Operada por
Freeport-McMoRan Copper & Gold

Sociedad Contractual Minera
El Abra

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Las Condes, Santiago - Chile.
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Santiago, 19 de marzo de 2020

Señor
Carlos Pavez Tolosa
Presidente Comisión para el Mercado Financiero
Presente

En cumplimiento a lo establecido en la Resolución exenta N° 549 de fecha 23 de septiembre de 2005, y sus complementos, adjunto sírvase encontrar los Estados Financieros y Declaración Jurada de Responsabilidad de Sociedad Contractual Minera El Abra, RUT 96.701.340-4, por el año terminado al 31 de diciembre de 2019.

Los Estados Financieros antes mencionados, han sido preparados en dólares y de acuerdo a normas internacionales de información financiera (NIIF o IFRS en inglés), e incluyen Estado de Situación Financiera, Estado de Resultados Integrales, Estado de Cambios en el Patrimonio Neto, Estado de Flujos de Efectivo y Notas a los Estados Financieros.

Sin otro particular, le saluda muy atentamente,

Ruben Funes M.
Representante Legal

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DECLARACION JURADA DE RESPONSABILIDAD

Nombre de la Compañía: Sociedad Contractual Minera El Abra
RUT: N° 96.701.340-4

En Santiago, a 19 de marzo de 2020, yo, Ruben Funes M., cédula de identidad número 8.066.911-9, en mi calidad de representante de Sociedad Contractual Minera El Abra, en adelante la Compañía, declaro que me hago responsable de la veracidad e integridad de la información que la Compañía que represento entrega y entregará a la Comisión para el Mercado Financiero de conformidad a la resolución exenta N° 549 y sus complementos, referidas a la obligación y procedimiento de presentación de los estados financieros (trimestrales y anuales) y memoria anual para aquellas empresas que se acogieron al Art. 11 ter del DL N° 600, Estatuto de la Inversión Extranjera, establecido por la Ley N° 20.026, de 2005, modificada por Ley N° 20.097, de 2006.

De esta forma, esta declaración incluye los estados financieros de la Compañía correspondientes al año terminado al 31 de diciembre de 2019, dichos Estados Financieros incluyen (i) Estado de Situación Financiera, (ii) Estado de Resultados Integrales; (iii) Estado de Cambios en el Patrimonio Neto, y (iv) Estado de Flujos de Efectivo; (v) Notas a los Estados Financieros.

Ruben Funes M.
Representante Legal

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Santiago, Chile
As of December 31, 2019 and 2018

EY Chile
Avda. Presidente
Riesco 5435, piso 4,
Las Condes, Santiago

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Independent Auditor's Report

To the Shareholders of
Sociedad Contractual Minera El Abra

We have audited the accompanying financial statements of Sociedad Contractual Minera El Abra, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity´s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better
working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Contractual Minera El Abra as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Luis Camilla C.
EY Audit SpA

Santiago, Chile
January 30, 2020

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

As of December 31, 2019 and 2018

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Financial Statements

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$: Chilean Pesos
US$: United States Dollar

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

As of December 31, 2019 and 2018

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Financial Position

As of December 31,

ASSETS	Note	2019 US$	2018 US$
Current Assets			
Cash and cash equivalents	(3)	134,127,284	241,332,359
Accounts receivable from related companies	(9)	50,829,983	48,284,666
Embedded derivatives from sales	(9) (17)	204,086	-
Other accounts receivable		3,253,607	5,463,542
Recoverable taxes	(7)	20,152,622	8,934,528
Inventory, net	(5)	288,554,531	245,693,658
Materials and spare parts, net	(6)	84,452,283	74,899,574
Prepaid expenses		9,275,559	2,341,244
Total current assets		590,849,955	626,949,571
Non-Current Assets			
Property, plant and equipment, net (PP&E)	(8)	657,390,413	642,112,364
Inventory, net	(5)	340,870,722	318,172,069
Other non-financial assets		8,258,716	1,582,432
Intangible assets, net		491,831	515,587
Total non-current assets		1,007,011,682	962,382,452
Total Assets		1,597,861,637	1,589,332,023

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Financial Position

As of December 31,

LIABILITIES AND NET SHAREHOLDERS' EQUITY	Note	2019 US$	2018 US$
Current Liabilities			
Accounts payable	(10)	60,886,642	56,450,628
Accounts payable to related companies	(9)	2,493,781	2,632,048
Embedded derivatives from sales	(9) (17)	-	566,686
Provisions	(12)	9,134,969	11,227,023
Leases	(11)	4,427,858	-
Withholdings		2,478,314	2,581,320
Total current liabilities		79,421,564	73,457,705
Non-Current Liabilities			
Accounts payable to related companies	(9)	4,531,479	4,201,147
Provisions	(12)	151,657,334	116,765,338
Leases	(11)	7,517,650	-
Deferred taxes	(13 (b))	140,687,398	149,317,145
Total non-current liabilities		304,393,861	270,283,630
Net Shareholders' Equity			
Paid-in capital		651,059,000	647,059,000
Accumulated other comprehensive loss	(2.2 (i))	(7,539,516)	(4,365,371)
Retained earnings		570,526,728	602,897,059
Total shareholders' equity		1,214,046,212	1,245,590,688
Total Liabilities and Shareholders' Equity		1,597,861,637	1,589,332,023

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Comprehensive (Loss) Income

For the years ended December 31,

Operating Income	**Note**	**2019 US$**	**2018 US$**
Sales	(4)	493,530,868	596,060,480
Cost of sales	(20)	(475,602,820)	(519,935,649)
Gross margin		17,928,048	76,124,831
Administrative and selling expenses	(22)	(8,676,628)	(10,501,642)
Financial income		4,161,437	4,632,516
Net foreign currency translation		4,476,233	6,180,874
Other losses, net	(21)	(51,175,913)	(44,785,695)
(Loss) Profit before Income and Deferred Taxes		(33,286,823)	31,650,884
Benefit from (provision for) income and deferred taxes	(13 (c))	7,166,492	(10,873,714)
(Loss) profit for the year		(26,120,331)	20,777,170
(Loss) earnings per share	(15)	(260.42)	207.77
Other Comprehensive Loss			
Actuarial loss	(2.2 (i))	(4,576,994)	(2,090,262)
Deferred taxes	(2.2 (i))	1,402,849	640,665
Other comprehensive loss		(3,174,145)	(1,449,597)
Total Comprehensive (Loss) Income for the year, net of tax		(29,294,476)	19,327,573

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Changes in Shareholders' Equity

As of December 31, 2019 and 2018

	Paid-in Capital US$	Accumulated Other Comprehensive Loss US$	Retained Earnings US$	Total US$
Balance as of January 1, 2018	647,059,000	(2,915,774)	592,119,889	1,236,263,115
Dividends (Note 14)	-	-	(10,000,000)	(10,000,000)
Net profit for the year 2018	-	-	20,777,170	20,777,170
Other comprehensive loss (Note 2.2 (i))	-	(1,449,597)	-	(1,449,597)
Balance as of December 31, 2018	647,059,000	(4,365,371)	602,897,059	1,245,590,688
Dividends (Note 14)	-	-	(6,250,000)	(6,250,000)
Capital increase (1)	4,000,000	-	-	4,000,000
Net loss for the year 2019	-	-	(26,120,331)	(26,120,331)
Other comprehensive loss (Note 2.2 (i))	-	(3,174,145)	-	(3,174,145)
Balance as of December 31, 2019	651,059,000	(7,539,516)	570,526,728	1,214,046,212

(1) On August 30, 2019, Decree 1267 was published in the Chilean Official Gazette approving the transfer of mining rights owned by Codelco to El Abra. As part of this transaction, Cyprus El Abra Corporation directly paid Codelco US$ 2,040,000 for a 51% interest in these mining rights. Cyprus El Abra Corporation and Codelco agreed to a contributed capital increase of US$ 4,000,000 and as a consequence of that contribution, 300 new shares were issued to Cyprus El Abra Corp. and Codelco at 51% and 49% respectively. See Note 15 for the increase in shares.

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Cash Flows (Indirect Method)

For the years ended December 31,

	Note	2019 US$	2018 US$
Cash Flows from Operating Activities			
Net (loss) profit for the year		(26,120,331)	20,777,170
Adjustments to reconcile net (loss) profit to net cash flows provided by operating activities			
Depreciation, depletion and amortization	(8)	70,860,274	85,147,512
Intangible amortization and other	(20)	30,377	56,536
Deferred taxes	(13 (c))	(7,226,898)	(3,350,477)
Allowance for obsolescence of materials	(6)	921,404	1,955,806
Mine closure provision	(12)	2,629,594	2,393,838
Net realizable value adjustment to finished goods	(5)	183,712	-
Loss (gain) from the disposal of PP&E, net	(21)	376,023	(2,482,829)
Loss from the disposal of spare parts, net	(21)	744,412	-
Reversal of contingencies accrual	(21)	-	(1,480,034)
Changes in assets and liabilities			
(Increase) decrease in accounts receivable from related companies		(2,545,317)	734,688
(Increase) decrease in embedded derivatives, net		(770,772)	2,424,127
Decrease in other accounts receivable		336,533	526,158
Decrease in recoverable taxes		3,235,851	15,680,583
Increase in inventory		(65,475,776)	(20,046,792)
Increase in materials and spare parts		(8,598,580)	(5,733,898)
Increase in prepaid expenses		(6,914,020)	(654,802)
Decrease (increase) in other non-financial assets		2,407,501	(829,283)
Decrease in accounts payable		(847,954)	(5,118,296)
(Decrease) increase in accounts payable to related companies		(815,934)	1,372,778
(Decrease) increase in accruals and others		(5,804,242)	2,082,857
Cash paid for taxes		(14,474,240)	(28,347,644)
Net cash flows (used in) provided by operating activities		(57,868,383)	65,107,998

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Cash Flows (Indirect Method)

For the years ended December 31,

	Note	2019 US$	2018 US$
Cash Flows from Investing Activities			
Acquisition of PP&E		(38,866,431)	(21,948,064)
Proceeds from sales of PP&E		-	3,388,907
Net cash flows used in investing activities		(38,866,431)	(18,559,157)
Cash Flows from Financing Activities			
Dividends paid	(14)	(6,250,000)	(10,000,000)
Finance lease payments		(4,220,261)	-
Net cash flows used in financing activities		(10,470,261)	(10,000,000)
(Decrease) Increase in Cash and Cash Equivalents		(107,205,075)	36,548,841
Cash and Cash Equivalents at the Beginning of Year	(3)	241,332,359	204,783,518
Cash and Cash Equivalents at the End of Year	(3)	134,127,284	241,332,359

The accompanying notes numbers 1 to 23 are an integral part of these financial statements

Note 1 - Corporate Information

Identification of the Company

Sociedad Contractual Minera El Abra ("El Abra" or "the Company") was incorporated by public deed dated June 28, 1994, as a Contractual Mining Company. The shareholders are Cyprus El Abra Corporation (a subsidiary of Freeport Minerals Corporation (FMC), which is a wholly owned subsidiary of Freeport-McMoRan Inc. (FCX)) with 51,153 shares (51 percent interest) and Corporación Nacional del Cobre de Chile (CODELCO Chile) with 49,147 shares (49 percent interest).

The legal address of the Company is Kilometer 75, Camino a Conchi sin número, Calama, Chile, and its ore deposit is located northeast of Calama.

Line of business

The Company's main line of business is the operation of the El Abra copper mining project, located near Calama, Chile. The Company's business activities include the extraction, production and marketing of copper cathodes.

In September 2019, the Company signed new collective labor agreements (CLAs) with its two unions, which represent 788 workers. The new CLAs are effective from May 1, 2020 through April 30, 2023. Bonuses and loans related to the agreements were paid in October 2019.

During first-quarter 2019, heavy rainfall and electrical storms resulted in a suspension of El Abra's crushed leach stacking operations for approximately 35 days; operations were restored in mid-March. The estimated impact of the disruption on the Company's 2019 copper production approximates 30 million pounds, approximately half of which was experienced in first-quarter 2019.

Beginning in the second half of 2015, El Abra reduced mining and stacking rates by approximately 50 percent to achieve lower operating and labor costs, defer capital expenditures and extend the life of the existing operations. As of June 30, 2018, El Abra's mining and stacking rates were back to full production.

Approval of Financial Statements

These Financial Statements cover the years ended December 31, 2019 and 2018, and have been approved by the Company's Management on January 30, 2020.

Certain prior year amounts have been reclassified to conform with the current year presentation. The reclassifications relate to a change in methodology for determining current leach stockpiles (refer to Note 5).

Note 2 - Basis of Preparation of the Financial Statements

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared based on historical cost, except for accounts receivable and/or payable related to the embedded derivatives for sales, which are measured at fair value.

These Financial Statements are presented in United States (US) dollars and include the Statements of Financial Position as of December 31, 2019 and 2018, and the related Statements of Comprehensive (Loss) Income, Changes in Shareholders' Equity and Cash Flows for the years ended December 31, 2019 and 2018.

2.1) Changes in accounting policies and disclosures

2.1.1) New IFRS

Current amendments to IFRS that are not yet effective as of the date of these Financial Statements will not have a material impact on the Company. During the year 2019, IFRS 16 - "Leases," and International Financial Reporting Interpretation Committee (IFRIC) 23 - "Uncertainty over Income Tax Treatments" were implemented. For IFRS 16, the impacts to the Financial Statements are detailed in Notes 2.2(e) and 11. There were no impacts to the Financial Statements regarding IFRIC 23.

2.2) Summary of significant accounting policies

a) Currency

These Financial Statements are presented in US dollars, which is the functional currency and the presentation currency of the Company.

Foreign currency transactions are considered to be those which are carried out in a currency other than the functional currency. Foreign currency transactions are translated into the functional currency by applying the exchange rate in effect on the date the transaction takes place. Monetary assets and liabilities in foreign currencies are converted by applying the closing exchange rate in force on the date of the transaction.

Gains and losses occurring as a result of the difference in the exchange rate when currency items are liquidated or when converting currency items at exchange rates that are different from those used for their initial recognition are recognized in income for the year.

Balances stated in Chilean pesos and other currencies at the end of the period are stated in US dollars at the corresponding closing exchange rate, which for the Chilean peso were $748.74 and $694.77 as of December 31, 2019 and 2018, respectively. Gains and losses related to transactions in Chilean pesos and other currencies originating during the aforementioned years are included in the Financial Statements of Comprehensive (Loss) Income.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

b) Financial assets

The Company determines the classification of its financial assets at initial recognition in accordance with IFRS 9, "Financial Instruments," which specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial assets are recognized initially at fair value plus direct costs attributable to the transaction. The Company's financial assets include cash and cash equivalents, accounts receivable and embedded derivatives from sales. The following provides further discussion of these financial assets:

Cash and cash equivalents

Cash and cash equivalents are financial assets that may be liquidated immediately, such as bank checking accounts and other highly liquid financial investments with weighted average maturities of three months or less.

Receivables

The Company's accounts receivable are stated at their transaction value, net of any applicable allowance for doubtful accounts.

Receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are subsequently carried at amortized cost using the effective interest rate method less any provision for impairment (i.e., allowance for doubtful accounts).

The Company regularly assesses whether there is objective evidence of impairment in the value of the receivable. Any resulting impairment is measured as the difference between the book value of the receivable and the present value of the estimated future cash flows, discounted at an original effective interest rate or one applicable to a similar transaction. The carrying amount of the receivable is reduced by means of an allowance account. Changes in the allowance account are recognized in the Statements of Comprehensive (Loss) Income.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

b) Financial assets (continued)

Embedded derivatives from sales

The Company's copper sales are provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month based on quoted London Metal Exchange (LME) forward prices. The Company receives market prices based on prices in the specified future month, which results in price fluctuations recorded through revenues until the date of settlement. The Company records revenues and invoices customers at the time of shipment based on then-current LME prices, which results in an embedded derivative that is required to be separated from the main contract. The Company's embedded derivatives from sales are measured at fair value (based on LME forward prices) with subsequent changes recognized in sales in the Statements of Comprehensive (Loss) Income until the month of settlement.

c) Inventory

Inventories are stated at the lower of cost or net realizable value (NRV). Inventory of materials and supplies, as well as salable products are determined using the weighted-average cost method. The cost of finished and in-process inventory includes labor and benefits, supplies, energy and other costs related to mining and processing of minerals, including mining, transportation, crushing and solvent extraction. The NRV represents the estimated sales price less all cost to complete, as well as sales and distribution expenses.

Obsolescence allowances are established based on an item-by-item evaluation by management. Any amount of obsolescence identified is charged to expense in the year it is deemed to have occurred.

Stockpiles are in-process inventories that contain ore that has been extracted from the ore body and is available for copper recovery. Recovery of stockpiles is generally through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities. The recorded cost of the stockpiles includes mining and haulage costs incurred to deliver ore to stockpiles, depreciation, depletion and amortization (DD&A) and site overhead costs. Material is removed from the stockpiles at a weighted-average cost per pound.

Because it is generally impracticable to determine the amount of copper contained in stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to stockpiles is based on surveyed volumes of mineral material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grades of material delivered to stockpiles.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

c) Inventory (continued)

Expected copper recovery rates for stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production process), historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including processing methodology, processing variables, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 80 percent of total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored continuously, and recovery rate estimates are adjusted periodically, as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper.

d) Property, plant and equipment

Property, plant and equipment are valued at historical cost, including costs that are directly attributed to the construction or acquisition of the asset, net of accumulated DD&A and impairment.

Repairs and/or improvements that increase the economic life of an asset, and for which it is probable that there will be future economic benefit to the Company, are recorded as assets. All other maintenance costs are charged to expense as incurred.

Land is not depreciated. Depreciation on items of property, plant and equipment directly related to the useful life of the mine, including items related to asset retirement cost (ARC), is calculated using the units-of-production (UOP) method based on the mine’s proven and probable reserves. Other assets are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Machinery and equipment	Between 3 and 25
Mobile equipment	7
Furniture and fixtures	7
Other equipment	Between 3 and 15

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

An item of property, plant and equipment is retired at the time of its disposal or when no economic benefit is expected from its use or subsequent disposition. Any gain or loss that arises at the time of retirement is calculated as the difference between the proceeds from the sale and the book value of the asset and is included in the Statements of Comprehensive (Loss) Income in the year the asset is retired.

The residual value and useful economic lives of the Company's property, plant and equipment are reviewed each reporting year and are adjusted prospectively, if necessary.

e) Leasing

Effective January 1 2019, IFRS 16 "Leases," replaces the existing guidance on leases, including IAS 17 "Leases," International Financial Reporting Interpretation Committee (IFRIC) 4 "Determining whether an Arrangement contains a Lease," Standard Interpretations Committee (SIC)-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions in the Legal Form of a Lease."

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the lessee's Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. Thus, the classification required under IAS 17 into operating or finance leases is eliminated for lessees and all leases are classified as finance leases. For each lease, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the lease asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

El Abra adopted the standard as of January 1, 2019, using the modified retrospective approach. Initial application at El Abra has affected leases that previously had been classified as operating leases. Short-term leases with a term not exceeding 12 months (and no purchase option) as well as leases where the underlying asset is of low value are not recognized using the option under IFRS 16.5. Moreover, El Abra has applied the relief provisions of IFRS and has not reviewed contracts under the definition of a lease in IFRS 16, which were not classified as leases under IAS 17 in conjunction with IFRIC 4.

During the first-time application of IFRS 16 to operating leases, the right to use the leased asset was generally measured at the amount of the lease liability, using the Company's incremental borrowing rate (IBR) at the time of adoption (IFRS 16.C8(b)(i)). The average IBR as of January 1, 2019, was approximately 5.0 percent. In case of current lease liabilities, the right-of-use at the date of first-time application, initial direct costs were not taken into account in accordance with IFRS 16.C10(d). The lease right-of-use of assets has been included in PP&E (see Note 8). The lease liabilities has been presented separating on the statement of financial position The comparative financial information for the financial year 2018 was not adjusted. See Note 11.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

f) Intangibles

Intangible assets, which consist of water rights, are recorded at cost, and are presented net of amortization and impairment. Amortization is based on the UOP method, estimated over the life of the mine and is recorded in cost of sales. Intangible assets generated internally are not capitalized, and the related costs are expensed in the year they are incurred.

g) Income taxes, deferred taxes and other taxes

Income taxes

Income tax assets and liabilities are measured at the amount that is expected to be paid or recovered from the tax authorities. The tax rates and tax laws that are applied to calculate the tax amounts are those enacted or substantially enacted at the end of the year. The Company calculates the provision for income tax in accordance with the Chilean tax legislation in force. For the years ended December 31, 2019 and 2018, the Chilean statutory income tax rate in effect was 27.0 percent.

In accordance with Tax Reforms contained in Law 20,780 and Law 20,899 (published on September 29, 2014, and February 8, 2016, respectively), the Company elected the semi-integrated regime, and according to published guidance, the Company’s income tax rate is 27.0 percent for the tax year 2018 and beyond.

Deferred taxes

Deferred taxes are presented using the liability method for differences between the tax basis of assets and liabilities and their book value for financial reporting purposes. Deferred tax liabilities are recognized for all taxable differences. Deferred tax assets are recorded for all deductible differences when there is a probability that there could be future taxable earnings against which the deductible difference could be applied.

The book value of the deferred tax assets are reviewed at the end of each year and reduced to an amount that is more likely than not to be realized against future taxable earnings. Deferred tax assets that are not recognized are re-evaluated at the end of each year and are recognized when it is more likely than not those future taxable earnings will allow for the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to be applicable during the year when the assets are realized or the liabilities are liquidated, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the end of the year.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

g) Income taxes, deferred taxes and other taxes (continued)

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and the deferred tax is related to the same taxing entity and the same taxing authority.

Value added tax (VAT)

Revenues, expenses and assets are recognized net of VAT except for the following:

- Where the VAT incurred in an acquisition of assets or services may not be recovered, and is recognized as part of the acquisition cost of the asset or as part of the expense accounting item, as applicable; and
- Accounts receivable and invoices payable are presented with VAT included.

The net VAT amount that may be recovered from or payable to the taxing authority is included in recoverable taxes and taxes payable in the accompanying Statements of Financial Position.

Royalty tax

On October 21, 2010, Law 20,469 was published in the Chilean Official Gazette. Under the legislation, the Company opted to transfer from its stabilized rate of 4.0 percent of profit before tax to a new sliding scale based on operational margin. The Company's gross mining royalty tax rate for the years 2018 to 2023 is a variable rate of 5.0 percent to 14.0 percent.

For the years ended December 31, 2019 and 2018, the royalty mining tax rate applicable to the Company was 6 percent and 5 percent, respectively, (an effective rate of 5.36 percent and 3.15 percent, respectively), included in income and deferred taxes in the Statements of Comprehensive (Loss) Income. See Note 13(d).

h) Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of a previous event and it is likely that disbursement of resources including economic benefits may be required in order to liquidate the obligation, and a reliable estimate of the amount of the obligation may be calculated. The expense related to any provision is presented in the Statements of Comprehensive (Loss) Income, net of any reimbursement, in the year the provision is established.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

h) Provisions (continued)

If the effect of the time value of money is material, provisions are discounted by applying a discount rate before taxes that reflects, where applicable, the specific risks of the liability. When using a discount rate, the increase in the provision as a result of time is recognized as an interest cost.

i) Severance indemnity for years of service

In accordance with the terms of both the previous and new CLAs (See Note 1), the Company established a provision for severance indemnity for years of service for all personnel. The severance indemnity provision is presented at the actuarial value of the obligation and the earnings and losses derived from the actuarial changes are recorded in other comprehensive loss in the Statements of Comprehensive (Loss) Income.

In accordance with IAS 19R, “Employee Benefits,” the effects of the current application on other comprehensive loss of actuarial changes for the years ended December 31, 2019 and 2018, are shown below:

	US$
Accumulated other comprehensive loss as of January 1, 2018	(2,915,774)
Severance actuarial value	(2,090,262)
Deferred income and royalty tax	640,665
Accumulated other comprehensive loss as of December 31, 2018	(4,365,371)
Severance actuarial value	(4,576,994)
Deferred income and royalty tax	1,402,849
Accumulated other comprehensive loss as of December 31, 2019	(7,539,516)

The Company does not expect that the amounts in accumulated other comprehensive loss as of December 31, 2019, will be charged to profit for the year until the mining operations close.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

j) Mine closure provision

The Company records a mine closure provision when a legally enforceable obligation arises. The Company estimates the present value of its future obligation for mine closure and increases the carrying amount of the related ARC, which is included in property, plant and equipment. Subsequently, the mine closure provision is accreted to full value over time with accretion recognized as an interest cost. The related ARC is depreciated using the UOP method over the economic life of the mine.

The Company evaluates its mine closure provision quarterly and makes adjustments to estimates and assumptions, including scope, future costs and discount rates, as applicable. Changes in the fair value of the mine closure provision or the useful life of the related asset are recognized as an increase or decrease in the book value of the provision and the related ARC in accordance with IAS 16, “Property, Plant and Equipment.” However, any reduction over and above the current book value of the asset would be recognized in the Statements of Comprehensive (Loss) Income. The effects of updating the liability, due to the discount rate and/or time, are recorded as finance costs.

Mine Closure Law, 20,551 and its regulation (DS41/2012), which was published in 2011, established additional requirements for closure plans under which the Company is required to update its closure plans and provide a financial guarantee in the form of, among others, performance bank bonds, certificates of deposit of less than 360 days, and stand-by letters of credit issued by a bank with a risk rating of at least “A” (or its equivalent). The Company received the final approval for its closure plan from Servicio Nacional de Geología y Minería (SERNAGEOMIN) on August 12, 2015.

The Company has prepared its mine closure plan using its best estimate as of December 31, 2019, as required by IAS 37, “Provisions, Contingent Liabilities and Contingent Assets.”

k) Derivative instruments

The Company does not purchase, hold or sell derivative financial instruments for speculative purposes and does not use derivative instruments to manage market risks.

l) Revenue recognition

The Company sells its products in accordance with sales contracts entered into with its customers. Based on IFRS 15, “Revenue from Contracts with Customers” revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company and all significant risks (including title and insurance risk) and rewards of ownership have passed to the customer, which is typically when the inventory has passed over the vessel’s rail at the port of loading. Payment for each shipment is collected in US dollars, net cash into the Company’s bank account 30 days after the bill of lading date.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

m) Administrative and selling expenses

Administrative and selling expenses include the costs of freight, insurance, customs and agency commissions, depreciation of shutdown equipment, legal expenses and management fees, among others.

n) Exploration, evaluation, development and stripping costs

Exploration Costs - Exploration costs are charged to expense as incurred.

Evaluation Costs – Evaluation costs for pre-feasibility/ feasibility and pre-engineering studies are charged to expenses as incurred. See Note 21.

Development Costs – Development costs are capitalized when the economic and technological feasibility of the project is confirmed, which is generally when the development or expansion project has reached an established milestone in accordance with a model established by management.

Stripping Costs – In accordance with IFRIC 20, “Stripping Cost in the Production Phase of a Surface Mine,” stripping costs incurred in the production phase are capitalized as a component of property, plant and equipment if the stripping activity improves access to the ore body or enhances an existing asset. The stripping asset is subsequently amortized using the UOP method over the component of the ore body benefitted in the mine. See Note 8.

o) Impairment

At each reporting date, the Company evaluates if there is any indication that an asset could be impaired. If such an indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset or group of assets is the higher of its fair value less costs of disposal (FVLCD) or its value in use (VIU) and is determined for the assets of the mine as a whole, since there are no assets that generate cash revenues independently.

When the carrying value of an asset or group of assets exceeds its recoverable amount, the asset is considered impaired and it is reduced to its recoverable amount. When evaluating the value in use, the future estimated cash flows are discounted to their present value using a discount rate before taxes that reflects current market expectations of the time value of money and the specific risks to the asset.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.2) Summary of significant accounting policies (continued)

o) Impairment (continued)

Losses resulting from the impairment of assets used in continuing operations are recognized in the Statements of Comprehensive (Loss) Income under the categories of expenses consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The Company did not identify any indicators of impairment as of December 31, 2019 and 2018.

p) (Loss) earnings per share

(Loss) earnings per share is calculated as the ratio between net (loss) profit for the year attributable to the Company and the weighted-average common shares for the same year. See Note 15.

2.3) Significant accounting judgments, estimates and assumptions

The preparation of the Financial Statements requires that management make judgments, estimates and assumptions that affect the amounts of assets and liabilities reported and the disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the year. Estimates and assumptions are continuously evaluated and are based on the experience of management and other factors, including expectations of future events that are reasonable under current circumstances; however, actual results could differ from these estimates.

Information about significant areas of estimation uncertainty taken into account by management for these Financial Statements is detailed as follows:

2.3.1) Mine closure provisions

Estimates and significant assumptions are required in order to determine the mine closure provisions, including cost estimates of activities that are necessary for the rehabilitation of the site, technological and regulatory changes, interest rates and inflation rates. These uncertainties could result in future expenses differing from amounts currently recorded. As discussed in Note 2.2 (j), estimated changes in the fair value of the mine closure provision or the useful life of the related asset are recognized as an increase or decrease in the book value of the provision and related ARC in accordance with IAS 16.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.3) Significant accounting judgments, estimates and assumptions (continued)

2.3.2) Estimates of reserves and ore resources

Ore reserves are estimates of the ore quantity that may be economically and legally extracted from mine properties. The Company estimates its ore reserves and resources based on information compiled by individuals duly qualified in reference to geological data about the size, depth and form of the ore body, which requires complex geological judgments in order to interpret the data. The estimation of recoverable reserves is based on factors such as estimated exchange rates, long-term commodities prices, future requirements of capital and production costs, together with the geological hypothesis and judgments made when estimating the size and quality of ore reserves. Changes in reserves or resource estimates may have an impact on the value of mining properties, plants and equipment, provisions for costs of mine closures, recognition of assets for deferred taxes, and DD&A.

2.3.3) Depreciation based on units of production

Estimates of recoverable reserves are used in determining DD&A of mine assets. This results in a DD&A charge proportional to the depletion of the anticipated remaining life of mine reserves. Each item’s life is evaluated annually, taking into account its physical life limitations and the evaluations of the reserves that are economically recoverable at the mining property where the asset resides. These calculations require the use of estimates and assumptions, including the quantity of reserves that may be recovered.

2.3.4) Impairment of assets

The Company has determined that the El Abra operation represents one cash generating unit. When there is an impairment indicator, a formal estimate of the recoverable amount is made, which is the higher of the El Abra’s FVLCD and VIU, to determine if impairment exists. These evaluations require the use of estimates and assumptions, such as long-term commodities prices, discount rates, future capital requirements and exploration potential, among others.

FVLCD is defined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between willing and knowledgeable parties. Given the nature of El Abra’s activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, FVLCD for El Abra is estimated, based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of El Abra’s assets. FVLCD includes estimates, such as the cost of future expansion plans and eventual disposal, while applying assumptions that an independent market participant may take into account. The cash flows are discounted by applying a discount rate that reflects the current market, the time value of money and the risks specific to the asset.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.3) Significant accounting judgments, estimates and assumptions (continued)

2.3.4) Impairment of assets (continued)

The determination of FVLCD is considered to be a Level 3 fair value measurement, as it is derived from valuation techniques that include inputs that are not based on observable market data. The Company considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

2.3.5) Contingencies

Because of their nature, contingencies shall only be resolved when one or more future events occur or fail to occur. The evaluation of contingencies inherently implies significant judgment and estimates of the outcome of future events.

2.3.6) Severance indemnity for years of service

The cost of defined benefit pension plans is actuarially determined, which involves making assumptions, including discount rates, future salary increases, mortality rates and future pension increases. Given the complexity of this valuation and the long-term nature of the assumptions, an obligation for defined benefits is sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis.

When determining the appropriate discount rate, management takes into account the interest rates of government bonds issued by the Chilean Banco Central (Central Bank).

The mortality rate is based on mortality tables that are available to the public, which corresponds to table RV-2013 (men and women) published by the Superintendent of Securities and Insurance, and used in Chile since January 2014 for the calculation of pensions. These tables are the most current tables representing the population of pension participants in Chile, and are also the ones that are most often used for the valuation of this type of benefit plan. Increases in future salaries and pension benefits are based on the expected future inflation rates.

2.3.7) Inventory

At each reporting date, a NRV test is performed to determine whether an adjustment is required for the Company's inventories. This evaluation includes the estimated future sale price of the inventory based on prevailing metal prices, less estimated costs to complete production and bring it to market. The determination of NRV is most sensitive to the following key assumptions: production volumes, future commodity prices, discount rates, cost to complete and exchange rates. An NRV adjustment to finished goods inventory for US$ 183,712 was recorded for the year 2019. Refer to Note 5.

Note 2 - Basis of Preparation of the Financial Statements (continued)

2.3) Significant accounting judgments, estimates and assumptions (continued)

2.3.7) Inventory (continued)

The Company records as inventory the applicable costs for copper contained in stockpiles that are expected to be processed in the future based on proven processing technologies (refer to Note 2.2 (c) for further discussion). Accounting for recoverable copper from stockpiles represents a significant accounting estimate because it is generally impracticable to determine copper contained in stockpiles by physical count, thus requiring management to employ reasonable estimation methods, and recovery rates can vary significantly. Estimated recoverable copper in stockpiles totaled US$ 773 million as of December 31, 2019, and US$ 600 million as of December 31, 2018.

2.3.8) Stripping assets

The Company incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as a stripping activity asset when certain criteria are met. Once the Company has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and to determine the expected volumes (e.g., in tons) of waste to be stripped and ore to be mined in each of these components.

Note 3 - Cash and Cash Equivalents

Term deposits are included in this account and are valued in accordance with the accounting policy discussed in Note 2.2 (b). Cash and cash equivalents include the following:

	2019 US$	2018 US$
Cash in banks	385,282	789,024
Cash equivalents (1)	133,742,002	240,543,335
Total	134,127,284	241,332,359

(1) Cash equivalents consist of a portfolio of highly liquid marketable investments in US dollars classified as “AAA” by Standard & Poor’s and Moody’s, which yield variable returns, and are classified as cash equivalents because they are readily convertible to known amounts of cash and management plans to use them for short-term cash needs. Because of the short-maturity of these investments (i.e., Weighted Average Maturity less than 90 days), the carrying amount of these investments correspond to their fair value at the date of the Financial Statements. Changes in the fair value of these investments are insignificant. The Company does not have restricted cash.

Note 4 - Sales

The Company's sales are generated through the sale of copper cathodes, detailed as follows:

	Years ended December 31			
	2019 US$	%	**2018 US$**	%
FMC (1)	252,833,094	51	304,189,377	51
CODELCO Chile (1)	240,697,774	49	291,871,103	49
Total	493,530,868	100	596,060,480	100

(1) Sales to related parties.

Note 5 - Inventory

Inventory, valued in accordance with the accounting policy in Note 2.2 (c), is detailed as follows:

	2019 US$	**2018 US$**
Current portion of stockpiles	283,718,745	240,849,704
Finished products	4,835,786	4,843,954
Total current inventory	288,554,531	245,693,658
Long-term portion of stockpiles	340,870,722	318,172,069

As of December 31, 2019, loss before income and deferred taxes on the Statements of Comprehensive (Loss) Income and inventories on the Statements of Financial Position included an US$ 183,712 adjustment related to the NRV of finished goods. There were no NRV adjustments to inventories for the year ended December 31, 2018. Refer to Note 20.

In fourth-quarter 2019, El Abra changed its method of estimating the current portion of its leach stockpiles and revised its December 31, 2018, balances to conform with the new methodology resulting in a US$ 90,096,010 and US$ 50,782,301 increase in the current balance and a corresponding decrease in the long-term balance, as of December 31, 2019 and 2018, respectively.

Note 6 - Materials and Spare Parts, Net

Materials and spare parts are detailed as follows:

	2019 US$	2018 US$
Materials and spare parts	84,438,072	72,959,813
Material in transit	14,211	1,939,761
Total	84,452,283	74,899,574

Provision for obsolescence of materials:

	2019 US$	2018 US$
Beginning balance as of January 1, 2019	-	-
Additions	(921,404)	(1,955,806)
Write offs	921,404	1,955,806
Ending balance as of December 31, 2019	-	-

The Company does not have inventories pledged as security for liabilities.

Note 7 - Recoverable Taxes

Recoverable taxes are detailed as follows:

	2019 US$	2018 US$
Amount recoverable from Chilean Internal Revenue Service (IRS) (see Note 13 (a))	12,430,703	2,723,873
VAT	7,126,507	5,561,732
Other taxes	595,412	648,923
Total recoverable taxes	20,152,622	8,934,528

Note 8 - Property, Plant and Equipment

Property, plant and equipment are detailed as follows:

	Balance January 1, 2019 US$	Additions US$	Disposals US$	Reclassification and Adjustments US$ (1)	DD&A US$ (2)	Balance December 31, 2019 US$
Land	2,366,650	-	-	-	-	2,366,650
Buildings and constructions	534,435,194	-	(457,309)	464,600	-	534,442,485
Machinery and equipment	1,263,500,803	-	(4,401,122)	11,427,896	-	1,270,527,577
Mobile equipment	250,015,578	-	(396,518)	5,498,063	-	255,117,123
Construction in progress	8,317,496	28,688,382	-	(20,467,342)	-	16,538,536
Mining properties and ARC	716,153,836	-	-	28,102,679	-	744,256,515
Stripping assets	33,047,299	16,040,207	-	-	-	49,087,506
Lease right-of-use (3)	7,976,611	8,661,962	-	(1,410,591)	-	15,227,982
Total gross property, plant and equipment	2,815,813,467	53,390,551	(5,254,949)	23,615,305	-	2,887,564,374
Buildings and constructions	(363,850,126)	-	423,825	(226,433)	(11,340,941)	(374,993,675)
Machinery and equipment	(1,001,215,719)	-	4,058,583	615,183	(24,786,172)	(1,021,328,125)
Mobile equipment	(188,231,935)	-	396,518	-	(17,099,865)	(204,935,282)
Mining properties and ARC	(591,706,821)	-	-	-	(7,432,630)	(599,139,451)
Stripping assets	(20,719,891)	-	-	-	(5,828,257)	(26,548,148)
Lease right-of-use (3)	-	-	-	1,410,591	(4,639,871)	(3,229,280)
Total accumulated DD&A	(2,165,724,492)	-	4,878,926	1,799,341	(71,127,736)	(2,230,173,961)
Total property, plant and equipment, net	650,088,975	53,390,551	(376,023)	25,414,646	(71,127,736)	657,390,413

(1) Includes US$ (2,619,944), US$ (68,089) and US$ 28,102,679, related to adjustments for spare parts, damaged assets and ARC, respectively.

(2) DD&A expense for the year ended December 31, 2019, totaling US$ 70,860,274 does not include US$ 267,462 of DD&A adjusted through inventories.

(3) El Abra adopted IFRS 16 as of January 1, 2019. Refer to Note 2.2 (e) and Note 11 for further discussion.

Note 8 - Property, Plant and Equipment (continued)

Property, plant and equipment are detailed as follows: (continued)

	Balance January 1, 2018 US$	Additions US$	Disposals US$	Reclassification and Adjustments US$ (1)	DD&A US$ (2)	Balance December 31, 2018 US$
Land	2,366,650	-	-		-	2,366,650
Buildings and constructions	533,931,197	-	-	503,997	-	534,435,194
Machinery and equipment	1,258,274,584	-	-	5,226,219	-	1,263,500,803
Mobile equipment	261,966,652	-	(15,573,008)	3,621,934	-	250,015,578
Construction in progress	1,576,384	17,135,206	-	(10,394,094)	-	8,317,496
Mining properties and ARC	718,035,163	-	-	(1,881,327)	-	716,153,836
Stripping assets	27,985,883	5,061,416	-	-	-	33,047,299
Total gross property, plant and equipment	2,804,136,513	22,196,622	(15,573,008)	(2,923,271)	-	2,807,836,856
Buildings and constructions	(346,619,760)	-	-	-	(17,230,366)	(363,850,126)
Machinery and equipment	(970,916,406)	-	-	-	(30,299,313)	(1,001,215,719)
Mobile equipment	(184,083,799)	-	14,666,930	-	(18,815,066)	(188,231,935)
Mining properties and ARC	(579,041,935)	-	-	-	(12,664,886)	(591,706,821)
Stripping assets	(14,952,388)	-	-	-	(5,767,503)	(20,719,891)
Total accumulated DD&A	(2,095,614,288)	-	14,666,930	-	(84,777,134)	(2,165,724,492)
Total property, plant and equipment, net	708,522,225	22,196,622	(906,078)	(2,923,271)	(84,777,134)	642,112,364

(1) Includes US$ 1,041,944 and US$ 1,881,327 related to adjustments for spare parts and ARC, respectively.

(2) DD&A expense for the year ended December 31, 2018, totaling US$ 85,147,512 includes US$ 370,378 of DD&A adjusted through inventories for cash flow purposes.

Note 9 - Related Party Disclosures

Accounts receivable from and accounts payable to related companies are detailed as follows:

Accounts Receivable	**2019 US$**	**2018 US$**
CODELCO Chile (1)	25,669,021	22,939,980
FMC (1)	25,160,962	25,344,686
Subtotal	50,829,983	48,284,666
Plus (less) embedded derivatives from sales (1)	204,086	(566,686)
Total accounts receivable from related parties	51,034,069	47,717,980
Accounts Payable		
CODELCO Chile	1,763,836	382,982
Minera Freeport-McMoRan Ltda. (MFMSA)	720,125	830,550
Freeport McMoRan Sales Company	9,820	9,873
Atlantic Copper, S.L.U. (Atlantic Copper)	-	1,332,507
Cerro Verde	-	76,136
Total accounts payable to related parties	2,493,781	2,632,048
Long-term accounts payable to FMC	4,531,479	4,201,147

(1) As of December 31, 2019, accounts receivable from related companies excluded embedded derivatives from sales for US$ 208,046 and US$ (3,960) from FMC and CODELCO Chile, respectively, which are recorded as a current asset in the Statements of Financial Position. As of December 31, 2018, embedded derivatives from sales were US$ (507,500) and US$ (59,186) from FMC and CODELCO Chile, respectively, which are recorded as a current liability in the Statements of Financial Position. Refer to Note 17 for a summary of embedded derivatives from sales.

Note 9 - Related Party Disclosures (continued)

The following is a summary of the Company's transactions with related parties during the years ended December 31, 2019 and 2018. All transactions were based on current market conditions and prices, and were recorded on the Statements of Comprehensive (Loss) Income.

Related Party	**Relationship**	**Type of Transaction**	**2019 US$**	**2018 US$**
FMC	Related to shareholder	Gross sale of cathodes	252,833,094	304,189,377
FMC	Related to shareholder	Services received	9,773,238	9,406,870
FMC	Related to shareholder	Sales of equipment	-	1,198,319
FMC	Related to shareholder	Purchase of software	26,732	41,994
CODELCO Chile	Shareholder	Gross sale of cathodes	240,697,774	291,871,103
CODELCO Chile	Shareholder	Purchase of sulfuric acid and other	39,046,007	24,795,987
CODELCO Chile	Shareholder	Sale of sulfuric acid and other	2,201,935	1,301,669
CODELCO Chile	Shareholder	Purchase of water rights	1,492,992	1,492,992
CODELCO Chile	Shareholder	Sales commissions	99,609	112,790
CODELCO Chile	Shareholder	Sales of water	39,082	-
MFMSA	Related to shareholder	Services received	9,892,941	10,934,300
Atlantic Copper	Related to shareholder	Purchase of sulfuric acid	5,460,503	3,013,236
Cerro Verde	Related to shareholder	Purchase of equipment and other	525,852	76,136
Cerro Verde	Related to shareholder	Sales of equipment	344,287	-
Freeport-McMoRan Sales Company	Related to shareholder	Sale commissions	104,169	117,269
Safford	Related to shareholder	Sales of equipment	-	2,244,122
Morenci	Related to shareholder	Sales of equipment	-	1,897,188

Transactions with related parties do not include a liability for health services provided by Hospital del Cobre (a wholly owned subsidiary of CODELCO Chile) to employees of the Company from 2013 through 2016. These costs may not be covered by the employee's health insurance, and therefore, the Company has established a liability for US$ 325,934 as of December 31, 2019.

Note 9 - Related Party Disclosures (continued)

Salaries paid to executives

Salaries paid to key executives during the years ended December 31, 2019 and 2018, amounted to US$ 5,191,895 and US$ 7,160,150 respectively, including bonuses paid to each of these executives in accordance with their employment contracts.

Note 10 - Accounts Payable

Accounts payable are detailed as follows:

	2019 US$	**2018 US$**
Trade accounts payable	20,720,444	22,792,111
Services received, but not invoiced	15,604,328	14,241,299
Materials received, but not invoiced	14,326,577	11,385,142
Accounts payable related to capital projects	6,069,398	4,207,240
Vacation accrual	4,165,895	3,824,836
Total accounts payable	60,886,642	56,450,628

Note 11 - Leases

As discussed in Note 2.2 (e), El Abra adopted IFRS 16 effective January 1, 2019. El Abra leases various types of properties, including equipment and buildings under non-cancelable leases.

Adoption of the standard resulted in the recognition of the following amounts in the Statements of Financial Position:

	December 31, 2019 US$	**January 1, 2019 US$**
Lease right-of-use assets		
Mobile equipment	9,576,850	4,869,536
Machinery and equipment	1,873,702	2,342,127
Buildings and constructions	548,150	764,948
Total lease right-of-use assets, net	11,998,702	7,976,611

Note 11 - Leases (continued)

Adoption of the standard resulted in the recognition of the following amounts in the Statements of Financial Position: (continued)

	December 31, 2019 US$	January 1, 2019 US$
Lease liabilities		
Short-term leases liabilities	4,427,858	2,801,192
Long-term leases liabilities	7,517,650	5,175,419
Total lease liabilities	11,945,508	7,976,611

Note 12 - Provisions

Provisions are detailed as follows:

	2019 US$	2018 US$
Short-Term		
Accrual for bonuses	5,320,727	7,891,254
Accrual for staff severance indemnities (Note 2.2 (i))	3,814,242	3,335,769
Total short-term provisions	9,134,969	11,227,023
Long-Term		
Provision for mine closure (Note 2.2 (j))	120,483,992	89,751,719
Accrual for staff severance indemnities (Note 2.2 (i))	31,173,342	27,013,619
Total long-term provisions	151,657,334	116,765,338

Note 12 - Provisions (continued)

Changes in accrued expenses are detailed as follows:

	Staff Severance Indemnities US$	Mine Closure US$	Bonuses and Other US$
Total as of December 31, 2018	30,349,388	89,751,719	7,891,254
Payments	(1,536,263)	-	(7,891,254)
Additions and other adjustment (1)	1,597,465	-	5,320,727
ARO adjustment and disturbance	-	28,102,679	-
Financial discount (1)	-	2,629,594	-
Actuarial adjustment (2)	4,576,994	-	-
Total as of December 31, 2019	34,987,584	120,483,992	5,320,727

(1) Recorded as an expense in the Statements of Comprehensive (Loss) Income.
(2) Following are the assumptions used in the calculation of the actuarial value for staff severance indemnities:

Assumptions (Percentages, except for retirement age and year of worksite closure)	**December 31, 2019**	**December, 31 2018**
Annual interest rate	3.51	4.57
Salary increase – Supervisors	1.50	1.50
Salary increase – Operators	1.50	1.50
Annual inflation	3.00	3.00
Annual turnover rate	4.85	4.53
Annual retirement rate	3.76	3.57
Retirement age:		
Male	65	65
Female	60	60
Year of worksite closure	2035	2027

An increase or decrease in the following assumptions (assuming all other variables remain constant) would result in the following approximate increase or decrease in other comprehensive loss for the years ended December 31, 2019:

	Increase US$	Decrease US$
One percent annual interest rate	3,378,939	(3,862,392)
One percent annual salary rate	(3,903,117)	3,473,431

Note 13 - Income Tax and Deferred Taxes

Income tax and deferred taxes are detailed as follows:

a) Recoverable income tax

	2019 US$	2018 US$
Provisional payments and other	12,491,110	16,948,064
Provision for mining royalty tax	50,878	(348,254)
Current income tax payable	(111,285)	(13,875,937)
Amount recoverable from Chilean IRS (1)	12,430,703	2,723,873

(1) Included in recoverable taxes in the Statements of Financial Position (refer to Note 7).

b) Deferred taxes

	2019 US$	2018 US$
Accelerated DD&A	123,198,679	129,495,756
Inventory	49,424,362	44,816,022
Lease right-of-use	3,624,808	-
Other	190,003	199,181
Embedded derivatives	62,144	(172,556)
Difference in amortization of mining properties	(1,228,309)	(978,561)
Lease debt	(2,971,650)	-
Net-operating loss	(3,817,151)	-
Water provision	(4,229,400)	(4,229,400)
Provisions	(5,247,859)	(2,858,677)
ARO - ARC	(18,318,229)	(16,954,620)
Total deferred tax liability, net	140,687,398	149,317,145

Note 13 - Income Tax and Deferred Taxes (continued)

c) Income and deferred taxes

Income and deferred taxes for the years ended December 31, 2019 and 2018, are detailed as follows:

	2019 US$	2018 US$
Deferred taxes (1)	7,226,898	3,350,477
Mining royalty tax provision	50,878	(348,254)
Income tax provision	(111,284)	(13,875,937)
Benefit from (provision for) income and deferred taxes	7,166,492	(10,873,714)

(1) Does not include US$ 1,402,849 and US$ 640,665 related to other comprehensive loss for the years ended December 31, 2019 and 2018, respectively.

d) Effective tax rate

The Company is subject to corporate income tax in Chile. A reconciliation of the statutory tax rate to the effective income tax rate for the years ended December 31, 2019 and 2018, are detailed as follows:

	2019		2018	
	US$	Rate %	US$	Rate %
Chilean statutory income tax provision	8,987,442	27.00	(8,545,739)	27.00
Mining royalty tax provision	(1,784,188)	(5.36)	(995,466)	3.15
Other	(36,762)	(0.11)	(1,332,509)	4.21
Provision for income taxes	7,166,492	21.53	(10,873,714)	34.36

Note 14 - Shareholders' Equity

For the year ended December 31, 2019, the Company made the following dividend payment:

- On November 25, 2019, the Board of Directors (Board) agreed to pay dividends totaling US$ 6,250,000, approved by all Shareholders and confirmed at the Extraordinary Shareholders' Meeting on this date, and charged to retained earnings.

Note 14 - Shareholders' Equity (continued)

For the year ended December 31, 2018, the Company made the following dividend payment:

- On November 15, 2018, the Board of Directors (Board) agreed to pay dividends totaling US$ 10,000,000, approved by all Shareholders and confirmed at the Extraordinary Shareholders' Meeting on this date, and charged to retained earnings.

Note 15 - (Loss) Earnings per Share

(Loss) earnings per share is the amount computed by dividing net (loss) profit for the year by the number of shares outstanding during the period, as shown below:

	2019 US$	**2018 US$**
Net (loss) profit for the year	(26,120,331)	20,777,170
Number of shares	100,300	100,000
(Loss) earnings per share	(260.42)	207.77

Note 16 - Commitments and Contingencies

a) As of December 31, 2019, the Company had the following relevant contracts:

1) Services Agreement

Contractor	:	MFMSA
Date of contract	:	January 1, 2013
Term of contract	:	Ongoing
Objective	:	MFMSA provides administrative, supervisory and professional services to the Company based on actual expenses plus a five percent fee and the reimbursement of expenses incurred.

Contractor	:	Cerro Verde
Date of contract	:	June 18, 2019
Term of contract	:	Ongoing
Objective	:	Cerro Verde provides professional services to El Abra (vice versa) based on actual expenses and the reimbursement of expenses incurred.

Note 16 - Commitments and Contingencies (continued)

a) As of December 31, 2019, the Company had the following relevant contracts: (continued)

2) Contract of service for loading and storage of sulfuric acid at Mejillones

Contractor	:	Terminal Mejillones S.A.
Start date	:	June 1, 2013
End date	:	December 31, 2023
Objective	:	Operate and maintain a sulfuric acid unloading network through the Mejillones Port, with three storage tanks of 20,000 tons each and an unloading network for rail cars and trucks for storage and dispatch of sulfuric acid.

3) Contracts for supply of sulfuric acid

Contractor	:	CODELCO Chile
Start date	:	January 1, 2010
End date	:	December 31, 2024
Objective	:	Supply 50 percent of El Abra's sulfuric acid requirement. , 300,000 tons in 2020.

Contractor	:	Noracid
Start date	:	April 30, 2010
End date	:	April 30, 2022
Objective	:	Supply of 500,000 tons of sulfuric acid (50,000 tons per year).

Contractor	:	Altonorte
Start date	:	January 1, 2019
End date	:	December 31, 2020
Objective	:	Supply of 48,000 tons of sulfuric acid required for El Abra in 2020.

Contractor	:	Southern Perú
Start date	:	January 1, 2020
End date	:	December 31, 2020
Objective	:	Supply of 60,000 tons of sulfuric acid required for El Abra in 2020.

Contractor	:	Cajamarquilla
Start date	:	January 1, 2020
End date	:	December 31, 2020
Objective	:	Supply of 45,000 tons of sulfuric acid in 2020.

Note 16 - Commitments and Contingencies (continued)

a) As of December 31, 2019, the Company had the following relevant contracts: (continued)

3) Contracts for supply of sulfuric acid (continued)

Contractor	:	Trans Sud
Start date	:	January 1, 2020
End date	:	December 31, 2020
Objective	:	Supply of 50,000 tons of sulfuric acid in 2020.
Contractor	:	SA Services
Start date	:	January 1, 2020
End date	:	December 31, 2020
Objective	:	Supply of 40,000 tons of sulfuric acid in 2020. .

Contractor	:	Pan Pacific (PPC)
Start date	:	January 1, 2020
End date	:	December 31, 2020
Objective	:	Supply of 20,000 tons of sulfuric acid in 2020. .

4) Contract for supply of electric energy

Contractor	:	Engie Energia Chile S.A. (formerly E-CL S.A.)
Start date	:	July 1, 2007
End date	:	December 31, 2028
Objective	:	Supply of electric power and associated energy for the operation of the mining facilities.

5) Contract of sulfuric acid and copper transport services

Contractor	:	Antofagasta Railway Company P.L.C.
Start date	:	January 1, 2009
End date	:	December 31, 2020
Objective	:	Transport of sulfuric acid for El Abra from Mejillones, Chuquicamata, and Altonorte, as well as the transport, storage and shipment of copper.

Note 16 - Commitments and Contingencies (continued)

a) As of December 31, 2019, the Company had the following relevant contracts: (continued)

6) The Company has long-term agreements for the sale of 51 percent of the estimated total annual production of copper cathodes to FMC and 49 percent to CODELCO Chile.

b) Lawsuits and financial guaranty

As of December 31, 2019, the Company has lawsuits in the normal course of business. Based on facts currently known, it is the opinion of management and legal counsel that these matters are not expected to have a material adverse effect on the Company.

The Company delivered US$ 46 million, as a financial guarantee for the mine closure plan approved by SERNAGEOMIN. Refer to Note 2.2 (j) for details.

Note 17 - Embedded Derivatives from Sales

As indicated in Note 2.2 (b), the exposure to risk because of variations in the price of copper is considered to be an embedded derivative in sales contracts. As of December 31, 2019, and 2018, the provisional pricing and the months of final settlement are detailed as follows:

Metal Date	Net Metric Tons of Copper	Maturity	Provisional Prices Invoiced US$	Estimated Future Prices US$	Fair Value Receivable/ (Payable) US$
Cathode December 31, 2019	7,664	January 2020	5,855 to 6,175	6,159	204,086
Cathode December 31, 2018	7,843	January 2019	5,965 to 6,163	5,961	(566,686)

The estimated future prices are based on published quotes from the LME forward curves. Refer to Note 9 for embedded derivatives from sales.

Note 18 - Financial Risk Management Objectives and Policies

The Company's activities are exposed to different financial risks, which could adversely affect the Company's financial assets and liabilities or future cash flows, including the risk of changes in market prices of minerals, exchange rate risk, liquidity risk, credit risk and capital risk. The Company's financial risk management program focuses on mitigating potential adverse effects on its financial performance.

The Company's management is aware of existing market conditions, and on the basis of their knowledge and experience, manages the risks that are summarized below. The Company's Board of Directors (the Board) reviews and approves the policies to manage each of these risks.

Note 18 - Financial Risk Management Objectives and Policies (continued)

a) Market risks

Commodity price risk

The international price of copper has a significant impact on the Company's operating results. The price of copper has fluctuated historically and is affected by numerous factors beyond the Company's control.

As described in Note 2.2 (b), the Company has price risk through its provisionally priced sales contracts, which provide final pricing in a specified future month based primarily on quoted LME monthly average prices. The Company records revenues and invoices customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on the provisionally priced contract that is adjusted to fair value through revenues each period, using the month-end forward prices, until the date of final pricing. To the extent that final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to sales is recorded each reporting period until the date of final pricing.

The Company does not hedge its exposure to price fluctuation.

Based on a forward price per metric ton as of December 31, 2019, a 10 percent increase or decrease in the price of copper (assuming all other variables remain constant) would result in an approximate US$ 5 million increase or decrease in the Company's 2019 loss before income tax related to the value of embedded derivative financial instruments. These derivatives are classified within Level 2 of the fair value hierarchy.

Exchange rate risk

As described in Note 2.2 (a), the Company's Financial Statements are presented in US dollars, which is the functional and presentation currency of the Company. The Company does not have a significant exposure to exchange rate risk in its assets. However, part of its liabilities corresponds to balances in currencies other than the US dollar, principally Chilean pesos.

Note 18 - Financial Risk Management Objectives and Policies (continued)

a) Market risks (continued)

Exchange rate risk

The table below summarizes the estimated impact on 2020 loss before income and deferred taxes resulting from a 10 percent increase or decrease in the exchange rate (US Dollar-Chilean Peso), based on a US$1=CLP$ 748.74 exchange rate:

	Effect on 2020 Loss Before Income Tax US$
Suppliers	
Increase in the exchange rate	2,291,835
Decrease in the exchange rate	(2,801,102)
Severance provision	
Increase in the exchange rate	(3,467,493)
Decrease in the exchange rate	4,238,047

b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due at a reasonable cost. The Company controls its required liquidity through an appropriate management of due dates for assets and liabilities in such a way that it permits maintaining a position of liquidity that allows it to adequately face its obligations. The Company sells copper cathodes to companies that are well known in the mining sector at the international level and the accounts receivable balances are collected between 30 and 90 days. In addition, the Company currently has the possibility of obtaining funds from financial institutions, if necessary, in order to comply with its contractual obligations.

Note 18 - Financial Risk Management Objectives and Policies (continued)

b) Liquidity risk (continued)

The following table summarizes the Company's maturities of its assets and liabilities as of December 31, 2019 and 2018:

	2019 US$	2018 US$
Assets		
Less than 3 months	134,127,284	241,332,359
More than 3 months and less than 1 year	456,722,671	385,617,212
More than 1 year	1,007,011,682	962,382,452
Liabilities		
Less than 3 months	63,380,423	59,649,362
More than 3 months and less than 1 year	16,041,141	13,808,343
More than 1 year	304,393,861	270,283,630

c) Credit risk

Credit risk includes the risk that a customer is incapable of paying amounts in full when they fall due and the risk of non-compliance by the third party in cash and cash equivalent transactions, which is limited to balances deposited in banks and financial institutions and for accounts receivable at the balance sheet date. To manage this risk, the Company has established a treasury policy, which only allows the deposit of surplus funds in highly rated institutions, by establishing conservative credit policies and through a constant evaluation of market conditions. In addition, the Company's sales are made principally to its shareholders, FMC and CODELCO Chile, which have solid financial structures.

d) Capital risk

The objective is to safeguard the Company's ability to continue with its ongoing business, in order to give returns to the shareholders and benefits to the stakeholders and to maintain an optimal structure that allows for reduction of the cost of capital. The Company manages its capital structure and carries out adjustments to face changes in the market's economic conditions. The Company's policy is to finance all of its projects, long and short-term, with its own operational resources. In order to maintain or adjust the capital structure, the Company can adjust the payment of dividends to shareholders or return of capital to its shareholders. There have been no changes in objectives, policies or procedures during the year ended December 31, 2019.

Note 19 - Remuneration of the Board of Directors

During the years ended December 31, 2019 and 2018, no remunerations were paid to the Company's Board.

Note 20 - Cost of Sales

The amounts included in cost of sales are as follows:

	Years Ended December 31	
	2019	**2018**
	US$	**US$**
Supplies	244,428,305	196,656,265
External services and general expenses	90,421,868	95,730,408
Employee benefits and personnel expenses	74,101,542	85,787,598
DD&A	71,127,736	82,506,154
Intangible amortization and other	30,377	56,536
Utilities	74,691,923	78,402,912
Other cost and credits	2,463,453	5,587,503
Work in process (WIP) and finished goods (1)	(65,622,177)	(19,730,311)
Stripping cost on production activities-current year	(16,040,207)	(5,061,416)
Total cost of sales	475,602,820	519,935,649

(1) Includes an NRV adjustment on finished goods for US$ 183,712 for the year ended December 31, 2019. There were no NRV adjustments for the year ended December 31, 2018.

Note 21 - Other Losses, Net

The amounts included in other losses, net are as follows:

	Years Ended December 31	
	2019 **US$**	**2018** **US$**
Evaluation cost of Prefeasibility/ feasibility studies for El Abra Mill (1)	32,743,160	48,748,558
Abnormal and idle facility costs (2)	17,312,318	-
(Loss) gain on disposal of PP&E	376,023	(2,482,829)
(Loss) on disposal of spare parts	744,412	-
Reversal of contingencies accrual (3)	-	(1,480,034)
Total other losses, net	51,175,913	44,785,695

(1) Cost of prefeasibility/ feasibility studies for El Abra Mill included hydrological and geotechnical drilling; seasonal marine, flora and fauna, and archeological baseline studies; and hydrogeological and geochemical models.

(2) Result of impacts from flooding event. See Note 1.

(3) Reversal of provision for contingencies accrued in 2015 and 2016, due to a 2018 favorable ruling in the courts.

Note 22 - Administrative and Selling Expenses

The amounts included in administrative and selling expenses are as follows:

	Years Ended December 31	
	2019 **US$**	**2018** **US$**
Freight and other	8,001,721	7,478,286
Depreciation of shutdown equipment (1)	-	2,270,980
MFMSA fees	471,128	522,318
Sales commissions and others	203,779	230,058
Total administrative and selling expenses	8,676,628	10,501,642

(1) The decrease is primary due to the Company achieving full production in 2018.

Note 23 - Subsequent Events

Subsequent to December 31, 2019, and up to the date of issuance of the Financial Statements, no events have occurred that could significantly affect the presentation of these Financial Statements.