



HOT CHILI LIMITED

ACN 130 955 725

Notice of General Meeting, Explanatory Statement & Proxy Form

General Meeting to be held at

**1st floor
768 Canning Highway
Applecross WA**

On Friday, 23 August 2013 at 10.00am

The Notice of General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

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Key dates

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

Event	Date
Snapshot date for eligibility to vote	Wednesday, 21 August 2013
Last day for receipt of Proxies*	Wednesday, 21 August 2013
General Meeting	Friday, 23 August 2013

*Proxy Forms received after 10.00am on this date will be disregarded.

Notice of General Meeting

Notice is hereby given that a General Meeting of Hot Chili Limited (ACN 130 955 725) (**Company**) will be held at **1st floor, 768 Canning Highway, Applecross** at **10.00am** on **Friday, 23 August 2013**.

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

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary set out in the Explanatory Statement.

Agenda

Resolution 1 – Ratification of Tranche 1 Placement

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

*That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders hereby approve and ratify the issue of 4,000,000 ordinary Shares (**Tranche 1 Shares**) by way of placement to affiliates of Sprott Inc. at an issue price of \$0.45 per Share to raise up to \$1,800,000 (**Tranche 1 Placement**), in accordance with the terms and conditions set out in the Explanatory Statement.*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by affiliates of Sprott Inc. and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 2 – Approval of Tranche 2 Placement

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

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders hereby approve the issue and allotment of up to 22,130,000 ordinary Shares (**Tranche 2 Shares**) by way of placement to an existing major Shareholder, Port Finance Limited N.V. (an entity owned and controlled by CAP S.A.), at an issue price of \$0.45 per Share to raise up to \$9,958,500 (**Tranche 2 Placement**) in the manner and on the terms and conditions set out in the Explanatory Statement.”*

Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by Port Finance or any other person who might obtain a benefit if Resolution 2 is passed, except a benefit solely in the capacity of a Shareholder if the resolution is passed, and any Associate of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 3 – Ratification of previous issue of Port Finance Securities

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

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders hereby approve and ratify the issue of 8,508,194 ordinary Shares (**Port Finance Shares**) and 4,254,097 Options (**Port Finance Options**) by way of placement to Port Finance Limited N.V. (an entity 100% owned and controlled by CAP S.A.), in accordance with the terms and conditions set out in the Explanatory Statement.”*

<p>Voting exclusion: In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by Port Finance Limited N.V. and any Associates of Port Finance Limited N.V., including CAP S.A.. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.</p>
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By order of the Board

Mr John Sendziuk
Company Secretary

19 July 2013

Proxy appointment, voting and Meeting instructions

Lodgement of a Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be lodged with the Company no later than 10.00am WST on **Wednesday, 21 August 2013** being not later than 48 hours before the commencement of the General Meeting. Any Proxy Form received after that time will not be valid.

Proxy Forms may be lodged:

By hand: 1st floor, 768 Canning Highway, Applecross, Western Australia, 6153

By mail: Company Secretary, Hot Chili Limited,
PO Box 1725, Applecross, Western Australia, 6953

By fax: (08) 9315 5004 (within Australia)
+61 8 9315 5004 (outside Australia)

Appointment of a proxy

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

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy.

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

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

Corporate Shareholders

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

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

Votes on Resolutions

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

Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at **5.00pm WST on Wednesday, 21 August 2013**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Corporate representatives

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

Explanatory Statement

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

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

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1. Capital Raising

1.1 Introduction

On 10 July 2013, the Company announced a private placement capital raising to raise \$11.7 million (**Capital Raising**) comprising of:

- (a) Tranche 1 Placement: On 15 July 2013, the Company issued 4,000,000 Tranche 1 Shares by way of placement to affiliates of Sprott Inc. at an issue price of \$0.45 per Tranche 1 Share, raising \$1,800,000.
- (b) Tranche 2 Placement: Subject to Shareholder approval of Resolution 2, the Company has arranged the placement of a further 22,130,000 Tranche 2 Shares by way of placement to an existing major Shareholder of the Company, CAP S.A. (through Port Finance, an entity owned and controlled by CAP S.A.) at an issue price of \$0.45 per Tranche 2 Share, raising \$9,958,500.

UBS AG, Australia Branch (**UBS**) acted as sole Lead Manager to the Capital Raising.

The Capital Raising has seen strong demand from existing strategic Shareholders, particularly the Company's major project partner CAP S.A., demonstrating its continued support for Hot Chili and its flagship Productora copper project.

CAP S.A is the parent company of Compañía Minera del Pacífico S.A. (**CMP**), Chile's largest iron ore producer and integrated steel business. Hot Chili has executed two non-binding Letters of Intent with CMP to negotiate a joint infrastructure and iron exploitation option for the development of Productora. Such negotiation could result in substantial operational synergies given that Productora lies in the heart of CMP's existing coastal infrastructure, including rail, port, easement corridor, magnetite concentrator and iron pellet plant, and should facilitate project implementation.

Hot Chili is pleased to confirm that CAP S.A. executive, Mr Roberto de Andraca Adriasola will be appointed to the Board of Hot Chili. This is a strong indication of the commitment by both companies, in co-operation, to advance Productora towards development.

The Capital Raising also received strong demand from affiliates of Sprott Inc.

1.2 Use of funds

Funds from the Capital Raising will largely be directed towards:

- (a) funding the development plan to continue advancing the Company's flagship Productora copper-gold-molybdenum project in Chile's coastal range, including progressing prefeasibility studies and ultimately working towards a decision to mine;
- (b) the continuation of resource growth drilling and development study activities at Productora; and

(c) general working capital purposes.

1.3 Effect of Capital Raising on the Company's capital structure

The table below illustrates the effect of the Capital Raising on the Company's share capital structure assuming maximum subscription pursuant to the Capital Raising:

	Securities on issue prior to the Capital Raising	Securities issued under the Capital Raising	Securities on issue upon completion of the Capital Raising ²
Shares	297,462,196	26,130,000	323,592,196
Options	68,394,097 ¹	Nil	68,394,097

Notes:

1. Comprising 39,754,097 listed Options and 28,640,000 unlisted Options.
2. Assuming no Options have been exercised after the date of this Notice.

With the share capital of the Company increasing by 26,130,000 Shares through the Capital Raising, the total dilutionary effect on the shareholdings of existing Shareholders is 8.07%.

On completion of the Capital Raising, the Company's major Shareholders will be as set out in the table below.

Shareholder	No. of Shares	%
Kalgoorlie Auto Services Pty Ltd (KAS)*	53,000,000	16.38%
Port Finance Limited N.V.	40,900,898	12.64%
Taurus Funds Management Pty Ltd	40,666,667	12.57%
Lundin Mining Corporation	27,111,112	8.38%
Exploration Capital Partners 2008, LP	18,719,500	5.8%

* Mr Murray Black, the Company's Chairman, has an interest in 13,250,000 Shares held by KAS, and Mr Christian Easterday, the Company's Managing Director, has an interest in 13,250,000 Shares held by KAS.

2. Resolution 1 – Ratification of Tranche 1 Placement

Ratification of the issue of the Tranche 1 Shares pursuant to the Tranche 1 Placement is now being sought.

The effect of Shareholders passing Resolution 1 will be to “refresh” the number of securities which the Company can issue within any 12 month period in accordance with Listing Rule 7.1. If Resolution 1 is passed, together with the ratifications that are being sought in relation to Resolution 3, the Company will be able to raise further working capital of up to a maximum of 15% of the Company's total issued capital, without the need to obtain Shareholders' prior approval.

2.1 Listing Rules information requirements

Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's shareholders subsequently approve it.

Under Resolution 1, the Company seeks Shareholder approval for, and ratification of, the issue of the Tranche 1 Shares as set out below so as to partially restore the Company's capacity under Listing Rule 7.1 to issue further securities representing up to 15% of the Company's issued capital in the next 12 months.

For the purposes of the information requirements of Listing Rule 7.5, the following information is provided in respect of Resolution 1:

- (a) the Company issued 4,000,000 Tranche 1 Shares on 15 July 2013;
- (b) the issue price of the Tranche 1 Shares was \$0.45 per Tranche 1 Share, raising \$1,800,000 before expenses of the Tranche 1 Placement;
- (c) it is proposed that the funds raised by the Tranche 1 Placement will be used for the purposes outlined in the introduction to this Section 1.2 of this Explanatory Statement;
- (d) all Tranche 1 Shares issued ranked equally with all other Shares on issue at that time;
- (e) all of the Tranche 1 Shares were issued to affiliates of Sprott Inc., being Exploration Capital Partners 2008, LP; and
- (f) none of the persons to whom Tranche 1 Shares have been issued is a Director or an Associate of a Director.

2.2 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 in order to:

- (a) carry out those activities described in Section 1.2 of this Explanatory Statement;
- (b) provide the Company with additional working capital which is, in the Directors' view, prudent given that the current market is experiencing significant volatility and fluctuation;
- (c) strengthen the Company's balance sheet and provide the Company with additional working capital to pursue its exploration and development objectives; and
- (d) provide flexibility for the Company to raise additional funds in the future as and when required.

3. Resolution 2 – Approval of Tranche 2 Placement

Subject to Shareholder approval, the Company is proposing to make a further private placement to an existing major Shareholder, CAP S.A (through Port Finance, an entity owned and controlled by CAP S.A.) of 22,130,000 Tranche 2 Shares at an issue price of \$0.45 per Share (**Tranche 2 Placement**).

The effect of Resolution 2, if passed, will be that the issue of the Tranche 2 Shares will be exempt from the 15% limit under Listing Rule 7.1. This will allow the Company to issue the Tranche 2 Shares and provide flexibility during the next 12 month period to issue further equity securities in order to raise further capital, if required.

3.1 Listing Rule information requirements

For the purposes of the information requirements of Listing Rule 7.3, the following information is provided in respect of Resolution 2:

- (a) the maximum number of Tranche 2 Shares the Company proposes to issue is 22,130,000 at an issue price of \$0.45 per Share;
- (b) the Tranche 2 Placement will, if approved by Shareholders, raise a total of \$9,958,500 in capital before expenses of the Tranche 2 Placement, and it is proposed that the funds raised by the Tranche 2 Placement will be used for the purposes outlined in Section 1.2 of this Explanatory Statement;
- (c) all Tranche 2 Shares issued will be issued as fully paid ordinary Shares, ranking equally with all other Shares on issue;
- (d) the Tranche 2 Shares will be issued on a date that is no later than 3 months after the date of the General Meeting;
- (e) all of the Tranche 2 Shares will be issued to Port Finance (an entity owned and controlled by CAP S.A.);
- (f) the Company will apply for the Tranche 2 Shares to be quoted on ASX; and
- (g) none of the persons to whom the Tranche 2 Shares will be issued is a Director or an Associate of a Director, or a related party of the Company. (However it should be noted that as announced by the Company on 10 July 2013, the Company proposes to appoint Mr Roberto de Andraca Adriasola to the Board. Mr de Andraca is a vice president of CAP S.A. and has been nominated for appointment to the Board by CAP S.A.)

3.2 Directors' recommendation

The passing of Resolution 2 will:

- (a) allow the Company to carry out those activities described in Section 1.2 of this Explanatory Statement;
- (b) provide the Company with additional working capital which is, in the Directors' view, prudent given that the current market is experiencing significant volatility and fluctuation;
- (c) strengthen the Company's balance sheet and provide the Company with additional working capital to pursue its exploration and development objectives; and
- (d) provide flexibility for the Company to raise additional funds in the future as and when required.

For these reasons, the Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

4. Resolution 3 – Ratification of issue of Port Finance Securities

Resolution 3 seeks Shareholder approval for the issue of the Port Finance Securities to Port Finance Limited N.V., an entity owned and controlled by CAP S.A..

The effect of Shareholders passing Resolution 3 will be to “refresh” the number of securities which the Company can issue within any 12 month period in accordance with Listing Rule 7.1. If Resolution 3 is passed, together with the ratifications that are being sought in relation

to Resolution 1, the Company will be able to raise further working capital of up to a maximum of 15% of the Company's total issued capital, without the need to obtain Shareholders' prior approval.

4.1 Listing Rules information requirements

Under Resolution 3, the Company seeks Shareholder approval for, and ratification of, the issue of the Port Finance Securities as set out below so as to partially restore the Company's capacity under Listing Rule 7.1 to issue further securities representing up to 15% of the Company's issued capital in the next 12 months. For the purposes of the information requirements of Listing Rule 7.5, the following information is provided in respect of Resolution 3:

- (a) the Company issued the 8,508,194 Port Finance Shares and 4,254,097 free attaching Port Finance Options to Port Finance Limited N.V. on 22 January 2013;
- (b) the issue price of the Port Finance Shares was \$0.50 per Port Finance Share, raising \$4,254,097 before expenses of the placement;
- (c) the Port Finance Options were issued for free on the basis of one Port Finance Option for every two Port Finance Shares; accordingly no funds were raised on the issue of the Port Finance Options, however a total of \$3,190,573 will be raised if all Port Finance Options are exercised at \$0.75 each;
- (d) the funds raised from the issue of the Port Finance Securities was largely directed towards the resource growth and development strategy being implemented at the Company's Productora Project;
- (e) all Port Finance Shares issued rank equally with all other Shares on issue at that time;
- (f) the Port Finance Options are quoted on ASX;
- (g) the full terms and conditions of the Port Finance Options are set out in Schedule 1 to this Explanatory Statement; and
- (h) none of the Port Finance Securities were issued to a Director or an Associate of a Director, or to a related party of the Company.

4.2 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 as the funds raised by the placement:

- (a) provided the Company with additional working capital which was, in the Directors' view, prudent given that the market was, and still is, experiencing significant volatility and fluctuation;
- (b) strengthened the Company's balance sheet and provided the Company with additional working capital to pursue its exploration and development objectives; and
- (c) provided flexibility for the Company to raise additional funds in the future as and when required.

Glossary

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

\$	Australian dollars.
Associate	has the meaning given to that term by the note to Listing Rule 14.11.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) and its Related Bodies Corporate, or the financial market known as the Australian Securities Exchange, as the context requires.
Board	The board of Directors of the Company.
Capital Raising	The capital raising comprising the Tranche 1 Placement and the Tranche 2 Placement described in Section 1 of the Explanatory Statement.
Chairman	The chairman of the Meeting.
Company or Hot Chili	Hot Chili Limited ACN 130 955 725.
Company Secretary	The company secretary of the Company at the time of the Meeting, being Mr John Sendziuk at the date of this Notice.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Explanatory Statement	This explanatory statement which accompanies and forms part of the Notice of Meeting.
General Meeting or Meeting	The general meeting of Shareholders, or any meeting adjourned thereof, convened by the Notice.
Glossary	This glossary of terms.
Listing Rules	The official listing rules of ASX.
Notice or Notice of Meeting	The notice of General Meeting which accompanies this Explanatory Statement.
Official Quotation	Official quotation of securities on the Official List of the ASX.
Option	An option to acquire a Share.
Port Finance	Port Finance Limited N.V.
Port Finance Options	4,254,097 Options issued to Port Finance that are a subject of Resolution 3 and described in Section 4 of this Explanatory Statement.
Port Finance Securities	The Port Finance Shares and Port Finance Options.

Port Finance Shares	8,508,194 Shares issued to Port Finance that are a subject of Resolution 3 and described in Section 4 of this Explanatory Statement.
Proxy Form	The proxy form accompanying the Notice of Meeting.
Related Body Corporate	Has the same meaning as given to that term in the Corporations Act.
Resolution	A resolution set out in the Notice.
Securities	Shares and/or Options.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A holder of Shares.
Tranche 1 Placement	The placement of 4,000,000 Tranche 1 Shares at an issue price of A\$0.45, as set out in the Explanatory Statement.
Tranche 1 Shares	Shares issued pursuant to the Tranche 1 Placement on the terms set out in the Explanatory Statement.
Tranche 2 Placement	The placement of 22,130,000 Tranche 2 Shares at an issue price of A\$0.45, as set out in the Explanatory Statement.
Tranche 2 Shares	Shares to be issued pursuant to the Tranche 2 Placement on the terms set out in the Explanatory Statement.
UBS	UBS AG, Australia Branch (ARBN 088 129 613) of Level 16, 2 Chifley Tower, Sydney, New South Wales.
WST	Western Standard Time, being the time in Perth, Western Australia.

Schedule 1 – Terms & Conditions of Port Finance Options

Unless otherwise indicated, capitalised terms in this Schedule 1 have the meanings given to them in the Glossary to the Explanatory Statement.

All Port Finance Options were issued on the following terms and conditions.

- (a) Each Option entitles the holder (**Option Holder**) to subscribe for one (1) fully paid ordinary Share in the Company (**Share**).
- (b) No amount is payable on grant of the Options.
- (c) The exercise price of each Option is \$0.75.
- (d) Each Option may be exercised at any time before 30 November 2014 (**Expiry Date**). Any Option not exercised by the Expiry Date will automatically expire.
- (e) 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) The Options are transferable. Subject to the Listing Rules and the Corporations Act, the Option Holder may transfer some or all of the Options at any time before the Expiry Date by:
 - (i) a proper ASTC transfer or any other method permitted by the Corporations Act; or
 - (ii) a prescribed instrument of transfer.
- (g) An instrument of transfer of an Option must be:
 - (i) in writing;
 - (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;
 - (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and
 - (iv) delivered to the Company, at the place where the Company's register of Option Holders is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
- (h) The Options are listed for quotation on ASX.
- (i) The Company will apply to ASX for quotation of Shares issued on exercise of Options.
- (j) The Option Holder is not entitled to participate in any new issue to Shareholders of securities in the Company unless they have exercised their 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.
- (k) 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 no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Option before the record date for determining entitlements to the issue.
- (l) If the Company makes a pro-rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the exercise price of each Option will be reduced in accordance with Listing Rule 6.22.2.

- (m) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Options to which the Option Holder is entitled to and the exercise price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (n) Any calculations or adjustments which are required to be made will be made by the Company's board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
- (o) 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.
- (p) To exercise Options, the Option Holder must give the Company or its share registry, at the same time:
 - (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and Shares to be issued;
 - (ii) payment of the exercise price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company; and
 - (iii) any certificate for the Options.
- (q) The Option Holder may only exercise Options in multiples of 5,000 Options unless the Option Holder exercises all Options held by the Option Holder.
- (r) Options will be deemed to have been exercised on the date the exercise notice is lodged with the Directors of the Company.
- (s) If the Option Holder exercises less than the total number of Options registered in the Option Holder's name:
 - (i) the Option Holder must surrender their Option certificate (if any); and
 - (ii) the Company must cancel the Option certificate (if any) and issue the Option Holder a new Option certificate or Holding Statement stating the remaining number of Options held by the Option Holder.
- (t) Within ten (10) 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.
- (u) Subject to the Company's Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) *pari passu* with the existing ordinary shares of the Company at the date of issue.
- (v) 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.

HOT CHILI LIMITED
ACN 130 955 725
PROXY FORM

I/We (name of Shareholder)

of (address)

being a member/members of Hot Chili Limited HEREBY APPOINT:

(name).....

of (address)

and/or failing him/her (name)

of (address)

or failing that person then the Chairman of the General Meeting as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions are given, as the proxy sees fit at the General Meeting of the Company to be held at **10am WST, Friday, 23 August 2013 at 1st floor, 768 Canning Highway, Applecross** and at any adjournment of the meeting.

<input type="checkbox"/>	<p>Important: If the Chairman of the General Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Resolutions 1 to 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the General Meeting may exercise your proxy in respect of a Resolution even if he has an interest in the outcome of that Resolution, and that the votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes and your votes will not be counted in computing the required majority if a poll is called on a Resolution. The Chairman of the Meeting intends to vote all undirected proxies in favour of Resolutions 1 to 3.</p>
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Should you so desire to direct the proxy how to vote, you should place a cross in the appropriate boxes below:

I/We direct my/our Proxy to vote in the following manner:

		For	Against	Abstain
Resolution 1	Ratification of Tranche 1 Placement			
Resolution 2	Approval of Tranche 2 Placement			
Resolution 3	Ratification of previous issue of Port Finance Securities			

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

<p><i>This Proxy is appointed to represent _____% of my voting right or if two proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my/our total votes.</i></p> <p><i>My/our total voting right is _____ shares.</i></p>
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By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director