

Extractive Sector Transparency Measures Act Report

Reporting Year

From: 1/1/2016

To: 12/31/2016

Reporting Entity Name

KGHM International

Reporting Entity ESTMA Identification Number

E431144

Subsidiary Reporting Entities (if necessary)

FNX Mining Company Inc. (ID: E401983)

Attestation: Please check one of the the boxes below and provide the required information

Attestation (by Reporting Entity)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Attestation (through independent audit)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.

The auditor expressed an unmodified opinion, dated 2017-05-24, on the ESTMA report for the entity and can be found at: <http://kgm.com/en/node/6978>

Director or Officer of Reporting Entity Full Name:

Carol Li

Position Title:

Vice President, Accounting & Reporting

Date: 5/24/2017

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year
Reporting Entity Name
Reporting Entity ESTMA Identification Number
Subsidiary Reporting Entities (if necessary)
All Amounts are in United States Dollar (USD)

From: 1/1/2016 **To:** 12/31/2016
 KGHM International
 E431144
 FNX Mining Company Inc. (ID: E401983)

Payments by Payee

Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	Federal Government of Canada- Canada Revenue Agency	\$7,450,000								
Greenland	Federal Government of Greenland- Bureau of Minerals and Petroleum			\$130,000						
Canada	City of Greater Sudbury							\$2,770,000		
Chile	Federal Government of Chile- Tesorería General de la República	\$1,050,000		\$50,000						
Chile	Federal Government of Chile- Tesorería General de la República	\$60,000.00				\$100,000				
United States of America	Federal Government of USA-Bureau of Land Management			\$160,000						
United States of America	State of Nevada- Division of Water Resources			\$260,000						
United States of America	White Pine County Treasurer	\$1,290,000		\$100,000						
United States of America	State of Nevada- Division of Environmental Protection			\$160,000						
United States of America	Federal Government of USA- Mine Safety and Health Administration			\$80,000						
United States of America	State of Arizona-Department of Revenue	\$100,000								
United States of America	Gila County Treasurer	\$190,000.00								
United States of America	State of Arizona- Bureau of Land Management			\$80,000						

KGHMI has formed a joint venture ("Sierra Gorda JV") with Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation to develop and operate the Sierra Gorda copper-molybdenum mine in Chile. KGHMI through its subsidiaries in Chile owns 55%. KGHMI has determined that it does not control Sierra Gorda JV notwithstanding the fact that it owns more than 50% of the issued share capital of the Sierra Gorda JV. The owner's council is an independent body responsible for oversight and decision making for the Sierra Gorda JV. The factors that KGHMI considered in making the determination include the KGHMI's right to appoint an equal number of members to the owners' council. The owners' council consists of three representatives from each Joint venture partner. During the year 2016 none of the three members of the owner's council were directors or officers of KGHMI. The three members are directly appointed by KGHM Polska Miedz S.A. (parent company of KGHMI). KGHMI cannot unilaterally control the decision-making and payments for the Sierra Gorda JV and joint venture partners need to agree on decisions at the owner's council. To ensure that the report is transparent in the payments made by the Sierra Gorda JV are included. The Sierra Gorda JV paid taxes of \$ 2,090,000 and 460,000 to Tesorería General de la República and \$ 470,000 (Federal Government of Chile) to Tesorería Municipal de Sierra Gorda (Municipal Authority).

KGHMI has a USD functional currency for all its subsidiaries that were reportable under ESTMA. The payments reported above were recorded at the exchange rate existing at the time the payment was made and then rounded to the nearest \$10,000.

For reference: average exchange rate to convert payments to USD are as below:

Canadian Dollar (CAD) to USD : 1 CAD = 0.73 USD

Canadian Dollar to Chile Pesos (CLP) : 1 CAD= 510 CLP

Payments in Chile are made in Chile Pesos (CLP) and are reported in USD in the above schedule.

Payments in Greenland are made in USD and are reported in USD in the above schedule.

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From: 1/1/2016

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Reporting Entity Name

KGHM International

Reporting Entity ESTMA Identification Number

E431144

Subsidiary Reporting Entities (if necessary)

FNX Mining Company Inc. (ID: E401983)

All Amounts are in United States Dollar (USD)

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Corporate	\$7,450,000.00		\$0.00						
Greenland	Maqqagai Molybdenum A/S			\$130,000.00						
Canada	FNX Mining Company Inc							\$2,770,000.00		
Chile	Mineria y Exploraciones KGHM International SpA	\$1,050,000		\$50,000						
Chile	Sociedad Contractual Minera Franke	\$60,000				\$100,000				
United States of America	Robinson Nevada Mining Company			\$160,000						
United States of America	Robinson Nevada Mining Company			\$260,000						
United States of America	Robinson Nevada Mining Company	\$1,290,000		\$100,000						
United States of America	Robinson Nevada Mining Company			\$160,000						
United States of America	Robinson Nevada Mining Company			\$80,000						
United States of America	Carlota Copper Company	\$100,000								
United States of America	Carlota Copper Company	\$190,000								
United States of America	Carlota Copper Company			\$80,000						

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Payments in Greenland are made in USD and are reported in USD in the above schedule.

Payments in Canada are made both in USD and CAD