is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). The New Securities are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand. This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

The Entitlement Offer is made to all Eligible Shareholders. The Company is not required to determine whether or not any registered Eligible Shareholder is holding Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) or the identity or residence of any beneficial owners of Shares. Any Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia and New Zealand are responsible for ensuring that any dealing with New Securities issued under the Entitlement Offer do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlements or the distribution of this Prospectus or the Entitlement and Acceptance Form.

The distribution of this Prospectus and accompanying application (including electronic copies) outside Australia or New Zealand may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

4.9 Privacy and enquiries

If you apply for New Securities you will be providing personal information to the Company and the Share Registry. The Company and the Share Registry collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request, carry out appropriate administration and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the Privacy Act (as amended), the Corporations Act and certain rules of ASX. If you do not provide the information required on the Entitlement and Acceptance Form or Shortfall Application Form (as applicable), the Company may not be able to accept or process your Application.

Under the Privacy Act, you may request access to your personal information held by, or on behalf of, the Company or the Share Registry. You can request access to your personal information by writing to the Company through the Share Registry at:

Automic Group

Phone number: 1300 288 664 (within Australia) or +61 (0)2 9698 5414 (international)

5. Effect of the Offer and the Placement

5.1 Principal effect of the Offer and the Placement on the Company

The principal effects of the Offer and the Placement, assuming all Placement Shares are placed, and the Offer is fully subscribed, will be to:

- (a) increase the number of Shares on issue from 1,738,533,112 Shares as at the Prospectus Date to 2,332,646,412 Shares;
- (b) increase the number of Options on issue from 96,666,667 as at the Prospectus Date to 374,056,650 Options; and
- (c) increase cash reserves by up to approximately \$8.45 million immediately after completion of the Placement, the Offer and payment of the costs and expenses set out in Section 1.3, including the estimated expenses of the Offer.

5.2 Effect on capital structure

The capital structure of the Company following completion of the Placement and the Offer (assuming the Offer is fully subscribed) is set out below:

Shares	Full subscription
Shares on issue at the Prospectus Date	1,738,533,112
Maximum number of New Shares issued under the Entitlement Offer and placement of Shortfall	260,779,966
Total Shares on issue at completion of the Offer and placement of Shortfall	1,999,313,078
Placement Shares issued under the Placement	333,333,334
Total Shares on issue at completion of the Offer and Placement	2,332,646,412
Options	
Options on issue at the Prospectus Date ¹	96,666,667
Maximum number of New Options issued under the Entitlement Offer and placement of Shortfall	130,389,983
Total Options on issue at completion of the Offer and placement of Shortfall²	157,389,983
New Options issued under the Placement	166,666,667
New Options issued to Lead Manager	50,000,000
Total Options on issue at completion of the Offer and Placement	374,056,650
Other Securities	
Convertible Notes ³	80,095

Notes:

1. All of the Options the Company currently has on issue are unquoted. These Options comprise:

- (a) 69,666,667 Options exercisable at \$0.10 each on or before 31 May 2020;
 - (b) 12,000,000 Options exercisable at \$0.07 each on or before 19 December 2021; and
 - (c) 15,000,000 Options exercisable at \$0.10 each on or before 15 November 2021.
2. Assumes 69,666,667 existing Options will expire unexercised on 31 May 2020.
 3. 80,095 unsecured Convertible Notes with a face value of \$100 each.

5.3 Pro forma statement of financial position

Set out below is:

- (a) the reviewed consolidated statement of financial position of the Company as at 31 December 2019; and
- (b) the unaudited pro forma consolidated statement of financial position of the Company as at 31 December 2019 incorporating the effect of the Placement, the Offer, the Placement Options Offer and the Lead Manager Offer at full subscription.

The unaudited pro forma consolidated statement of financial position has been derived from the financial statements of the Company and adjusted to reflect pro forma assets and liabilities of the Company as if completion of the Offer, the Placement Options Offer and the Lead Manager Offer had occurred by 31 December 2019. The historical and pro-forma information is presented in an abbreviated form. It does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

The pro forma statement of financial position has been prepared on the basis that there are no material movements in the assets and liabilities of the Company between 31 December 2019 and the completion of the Offer, the Placement Options Offer and the Lead Manager Offer except for:

- at 100% subscription to the Entitlement Offer, the issue of 260,729,966 New Shares at \$0.015 each and 130,389,983 New Options, thereby raising up to \$3,900,000 of capital pursuant to the Prospectus;
- alternatively, at 50% subscription to the Entitlement Offer, the issue of 130,364,983 New Shares at \$0.015 each and 65,182,491 New Options, thereby raising up to \$1,950,000 of capital pursuant to the Prospectus;
- the issue of 333,333,334 Shares and 166,666,667 New Options under the Placement to raise \$5,000,000; and
- costs of the Offer and the Placement will be approximately \$413,000 (at 50% subscription to the Offer) and approximately \$452,000 (at 100% subscription to the Offer).

The unaudited consolidated pro forma statement of financial position has been prepared on the basis that there are no material movements in the assets and liabilities of the Company between 31 December 2019 and the completion of the Offer, the Placement Options Offer and the Lead Manager Offer except for those noted above.

No allowance has been made for expenditure incurred in the normal course of business from 31 December 2019 to the Closing Date.

Consolidated Pro Forma Statement of Financial Position

	Notes	Consolidated	50% Subscription to Offer		100% Subscription to Offer	
		(reviewed) 31/12/2019	Pro-forma Adjustments	Proforma after Issue	Pro-forma Adjustments	Pro-forma after Issue
		\$	\$	\$	\$	\$
CURRENT ASSETS						
Cash and cash equivalents	1	4,407,459	6,537,000	10,944,459	8,448,000	12,855,459
Other current assets		7,570		7,570		7,570
TOTAL CURRENT ASSETS		4,415,029		10,952,029		12,863,029
NON-CURRENT ASSETS						
Property, plant & equipment		140,214		140,214		140,214
Exploration and evaluation expenditure		125,105,221		125,105,221		125,105,221
TOTAL NON-CURRENT ASSETS		125,245,435		125,245,435		125,245,435
TOTAL ASSETS		129,660,464		136,197,464		138,108,464
CURRENT LIABILITIES						
Trade and other payables		4,027,161		4,027,161		4,027,161
Derivative financial statements		6,406,151		6,406,151		6,406,151
TOTAL CURRENT LIABILITIES		10,433,312		10,433,312		10,433,312
NON CURRENT LIABILITIES						
Borrowings		4,340,574		4,340,574		4,340,574
TOTAL NON CURRENT LIABILITIES		4,340,574		4,340,574		4,340,574
TOTAL LIABILITIES		14,773,886		14,773,886		14,773,886
NET ASSETS		114,886,578		121,423,578		123,334,578
EQUITY						
Contributed equity	2	150,000,655	6,537,000	156,537,655	8,448,000	158,448,655
Reserves		183,952		183,952		183,952
Accumulated losses		(54,424,221)		(54,424,221)		(54,424,221)
Capital and reserves attributable to owners of Company		95,760,386		102,297,386		104,208,386
Non-controlling interests		19,126,192		19,126,192		19,126,192
TOTAL EQUITY		114,886,578		121,423,578		123,334,578

Notes

1.	Cash and cash equivalents	31/12/2019 (reviewed)	50% Subscription to Offer	100% Subscription to Offer
		\$	\$	\$
	Adjustments to arise at the pro-forma balance:			
	Audited balance of Company at 31 December 2019	4,407,459	4,407,459	4,407,459
	Pro-forma adjustments			
	Cash raised from the Offer	-	6,950,000	8,900,000
	Costs of the Offer		(413,000)	(452,000)
	Pro-forma balance after issue		10,944,459	12,855,459

2.	Contributed equity	31/12/2019 (reviewed)	50% Subscription to Offer	100% Subscription to Offer
		\$	\$	\$
	Adjustments to arise at the pro-forma balance:			\$
	Fully paid ordinary share capital of Company as at 31 December 2019	150,000,655	150,000,655	150,000,655
	Pro-forma adjustments:			
	Cash raised from the Offer	-	6,950,000	8,900,000
	Costs of the Offer		(413,000)	(452,000)
	Pro-forma balance		156,537,655	158,448,655

5.4 Details of substantial Shareholders

The current relevant interests of the substantial Shareholders (persons who have informed the Company that they have a relevant interest in 5% or more of the total Shares on issue) as at the Prospectus Date, are as follows:

Substantial Shareholder (includes associated entities)	Number of Shares held	% of total Shares on issue
Taurus	218,957,618	12.59%
Murray Black*	153,154,734	8.81%
Total	372,112,352	21.4%

*Murray Black has an indirect relevant interest in the following entities' shareholdings in the Company, as follows:

- Kalgoorlie Auto Service Pty Ltd (16,750,000 Shares) - Mr Black is the sole director and controlling shareholder of this entity.
- Blue Spec Sondajes Chile SpA (35,357,322 Shares) – Mr Black is a sole administrator and controller of 20% of this entity's shares. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.
- Blue Spec Drilling (101,047,412 Shares) - Mr Black is a director and controller of 25% of the shares in this entity. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.

5.5 Effect of the Placement and the Offer on control of the Company

As at the Prospectus Date, the Company has 1,738,533,112 Shares on issue.

The potential change to the voting power of each of the substantial Shareholders as a result of the Placement and the Entitlement Offer is set out in the table below.

If all of the Entitlements are accepted there will be no change to the percentage shareholding interests of the substantial Shareholders on completion of the Offer other than as a result of completion of the Placement. If only part of the Entitlements are accepted then there may be a change to the percentage shareholding interest of the substantial Shareholders on completion of the Offer.

The interests of the substantial Shareholders will be reduced as a result of completion of the issue of 333,333,334 New Shares under the Placement before completion of the Offer.

Name	Percentage of total Shares as at Prospectus Date	Percentage of total Shares after completion of the Placement and the Offer (voting power)		
		100% take up	50% take up	0% take up
Taurus	12.59%	9.5%	10.0%	10.6%
Murray Black & Associates	8.81%	6.6%	7.0%	7.4%

Note:

- Assumes that no Options are exercised or Convertible Notes are converted.
- Assumes the issue of 333,333,334 New Shares under the Placement. The substantial Shareholders will not participate in the Placement.

In the table above:

- (a) the percentage voting power at completion of the Entitlement Offer and the Placement is calculated on the basis that the relevant substantial Shareholder takes up its Entitlement and that other New Shares offered under the Entitlement Offer are taken up by other Eligible Shareholders at the specified levels and that the Placement is completed;
- (b) “100% take up” assumes that the relevant substantial Shareholder takes up all of its Entitlement and all other Eligible Shareholders take up 100% of their Entitlements;
- (c) “50% take up” assumes that the relevant substantial Shareholder takes up all of its Entitlement and all other Eligible Shareholders take up 50% of their Entitlements; and
- (d) “0% take up” assumes that the relevant substantial Shareholder takes up all of its Entitlement and all other Eligible Shareholders take up 0% of their Entitlements.

If all of the Eligible Shareholders under the Entitlement Offer accept their Entitlements in full, then the Entitlement Offer will have no effect on the control of the Company.

5.6 Effects of the Placement and the Offer on activities of the Company

The issue of New Shares under the Placement and the Offer will provide funds for the purposes set out in Section 1.3.

Following completion of the Placement and the Offer, the Company intends to:

- (a) pay US\$2,000,000 to SCM Carola as a 12-month extension fee for the acquisition of Cortadera;
- (b) re-commence drilling activities at the Cortadera copper project;
- (c) complete a first resource estimate for the Cortadera and San Antonio copper projects;
- (d) complete metallurgical test-work and a preliminary economic assessment for a combined large development, and
- (e) execute a formal agreement with Chilean government agency ENAMI to enable first production and revenue from Productora in 2020.

6. Rights and liabilities attaching to Securities

6.1 Rights and liabilities attaching to Shares

The New Shares issued under this Prospectus will be fully paid ordinary shares in the capital of the Company and will rank equally with the Existing Shares.

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the Shares. 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 common law. The Constitution is available for inspection free of charge at the Company's registered office.

- (a) **Share capital:** All issued Shares rank equally in all respects.
- (b) **Voting rights:** At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing share (i.e. partly paid) held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share. Where there is an equality of votes, the chairperson has a casting vote.
- (c) **Dividend rights:** Subject to the Corporations Act, the ASX Listing Rules and any right of persons entitled to shares with special rights to dividends (at present there are none), all dividends as declared by the Directors are to be payable on all such shares 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 dividends is paid, unless the share is issued on terms providing to the contrary.
- (d) **Payment of dividends:** Dividends are payable out of the assets of the Company in accordance with section 254T of the Corporations Act and as determined by the Directors, which shall be conclusive. 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.
- (e) **Rights on winding-up:** Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of Shares, a liquidator may on winding-up of the Company, 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 any 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.
- (f) **Transfer of Shares:** Subject to the Constitution, Shares may be transferred by:
 - (i) a proper ASX Settlement transfer or any other method of transferring or dealing in shares introduced by the ASX or operated in accordance with the ASX Settlement Rules or the Listing Rules as recognised under the Corporations Act; or
 - (ii) an instrument in writing in any usual or common form or in any other form that the Directors, in their absolute discretion, approve from time to time.

- (g) **Refusal to transfer Shares:** The Directors may refuse to register a transfer of Shares (other than a proper ASX Settlement transfer) only where:
 - (i) the law permits it;
 - (ii) the law requires it; or
 - (iii) the transfer is a transfer of restricted securities (as defined in Listing Rule 19.12) which is, or might be, in breach of the Listing Rules or any escrow agreement entered into by the Company in respect of those restricted securities.
- (h) **Further increases in capital:** Subject to the Constitution, the Corporations Act and the ASX Listing Rules:
 - (i) 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, and on such terms, as the Directors determine; and
 - (ii) the Directors have the right to grant options to subscribe for Shares, to any person, for any consideration.
- (i) **Variation of rights attaching to shares:** The rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only 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.
- (j) **General meeting:** Each holder of Shares will be entitled to receive notice of, and 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 Constitution, the Corporations Act and the ASX Listing Rules.

6.2 Terms and conditions of New Options

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

Each New Option will be issued on the following terms:

- (a) **Entitlement:** Each Option entitles the holder (**Option Holder**) to subscribe for one fully paid ordinary Share.
- (b) **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an Option.
- (c) **Exercise price:** The exercise price of each Option is \$0.025 (**Exercise Price**).
- (d) **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.
- (e) **Certificate or Holding Statement:** The Company must give the Option Holder a certificate or Holding Statement stating:
 - (i) the number of Options issued to the Option Holder;

- (ii) the Exercise Price of the Options; and
 - (iii) the date of issue of the Options.
- (f) **Transfer:**
 - (i) The Options are transferable, subject to applicable law.
 - (ii) Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:
 - A. a proper ASTC regulated transfer (as defined in the Corporations Act) or any other method permitted by the Corporations Act; or
 - B. a prescribed instrument of transfer.
 - (iii) An instrument of transfer of an Option must be:
 - A. in writing;
 - B. in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
 - C. subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
 - D. delivered to the Company, at the place where the Company's register of option holders is kept, together with the certificate (if any) of the 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.
- (g) **Quotation of Options:** The Company will not apply to ASX for Official Quotation of Options.
- (h) **Quotation of Shares:** The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Options.
- (i) **New issues:** The Option Holder is not entitled to participate in any new issue to Shareholders of Securities in the Company unless it has exercised its 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 an Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which an Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised an Option before the record date for determining entitlements to the issue.
- (k) **Reorganisation:** If there is a reorganisation (including consolidation, subdivision, 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.

- (l) 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.
- (m) 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.
- (n) **Exercise of Options:**
 - (i) To exercise 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 Options being exercised and Shares to be issued;
 - B. payment of the Exercise Price for the Shares, the subject of the Exercise Notice, by any means of payment approved by the Company; and
 - C. any certificate for the Options.
 - (ii) 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.
 - (iii) Options will be deemed to have been exercised on the date the Exercise Notice and Exercise Price are received by the Company.
 - (iv) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:
 - A. the Option Holder must surrender their Option certificate (if any); and
 - B. 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.
- (o) **Issue of Shares on exercise of Options:**
 - (i) 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.
 - (ii) 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.
- (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.

7. Risk factors

7.1 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.

Prior to deciding whether to take up their Entitlements, Shareholders 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 New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Shareholders should consider the risk factors set out in Sections 7.2 and 7.3 below which the Directors believe represent some of the key, specific and general risks that Shareholders should be aware of when evaluating the Company and deciding whether to increase their shareholding in the Company. These risk factors are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed.

7.2 Key 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) Funding to maintain and exercise Cortadera option

The Company's right to explore the concessions comprising the Cortadera Project is held via an option agreement pursuant to which the Company's subsidiary, Frontera, may acquire the concessions from the owner SCM Carola. To maintain Frontera's rights under the option and acquire 100% of the Cortadera concessions, following a payment of US\$2 million to extend the option term from funds raised under the Placement and the Offer, the Company must make further payments of US\$10 million in mid-July 2021 and US\$15 million in mid-July 2022. The Company will need to raise further funds to make these payments in order to maintain and exercise the option. If the Company is unable to raise sufficient funds at the relevant time(s), Frontera may lose its rights to explore and/or acquire the Cortadera Project, which would have a material adverse effect on the Company's activities, financial position and value of the Company's assets.

(b) Operational risk associated with Covid-19

The Company has suspended drilling and other operational activities at the Cortadera Project during the current Covid-19 pandemic for the safety of its personnel. The Company anticipates that it will be in a position to resume drilling and other operational activities within coming weeks, however the date by which drilling activities will resume has yet to be determined. There is a risk that the recommencement of drilling and other operational activities might be affected or delayed by reason of Chilean government requirements for the health and safety of personnel in relation to Covid-19. Any prolonged delay to the resumption of drilling activities might have a material adverse effect on the Company.

(c) **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.

(d) **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.

(e) **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.

(f) **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.

(g) **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.

(h) **Future capital requirements**

The Company will require further financing for its future business activities, in addition to amounts raised pursuant to the Offer and 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.

(i) **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.

(j) **Exchange rate fluctuations**

The expenditures 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.

7.3 Industry specific risks

Mineral exploration, development and mining activities are high-risk undertakings and there can be no assurance that any exploration or development activity in regard to Hot Chili's current properties, or any properties that may be acquired in the future, will result in the discovery or exploitation of an economic resource.

Mineral exploration, development and mining may be hampered by circumstances beyond the control of Hot Chili 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 7.2(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.

7.4 General investment risks

(a) Securities market conditions

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

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

(b) Liquidity risk

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

(c) Securities investment risk

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

(d) Other risks

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

8. Continuous disclosure documents

8.1 Continuous disclosure obligations

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

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

Having taken such precautions and having made such enquiries 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 New Shares to be issued under this Prospectus are in a class of securities that were quoted on the stock market of ASX at all times in the 12 months before the issue of this Prospectus.

8.2 Documents available for inspection

The Company has lodged the following announcements with ASX since the lodgement of the Company’s 2019 quarter-yearly financial report on 31 December 2019:

Date	Description of ASX Announcements
18/05/2020	Hot Chili Arranges \$8.9M Placement & Rights Issue
18/05/2020	Appendix 3B
14/05/2020	Trading Halt
01/05/2020	Correction to amended quarterly
01/05/2020	Amended Quarterly Activities Report - 31 March 2020
30/04/2020	Quarterly Activities and Cashflow Reports – 31 March 2020
21/04/2020	Change of Director's Interest Notice - M Black
09/04/2020	Twelve Month Extension for Cortadera Acquisition
03/04/2020	Appendix 2A -Convertible note interest and sec 708A notice
27/03/2020	Change of Director's Interest Notice - Christian Easterday
26/03/2020	Hot Chili Accepts Mining & Processing Offer from ENAMI
20/03/2020	Another Record Result from Step-out Drilling at Cortadera
12/03/2020	Half Yearly Report and Accounts
26/02/2020	Appendix 2A – Conversion of Convertible Notes
19/02/2020	RIU Fremantle Explorers Conference Presentation
19/02/2020	Drilling Update at Cortadera
07/02/2020	Rapid Growth Confirmed at Cortadera

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

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.

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 at hotchili.net.au or at ASX's website at www.asx.com.au.

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

- (a) the annual financial report of the Company for the financial year ended 30 June 2019, being the annual financial report of the Company most recently lodged with ASIC before the issue of this Prospectus;
- (b) the half-year financial report of the Company for the half-year ended 31 December 2019, 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 paragraph (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.

9. Additional information

9.1 General Meeting

The Board intends for the Company to convene a General Meeting of its Shareholders on or about Wednesday, 24 June 2020 at which Shareholder approval will be sought for the issue of:

- (a) the Placement Options pursuant to the Placement Options Offer; and
- (b) the Lead Manager Options to the Lead Manager.

The issues of Placement Options under the Placement Offer and the Lead Manager Options under the Lead Manager Offer are conditional on the approval of Shareholders being obtained at the General Meeting.

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

9.2 Litigation

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

9.3 Lead Manager Engagement Agreement

The Company and Veritas Securities Limited (**Lead Manager**) have entered into an agreement for the engagement of the Lead Manager pursuant to which the Lead Manager has agreed to provide corporate advisory and capital raising services in respect of the capital raising under the Placement and the Offer (**Capital Raising**).

Under the Lead Manager Engagement Agreement the Lead Manager has been engaged on an exclusive basis to:

- (a) to advise and assist in relation to the pricing, structure and timetable for the Capital Raising;
- (b) to assist in the preparation of required ASX announcements and offer documentation;
- (c) to manage and co-ordinate the Capital Raising;
- (d) provide such other assistance to the Company with the Capital Raising as agreed from time to time.

For performing these services, the Lead Manager will be paid as follows:

- (a) a management fee of 2% of the gross proceeds of the Capital Raising; and
- (b) a selling fee of 4% of the gross proceeds of the Placement and any Shortfall placed by the Lead Manager.

If a total of \$8,900,000 is raised under the Placement and the Offer, the Lead Manager will be entitled to be paid up to \$534,000 plus GST as the management fee and the selling fee.

On completion of a successful Capital Raising, the Lead Manager (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 Lead Manager for its reasonable costs, professional fees and expenses in relation, and incidental, to the Capital Raising.

9.4 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director nor any entity in which a Director is a partner or director, has or has had in the 2 years before the Prospectus Date, any interest in:

- (a) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer, the Placement Options Offer or the Lead Manager Offer; or
- (b) the Offer, the Placement Options Offer or the Lead Manager Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or proposed director or to any entity in which such a Director or proposed director is a partner or director, either to induce him to become, or to qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company, the Offer, the Placement Options Offer or the Lead Manager Offer.

9.5 Security holding interests of Directors

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

Director	Shares		Options		Convertible Notes
	Direct	Indirect	Direct	Indirect	
Murray Black	Nil	153,154,734 ¹	Nil	6,666,666 ²	3,384
Christian Easterday	21,921,429	5,160,941 ³	Nil	6,833,333 ⁴	Nil
Dr Allan Trench	Nil	224,046 ⁵	Nil	Nil	Nil
Dr Michael Anderson	Nil	Nil	Nil	Nil	Nil
Roberto de Andraca Adriasola	6,000,000	Nil	Nil	Nil	Nil
George (Randall) Nickson	Nil	Nil	Nil	Nil	Nil
Melanie Leighton (alternate for Murray Black)	180,000	Nil	3,000,000	Nil	Nil

Notes:

1. Mr Black holds an indirect relevant interest in the following entities' shareholdings in the Company, as follows:
 - (a) Blue Spec Sondajes Chile SpA (35,357,322 Shares) – Mr Black is a sole administrator and controller of 20% of this entity's shares. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.

- (b) Kalgoorlie Auto Service Pty Ltd (16,750,000 Shares) - Mr Black is the sole director and controlling shareholder of this entity.
 - (c) Blue Spec Drilling (101,047,412 Shares) - Mr Black is a director and controller of 25% of the shares in this entity. Mr Black controls this entity within the meaning of section 50AA of the Corporations Act.
2. 6,666,666 Options exercisable at \$0.10 each on or before 31 May 2020.
 3. Mr Easterday's relevant interest in Shares and Options comprises:
 - (a) 21,921,429 Shares held by Mr Easterday personally;
 - (b) 2,073,083 Shares held by Ostertag Holdings Pty Ltd (Ostertag) as trustee for the Easterday Family Super Fund; and
 - (c) 3,087,858 Shares held by Ostertag as trustee for the Easterday Family Trust.
 4. 833,333 Options exercisable at \$0.10 each on or before 31 May 2020 and 6,000,000 Options exercisable at \$0.07 each on or before 19 December 2021.
 5. Held by Dr Trench and Suzanne Trench as trustees for the Trench Super Fund Account.

Directors or their associated entities who are registered as Shareholders on the Record Date may participate in the Offer.

9.6 Remuneration of Directors

The Constitution provides that the Directors may be paid for their services as Directors. Non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum set by the Company in a general meeting. The aggregate maximum is presently set at \$600,000 per annum. The Managing Director may receive such remuneration as the Directors determine.

A Director may be reimbursed for out of pocket expenses incurred as a result of their directorship.

Details of remuneration provided to Directors and former Directors during the current financial year and past two financial years is as follows:

Director	Current financial year to 30 June 2020	Financial year to 30 June 2019	Financial year to 30 June 2018
Murray Black	\$56,800	\$52,067	Nil
Christian Easterday	Salary of \$259,200 under executive services agreement with the Company	Salary of \$259,200 under executive services agreement with the Company	Salary of \$259,200 under executive services agreement with the Company
Dr Allan Trench	Director fee of \$33,600	Director fee of \$33,600	Director fee of \$33,600
Dr Michael Anderson	Consultancy fee of \$36,792 under consultancy services agreement between MRA Consulting Pty Ltd and the Company	Consultancy fee of \$36,792 under consultancy services agreement between MRA Consulting Pty Ltd and the Company	Consultancy fee of \$36,792 under consultancy services agreement between MRA Consulting Pty Ltd and the Company
Roberto de Andraca Adriasola	Director fee of \$36,792	Director fee of \$36,178	Director fee of \$36,178
George (Randall) Nickson	Director fee of \$36,792	Director fee of \$36,792	Director fee of \$32,144

Director	Current financial year to 30 June 2020	Financial year to 30 June 2019	Financial year to 30 June 2018
Melanie Leighton	Salary of \$180,000 pursuant to employment agreement with the Company	Salary of \$180,000 pursuant to employment agreement with the Company	Salary of \$180,000 pursuant to employment agreement with the Company

Note: Figures are exclusive of superannuation.

Further information relating to the remuneration of Directors can be found in the Company's 2019 Annual Report, which can be found on the Company's website (www.hotchili.net.au) or the ASX announcements webpage for the Company (ASX Code: HCH).

9.7 Expenses of the Offer

The estimated expenses payable in cash by the Company in respect of costs associated with this Prospectus and the Offer, including offer management, broking fees, legal, accounting, corporate advisory, printing, ASIC and ASX fees and other costs will be approximately \$452,000 assuming the Offer is fully subscribed.

9.8 Interests of experts and advisers

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

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer, the Placement Options Offer or the Lead Manager Offer; or
- (c) the Offer, the Placement Options Offer or the Lead Manager Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has 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, the Offer, the Placement Options Offer or the Lead Manager Offer.

- Automic Group Pty Ltd has provided share registry services to the Company and will be paid approximately \$7,000 (including GST) for services to be provided in relation to share registry services under the Entitlement Offer. Automic Group Pty Ltd has been paid or is entitled to be paid approximately \$4,685 (including GST) for the provision of share registry services to the Company in the period 2 years prior to the Prospectus Date.
- The Lead Manager will be paid a fee of up to \$534,000 (plus GST) in respect of the Offer and the Placement. The Lead Manager will also be entitled to be granted 50,000,000 New Options on completion of the Offer. Refer to Section 9.3 for further details. In addition, the Lead Manager has provided other advisory services to the Company in the period 2 years prior to the Prospectus Date had has been paid \$766,731 (including GST) in fees for those other services.
- Jackson McDonald has acted as solicitors to the Company in relation to the Offer and legal due diligence enquiries in respect of the Company and is entitled to be

paid approximately \$15,000 (plus GST) in respect of these services. In addition, Jackson McDonald has provided other legal services to the Company in the period 2 years prior to the Prospectus Date and has been paid, or is entitled to be paid, fees totalling approximately \$146,763.57 (including GST) for those other services.

9.9 Consents and liability statements

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

Party	Capacity in which named	Statement or report in this Prospectus
Jackson McDonald (a partnership)	Solicitors to the Company	Not applicable
Veritas Securities Limited	Lead Manager	Not applicable
Automic Group	Securities registry	Not applicable
RSM Australia Partners	Auditor to the Company	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 9.9; 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 9.9.

9.10 Market prices of Shares on ASX

Information about the closing market price of Shares quoted on ASX during the 3 months period before the Prospectus Date is set out in the table below.

	Price	Date
Highest	\$0.034	24/1/2020
Lowest	\$0.01	24/3/2020
Latest	\$0.02	13/5/2020

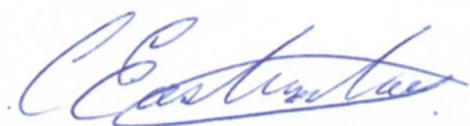
Note: Trading data prepared by ASX, who has not consented to its use in this Prospectus.

10. Directors' responsibility statement and consent

The Directors state that they have made all reasonable enquiries and that on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect of any other statements made in the Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making the statement or statements were competent to make such statements; those persons have given their consent before lodgement of this Prospectus with ASIC or, to the Directors' knowledge, before any issue of New Securities pursuant to this Prospectus.

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:



Christian Easterday
Managing Director

for and on behalf of the Company

Dated: 18 May 2020

11. Glossary of Terms

Applicant	A person who applies for New Securities in accordance with this Prospectus.
Application	A valid application for New Securities offered under this Prospectus.
Application Monies	The monies payable by Applicants to the Offer.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning set out in the Listing Rules.
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Ltd ACN 008 504 532.
ASX Settlement Rules	The settlement rules of ASX Settlement.
Blue Spec Drilling	Blue Spec Drilling Pty Ltd (ACN 601 943 364).
Board	The board of Directors.
Business Day	A day: (a) that is a business day as defined in the Listing Rules; and (b) which is not a Saturday, Sunday, public holiday or bank holiday in Perth, Western Australia.
Capital Raising	The capital raising under the Placement and the Offer.
CHESS	Clearing House Electronic Sub-register System operated by ASX Settlement.
CHESS Statement or Holding Statement	A statement of securities registered in a CHESS account or issuer-sponsored account.
Closing Date	The closing date of the Offer as set out in Section 2.5.
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).
Consolidated Entity	The Company and its subsidiaries.
Constitution	The constitution of the Company.
Convertible Notes	The convertible notes that have been issued by the Company, on the terms set out in in section 4.1 of the Company's prospectus dated 20 June 2017 (and announced to ASX on 21 June 2017), a copy of which is available free of charge at the Company's website, at http://www.hotchili.net.au/investors/announcements/ .
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Cortadera or Cortadera Project	The concessions located near Vallenar, Chile, owned by SCM Corala, which the Company's subsidiary Frontera has an option to acquire.
Director	A director of the Company as at the Prospectus Date.
Eligible Jurisdictions	Australia and New Zealand.

Eligible Shareholder	A Shareholder who is eligible to participate in the Entitlement Offer as set out in Section 2.3 of this Prospectus.
Entitlement	The number of New Shares and New Options that a Shareholder is entitled to apply for under the Entitlement Offer, as determined by the number of Shares held by that Shareholder at the Record Date.
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Prospectus.
Entitlement Offer or Offer	The non-renounceable entitlement offer pursuant to this Prospectus of 3 (three) New Shares for every 20 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 subscribed for, to raise up to approximately \$3,900,000 (before costs).
Excluded Shareholder	A Shareholder who is determined by the Company not to be an Eligible Shareholder.
Existing Share	A Share issued before the Prospectus Date.
Existing Shareholder Frontera	A holder of an Existing Share. Sociedad Minera La Frontera SpA, a corporation organised and existing under the laws of Chile, with taxpayer identification number 76.362.859-0 and a subsidiary of the Company.
General Meeting	A general meeting of Shareholders to be held on or about 24 June 2020 to seek Shareholder approval for the issue of Placement Shares to Placement Participants who are Related Parties of the Company and the issue of the Placement Options.
GST	Goods and services tax.
Issue	The issue of New Shares and New Options under the Offer.
Lead Manager	Veritas Securities Limited (ACN 117 124 535) AFSL 297043
Lead Manager Engagement Agreement	The engagement agreement between the Company and the Lead Manager for the provision of capital raising and corporate advisory services by the Lead Manager as described in Section 9.3.
Lead Manager Offer	The offer of 50,000,000 New Options to the Lead Manager under this Prospectus as described in Section 3.2.
Listing Rules	The listing rules of ASX.
Lodgement Date	The date of lodgement of the Prospectus with ASIC as set out on page iv.
New Options	Options exercisable at \$0.025 each on or before 20 May 2022 and issued on the terms set out in Section 6.2.
New Securities	New Shares and New Options.
New Shares	The Shares that may be issued under this Prospectus on the terms set out herein.

Offer Period	The period commencing on the Opening Date and ending on the Closing Date.
Official List	The official list of ASX.
Official Quotation	Official quotation by ASX.
Opening Date	The opening date of the Offer as set out in Section 2.5.
Option	An option to subscribe for a Share in the Company.
Option Holder	The holder of an Option.
Placement	The placement of 333,333,334 Placement Shares in the Company to the Placement Participants.
Placement Options	New Options to be issued to Placement Participants subject to Shareholder approval at the General Meeting of the Company
Placement Options Offer	The offer of Placement Options to Placement Participants under this Prospectus as described in Section 3.1.
Placement Participant	A professional or sophisticated investor as defined in the Corporations Act.
Placement Securities	Placement Shares and Placement Options under the Placement Options Offer.
Placement Shares	Shares issued to the Placement Participants under the Placement.
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 prospectus, including any electronic or online version of this prospectus.
Prospectus Date	The date this Prospectus was lodged with ASIC.
Record Date	5.00pm (WST) on 21 May 2020 or such other date as may be determined by the Directors as the record date for determining Entitlements.
Related Party	A person who is a 'related party' of the Company within the meaning of the Listing Rules.
SCM Carola	Sociedad Contractual Minera Carola, a Chilean mining company which holds the concessions comprising the Cortadera Project.
Section	A section of this Prospectus.
Securities	Shares and/or Options.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	The Company's share registry, Automic Registry Services.
Shareholder	The holder of a Share.
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.

Shortfall Securities	New Securities offered under the Entitlement Offer for which valid Applications have not been received from Eligible Shareholders before the Closing Date.
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.
Taurus	Taurus Funds Management Pty Limited (ACN 121 452 560) and Taurus Resources Limited GP No.2 LLC.
U.S. Person	Any person in the United States or any person that is, or is acting for the account or benefit of, a “U.S. person” (as defined in Regulation S under the United States Securities Act of 1933, as amended).
Veritas	Veritas Securities Limited (ACN 117 124 535) AFSL 297043
WST	Western Standard Time, being the time in Perth, Western Australia.