Sierra Gorda SCM

MEMORIA ANUAL

2020

Sierra Gorda SCM

DECLARACION JURADA DE RESPONSABILIDAD

Nombre de la Compañía	**:**	**Sierra Gorda Sociedad Contractual Minera**
R.U.T.	**:**	**76.081.590-K**

El Vicepresidente representante de Sierra Gorda SCM, firmante de esta declaración, se hace responsable bajo declaración jurada respecto de la veracidad de toda la información incorporada en la Memoria Anual de la Sociedad al 31 de diciembre de 2020, elaborada en cumplimiento con lo establecido en el Artículo 11, del Decreto Ley N° 600 de 1974, en cuya virtud, a contar del ejercicio 2006, las compañías mineras afectas al impuesto específico a la minería, establecido en el Artículo 64 bis de la Ley de Impuesto a la Renta y conforme a la Resolución Exenta N° 549 de fecha 23 de septiembre de 2005, modificada por las Resoluciones Exentas N° 39 de fecha 03 de febrero de 2006, N° 283 del 19 de junio de 2007, N°743 del 26 de diciembre de 2008 y N°298 del 17 de mayo de 2010, tienen la obligación de presentar una memoria anual.

De acuerdo con lo anterior, adjuntos a esta declaración, se incluyen los estados financieros de la sociedad, correspondientes al año terminado el 31 de diciembre de 2020. Estos Estados Financieros constan de Estado de Situación Financiera, Estado de Resultados Integrales, Estado de Cambio en el Patrimonio Neto, Estados de Flujos de Caja y Notas, los que contienen un resumen de las políticas contables significativas y otras informaciones explicativas.

DocuSigned by:

Michal Bator

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Michal Bator

Vicepresidente de Servicios Financieros

Contenido

I. Sobre esta memoria

La presente Memoria Anual de Sierra Gorda Sociedad Contractual Minera (en adelante " Sierra Gorda SCM", "SG SCM" o "la Compañía"), ha sido elaborada en cumplimiento de lo establecido en el Artículo 11 ter, del Decreto Ley N° 600 de 1974, y sus modificaciones, y de la Resolución Exenta N° 298, de fecha 17 de mayo de 2010, que fijó el texto refundido de la Resolución Exenta N° 549, de fecha 23 de septiembre de 2005, y sus modificaciones, en virtud de los cuales, la Compañía tiene la obligación de presentar a la Comisión para el mercado financiero, sus Estados Financieros trimestrales, Estados Financieros anuales auditados y una Memoria Anual.

II. Identificación de la entidad

1. Identificación básica

Razón social	:	**Sierra Gorda Sociedad Contractual Minera**
R.U.T.	:	76.081.590-K
Dirección legal	:	Magdalena 140, Piso 10, Las Condes, Santiago

2. Direcciones y teléfonos de contacto

Santiago	:	Dirección: Magdalena 140, Piso 10, Las Condes, Santiago Número telefónico central: 56 2 23665200
Antofagasta	:	Dirección: General Borgoño 934, Piso 10, Antofagasta
Yacimiento	:	Carretera Panamericana KM 4.5
Página Web	:	http://www.sgscm.cl

3. Constitución de la Sociedad

Sierra Gorda SCM fue constituida por escritura pública de fecha 1° de abril de 2004, otorgada ante el Notario Público de Santiago, don Enrique Morgan Torres. Sus accionistas al 31 de diciembre de 2020, son: Quadra FNX Holdings Chile Limitada con 3.161.400 acciones y SMM Sierra Gorda Inversiones Limitada con 2.586.600 acciones.

El propósito comercial corporativo de la Compañía es estudiar, explorar, reconocer, prospectar, investigar, desarrollar, preparar y explotar los yacimientos mineros que actualmente son de propiedad de la Compañía, así como toda otra concesión minera o derecho que la Compañía adquiera o sobre la que tenga derechos, en adelante las "Propiedades Mineras"; para extraer, beneficiar, elaborar, producir y procesar minerales, subproductos y derivados o cualquier otra clase de productos que se obtengan de la extracción de minerales de las Propiedades Mineras; para instalar, explotar y operar plantas de beneficio y tratamiento de minerales y sustancias provenientes de la extracción y explotación de las Propiedades Mineras; para constituir y adquirir derechos de cualquier naturaleza, especialmente concesiones mineras; para vender, distribuir, transportar, exportar y, en general, comercializar las sustancias y productos minerales de propiedad de la Compañía; para desempeñar funciones, sin las atribuciones de un dueño, tales como: financiar, desarrollar, construir y operar una mina a rajo abierto de Cobre, chancadoras y otras instalaciones relacionadas con el área de Sierra Gorda de la Región de Antofagasta, con el objeto de producir concentrados de Cobre y productos asociados de los metales extraídos, lo que incluye entre otras actividades y en general, celebrar, realizar y ejecutar todos los actos y firmar todos los convenios y contratos civiles, comerciales, mineros, industriales, metalúrgicos y de cualquier naturaleza, que se relacionen directa o indirectamente con los propósitos de la Compañía anteriormente señalados y con todos los demás que convengan los socios.

II. Identificación de la entidad, continuación

3. Constitución de la Sociedad, continuación

El proyecto Sierra Gorda alcanzó la producción comercial a fines de junio de 2015, las pruebas de planta y su aprobación consideraron la operación continua de la planta de Cobre por más de sesenta días continuos al menos al 65% de su capacidad diseñada, posteriormente, la planta fue entregada completamente al personal de operación. Mientras tanto, la planta de Molibdeno en su periodo de prueba, antes de comenzar la producción comercial indicó una producción de concentrado con un mínimo de 40% de grado de Molibdeno. El cambio de la actividad de desarrollo a la actividad de producción significó, que a partir del 1 de julio de 2015 los costos de desarrollo dejaron de ser capitalizados, la depreciación de los activos comenzó y el crédito a los ingresos por las actividades de puesta en marcha de la mina cesó.

III. Propiedad

La Compañía es operada a través de un negocio conjunto entre KGHM Polska Miedz S.A. (“KGHM”); Sumitomo Metal Mining Co Ltd. y Sumitomo Corporation (“Sumitomo”).

Los porcentajes de participación de las compañías, son los siguientes:

- 55% KGHM
- 31.5% Sumitomo Metal Minning
- 13.5% Sumitomo Corporation

KGHM es dueña indirecta de un 55% a través de la compañía Quadra FNX Holdings Chile Limitada y Sumitomo es dueño indirecto de un 45% a través de la compañía SMM Sierra Gorda Inversiones Limitada.

IV. Administración y personal

Al 31 de diciembre de 2020 la Administración de la Compañía está compuesta por:

1. Directores

KGHM
- Pawel Gruza
- Jerzy Paluchniak
- Piotr Dura

Sumitomo Metal Mining
- Hiroshi Asahi
- Masaru Tani

Sumitomo Corporation
- Sosuke Takubo

2. Ejecutivos Principales

• Gerente General	Miroslaw Kidon
• Vicepresidente de Sustentabilidad, AAEE y Legal	Miguel Baeza
• Vicepresidente de Operaciones	Eric Zepeda
• Vicepresidente de Servicios Corporativo	Hiroki Kako
• Vicepresidente de Finanzas	Michal Bator
• Vicepresidente de Recursos Humanos	Beata Choragwicka-Majstrowicz

3. Dotación

La estrategia en materia de recursos humanos incluye los procesos de reclutamiento y selección, capacitación y desarrollo del capital humano y el cuidado y bienestar. Estos elementos tienen vital importancia pues apuntan a plasmar la cultura de la Compañía en sus empleados y aportan al desarrollo de sus capacidades en función de los desafíos propios de la organización.

Durante 2020, la Compañía contó en promedio con una dotación propia de 1.447 empleados, y una dotación de contratistas operacionales de 2.324.

V. Actividad y negocio de la entidad

1. Cultura Organizacional

SG SCM actúa en base a 5 grandes valores que forman parte de su filosofía corporativa y que se mencionan a continuación:

- Enfoque en los resultados
- Seguridad
- Trabajo en equipo
- Austeridad
- Respeto e Integridad

ESTAR

2. Ubicación

La faena minera de la Compañía se encuentra ubicada a 4,5 km al noroeste de la comuna de Sierra Gorda y a 150 km de la ciudad de Antofagasta.

En este sector, se encuentran emplazadas, a aproximadamente, 1.600 metros de altura sobre el nivel del mar, las principales instalaciones de explotación y beneficio de minerales, tales como: rajos, botaderos de estériles, área de procesos de sulfuros (chancado, molienda, flotación, espesado, concentrado) y depósito de relaves espesados, entre otras.

El sitio minero de Sierra Gorda SCM está conformado por un yacimiento tipo "Pórfido Cuprífero", con mineralizaciones de Molibdeno, Oro y Plata en menor escala.

La mina es una operación convencional de rajo abierto, que se realiza mediante la perforación, el uso de explosivos, el carguío mediante palas, y el transporte terrestre mediante el uso de camiones de extracción que llevan el mineral hacia la planta de procesamiento. El mineral sulfurado extraído de la mina, luego de su paso por el proceso de chancado es enviado hacia la planta concentradora. El mineral oxidado, actualmente se acopia en pilas con un potencial de ser procesado en el futuro mediante lixiviación.

V. Actividad y negocio de la entidad, continuación

3. Actividad

SG SCM es una sociedad cuyo giro principal es la explotación, extracción, tratamiento, beneficio y comercialización de productos mineros, siendo su principal activo el proyecto minero "Sierra Gorda" con una inversión que incluyó "aporte de capital, intereses durante la construcción y costos incurridos", por un monto total aproximado de US$5,7 billones.

Las instalaciones de procesamiento en Sierra Gorda SCM están compuestas por una planta colectiva para producir concentrado de Cobre y Molibdeno, que incluye: chancado primario, correas transportadoras, domo de almacenamiento de mineral, chancado secundario, chancado terciario de alta presión con HPGR, molienda, flotación colectiva y remolienda; seguida por un proceso de flotación selectiva en la planta Molibdeno, que separa los concentrados de Cobre y de Molibdeno, y cuenta con: flotación convencional y de columna, espesamiento y filtrado de concentrado de Molibdeno, instalaciones de ensacado de concentrado de Molibdeno; además, se cuenta con un proceso de filtrado de concentrado de Cu con instalaciones de carga y descarga para camiones; espesado de relaves y tranque de relaves.

Todo el proceso se lleva a cabo con el apoyo de energía eléctrica y agua de mar. El producto es transportado vía ferrocarril o camiones hacia las instalaciones de descarga y embarque en el puerto de Antofagasta (ATI) y/o puerto de Angamos.

El principal producto de extracción de Sierra Gorda es el concentrado de Cobre. Adicionalmente, se produce Molibdeno, Oro y Plata (como concentrado y como subproducto constituyente del concentrado de Cobre, respectivamente).

La capacidad inicial de diseño de la planta fue de 110.000 toneladas métricas por día. La estrategia operativa ha sido continuar con la mejora de la producción con un enfoque especial en la confiabilidad de la planta y la eficiencia de los activos, aumentando el procesamiento con la implementación del proyecto Debottlenecking ("DBN"), que permitirá un procesamiento de 140,000 toneladas métricas por día desde fines del año 2021.

Los procesos de producción de SG SCM utilizan principalmente agua de mar, la cual es suministrada, desde el sistema de enfriamiento por agua de la central termoeléctrica de Mejillones, a través de un acueducto de 143 km de largo que desemboca en una piscina de agua de mar en la faena. El sistema de bombeo está diseñado para suministrar un flujo máximo de 1.500 litros/segundo de agua. El agua de mar es luego procesada en la planta de osmosis inversa, donde se desaliniza mediante un proceso que consta de un pre-tratamiento de osmosis inversa y un post-tratamiento de reacondicionamiento y re-mineralización.

El abastecimiento eléctrico para Sierra Gorda SCM se transmite a la subestación eléctrica de la mina a través de una línea de alta tensión en 220 KV de doble circuito trifásico independiente, que comienza en la subestación Encuentro. Estas instalaciones se encuentran totalmente operativas desde el último trimestre de 2014. El abastecimiento de energía eléctrica ha sido contratado a la empresa AES GENER.

V. Actividad y negocio de la entidad, continuación

3. Actividad, continuación

Al 31 de diciembre de 2020, Sierra Gorda se encuentra procesando a una razón promedio cercana a las 124,000 toneladas métricas por día.

Para coordinar toda la operación, Sierra Gorda SCM proporciono durante el año 2020 un promedio de empleo directo de aproximadamente 1.447 empleados y un promedio de empleo indirecto de aproximadamente 2.324 personas mediante contratos y servicios de terceros.

V. Actividad y negocio de la entidad, continuación

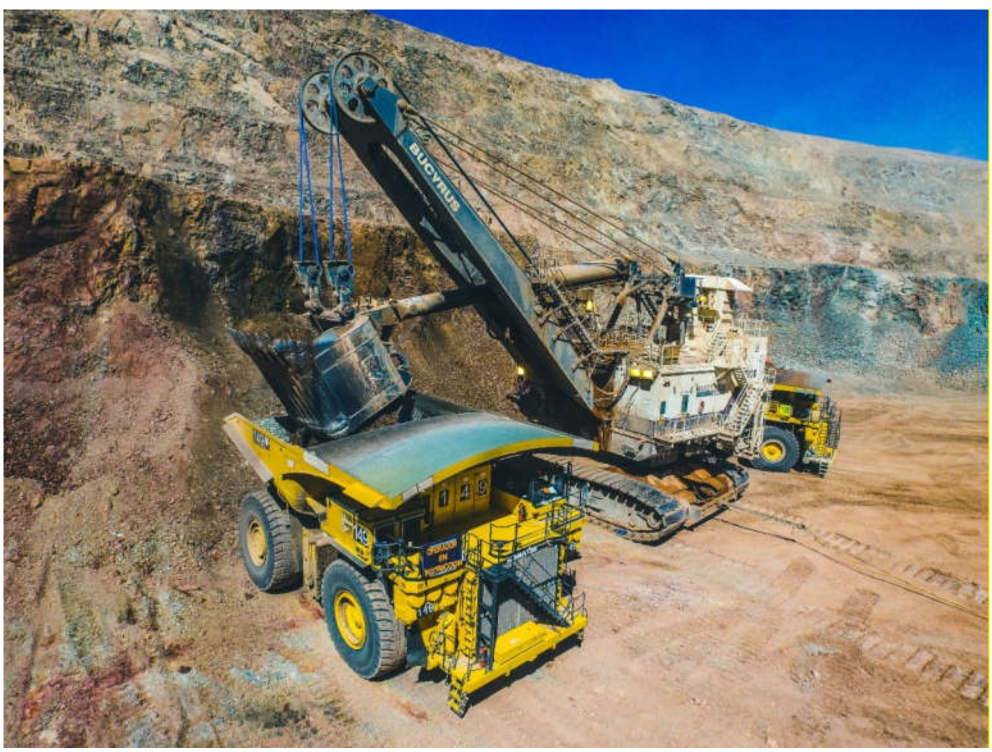
4. Innovaciones

La innovación es un eje clave en este desafío, entre los que destacan nuestros esfuerzos por optimizar el recurso hídrico en nuestras operaciones. Lo anterior se refleja en la construcción del acueducto Mejillones – Sierra Gorda, que es un aporte importante para el medio ambiente, al recuperar agua de descarte del enfriamiento de turbinas eléctricas.

Agua de Mar
Operamos con un sistema de transporte de agua (STA), el que recupera agua de mar proveniente del proceso de enfriamiento de una planta termoeléctrica de Mejillones, llegando a valores esperados de bombero sobre los 5.000 m3/hora.

Molinos HPGR
Los molinos High Pressure Grinding Roller (HPGR), únicos en Chile, es una tecnología de trituración que minimiza el gasto de energía.

Ángulo de Talud
Esta innovación nos permite mejorar la operación incrementando la razón mineral / estéril en la mina. Además, esto se traduce en ahorro de costos y una significativa reducción de externalidades ambientales, beneficiando no sólo a la Compañía, sino que también al entorno con una explotación sustentable.



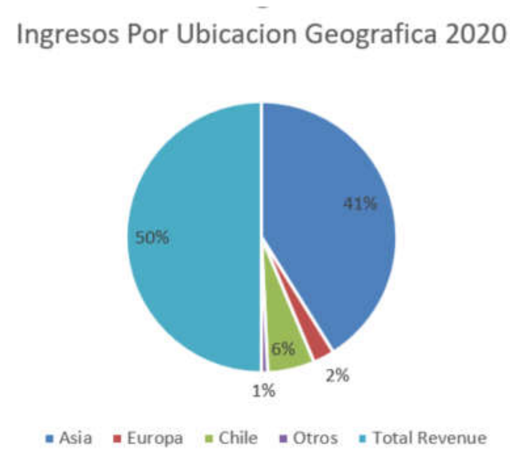
V. Actividad y negocio de la entidad, continuación

5. Clientes y Proveedores

Los principales clientes de la Compañía al 31 de diciembre 2020 son los siguientes:

Cobre

- Sumitomo Metal Mining
- Freepoint Metals & Concentrates LLC
- MRI Trading A.G.
- Cliveden Trading AG
- Pan Pacific Cooper Co Ltda.
- Trafigura Pte. Ltd.
- Mitsubishi Materials Corporation
- ALTONORTE
- Hartree Metals LLC



Molibdeno

- Sumitomo Corporation
- Traxys North America
- Wogen Resources Ltd
- F.W. Hempel Intermetaux SA

Los principales proveedores de bienes y servicios de la Compañía al 31 de diciembre 2020 son los siguientes:

- Komatsu Chile S.A.
- Enaex Servicios S.A
- Compañía de Petroleos de Chile Copec S.A.
- Finning Chile SA
- Transmisora Mejillones S.A.
- Metso Minerals (Chile) S.A.
- Bridgestone Minning Solutions Latin Amer
- AES GENER (Cochrane)
- Transmisora Baquedano S.A.
- Buses JM Pullman S.A.

VI. Factores de riesgos propios de la actividad que afectan a la entidad

Entre los factores de riesgo que inciden en la continuidad y sustentabilidad de la Compañía, se encuentran los siguientes:

1. Riesgos de Mercado

El riesgo de mercado es el riesgo de que los cambios en las condiciones de mercado tales como los precios de los commodities, tasas de cambio de moneda extranjera y tasas de interés afecten los ingresos de la Compañía.

La Compañía está expuesta a los ciclos de la economía mundial y sus efectos en el precio del Cobre, así como a las fluctuaciones de precios de insumos necesarios para la operación (petróleo, energía, acero, etc.).

- Precio internacional del Cobre y Molibdeno: los precios se ven afectados por cambios en la economía global. Generalmente, los productores de Cobre no tienen la capacidad de influir sobre este precio de manera directa.

- Variación tasa de cambio: el dólar estadounidense es la moneda funcional de la Compañía y como resultado el riesgo surge de las exposiciones de moneda extranjera debido a las transacciones y saldos en monedas distintas al dólar estadounidense. Las posibles exposiciones a moneda extranjera de la Compañía incluyen la exposición transaccional en relación a partidas monetarias de monedas no funcionales.

- Tasas de interés: la Compañía no tiene una exposición significativa a las variaciones de la Tasa de interés debido a que sus principales obligaciones se encuentran en tasa fija.

2. Riesgos Operativos

Los riesgos operacionales son los propios de toda actividad minera a rajo abierto y que pueden originarse en el uso de maquinaria pesada, explosivos y reactivos químicos.

3. Riesgos Financieros

Riesgo de liquidez

El riesgo de liquidez es el riesgo de que la Compañía no pueda cumplir con sus obligaciones financieras a su vencimiento como cuentas por pagar, préstamos, pasivos por arrendamiento financiero y cuentas por pagar a partes relacionadas.

La Compañía utiliza presupuestos de flujo de caja mensuales para monitorear el efectivo disponible en base a las entradas y salidas de efectivo esperadas. La Compañía debe asegurar que tiene suficiente efectivo disponible para cubrir los desembolsos operacionales y los desembolsos de capital esperados, incluido las obligaciones financieras.

Riesgo de Crédito

El riesgo crediticio es el riesgo de pérdida financiera que enfrenta la Compañía si un cliente o contraparte de un instrumento financiero no cumple con sus obligaciones contractuales, y proviene principalmente de los deudores comerciales de la Compañía.

VII. Políticas de inversión y financiamiento adoptados por la entidad

La política de inversión de la Compañía requiere el monitoreo de la concentración de la exposición para reducir la concentración del riesgo. La inversión financiera inicial del proyecto Sierra Gorda por US$1.000 millones fue proporcionada por un consorcio de bancos japoneses. El resto de la inversión fue provista por los propietarios de SG SCM mediante préstamos concedidos y aportes de capital en la proporción correspondiente (de acuerdo con DL- 600 de inversión extranjera).

La política de inversión de excedentes de efectivo de la Compañía se basa en 4 aspectos fundamentales:

i) La preservación de capital; ii) El aseguramiento de la liquidez; iii) El logro del mejor retorno disponible considerando riesgo del portfolio; y iv) Inversiones de corto plazo, menor a 1 año.

De acuerdo a la política de inversión de la Compañía, los excedentes de caja pueden ser invertidos en instrumentos financieros como Depósitos a plazo y Certificado de Depósito en instituciones calificadas como de bajo riesgo por clasificadoras como, S&P, Feller-Rate y/o Fitch.

VIII. Políticas de dividendos o retiro de utilidades futuros

No existen planes de remesar dividendos en el corto plazo.

IX. Hitos

Durante el año 2020 se logró un avance significativo en el proyecto Debottlenecking mencionado en el punto V. 3 de esta Memoria Anual que permitió un procesamiento promedio de la planta de app. 124,000 toneladas métricas por día, esto es 13% mayor a la capacidad de diseño original.

X. Estados financieros anuales

Los Estados Financieros anuales 2020 han sido preparados de acuerdo con las Normas Internacionales de Información Financiera (IFRS por su sigla en inglés) y están expresados en millones dólares estadounidenses. Estos Estados Financieros constan de Estado de Situación Financiera, Estado de Resultados Integrales, Estado de Cambio en el Patrimonio Neto, Estados de Flujos de Caja y Notas explicativas.

Los Estados Financieros anuales han sido auditados por KPMG Auditores Consultores SPA., quienes entregaron su Opinión de Auditoría con fecha 15 de febrero de 2021.

SIERRA GORDA S.C.M.

Financial Report as of December 31, 2020
and 2019 and for the years then ended.

(With the Independent Auditor's Report Thereon)

SIERRA GORDA S.C.M.

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

KPMG

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, 2020 and 2019, 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.

Santiago
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Piso 2, Las Condes
+56 2 2997 1000
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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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter Regarding Going Concern

As discussed in Note 27 c) to the financial statements, the Company has suffered losses after tax and has a net equity deficiency. Management's evaluation of the event and conditions and management's plans to mitigate these matters are also described in Note 27 c). Our opinion is not modified with respect to this matter.

Gonzalo Rojas Ruz KPMG SpA

Santiago, February 15, 2021

Sierra Gorda SCM

STATEMENTS OF FINANCIAL POSITION

(U.S. dollars in millions)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents	*5*	257.0	88.5
Trade receivables	*7*	102.2	51.3
Other receivables	*7*	28.4	32.4
Due from related parties	*17*	36.9	22.3
Inventory	*6*	135.9	118.4
Total Current Assets		**560.4**	**312.9**
Non-Current			
Mineral property, plant & equipment	*8*	2,486.7	2,530.1
Intangible assets	*9*	52.8	57.4
Inventory	*6*	36.0	25.2
Deferred income tax assets	*16*	1,557.0	1,458.0
Total Non-Current Assets		**4,132.5**	**4,070.7**
Total Assets		**4,692.9**	**4,383.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable	*10*	150.8	120.9
Accrued liabilities	*11*	103.7	102.1
Senior project loans	*12b)*	50.0	250.3
Working capital facility	*12c)*	551.6	354.4
Lease liabilities	*13*	34.0	51.9
Due to related parties	*17*	24.9	25.6
Other liabilities	*18*	0.5	-
Total Current Liabilities		**915.5**	**905.2**
Non-Current			
Subordinated sponsors' loans	*12a)*	5,051.3	4,730.5
Senior project loans	*12b)*	-	50.0
Working capital facility	*12c)*	-	27.5
Site closure and reclamation provision	*14*	52.6	45.8
Due to related parties	*17*	143.1	140.6
Lease liabilities	*13*	144.6	148.1
Other liabilities	*18*	94.3	81.0
Total Non-Current Liabilities		**5,485.9**	**5,223.5**
Total Liabilities		**6,401.4**	**6,128.7**
Shareholders' Equity			
Share capital	*15*	2,838.1	2,743.1
Reserve		(18.7)	(18.7)
Retained earnings		(4,527.9)	(4,469.5)
Total Shareholders' Equity		**(1,708.5)**	**(1,745.1)**
Total Liabilities and Shareholders' Equity		**4,692.9**	**4,383.6**

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

Sierra Gorda SCM

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(U.S. dollars in millions)

	Note	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Revenue	*19*	1,210.4	947.0
Cost of sales	*20*	(848.3)	(783.9)
Gross profit		**362.1**	**163.1**
Selling costs	*20*	(70.8)	(59.6)
General and administrative expenses	*20*	(38.8)	(38.2)
Other income	*21*	8.3	5.1
Other expenses	*22*	(23.0)	(9.5)
Operating profit		**237.8**	**60.9**
Finance income	*23*	0.5	2.0
Finance expenses	*24*	(393.1)	(399.6)
Loss before income tax		**(154.8)**	**(336.7)**
Income tax benefit	*16*	96.4	73.9
Loss for the period		**(58.4)**	**(262.8)**
Other comprehensive income/(loss)		-	-
Total comprehensive loss		**(58.4)**	**(262.8)**

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

Sierra Gorda SCM

STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)

	Note	Year ended December 31, 2020	Year ended December 31, 2019
OPERATING ACTIVITIES			
Result for the period		(58.4)	(262.8)
Total adjustment to result for the year:		**541.8**	**551.5**
Depreciation and amortization	*20*	374.4	246.9
Non cash capitalized to deferred stripping asset	*20*	(18.6)	(23.0)
Foreign exchange (gains)/losses	*21/22*	5.1	3.2
Inventory write down		0.3	0.7
Change in accruals		(0.2)	(4.7)
Change in related parties transactions		(12.8)	(5.6)
Change in interest payables		324.3	337.7
Other adjustments		16.2	11.6
Changes in working capital:		**(50.5)**	**58.6**
Inventories		*(28.5)*	*6.5*
Trade and other receivables		*(46.9)*	*58.2*
Trade and other payables		*24.9*	*(6.1)*
Income tax expenses		(96.4)	(73.9)
Cash provided from operating activities		**483.4**	**288.7**
INVESTING ACTIVITIES			
Purchase of mineral properties, plant and equipment, and intangibles		(87.5)	(74.5)
Cash cost capitalized to deferred stripping asset	*20*	(165.6)	(223.1)
Cash used in investing activities		**(253.1)**	**(297.6)**
FINANCING ACTIVITIES			
Capital contributions	*15/12d)*	95.0	205.0
Drawdown on working capital facility	*12d)*	270.0	185.0
Payments of working capital facility	*12d)*	(101.4)	(38.3)
Payments of working capital facility interest	*12d)*	(15.1)	(15.9)
Payments of senior project loans principal	*12b)/12d)*	(250.0)	(250.0)
Payments of senior project loans interest	*12d)*	(4.1)	(14.8)
Payments under finance leases (IFRS 16)	*12d)*	(17.9)	(18.6)
Payments under finance leases principal	*12d)*	(36.2)	(46.0)
Payments under finance leases interest	*12d)*	(2.2)	(4.9)
Cash provided from financing activities		**(61.9)**	**1.5**
Effect of foreign exchange rate changes on cash and cash equivalents held		**0.1**	**(0.8)**
Net (decrease) increase in cash and cash equivalents during the period		**168.5**	**(8.2)**
Cash and cash equivalents, beginning of year		**88.5**	**96.7**
Cash and cash equivalents, end of period		**257.0**	**88.5**
Cash and cash equivalents comprised of:			
Cash deposits, bankers acceptances and term deposits		**257.0**	**88.5**

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(U.S. dollars in millions)

	Note	Share capital	Reserve	Retained earnings	Total
Balance, January 1, 2020	*15*	**2,743.1**	**(18.7)**	**(4,469.5)**	**(1,745.1)**
Capital contribution by KGHMI		52.25	-	-	52.25
Capital contribution by Sumitomo		42.75	-	-	42.75
Loss for the period		-	-	(58.4)	(58.4)
Balance, December 31, 2020		**2,838.1**	**(18.7)**	**(4,527.9)**	**(1,708.5)**

	Note	Share capital	Reserve	Retained earnings	Total
Balance, January 1, 2019	*15*	**2,538.1**	**(18.7)**	**(4,206.7)**	**(1,687.3)**
Capital contribution by KGHMI		112.7	-	-	112.7
Capital contribution by Sumitomo		92.3	-	-	92.3
Loss for the period		-	-	(262.8)	(262.8)
Balance, December 31, 2019		**2,743.1**	**(18.7)**	**(4,469.5)**	**(1,745.1)**

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

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.

2. BASIS OF PRESENTATION

a) Statement of presentation and measurement

These audited financial statements have been prepared as of December 31, 2020 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 27c) 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 were approved for issuance by the Finance Committee of the Owners' Council on February 15, 2021.

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 statement of 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.

Significant areas requiring the use of estimates relate to the determination of mineral reserves, impairment of 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.

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.

2. BASIS OF PRESENTATION, Continued

b) Use of estimates and judgments, Continued

Impairment of assets: The determination of the recoverable value of assets requires the use of long term assumptions as Copper and Molybdenum price, discount rate, future capital expenditure, operating cost and ore reserve. 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 taxable income.

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.

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 losses.

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. Also, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

a) Mineral property, plant and equipment, Continued

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

c) Intangible assets, Continued

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 write-offs.

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.

Intangibles 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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

d) Impairment of non-current assets

The carrying value of non-current assets, which consist primarily of mineral property, plant, and equipment and intangible assets, is reviewed regularly for events or changes in circumstances that indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognised if the carrying value of an asset exceeds the estimated recoverable amount. The recoverable amount 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. Estimated future cash flows are based on estimates of future metal prices, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating cost assumptions.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets ("Cash Generating Unit" or "CGU"). This generally results in the Company evaluating its non-financial assets on the mine-specific basis.

Previously impaired assets are reviewed for possible reversal of previous impairment at each reporting date. 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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

f) Revenue recognition, Continued

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 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) Inventory

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

h) Financial Instruments, Continued

Financial assets, Continued

Initial recognition and measurement, Continued

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.

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.

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, Continued

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

h) Financial Instruments, Continued

Financial assets, Continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

h) Financial Instruments, Continued

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.

i) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax were capitalized as development expenditure until June 30, 2015.

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) Provisions

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.

3. SIGNIFICANT ACCOUNTING POLICIES, Continued

j) Provisions, continued

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.

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) Leases

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) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) New standards and interpretations

A number of new standards, amendment and changes to the standards are effective from 1 January 2020. The list of the recent changes to the Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2020 are "Amendments to References to Conceptual Framework in IFRS Standards", Definition of a Business (Amendments to IFRS 3), Definition of Material (Amendments to IAS 1 and IAS 8), Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4), and COVID-19 Related Rent Concessions (Amendments to IFRS 16), none of the abovementioned have a material effect on the Company's financial statements.

A number of new standards, amendment and changes to the standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The list of these are "IFRS 17 Insurance Contracts", Classification of Liabilities as Current or Non-current (Amendments to IAS 1), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37), Annual Improvements to IFRS Standards 2018-2020, Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), and Reference to the Conceptual Framework (Amendments to IFRS 3), the Company has not early adopted any of the forthcoming new or amended standards in preparing these financial statements.

(U.S. dollars in millions)

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.

Pursuant to the joint venture agreement, Sumitomo made an initial contribution of $724.2 million, which was fully invested as of January 2012. Commencing February 2012, KGHMI and Sumitomo fund proportionally those costs not covered by borrowings.

Sumitomo took the lead in efforts to arrange, and guarantee project financing for $1.0 billion, which was closed in March 2012 (Note 12b). KGHMI earns a service fee for operational and technical support over the life of mine. Sumitomo has the right and the obligation to purchase 50% of the copper concentrate produced by the Sierra Gorda mine.

5. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Current		
Cash at bank	257.0	88.3
Short-term deposits	-	0.2
Total Cash and Cash Equivalents	**257.0**	**88.5**

Cash and cash equivalents of $257.0 million as of December 31, 2020 and $88.5 million as of December 31, 2019, consist of cash at bank. 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 on any cash and cash equivalents presented on this note.

6. INVENTORY

	December 31, 2020	December 31, 2019
Current		
Copper concentrate	7.8	4.5
Molybdenum concentrate	2.5	2.6
Work in progress	19.2	15.0
Supplies	106.4	96.3
Total Current	**135.9**	**118.4**
Non-current		
Ore stockpile	36.0	25.2
Total Non-current	**36.0**	**25.2**
Total net carrying amount of Inventory	**171.9**	**143.6**

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, 2020 (December 31, 2019 - $0 million).

As of December 31, 2020, a positive impact of $18.1 million (December 31, 2019 – negative impact of $24.0 million) were recognised as a change in inventory and included in cost of sales. As of December 31, 2020, a negative impact of $5.3 million (December 31, 2019 – $1.7 million) were recognised as technical obsolescence write-off and included in cost of sales. As at December 31, 2020 the obsolescence provision amounted to $11.2 million (December 31, 2019 - $10.9 million). The increase in Copper concentrate inventory as at December 31, 2020 is in line with the increase in throughput, Cu head grade, and Cu recovery. There was no effect related to COVID-19 in the inventory.

(U.S. dollars in millions)

7. TRADE AND OTHER RECEIVABLES

Current	December 31, 2020	December 31, 2019
Trade receivables (subject to provisional pricing)		
Trade receivables	74.3	49.1
Mark-to-Market ("MtM")	27.9	2.2
Total Trade receivables	**102.2**	**51.3**
Other receivables (not subject to provisional pricing)		
Value added tax ("VAT") receivable	12.8	15.8
Advances to employees	6.7	8.7
Other	4.0	3.8
Prepaid expenses	3.5	2.8
Guarantees	1.4	1.3
Total Other receivables	**28.4**	**32.4**

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, 2020, a financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due. Due to the changes in the copper price, a positive Mark-to-market adjustment on the receivables was recognised for $27.9 million as of December 31, 2020 (December 31, 2019 $2.2 million positive effect) which refers to 179.9 million unsettled copper concentrate pounds and 14.3 million unsettled molybdenum pounds (December 31, 2019 – 151.7 million unsettled copper concentrate pounds and 13.6 million unsettled molybdenum pounds).

The Company's trade receivables minus MtM, that corresponds to the expected cash inflow from mineral sales at the reporting date was:

	December 31, 2020	December 31, 2019
Less than 1 month	64.5	40.2
1 to 3 months	5.2	2.7
Greater than 3 months	4.6	6.2
Total Trade Receivables	**74.3**	**49.1**

Sierra Gorda SCM

NOTES TO FINANCIAL STATEMENTS
(U.S. dollars in millions)
For the years ended December 31, 2020 and 2019

8. MINERAL PROPERTY, PLANT AND EQUIPMENT

	(a) Land	(b) Plant, buildings and equipment	(c) Equipment under lease	(d) Site closure and reclamation asset	(e) Deferred stripping asset	(f) Asset under construction	(g) Right of use Asset	Total
January 1, 2020								
Cost	**11.9**	**5,730.4**	**538.3**	**39.1**	**1,346.6**	**115.9**	**30.4**	**7,812.6**
Accumulated depreciation	-	(771.3)	(214.6)	(7.6)	(536.0)	-	(12.8)	(1,542.3)
Impairment	(6.6)	(3,096.8)	(291.4)	-	(345.4)	-	-	(3,740.2)
Net book value	**5.3**	**1,862.3**	**32.3**	**31.5**	**465.2**	**115.9**	**17.6**	**2,530.1**
Period ended December 31, 2020								
Change in cost								
Additions	-	-	11.0	6.7	184.2	104.3	22.0	328.2
Disposals	-	(14.6)	-	-	-	-	-	(14.6)
Transfers *	-	189.2	(143.8)	-	-	(46.5)	-	(1.1)
Sub total	**-**	**174.6**	**(132.8)**	**6.7**	**184.2**	**57.8**	**22.0**	**312.5**
Change in depreciation								
Additions	-	(118.5)	(4.5)	(1.2)	(231.7)	-	(12.8)	(368.7)
Disposals	-	9.8	-	-	-	-	-	9.8
Transfers	-	(88.7)	88.7	-	-	-	-	-
Sub total	**-**	**(197.4)**	**84.2**	**(1.2)**	**(231.7)**	**-**	**(12.8)**	**(358.9)**
Change in impairment								
Disposals	-	3.0	-	-	-	-	-	3.0
Transfers	-	(51.8)	51.8	-	-	-	-	-
Sub total	**-**	**(48.8)**	**51.8**	**-**	**-**	**-**	**-**	**3.0**
December 31, 2020								
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)
Net book value	**5.3**	**1,790.7**	**35.5**	**37.0**	**417.7**	**173.7**	**26.8**	**2,486.7**

(*) 1.1 transferred from AUC to Intangible.

Sierra Gorda SCM

NOTES TO FINANCIAL STATEMENTS

(U.S. dollars in millions)

For the years ended December 31, 2020 and 2019

8. MINERAL PROPERTY, PLANT AND EQUIPMENT, Continued

	(a) Land	(b) Plant, buildings and equipment (*)	(c) Equipment under lease	(d) Site closure and reclamation asset	(e) Deferred stripping asset	(f) Asset under construction	(g) Right of use Asset	Total
January 1, 2019								
Cost	**11.9**	**5,677.4**	**533.0**	**65.7**	**1,100.5**	**72.1**	**8.1**	**7,468.7**
Accumulated depreciation	-	(658.3)	(209.5)	(6.3)	(416.0)	-	-	(1,290.1)
Impairment	(6.6)	(3,107.6)	(291.4)	-	(345.4)	-	-	(3,751.0)
Net book value	**5.3**	**1,911.5**	**32.1**	**59.4**	**339.1**	**72.1**	**8.1**	**2,427.6**
Period ended December 31, 2019								
Change in cost								
Additions	-	-	5.3	-	246.1	97.8	22.3	371.5
Disposals	-	(1.0)	-	(35.7)	-	-	-	(36.7)
Transfers	-	54.0	-	-	-	(54.0)	-	-
Increase in provision due to change in discount rate	-	-	-	9.1	-	-	-	9.1
Sub total	**-**	**53.0**	**5.3**	**(26.6)**	**246.1**	**43.8**	**22.3**	**343.9**
Change in depreciation								
Additions	-	(102.9)	(5.1)	(1.3)	(120.0)	-	(12.8)	(242.1)
Disposals	-	0.7	-	-	-	-	-	0.7
Sub total	**-**	**(102.2)**	**(5.1)**	**(1.3)**	**(120.0)**	**-**	**(12.8)**	**(241.4)**
December 31, 2019								
Cost	**11.9**	**5,730.4**	**538.3**	**39.1**	**1,346.6**	**115.9**	**30.4**	**7,812.6**
Accumulated depreciation	-	(760.5)	(214.6)	(7.6)	(536.0)	-	(12.8)	(1,531.5)
Impairment	(6.6)	(3,107.6)	(291.4)	-	(345.4)	-	-	(3,751.0)
Net book value	**5.3**	**1,862.3**	**32.3**	**31.5**	**465.2**	**115.9**	**17.6**	**2,530.1**

(*) Certain comparative amounts have been grouped to disclose them on a comparable basis with current period figures.

8. 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 32 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.

On February 21, 2020, the Company exercised the purchase option of four shovels with Caterpillar Leasing Chile S.A. (CAT) by $1.6 million.

On June 30, 2020, the Company exercised the purchase option of a front loader, model letourneau L2350, with Banco Santander by $1.0 million.

During the year ended December 31, 2020, the Company exercised the purchase option of six haul trucks with Komatsu Cummins Chile Arrienda by $3.2 million.

During 2020, the company entered into leases agreements (with purchase option) for an amount of $11 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.

(d) Refer to Note 14 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 valuated 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) The Senior Project Loans are fully secured by Sponsors guarantees and against the assets of the Company.

(h) Right of use includes leasing according IFRS 16 “Leases”.

At December 31, 2020, the Company has contractual commitments related Capital Expenditure by $46.2 million for 2021.

(U.S. dollars in millions)

9. INTANGIBLE ASSETS

	Mineral property rights	Water rights	Software	Total
January 1, 2020				
Cost	**169.5**	**13.9**	**11.5**	**194.9**
Accumulated amortization	(18.8)	-	(8.8)	(27.6)
Impairment	(94.6)	(13.9)	(1.4)	(109.9)
Net book value	**56.1**	**-**	**1.3**	**57.4**
Change in cost				
Transfers *	-	-	1.1	1.1
Sub total	**-**	**-**	**1.1**	**1.1**
Change in amortization				
Additions	(5.7)	-	-	(5.7)
Sub total	**(5.7)**	**-**	**-**	**(5.7)**
December 31, 2020				
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)
Net book value	**50.4**	**-**	**2.4**	**52.8**

(*) 1.1 transferred from AUC to Intangible.

	Mineral property rights	Water rights	Software	Total
January 1, 2019				
Cost	**169.5**	**13.9**	**11.0**	**194.4**
Accumulated amortization	(14.4)	-	(8.4)	(22.8)
Impairment	(94.6)	(13.9)	(1.4)	(109.9)
Net book value	**60.5**	**-**	**1.2**	**61.7**
Change in cost				
Additions	-	-	0.5	0.5
Sub total	**-**	-	**0.5**	**0.5**
Change in amortization				
Additions	(4.4)	-	(0.4)	(4.8)
Sub total	**(4.4)**	-	**(0.4)**	**(4.8)**
December 31, 2019				
Cost	**169.5**	**13.9**	**11.5**	**194.9**
Accumulated amortization	(18.8)	-	(8.8)	(27.6)
Impairment	(94.6)	(13.9)	(1.4)	(109.9)
Net book value	**56.1**	**-**	**1.3**	**57.4**

(U.S. dollars in millions)

10. ACCOUNTS PAYABLE

	December 31, 2020	December 31, 2019
Liabilities from deliveries and services	145.9	116.3
Liabilities from employee tax and social security	4.9	4.6
Total	**150.8**	**120.9**

11. ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Accrued expenses	83.1	87.3
Payroll and benefits	12.5	9.6
Others	8.1	5.2
Total	**103.7**	**102.1**

12. LOANS

a) Subordinated sponsors' loans

	December 31, 2020	December 31, 2019
Principal		
KGHMI	1,536.8	1,536.8
SMM	880.1	880.1
SC	377.2	377.2
Non-current principal	**2,794.1**	**2,794.1**
Accrued interest and effective interest rate adjustment		
KGHMI (nominal rate)	1,244.5	1,068.9
SMM (nominal rate)	712.8	612.2
SC (nominal rate)	305.4	262.3
Finance cost discount	(101.4)	(88.1)
Amortization of the discount	95.9	81.1
Non-current accrued interest and effective interest rate adjustment	**2,257.2**	**1,936.4**
Total	**5,051.3**	**4,730.5**

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

Pursuant to the Joint Venture Agreement, KGHM S.A. through KGHMI, SMM and SC (Sponsors) have agreed to provide Subordinated Sponsor Loans to the Company to complete the construction of the Sierra Gorda mine. Subject to the subordination conditions to the Senior Project Loans, interest and principal are payable on demand and in any event, any interest and principal remaining is due and payable on December 15, 2024. The Subordinated Sponsors´ Loans are part of the security arrangements under the Senior Project Loans. During the year ended December 31, 2020, the Company has not received any drawdown (December 31, 2019 - $0) from the subordinated sponsors' loans. The subordinated loan is stated in USD with an annual nominal fixed interest rate of 8%. 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. At December 31, 2020, the Company has incurred $2,262.7 million (December 31, 2019 - $1,943.4 million) of interest on long-term debt and amortization of the discounts of $95.9 million (December 31, 2019 - $81.1 million).

(U.S. dollars in millions)

12. LOANS, Continued

b) Senior project loans

	December 31, 2020	December 31, 2019
Principal		
Senior project loan – JBIC	35.0	175.0
Senior project loan – NEXI	15.0	75.0
Current principal	**50.0**	**250.0**
Accrued interest and effective interest rate adjustment		
Senior project loan - JBIC (nominal rate)	-	0.2
Senior project loan - NEXI (nominal rate)	-	0.1
Finance cost discount	-	(28.6)
Amortization of the discount	-	28.6
Current accrued interest and fair value adjustment	**-**	**0.3**
Current principal and accrued interest and fair value adjustment	**50.0**	**250.3**
Principal		
Senior project loan – JBIC	-	35.0
Senior project loan – NEXI	-	15.0
Non-current principal	**-**	**50.0**
Total	**50.0**	**300.3**

On March 8, 2012, the Company signed agreements with the Japan Bank for International Cooperation ("JBIC") and a syndicate of lenders insured under the Nippon Export and Investment Insurance Program ("NEXI") for amounts of $700 million and $300 million, respectively. Collectively, these are the Senior Project Loans and these funds were used to finance the construction of the Sierra Gorda mine.

Drawdowns made under JBIC and NEXI bear interest at a rate of LIBOR (6 months) plus a margin and stated in USD. The principal and interest is payable every six months on June 15 and December 15 of each year.

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. At December 31, 2020, the Company has incurred $0.0 million (December 31, 2019 - $0.3 million) of interest debt and amortization of the discounts of $0.0 million (December 31, 2019 - $28.6).

The Senior Project Loans is repayable in semi-annual principal repayments commencing in June 2015 with a final maturity date in June 2021. On June 11, 2015, the Company paid the first principal repayment of $40 million. Further, on December 13, 2015, June 30, 2016, December 31, 2016, June 30, 2017 and December 31, 2017, the Company paid the next principal repayment of $50 million each. On June 13, 2018 and December 13, 2018, the Company paid the next principal repayment of $80 million. On June 13, 2019, the Company paid the next principal repayment of $125 million. On December 13, 2019, the Company paid the next principal repayment of $125 million. On June 11, 2020, the Company paid the next principal repayment of $125 million. On December 15, 2020, the Company paid the next principal repayment of $125 million.

The next and last principal payment is due on June 15, 2021 and amount to $50 million.

(U.S. dollars in millions)

12. LOANS, Continued

c) Working capital facility and short term loans

Details of working capital facility and short-term loans are as follows:

Current Liabilities	December 31, 2020	December 31, 2019
Short term loans		
Banco Santander	200.0	130.0
Bank Gospodarstwa Krajowego ("BGK")	200.0	-
Banco Estado	99.3	99.3
Banco de Chile	-	73.9
Total Short term loans	**499.3**	**303.2**
Working capital facility		
Banco Estado	47.9	47.9
Total Working capital facility	**47.9**	**47.9**
Interest	4.4	3.3
Total	**551.6**	**354.4**

Details of Non-Current Liabilities are as follows:

Non-Current Liabilities	December 31, 2020	December 31, 2019
Long term loans		
Banco Estado	-	27.5
Total	**-**	**27.5**

As of December 31, 2020, details of Working capital facility and short-term loans are as follows:

Current Liabilities	Capital Principal	Status	Maturity	Remaining as at December 31, 2020	Interest and commitment accrued during 2020
Short term loans					
Banco Santander	130.0	Rolled over	May 26, 2021	130.0	0.5
Banco Santander	70.0	Active	April 03, 2021	70.0	0.7
Banco Estado	27.5	Active	Dec 10, 2021	27.5	0.2
Banco Estado	73.8	Rolled over	April 30, 2021	71.8	1.6
BGK	200.0	Active	May 29, 2021	200.0	0.3
Total Short term loans	**501.3**			**499.3**	**3.3**
Working capital facility					
Banco Estado	50.0	Rolled over	April 30, 2021	47.9	1.1
Total Working capital facility	**50.0**			**47.9**	**1.1**

12. LOANS, Continued

c) Working capital facility and short term loans, Continued

On June 8, 2020, the Company drew down $100 million from a loan granted by BGK. Upon receiving the credit, the Company paid $0.3 million as arrangement and commitment fee. On August 31, 2020, the Company paid $0.4 million of interest.

On September 30, 2020, the Company drew down $100 million from a loan granted by BGK. Upon receiving the credit, the Company paid $0.1 million as commitment fee. On November 30, 2020, the Company paid $0.7 million of interest.

The Polish State Treasury is an entity controlling BGK and at the same time owns 31.79% of shares of KGHM S.A. The loan carries a Libor 3M plus an annual fixed rate of interest and is repayable on May 29, 2021.

The before mentioned loans 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.

Working capital facility and short-term loans granted by Banco de Chile, Banco Estado, Banco Santander and BGK are fully supported by pro rata guarantees issued by the Sponsors, KGHM, SMM and SC.

(U.S. dollars in millions)

12. LOANS, Continued

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

	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**	**Reserve**	**Retained earnings**	
Balance at January 1, 2020	**250.3**	**354.4**	**51.9**	**4,730.5**	**50.0**	**27.5**	**148.1**	**2,743.1**	**(18.7)**	**(4,469.5)**	**3,867.6**
Capital contributions	-	-	-	-	-	-	-	95.0	-	-	95.0
Drawdown on working capital facility	-	270.0	-	-	-	-	-	-	-	-	270.0
Payments of principal and interest	(254.1)	(116.5)	(56.3)	-	-	-	-	-	-	-	(426.9)
Total changes from financing cash flows	**(254.1)**	**153.5**	**(56.3)**	**-**	**-**	**-**	**-**	**95.0**	**-**	**-**	**(61.9)**
Other changes											
Liability-related Reclassifications Non-Current to Current	50.0	27.5	20.8	-	(50.0)	(27.5)	(20.8)	-	-	-	-
Right of use liabilities	-	-	(0.9)	-	-	-	10.4	-	-	-	9.5
Accrued during the year	4.1	15.1	20.1	334.1	-	-	-	-	-	-	373.4
Other changes	(0.3)	1.1	(1.6)	(13.3)	-	-	6.9	-	-	-	(7.2)
Total Liability-related Other changes	**53.8**	**43.7**	**38.4**	**320.8**	**(50.0)**	**(27.5)**	**(3.5)**	**-**	**-**	**-**	**375.7**
Total equity related Other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(58.4)**	**(58.4)**
Balance at December 31, 2020	**50.0**	**551.6**	**34.0**	**5,051.3**	**-**	**-**	**144.6**	**2,838.1**	**(18.7)**	**(4,527.9)**	**4,123.0**

(U.S. dollars in millions)

12. LOANS, Continued

d) 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	Reserve	Retained earnings	
Balance at January 1, 2019	**247.4**	**238.8**	**49.4**	**4,410.8**	**300.0**	**-**	**178.6**	**2,538.1**	**(18.7)**	**(4,206.7)**	**3,737.7**
Capital contributions	-	-	-	-	-	-	-	205.0	-	-	205.0
Drawdown on working capital facility	-	157.5	-	-	-	27.5	-	-	-	-	185.0
Payments of principal and interest	(264.8)	(54.2)	(69.5)	-	-	-	-	-	-	-	(388.5)
Total changes from financing cash flows	**(264.8)**	**103.3**	**(69.5)**	**-**	**-**	**27.5**	**-**	**205.0**	**-**	**-**	**1.5**
Other changes											
Liability-related Reclassifications Non-Current to Current	250.0	-	46.0	-	(250.0)	-	(46.0)	-	-	-	-
Right of use liabilities	-	-	11.9	-	-	-	6.1	-	-	-	18.0
Accrued during the year	14.8	16.0	23.5	333.0	-	-	-	-	-	-	387.3
Other changes	2.9	(3.7)	(9.4)	(13.3)	-	-	9.4	-	-	-	(14.1)
Total Liability-related Other changes	**267.7**	**12.3**	**72.0**	**319.7**	**(250.0)**	**-**	**(30.5)**	**-**	**-**	**-**	**391.2**
Total equity related Other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(262.8)**	**(262.8)**
Balance at December 31, 2019	**250.3**	**354.4**	**51.9**	**4,730.5**	**50.0**	**27.5**	**148.1**	**2,743.1**	**(18.7)**	**(4,469.5)**	**3,867.6**

(U.S. dollars in millions)

13. LEASE LIABILITIES

The Company's future minimum lease payments are as follows:

	December 31, 2020				December 31, 2019			
	Direct	Embedded	Right of use Liabilities	Total	Direct	Embedded	Right of use Liabilities	Total
No later than one year	20.0	13.5	12.2	**45.7**	37.9	13.2	11.3	**62.4**
Later than one year and no later than five years	17.5	55.4	16.9	**89.8**	27.3	54.9	7.7	**89.9**
Later than five years	1.2	125.5	-	**126.7**	-	139.4	-	**139.4**
Minimum lease payments	38.7	194.4	29.1	**262.2**	65.2	207.5	19.0	**291.7**
Less future lease charges	(2.6)	(79.3)	(1.7)	**(83.6)**	(3.8)	(86.8)	(1.1)	**(91.7)**
Total lease liabilities	36.1	115.1	27.4	**178.6**	61.4	120.7	17.9	**200.0**
Less current portion lease liabilities	(18.3)	(4.7)	(11.0)	**(34.0)**	(35.5)	(4.5)	(11.9)	**(51.9)**
Non-current lease liabilities	**17.8**	**110.4**	**16.4**	**144.6**	**25.9**	**116.2**	**6.0**	**148.1**

The Company entered into lease agreements to lease various items of mining equipment accounted for as leases. These leases have a term of 84 months and the interest rate is the 90-day Libor rate, adjusted every three months, plus a margin.

The Company, its shareholders and the trustee, Union Bank N.A., entered into an agreement that allowed SG SCM to enter into a leasing transaction above the $75 million limit stated in the common security agreement.

On February 24, 2014, the Company received funding for an amount of $81 million from the sale and leaseback of four shovels with Caterpillar Leasing Chile S.A. (CAT). The CAT leasing transaction has been accounted for as a lease based on a term of 72 months with a fixed rate of interest.

On May 20 and June 24, 2014, the Company received funding for $53 million and $51 million from the sale and leaseback transactions with Banco de Chile and Banco Santander, respectively. These transactions included 21 haul trucks and 53 pieces of mobile support equipment. These have been accounted for as leases based on a term of 84 months with the 6-month Libor rate plus a margin.

In connection with the above transactions, the Company obtained from KGHM S.A., SMM and SC pro-rata guarantees to the lessors.

On February 21, 2020, the Company exercised the purchase option of four shovels with Caterpillar Leasing Chile S.A. (CAT) by $1.6 million.

On June 30, 2020, the Company exercised the purchase option of a front loader, model letourneau L2350, with Banco Santander by $1.0 million.

During the year ended December 31, 2020, the Company exercised the purchase option of six haul trucks with Komatsu Cummins Chile Arrienda by $3.2 million.

The Company agreed to pay guarantee fees calculated at a fixed rate per annum on the amount calculated as an average of the amount outstanding on the first day and last day of the applicable payment period. The guarantee fee is payable every six Months in arrears on October 1 and April 1 each year. The payments of the guarantee fees are deferred in line with the other deferred payments to related parties (Note 17).

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

(U.S. dollars in millions)

13. LEASE LIABILITIES, Continued

On October 6, 2015, the Company received funding for an amount of $21 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, 2015, the Company entered into lease agreements to lease two trucks of $8.6 million from Komatsu.

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 rate fixed margin.

During 2020, the company entered into leases agreements (with purchase option) for an amount of $11 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 payments. Options for extension or termination are the common industry standard.

14. SITE CLOSURE AND RECLAMATION PROVISION

Balance at January 1, 2020	**45.8**
Increase in obligation due to change in FX	4.3
Increase in provision due to change in discount rate	2.4
Unwinding of discount	0.1
Balance at December 31, 2020	**52.6**

Key assumptions used to estimate site closure and reclamation provisions are as follows: Discount rate: 0.19% (December 31, 2019 – 0.56%). Expected closure date of mine according Mine closure plan submitted to SERNAGEOMIN: 2033.

Chilean Law 20,551 on Mine Closure which became effective on November 11, 2012, required the Company to submit an audited mine closure plan no later than two years after the effective date of the Law. On November 11, 2014, in compliance with the regulation, SG SCM submitted the plan to the Chilean mining authorities (SERNAGEOMIN). During 2016, the authorities accepted the mine closure cost. On March 4, 2016, the Company provided the first installment of a financial guarantee of $0.7 million. On March 15, 2018, the SERNAGEOMIN authorized to the Company to extend the financial guarantee up to the closure cost under review. On March 15, 2019, Banco Estado issued a Standby Letter of Credit in order to ensure the integral and timely compliance with the obligation established in Law 20.551 related to the Company closure plan. The abovementioned Standby Letter of Credit was fully secured with a Term Deposit held by the Company amounted to $11.2 million ($8.4 million as at December 31, 2018). On September 2, 2019, the abovementioned term deposit was replaced by guarantees from the Sierra Gorda´s Owners to Banco Estado. The closure cost estimates are subject to change based on amendments to laws and regulations. On April 9, 2020, the Company renewed the guarantee by an amount of $17.3 million (495,115 U.F.). 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.

(U.S. dollars in millions)

15. SHARE CAPITAL

	Number of Shares	Amount
Balance at January 1, 2020	**5,558,000**	**2,743.1**
Contribution by KGHM S.A.	104,500	52.2
Contribution by Sumitomo	85,500	42.8
Balance at December 31, 2020	**5,748,000**	**2,838.1**

On May 28, 2020, KGHM S.A. through KGHMI and Sumitomo subscribed for an additional 190,000 shares of SG SCM, in proportion to their holdings of the Company, for total proceeds of $95.0 million paid on June 1, 2020.

	Number of Shares	Amount
Balance at January 1, 2019	**5,148,000**	**2,538.1**
Contribution by KGHM S.A.	225,500	112.7
Contribution by Sumitomo	184,500	92.3
Balance at December 31, 2019	**5,558,000**	**2,743.1**

16. INCOME TAX BENEFIT

	December 31, 2020	December 31, 2019
Deferred tax assets		
Tax losses	1,229.7	1,162.0
Foreign intercompany liabilities	562.2	470.7
Lease liabilities	48.2	54.0
Reclamation liability	14.2	12.4
Provisions	5.4	5.6
Deferred tax liabilities		
Mineral property, plant and equipment	(71.4)	(26.1)
Start-up costs	(229.5)	(238.6)
Reclamation asset	(10.0)	(8.6)
Others	(13.0)	(1.4)
Subtotal deferred tax asset, net	**1,535.8**	**1,430.0**
Recognised deferred mining tax assets, net	21.2	28.0
Recognised deferred tax assets, net	**1,557.0**	**1,458.0**

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%.

At December 31, 2020, the Company has recognised a Corporate deferred tax asset of $1,557.0 million (December 31, 2019 – $1,458.0 million) where the most significant deductible temporary difference is the accumulated tax losses of $4,970.1 million included (December 31, 2019 – $4,955.6 million). The accumulated tax losses contribute with $1,229.7 (December 31, 2019, $1,162.0 million) over the total deferred tax asset recognised and are net of $112.2 million (December 31, 2019, $176.0 million) per deferred tax asset write off.

Management considers probable that future taxable profits that the Company will generate during the Life of Mine (LOM) will be available to offset almost all accumulated deductible temporary differences as of December 2020, including the tax losses that, according to the management expectation will continue to be available.

(U.S. dollars in millions)

16. INCOME TAX BENEFIT, Continued

Effective tax rate reconciliation	**December 31, 2020**	**December 31, 2019**
Loss before income tax	(154.8)	(336.7)
Current corporate tax rate	27.0%	27.0%
Tax benefit using corporate rate	41.8	90.9
Reversal of deferred tax write-down	63.8	-
Rejected expense penalty tax	(0.1)	-
Current mining tax effect	(0.5)	-
Thin Cap tax effect	(1.8)	-
Deferred mining tax effect	(6.8)	-
Non-deductible tax effect for permanent differences	-	(0.1)
Deferred tax assets not recognised	-	(0.1)
Tax effect of royalty	-	(16.8)
Total adjustments to the benefit for taxes using corporate rate	**54.6**	**(17.0)**
Tax benefit using effective rate	96.4	73.9
Effective tax rate	62.3%	21.9%

	December 31, 2020	**December 31, 2019**
Origination and reversal of temporary differences	96.4	73.9
Total income tax benefit/(expense)	**96.4**	**73.9**

17. RELATED PARTY TRANSACTIONS AND BALANCES

KGHM S.A. and Sumitomo jointly control the Company. 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

	December 31, 2020	**December 31, 2019**
Current Asset		
Sumitomo Metal Mining Co., Ltd. (SMM)	32.8	20.8
Sumitomo Corporation (SC)	3.3	0.7
KGHM Chile SpA (former MEK)	0.8	0.8
Total Current Asset	**36.9**	**22.3**

The current amount due from related parties comprises copper and molybdenum products sales to SMM and SC. Due to changes in the copper price, a positive Mark-to-market adjustment on these intercompany receivables was recognised for \$20.5 million as of December 31, 2020 (December 31, 2019 \$2.2 million positive effect). Due from KGHM Chile SpA is related to reimbursement of various expenditures.

(U.S. dollars in millions)

17. RELATED PARTY TRANSACTIONS AND BALANCE, Continued

Due to related parties

	December 31, 2020	December 31, 2019
Current Liabilities		
KGHM International Ltd. (KGHMI)	20.8	20.8
Sumitomo Metal Mining Chile Ltda.	1.3	1.8
KGHM Chile SpA (former MEK)	0.9	1.8
Sumitomo Corporation Chile Ltda.	0.8	0.3
Sumitomo Corporation (SC)	0.6	-
Inversiones SC Sierra Gorda Ltda.	0.5	0.9
Total Current Liabilities	**24.9**	**25.6**
Non-Current Liabilities		
KGHM Polska Miedz S.A. (KGHM S.A.)	43.5	33.2
Sumitomo Metal Mining Co., Ltd.	41.8	33.9
KGHM International Ltd. (KGHMI)	38.8	55.2
Sumitomo Corporation (SC)	17.9	14.5
Sumitomo Metal Mining Chile Ltda.	0.7	2.1
Sumitomo Corporation Chile Ltda.	0.4	1.3
Inversiones SC Sierra Gorda Ltda.	-	0.4
Total Non-Current Liabilities	**143.1**	**140.6**

Effective July 1, 2013, each of the Sponsors agreed to defer payment of the service fees owing from the Company until January 1, 2015, and these fees were subsequently deferred for further one-year periods until January 1, 2017. SMM and SC are deferring 100% and KGHMI was deferring 50% until the end of 2013 and effective January 1, 2014, KGHMI is deferring 100% of their respective service fees. Effective November 1, 2017, each of the Sponsors and Sierra Gorda entered into an agreement setting out a payment schedule to pay the deferred services fees as well as those additional service fees owned until June 30, 2017 to KGHM International Ltd., KGHM Chile SpA, Sumitomo Metal Mining Chile Limitada, Sumitomo Corporation, Sumitomo Corporation (Chile) Limitada and Inversiones SC Sierra Gorda Limitada. All of the Sponsors have agreed to defer 100% of the Letter of Credit costs and guarantee fees until January 1, 2021. During this period, the services provided and fees earned from these related parties will continue to be accrued in the accounts as incurred. The outstanding services fees bear interest at 0.75% per annum.

The current amount due to KGHMI and its subsidiaries consists of accumulated service fees and reimbursable costs incurred by KGHMI. The non-current portion consists of the deferred portion of the service fee, letter of credit fee and deferred interest.

Effective November 1, 2017 a New Services Agreement was executed by SG SCM and KGHM Chile SpA. It replaced the KGHMI original general Services Agreement. Accordingly, the Company shall incur an obligation to pay services fees to KGHM Chile SpA under the New Service Agreement going forward.

The non-current amount due to KGHM S.A., relates to guarantee fees, and related interest on deferred fees.

The non-current amount due to SMM and SC, relates to deferred services, letter of credit fee and guarantee fees, and related interest on deferred fees. Refer to Note 13 for further information regarding guarantees provided with respect to sale and lease back transactions.

(U.S. dollars in millions)

17. RELATED PARTY TRANSACTIONS AND BALANCE, Continued

As of December 31, 2020 and 2019, the main transactions with related parties are detailed as follows:

			2020		2019	
Company	**Relationship**	**Transaction description**	**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	183.7	(183.7)	183.2	(183.2)
SMM Holland B.V.	JV Partner	Interest Subordinated Loans	105.2	(105.2)	104.9	(104.9)
SC Sierra Gorda Finance B.V.	JV Partner	Interest Subordinated Loans	45.1	(45.1)	44.9	(44.9)
KGHM Polska Miedz S.A.	JV Partner	Interest Guarantee Leasing and STL	10.2	(10.2)	6.5	(6.5)
Sumitomo Metal Mining Chile Ltda.	JV Partner	Service Fee	0.6	(0.6)	1.2	(1.2)
Sumitomo Corporation Chile Ltda.	JV Partner	Service Fee	-	-	0.1	(0.1)
KGHM Chile SpA (former MEK)	JV Partner	Service Fee and miscellaneous	3.9	(3.9)	4.1	(4.1)
DMC Mining Services Chile SPA	JV Partner	Other services	2.0	-	-	-
KGHM International Ltd.	JV Partner	Deferred Interest	4.4	(4.4)	3.9	(3.9)
Sumitomo Metal Mining Arizona, INC. *	JV Partner	Purchase of Molybdenum concentrate	-	-	0.9	(5.1)
SMM Morenci INC. *	JV Partner	Purchase of Molybdenum concentrate	-	-	1.2	(4.4)
Sumitomo Corporation (SC)	JV Partner	Sales of Molybdenum concentrate	33.6	33.6	47.9	47.9
		MTM	1.0	1.0	2.0	(2.0)
		Interest Guarantee Leasing and STL	3.3	(3.3)	2.4	(2.4)
Sumitomo Metal Mining Co. Ltd.	JV Partner	Sales of Copper	261.5	261.5	143.5	143.5
		MTM	17.4	17.4	4.6	4.6
		Sales of Gold	30.1	30.1	20.9	20.9
		Sales of Silver	11.0	11.0	3.5	3.5
		Interest Guarantee Leasing and STL	7.8	(7.8)	5.6	(5.6)
		Deferred Interest	0.1	(0.1)	0.1	(0.1)
KGHM (Quadra FNX Holding Chile Ltda.)	Parent	Capital contribution	52.25	-	112.75	-
Sumitomo (SMM Sierra Gorda Inversiones Ltda.)	Parent	Capital contribution	42.75	-	92.25	-
Bank Gospodarstwa Krajowego	Poland Entity related to KGHM Polska Miedź SA	Working Capital Facility	200.0	-	-	-
		Interest, arrangement and commitment fee	1.5	(1.5)	-	-

(*) Effect on profit or loss is higher than the period purchases of Moly concentrate due to the inventory opening balances.

(U.S. dollars in millions)

17. RELATED PARTY TRANSACTIONS AND BALANCE, 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:

	December 31, 2020	December 31, 2019
Senior Management	9.4	9.6

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

Current Liabilities	**December 31, 2020**	**December 31, 2019**
Mining tax	0.5	-
Total	**0.5**	**-**

Non Current Liabilities	**December 31, 2020**	**December 31, 2019**
Withholding taxes*	94.3	81.0
Total	**94.3**	**81.0**

* The Company recognize the withholding tax related to interest on Senior Project and Subordinated Sponsor Loans during the period, the average withholding tax rate was 4% (December 31, 2019 - 4%).

(U.S. dollars in millions)

19. REVENUE

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Third parties		
Copper	672.3	502.3
Molybdenum	104.5	198.5
By product Gold	74.3	62.6
By product Silver	24.3	11.0
Total Third parties	**875.4**	**774.4**
Related parties		
Copper	282.4	158.4
Molybdenum	33.6	47.9
By product Gold	30.1	20.9
By product Silver	11.0	3.5
Total Related parties	**357.1**	**230.7**
Mark-to-Market	44.0	2.7
Treatment Charges	(66.1)	(60.8)
Total	**1,210.4**	**947.0**

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

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Asia	995.0	766.9
Other	153.7	94.5
Europe	61.7	63.7
North America	-	21.9
Total Revenue	**1,210.4**	**947.0**

(U.S. dollars in millions)

19. REVENUE, Continued

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

Customer	Twelve months ended December 31, 2020		Twelve months ended December 31, 2019	
Sumitomo Metal Mining	320.0	26%	172.5	18%
Freepoint Metals & Concentrates Llc	124.9	10%	-	-
MRI Trading A.G.	104.2	9%	126.6	13%
Cliveden Trading AG	86.6	7%	-	-
Pan Pacific Cooper Co Ltda.	64.1	5%	71.8	8%
Hong Kong Xiangguang International Holdings Limited	62.3	5%	56.6	6%
Trafigura Pte. Ltd.	47.1	4%	60.1	6%
Mitsubishi Materials Corporation	46.9	4%	69.6	7%
Complejo Met. Altonorte Ltda.	41.0	3%	58.9	6%
Hartree Metals Llc	35.4	3%	-	-
Trafigura Chile Ltda	35.6	3%	-	-
Sumitomo Corporation	34.6	3%	45.9	5%
China Minmetals Nonferrous Metals	34.5	3%	-	-
Traxys North America	27.4	2%	43.7	5%
Wogen Resources Ltd	21.7	2%	46.2	5%
Hempel Intermetaux	19.0	2%	38.5	4%
Others	105.1	9%	156.6	17%
	1,210.4	**100%**	**947.0**	**100%**

20. EXPENSES BY NATURE

As of December 31, 2020 and 2019, the costs and expenses by nature are detailed as follows:

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Cost of sales	848.3	783.9
Selling costs	70.8	59.6
General and administrative expenses	38.8	38.2
Total	**957.9**	**881.7**

(U.S. dollars in millions)

20. EXPENSES BY NATURE, Continued

The breakdown of the abovementioned costs and expenses as of December 31, 2020 and 2019, are detailed as follows:

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Depreciation and amortization	374.4	246.9
External services	188.3	208.1
Energy	167.2	165.8
Employee benefits expenses *	95.5	130.2
Materials	91.8	98.6
Replacements Parts	75.9	79.9
Ocean and inland freight	68.1	58.4
Fuel and lubricant	39.6	53.2
Other costs	17.9	16.8
Conversion costs	15.4	21.8
Personnel services	13.8	14.7
Technical obsolescence write-off	5.3	1.7
Service fees	4.6	5.4
Water	2.4	2.3
Change in inventories of finished goods and work in progress	(18.1)	24.0
Expenses capitalized to deferred stripping asset **	(184.2)	(246.1)
Total	**957.9**	**881.7**

* Amount for 2019 includes the collective bargaining expenses by $31.5 million

* * Cash cost of $165.6 for 2020 ($223.1 for 2019) and non-cash cost of $18.6 for 2020 ($23.0 for 2019), refer to Note 8.

21. OTHER INCOME

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Other income	8.3	5.1
Total	**8.3**	**5.1**

22. OTHER EXPENSES

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Other expenses	16.1	6.0
Foreign exchange losses	5.1	3.2
Fixed assets write off	1.8	0.3
Total	**23.0**	**9.5**

(U.S. dollars in millions)

23. FINANCE INCOME

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Interest income	0.5	2.0
Total	**0.5**	**2.0**

24. FINANCE EXPENSES

	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Subordinated sponsors´ loans interest	334.0	333.0
Guarantee fees and interest	25.9	18.5
Other finance cost	20.1	17.3
Lease interest	9.6	12.9
Senior project loans interest	3.5	17.9
Total	**393.1**	**399.6**

25. 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.

25. COMMITMENTS, Continued

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 for the period from July 13, 2013 to December 31, 2034. As part of the agreement, the Sponsors agreed to provide guarantees up to $250 million until the project achieves certain agreed upon production and financial criteria. The agreement also commits the Company to the annual payment of capacity and the fixed charges from May 2016 for approximately $38 to $52 million, subject to certain escalations. On July 18, 2012, the Company entered into a further agreement with the same power provider to provide for the expansion of the Sierra Gorda project. This contract expires on December 31, 2034. Under the terms of the agreement, the Company is obligated to make certain capacity payments ranging from approximately $18 to $24 million per year.

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.

26. 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 Sumitomo). 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.

(U.S. dollars in millions)

27. 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.

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):

	December 31, 2020	**December 31, 2019**
Financial Assets		
Chilean peso	7.7	9.0
Total	**7.7**	**9.0**

	December 31, 2020	**December 31, 2019**
Financial Liabilities		
Chilean peso	140.5	112.8
Total	**140.5**	**112.8**

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.

	December 31, 2020	**December 31, 2019**
Loss (before tax)		
10% appreciation in Chilean peso	(13.3)	(10.4)
Total	**(13.3)**	**(10.4)**

(U.S. dollars in millions)

27. FINANCIAL INSTRUMENTS AND RISKS, Continued

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, 2020 and 2019 to the impact of movements in commodity prices upon unsettled provisionally priced sales is detailed in the following table:

	December 31, 2020 (*)		**December 31, 2019**	
Commodity	**Net exposure – Mlbs**	**Impact on equity and profit of 10% movement in market price (before tax) – USD M**	**Net exposure – Mlbs**	**Impact on equity and profit of 10% movement in market price (before tax) – USD M**
Copper	179.9	61.2	151.7	44.6
Moly	14.3	12.9	13.6	14.4
Total	**194.2**	**74.1**	**165.3**	**59.0**

* The final price of these sales will be determined during the first half year of 2021.

(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, 2020 and 2019, the provisional priced trade receivables was as follows:

	December 31 2020	**December 31, 2019**
Less than 1 month	64.5	40.2
1 to 3 months	5.2	2.7
Greater than 3 months	4.6	6.2
Total Trade Receivables	**74.3**	**49.1**

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

(U.S. dollars in millions)

27. FINANCIAL INSTRUMENTS AND RISKS, Continued

(b) Credit risk, continued

At December 31, 2020 and 2019, the trade receivables by geographic area was as follows:

	December 31, 2020	December 31, 2019
Asia	51.4	34.9
Europe	19.0	3.6
Chile	3.5	7.6
Other	0.4	3.0
Total Trade Receivables	**74.3**	**49.1**

(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, senior project loans interest payable, lease liabilities and short term due to related parties are due within one year. The payment schedule for senior project loans is disclosed in Note 12b). Lease obligations are disclosed in Note 13. Subordinated sponsors' loans are due on December 15, 2024, and are subordinated to the senior project loans. 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.

During the year ended December 31, 2020, the Company incurred an after tax loss of $58.4 million ($262.8 million in 2019), a net current asset deficiency of $355.1 million ($592.3 million in 2019), and a net capital deficiency of $1,708.5 million ($1,745.1 million in 2019). The presence of after tax losses, net current asset deficiency, and net capital deficiency is attributable to an extended period of operational stabilization and subordinated sponsors´ loans accrued interest by $2,262.7 million as at December 31, 2020 ($1,943.4 million as at December 31, 2019) 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 124.000 tons of throughput per day during 2020, and expected to allow a throughput per day of 140.000 from year 2022. The before mentioned represent an increase of 12.7% and finally 27%, respectively from designed 110.000 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 2021 Drilling Program budget has been approved to continue drillings and improve estimation of the Company's reserves and resources, incorporating a Deep drilling program.

Operational Cash Neutral strategy 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 that are one of the most important and prioritized task for the Company.

(U.S. dollars in millions)

27. FINANCIAL INSTRUMENTS AND RISKS, Continued

(c) Liquidity risk, Continued

The Subordinated Debt interest expense for 2020 (Note 12 and Note 24) represents an 85% from the total interest expenses of $393.1 million for the year 2020 (83% of $399.6 million interest expenses for 2019) and it does not constitute cash out flows until December 2024.

During 2020, the Company received capital contributions by $95 million that together with the financing described in the note 12 b) and 12 c), and the good performance for the period allow it finishing the year with a cash balance by $257.0 million and a non-overdue trade receivable of $102.2 million.

Management has assessed that the initial cash and trade receivable balances, as well as the performance budgeted for 2021 (supported by the reliable plant performance in 2020 and the favorable Cu price market expectation for 2021) will be sufficient to meet cash obligations until December 31, 2021. Accordingly, the going concern assumption is still considered appropriate as a basis for preparation of these financial statements.

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

December 31, 2020	**Bank loans and other loans**	**Due to related Parties**	**Lease liabilities**	**Other liabilities**	**Total**
Maturity date					
Less than 1 year	601.6	24.9	34.0	255.0	915.5
Between 1 and 3 years	-	10.0	48.3	-	58.3
Between 3 and 5 years	5,051.3	-	16.1	94.3	5,161.7
More than 5 years	-	133.1	80.2	52.6	265.9
Balance as of December 31, 2020	**5,652.9**	**168.0**	**178.6**	**401.9**	**6,401.4**

December 31, 2019	**Bank loans and other loans**	**Due to related Parties**	**Lease liabilities**	**Other liabilities**	**Total**
Maturity date					
Less than 1 year	604.7	25.6	51.9	223.0	905.2
Between 1 and 3 years	77.5	33.0	49.2	-	159.7
Between 3 and 5 years	-	-	12.7	-	12.7
More than 5 years	4,730.5	107.6	86.2	126.8	5,051.1
Balance as of December 31, 2019	**5,412.7**	**166.2**	**200.0**	**349.8**	**6,128.7**

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.

(U.S. dollars in millions)

27. 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 tables 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 tables below at their carrying amount, which, in general, approximates to their fair value.

December 31, 2020	Note	Amortized cost	Fair Value through profit or loss	Total
Financial assets				
Cash and cash equivalents	5	257.0	-	257.0
Trade receivables	7	-	102.2	102.2
Other receivables	7	28.4	-	28.4
Due from related parties	17	0.8	36.1	36.9
Total financial assets		**286.2**	**138.3**	**424.5**
Non-financial assets				**4,268.4**
Total assets				**4,692.9**
Financial liabilities				
Trade and other payables	10	150.8	-	150.8
Interest bearing liabilities	12	5,652.9	-	5,652.9
Lease liabilities	13	178.6	-	178.6
Due to related parties	17	167.4	0.6	168.0
Total financial liabilities		**6,149.7**	**0.6**	**6,150.3**
Non-financial liabilities				**251.1**
Total liabilities				**6,401.4**

(U.S. dollars in millions)

27. FINANCIAL INSTRUMENTS AND RISKS, Continued

December 31, 2019	Note	Amortized cost	Fair Value through profit or loss	Total
Financial assets				
Cash and cash equivalents	5	88.5	-	88.5
Trade receivables	7	-	51.3	51.3
Other receivables	7	32.4	-	32.4
Due from related parties	17	0.8	21.5	22.3
Total financial assets		**121.7**	**72.8**	**194.5**
Non-financial assets				**4,189.1**
Total assets				**4,383.6**
Financial liabilities				
Trade and other payables	10	120.9	-	120.9
Interest bearing liabilities	12	5,412.9	-	5,412.9
Lease liabilities	13	200.0	-	200.0
Due to related parties	17	166.2	-	166.2
Total financial liabilities		**5,900.0**	**-**	**5,900.0**
Non-financial liabilities				**228.7**
Total liabilities				**6,128.7**

The Company held financial instruments with low credit risk, then the Company assume at the reporting date that no significant increases in credit risk have occurred.

On March 11, 2020, the World Health Organization characterized the 2019 coronavirus disease outbreak ("COVID-19") as a pandemic. In Chile, on March 16, 2020, the Ministry of Health declared COVID-19 in stage 4, which implied a series of measures to contain its spread, and on March 18, 2020, a State of Constitutional Exception of Catastrophe was decreed throughout the national territory.

Even though, as part of the sanitary measures that have been adopted to face this situation, both locally and internationally, which includes, among others, the restriction of movement and the closing of borders, so far, the Company has not been significantly affected in its economic activity.

For the Company´s financial statements year ended December 31, 2020, the COVID-19 outbreak has been a current-year event that required ongoing evaluation to determine the extent to which the outbreak could affect. During the year ended December 31, 2020, the main impact of the outbreak was a drop in the price of copper and molybdenum for the first months of the outbreak, however, the Cu price started to go up in the following months. Due to the volatility in world metal demand and prices as of this date, it is not possible to estimate the potential impacts that the development of this situation could have in the future.

28. SUBSEQUENT EVENTS

No significant events have occurred subsequent to December 31, 2020, which might affect the amounts and/or disclosures included in these financial statements.