



**Sociedad Contractual Minera
El Abra**

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Santiago, 19 de marzo de 2021

Señor
Joaquín Cortez Huerta
Presidente Comisión para el Mercado Financiero
Presente

En cumplimiento a lo establecido en la Resolución exenta N° 549 de fecha 23 de septiembre de 2005, y sus complementos, adjunto sírvase encontrar los Estados Financieros y Declaración Jurada de Responsabilidad de Sociedad Contractual Minera El Abra, RUT 96.701.340-4, por el año terminado al 31 de diciembre de 2020.

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

Sin otro particular, le saluda muy atentamente,



RUBÉN FUNES M.
PRESIDENTE Y
GERENTE GENERAL
Ruben Funes M.
Representante Legal



Operada por
FREEPORT-McMoRAN
COPPER & GOLD

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DECLARACION JURADA DE RESPONSABILIDAD

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

En Santiago, a 19 de marzo de 2021, yo, Ruben Funes M., cédula de identidad número 8.066.911-9, en mi calidad de representante de Sociedad Contractual Minera El Abra, en adelante la Compañía, declaro que me hago responsable de la veracidad e integridad de la información que la Compañía que represento entrega y entregará a la Comisión para el Mercado Financiero de conformidad a la resolución exenta N° 549 y sus complementos, referidas a la obligación y procedimiento de presentación de los estados financieros (trimestrales y anuales) y memoria anual para aquellas empresas que se acogieron al Art. 11 ter del DL N° 600, Estatuto de la Inversión Extranjera, establecido por la Ley N° 20.026, de 2005, modificada por Ley N° 20.097, de 2006.

De esta forma, esta declaración incluye los estados financieros de la Compañía correspondientes al año terminado el 31 de diciembre de 2020, dichos Estados Financieros incluyen (i) Estado de Situación Financiera, (ii) Estado de Resultados Integrales; (iii) Estado de Cambios en el Patrimonio Neto, y (iv) Estado de Flujos de Efectivo; (v) Notas a los Estados Financieros.


Ruben Funes M.
Representante Legal



RUBÉN FUNES M.
PRESIDENTE Y
GERENTE GENERAL

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Santiago, Chile

As of December 31, 2020 and 2019



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Las Condes, Santiago

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Independent Auditor's Report

To the Shareholders of
Sociedad Contractual Minera El Abra

We have audited the accompanying financial statements of Sociedad Contractual Minera El Abra, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Contractual Minera El Abra as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended, in conformity with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'Luis Camilla C.', is written over a series of horizontal blue lines that serve as a background for the signature.

Luis Camilla C.
EY Audit SpA

Santiago, Chile
January 26, 2021

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

As of December 31, 2020 and 2019

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SOCIEDAD CONTRACTUAL MINERA EL ABRA

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\$: Chilean Pesos

US\$: United States Dollar

Financial Statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

As of December 31, 2020 and 2019

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Financial Position

As of December 31,

ASSETS	Note	2020 US\$	2019 US\$
Current Assets			
Cash and cash equivalents	(3)	121,935,405	134,127,284
Accounts receivable from related companies	(9)	55,870,935	51,034,069
Other accounts receivable		2,438,583	3,253,607
Recoverable taxes	(7)	-	20,152,622
Inventory, net	(5)	212,346,897	288,554,531
Materials and spare parts, net	(6)	84,906,302	84,452,283
Prepaid expenses		5,475,210	9,275,559
Total current assets		<u>482,973,332</u>	<u>590,849,955</u>
Non-Current Assets			
Property, plant and equipment, net (PP&E)	(8)	680,882,849	657,390,413
Inventory, net	(5)	439,807,624	340,870,722
Other non-financial assets		3,708,958	8,258,716
Intangible assets, net		471,915	491,831
Total non-current assets		<u>1,124,871,346</u>	<u>1,007,011,682</u>
Total Assets		<u>1,607,844,678</u>	<u>1,597,861,637</u>

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Financial Position

As of December 31,

LIABILITIES AND NET SHAREHOLDERS' EQUITY	Note	2020 US\$	2019 US\$
Current Liabilities			
Accounts payable	(10)	33,933,858	60,886,642
Accounts payable to related companies	(9)	1,667,417	2,493,781
Payable taxes	(7)	775,281	-
Provisions	(12)	13,100,487	9,134,969
Leases	(11)	3,890,217	4,427,858
Withholdings		<u>2,140,837</u>	<u>2,478,314</u>
Total current liabilities		<u>55,508,097</u>	<u>79,421,564</u>
Non-Current Liabilities			
Accounts payable to related companies	(9)	5,167,653	4,531,479
Provisions	(12)	195,440,910	151,657,334
Leases	(11)	4,209,408	7,517,650
Deferred taxes	(13 (b))	<u>133,069,108</u>	<u>140,687,398</u>
Total non-current liabilities		<u>337,887,079</u>	<u>304,393,861</u>
Net Shareholders' Equity			
Paid-in capital		651,059,000	651,059,000
Accumulated other comprehensive loss	(2.2 (i))	(8,604,419)	(7,539,516)
Retained earnings		<u>571,994,921</u>	<u>570,526,728</u>
Total shareholders' equity		<u>1,214,449,502</u>	<u>1,214,046,212</u>
Total Liabilities and Shareholders' Equity		<u>1,607,844,678</u>	<u>1,597,861,637</u>

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Comprehensive Income (Loss)

For the years ended December 31,

Operating Income	Note	2020 US\$	2019 US\$
Sales	(4)	448,427,627	493,530,868
Cost of sales	(19)	<u>(406,732,388)</u>	<u>(475,602,820)</u>
Gross margin		41,695,239	17,928,048
Administrative and selling expenses	(21)	<u>(10,517,566)</u>	<u>(8,676,628)</u>
Financial income		529,969	4,161,437
Net foreign currency translation		<u>(3,326,144)</u>	<u>4,476,233</u>
Other losses, net	(20)	<u>(26,225,912)</u>	<u>(51,175,913)</u>
Profit (Loss) before Income and Deferred Taxes		2,155,586	(33,286,823)
(Provision for) benefit from income and deferred taxes (13 (c))		<u>(687,393)</u>	<u>7,166,492</u>
Profit (loss) for the year		<u>1,468,193</u>	<u>(26,120,331)</u>
Earnings (loss) per share	(15)	<u>14.64</u>	<u>(260.42)</u>
Other Comprehensive Loss			
Actuarial loss	(2.2 (i))	(1,535,549)	(4,576,994)
Deferred taxes	(2.2 (i))	<u>470,646</u>	<u>1,402,849</u>
Other comprehensive loss		<u>(1,064,903)</u>	<u>(3,174,145)</u>
Total comprehensive income (loss) for the year, net of tax		<u>403,290</u>	<u>(29,294,476)</u>

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Changes in Shareholders' Equity

As of December 31, 2020 and 2019

	Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	US\$	US\$	US\$	US\$
Balance as of January 1, 2019	647,059,000	(4,365,371)	602,897,059	1,245,590,688
Dividends (Note 14)	-	-	(6,250,000)	(6,250,000)
Capital increase (1)	4,000,000	-	-	4,000,000
Net loss	-	-	(26,120,331)	(26,120,331)
Other comprehensive loss (Note 2.2 (i))	-	(3,174,145)	-	(3,174,145)
Balance as of December 31, 2019	651,059,000	(7,539,516)	570,526,728	1,214,046,212
Net profit	-	-	1,468,193	1,468,193
Other comprehensive loss (Note 2.2 (i))	-	(1,064,903)	-	(1,064,903)
Balance as of December 31, 2020	651,059,000	(8,604,419)	571,994,921	1,214,449,502

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

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Cash Flows (Indirect Method)

For the years ended December 31,

	Note	2020 US\$	2019 US\$
Cash Flows from Operating Activities			
Net profit (loss) for the year		1,468,193	(26,120,331)
Adjustments to reconcile net profit (loss) to net cash flows provided by (used in) operating activities			
Depreciation, depletion and amortization	(8)	54,843,856	70,860,274
Intangible amortization and other	(19)	25,470	30,377
Deferred taxes	(13 (c))	(7,147,644)	(7,226,898)
Allowance for obsolescence of materials	(6)	1,338,291	921,404
Mine closure provision	(12)	2,452,336	2,629,594
Net realizable value adjustments to inventory	(5)	1,146,112	183,712
Impairment and loss from the disposal of PP&E	(20)	2,401,483	376,023
Loss from the disposal of spare parts, net		-	744,412
Changes in assets and liabilities			
Increase in accounts receivable from related companies		(4,836,866)	(3,316,089)
Decrease in other accounts receivable		1,023,115	336,533
Decrease in recoverable taxes		22,600,704	3,235,851
Increase in inventory		(21,694,902)	(65,475,776)
Increase in materials and spare parts		(1,792,310)	(8,598,580)
Decrease (increase) in prepaid expenses		3,847,467	(6,914,020)
Decrease in other non-financial assets		171,082	2,407,501
Decrease in accounts payable		(25,908,045)	(847,954)
Decrease in accounts payable to related companies		(190,190)	(815,934)
Increase (decrease) in accruals and others		10,148,808	(5,804,242)
Cash paid for taxes		(1,719,919)	(14,474,240)
Net cash flows provided by (used in) operating activities		38,177,041	(57,868,383)

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Statements of Cash Flows (Indirect Method)

For the years ended December 31,

	Note	2020 US\$	2019 US\$
Cash Flows from Investing Activities			
Acquisition of PP&E		<u>(46,527,361)</u>	<u>(38,866,431)</u>
Net cash flows used in investing activities		<u>(46,527,361)</u>	<u>(38,866,431)</u>
Cash Flows from Financing Activities			
Dividends Paid	(14)	-	(6,250,000)
Finance lease payments		<u>(3,841,559)</u>	<u>(4,220,261)</u>
Net cash flows used in financing activities		<u>(3,841,559)</u>	<u>(10,470,261)</u>
Decrease in Cash and Cash Equivalents		(12,191,879)	(107,205,075)
Cash and Cash Equivalents at the Beginning of Year	(3)	<u>134,127,284</u>	<u>241,332,359</u>
Cash and Cash Equivalents at the End of Year	(3)	<u>121,935,405</u>	<u>134,127,284</u>

The accompanying notes numbers 1 to 22 are an integral part of these financial statements

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 1 - Corporate Information

Identification of the Company

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

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

Line of business

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

In April 2020, El Abra announced changes in capital and operating plans in response to the negative impacts of the COVID-19 pandemic on the global economy and a decline in copper prices, resulting in reduced capital expenditures, lower production levels and lower operating, administrative and exploration costs.

El Abra reduced mining and crushed ore stacking rates by approximately 50 percent and reduced its workforce by approximately 276 employees. Employees whose jobs were eliminated received severance payments that exceed those required by Chilean law. Payments included 50 percent additional pay for each year of service and six months of health coverage for the employees and their families. Refer to Note 20 for more details.

With the new operating plan, El Abra reduced operating costs and near-term capital requirements and provided a longer mine life for its existing Sulfolix ore reserves. This new plan gave El Abra a better opportunity to sell its copper production into an anticipated improved copper market in the future. El Abra plans to increase operating rates during 2021 to pre-COVID-19 levels, subject to ongoing monitoring of public health conditions in Chile.

In response to the COVID-19 pandemic, a state of catastrophe was implemented by the Chilean government in March 2020. Health measures that have been adopted, both locally and internationally, include, among others, the restriction of movement of people and the closing of borders.

Furthermore, the Company has implemented a series of operational measures to reinforce the safety of its workers, collaborators, and clients, and, recently, to safeguard the continuity of service in the face of the expansion of this pandemic. The Company has put into practice operational protocols and procedures, following the recommendations provided by the local authorities.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 1 - Corporate Information (continued)

Line of business (continued)

In September 2019, the Company signed new collective labor agreements (CLAs) with its two unions, which represent 717 workers. The new CLAs are effective from May 1, 2020, through April 30, 2023. Bonuses and loans related to the agreements were paid in October 2019.

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

Approval of Financial Statements

These Financial Statements cover the years ended December 31, 2020 and 2019 and have been approved by the Company's Management on January 25, 2021.

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications relate to changes in classification of the embedded derivative, which is now included within trade receivables in accordance with IFRS 9.

Note 2 - Basis of Preparation of the Financial Statements

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

These Financial Statements have been prepared based on historical cost, except for accounts receivable which are measured at fair value.

These Financial Statements are presented in United States (US) dollars and include the Statements of Financial Position as of December 31, 2020 and 2019, and the related Statements of Comprehensive Income (Loss), Changes in Shareholders' Equity and Cash Flows for the years ended December 31, 2020 and 2019.

2.1) Changes in accounting policies and disclosures

2.1.1) New IFRS

Current amendments to IFRS that have become effective in 2020, such as Conceptual Framework, IAS 1 – "Presentation of Financial Statements," IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors," IFRS 16 – "Leases," among others, did not have a material impact on the Company's Financial Statements.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies

a) Currency

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

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

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

Balances stated in Chilean pesos and other currencies at the end of the year are stated in US dollars at the corresponding closing exchange rate, which for the Chilean peso were \$710.95 and \$748.74 as of December 31, 2020 and 2019, respectively.

Gains and losses related to transactions in Chilean pesos and other currencies originating during the aforementioned years are included in the Statements of Comprehensive Income (Loss).

b) Financial assets

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

Cash and cash equivalents

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

b) Financial assets (continued)

Receivables

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

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

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

The Company's copper sales are provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month based on quoted London Metal Exchange (LME) forward prices. The Company receives market prices based on prices in the specified future month, which results in price fluctuations recorded through revenues until the date of settlement.

The Company records revenues and invoices customers at the time of shipment based on then-current LME prices.

c) Inventory

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

c) Inventory (continued)

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

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

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

d) Property, plant and equipment

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

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

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

	Years
Machinery and equipment	Between 3 and 25
Mobile equipment	7
Furniture and fixtures	7
Other equipment	<u>Between 3 and 15</u>

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

e) Leasing

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

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

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

During the first-time application of IFRS 16 to operating leases, the right to use the leased asset was generally measured at the amount of the lease liability, using the Company's incremental borrowing rate (IBR) at the time of adoption (IFRS 16.C8(b)(i)). The average IBR as of January 1, 2019, was approximately 5.0 percent. For current lease liabilities, initial direct costs were not taken into account in accordance with IFRS 16.C10(d). The lease right-of-use assets has been included in PP&E (see Note 8). The lease liabilities have been presented separately in the Statements of Financial Position. See Note 11.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

f) Intangibles

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

g) Income taxes, deferred taxes and other taxes

Income taxes

Income tax assets and liabilities are measured at the amount that is expected to be paid or recovered from the tax authorities. The tax rates and tax laws that are applied to calculate the tax amounts are those enacted or substantially enacted at the end of the year. The Company calculates the provision for income tax in accordance with the Chilean tax legislation in force. For the years ended December 31, 2020 and 2019, the Chilean statutory income tax rate in effect was 27.0 percent.

In accordance with Tax Reforms contained in Law 20,780 and Law 21,210 (published on September 29, 2014, and February 24, 2020, respectively), the Company is subject to a single system in the semi-integrated regime, and according to published guidance, the Company's income tax rate is 27.0 percent for the tax year 2019 and beyond.

Deferred taxes

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

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

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

Deferred taxes (continued)

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

Value added tax (VAT)

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

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

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

Royalty tax

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

For the years ended December 31, 2020 and 2019, the royalty mining tax rate applicable to the Company was 8.0 and 6.0 percent, respectively (an effective rate of 8.4 percent and (5.4) percent, respectively), included in income and deferred taxes in the Statements of Comprehensive Income (Loss). See Note 13(d).

h) Provisions

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

h) Provisions (continued)

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

i) Severance indemnity for years of service

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

In accordance with IAS 19R, "Employee Benefits," the effects of the current application on other comprehensive loss of actuarial changes for the years ended December 31, 2020 and 2019, are shown below:

	US\$
Accumulated other comprehensive loss as of January 1, 2019	(4,365,371)
Severance actuarial value	(4,576,994)
Deferred income and royalty tax	1,402,849
Accumulated other comprehensive loss as of December 31, 2019	<u>(7,539,516)</u>
Severance actuarial value	(1,535,549)
Deferred income and royalty tax	470,646
Accumulated other comprehensive loss as of December 31, 2020	<u>(8,604,419)</u>

The Company does not expect that the amounts in accumulated other comprehensive loss as of December 31, 2020, will be charged to profit for the year until the mining operations close.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

j) Mine closure provision

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

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

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

The Company has prepared its mine closure plan using its best estimate as of December 31, 2020, as required by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets."

k) Derivative instruments

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

l) Revenue recognition

The Company sells its products in accordance with sales contracts entered into with its customers. Based on IFRS 15, "Revenue from Contracts with Customers" revenue is recognized when the control of promised goods is transferred to a customer, which is typically when the inventory has passed over the vessel's rail at the port of loading. Payment for each shipment is collected in US dollars, net cash into the Company's bank account 30 days after the bill of lading date.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

m) Administrative and selling expenses

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

n) Exploration, evaluation, development and stripping costs

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

Evaluation Costs – Evaluation costs for pre-feasibility/ feasibility and pre-engineering studies are charged to expenses as incurred. See Note 20.

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

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

o) Impairment

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

2.2) Summary of significant accounting policies (continued)

o) Impairment (continued)

Losses resulting from the impairment of assets used in continuing operations are recognized in the Statements of Comprehensive Income (Loss) under the categories of expenses consistent with the function of the impaired asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The revised valuation cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss for the asset had not been recognized in a previous year. Such a reversal is recognized in the Statements of Comprehensive Income (Loss). The impairment of assets is tested annually as of December 31 at the cash generating unit level, or when there is an indicator of impairment.

The Company did not identify any indicators of impairment as of December 31, 2020 and 2019.

p) Earnings (loss) per share

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

2.3) Significant accounting judgments, estimates and assumptions

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

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

2.3.1) Mine closure provisions

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

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

2.3.1) Mine closure provisions (continued)

If any change in the estimate results in an increase to the mine closure provision and related asset, the Company shall consider whether or not this is an indicator of impairment of the assets and apply impairment tests in accordance with IAS 36, "Impairment of Assets." See Note 2.2 (o) for further discussion of impairment testing.

2.3.2) Estimates of reserves and ore resources

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

2.3.3) Depreciation based on units of production

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

2.3.4) Impairment of assets

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

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

2.3.5) Severance indemnity for years of service

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

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

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

2.3.6) Inventory

At each reporting date, a NRV test is performed to determine whether an adjustment is required for the Company's inventories. This evaluation includes the estimated future sale price of the inventory based on prevailing metal prices, less estimated costs to complete production and bring it to market.

The determination of NRV is most sensitive to the following key assumptions: production volumes, future commodity prices, discount rates, cost to complete and exchange rates. A NRV adjustment to work in process and finished goods inventory for US\$ 710,957 and US\$ 435,155, respectively was recorded during the year ended December 31, 2020. A NRV adjustment on finished goods inventory for US\$ 183,712 was recorded for the year ended December 31, 2019. Refer to Note 5.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

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

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

2.3.6) Inventory (continued)

The Company records as inventory the applicable costs for copper contained in stockpiles that are expected to be processed in the future based on proven processing technologies (refer to Note 2.2 (c) for further discussion). Accounting for recoverable copper from stockpiles represents a significant accounting estimate because it is generally impracticable to determine copper contained in stockpiles by physical count, thus requiring management to employ reasonable estimation methods, and recovery rates can vary significantly. Estimated recoverable copper in stockpiles totaled US\$ 931 million and US\$ 711 million as of December 31, 2020 and 2019, respectively.

2.3.7) Stripping assets

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

Note 3 - Cash and Cash Equivalents

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

	2020 US\$	2019 US\$
Cash in banks	831,446	385,282
Cash equivalents (1)	121,103,959	133,742,002
Total	<u>121,935,405</u>	<u>134,127,284</u>

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 4 - Sales

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

	Years ended December 31,			
	2020 US\$	%	2019 US\$	%
FMC (1)	229,044,161	51	252,833,094	51
CODELCO Chile (1)	219,383,466	49	240,697,774	49
Total	448,427,627	100	493,530,868	100

(1) Sales to related parties.

Note 5 - Inventory

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

	2020 US\$	2019 US\$
Current portion of stockpiles	200,950,053	283,718,745
Finished products	11,396,844	4,835,786
Total current inventory	<u>212,346,897</u>	<u>288,554,531</u>
Long-term portion of stockpiles	439,807,624	340,870,722

For the year ended December 31, 2020, profit before income and deferred taxes in the Statements of Comprehensive Income (Loss) included NRV adjustments of US\$ 710,957 and US\$ 435,155 related to stockpiles and finished good, respectively. For the year ended December 31, 2019, loss before income and deferred taxes in the Statements of Comprehensive Income (Loss) included an US\$ 183,712 adjustment related to the NRV of finished goods. Refer to Note 19.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 6 - Materials and Spare Parts, Net

Materials and spare parts are detailed as follows:

	2020 US\$	2019 US\$
Materials and spare parts	85,884,593	84,438,072
Material in transit	360,000	14,211
Materials and spare parts, gross	<u>86,244,593</u>	<u>84,452,283</u>
Provision for obsolescence	<u>(1,338,291)</u>	<u>-</u>
Materials and spare parts, net	<u><u>84,906,302</u></u>	<u><u>84,452,283</u></u>

Provision for obsolescence of materials:

	2020 US\$	2019 US\$
Beginning balance as of January 1,	-	-
Additions	(1,338,291)	(921,404)
Write offs	-	921,404
Ending balance as of December 31,	<u><u>(1,338,291)</u></u>	<u><u>-</u></u>

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

Note 7 - (Payable) Recoverable Taxes

(Payable) recoverable taxes are detailed as follows:

	2020 US\$	2019 US\$
Amount (payable to) recoverable from Chilean Internal Revenue Service (IRS) (see Note 13 (a))	(5,539,946)	12,430,703
VAT	4,253,977	7,126,507
Other taxes	510,688	595,412
Total (payable) recoverable taxes	<u><u>(775,281)</u></u>	<u><u>20,152,622</u></u>

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 8 - Property, Plant and Equipment

Property, plant and equipment are detailed as follows:

	Balance January 1, 2020 US\$	Additions US\$	Disposals US\$	Reclassification and Adjustments US\$ (1)	DD&A US\$ (2)	Balance December 31, 2020 US\$
Land	2,366,650	-	-	2,000,000	-	4,366,650
Buildings and constructions	534,442,485	-	(779,900)	1,936,464	-	535,599,049
Machinery and equipment	1,270,527,577	-	(4,888,206)	5,754,770	-	1,271,394,141
Mobile equipment	255,117,123	-	-	1,078,386	-	256,195,509
Construction in progress	16,538,536	35,462,476	-	(12,769,620)	-	39,231,392
Mining properties and ARC	744,256,515	-	-	41,931,850	-	786,188,365
Stripping assets	49,087,506	5,775,397	-	-	-	54,862,903
Lease right-of-use	15,227,982	772,110	-	(1,363,949)	-	14,636,143
Total gross property, plant and equipment	2,887,564,374	42,009,983	(5,668,106)	38,567,901	-	2,962,474,152
Buildings and constructions	(374,993,675)	-	590,654	-	(8,596,235)	(382,999,256)
Machinery and equipment	(1,021,328,125)	-	4,675,969	-	(21,261,085)	(1,037,913,241)
Mobile equipment	(204,935,282)	-	-	-	(13,192,667)	(218,127,949)
Mining properties and ARC	(599,139,451)	-	-	-	(6,967,953)	(606,107,404)
Stripping assets	(26,548,148)	-	-	-	(2,634,133)	(29,182,281)
Lease right-of-use	(3,229,280)	-	-	340,368	(4,372,260)	(7,261,172)
Total accumulated DD&A	(2,230,173,961)	-	5,266,623	340,368	(57,024,333)	(2,281,591,303)
Total property, plant and equipment, net	657,390,413	42,009,983	(401,483)	38,908,269	(57,024,333)	680,882,849

(1) Includes US\$ 41,931,850 related to adjustment of ARC, US\$ (2,000,000) related to impairment of construction in progress assets and US\$ (1,023,581) related to lease right-of-use assets.

(2) DD&A expense for the year ended December 31, 2020, totaling US\$ 54,843,856 does not include US\$ 2,180,477 of DD&A adjusted through inventories for cash flow purpose.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 8 - Property, Plant and Equipment (continued)

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

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

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

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 9 - Related Party Disclosures

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

Accounts Receivable	2020 US\$	2019 US\$
FMC (1)	29,878,131	25,369,008
CODELCO Chile (1)	25,992,804	25,665,061
Total accounts receivable from related parties	<u>55,870,935</u>	<u>51,034,069</u>

Accounts Payable

Minera Freeport-McMoRan Ltda. (MFMSA)	868,085	720,125
CODELCO Chile	776,445	1,763,836
Freeport-McMoRan Sales Company	22,887	9,820
Total accounts payable to related parties	<u>1,667,417</u>	<u>2,493,781</u>

Long-term accounts payable to FMC	5,167,653	4,531,479
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- (1) As indicated in Note 1 and Note 2.2 (b), the exposure to risk because of variations in the price of copper is recorded at fair market value. As of December 31, 2020 and 2019, the provisional pricing and the months of final settlement are presented net of account receivables and detailed as follows:

Metal Date	Net Metric Tons of Copper	Maturity	Provisional Prices Invoiced US\$	Estimated Future Prices US\$	Fair Value Receivable US\$
Cathode December 31, 2020	7,069	January 2021	7,644 to 7,893	7,758	(99,533)
Cathode December 31, 2019	7,664	January 2020	5,855 to 6,175	6,159	204,086

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 9 - Related Party Disclosures (continued)

As of December 31, 2020, accounts receivable from related companies included US\$ (87,921) and US\$ (11,612) related to fair market value sales to FMC and CODELCO Chile, respectively, which are recorded as a current asset in the Statements of Financial Position. As of December 31, 2019, accounts receivable from related companies included US\$ 208,046 and US\$ (3,960) related to fair market value sales to FMC and CODELCO Chile, respectively, which are recorded as a current asset in the Statements of Financial Position.

The estimated future prices are based on published quotes from the LME forward curves.

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

Related Party	Relationship	Type of Transaction	2020 US\$	2019 US\$
FMC	Related to shareholder	Gross sales of cathodes	229,044,161	252,833,094
FMC	Related to shareholder	Services received	6,700,740	9,773,238
FMC	Related to shareholder	Purchase of software	8,679	26,732
FMC	Related to shareholder	Sale commissions	90,190	104,169
CODELCO Chile	Shareholder	Gross sales of cathodes	219,383,466	240,697,774
CODELCO Chile	Shareholder	Purchase of sulfuric acid and other	23,875,971	39,046,007
CODELCO Chile	Shareholder	Sales of sulfuric acid and other	61,573	2,201,935
CODELCO Chile	Shareholder	Purchase of water rights	1,492,992	1,492,992
CODELCO Chile	Shareholder	Sales commissions	86,640	99,609
CODELCO Chile	Shareholder	Sales of water	71,282	39,082
MFMSA	Related to shareholder	Services received	7,523,756	9,892,941
Atlantic Copper	Related to shareholder	Purchase of sulfuric acid	2,571,621	5,460,503
Cerro Verde	Related to shareholder	Purchase of equipment and other	768,067	525,852
Cerro Verde	Related to shareholder	Sales of equipment	1,115	344,287

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 9 - Related Party Disclosures (continued)

Salaries paid to executives

Salaries paid to key executives during the years ended December 31, 2020 and 2019, amounted to US\$ 6,677,676 and US\$ 5,191,895 respectively, including bonuses paid to each of these executives in accordance with their employment contracts.

Note 10 - Accounts Payable

Accounts payable are detailed as follows:

	2020 US\$	2019 US\$
Trade accounts payable	19,683,048	20,720,444
Services received, but not invoiced	5,180,732	15,604,328
Vacation accrual	4,669,252	4,165,895
Materials received, but not invoiced	3,603,837	14,326,577
Accounts payable related to capital projects	779,910	6,069,398
COVID-19 pandemic costs	17,079	-
Total accounts payable	<u>33,933,858</u>	<u>60,886,642</u>

Note 11 - Leases

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

Leased right-of-use assets are detailed as follows:

	2020 US\$	2019 US\$
Lease right-of-use assets		
Mobile equipment	5,671,358	9,576,850
Machinery and equipment	1,405,276	1,873,702
Buildings and constructions	298,337	548,150
Total lease right-of-use assets, net	<u>7,374,971</u>	<u>11,998,702</u>

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 11 - Leases (continued)

Lease liabilities are detailed as follows:

	2020 US\$	2019 US\$
Lease liabilities		
Current leases liabilities	3,890,217	4,427,858
Non-current leases liabilities	4,209,408	7,517,650
Total lease liabilities	<u>8,099,625</u>	<u>11,945,508</u>

Note 12 - Provisions

Provisions are detailed as follows:

	2020 US\$	2019 US\$
Current		
Accrual for bonuses	8,650,037	5,320,727
Accrual for staff severance indemnities (Note 2.2 (i))	3,768,700	3,814,242
COVID-19 pandemic related accruals	529,677	-
Provision for mine closure (Note 2.2 (j))	152,073	-
Total current provisions	<u>13,100,487</u>	<u>9,134,969</u>
Non-Current		
Provision for mine closure (Note 2.2 (j))	164,716,105	120,483,992
Accrual for staff severance indemnities (Note 2.2 (i))	30,724,805	31,173,342
Total non-current provisions	<u>195,440,910</u>	<u>151,657,334</u>

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 12 - Provisions (continued)

Changes in accrued expenses are detailed as follows:

	Staff Severance Indemnities US\$	Mine Closure US\$	Bonuses and Other US\$
Total as of December 31, 2019	34,987,584	120,483,992	5,320,727
Payments	(7,722,392)	-	(5,320,727)
Additions and other adjustment (1)	5,692,764	-	8,650,037
COVID-19 pandemic provisions (1)(2)	-	-	529,677
ARO adjustment and disturbance	-	41,931,850	-
Financial discount (1)	-	2,452,336	-
Actuarial adjustment (3)	1,535,549	-	-
Total as of December 31, 2020	34,493,505	164,868,178	9,179,714

(1) Recorded as an expense in the Statements of Comprehensive Income (Loss).

(2) Includes severance

(3) Following are the assumptions used in the calculation of the actuarial value for staff severance indemnities:

Assumptions (Percentages, except for retirement age and year of worksite closure)	December 31, 2020	December 31, 2019
Annual interest rate	3.16	3.51
Salary increase – Supervisors	1.00	1.50
Salary increase – Operators	1.00	1.50
Annual inflation	3.00	3.00
Annual turnover rate	4.85	4.85
Annual retirement rate	3.76	3.76
Retirement age:		
Male	65	65
Female	60	60
Year of worksite closure	2038	2035

An increase or decrease in the following assumptions (assuming all other variables remain constant) would result in the following approximate increase or decrease in other comprehensive loss for the year ended December 31, 2020:

	Increase US\$	Decrease US\$
One percent annual interest rate	3,537,107	(4,082,515)
One percent annual salary rate	(4,132,450)	3,640,953

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 13 - Income Tax and Deferred Taxes

Income tax and deferred taxes are detailed as follows:

a) (Payable) recoverable income tax

	2020	2019
	US\$	US\$
Current income tax payable	(7,835,036)	(111,285)
Provisional payments and other	2,295,090	12,491,110
Provision for mining royalty tax	-	50,878
Amount (payable to) recoverable from Chilean IRS (1)	(5,539,946)	12,430,703

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

b) Deferred taxes

	2020	2019
	US\$	US\$
Accelerated DD&A	116,378,271	123,198,679
Inventory	48,358,038	49,424,362
Lease right-of-use	1,584,640	3,624,808
Lease debt	(1,947,954)	(2,971,650)
Difference in amortization of mining properties	(2,136,707)	(1,228,309)
Water provision	(4,030,482)	(4,229,400)
Provisions	(5,824,748)	(5,247,859)
ARO – ARC	(19,437,741)	(18,318,229)
Net operating loss	-	(3,817,151)
Other	125,791	252,147
Total deferred tax liability, net	133,069,108	140,687,398

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 13 - Income Tax and Deferred Taxes (continued)

c) Income and deferred taxes

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

	2020 US\$	2019 US\$
Deferred taxes (1)	7,147,644	7,226,898
Mining royalty tax provision	-	50,878
Income tax provision	(7,835,037)	(111,284)
(Provision for) benefit from income and deferred taxes	<u>(687,393)</u>	<u>7,166,492</u>

(1) Does not include US\$ 470,646 and US\$ 1,402,849 related to other comprehensive loss for the years ended December 31, 2020 and 2019, respectively.

d) Effective tax rate

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

	2020		2019	
	US\$	Rate %	US\$	Rate %
Chilean statutory income tax provision	(582,008)	27.00	8,987,442	27.00
Mining royalty tax provision	(181,280)	8.41	(1,784,188)	(5.36)
Other	75,895	(3.52)	(36,762)	(0.11)
(Provision for) benefit from income and deferred taxes	<u>(687,393)</u>	<u>31.89</u>	<u>7,166,492</u>	<u>21.53</u>

Note 14 - Shareholders' Equity

For the year ended December 31, 2020, the Company did not pay dividends.

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 15 - Earnings (Loss) per Share

Earnings (loss) per share is the amount computed by dividing net profit (loss) for the years ended December 31, by the number of shares outstanding during the year, as shown below:

	2020 US\$	2019 US\$
Net profit (loss) for the year	1,468,193	(26,120,331)
Number of shares	100,300	100,300
Earnings (loss) per share	<u>14.64</u>	<u>(260.42)</u>

Note 16 - Commitments and Contingencies

a) As of December 31, 2020, the Company had the following relevant contracts:

1) Services Agreement

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 16 - Commitments and Contingencies (continued)

a) As of December 31, 2020, the Company had the following relevant contracts: (continued)

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

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

3) Contracts for supply of sulfuric acid

Contractor : CODELCO Chile
Start date : January 1, 2010
End date : December 31, 2025
Objective : Supply 50 percent of El Abra's sulfuric acid requirement., 330,000 tons in 2021.

Contractor : Noracid
Start date : April 30, 2010
End date : April 30, 2023
Objective : Supply of 500,000 tons of sulfuric acid (50,000 tons per year).

Contractor : Altonorte
Start date : January 1, 2019
End date : December 31, 2021
Objective : Supply of 48,000 tons of sulfuric acid required for El Abra in 2021.

Contractor : Southern Perú
Start date : January 1, 2020
End date : December 31, 2021
Objective : Supply of 60,000 tons of sulfuric acid required for El Abra in 2021.

Contractor : Cajamarquilla
Start date : January 1, 2020
End date : December 31, 2021
Objective : Supply of 45,000 tons of sulfuric acid in 2021.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 16 - Commitments and Contingencies (continued)

a) As of December 31, 2020, the Company had the following relevant contracts: (continued)

3) Contracts for supply of sulfuric acid (continued)

Contractor : Trans Sud
Start date : January 1, 2020
End date : December 31, 2021
Objective : Supply of 50,000 tons of sulfuric acid in 2021.

Contractor : SA Services
Start date : January 1, 2020
End date : December 31, 2021
Objective : Supply of 40,000 tons of sulfuric acid in 2021.

Contractor : Pan Pacific (PPC)
Start date : January 1, 2020
End date : December 31, 2021
Objective : Supply of 20,000 tons of sulfuric acid in 2021.

4) Contract for supply of electric energy

Contractor : Engie Energia Chile S.A. (formerly E-CL S.A.)
Start date : July 1, 2018
End date : December 31, 2028
Objective : Supply of electric power and associated energy for the operation of the mining facilities.

5) Contract of sulfuric acid and copper transport services

Contractor : Antofagasta Railway Company P.L.C.
Start date : January 1, 2009
End date : December 31, 2022
Objective : Transport of sulfuric acid for El Abra from Mejillones, Chuquicamata, and Altonorte, as well as the transport, storage and shipment of copper.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 16 - Commitments and Contingencies (continued)

- a) As of December 31, 2020, the Company had the following relevant contracts: (continued)
 - 6) The Company has long-term agreements for the sale of 51 percent of the estimated total annual production of copper cathodes to FMC and 49 percent to CODELCO Chile.
- b) Lawsuits and financial guarantee

As of December 31, 2020, the Company has lawsuits in the normal course of business. Based on facts currently known, it is the opinion of management and legal counsel that these matters are not expected to have a material adverse effect on the Company.

The Company delivered US\$ 65 million, as a financial guarantee for the mine closure plan approved by SERNAGEOMIN. Refer to Note 2.2 (j) for details.

Note 17 - Financial Risk Management Objectives and Policies

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

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 17 - Financial Risk Management Objectives and Policies (continued)

a) Market risks

Commodity price risk

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

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

The Company does not hedge its exposure to price fluctuation.

Based on a forward price per metric ton as of December 31, 2020, a 10 percent increase or decrease in the price of copper (assuming all other variables remain constant) would result in an approximate US\$ 5.5 million increase or decrease in the Company's 2021 profit before income tax.

Exchange rate risk

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 17 - Financial Risk Management Objectives and Policies (continued)

a) Market risks (continued)

Exchange rate risk (continued)

The table below summarizes the estimated impact on 2021 profit before income and deferred taxes resulting from a 10 percent increase or decrease in the exchange rate (US Dollar-Chilean Peso), based on a US\$1=CLP\$ 710.95 exchange rate:

	Effect on 2021 Profit Before Income Tax US\$
Suppliers	
Increase in the exchange rate	1,913,607
Decrease in the exchange rate	(2,338,853)
Severance provision	
Increase in the exchange rate	(3,426,091)
Decrease in the exchange rate	4,187,444

b) Liquidity risk

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

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 17 - Financial Risk Management Objectives and Policies (continued)

b) Liquidity risk (continued)

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

	2020 US\$	2019 US\$
Assets		
Less than 3 months	121,935,405	134,127,284
More than 3 months and less than 1 year	361,037,927	456,722,671
More than 1 year	1,121,068,147	1,007,011,682
Liabilities		
Less than 3 months	35,601,275	63,380,423
More than 3 months and less than 1 year	19,906,822	16,041,141
More than 1 year	334,083,880	304,393,861

c) Credit risk

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

d) Capital risk

The objective is to safeguard the Company's ability to continue with its ongoing business, in order to give returns to the shareholders and benefits to the stakeholders and to maintain an optimal structure that allows for reduction of the cost of capital. The Company manages its capital structure and carries out adjustments to face changes in the market's economic conditions. The Company's policy is to finance all of its projects, long and short-term, with its own operational resources. In order to maintain or adjust the capital structure, the Company can adjust the payment of dividends to shareholders or return of capital to its shareholders. There have been no changes in objectives, policies or procedures during the year ended December 31, 2020.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 18 - Remuneration of the Board of Directors

During the years ended December 31, 2020 and 2019, no remunerations were paid to the Board.

Note 19 - Cost of Sales

The amounts included in cost of sales are as follows:

	Years Ended December 31,	
	2020	2019
	US\$	US\$
Supplies	169,197,496	244,428,305
Employee benefits and personnel expenses	74,860,359	74,101,542
External services and general expenses	68,233,728	90,421,868
Utilities	65,594,993	74,691,923
DD&A	53,165,995	71,127,736
Intangible amortization	25,470	30,377
Stripping cost on production activities-current year	(5,775,397)	(16,040,207)
Work in process (WIP) and finished goods (1)	(22,730,583)	(65,622,177)
Other cost and credits	4,160,327	2,463,453
Total cost of sales	<u>406,732,388</u>	<u>475,602,820</u>

- (1) Includes a NRV adjustment for US\$ 710,957 and US\$ 435,155 on work in process and finished goods, respectively for the year ended December 31, 2020. There was a NRV adjustment on finished goods for US\$ 183,712 for the year ended December 31, 2019.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Notes to the Financial Statements

As of December 31, 2020 and 2019

Note 20 - Other Losses, Net

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

	<u>Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>US\$</u>	<u>US\$</u>
Abnormal and idle facility costs (1)	19,653,754	17,244,229
Evaluation cost of prefeasibility/ feasibility studies for El Abra Mill (2)	4,154,959	32,743,160
PP&E impairments of land	2,000,000	68,089
Loss on disposal of PP&E	401,483	376,023
Loss on disposal of spare parts	-	744,412
Loss on disposal of financing lease	15,716	-
Total other losses, net	<u>26,225,912</u>	<u>51,175,913</u>

- (1) Result of impacts from the COVID-19 pandemic and curtailed operations in 2020 and flooding event in 2019. See Note 1.
- (2) Cost of prefeasibility/ feasibility studies for El Abra Mill included hydrological and geotechnical drilling; seasonal marine, flora and fauna, and archeological baseline studies; and hydrogeological and geochemical models.

Note 21 - Administrative and Selling Expenses

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

	<u>Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>US\$</u>	<u>US\$</u>
Freight and other	6,124,125	8,001,721
Depreciation of shutdown equipment (1)	3,858,338	-
MFMSA fees	358,274	471,128
Sales commissions and others	176,829	203,779
Total administrative and selling expenses	<u>10,517,566</u>	<u>8,676,628</u>

- (1) Related to the recognition of depreciation of equipment idled as a result of the curtailed operating plan.

Note 22 - Subsequent Events

Subsequent to December 31, 2020, and up to the date of issuance of the Financial Statements, no events have occurred that could significantly affect the presentation of these Financial Statements.