Announcement

Monday, 31st March 2025

Hot Chili Announces PFS for Huasco Water & MOU for Seawater Supply to Costa Fuego

Highlights

Strong Economics for a Large, Multi-User, Water Business

- **Stage 1[1] Water Supply Preliminary Feasibility Study (PFS) for 500L/s of Potential Seawater Supply: Post-tax Net Present Value (NPV8%) of US$122 million and Internal Rate of Return (IRR) of 19%**. Construction capital cost for seawater supply estimated at US$151 million with a 4.5-year payback
- **Stage 2 Water Supply PFS for 1,300 L/s of Potential Desalinated Water Supply: Post-tax NPV8% of US$977 million and IRR of 19%**. Construction capital cost for desalinated water supply estimated at US$1.4 billion with a 4-year payback. **Stage 2 financial outcomes include Stage 1 capital and operating cashflows**
- **Stage 3 Conceptual Study for Expansion to 2,300 L/s of Potential Desalinated Water Supply**

Stage 1- Multi-Decade Seawater Supply to Costa Fuego

- **20 Year Seawater Supply with Foundation Off-taker:** Memorandum of Understanding (MOU) executed for water supply of up to 500 L/s to Hot Chili's Costa Fuego Copper-Gold Project (Costa Fuego)
- **Long Lead-times Permits Secured:** Granted maritime water concession to extract seawater, permit for coastal land access, Stage 1 pipeline easements and connection to the electrical grid secured
- **Near-Term Development Decision Tied to Costa Fuego:** First water supply planned for end of decade

Stage 2 and 3 – Regional, Desalinated Water Supply Opportunity

- **Large Catchment of Potential Off-takers:** Over 4,000 L/s of desalinated water demand identified, including six undeveloped mining projects without secured access to desalinated water supply. No offtake agreements have been secured for stage 2 or 3 and discussions with potential customers are ongoing.
- **Staged Growth Approach:** Establishment of seawater supply infrastructure toward the end of the decade, followed by the commencement of initial desalinated water supply shortly thereafter, and subsequent staged expansion. The staged approach enables long term scalable water supply to support mining, community, and agriculture in the Huasco Valley region with potential to extend well beyond the initial project horizons

First-Mover Advantage

- **Only Active Maritime License:** HW Aguas para El Huasco SpA ("Huasco Water"), a joint venture between Hot Chili (80% interest) and Compañia Minera Del Pacifico ""CMP" (20% interest), is the only company with permitted access to supply seawater in the Huasco Valley region following a ten-year regulatory approval process
- **Desalination Permitting Advancing:** Over a year advanced on regulatory applications to enable the supply of desalinated water from the existing maritime concession and a second maritime concession application by Huasco Water
- **Long Permitting Timelines Continue:** No regulatory changes have been made to Chile's maritime permitting process since Huasco Water was granted its concession. Hot Chili maintains a competitive advantage as the first mover in the area for a water distribution business.
- **Environmental Impact Assessment (EIA) Advanced:** Stage 1 seawater supply is included within the Costa Fuego EIA, baseline studies complete.

[1] The Huasco Water Supply PFS has been aligned with the preliminary feasibility study for the Company's Costa Fuego project (the "Costa Fuego PFS") and shares the same assumptions for Costa Fuego in stage 1. See announcement dated 27th March 2025 "Hot Chili Announces PFS & Maiden Mineral Reserve for the Costa Fuego Cu-Au Project" outlining the results of the Costa Fuego PFS. An independent technical report for the Costa Fuego PFS, prepared in accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") and JORC Code 20212 within 45 days thereof.

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Hot Chili's Managing Director Mr. Christian Easterday commented,

"We are very pleased to deliver our PFS for Huasco Water which outlines preliminary economic outcomes for a potential long-life industrial water supply business.

The Water Supply PFS has been undertaken in conjunction with the Company's recently announced PFS for our Costa Fuego Copper-Gold Project, which outlines a multi-decade project with top quartile copper production capacity and lowest quartile capital intensity.

The outcomes of the Water Supply PFS provide an opportunity for Hot Chili to fully consider the strategic value of its 80% owned subsidiary company Huasco Water, which controls all our critical water assets.

The Company views the potential to outsourcing of its seawater supply infrastructure as a key value-enabler and has anchored Huasco Water by executing an MOU to negotiate a foundational seawater off-take agreement for Costa Fuego.

The Company has received significant interest in Huasco Water from both Chilean and international water infrastructure investment groups in addition to several neighbouring mine developers, agricultural groups, community groups and government.

With PFS level engineering complete for stage 1 and stage 2 water supply, the Company is well positioned to pursue potential strategic partnerships and additional off-taker discussions for Huasco Water.

We look forward to providing further updates on drilling results from our recently confirmed La Verde copper-gold porphyry discovery which is providing an exciting additional growth platform for our shareholders."

The Company will be hosting webinars on Monday 31st March at 12.30 pm AEST / 9.30 am AWST to brief shareholders and investors on the outcomes of the Costa Fuego and Huasco Water PFS.

Hot Chili's Chief Executive Officer Christian Easterday, Executive Vice President Jose Ignacio Silva, Chief Operating Officer Grant King and Chief Financial Officer Ryan Finkelstein will be hosting the call, which will also include a Q&A session.

The following link will provide access to the investor briefing webinar:

Register Here for Australian Webinar

Monday 31st March at 12.30 pm AEST / 9.30 am AWST

After registering, you will receive a confirmation email containing information about joining the webinar.

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This announcement is authorised by the Board of Directors for release to ASX and TSXV.

Hot Chili's Managing Director and Chief Executive Officer Mr Christian Easterday is responsible for this announcement and has provided sign-off for release to the ASX and TSXV.

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Disclaimer and Forward-Looking Statements

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

This news release does not purport to be complete or contain all the information that may be material to the current or future business, operations, financial condition, or prospects of Hot Chili, Huasco Water or the results of the Water Supply PFS.

Certain information contained herein is based on, or derived from, information obtained from independent third-party sources, publicly available reports and other trade and industry sources. Hot Chili believes that such information is accurate and that the sources from which it has been obtained are reliable; however, Hot Chili has not independently verified such information and does not assume any responsibility for the accuracy or completeness of such information.

Statements in this news release that are not historical facts are “forward-looking information” or “forward-looking statements” within the meaning of Canadian securities legislation and Australian securities legislation (each, a “forward-looking statement”). The use of any of the words “anticipate”, “envisage”, “forecast”, “consider”, “proposed”, “conceptual”, “opportunity”, “designed to”, “believe”, “could”, “estimate”, “expect”, “may”, “plan”, “potential”, “project”, “should”, “will”, “would” and similar expressions are intended to identify forward-looking statements. In this news release, forward-looking statements relate, among other things, to: prospects, projections and success of the Huasco Water project, including projected customer base and financial forecasts; potential seawater and desalinated water supplies and the demand therefor; permitting timelines; expected tariffs and financial measures; anticipated NPV, project life, cashflows, production rates, start-up capital, sustaining capital and other cash costs; engineering and infrastructure design; financial modelling; expected demand; and potential opportunities, expected cost efficiencies, projected development timelines, engineering outcomes and growth potential analysis.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance, or achievements of the Company and Huasco Water (collectively, the “Companies”) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this news release, including, but not limited to, the following material factors: industry-wide and project-specific risks; operational risks; sovereign risks associated with the Companies’ operations in Chile; recruiting qualified personnel and retaining key personnel; future financial needs and availability of adequate financing; market volatility; financial failure or default of joint venture partners, contractors or service providers; competition risks; economic and market conditions; risks to employee health and safety or disruption to operations in the event of an outbreak of disease; estimates and assumptions used in budgeting, design of the Huasco Water project (including engineering, pipeline and other infrastructure designs) and economic analyses proving to be incorrect and other risks and uncertainties described elsewhere in this news release and in the Company's public filings with the ASX and the Company’s Canadian public disclosure record.

Although the forward-looking statements contained in this news release are based upon assumptions which the Company believes to be reasonable, there can be no assurance that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this news release, the Company has applied certain material assumptions including: the continuity of future commodity prices and demand; the availability of skilled labour; the timing and amount of capital

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expenditures; that future currency exchange and interest rates will be consistent with the Company's expectations; that increasing competition will not have a material adverse impact; that general conditions in economic and financial markets will be sustained or will improve; availability of construction and other required equipment; that regulation by governmental agencies and relations with local communities will not change in a materially adverse manner; that future tax rates, tariffs, capital and operating costs will be as expected; availability of future sources of funding; that requisite financing will be available and can be obtained on reasonable terms; that the assumptions underlying estimates related to the design of the Huasco Water project and financial analyses will prove to be as anticipated and that current exploration, development, environmental and other objectives concerning the Costa Fuego Project and the Huasco Water project can be achieved and that the Companies' other corporate activities will proceed as expected; and as set out under the headings "Customer Base", "Basis for Financial Forecasts", "Basis of Assumptions" in this news release.

Although the Company has attempted to identify important factors that could cause actual results to vary materially from those projected in such forward-looking statements, there can be no assurance that forward- looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward- looking statements. The forward-looking statements in this news release is based on plans, expectations, and estimates of management as at the date hereof and the Company undertakes no obligation to update such forward-looking statements, other than as required by applicable law.

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Customer Base

Huasco Water is the only company with permitted access to supply industrial scale seawater to the Huasco Valley region. Huasco Water is also advanced in its permitting application to enable its existing maritime concession to be upgraded to provide desalinated water.

The current maritime concession regulatory process in Chile is long, as evidenced by Hot Chili's 10-year lead time to secure its maritime concession. This combined with the current regulatory environment, restricting the use of continental water in the Atacama region of Chile, places Huasco Water's water assets as a key enabler for industrial scale water supply to the Huasco Valley region.

Water supply networks are typically bound by areas of influence related to water transmission distance from intake. This distance has been determined by Huasco Water's independent consulting experts as an area defined by 75km north and 75km south of Huasco Waters permitted water intake location. Potential alternative far-field water supply networks from the north (Copiapo) or south (La Serena) have been assessed and determined to be economically challenged (from the perspective of capital and operating cost) to provide water supply to the Huasco Valley region.

All parties identified in the water demand table for stage 2 and 3 require desalinated water supply in order to develop their projects and are engaged in ongoing discussions with Huasco Water concerning potential water supply solutions.

All project development timeframes have been sourced from publicly available information and from direct discussion with each potential customer to determine a schedule of potential water supply. MOU's to study and negotiate off-take arrangements for 165 L/s of desalinated water demand for stage 2 have been executed with private parties (Agrosuper and Nutram) in the Huasco Valley already and further MOU's are expected to be executed in cooperation with other potential off-takers.

Rising global demand for copper is translating to rising long-term consensus price for copper. The Huasco Valley region represents one of the largest groupings of major undeveloped copper projects in the world and is attracting significant capital investment.

There are currently no other alternatives to industrial scale water supply for the Huasco Valley region over the next ten years given current regulatory timeframes. Given global copper supply and demand fundamentals, it is expected that the majority of these projects will advance into production should copper incentive price be sufficient and water supply be available within the coming ten-year period.

Huasco Water's approach to developing a regional multi-user water network to reduce environmental and social impacts and drive commercial and community synergies is aligned with the Chilean government's approach to addressing water scarcity in the Atacama region.

While approximately 4,000 L/s of potential desalinated demand has been identified from undeveloped mineral resource projects in the Huasco Valley area of influence, only 1,300 L/s in stage 2 and 2,300 L/s of demand in stage 3 have been forecast.

Huasco Water has determined that these projects, their forecast demand and timing are considered reasonable grounds for forecasts as determined by independent water industry expert reports (PFS engineering report) commissioned by Huasco Water and taking into consideration direct discussions with potential customers.

Basis for Financial Forecasts

The basis for forecasting the tariff (or price) that customers pay for water supply is as follows:

Our independent water industry expert report (PFS engineering report) outlined engineering designs for water transmission for Stage 1, Stage 2 and Stage 3 and designs were costed for construction and operation. Capital and operating costs formed the basis of the tariff estimation, with the fixed tariff established to service capital cost repayment and the variable tariff established to service operating costs to supply. Capital and operating cashflows and discount rate are combined to estimate the levelised cost of water for each stage and client.

For the Huasco Water PFS financial model, the capital and operating cashflows require a margin to make a minimum return on capital investment. The combination of cost and margin produce a tariff that is specific to each client and represents the price of water supply to the location of their demand. The tariff is estimated to a value that will produce a target IRR for Huasco Water. For a higher or lower IRR target, a higher or lower tariff is estimated that achieves target IRR and provides a sensitivity range of water price for the financial model forecast.

A reasonable range of IRR values was defined from consultation with independent water industry experts as being from 12% to 19% and these returns form the basis of the range of tariffs presented in Table 1.

Water prices are estimated using this approach instead of a market based, long-term price forecast as there is no existing market for water supply in the Huasco Valley region.

Given potential earnings forecasts are for periods of more than two-years, financial forecasts have been supported by independent water industry expert reports and are considered by the Company as being objectively verifiable sources of information.

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Huasco Water

Preliminary Feasibility Study

March 2025

The Water Supply Prefeasibility Study (PFS) and conceptual engineering study have been undertaken by two independent engineering groups: Wood Australia Pty Ltd; and ILF Ingenieria Chile Limitada part of ILF Consulting Engineers Group, in co-operation with Huasco Water's management team.

Table 1 Huasco Water PFS Key Outcomes

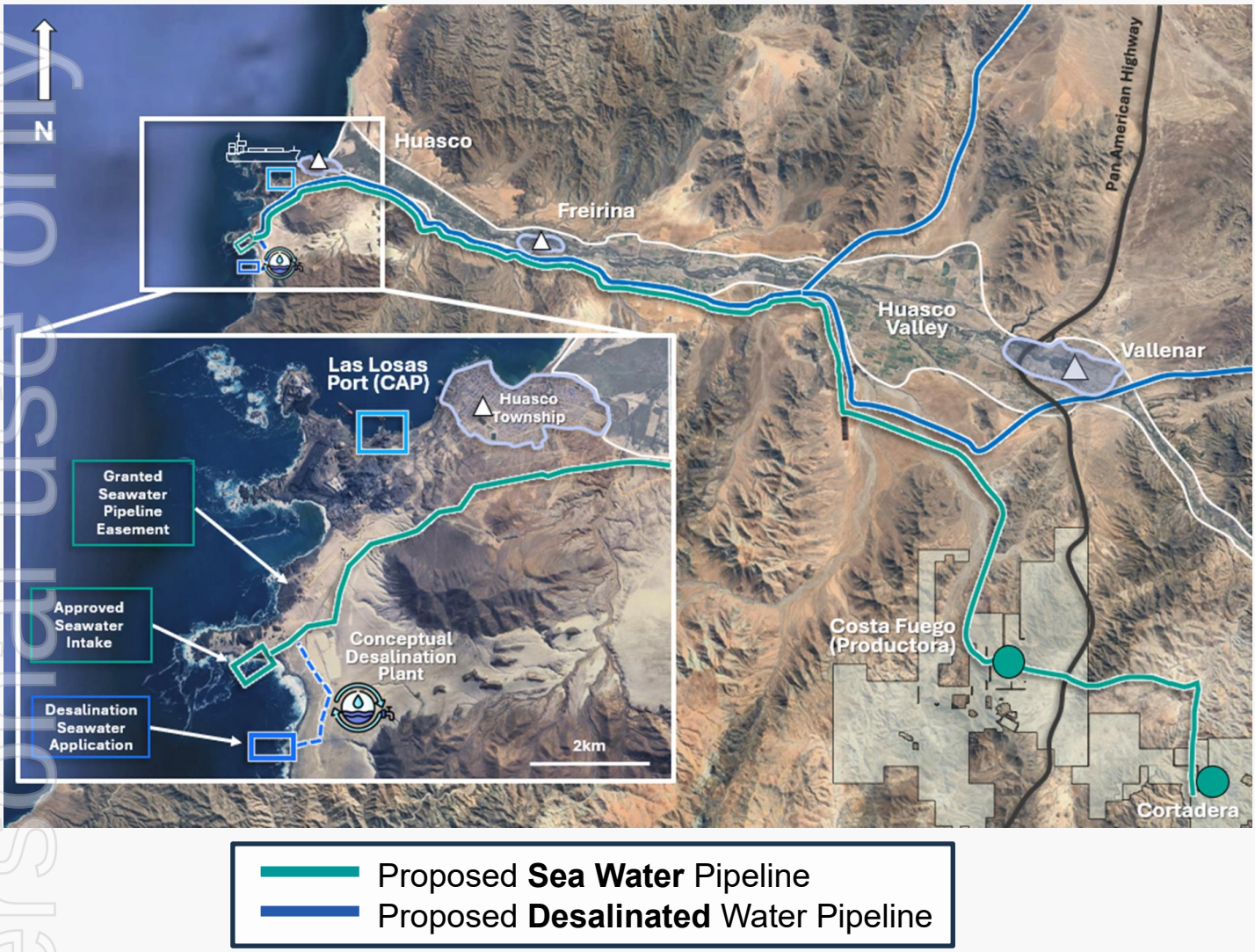
Stage	Key Performance Indicator		IRR		
			12%	15.5%	19% (Base case)
Stage 1 PFS Engineering (Seawater)	Fixed Water Tariff	US$M/year	23	28	**33**
	Variable Water Tariff	US$/m³	0.48	0.58	**0.69**
	Average Annual Price of Water[1]	US$/m³	2.31	2.80	**3.32**
	Nominal Seawater Water Demand	L/s	500	500	**500**
	Costa Fuego PFS Total Cash Costs	US$/lb Cu	1.31	1.35	**1.38**
	Impact on Costa Fuego PFS Total Cash Cost	US$/lb Cu	-0.07	-0.04	**0**
	Post-tax NPV8	US$M	41	80	**122**
	Levelized Cost of Water to Huasco Water (8%)	US $/m³	1.66	1.66	**1.66**
	Construction Capital	US$M	151	151	**151**
	Sustaining Capital	US$M	26	26	**26**
Stage 1 & 2 PFS Engineering (Seawater & Desalinated Water)	Fixed Water Tariff	US$M/year	243	283	**327**
	Variable Water Tariff	US$/m³	1.47	1.71	**1.98**
	Average Annual Price of Water[2]	US$/m³	6.39	7.44	**8.59**
	Nominal Desalinated Water Demand	L/s	1,300	1,300	**1,300**
	Post-tax NPV8	US$M	328	640	**977**
	Levelized Cost of Water to Huasco Water (8%)	US $/m³	4.85	4.85	**4.85**
	Construction Capital	US$M	1,430	1,430	**1,430**
	Sustaining Capital	US$M	1,170	1,170	**1,170**
Stage 3[3] Conceptual Study (Desalinated Water Expansion)	Fixed Water Tariff	US$M/year	312	359	**410**
	Variable Water Tariff	US$/m³	1.78	2.04	**2.33**
	Average Annual Price of Water[4]	US$/m³	6.93	7.97	**9.11**
	Nominal Desalinated Water Demand	L/s	2,300	2,300	**2,300**
	Expansion Capital	US$M	1,900	1,900	**1,900**
	Sustaining Capital	US$M	2,380	2,380	**2,380**

Figure 1 displays Huasco Water's key water assets including the granted maritime concession, coastal land access , easement corridors and the desalinated water application.

[1] Average Annual Price of Water for Costa Fuego. Price is calculated subject to each project's location and requirements.
[2] Average Annual Price of Water for Clients supplied in the Stage 2. Price is calculated subject to each Client's location and requirements.
[3] Stage 3 tariffs are the average for all customers for Stage 1, 2 and 3
[4] Average Annual Price of Water for Clients supplied in the Stage 3. Price is calculated subject to each Client's location and requirements.

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Figure 1 Huasco Water Coastal Infrastructure Assets



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Stage 1 – PFS Seawater Supply

Stage 1 of the PFS encompasses the supply of seawater to the Costa Fuego Project by a 62 km over-land pipeline. Table 2 presents the base case economics for stage 1.

Table 2 Stage 1 Base Case Financial Outcomes

Stage 1 (Costa Fuego 20-Year project)		Units	Value
Tariff			
Variable Tariff		US$/m³	0.69
Fixed Annual Tariff		US$M/year	33
Project Life		years	20
Total Volume of Seawater Delivered		Mm³	255
Financial Measures			
Pre-tax	$NPV_{8\%}$	US$M	179
	IRR	%	22
Post-tax	$NPV_{8\%}$	US$M	122
	IRR	%	19
Startup Capital		US$M	151
Sustaining Capital		US$M	26
Total Revenue		US$M	880
Total Operating Costs		US$M	91
Corporate Tax		US$M	165
Post-tax Free Cash Flow		US$M	447
Payback period (from commissioning)		years	4.5
Profitability Index (Post-tax NPV / Startup Capex)		Ratio	0.81

A summary of key engineering outcomes is as follows:

- **A robust PFS process** was undertaken with two engineering groups generating alternative designs for the pipeline and pumping to supply Stage 1. Both independent consultants undertook separate studies in order to determine optimal design, while ensuring robust cost engineering
- Engineering studies for the development of the **seawater intake infrastructure mitigated key risks** by incorporating advanced studies on wave propagation (including tsunamis) to ensure a 50-year life span
- **Single pumping station employed for stage 1**. Both an above ground and below ground solution were designed to provide optionality for both above ground and below ground pipeline alternatives.
- **Real-time control and monitoring system** to enhance operational efficiency and avoid down-time

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Figure 2 Stage 1 Forecast Cashflows

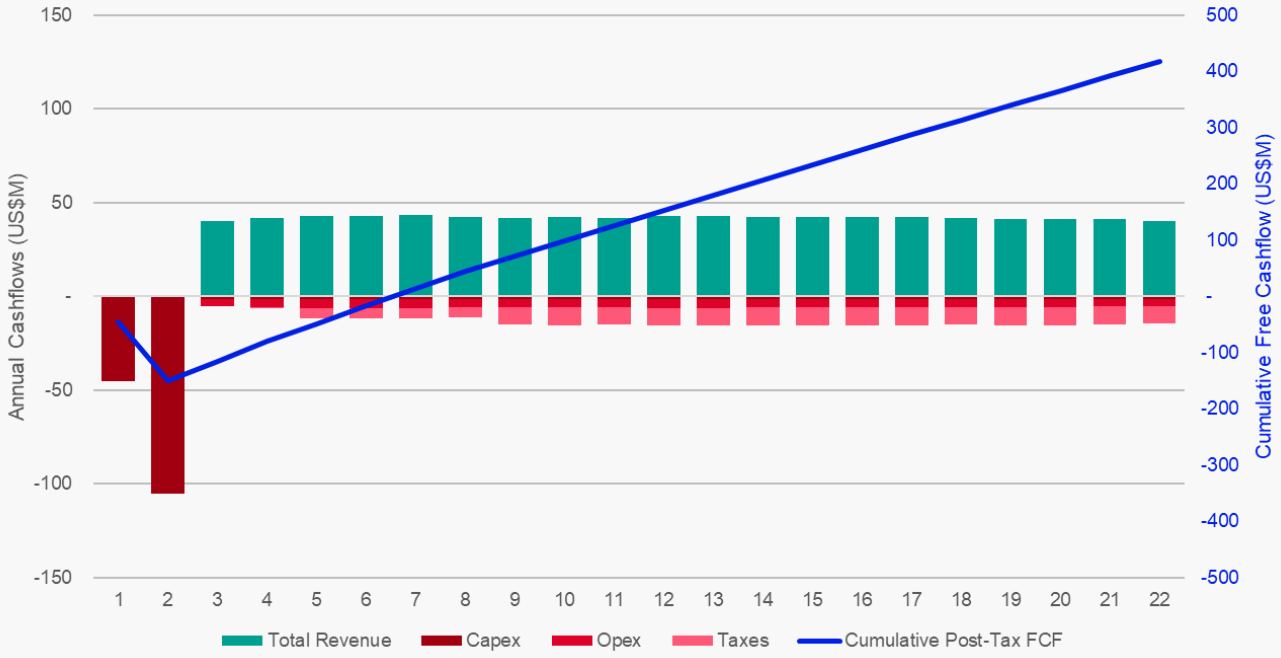
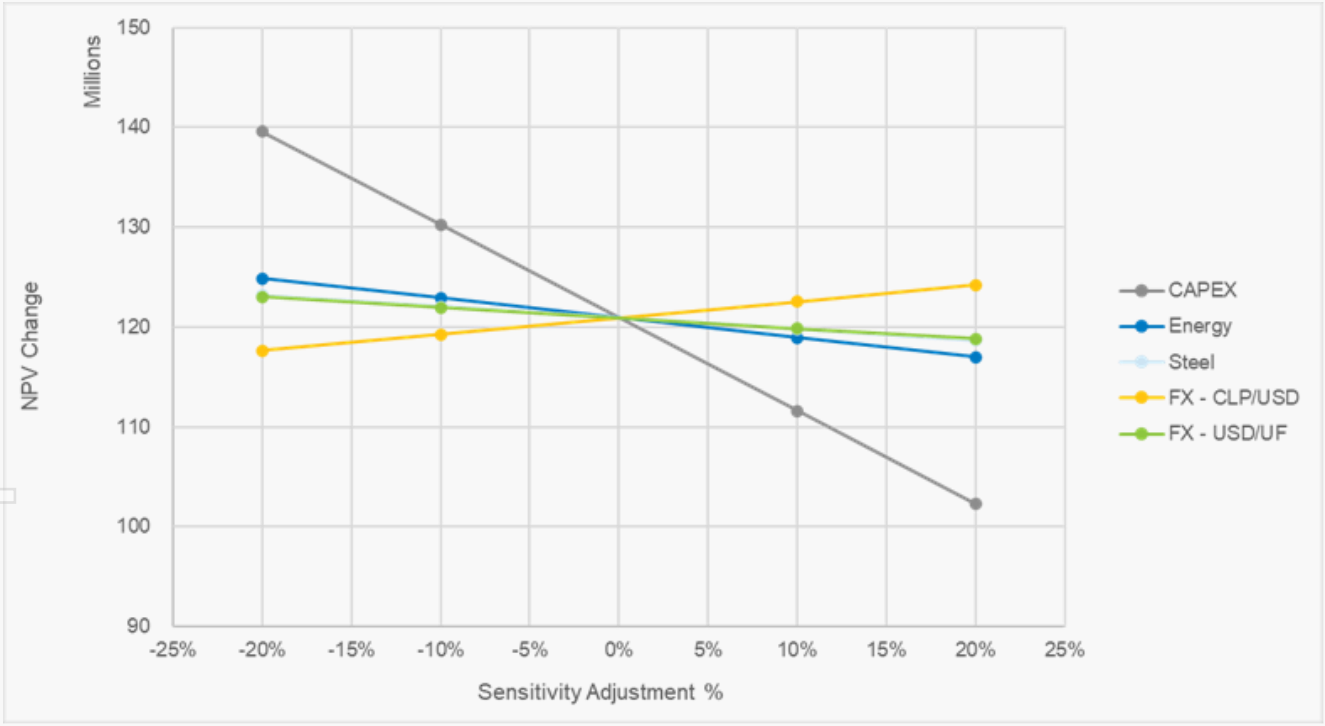
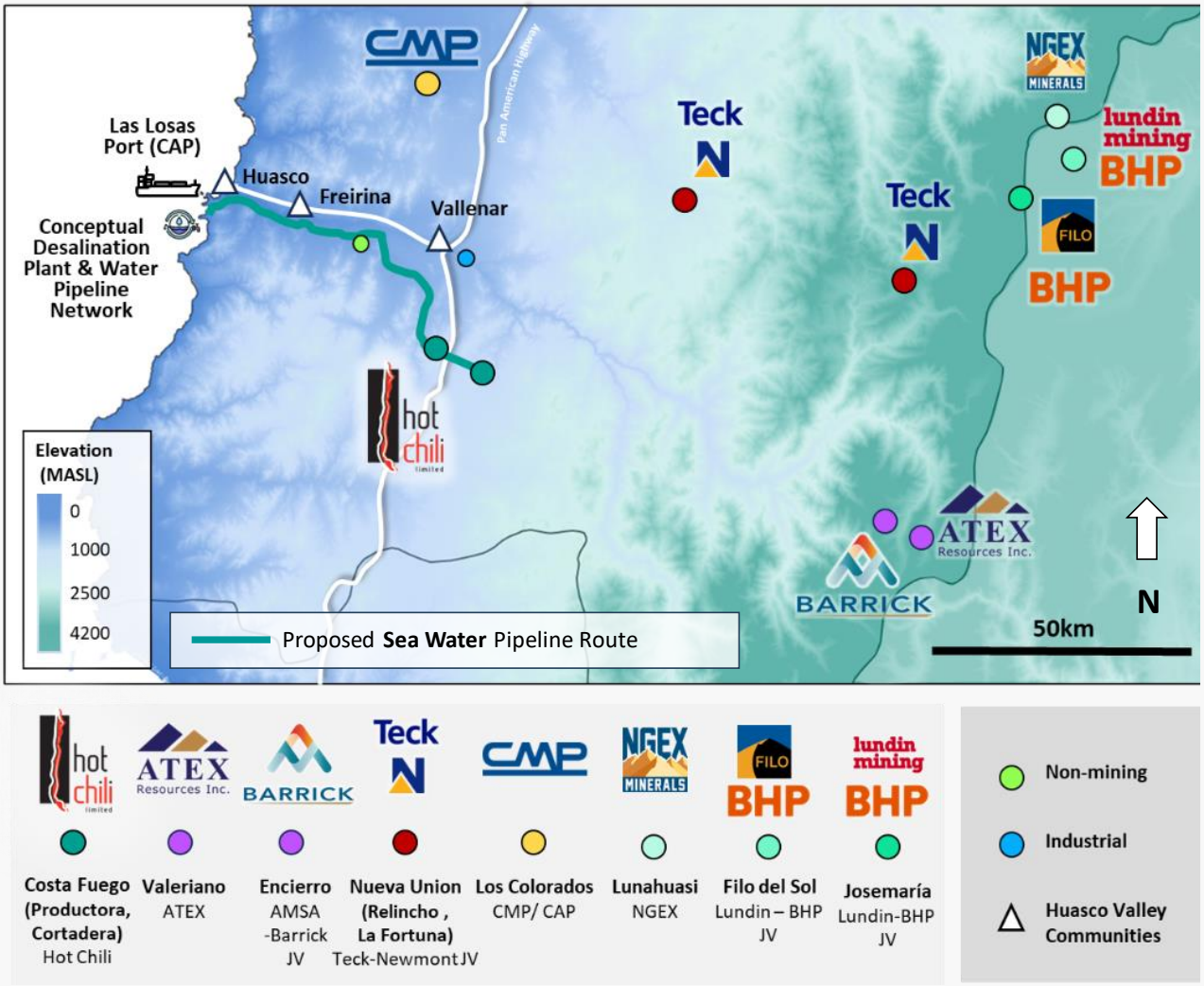


Figure 3 Stage 1 Sensitivity Graph for Key Inputs



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Figure 4 Stage 1 Network Map[1]



[1] Water off take agreement in place with Hot Chili Limited for Costa Fuego Project. No other agreements have been executed with any projects depicted in the illustration.

Stage 2 – PFS Desalinated Water Supply

Stage 2 of the PFS encompasses the supply of desalinated water to the Huasco Valley region by initially utilising the same easement corridors of stage 1. Table 3 presents the base case economics for stage 2.

Table 3 Stage 1 and Stage 2 Base Case Financial Outcomes

Stage 2		Units	Value
Tariff			
Variable Tariff		US$/m³	1.98
Fixed Annual Tariff		US$M/year	327
Project Life		years	22
Total Volume of Seawater Delivered		Mm³	255
Total Volume of Desalinated Water Delivered		Mm³	822
Financial Measures			
Pre-tax	$NPV_{8\%}$	US$M	1,440
	IRR	%	22
Post-tax	$NPV_{8\%}$	US$M	977
	IRR	%	19
Startup Capital		US$M	1,440
Sustaining Capital		US$M	1,170
Total Revenue		US$M	9,350
Total Operating Costs		US$M	1,240
Corporate Tax		US$M	1,500
Post-tax Free Cash Flow		US$M	4,000
Payback period (from Stage 2 commissioning)		years	4.0
Profitability Index (Post-tax NPV / Startup Capex)		Ratio	0.68

A summary of key engineering outcomes is as follows:

- Engineering studies designed an upgraded seawater intake and a reverse osmosis desalination plant with **scalable capacity**
- Seven strategically located pumping stations and the installation of a large-diameter pipeline system enables **efficient water transmission to potential clients**
- **Service area and growth potential analysis** of the service area for Huasco Water was conducted
- Potential clients were identified within a **strategic influence window of 150km** centred on the Huasco Water intake. Water transmission cost is considered prohibitive beyond the strategic influence window

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Figure 5 Stage 2 Forecast Cashflows

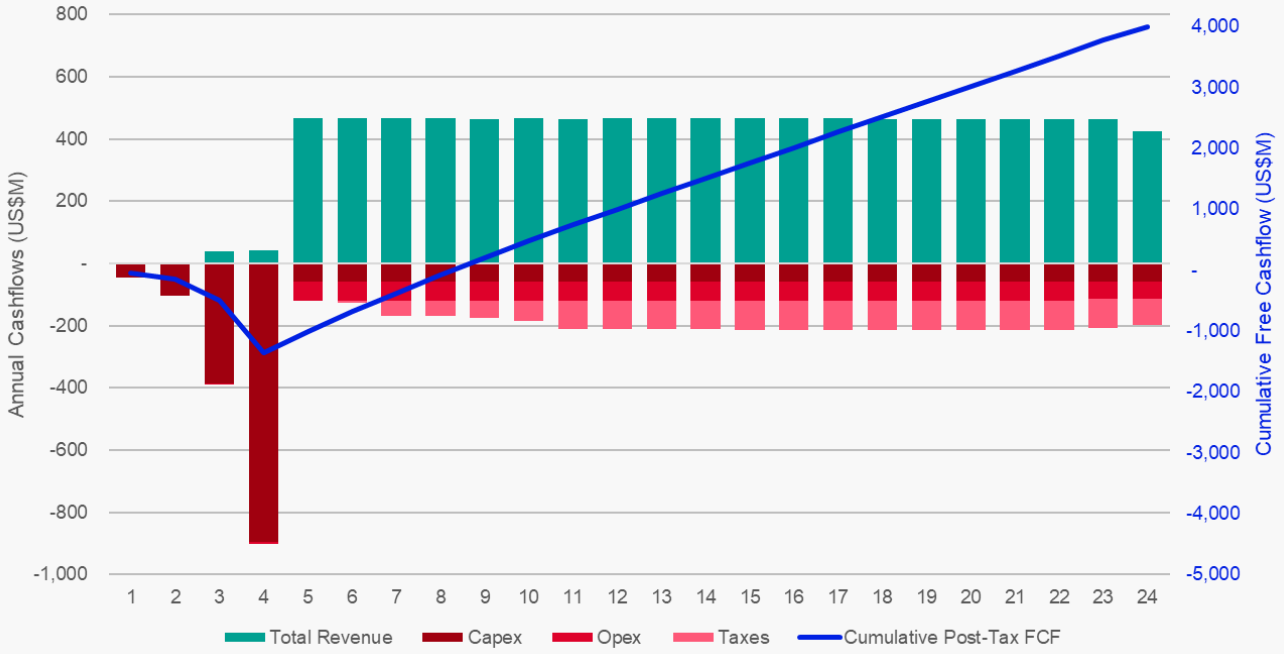
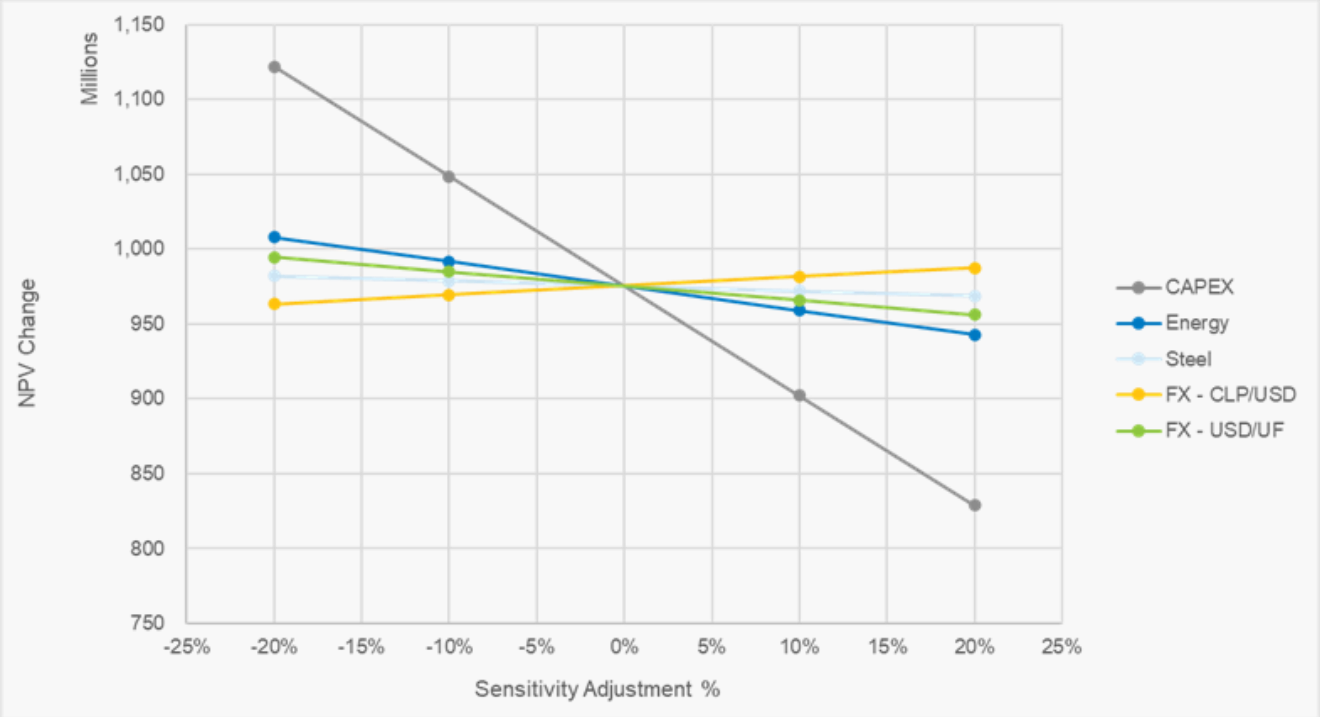
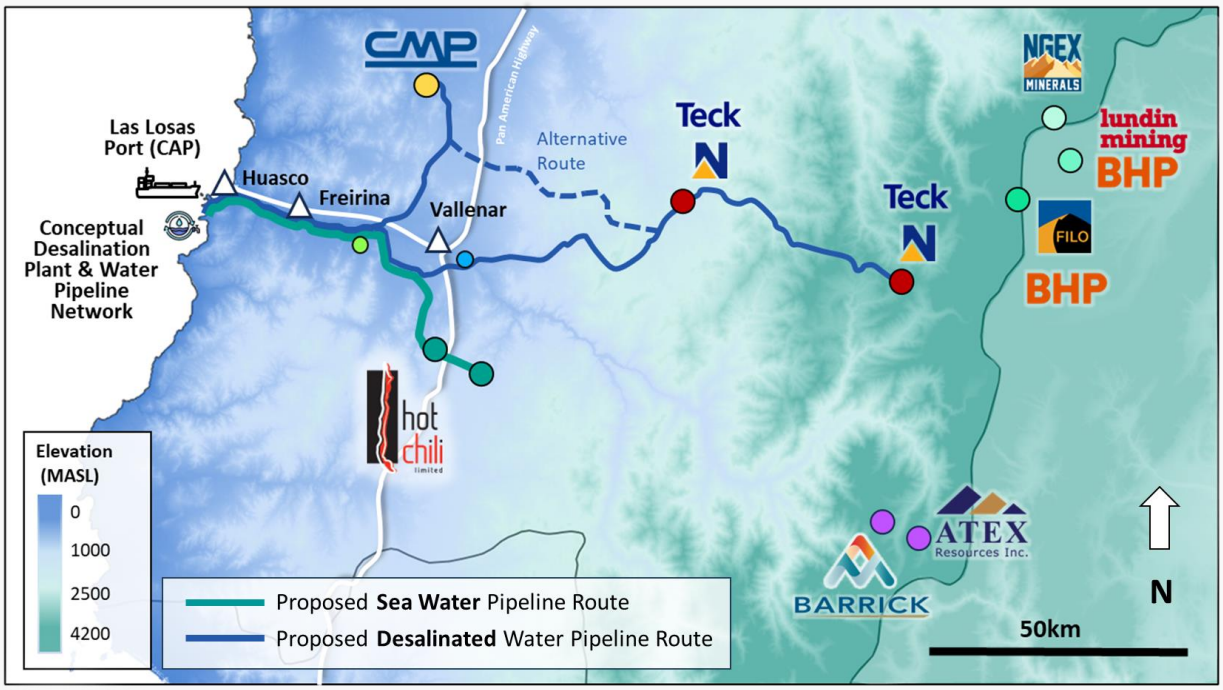


Figure 6 Stage 2 Sensitivity Graph for Key Inputs



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Figure 7 Stage 2 Network Map[1]





[1] Conceptual water demands and timeframes are for the purposes of the Huasco Water PFS-level Engineering Study only. They do not represent a forecast of actual water supply or demand, nor do they imply that potential customers will go into production and would enter into water offtake agreements with Huasco Water.

Stage 3 – Conceptual Study Expansion of Desalinated Water Supply

Stage 3 of the PFS encompasses the supply of desalinated water to the Huasco Valley region by expanding and extending the stage 2 network with a scoping-level engineering design. Table 4 presents the base case economics for stage 3.

Table 4 Stage 3 Base Case Financial Outcomes

Stage 3	Units	Value
Tariff		
Variable Tariff [1]	US$/m³	2.33
Fixed Annual Tariff [1]	US$M/year	410
Project Life	years	22
Total Volume of Desalinated Water Delivered	Mm³	1,453
Financial Measures		
Expansion Capital	US$M	1,900
Sustaining Capital	US$M	2,380
Total Operating Costs	US$M	2,390

A summary of key engineering outcomes is as follows:

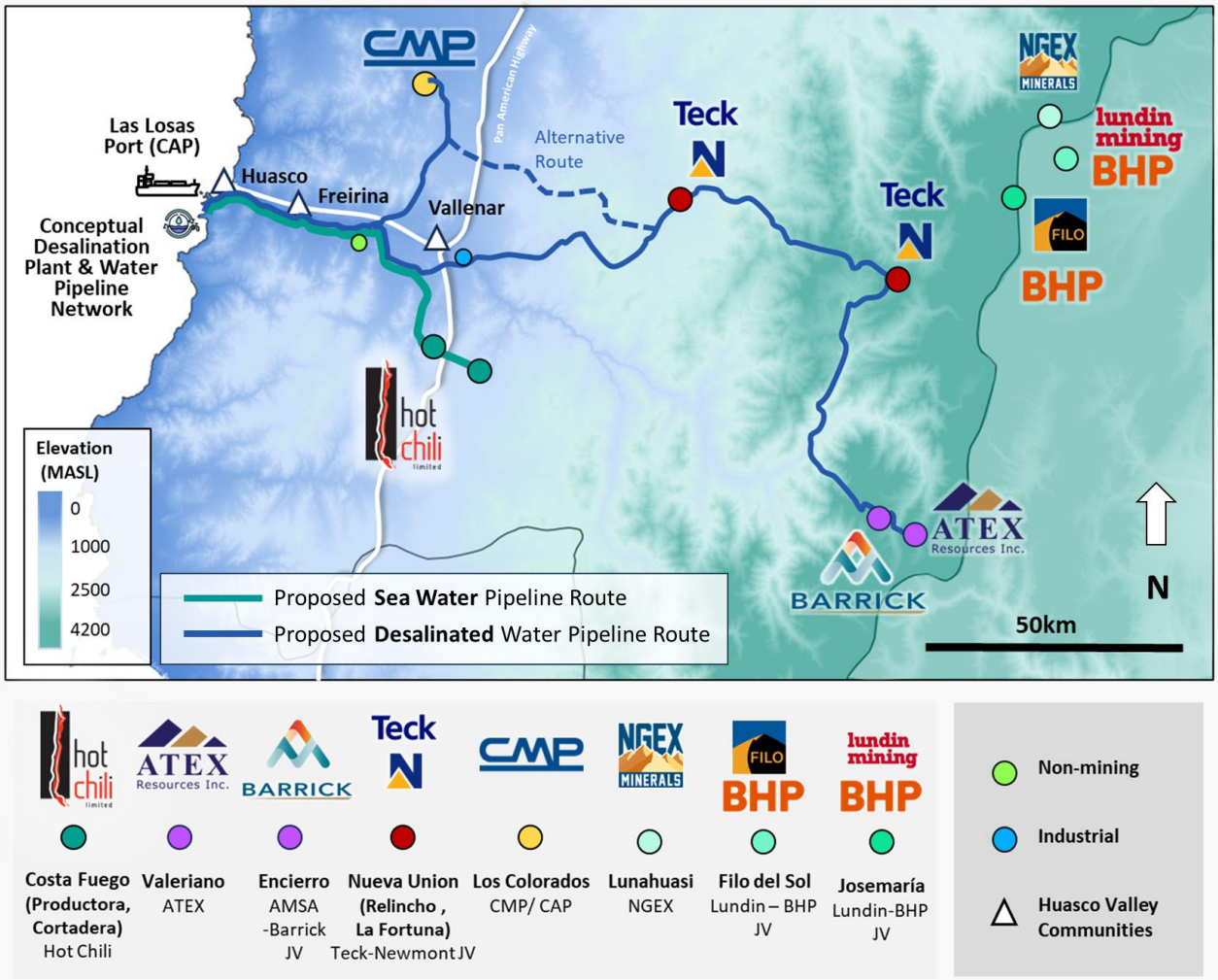
- Engineering studies utilised stage 2 designs with expanded flow rates for one potential client, with an extension to include one additional potential client
- Extension of the stage 2 water network increases capital costs associated with provision of water supply to potential higher Andean clients
- Potential for future water easement corridors to contemplate downhill slurry pipelines, power transmission and access roads

[1] Tariffs shown are the average of all tariffs for all clients in Stages 1, 2 and 3.

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Figure 8 Stage 3 Network Map[1]



[1] Conceptual water demands and timeframes are for the purposes of the Huasco Water PFS-level Engineering Study only. They do not represent a forecast of actual water supply or demand, nor do they imply that potential customers will go into production and would enter into water offtake agreements with Huasco Water.

Basis of Assumptions

Water Demand

Table 5 Water Demand

Potential Client (Project)		Water Demand (L/s)		
		Stage 1	Stage 2	Stage 3
	Construction Period	1-2 yr	3-4 yr	23-24 yr
	Supply Period	3-22 yr	5-24 yr	25-44 yr
Hot Chili Limited (Costa Fuego) (MOU executed)	Seawater	500		
Huasco HVC	Desalinated Water		33	33
Freirina HVC			33	33
Agrosuper (MOU executed)			150	150
CMP (Los Colorados)			200	200
Vallenar HVC			33	33
Nutram (MOU executed)			15	15
Teck Resources (Nueva Union -Relincho)			740	1340
Teck Resources (Nueva Union -La Fortuna)			100	100
Atex Resources (Valeriano)				400
	Total	**500**	**1300**	**2300**

Totals are rounded for significant figures

Water demand was modelled within the water supply PFS with table 5. Potential clients were identified based upon:

a) Location within the proposed service area for Huasco Water, and
b) The absence of published solutions for water supply or where the Huasco Water study considered that Huasco Water may provide a superior solution.

A description of each potential client is provided within this section.
Water demand was based on publicly available data where available or is stated as assumptions based on reasonable projections based on the scale of the project.

Water demand assumption benchmarking included an assessment of the installed capacity of beneficiation plants in the Atacama region[1] and flow rates published by companies identified in the benchmarking assessment[2]. For companies that have not declared their water consumption, an estimate was made based on water make-up for the flotation and leaching processes, using a factor of 0.76 m^3/t and 0.10 m^3/t processing material, respectively.

[1] Chile Mining Annual Report 2022, National Geology and Mining Service.
[2] Mining Council's Water Platform 2021 https://consejominero.cl/plataformas-digitales/agua/

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Agrosuper SA

Agrosuper is a food company with over 65 years of experience in the production and marketing of chicken, pork, turkey, and processed food. Production is vertically integrated with production of animal feed, breeding farms, processing, distribution and sales. Agrosuper is shown as “non-mining” within the Huasco Water stages, with a facility near the town of Freirina.

Water demand from Agrosuper is sourced directly from engagement with Agrosuper. A MOU is in place with Agrosuper for desalinated water supply.

Atex Resources Inc

Atex Resources' flagship property is the Valeriano copper gold project located 125km east of Vallenar city, within the Link Belt, in north-central Chile. The Company is focused on delineating and growing the copper-gold porphyry resource underlying a surface oxide gold deposit. Drill results to date confirm the presence of a major copper-gold porphyry system that is open in all directions.

Valeriano is adjacent to the El Encierro deposit, a joint venture between Antofagasta (51%) and Barrick Gold (49%). The project is within a 120-km long zone – internally referred as the Link Belt – connecting the Maricunga gold porphyry belt to the El Indio high-sulphidation gold-epithermal belt that hosts significant copper-gold deposits. Other companies active in this area include Filo Mining, Teck Resources, Newmont Mining as well as Lundin Mining and BHP.

Valeriano hosts a large copper gold porphyry Inferred resource: 1.41 billion tonnes at 0.67% CuEq (0.50% Cu, 0.20 g/t Au, 0.96 g/t Ag and 63.80 g/t Mo), which includes a higher-grade core totalling 200 million tonnes at 0.84% CuEq (0.62% Cu, 0.29 g/t Au 1.25 g/t Ag and 55.7 g/t Mo), reported in September 2023[1].

No agreement is in place with Atex Resources.

Hot Chili Limited

Hot Chili holds an 80% ownership of Huasco Water and is developing the Costa Fuego copper gold project located 15km south of Vallenar city. Costa Fuego released the results of the Costa Fuego PFS on 27th March 2025 confirming a 20-year project life with seawater demand (500 L/s) associated with the processing activities of the project. An MOU between Hot Chili and Huasco Water is in place for seawater supply in Stage 1.

Freirina HVC

Freirina Huasco Valley Community (HVC) relates to the local government for the township of Freirina. Quantities for supply of desalinated water have been obtained directly through engagement with Freirina local government officials. No agreement is in place with Freirina HVC.

Huasco HVC

Huasco (HVC) relates to the local government for the township of Huasco. Quantities for supply of desalinated water have been obtained directly through engagement with Huasco local government officials. No agreement is in place with Huasco HVC.

[1] Source: Atex Resources: *NI 43-101 technical report titled “Independent Technical Report for the Valeriano Copper-Gold Project, Atacama Region, Chile” with an effective date of September 1, 2023, available at www.sedarplus.com* and *www.atexresources.com for additional details on the 2023 Mineral Resource Estimate for the Valeriano project*

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Compañia Minera Del Pacifico

CMP operates the Los Colorados iron ore mine, which is the largest iron ore deposit in Chile. The mine is located north of Huasco and, with an expansion plans out to 2033.

CMP holds a 20% ownership of Huasco Water. No agreement for desalinated water supply is in place with CMP.

Nutram SpA

Nutram Investments operate a copper processing facility in Vallenar, which includes crushing, grinding and flotation to produce concentrates. A MOU is in place with Nutram for desalinated water supply in stages 2 and 3.

Teck Resources Limited

Teck Resources, in a joint venture Newmont Corporation combined their respective Relincho and El Morro projects, located approximately 40 kilometres apart in the Huasco Province in the Atacama region of Chile, into a single project named NuevaUnión.

Based on the results of a Preliminary Economic Assessment, initial stage development of Project NuevaUnión contemplates a conveyor to transport ore from the El Morro site to a single line mill and concentrator facility at the Relincho site.

The Relincho deposit includes a Mineral Resource Estimate[1]: 782 million tonnes of Measured & Indicated classification at 0.23% Cu, 0.008% Mo, 1.12g/t Ag, and 725 million tonnes of Inferred classification at 0.36% Cu 0.012% Mo, 1.29g/t Ag.[1]

The La Fortuna deposit includes a Mineral Resource Estimate[1]: 246 million tonnes of Measured & Indicated classification at 0.51% Cu, 0.59 g/t Au, 1.10g/t Ag, and 480 million tonnes of Inferred classification at 0.43% Cu 0.39g/t Au, 0.96g/t Ag.[1]

No agreement is in place with Teck Resources.

Vallenar HVC

Vallenar (HVC) relates to the local government for the township of Vallenar. Quantities for supply of desalinated water have been obtained directly through engagement with Vallenar local government officials. No agreement is in place with Vallenar HVC.

[1] Source: https://www.teck.com/operations/chile/projects/nuevaunion/ and https://www.teck.com/media/Supplemental-Information.pdf

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Reasonable Prospects For Funding

The Company has formed the view that there is a reasonable basis to believe that requisite future funding for development of the Huasco Water Project will be available when required. The Water Study PFS demonstrates that the Project has robust technical and economic fundamentals for Stage 1, having regard for an MOU executed with Hot Chili Limited with tariff costs already incorporated in the Water Study PFS as of the date thereof.

The Company has received significant interest in Huasco Water from both Chilean and international water investment groups in addition to several neighbouring mine developers, agricultural groups, community groups and government to support the reasonable prospects for funding of Stage 2. Stage 3 remains at a conceptual level of study.

The Company notes that it's approach to potentially outsourcing its water infrastructure aims to provide capital cost savings and project finance optionality. There is an increasing trend in Chilean mining towards outsourcing of water supply to the industrial infrastructure sector.

Hot Chili notes other transactions for funding of water infrastructure projects such as that reported in Chile on 29 August 2024[1] that Chilean power generation company Colbún has formed a strategic alliance with Desala Petorca, a seawater desalination project in Region V designed to be a multi-client supplier of desalinated water. Colbún has committed investment to continue with the development phase and has taken control of the project's investment vehicle. Icafal, one of the largest construction companies in Chile, has joined as a minority partner.

Petorca will supply water to Los Andes Copper's Vizcachitas copper project under a 2022 letter of intent, in which the developer agreed to become an anchor client for the desalination project's development.

This follows earlier news that copper mining major Antofogasta Minerals announced[2] on 5 June 2024 that they had sold their water assets and water rights to the Centinella copper mine for US$600 million to a consortium (Transelec and Almar Water), which will also Finance, Build, Own, Operate (BOO) and sell seawater for the Centinella mine expansion.

Hot Chili's approach to monetising it's water assets through potential sell down of it's 80% interest in Huasco Water to potential Chilean or international water infrastructure investment groups aims to assist in financing of the Company's Costa Fuego project while also facilitating funding of Huasco Water's potential regional water supply business. The Company is in ongoing discussions with several potential Chilean and international water infrastructure investment groups in this regard.

Identified Risks

The PFS process identified the following risks:

Demand Risks

- Forecast demand of water from the identified customer base may not be realised as assumed within the PFS
- Timing of demand of water from the identified customer base may not be realised as assumed within the PFS

Environmental and Regulatory Risks

- Potential delays in obtaining environmental and sectoral permits.

[1]Source: https://www.mining-journal.com/exploration-development/news/4352103/powerco-invest-vizcachitas-water-supply-option

[2] Source https://smartwatermagazine.com/news/almar-water-solutions/antofagasta-minerals-and-almar-water-solutions-sign-15b-water-supply

- Community opposition due to perceived environmental impacts of the water intake or desalination system.
- Regulatory changes affecting maritime concessions or brine discharge standards.

Technical Risks

- Challenges in aligning designs produced by different consulting firms (ILF/Wood).
- Topographical and hydraulic uncertainties, particularly in high-altitude areas.

Financial Risks

- Volatility in investment and operational costs.
- Reliance on securing new client contracts to validate project expansions.

Operational Risks

- Challenges in operations due to complex geography or adverse climatic conditions.
- Exposure to natural hazards, such as earthquakes and tsunamis, impacting marine infrastructure.

Risk Mitigation Strategies

The PFS process identified the following risk mitigation strategies:

Demand Risks

- Financing and construction are contingent upon contractual offtake agreements
- Stage 1 supply will underpin the establishment of the Huasco Water business, in advance of contractual supply from Stage 2 customers

Design Integration

- Continuous technical coordination between consulting firms to ensure seamless integration of project designs.

Layout and Hydraulic Validation

- Technical validation of the proposed layout and hydraulic requirements during Stage 3.

Regulatory Compliance

- Early initiation of the modification process for the existing maritime concession.

Environmental Approvals

- Phased submission of Environmental Impact Studies Costa Fuego scheduled for 2026, followed by Huasco Water Stage 2.

Contractual Stability

- Execution of Water Purchase Agreement contracts with firm commitments to underpin expected demand projections.

Second sea water concession to mitigate upgrade of existing concession or change of use to brine discharge

- North and south route assessments to mitigate the risk of easements being agreed across the southern route which is preferred on the basis of cost of delivery.
- Below ground pipe costing for Stage 1/2/3 to improve likelihood of approvals.

Strategic Opportunities

The PFS process identified the following strategic opportunities:

Pioneering Initiative

- The project benefits from an existing maritime concession, significantly reducing lead times and regulatory challenges.

Multi-Client Integration

- In Stages 2 and 3, the project enables the integration of industrial, community, and agro-industrial water demands, establishing a consolidated multi-client solution.

Economies of Scale

- By replacing multiple individual water intake and desalination systems, the project achieves cost efficiencies.

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Sustainability Potential

- The system offers the feasibility of integrating renewable energy sources for pumping operations, contributing to a reduced carbon footprint.

Community Opportunity & Regional Water Security

- The project enhances water security across the region, delivering a positive impact on local communities.
- BHP & Lundin Joint Venture: This may require in the region of 2000L/s

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