



Santiago, 02 de marzo de 2023

Señores

**Comisión para el Mercado Financiero** (Ex – Superintendencia de Valores y Seguros)

PRESENTE

Ref: Presenta Estados Financieros al 31 de diciembre de 2022

De nuestra consideración,

Por medio de la presente y en atención a lo dispuesto en la Resolución Exenta N° 298 del 17 de Mayo de 2010 de la Superintendencia de Valores y Seguros, hoy Comisión para el Mercado Financiero, adjunto favor encontrar los Estados Financieros de la sociedad según lo dispuesto en el N° 1 de la letra A.3 de dicha resolución, conteniendo la siguiente información:

- A. Estados Financieros al 31 de diciembre de 2022.
- B. Declaración Jurada de Responsabilidad.
- C. Informe de Auditores Independientes.

Sin otro particular, le saluda atentamente,

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**Michal Bator**

Vicepresidente de Servicios Financieros  
**Sierra Gorda SCM**



**Razón Social** : **Sierra Gorda SCM**

**Rut** : **76.081.590-K**

## **DECLARACIÓN JURADA DE RESPONSABILIDAD**

El Vicepresidente Representante de **Sierra Gorda SCM**, firmante de esta declaración, se hace responsable bajo juramento respecto de la veracidad de toda la información incorporada en los Estados Financieros adjuntos a esta presentación, correspondientes al período de 12 meses terminado al 31 de diciembre de 2022, en cumplimiento de lo dispuesto en la Resolución Exenta N° 298 del 17 de Mayo de 2010 de la Superintendencia de Valores y Seguros, hoy Comisión para el Mercado Financiero.

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**Michal Bator**

Vicepresidente de Servicios Financieros

Santiago, 02 de marzo de 2023

**SIERRA GORDA S.C.M.**

Financial Report as at December 31, 2022  
and 2021 and for the years then ended.

(With the Independent Auditor's Report Thereon)

# SIERRA GORDA S.C.M.

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Independent Auditor's Report  
Statements of Financial Position  
Statements of Profit or Loss and Other Comprehensive Income  
Statements of Cash Flows  
Statements of Changes in Shareholders' Equity  
Notes to Financial Statements

US\$: Amounts expressed in millions of United States dollars, except where indicated.





## Independent Auditors' Report

To the Owners Council of  
Sierra Gorda S.C.M:

We have audited the accompanying financial statements of Sierra Gorda S.C.M. ("the Company"), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of profit or loss and other comprehensive income, cash flows and changes in shareholders' equity 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 accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Auditing Standards Generally Accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra Gorda S.C.M. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'Gonzalo Rojas Ruz'.

Gonzalo Rojas Ruz

KPMG Ltda.

Santiago, Chile, February 16, 2023



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## STATEMENT OF FINANCIAL POSITION

as of December 31, 2022 and 2021

(U.S. dollars in millions)

	Note	2022	2021
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	85.6	191.1
Trade receivables	8	243.3	60.0
Other receivables	8	35.5	34.0
Due from related parties	17	0.2	151.8
Inventory	6	201.5	146.2
Current tax assets	7	26.3	6.2
<b>Total Current Assets</b>		<b>592.4</b>	<b>589.3</b>
<b>Non-Current</b>			
Mineral property, plant & equipment	9	3,726.0	3,607.8
Intangible assets	10	77.4	82.6
Inventory	6	131.5	77.4
Deferred income tax assets	16	1,072.8	1,118.0
Other assets		2.2	2.9
<b>Total Non-Current Assets</b>		<b>5,009.9</b>	<b>4,888.7</b>
<b>Total Assets</b>		<b>5,602.3</b>	<b>5,478.0</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable	11	222.4	176.3
Accrued liabilities	12	124.2	126.2
Working capital facility		0.1	-
Lease liabilities	14	14.2	26.2
Due to related parties	17	5.4	7.0
Mining tax	7	17.5	54.7
<b>Total Current Liabilities</b>		<b>383.8</b>	<b>390.4</b>
<b>Non-Current</b>			
Subordinated sponsors' loans	13	4,746.0	4,810.6
Credit facility	13	400.0	300.0
Lease liabilities	14	109.4	121.8
Other liabilities	18	87.7	84.2
Accrued liabilities	12	52.6	45.0
<b>Total Non-Current Liabilities</b>		<b>5,395.7</b>	<b>5,361.6</b>
<b>Total Liabilities</b>		<b>5,779.5</b>	<b>5,752.0</b>
<b>Shareholders' Equity</b>			
Share capital	15	2,838.1	2,838.1
Reserve		(19.3)	(18.7)
Retained earnings		(2,996.0)	(3,093.4)
<b>Total Shareholders' Equity</b>		<b>(177.2)</b>	<b>(274.0)</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>5,602.3</b>	<b>5,478.0</b>

The accompanying notes are an integral part of these financial statements.





**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME**

for the years ended December 31, 2022 and 2021  
(U.S. dollars in millions)

	Note	2022	2021
Revenue	19	1,617.2	2,150.7
Cost of sales	20	(964.3)	(883.5)
Reversal of impairment loss		-	1,181.9
<b>Gross profit</b>		<b>652.9</b>	<b>2,449.1</b>
Selling costs	20	(92.7)	(97.2)
General and administrative expenses	20	(50.4)	(49.3)
Other income	21	7.0	17.9
Other expenses	22	(12.6)	(20.1)
<b>Operating profit</b>		<b>504.2</b>	<b>2,300.4</b>
Finance income	23	1.2	0.5
Finance expenses	24	(336.1)	(369.8)
<b>Income profit / (loss) before income tax</b>		<b>169.3</b>	<b>1,931.1</b>
Income tax (expenses) / benefit	16	(45.5)	(439.0)
Mining and other tax expenses	16	(26.4)	(57.6)
<b>Income/(Loss) for the period</b>		<b>97.4</b>	<b>1,434.5</b>
<b>Other comprehensive income/(loss)</b>			
Actuarial losses		(0.9)	-
Related tax		0.3	-
Items that will not be subsequently reclassified to profit or loss		<b>(0.6)</b>	-
<b>Other comprehensive loss</b>		-	-
<b>Total comprehensive income/(loss)</b>		<b>96.8</b>	<b>1,434.5</b>

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**  
for the years ended December 31, 2022 and 2021  
(U.S. dollars in millions)

	Note	2022	2021
<b>OPERATING ACTIVITIES</b>			
Result for the period		97.4	1,434.5
<b>Total adjustment to result for the period:</b>		<b>519.6</b>	<b>(299.1)</b>
Depreciation and amortization	20	381.4	364.7
Non cash capitalized to deferred stripping asset	20	(23.0)	(18.0)
Foreign exchange gains	21/22	2.3	(10.6)
Inventory write down		(8.0)	11.5
Change in accruals		34.6	16.1
Change in related parties transactions		83.3	(273.3)
Change in interest payables		285.5	320.2
Other adjustments		14.3	9.9
<b>Changes in working capital:</b>		<b>(262.5)</b>	<b>(34.3)</b>
<i>Inventories</i>		(101.4)	(63.3)
<i>Trade and other receivables</i>		(202.6)	30.4
<i>Trade and other payables</i>		41.5	(1.4)
Income tax expenses / (benefit)		45.5	439.0
Mining and other tax expenses		(33.8)	57.6
Reversal of impairment loss		-	(1,181.9)
<b>Cash provided from operating activities</b>		<b>617.0</b>	<b>1,135.4</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of mineral properties, plant and equipment		(253.6)	(114.4)
Cash cost capitalized to deferred stripping asset	20	(165.9)	(169.3)
<b>Cash used in investing activities</b>		<b>(419.5)</b>	<b>(283.7)</b>
<b>FINANCING ACTIVITIES</b>			
Drawdown on working capital facility	13	100.0	300.0
Payments of working capital facility		-	(547.1)
Payments of working capital facility interest		(14.5)	(14.2)
Payments of senior project loans principal		-	(50.0)
Payments of senior project loans interest		-	(0.2)
Payments associated with BGK loan		(11.9)	(6.3)
Payments under finance leases (IFRS 16)		(19.1)	(19.8)
Payments under leases principal		(6.7)	(18.8)
Payments under leases interest		(0.8)	(1.1)
Payments of Sub loan' Capital		(151.8)	-
Payments of Sub loan' interest		(198.2)	(560.0)
<b>Cash provided from financing activities</b>		<b>(303.0)</b>	<b>(917.5)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents held</b>		<b>-</b>	<b>(0.1)</b>
<b>Net (decrease) increase in cash and cash equivalents during the period</b>		<b>(105.5)</b>	<b>(65.9)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>191.1</b>	<b>257.0</b>
<b>Cash and cash equivalents, end of period</b>		<b>85.6</b>	<b>191.1</b>
<b>Cash and cash equivalents comprised of:</b>			
<b>Cash deposits, bankers acceptances and term deposits</b>		<b>85.6</b>	<b>191.1</b>

The accompanying notes are an integral part of these financial statements.



**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

for the years ended December 31, 2022 and 2021

(U.S. dollars in millions)

	Note	Share capital	Reserve	Retained earnings	Total
<b>Balance, January 1, 2022</b>	15	<b>2,838.1</b>	<b>(18.7)</b>	<b>(3,093.4)</b>	<b>(274.0)</b>
Profit for the period		-	-	97.4	97.4
Other comprehensive loss		-	(0.6)	-	(0.6)
<b>Balance, December 31, 2022</b>		<b>2,838.1</b>	<b>(19.3)</b>	<b>(2,996.0)</b>	<b>(177.2)</b>

	Note	Share capital	Reserve	Retained earnings	Total
<b>Balance, January 1, 2021</b>	15	<b>2,838.1</b>	<b>(18.7)</b>	<b>(4,527.9)</b>	<b>(1,708.5)</b>
Profit for the period		-	-	1,434.5	1,434.5
<b>Balance, December 31, 2021</b>		<b>2,838.1</b>	<b>(18.7)</b>	<b>(3,093.4)</b>	<b>(274.0)</b>

The accompanying notes are an integral part of these financial statements.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 1 NATURE OF OPERATIONS

Minera Quadra Chile Limitada (“MQCL”) was incorporated on April 1, 2004 in the municipality of Santiago in the Republic of Chile under law No. 3,918. On July 29, 2011, MQCL changed its name to Minera Quadra Chile S.C.M. and further to Sierra Gorda S.C.M. (“SG SCM” or the “Company”) on September 14, 2011. The Company is in the business of developing and operating the Sierra Gorda mining project in Chile. Sierra Gorda mining project is an open pit copper and molybdenum mine, with some by-product of gold and silver. The Company’s head office is located at Magdalena 140, 10th floor, Las Condes, Santiago. On September 14, 2011, the Company became a joint venture owned 55% indirectly by KGHM Polska Miedz S.A. (“KGHM S.A.”) through its subsidiary KGHM International Ltd. (“KGHMI”) (formerly Quadra FNX Mining Ltd.) and 45% by Sumitomo Metal Mining Co Ltd. (“SMM”) and Sumitomo Corporation (“SC”) (collectively “Sumitomo”).

Sierra Gorda mine achieved commercial production at the end of June 2015. The change from development activity to production activity means that from July 1, 2015 construction costs ceased to be capitalized, depreciation of the assets commenced and the crediting of pre-commissioning revenue to the mine asset ceased.

On February 22, 2022, Sumitomo Metal Mining and Sumitomo Corporation transferred their 45% stake in Sierra Gorda to the company South32 Limited.

The Company is currently a joint venture owned 55% indirectly by KGHM Polska Miedz S.A. (“KGHM S.A.”) through its subsidiary Quadra FNX Holdings Chile Ltda., and 45% indirectly by South32 Limited through its subsidiary South32 Sierra Gorda SpA.

### 2 BASIS OF PRESENTATION

#### a) Statement of presentation and measurement

These audited financial statements have been prepared as at December 31, 2022 and 2021, in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These audited financial statements have been prepared on the historical cost basis, except for financial assets and liabilities measured at fair value through profit or loss, using going concern assumption. Please refer also to Note 28c) Liquidity Risk. The Company maintains its official accounting records in United States dollars, which is the Company’s functional currency. All financial information in these financial statements is presented in United States dollars rounded to the nearest million, except where indicated otherwise.

These financial statements have been approved for issuance on February 16, 2023, by the Finance Committee of the Owners’ Council.

#### b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, along with reported amounts of revenues and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimates are revised and in any future periods affected.

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## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 2 BASIS OF PRESENTATION, CONTINUED

#### b) Use of estimates and judgments, continued

Significant areas requiring the use of estimates relate to the determination of mineral reserves, recoverable value of non-current assets, deferred tax assets recoverability and the determination of site closure and reclamation provisions. Key estimates and judgements made by management with respect to these areas have been disclosed in the notes to these financial statements as appropriate

Site Closure and reclamation: Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for the future site closure and reclamation costs is subject to change based on when amendments to laws and regulations concerning the Company's closure and reclamation obligations become available.

Reserve estimates: The determination of mineral reserves requires the use of estimates and these reserve estimates are used in calculating depreciation, assessing impairment of assets and forecasting timing of payments of mine closure and reclamation costs. The estimate of these reserves requires the forecasts of commodity prices, exchange rates, production costs and recovery rates, and these forecasts may change significantly when new information becomes available.

Recoverable value of non-current assets: The determination of the recoverable value of non-current assets requires the use of long-term assumptions as copper and molybdenum prices, discount rate, future capital expenditures, operating costs and ore reserves. These assumptions may change significantly when new information becomes available.

Deferred tax assets: The determination of the recoverable value of deferred tax assets requires the use of assumptions regarding the Company's ability to generate future taxable income.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### a) Mineral property, plant and equipment

Mineral property, plant and equipment are tangible items that:

- are held by the entity for use in production and the supply of goods and services;
- are expected to be used during more than one year;
- are expected to generate future economic benefits that will flow to the entity; and
- have value that can be measured reliably.

Mineral property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss.

#### *Recognition and measurement*

Mineral property acquisition and development costs, including exploration and evaluation assets transferred, mine construction costs, and overburden and waste removal costs are capitalized until commercial production is achieved, or the property is sold, abandoned or impaired. Development costs are net of proceeds from the sale of metal extracted during the development and pre-commission phase prior to the date mining assets are operating in the way intended by management.

Mineral property, plant and equipment costs include the fair value of the consideration given to acquire assets at the time of acquisition or construction and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for its intended use. In addition, these costs include an initial estimate of the costs of dismantling and removing the assets and restoring the site on which they are located, and for qualifying assets, its borrowing costs.

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### a) Mineral property, plant and equipment, continued

When parts of an item of mineral property, plant and equipment have different useful lives, they are accounted for separately as major components.

Mineral property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit and loss.

Major spare parts and stand-by equipment with a significant initial cost, whose anticipated useful life is longer than one year, are recognised as an item of property, plant and equipment.

#### *Deferred Stripping*

The cost of removing overburden to access ore is capitalized during the development phase. During the production phase of a mine (or pit), stripping costs are capitalized to the related component to the extent they give rise to a future benefit. Where a mine operates several open pits, the mine plan will determine if the pit is regarded as separate component or if a pit will have several separate components. Stripping costs are accounted for separately by reference to ore from each component.

The component's strip ratio represents the ratio of the estimated total volume of waste of the component, to the estimated total quantity of economically recoverable ore of the component, over the life of the component. Stripping costs are deferred when the actual stripping ratios are higher than the average life of component strip ratios or when that the material mined is primarily waste. The costs charged to the income statements are based on application of the component's strip ratio to the quantity of ore mined in the period. When the ore is expected to be evenly distributed or future strip ratios for the component are expected to be lower, waste removal is expensed as incurred.

Deferred stripping costs which have been capitalized are depreciated using the metal contained unit of production method and are classified as a tangible asset under mineral property.

#### *Subsequent costs*

The cost of replacing part of an item of mineral property, plant and equipment is recorded in the carrying amount of the item provided that there are future economic benefits, and the costs can be measured. The carrying amount of the part being replaced is then derecognised. The costs of the day-to-day servicing of mineral property, plant and equipment is recognised in profit and loss (upon commencement of production).

During the production phase, exploration and evaluation costs are capitalized provided that there is an expectation that the costs will be recoverable on exploitation or sale.

#### *Depreciation*

Depreciation of mineral property, plant and equipment (excluding land) is performed by the Company depending on the manner in which the economic benefits of a given item of mineral property, plant and equipment are consumed:

- using the straight-line method, for those assets used in production on a systematic basis throughout their entire useful life, and
- using the natural depreciation method (units of production method), for those assets in respect of which the consumption of economic benefits is directly related to the amount of mineral extracted from the deposit and this extraction or processing is not the same throughout their entire useful life. In particular this refers to mining facilities, as well as some mining machinery and equipment.

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### a) Mineral property, plant and equipment, continued

##### *Depreciation, continued*

Mineral property and equipment depreciated on a straight-line basis over their estimated useful lives are as follows:

- building and civil engineering objects: 20 years; technical equipment and machines: 4 - 15 years; mobile equipment: 6 - 10 years; other property, plant and equipment, including tools and instruments: 5 – 10 years.

Mineral property and equipment amortized on units of production method are as follows:

- Mine development.
- Site closure and reclamation asset.

##### *Depreciation, continued*

The Company's management assesses the estimated residual values, useful lives, and depreciation methods used for mineral property acquisition and development costs, and mineral property, plant and equipment. Any material changes in estimates are applied prospectively.

#### b) Borrowing costs

Borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, affect its initial value as an element of its cost. Such costs are capitalized when the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs consist of interest and other borrowing-related costs incurred (and accrued), and included:

- interest costs calculated using the effective interest rate method in accordance with IFRS 9;
- financial charges due to financial leasing contracts recognised in accordance with IAS 17;
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest expense.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of the borrowing costs starts upon the joint fulfilment of the following conditions:

- the expenditures are made for the qualifying asset,
- the borrowing costs are incurred, and
- the actions necessary to prepare the asset to the intended use or sale are in progress.

The capitalization of borrowing costs ceases when essentially all actions necessary to prepare the qualifying assets to the intended use or sale, have been completed. From July 1, 2015, the capitalization of borrowing costs ceased.

The capitalization of the borrowing costs is suspended during the period of longer break in the active performance of investment activity in relation to the qualifying assets, unless such break is the normal element for the given type of the investment. The borrowing costs incurred during the time of the break not constituting the normal element for the given investment, affect the costs of the period.

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### b) Borrowing costs, continued

Exchange differences on borrowings drawn in a foreign currency (both specific and general) affect the initial value of the qualifying asset to the extent in which it represents an adjustment of interest expense. In the calculation of the borrowing costs eligible, for capitalization solely negative exchange differences are taken into account (except as stipulated below). The amount of the exchange differences adjusting the interest cost is the difference between the cost of interest on similar financing which a Company would have drawn in its functional currency and the financing cost incurred in the foreign currency. The borrowing costs eligible for capitalization are settled in the annual reporting period.

If the capitalized borrowing costs increases value of the qualifying asset and it exceeds its recoverable value, then the Company recognizes any potential loss.

#### c) Intangible assets

Intangible assets include:

- acquired mineral property rights (concessions, licenses, patents, exploration rights – mining usufruct right);
- water rights; and software.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment loss.

#### *Recognition and measurement*

The cost is increased by the borrowing costs necessary to finance the purchase or construction of the item of the qualifying assets.

If the payment for an intangible asset is deferred for a period, which is longer than standard for ordinary buyer's credit (in practice a period of over 1 year was assumed), its purchase price should reflect the amount, which would be paid in cash.

The difference between this amount and the total payment is recognised in the profit or loss as interest costs (an unwinding of the discount) in the period of repayment (settlement) of the liability.

The exchange differences, which arise from liabilities in foreign currency (other than loans, leasing), which are related to the acquisition or construction of an item of intangible assets are recognised in the profit or loss in the period, in which they were incurred.

The intangible assets are measured at the end of the reporting period at cost less accumulated amortization charges and accumulated impairment loss.

#### *Amortization*

Amortization of intangible assets (excluding water right) is performed by the Company depending on the manner in which the economic benefits of a given item of intangible assets are consumed:

- using the straight-line method, for those assets used in production on a systematic basis throughout their entire useful life, and
- using the units of production method, for those assets in respect of which the consumption of economic benefits is directly related to the amount of mineral extracted from the deposit and this extraction or processing is not the same throughout their entire useful life.



### **3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **c) Intangible assets, continued**

Intangible assets amortized on a straight-line basis over their estimated useful lives are as follows:

- software: 2 years.
- licenses for computer programs: 2 - 5 years.

#### ***Exploration and evaluation expenditure***

Intangible assets and mineral property, plant and equipment used in the exploration for and evaluation of mineral resources are recognised as exploration and evaluation assets, but they do not include expenditures on development work related to mineral resources or expenditures incurred:

- prior to the commencement of exploration for and evaluation of mineral resources, i.e. expenditures incurred prior to the obtaining of legal right to carry out exploratory activities within a specified area, and
- after the technical feasibility and commercial viability of extracting, a mineral resource is demonstrable.

#### ***Recognition and measurement***

If the exploration right cannot be exercised without acquisition of the right to land, on which the mineral resources are located, then the rights to the land including appropriate concessions are recognised as intangible assets at the stage of exploration and evaluation of mineral resources.

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration costs that do not relate to any specific property are expensed as incurred.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### d) Recoverable value of non-current assets

At the end of each reporting period the Company assess if impairment indicators exist. The recoverable value of non-current assets is measured at the end of each annual reporting period, the Company assess the recoverable value of non-current assets and compare it to the carrying value of non-current assets, which consist primarily of mineral property, plant and equipment, and intangible assets.

The recoverable value of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Fair value less cost to disposal is the amount obtainable from the sale of the asset or cash generating unit in an arm's length transaction between knowledgeable and willing parties less the cost of disposal. Value in use is the estimated future cash flows expected to be received through use and subsequent disposal of the asset discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit and loss based on the amount by which the carrying amount of the asset exceeds the recoverable amount.

Recoverable value and estimated future cash flows are based on estimates of:

Estimates/assumptions	Basis
Future production	Proven and probable reserves
Commodity price	Forecast based on market analysis
Exchange rates	Forecast based on market analysis
Discount rate	Weighted average cost of capital ("WACC") rate

The Company maintains only one Cash Generating Unit ("CGU").

IAS 36 set out the specific requirements for reversing an impairment loss recognised in prior periods for an asset or a cash-generating unit. It also specifies when an entity should reverse an impairment loss. Accordingly, the Company assess at the end of each annual reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset. When assessing whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, the Company considers external and internal sources of information.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### d) Recoverable value of non-current assets, continued

If the recoverable amount of non-current assets is higher than carrying value of non-current assets, impairment loss recognised in prior periods for an asset other than goodwill will be reversed to its recoverable amount. That increase is a reversal of an impairment loss. The reversal of the impairment loss is allocated to the components of assets of cash generating unit (CGUs), on the pro rata basis to the share of carrying amount of each of the asset in the amount of the given cash generating unit (CGUs). Impairment reversal cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset or cash generating units (CGUs).

#### e) Trade receivables (subject to provisional pricing)

Trade receivables (subject to provisional pricing) include provisional invoices issued for mineral sales. These invoices are based on the Company's determined weights, which are subject to review and final agreements by the customers. Under the terms of sales agreements, the final price to be received will also depend on the prices fixed for copper and molybdenum by independent metal exchanges during future quotation periods applicable to each shipment, accordingly the price adjustment feature is considered to be an embedded derivative where the nonfinancial contract for the sale of the concentrate, at a future date would be treated as the host contract. Sales under provisional invoicing agreements have been valued based on forward prices at the end of the reporting period. Under IFRS 9, embedded derivatives are not separated from financial assets, i.e., from the receivable. Instead, the receivable will fail the cash flow characteristics test and, therefore, will need to be measured at fair value through profit or loss in its entirety.

#### f) Revenue recognition

##### Concentrate sales

For concentrate sales, the enforceable contract is represented by each sale/shipment, which is an individual, present and short-term contract. For concentrate sales, the performance obligation is the delivery of the concentrate. The Company's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant Quotational Period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP for sales of copper concentrate and molybdenum, final pricing is generally determinate three or four months after the date of sale. Revenue is recorded provisionally at the time of sale based on settled assays and forward prices for the expected date of the final settlement. Subsequent variations in price and volumes are recognised as revenue adjustments as they occur until the price is finalized. At each reporting date, for the unsettled invoices, a mark to market revaluation is performed. Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised.

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in the statement of

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### f) Revenue recognition, continued

profit or loss and other comprehensive income each period and disclosed in the relating notes separately from revenue from contracts with customers. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices. As noted above, as the enforceable contract for the arrangements is the individual sale agreement, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

The Company presents the impacts of provisional pricing as part of revenue on the face of the statement of profit or loss and other comprehensive income and disclose the impacts of provisional pricing and other items described as revenue that are not in the scope of IFRS 15 separately in the notes to the financial statements.

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised. The Company does not have any contract assets.

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). The Company does not have any contract liability.

#### g) Inventories

Inventories are comprised of final concentrate products, ore stockpiles and supplies. All inventories are carried at the lower of cost and net realizable value. The cost of concentrate products and ore inventory includes all direct costs incurred in production including mining, processing, mine site administration, freight, overburden and waste removal costs and depreciation charges relating to the production of inventory. Net realizable value is the estimated selling price for inventories less costs of completion and estimated distribution and other selling costs. The cost of inventories is determined using the average cost method. Write-downs of inventory to net realizable value are recorded as a cost of sales. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value may be reversed to the extent that the related inventory has not been sold.

#### h) Financial Instruments

##### Financial assets

##### *Initial recognition and measurement*

Financial assets are recognised initially at fair value and subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI) or fair value through profit or loss.

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### h) Financial Instruments, continued

##### Financial assets, continued

##### *Initial recognition and measurement, continued*

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15. Refer to the revenue recognition accounting policy.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost (debt instruments)*

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include other receivables and due from related parties (not subject to provisional pricing), other than provisionally priced trade receivables, the Company only has relatively simple financial instruments.

**3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****h) Financial Instruments, continued****Financial assets, continued***Initial recognition and measurement, continued***Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in Mark to Market gains/(losses) on provisionally priced trade receivables in the statement of profit or loss and other comprehensive income. The Company has elected to present the impacts of provisional pricing as part of revenue on the face of the statement of profit or loss and other comprehensive income and discloses the impact on the revenue from contract with customers note.

**Financial assets at fair value through OCI**

The Company does not have any financial assets at fair value through OCI (debt instruments) or any financial assets designated at fair value through OCI (equity instruments).



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### h) Financial Instruments, continued

##### Financial assets, continued

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

##### *Impairment of financial assets*

The Company applied the Expected Credit Loss (ECL) model. ECL are a probability-weighted estimate of credit losses measured at either 12-month expected credit losses or lifetime expected credit losses of the financial instruments. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due and represent the present value of the difference between, the contractual cash flows that are due to an entity under the contract, and the cash flows that the entity expects to receive. The Company has applied a simplified approach to trade receivables, under which the ECL is measured at the value of credit losses expected to be incurred over the entire life of the receivable (which is lower than 12-month). According to abovementioned, an assumption has been made that the risk of receivables is characterised by the number of Days Past Due (DPD) and this parameter will determine the expected Probability of Default (PD) value. According to our analysis, trade receivables are considered low risk of default financial instrument since the clients has strong capacity to meet its contractual cash flow obligations as demonstrated in the client payment behavior analysis and the characteristics of the transaction where the clients pay in advance up to 90% of the shipment.

**3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****h) Financial Instruments, continued****Financial liabilities*****Initial recognition and measurement***

Financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, and payables, net of directly attributable transaction costs, and subsequently measured at fair value through profit or loss, loans and borrowings or payables. The Company does not apply hedging accounting.

The Company's financial liabilities include trade and other payables, interest bearing liabilities, finance lease, and due to related parties.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at fair value through profit or loss***

The Company does not have financial liabilities at fair value through profit or loss.

***Loans, borrowings, trade, and other payables***

After initial recognition, trade and other payables, interest-bearing liabilities, finance lease, and due to related parties are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

***Derecognition***

A financial liability is derecognised when the associated obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### i) Income tax

Current tax is the expected tax payable or receivable that reflects uncertainty related to income taxes, if any on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date that reflects uncertainty related to income taxes, if any. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Specific tax on the mining activity is treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences. For Chile specific tax on the mining activity, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from the specific tax on mining activities arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

The accounting policy applied by the Company to evaluate uncertain tax treatments is consistent with the requirements of IFRIC 23. The Company evaluate permanently the criterion and tax treatments applied for both deferred income taxes and current income taxes in order to conclude that there is no uncertain tax position that could be accounted or disclosed on its financial statements.

#### j) Provision

When the Company has a present legal or constructive obligation as a result of a past event, a provision is recognised only when the obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### *Site closure and reclamation provision*

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral property, plant and equipment. Provisions for site closure and reclamation are recognised in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

**3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****j) Provision, continued*****Site closure and reclamation provision, continued***

When an obligation is initially recognised, the corresponding cost is capitalized to the carrying amount of the related asset in mineral property, plant and equipment. The obligation is increased for the unwinding of the discount and the corresponding amount is recognised as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognised in profit and loss. Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available. The Company will have material obligations for site closure and reclamation as significant disturbances to the project site will occur when operations is achieved. The increase in the obligation due to the passage of time is recognised as finance expense.

**k) Lease**

The Company recognised the leasing according to IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees: leases of "low-value" assets defined by the Company as lower than US\$10,000 (e.g., personal computers); and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, the Company recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The Company separately recognises the interest expense on the lease liability and the amortization expense on the right-of-use asset.

The Company remeasures the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

***Sale and leaseback***

Sale and leaseback transactions are recognised according to IFRS 16. Upon initial recognition of an asset related to a finance lease, the leaseback is treated as pure financial transaction. The item of sale and leaseback is reclassified from property, plant and equipment to asset under lease, and consequently the lease liability is recognised against cash.

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### l) Severance indemnity provision

The Company records a severance indemnity provision based on the projected unit credit method to determine the present value of its defined future obligations and the related current service cost. The projected unit credit method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Accordingly, calculated as the present value of the actuarial future cost taken into account by each employee one month per year of service and subject to a maximum limit for years of service.

Actuarial gains and losses are recognised directly in other comprehensive income and classified according to the nature of the transaction.

#### m) Foreign currency translation

Transactions denominated in currencies other than the United States dollars are translated using the exchange rate in effect on the transaction date. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statements of financial position dates. Non-monetary items are translated at the historical rate. Exchange gains and losses are included in profit or loss for the period.

#### n) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and high liquid investments, which are readily convertible without significant risk into cash with maturities of three months or less from the date of purchase.

#### o) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Share capital are denominated at nominal value. The reclassification from Share capital to reserve reflects the effect of foreign-exchange translation and Consumer Price Index revaluation performed under Chilean GAAP used by the Company before introducing IFRS in Chile in 2011.

#### p) Employee benefits

Employee benefits include base salary, social security, health and disability benefits and annual bonuses. The Owners Council and the Company's senior management approve these amounts on a discretionary basis. Annual bonuses are paid to operations management and staff based on their participation in the Company's Short-Term Incentive Plan ("STIP"), which provides the opportunity for employees to earn a cash incentive on the achievement of specific key performance indicators established during the annual performance, planning and review process. All employee benefits are recognised as the related services are provided.

#### q) Finance income and expenses

The Company's finance income and finance expenses include:

- interest income;
- interest expense; and
- the net gain or loss on financial instruments measured at fair value through profit and loss.

Interest income or expense is recognised using the effective interest method.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### r) New standards and interpretations

There are no significant changes arising from new standards, amendments to standards and interpretations applicable to the Company, which require mandatory adoption from period beginning at January 1, 2022. The following new standards, amendments and interpretations have been issued, but their application date is not yet effective and the Company does not plan to early adopt these standards. Accordingly, the Company has not assessed their impact at the date of these financial statements.

New IFRS	Mandatory application date
IFRS 17 Insurance Contracts	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
<b>Amendments to IFRS</b>	
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
Accounting policy disclosures (Amendments to IAS 1 and Practice Statement 2 Making Judgments Related to Materiality)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Definition of Accounting Estimate (Amendments to IAS 8)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2023. Early adoption is permitted.
Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	The modification is applicable from the application of IFRS 17 Insurance Contracts.
Lease Liabilities in a Sale with Leaseback (Amendments to IFRS 16)	Annual periods beginning on or after January 1, 2024. Early adoption is permitted.
Non-Current Liabilities with Covenants (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2024.

#### s) Comparatives and reclassifications

Certain comparative balances have been reclassified so as to disclose them on a comparable basis with current period figures. Such reclassifications and changes improve the comparability between periods. These changes include the reclassifications of current tax from other receivables. These reclassifications and changes improve the comparability between periods.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 4 FORMATION OF SIERRA GORDA JOINT VENTURE

On September 14, 2011, Quadra FNX Mining Ltd. (afterwards renamed to KGHM International Ltd.) and Sumitomo formed a joint venture through the Company to develop the Sierra Gorda copper-molybdenum project in Chile. The joint venture operates through a jointly controlled entity owned 55% by KGHM S.A. through KGHMI and 45% by Sumitomo.

On February 22, 2022 Sumitomo Metal Mining and Sumitomo Corporation, both Sumitomo, transferred their 45% stake in Sierra Gorda to Company South 32.

### 5 CASH AND CASH EQUIVALENTS

	2022	2021
<b>Current</b>		
Cash at bank	85.6	190.3
Short-term deposits	-	0.8
<b>Total Cash and Cash Equivalents</b>	<b>85.6</b>	<b>191.1</b>

Cash and cash equivalents of \$85.6 million as at December 31, 2022 and \$191.1 million as at December 31, 2021, consist of cash at bank and short-term deposits. For the purpose of the statement of cash flows, the Company considers all highly liquid fixed income instruments with original maturities of three months or less to be cash equivalents. There are no restrictions of use of any cash and cash equivalents presented on this note.

### 6 INVENTORIES

	2022	2021
<b>Current</b>		
Copper concentrate	24.5	18.0
Molybdenum concentrate	4.1	1.7
Work in progress	44.5	17.5
Supplies	128.4	109.0
<b>Total Current</b>	<b>201.5</b>	<b>146.2</b>
<b>Non-current</b>		
Ore stockpile	131.5	77.4
<b>Total Non-current</b>	<b>131.5</b>	<b>77.4</b>
<b>Total net carrying amount of Inventory</b>	<b>333.0</b>	<b>223.6</b>

Mineral inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories less costs of completion and estimated distribution and other selling costs. None net realizable value adjustment has been recorded by the Company during the period ended December 31, 2022 (December 31, 2021 - \$0 million).



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 6 INVENTORIES, CONTINUED

As at December 31, 2022, a positive impact of \$90 million (December 31, 2021 – positive impact of \$49.1 million) were recognized as a change in inventory and included in cost of sales. As at December 31, 2022, \$3.8 million (December 31, 2021 – \$8.0 million) were recognized as technical obsolescence write-off and included in cost of sales.

As at December 31, 2022, the obsolescence provision amounted to \$14.7 million (December 31, 2021 - \$22.7 million). There was no effect related to COVID-19 in the inventory.

### 7 CURRENT TAX

As of December 31, 2022 and 2021, the Company determined, pursuant to the taxlaws currently in effect, the specific royalty on mining activities to which the monthly provisional payments were credited, detailed as follows:

	2022	2021
Provisional specific mining tax payments	26.1	6.0
Other credit	0.2	0.2
<b>Total Current Tax</b>	<b>26.3</b>	<b>6.2</b>

  

	2022	2021
Specific mining tax	17.5	54.7
<b>Total Mining tax</b>	<b>17.5</b>	<b>54.7</b>



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 8 TRADE AND OTHER RECEIVABLES

<b>Current</b>	<b>2022</b>	<b>2021</b>
<b>Trade receivables</b> (subject to provisional pricing)		
Trade receivables	199.9	55.9
Mark-to-Market ("MtM")	43.4	4.1
<b>Total Trade receivables</b>	<b>243.3</b>	<b>60.0</b>
<b>Other receivables</b> (not subject to provisional pricing)		
Advances to employees	13.2	13.8
Value added tax ("VAT") receivable	13.8	13.2
Prepaid expenses	6.1	5.2
Other	2.3	1.7
Guarantees	0.1	0.1
<b>Total Other receivables</b>	<b>35.5</b>	<b>34.0</b>

The net carrying amount of trade and other receivables approximates to fair value and reflects the Company's maximum credit risk associated with each classification of trade and other receivables. These receivables are neither collateralized nor secured. No trade receivables are past due at December 31, 2022, a financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.

As at December 31, 2022 due to the changes in the mineral price, a positive Mark-to-market adjustment was recorded by the Company and classified as receivables for \$43.4 million (\$4.1 million positive effect recognized on the receivables as at December 31, 2021) which refers to 187.4 million unsettled copper concentrate pounds and 2.5 million unsettled molybdenum pounds (December 31, 2021 – 221.9 million of unsettled copper concentrate pounds and 8.0 million of unsettled molybdenum pounds).

The Company's trade receivables less MtM corresponding to the expected cash inflow from mineral sales at the reporting date was:

	<b>2022</b>	<b>2021</b>
Less than 1 month	135.0	48.8
1 to 3 months	61.0	2.2
Greater than 3 months	3.9	4.9
<b>Total Trade Receivables less MtM</b>	<b>199.9</b>	<b>55.9</b>



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 9 MINERAL PROPERTY, PLANT AND EQUIPMENT

	Land (a)	Plant, buildings and equipment (b)	Equipment under lease (c)	Site closure and reclamation asset (d)	Deferred stripping asset (e)	Asset under construction (f)	Right of use Asset (g)	Oxide project (h)	Total
January 1, 2022									
Cost	11.9	6,209.3	194.7	29.7	1,717.6	238.0	54.2	-	8,455.4
Accumulated depreciation	-	(2,054.2)	(75.7)	(10.5)	(970.2)	-	(37.3)	-	(3,147.9)
Impairment	(6.6)	(3,220.8)	(161.5)	-	(345.4)	-	-	-	(3,734.3)
Impairment reversal	-	1,105.0	40.0	-	-	-	-	-	1,145.0
Impairment accumulated amortization	-	816.1	73.5	-	-	-	-	-	889.6
<b>Net book value</b>	<b>5.3</b>	<b>2,855.4</b>	<b>71.0</b>	<b>19.2</b>	<b>402.0</b>	<b>238.0</b>	<b>16.9</b>	<b>-</b>	<b>3,607.8</b>
<b>Period ended December 31, 2022</b>									
<b>Change in cost</b>									
Additions	-	-	-	6.3	188.9	221.4	-	77.8	494.4
Disposals	-	(5.0)	-	-	-	-	-	-	(5.0)
Transfers (*)	-	117.1	(27.3)	-	-	(93.6)	-	3.0	(0.8)
<b>Sub total</b>	<b>-</b>	<b>112.1</b>	<b>(27.3)</b>	<b>6.3</b>	<b>188.9</b>	<b>127.8</b>	<b>-</b>	<b>80.8</b>	<b>488.6</b>
<b>Change in depreciation</b>									
Additions	-	(299.2)	(11.5)	(0.9)	(145.2)	-	(11.3)	-	(468.1)
Disposals	-	5.0	-	-	-	-	-	-	5.0
Transfers	-	(11.2)	11.2	-	-	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>(305.4)</b>	<b>(0.3)</b>	<b>(0.9)</b>	<b>(145.2)</b>	<b>-</b>	<b>(11.3)</b>	<b>-</b>	<b>(463.1)</b>
<b>Change in impairment</b>									
Amortization	-	88.6	4.1	-	-	-	-	-	92.7
<b>Sub total</b>	<b>-</b>	<b>88.6</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92.7</b>
<b>December 31, 2022</b>									
Cost	11.9	6,321.4	167.4	36.0	1,906.5	365.8	54.2	80.8	8,944.0
Accumulated depreciation	-	(2,359.6)	(76.0)	(11.4)	(1,115.4)	-	(48.6)	-	(3,611.0)
Impairment	(6.6)	(3,220.8)	(161.5)	-	(345.4)	-	-	-	(3,734.3)
Impairment Reversal	-	1,105.0	40.0	-	-	-	-	-	1,145.0
Impairment accumulated amortization	-	904.7	77.6	-	-	-	-	-	982.3
<b>Net book value</b>	<b>5.3</b>	<b>2,750.7</b>	<b>47.5</b>	<b>24.6</b>	<b>445.7</b>	<b>365.8</b>	<b>5.6</b>	<b>80.8</b>	<b>3,726.0</b>

(\*) \$0.8 million transferred from AUC to Intangible.





## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 9 MINERAL PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	Land (a)	Plant, buildings and equipment (b)	Equipment under lease (c)	Site closure and reclamation asset (d)	Deferred stripping asset (e)	Asset under construction (f)	Right of use Asset (g)	Oxide project (h)	Total
<b>January 1, 2021</b>									
Cost	11.9	5,905.0	405.5	45.8	1,530.8	173.7	52.4	-	8,125.1
Accumulated depreciation	-	(968.7)	(130.4)	(8.8)	(767.7)	-	(25.6)	-	(1,901.2)
Impairment	(6.6)	(3,145.6)	(239.6)	-	(345.4)	-	-	-	(3,737.2)
<b>Net book value</b>	<b>5.3</b>	<b>1,790.7</b>	<b>35.5</b>	<b>37.0</b>	<b>417.7</b>	<b>173.7</b>	<b>26.8</b>	-	<b>2,486.7</b>
<b>Period ended December 31, 2021</b>									
<b>Change in cost</b>									
Additions	-	-	3.9	(16.1)	187.3	158.2	1.8	-	335.1
Disposals	-	(4.8)	-	-	-	(0.2)	-	-	(5.0)
Transfers	-	308.3	(214.2)	-	-	(94.1)	-	-	-
<b>Sub total</b>	<b>-</b>	<b>303.5</b>	<b>(210.3)</b>	<b>(16.1)</b>	<b>187.3</b>	<b>63.9</b>	<b>1.8</b>	-	<b>330.1</b>
<b>Change in depreciation</b>									
Additions	-	(137.6)	(4.2)	(1.7)	(202.4)	-	(11.7)	-	(357.6)
Disposals	-	1.1	-	-	-	-	-	-	1.1
Transfers	-	(132.9)	132.9	-	-	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>(269.4)</b>	<b>128.7</b>	<b>(1.7)</b>	<b>(202.4)</b>	<b>-</b>	<b>(11.7)</b>	<b>-</b>	<b>(356.5)</b>
<b>Change in impairment</b>									
Reversal of impairment	-	1,105.0	40.0	-	-	-	-	-	1,145.0
Disposals	-	2.5	-	-	-	-	-	-	2.5
Transfers	-	(78.1)	78.1	-	-	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>1,029.4</b>	<b>118.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,147.5</b>
<b>December 31, 2021</b>									
Cost	11.9	6,208.5	195.2	29.7	1,718.1	237.6	54.2	-	8,455.2
Accumulated depreciation	-	(1,238.1)	(1.7)	(10.5)	(970.1)	-	(37.3)	-	(2,257.7)
Impairment	(6.6)	(2,116.2)	(121.5)	-	(345.4)	-	-	-	(2,589.7)
<b>Net book value</b>	<b>5.3</b>	<b>2,854.2</b>	<b>72.0</b>	<b>19.2</b>	<b>402.6</b>	<b>237.6</b>	<b>16.9</b>	-	<b>3,607.8</b>

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 9 MINERAL PROPERTY, PLANT AND EQUIPMENT, CONTINUED

- (a) Comprise land acquired for Sierra Gorda project.
- (b) Plant, buildings and equipment includes the campsite and its infrastructure, mine and plant equipment, as well as office building, warehouses and workshops in use and mine development regarding drilling activities.
- (c) Equipment under lease includes two haul trucks, one electric shovel and other mobile equipment and vehicles, as well as power transmission lines embedded lease in Atlantica (previously Abengoa) transmission line construction and operation contracts, port facility embedded lease in Antofagasta Terminal International contract.
- (d) Refer to Note 12 (a) for further information regarding the site closure and reclamation asset.
- (e) Deferred stripping asset includes the capitalization of the stripping costs incurred in the mine development recognised and valued in accordance with IFRIC 20, refer to Note 20 for the capitalized amount for the period.
- (f) Asset under construction mainly includes the tailing storage facilities, new mobile equipment in the assembly process and the debottlenecking projects.
- (g) Right of use includes leasing according IFRS 16 “Leases”.
- (h) Acquisition cost and development of Oxide project.

As at December 31, 2022, the Company has contractual commitments related capital expenditure by \$38.5 million for 2023.

As at December 31, 2022, the Company carried out an impairment test concluding that the recoverable value is in line with its carrying value.

As at December 31, 2021, the Company carried out an impairment test concluding that the recoverable value of non-current assets is higher than its carrying value by US\$1,181.9 million. Accordingly, the Company partially reversed the impairment loss recognised in previous year by \$1,145 million for Property, plant and equipment, and \$36.9 million for Intangible. For more detail, see Note 20 and 25.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 10 INTANGIBLE ASSETS

	Mineral property rights	Water rights	Software	Total
<b>January 1, 2022</b>				
Cost	169.5	13.9	12.6	196.0
Accumulated amortization	(31.3)	-	(9.1)	(40.4)
Impairment	(57.7)	(13.9)	(1.4)	(73.0)
<b>Net book value</b>	<b>80.5</b>	<b>-</b>	<b>2.1</b>	<b>82.6</b>
<b>Change in cost</b>				
Transfers (*)	-	-	0.8	0.8
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>0.8</b>
<b>Change in amortization</b>				
Additions	(5.8)	-	(0.2)	(6.0)
<b>Sub total</b>	<b>(5.8)</b>	<b>-</b>	<b>(0.2)</b>	<b>(6.0)</b>
<b>December 31, 2022</b>				
Cost	169.5	13.9	13.4	196.8
Accumulated amortization	(37.1)	-	(9.3)	(46.4)
Impairment	(57.7)	(13.9)	(1.4)	(73.0)
<b>Net book value</b>	<b>74.7</b>	<b>-</b>	<b>2.7</b>	<b>77.4</b>

(\*) \$0.8 million was transferred from AUC to Intangible.

	Mineral property rights	Water rights	Software	Total
<b>January 1, 2021</b>				
Cost	169.5	13.9	12.6	196.0
Accumulated amortization	(24.5)	-	(8.8)	(33.3)
Impairment	(94.6)	(13.9)	(1.4)	(109.9)
<b>Net book value</b>	<b>50.4</b>	<b>-</b>	<b>2.4</b>	<b>52.8</b>
<b>Change in amortization</b>				
Additions	(6.8)	-	(0.3)	(7.1)
<b>Sub total</b>	<b>(6.8)</b>	<b>-</b>	<b>(0.3)</b>	<b>(7.1)</b>
<b>Change in impairment</b>				
Reversal of impairment	36.9	-	-	36.9
<b>Sub total</b>	<b>36.9</b>	<b>-</b>	<b>-</b>	<b>36.9</b>
<b>December 31, 2021</b>				
Cost	169.5	13.9	12.6	196.0
Accumulated amortization	(31.3)	-	(9.1)	(40.4)
Impairment	(57.7)	(13.9)	(1.4)	(73.0)
<b>Net book value</b>	<b>80.5</b>	<b>-</b>	<b>2.1</b>	<b>82.6</b>



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 11 ACCOUNTS PAYABLES

	2022	2021
Liabilities from deliveries and services	216.1	171.0
Other accounts payable	0.9	0.7
Liabilities from employee tax and social security	5.4	4.6
<b>Total</b>	<b>222.4</b>	<b>176.3</b>

### 12 ACCRUED LIABILITIES

	2022	2021
Accrued expenses	86.0	90.4
Payroll and benefits	21.2	18.3
Others	17.0	17.5
<b>Total Accrued Liabilities Current</b>	<b>124.2</b>	<b>126.2</b>

<b>Non Current</b>	<b>2022</b>	<b>2021</b>
Site closure and reclamation provision (a)	44.3	37.2
Severance indemnity provision (b)	8.3	7.8
<b>Total Accrued Liabilities Non Current</b>	<b>52.6</b>	<b>45.0</b>

(a) Site closure and reclamation provision

<b>Balance at January 1, 2022</b>	<b>37.2</b>
Increase in obligation due to change in foreign exchange	4.9
Increase in provision due to change in discount rate	1.5
Unwinding of discount	0.7
<b>Balance at December 31, 2022</b>	<b>44.3</b>

Key assumptions used to estimate site closure and reclamation provisions are as follows: Discount rate: 1.65% (December 31, 2021 – 1.99%).

On March 10, 2022, the Company signed with ASPOR (insurance company) a guarantee insurance policy for the closure cost of the mining site by 719,269 U.F. (\$28.3 million), effective from March 14, 2022 to March 14, 2023.

The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 12 ACCRUED LIABILITIES, CONTINUED

(b) Severance indemnity provision

<b>Balance at January 1, 2022</b>	<b>7.8</b>
Service Cost	1.2
Effect of foreign currency translation differences	(0.1)
Effect of discount rate	0.4
Other comprehensive income (actuarial losses)	1.0
Benefit paid in the period	(2.0)
<b>Balance at December 31, 2022</b>	<b>8.3</b>

The main actuarial assumptions are detailed as follows:

	<b>2022</b>	<b>2021</b>
Mortality table	RV-2014	RV-2014
Actual annual interest rate	1.99%	2.47%
Resignation turnover	3.9%	3.9%
Dismissal turnover	4.4%	4.4%
Retirement age for women	60 years	60 years
Retirement age for men	65 years	65 years

Reasonably possible changes in relevant actuarial assumptions at the reporting date, to the extent that the other assumptions remain constant, would have affected the severance indemnity provision by the amounts included in the table below.

<b>Effect in \$ million</b>	<b>2022</b>		<b>2021</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Discount rate (change 1%)	(0.70)	0.82	(0.69)	0.81

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 13 LOANS

#### a) Subordinated sponsors' loan

	2022	2021
Principal		
Quadra FNX FFI Ltd.	1,453.3	1,536.8
South32 Finance 1 B.V. (former SMM Holland B.V.) (*)	832.3	880.1
South32 Finance 2 B.V. (former SC SG Finance B.V.) (*)	356.7	377.2
<b>Non-current principal</b>	<b>2,642.3</b>	<b>2,794.1</b>
<b>Accrued interest and effective interest rate adjustment</b>		
Quadra FNX FFI Ltd.	1,157.8	1,111.1
South32 Finance 1 B.V. (former SMM Holland B.V.) (*)	663.1	636.3
South32 Finance 2 B.V. (former SC SG Finance B.V.) (*)	284.1	272.7
Finance cost discount	(94.8)	(91.3)
Amortization of the discount	93.5	87.7
<b>Non-current accrued interest and effective interest rate adjustment</b>	<b>2,103.7</b>	<b>2,016.5</b>
<b>Total</b>	<b>4,746.0</b>	<b>4,810.6</b>

(\*) On February 22, 2022, Sumitomo Metal Mining and Sumitomo Corporation transferred their 45% stake in Sierra Gorda to the company South32.

Refer to Note 17 for further explanation of the abbreviations of each sponsor.

During the year ended December 31, 2022, the Company has not received any drawdown (in the year 2021 - \$0) from the Subordinated Sponsors Loans. The subordinated loans are stated in USD with an annual nominal fixed interest rate of 8%. Interest and principal are payable under the terms and conditions of the Subordination Agreement. Any interest and principal remaining is due and payable on December 15, 2024.

The Company recognised the difference (discount) between the book value and the fair value of the loans over the term of the loans, using the effective interest method. As at December 31, 2022, the Company has cumulatively incurred \$2,105.0 million (December 31, 2021 - \$2,020.1 million) of interest on long-term debt and amortization of the discounts of \$93.5 million (December 31, 2021 - \$87.7million).

During the twelve-month period ended December 31, 2022, the Company paid on Sponsors' demand, capital and interest related to the subordinated loans of \$350.0 million (In 2021 - \$560.0 million).

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 13 LOANS, CONTINUED

#### b) Credit facility

On February 14, 2022, the Company drew down \$100 million from a Revolving Credit Facility (RCF) granted by BGK. The RCF carries a Libor 3M plus an annual interest fixed rate of 1.86% and is repayable on September 29, 2024.

Details of non-current liabilities are as follows:

	<b>2022</b>	<b>2021</b>
Bank Gospodarstwa Krajowego (BGK)	400	300
Total Revolving Credit Facility	<b>400</b>	<b>300</b>

The Polish State Treasury is an entity controlling BGK and at the same time owns 31.79% of shares of KGHM S.A. The before mentioned loan is the only government-related entities transaction performed by the Company and was carried out on normal market terms, disclosed to regulatory authority, reported to senior management and approved by the Owner Council.

As at December 31, 2022, the Company has a non - executed credit facility with BGK up to \$300 million that the Company can draw down upon financial requirements with the ability to be structured in a portion of short and long term (December 31, 2021 - \$400 million).

At December 31, 2022, BGK RCF is supported by guarantee issued by Sponsors.

On December 14, 2021, the Company and BGK signed off the Subordination Agreement (Agreement), in order to provide for the subordination of Subordinated Sponsor Loans, as well as provide the terms and conditions for Permitted Subordinated Sponsor Loans Payment.

Under the Agreement, if the Company is requested by Sponsors for the Subordinated Sponsor Loans Payment, it will have to comply with the financial conditions set up in the Agreement. The financial ratios for the before mentioned conditions are as follows:

- Ratio of Net Debt to EBITDA, in the last relevant period, does not exceed two point five to 1 (2.5:1). As at December 31, 2022, this ratio amounted to: 0.4.
- Historical Debt Service Coverage Ratio (DSCR), in the last relevant period, is at least one point two to 1 (1.2:1). As at December 31, 2022, this ratio amounted to: 13.7.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 13 LOANS, CONTINUED

#### c) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Current Liabilities		Non-Current Liabilities			Shareholders' Equity			Total
	Working capital facility	Finance Lease Liabilities	Subordinated sponsors' loans	Working capital facility	Finance Lease Liabilities	Share capital	Reserves	Retained earnings	
<b>Balance at January 1, 2022</b>	-	26.2	4,810.6	300.0	121.8	2,838.1	(18.7)	(3,093.4)	4,984.6
Capital contributions	-	-	-	-	-	-	-	-	-
Drawdown on working capital facility	-	-	-	100.0	-	-	-	-	100.0
Payments of principal and interest	(26.4)	(26.6)	(350.0)	-	-	-	-	-	(403)
<b>Total changes from financing cash flows</b>	<b>(26.4)</b>	<b>(26.6)</b>	<b>(350.0)</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(303.0)</b>
<b>Other changes</b>									
Liability-related									
Reclassifications Non-Current to Current	-	-	-	-	-	-	-	-	-
Right of use liabilities	-	(7.0)	-	-	(4.4)	-	-	-	(11.4)
Accrued during the year	26.5	19.9	285.4	-	-	-	-	-	331.8
Other changes	-	1.7	-	-	(8.0)	-	-	-	(6.3)
<b>Total Liability-related other changes</b>	<b>26.5</b>	<b>14.6</b>	<b>285.4</b>	<b>-</b>	<b>(12.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314.1</b>
<b>Total equity related other changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.6)</b>	<b>97.4</b>	<b>96.8</b>
<b>Balance at December 31, 2022</b>	<b>0.1</b>	<b>14.2</b>	<b>4,746.0</b>	<b>400.0</b>	<b>109.4</b>	<b>2,838.1</b>	<b>(19.3)</b>	<b>(2,996.0)</b>	<b>5,092.5</b>





## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 13 LOANS, CONTINUED

#### c) Reconciliation of movements of liabilities to cash flows arising from financing activities, continued

	Current Liabilities			Non-Current Liabilities				Shareholders' Equity			Total
	Senior project Loans	Working capital facility	Finance Lease Liabilities	Subordinated sponsors' loans	Senior project loans	Working capital facility	Finance Lease Liabilities	Share capital	Reserves	Retained earnings	
<b>Balance at January 1, 2021</b>	<b>50.0</b>	<b>551.6</b>	<b>34.0</b>	<b>5,051.3</b>	-	-	<b>144.6</b>	<b>2,838.1</b>	<b>(18.7)</b>	<b>(4,527.9)</b>	<b>4,123.0</b>
Capital contributions	-	-	-	-	-	-	-	-	-	-	-
Drawdown on working capital facility	-	-	-	-	-	300.0	-	-	-	-	300.0
Payments of principal and interest	(50.2)	(565.0)	(39.7)	(560.0)	-	-	-	-	-	-	(1,214.9)
<b>Total changes from financing cash flows</b>	<b>(50.2)</b>	<b>(565.0)</b>	<b>(39.7)</b>	<b>(560.0)</b>	-	<b>300.0</b>	-	-	-	-	<b>(914.9)</b>
<b>Other changes</b>											
Liability-related											
Reclassifications Non-Current to Current	-	-	0.3	-	-	-	(0.3)	-	-	-	-
Right of use liabilities	-	-	0.5	-	-	-	(10.7)	-	-	-	(10.2)
Accrued during the year	0.2	17.9	20.9	309.1	-	-	-	-	-	-	348.1
Other changes	-	(4.5)	10.2	10.2	-	-	(11.8)	-	-	-	4.1
<b>Total Liability-related other changes</b>	<b>0.2</b>	<b>13.4</b>	<b>31.9</b>	<b>319.3</b>	-	-	<b>(22.8)</b>	-	-	-	<b>342.0</b>
<b>Total equity related other changes</b>	-	-	-	-	-	-	-	-	-	<b>1,434.5</b>	<b>1,434.5</b>
<b>Balance at December 31, 2021</b>	-	-	<b>26.2</b>	<b>4,810.6</b>	-	<b>300.0</b>	<b>121.8</b>	<b>2,838.1</b>	<b>(18.7)</b>	<b>(3,093.4)</b>	<b>4,984.6</b>

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 14 LEASE LIABILITIES

2022				
	Direct	Embedded	Right of use Liabilities	Total
No later than one year	3.6	13.6	4.6	21.8
Later than one year and no later than five years	10.2	56.1	1.3	67.6
Later than five years	-	100.2	-	100.2
<b>Minimum lease payments</b>	<b>13.8</b>	<b>169.9</b>	<b>5.9</b>	<b>189.6</b>
Less future lease charges	(1.7)	(64.2)	(0.1)	(66.0)
Total lease liabilities	12.1	105.7	5.8	123.6
Less current portion lease liabilities	(2.8)	(6.9)	(4.5)	(14.2)
<b>Non-current lease liabilities</b>	<b>9.3</b>	<b>98.8</b>	<b>1.3</b>	<b>109.4</b>
2021				
	Direct	Embedded	Right of use Liabilities	Total
No later than one year	9.1	13.6	11.8	34.5
Later than one year and no later than five years	10.0	55.7	5.8	71.5
Later than five years	1.2	114.3	-	115.5
<b>Minimum lease payments</b>	<b>20.3</b>	<b>183.6</b>	<b>17.6</b>	<b>221.5</b>
Less future lease charges	(1.6)	(71.5)	(0.4)	(73.5)
Total lease liabilities	18.7	112.1	17.2	148.0
Less current portion lease liabilities	(8.4)	(6.3)	(11.5)	(26.2)
<b>Non-current lease liabilities</b>	<b>10.3</b>	<b>105.8</b>	<b>5.7</b>	<b>121.8</b>

The Company has recognised an embedded lease of \$80 million within Atlantica (previously Abengoa) transmission lines construction contracts. During the third quarter ended September 30, 2015, the Company recognised an additional embedded lease of \$17 million within these transmission lines construction contracts. They have been accounted for as lease based on a term of 252 months.

On October 6, 2015, the Company received funding for an amount of \$21.0 million from the sale and leaseback of a shovel with Banco de Chile. The transaction has been accounted for as lease based on a term of 84 months with the 6-month Libor rate plus a margin.

On February 24, 2017, the Company entered into lease agreement to lease two trucks of \$8.6 million from Komatsu. These have been accounted for as lease based on a term of 84 months with the 90-day Libor rate plus a fixed margin.

On June 16, 2017, the Company entered into lease agreements to lease “Rotainers” of \$3.5 million from Puerto Angamos. These have been accounted for as lease based on a term of 60 months with fixed rate interest. According to a new agreement signed in September 2022 with Compañía Portuaria Mejillones, the Company has the obligation to acquire the “Rotainers” paying \$1.8 million at the end of the contract on September 30, 2025.

During 2020, the company entered into leases agreements (with purchase option) for an amount of \$11.0 million with Komatsu Finance Chile S.A. The Company has accounted this transaction as lease based on a term of 84 months with a fixed rate margin plus quarterly LIBOR.

No leasing contract has variable instalments. Options for extension or termination are the common industry standard.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 15 SHARE CAPITAL

On February 22, 2022, Sumitomo Metal Mining and Sumitomo Corporation, both Sumitomo, transferred their 45% stake in Sierra Gorda to company South32.

	January 1, 2022 Ownership %	Change in Ownership %	December 31, 2022 Ownership %
KGHM S.A.	55	-	55
Sumitomo	45	(45)	-
South32	-	45	45
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100</b>

For the period ended December 31, 2022, the Company has not received any capital contribution.

	Number of Shares	Amount
Balance at January 1, 2022	5,748,000	2,838.1
Contribution by KGHM S.A.	-	-
Contribution by South32	-	-
Balance at December 31, 2022	5,748,000	2,838.1
Balance at January 1, 2021	5,748,000	2,838.1
Contribution by KGHM S.A.	-	-
Contribution by Sumitomo	-	-
Balance at December 31, 2021	5,748,000	2,838.1

### 16 INCOME AND MINING TAX

	2022	2021
<b>Deferred tax assets</b>		
Tax losses	1,105.2	1,187.2
Foreign intercompany liabilities	529.6	505.1
Lease liabilities	33.4	40.0
Reclamation liability	12.0	10.1
Provisions	(1.9)	11.3
<b>Deferred tax liabilities</b>		
Mineral property, plant and equipment	(361.8)	(388.5)
Start-up costs	(208.5)	(217.8)
Reclamation asset	(6.7)	(5.2)
Others	(0.7)	(0.8)
<b>Subtotal deferred tax asset, net</b>	<b>1,100.6</b>	<b>1,141.4</b>
Recognised deferred mining tax assets, net	(27.8)	(23.4)
<b>Recognised deferred tax assets, net</b>	<b>1,072.8</b>	<b>1,118.0</b>



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 16 INCOME AND MINING TAX, CONTINUED

Deferred tax balances are based on the enacted tax rates for when the assets are expected to be realized or the liabilities settled. Consequently, the Company has applied 27.0%.

As at December 31, 2022, the Company has recognised a corporate deferred tax asset of \$ 1,072.8 million (December 31, 2021 – \$1,118.0 million) where the most significant deductible temporary difference is the accumulated tax losses of \$4,093.0 million (December 31, 2021 – \$4,397.0 million). The accumulated tax losses contributes with \$1,105.2 (December 31, 2021, \$1,187.2 million) over the total deferred tax asset recognised.

Effective tax rate reconciliation

	2022	2021
<b>Profit before income tax</b>	169.3	1,931.1
Current corporate tax rate	27.0%	27.0%
Tax (expenses) / benefit using corporate rate	(45.7)	(521.4)
Rejected expense penalty tax	(0.2)	(0.1)
Current mining tax effect	(17.5)	(55.0)
Thin Cap tax effect	(8.8)	(2.6)
Deferred mining tax effect	0.3	(29.7)
Reversal of deferred tax write-down	-	112.2
<b>Total adjustments to the benefit for taxes using corporate rate</b>	<b>(26.2)</b>	<b>24.8</b>
Tax (expenses) / benefit using effective rate	(71.9)	(496.6)
Effective tax rate	42.5%	25.7%
	<b>2022</b>	<b>2021</b>
Origination of temporary differences	(45.5)	(439.0)
Mining tax expenses	(17.5)	(55.0)
Other tax expenses	(8.9)	(2.6)
<b>Total income tax (expenses) / benefit</b>	<b>(71.9)</b>	<b>(496.6)</b>

### 17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include relationships involving direct or indirect control, including common control; it also includes joint control and significant influence. These relationships are not restricted to entities, but also include individuals and key management personnel. All related party transactions are reflected in the financial statements.

Due from related parties

	2022	2021
<b>Current Asset</b>		
Sumitomo Metal Mining Co., Ltd. (SMM) (*)	-	143.5
Sumitomo Corporation (SC) (*)	-	8.3
KGHM Chile SpA (former MEK)	0.1	-
South 32 Limited	0.1	-
<b>Total Current Asset</b>	<b>0.2</b>	<b>151.8</b>

(\*) On February 22, 2022, Sumitomo Metal Mining and Sumitomo Corporation transferred their 45% stake in Sierra Gorda to South32.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 17 RELATED PARTY TRANSACTIONS AND BALANCES, CONTINUED

#### Due to related parties

<b>Current Liabilities</b>	<b>2022</b>	<b>2021</b>
KGHM Chile SpA (former MEK)	2.4	1.8
KGHM Polska Miedz S.A. (KGHM S.A.)	1.1	1.3
South32 Limited	1.0	-
DMC Mining Services Chile SPA	0.9	0.5
Sumitomo Metal Mining Co., Ltd. (*)	-	3.1
Sumitomo Corporation (SC) (*)	-	0.3
<b>Total Current Liabilities</b>	<b>5.4</b>	<b>7.0</b>

At December 31, 2022 and 2021, the main transactions with related parties are detailed as follows:

Company	Relationship	Transaction description	2022		2021	
			Amount	Effect on profit or loss (debit)/credit	Amount	Effect on profit or loss (debit)/credit
Quadra FNX FFI Ltd.	JV Partner	Interest Subordinated Loans	164.0	(164.0)	182.9	(182.9)
		Payments of Sub loan	192.5	-	308.0	-
South32 Finance 1 B.V. (former SMM Holland B.V.)	JV Partner	Interest Subordinated Loans	92.7	(92.7)	104.8	(104.8)
		Payments of Sub loan	110.3	-	176.4	-
South32 Finance 2 B.V. (former SC SG Finance B.V.)	JV Partner	Interest Subordinated Loans	40.4	(40.4)	44.9	(44.9)
		Payments of Sub loan	47.2	-	75.6	-
South32 Limited	JV Partner	Interest Guarantee	4.3	(4.3)	-	-
KGHM Polska Miedz S.A.	JV Partner	Interest Guarantee	6.0	(6.0)	6.6	(6.6)
Sumitomo Metal Mining Chile Ltda.	Former JV Partner	Service Fee	-	-	0.2	(0.2)
KGHM Chile SpA (former MEK)	JV Partner	Service Fee and miscellaneous	4.3	(4.3)	4.0	(4.0)
DMC Mining Services Chile SPA	JV Partner	Deep Drilling services	7.3	-	7.9	-
KGHM International Ltd.	JV Partner	Deferred Interest	-	-	1.2	(1.2)
Sumitomo Corporation (SC) (*)	Former JV Partner	Sales of Molybdenum concentrate	2.2	2.2	65.7	65.7
		MTM	2.6	(2.6)	3.2	3.2
		Interest Guarantee	0.2	(0.2)	1.9	(1.9)
		Deferred Interest	-	-	0.1	(0.1)
Sumitomo Metal Mining Co. Ltd. (*)	Former JV Partner	Sales of Copper	0.6	(0.6)	638.3	638.3
		MTM	2.3	2.3	23.5	(23.5)
		Sales of Gold	0.2	(0.2)	33.9	33.9
		Sales of Silver	-	-	15.2	15.2
		Interest Guarantee	0.4	(0.4)	4.4	(4.4)
		Deferred Interest	-	-	0.2	(0.2)
Bank Gospodarstwa Krajowego	Poland Entity related to KGHM Polska Miedz SA	Interest, arrangement and commitment fee	15.5	(15.5)	6.6	(6.6)
		Revolving Credit Facility	100.0	-	300	-

(\*) Transactions until February 22, 2022.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 17 RELATED PARTY TRANSACTIONS AND BALANCES, CONTINUED

Senior Management remuneration.

Key management personnel are the Company's Owners Council and Senior Management. The Company's Owners Council consists of six shareholders' representatives (six alternate representatives) and management's representatives from SG SCM Senior Management. Members of the Owners Council of the Company do not receive any compensation.

Senior management remuneration includes base salary, health and disability benefits, and annual bonus for each member of Senior Management. Annual bonuses are paid based on participation in the Company's Short-Term Incentive Plan ("STIP"), which provides the opportunity for executives to earn a cash incentive on the achievement of specific key performance indicators established during the annual Performance, Planning and Review Process.

Related party short-term senior management benefits for the periods were:

	2022	2021
Senior Management	11.0	8.9

No post-employment benefits, other long-term benefits, termination benefits or share-based payments were provided to Senior Management.

#### *Key management personnel transactions and balances*

The Company is not aware of any key management personnel during the period that were indebted to the Company or whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement.

### 18 OTHER LIABILITIES

#### **Non Current Liabilities**

	2022	2021
Withholding taxes (*)	87.7	84.2
<b>Total</b>	<b>87.7</b>	<b>84.2</b>

(\*) The Company recognizes the withholding tax related to interest on Subordinated Sponsor Loans, the average withholding tax rate was 4% (December 31, 2021 - 4%).

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 19 REVENUE

	2022	2021
Third parties		
Copper	1,371.5	1,235.8
Molybdenum	140.4	177.7
By product Gold	109.8	65.9
By product Silver	34.0	30.1
<b>Total Third parties</b>	<b>1,655.7</b>	<b>1,509.5</b>
Related parties		
Copper	(0.6)	638.3
Molybdenum	2.2	65.7
By product Gold	(0.2)	33.9
By product Silver	-	15.2
<b>Total Related parties</b>	<b>1.4</b>	<b>753.1</b>
Mark-to-Market	39.3	(44.1)
Treatment Charges	(79.2)	(67.8)
<b>Total</b>	<b>1,617.2</b>	<b>2,150.7</b>

The total revenue at the date of this report by geographical location is as follow:

	2022	2021
Asia	1,038.4	1,792.7
Chile	501.1	268.7
Europe	59.5	70.1
Other	18.2	19.2
<b>Total Revenue</b>	<b>1,617.2</b>	<b>2,150.7</b>

The concentration of customers based on total revenue (Cu and Mo) at the date of this report is as follows:

	2022		2021	
	%	US\$ m	%	US\$ m
Client A	14%	279.2	1%	10.8
Client B	11%	199.3	30%	639.5
Client C	10%	141.1	9%	195.1
Other clients	65%	997.6	60%	1,305.3



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 20 EXPENSES BY NATURE

As at December 31, 2022 and 2021, the costs and expenses by nature are detailed as follows:

	<b>2022</b>	<b>2021</b>
Cost of sales	964.3	883.5
Selling costs	92.7	97.2
General and administrative expenses	50.4	49.3
Reversal of impairment loss	-	(1,181.9)
<b>Total</b>	<b>1,107.4</b>	<b>(151.9)</b>

The breakdown of the abovementioned costs and expenses as at December 31, 2022 and 2021 are detailed as follows:

	<b>2022</b>	<b>2021</b>
Depreciation and amortization	381.4	364.7
Energy	245.6	173.3
External services	224.3	201.9
Materials	111.4	96.0
Fuel and lubricant	108.9	59.3
Employee benefits expenses	99.3	138.6
Ocean and inland freight	92.7	94.1
Replacements Parts	68.0	72.8
Other costs	24.4	26.8
Personnel services	13.0	10.1
Conversion costs	6.7	13.9
Service fees	4.3	4.3
Technical obsolescence write-off	3.8	8.0
Water	2.5	2.6
Change in inventories of finished goods and work in progress	(90.0)	(49.1)
Expenses capitalized to deferred stripping asset (*)	(188.9)	(187.3)
Reversal of impairment loss (**)	-	(1,181.9)
<b>Total</b>	<b>1,107.4</b>	<b>(151.9)</b>

(\*) Cash cost of \$165.9 for period ended December 31, 2022 (\$169.3 for 2021) and non-cash cost of \$23.0 for 12 months period ended December 31, 2022 (\$18.0 for 2021), refer to Note 9.

(\*\*) Refer to Note 25.





## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 21 OTHER INCOME

	2022	2021
Foreign exchange gain	-	10.6
Other income	7.0	7.3
<b>Total</b>	<b>7.0</b>	<b>17.9</b>

### 22 OTHER EXPENSES

	2022	2021
Other expenses	9.9	18.1
Material write down	0.4	0.5
PP&E write-off	-	1.5
Foreign exchange losses	2.3	-
<b>Total</b>	<b>12.6</b>	<b>20.1</b>

### 23 FINANCE INCOME

	2022	2021
Interest income	1.2	0.5
<b>Total</b>	<b>1.2</b>	<b>0.5</b>

### 24 FINANCE EXPENSE

	2022	2021
Subordinated sponsors' loans interest	297.1	332.6
Revolving Credit Facility - BGK	16.9	5.9
Guarantee fees and interest	11.0	14.4
Lease interest	8.2	9.3
Other finance cost	2.9	7.4
Senior project loans interest	-	0.2
<b>Total</b>	<b>336.1</b>	<b>369.8</b>

**25 IMPAIRMENT TEST**

For assessing impairment, assets are grouped at the lowest level at which they generate cash inflows that are largely independent of those from other assets (Cash Generating Unit or CGU). Due to the fact that cash inflows generated by the assets cannot be separated, the Company has grouped all non-current assets as one CGU.

FVLCD considers future cash flows discounted using a discount rate of 9.0% (7.5% for the previous impairment test). This discount rate reflects the country, business and other risks related to the Company's operations.

FVLCD were determinate by estimating cash flows until the end of the current estimation of the life of mine based on the long-term mine and production plans.

The key assumptions to which the impairment test of the Sierra Gorda mine was most sensitive to are:

- Copper price,
- Molybdenum price,
- Discount rate,
- Crude oil price,
- Future capital expenditure,
- Reserves, production and volume to be sold,
- Foreign exchange rates, especially between the Chilean peso and U.S. dollar, and
- Other operating costs.

These assumptions were made based on the best estimation of management and market participants' expectations at the time of the impairment test. The fair value measurement is categorised as Level 3 in the fair value hierarchy.

The estimations related to economically recoverable reserves were based on reserve and resource data, exploration and evaluation work performed by qualified and experienced personnel, based on the latest and most updated information available as at the date the test was performed.

Short and mid-term copper and molybdenum prices are consistent with observable market prices and estimates, and are then transitioned to a long-term price forecast. Operating cost estimations are based on management's best estimate considering future expected costs for specific cost generating activities. Furthermore, capital expenditures are based on best estimation considering future exploration and evaluation activities.

As at December 31, 2022 we observed impairment indicators related to the External Sources of Information, particularly the increase in the interest rate, and the increase in some external supplies. Accordingly, the Company performed a formal test of impairment, using the methodology described in Note 3d), which concluded that neither a new impairment nor a reversal of impairment loss recognised in previous years is requested.

As at December 31, 2021 the Company assessed whether there was any indication that the impairment loss recognized in prior periods may no longer exist or may have decreased taking into account external and internal sources. Such sources are mainly related to current and expected commodity prices, interest rate and operational stability i.e. overcome on plant design utilization. Accordingly, the Company estimated the recoverable amount of asset, using the methodology described in Note 3d). The recoverable amount was determined based on the fair value less cost of disposal (FVLCD) approach using discounted cash flows, because management considers that a market participant would apply such approach, including taking into account future capital expenditures, which are required for the continuous improvement of the Company's performance.

**NOTES TO FINANCIAL STATEMENTS**

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

**25 IMPAIRMENT TEST, CONTINUED**

As at December 31, 2021, the recoverable amount of the CGU amounted to \$3,670 million (represented by \$3,744.9 of Enterprise value less \$74.9 as Disposal cost) whereas that the carrying value of the non-current assets amounted to \$2,488.1. Accordingly, the Company recorded a reversal of impairment loss recognised in previous year by \$1,181.9million. This reversal was recorded in the profit and loss account for the year 2021, and was proportionally applied to non-current assets, in particular plant and equipment, and intangible assets.

The following tables show the impairment reversal amount if sensitivity in the assumptions is applied to the impairment model keeping everything else constant.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
5% increase of copper price	-	1,730.6
5% decrease of copper price	-	642.7

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
5% increase of molybdenum price	-	1,224.0
5% decrease of molybdenum price	-	1,139.7

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
0.5% decrease in discount rate	-	1,349.1
0.5% increase in discount rate	-	1,025.6



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 26 COMMITMENTS

Key contractual commitments are as follows:

#### a) Construction of Transmission Line – 110kW

On June 29, 2012, the Company signed a contract for the construction, operation and maintenance of the power transmission line with an annual payment for capital and operating costs of approximately \$4.4 million subject to certain escalations for a period of 21 years.

The supplier delivers the purchase option right on the transmission line and system, including, among others, all the assets required and advisable for the right to running and operation of the transmission line and system. The Company could exercise this right during the life of the contract. The Company should give notice, at least 6 months in advance to the effective date of contract termination. The price of the option would correspond to the sum of: i) the remaining balance of payment of principal owed pending until completion of the 252 months, discounted at an annual rate of 8%; ii) the equivalent to fixed charge for the year in which the purchase option is exercised; and iii) 10% of the amount resulting from i) and ii).

#### b) Construction of Transmission Line – 220kW

On June 6, 2012, the Company signed a contract for the construction, operation and maintenance of the power transmission line with an annual payment for capital and operating costs of approximately \$4.8 million subject to certain escalations for a period of 21 years.

#### c) Port Services

On April 27, 2012, the Company signed a contract for port services on an uninterrupted basis with an annual payment of approximately \$7 million in capital expenses and operating costs subject to certain escalations for a period of 19 years effective from January 2015. The Company can terminate the contract at any time with one-year notice with the cancellation fee of \$40 million.

#### d) Supply of Electricity

On June 29, 2012, the Company entered into an agreement for the supply of electrical power to the Sierra Gorda project (the Cochrane agreement) for the period from July 13, 2013 to December 31, 2034.

On November 3, 2020, the Company modified the priorities of the energy supply in the Cochrane agreement, and entered into an agreement for the supply of Renewable Energy with AES Gener, which supersedes coal-generated energy. Duration of the contract is until 2036 with the possibility to be extended up to 2039.

As part of the original agreement, the Sponsors agreed to provide guarantees up to \$250 million until the project achieves certain agreed upon production and financial criteria. Effective on March 4, 2021 the “Empresa electrica Cochrane SPA” signed off the termination of the guarantee agreement with the sponsors.

#### e) Rail Services

On May 16, 2012, the Company signed a contract on a take or pay basis for the provision of concentrate transportation services with an annual payment of approximately \$10 million subject to certain escalations for a period of 20 years effective from January 2015. The contract can be terminated with one-year notice with an early termination penalty of \$40 million.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 27 MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing capital risk are to safeguard the Company's ability to continue as a going concern in order to pursue the operation and development of mineral property and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company includes the components of shareholders' equity and long-term debt in the management of capital. The capital structure is managed in conjunction with the structure of joint venture partners (KGHMI and South32). To maintain or adjust the capital structure, the Company may issue new common shares, issue new debt, repay debt, and acquire or dispose of assets or investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Owners Council approves the annual and updated budgets.

To maximize ongoing development efforts, the Company does not pay out dividends. The investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, and are selected with consideration of the expected timing of expenditures from the business and to meet the stable production process.

### 28 FINANCIAL INSTRUMENTS AND RISKS

The Company's activities expose it to a variety of financial risks: market risk (currency, interest rate and commodity price risk), credit risk and liquidity risk. These risks are assessed regularly and, when appropriate, the Company takes steps to mitigate these risks.

Financial instruments include cash and any contracts that give rise to a financial asset to one party and a financial liability or equity instrument to another party. Financial instruments carried at fair value on the statement of financial position are classified within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The Company has not disclosed the fair values of financial instruments due to carrying amounts are a fair approximation to the fair value.

#### (a) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and commodity prices - will affect the Company's income or the value of its holdings of financial instruments.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

#### (a) Market risk, Continued

##### *Currency risk*

The Company prepares its financial statements in its functional currency, the United States dollar (U.S. dollar). The construction and operation budget is primarily made up of U.S. dollars and Chilean Pesos. The cost of the project is subject to foreign currency exchange risk due to exchange rate movements affecting transaction costs and the translation of underlying net assets. The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities are as follows (denominated in U.S. dollars in million):

	2022	2021
Financial asset	30.0	28.0
Financial liabilities	207.2	140.3

The following table shows the effect of financial instruments considered sensitive to foreign exchange rates where they are not in U.S. dollars. Since the Company has a net financial liability position in foreign currency, an appreciation in Chilean peso regarding U.S dollar would generate an increase in loss before tax.

	2022	2021
<b>Loss (before tax)</b>		
10% appreciation in Chilean peso	(17.7)	(11.2)
<b>Total</b>	<b>(17.7)</b>	<b>(11.2)</b>

##### *Interest rate risk*

The Company does not have significant exposure to interest rate risk since the majority of its financial liabilities are issued at fixed interest rates.

##### *Commodity price risk*

The Company has not entered into derivative commodity contracts. Unsettled provisionally priced sales are carried at fair value through profit or loss as part of trade receivables or trade payables at each reporting date.

The Company's exposure at December 31, 2022 and December 31, 2021 to the impact of movements in commodity prices upon unsettled provisionally priced sales is detailed in the following table:

Commodity	Net exposure - Mlbs	2022 (*) Impact on equity and profit of 10% movement in market price (before tax) - USD M		2021 Impact on equity and profit of 10% movement in market price (before tax) - USD M	
Copper	187.4	73.2	221.9	97.4	97.4
Moly	2.5	6.0	8.0	14.5	14.5
<b>Total</b>	<b>189.9</b>	<b>79.2</b>	<b>229.9</b>	<b>111.9</b>	<b>111.9</b>

(\*) It is expected that the majority of the final price of these sales will be determined during the first half of 2023.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

#### (b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial asset fails to meet its contractual obligations. The Company's significant counterparty exposures are related to cash and cash equivalents and trade receivables, the carrying amount of financial assets represents the maximum credit exposure. The counterparties consist of customers, banks and government (tax recoverable). Investments are made in accordance with the investment policy approved by the owners. In monitoring customer credit risk, due diligence is carried out on the prospective counterparties prior to entering into a contract. The Company monitors the compliance with payment terms and takes corrective action where there is non-compliance.

The Company's investment policy has pre-defined expenditure, and requires monitoring of the concentration of exposure and where possible, takes steps to limit exposures to anyone counterparty to reduce the risk concentration. The Company does not believe there are any material credit risks at the issuing date of these financial statements.

At December 31, 2022 and December 31, 2021, the provisional priced trade receivables was as follows:

	2022	2021
Less than 1 month	135.0	48.8
1 to 3 months	61.0	2.2
Greater than 3 months	3.9	4.9
<b>Total Trade Receivables less MTM</b>	<b>199.9</b>	<b>55.9</b>

The abovementioned amounts does not include the MTM effect on the provisional priced trade receivables.

At December 31, 2022 and December 31, 2021, the trade receivables by geographic area was as follows:

	2022	2021
Asia	109.0	40.4
Chile	88.0	10.7
Europe	2.9	4.5
Other	-	0.3
<b>Total Trade Receivables less MTM</b>	<b>199.9</b>	<b>55.9</b>

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable, accruals, loans, lease liabilities and short term due to related parties are due within one year. Subordinated sponsors' loans are due on December 15, 2024.

The Company's approach to managing liquidity risk is to ensure, that it will always have sufficient liquidity to meet its liabilities when due.

The Company uses monthly cash flow forecasts to monitor available cash based on expected cash inflows and outflows. The Company ensures it has sufficient available cash to meet expected operational expenses and capital expenditures, including the servicing of financial obligations.



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

#### (c) Liquidity risk, continued

During the year ended December 31, 2022, the Company incurred a profit after tax of \$97.4 million ( \$1,434.5 million at December 31, 2021), a net sufficiency current asset of \$208.6 million (\$198.9 million as at December 31, 2021), and a net equity deficiency of \$177.2 million (\$274.0 million as at December 31, 2021). The presence of net equity deficiency is attributable to the accumulated interest for the subordinated loan, which payment is scheduled for December 15, 2024. The Owners have implemented measures to ensure that funding is available to meet payment obligations.

Operational strategy is to continue with the improvement of production with special focus on plant reliability and asset efficiency, increasing the throughput with the implementation of the Debottlenecking project (DBN), which has allowed an average of 128.600 tons of throughput per day during 2022, and is expected to allow an average throughput per day of 130.000 from year 2023. The before mentioned represent an increase of 17% and finally 18%, respectively from the designed capacity of 110.000 tons of throughput per day. Drilling Program has achieved additional mineral reserves compared to previous year with no significant impact in the extraction model and pit design. The 2022 Drilling Program continues drillings and improving estimation of the Company's reserves and resources, incorporating a Deep drilling program.

The Operational Cash Neutral strategy continues focus on cost reduction through the renegotiation of service and purchase contracts, contract's scope rationalization, internalization of several categories of activities, reducing discretionary spend, internal and contractors headcount excellence.

This strategy is supported by the Value Creation Program (VCP) sponsored by the Owners Council, which is focused on activities on revenue acceleration and cost reduction.

The Subordinated Debt interest expense for 2022 (Note 13 and Note 24) represented a 88% of the total interest expenses of \$336.1 million (90% of \$369.8 million interest expenses for 2021). The Subordinated Debt interest and principal are payable under the terms and conditions of the Subordination Agreement. Any interest and principal remaining is due and payable on December 15, 2024.

During 2022, the Company did not receive capital contributions from the Owners. As at December 31, 2022, the cash balance and trade receivables from clients amounted to \$85.6 million and \$243.3 million, respectively. The before mentioned represents a total of \$328.9 million of high liquid assets.

Management has assessed that the initial cash and trade receivable balances, as well as the performance budgeted for 2023 (supported by the reliable plant performance and the favorable copper and molybdenum prices market) will be sufficient to meet cash obligations until December 31, 2023. Accordingly, the going concern assumption is still considered appropriate as a basis for preparation of these financial statements.





## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

#### (c) Liquidity risk, continued

The following are the remaining contractual maturities of liabilities at the reporting date:

<b>December 31, 2022</b>	<b>Bank loans and other loans</b>	<b>Due to related parties</b>	<b>Lease liabilities</b>	<b>Other liabilities</b>	<b>Total</b>
Maturity date					
Less than 1 year	0.1	5.4	14.2	364.1	383.8
Between 1 and 3 years	5,146.0	-	19.3	87.7	5,253.0
Between 3 and 5 years	-	-	16.7	-	16.7
More than 5 years	-	-	73.4	52.6	126.0
<b>Balance as at December 31, 2022</b>	<b>5,146.1</b>	<b>5.4</b>	<b>123.6</b>	<b>504.4</b>	<b>5,779.5</b>

<b>December 31, 2021</b>	<b>Bank loans and other loans</b>	<b>Due to related parties</b>	<b>Lease liabilities</b>	<b>Other liabilities</b>	<b>Total</b>
Maturity date					
Less than 1 year	-	7.0	26.2	357.2	390.4
Between 1 and 3 years	300.0	-	23.5	-	323.5
Between 3 and 5 years	4,810.6	-	16.4	84.2	4,911.2
More than 5 years	-	-	81.9	45.0	126.9
<b>Balance as at December 31, 2021</b>	<b>5,110.6</b>	<b>7.0</b>	<b>148.0</b>	<b>486.4</b>	<b>5,752.0</b>

The outflows disclosed in the above table represent the contractual discounted cash flows relating to liabilities. It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or significantly later than the settlement date.

The Company continues the cash preservation strategy focusing in improving operational efficiency, costs optimization and a variety of measures assuring the Company's liquidity.

## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### 28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

#### (d) Classification of financial instruments

All financial assets and financial liabilities are initially recognised at the fair value of the consideration paid or received, net of transaction costs applicable and, subsequently measured at fair value through profit or loss or amortized cost, as indicated in the table below. The Company does not have financial instrument measured at a fair value through other comprehensive income.

Financial assets and financial liabilities are presented by type in the table below at their carrying amount, which, in general, approximates to their fair value.

December 31, 2022	Note	Amortized cost	Fair Value through profit or loss	Total
<b>Financial assets</b>				
Cash and cash equivalents	5	85.6	-	85.6
Trade receivables	8	-	243.3	243.3
Other receivables	8	35.5	-	35.5
Due from related parties	17	0.2	-	0.2
Current tax	7	26.3	-	26.3
<b>Total financial assets</b>		<b>147.6</b>	<b>243.3</b>	<b>390.9</b>
<b>Non-financial assets</b>				<b>5,211.4</b>
<b>Total assets</b>				<b>5,602.3</b>
<b>Financial liabilities</b>				
Trade and other payables	11	222.4	-	222.4
Mining tax	7	17.5	-	17.5
Banks Loans and working capital facility	13	5,146.1	-	5,146.1
Lease liabilities	14	123.6	-	123.6
Due to related parties	17	5.4	-	5.4
<b>Total financial liabilities</b>		<b>5,515.0</b>	<b>-</b>	<b>5,515.0</b>
<b>Non-financial liabilities</b>				<b>264.5</b>
<b>Total liabilities</b>				<b>5,779.5</b>
December 31, 2021	Note	Amortized cost	Fair Value through profit or loss	Total
<b>Financial assets</b>				
Cash and cash equivalents	5	191.1	-	191.1
Trade receivables	8	-	60.0	60.0
Other receivables	8	34.0	-	34.0
Due from related parties	17	-	151.8	151.8
Current tax	7	6.2	-	6.2
<b>Total financial assets</b>		<b>231.31</b>	<b>211.8</b>	<b>443.1</b>
<b>Non-financial assets</b>				<b>5,034.9</b>
<b>Total assets</b>				<b>5,478.0</b>
<b>Financial liabilities</b>				
Trade and other payables	11	176.1	0.2	176.3
Mining tax	7	54.7	-	54.7
Interest bearing liabilities	13	5,110.6	-	5,110.6
Lease liabilities	14	148.0	-	148.0
Due to related parties	17	4.7	2.3	7.0
<b>Total financial liabilities</b>		<b>5,494.1</b>	<b>2.5</b>	<b>5,496.6</b>
<b>Non-financial liabilities</b>				<b>255.4</b>
<b>Total liabilities</b>				<b>5,752.0</b>



## NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2022 and 2021

### **28 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED**

#### **(d) Classification of financial instruments, continued**

For the Company's financial statements year ended December 31, 2022, the COVID-19 outbreak has been an issue that requires ongoing evaluation to determine the extent to which the outbreak could affect. So far, there is no significant impact in the operational and financial result for the Company, but it is not possible to estimate the potential impacts that the development of this situation could have in the future.

### **29 SUBSEQUENT EVENTS**

No significant events have occurred subsequent to December 31, 2022, which might affect the amounts and/or disclosures included in these financial statements.