

Abril 28, 2020

Señor

Joaquín Cortez Huerta

Presidente Comisión para el Mercado Financiero (CMF)

Presente

De nuestra consideración:

Conforme a lo establecido por el artículo 11 ter del Decreto Ley 600 de 1974, adjuntamos a la presente los Estados Financieros auditados de Minera Escondida Limitada al 31 de Diciembre de 2019 y 2018, los cuales comprenden detalladamente lo siguiente:

1. Declaración Jurada de veracidad de la información incorporada.
2. Estados de Situación Financiera.
3. Estados de Resultados Integrales.
4. Estados de Flujos de Efectivo.
5. Estados de Cambios en el Patrimonio Neto.
6. Notas a los Estados Financieros.

Muy cordialmente,



Mauro Neves
Asset president
Minera Escondida Limitada

Abril 28, 2020

DECLARACION JURADA DE RESPONSABILIDAD

En conformidad a lo establecido por la Resolución N° 549 de fecha 23 de Septiembre de 2005, modificada por Resolución N° 039 de fecha 03 de febrero de 2006, ambas dictadas por la Comisión para el Mercado Financiero (CMF), los ejecutivos abajo firmantes declaramos bajo juramenta nuestra responsabilidad por la veracidad de toda la información incorporada en los Estados Financieros auditados que se adjuntan y que dan cuenta de la situación financiera y económica de nuestra representada Minera Escondida Limitada al 31 de Diciembre de 2019 y 2018, los cuales comprenden detalladamente:

1. Estados de Resultados Integrales.
2. Estados de Situación Financiera.
3. Estados de Flujos de Efectivo.
4. Estados de Cambios en el Patrimonio Neto.
5. Notas a los Estados Financieros.



Mauro Neves
Asset president
Minera Escondida Limitada

Cerro El Plomo 6000 – Teléfono 56 2 579 5990-Las Condes-Santiago-Chile

Consolidated Financial Statements

MINERA ESCONDIDA LIMITADA

Santiago, Chile

As of December 31, 2019 and 2018

Minera Escondida Limitada

**Consolidated Financial Statements for
The Years ended December 31, 2019 and 2018**





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

Tel: +56 (2) 2676 1000
www.eychile.cl

Report of the Independent Auditor

To the Shareholders and Directors of
Minera Escondida Limitada

We have audited the accompanying consolidated financial statements of Minera Escondida Limitada and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of comprehensive income, the statements of changes in equity and of cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.



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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minera Escondida Limitada and subsidiaries as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report of Other Auditors on December 31, 2018 Consolidated Financial Statements

The consolidated financial statements of Minera Escondida Limitada and subsidiaries for the year ended December 31, 2018, were audited by other auditors who expressed an unmodified opinion on those statements on April 26, 2019.

A handwritten signature in blue ink, appearing to read 'Oscar Gálvez R.', with a large, stylized flourish above the name.

Oscar Gálvez R.
EY Audit SpA

Santiago, Chile
April 28, 2020

Contents

Consolidated Financial Statement of Profit or Loss and Other Comprehensive Income
Consolidated Financial Statement of Financial Position
Consolidated Financial Statement of Cash Flows, indirect method
Consolidated Financial Statement of Changes in Members' Equity
Notes to the Consolidated Financial Statements

US\$'000 : Thousands of United States dollars

Ch\$: Chilean pesos

Table of Contents

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF CASH FLOWS, INDIRECT METHOD	3
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY	4
1 Reporting Entity	5
2 Accounting policies	6
2.1 Basis of preparation	6
2.2 Significant accounting policies	9
2.3 New Accounting Pronouncements	20
3 Revenue	23
4 Other income	23
5 Costs, excluding net finance costs	23
6 Net finance costs	24
7 Income tax expense and deferred taxes	25
8 Trade and other receivables	27
9 Receivables and payables due to/from related parties	27
10 Transactions with related parties	29
11 Inventories	30
12 Property, plant and equipment	31
13 Trade and other payables	32
14 Bank loans and other loans	32
15 Provisions	35
16 Equity	36
17 Contingencies	37
18 Commitments	38
19 Cash and cash equivalents	38
20 Financial risk management	39
21 Compensation of key management personnel	46
22 Guarantees	47
23 Subsequent events	47

Consolidated Financial Statements

MINERA ESCONDIDA LIMITADA

Santiago, Chile

As of December 31, 2019 and 2018

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	2019 US\$'000	2018 US\$'000
Revenue	3	7,120,196	7,573,690
Other income	4	36,096	21,341
Costs, excluding net finance costs	5	(5,372,538)	(4,954,980)
Operating profit		1,783,754	2,640,051
Finance income		8,916	12,987
Finance costs		(167,477)	(173,490)
Net finance costs	6	(158,561)	(160,503)
Profit before taxes		1,625,193	2,479,548
Income tax expenses		(449,644)	(693,763)
Income tax expenses - tax on the mining activity (net of any tax exemptions)		(59,419)	(99,881)
Income tax expense	7 a)	(509,063)	(793,644)
Profit for the year		1,116,130	1,685,904
Other comprehensive income:			
(Losses)/Gains taken to equity including actuarial losses		(16,740)	3,646
Related tax		5,150	1,816
Items that will not be subsequently reclassified to profit or loss		(11,590)	5,462
Other comprehensive (loss)/gains income		(11,590)	5,462
Total comprehensive income		1,104,540	1,691,366

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

Consolidated Statement of Financial Position

	Note	2019 US\$'000	2018 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	19	578,043	706,450
Trade and other receivables	8	656,885	480,957
Trade receivables due from related parties	9	39,533	38,222
Inventories	11	929,259	1,148,964
Other		24,663	47,761
Total current assets		2,228,383	2,422,354
Non-current assets			
Trade and other receivables	8	49,463	56,172
Inventories	11	356,765	362,912
Property, plant and equipment	12	11,563,495	12,565,305
Intangible assets		17,432	-
Right of use assets	12	454,223	-
Total non-current assets		12,441,378	12,984,389
Total assets		14,669,761	15,406,743
LIABILITIES			
Current liabilities			
Trade and other payables	13	750,520	813,416
Trade payables due to related parties	9	131,816	222,525
Bank and other loans	14	808,104	230,671
Other financial liabilities		-	711
Current tax liabilities	7 d)	27,145	181,079
Provisions	15	66,473	96,325
Deferred income		18,369	85,714
Total current liabilities		1,802,427	1,630,441
Non-current liabilities			
Trade and other payables	13	140	203
Trade payables due to related parties	9	-	47,869
Bank and other loans	14	2,379,237	2,762,109
Deferred tax liabilities	7 c)	1,114,261	1,158,110
Provisions	15	1,135,736	454,591
Total non-current liabilities		4,629,374	4,422,882
Total liabilities		6,431,801	6,053,323
Net assets		8,237,960	9,353,420
MEMBERS' EQUITY			
Paid-in capital	16	931,242	931,242
Reserves		(8,546)	3,044
Retained earnings		7,315,264	8,419,134
Total members' equity		8,237,960	9,353,420

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

Consolidated Statement of Cash Flows

Indirect method	Note	2019 US\$'000	2018 US\$'000
Cash flows provided by operating activities			
Profit before taxes		1,625,193	2,479,548
Adjustments for:			
Depreciation and amortisation	12	1,176,000	1,310,577
Impairment of property, plant and equipment	12	-	(380)
Net finance costs	6	158,561	160,503
Other		524,457	408,234
Changes in assets and liabilities:			
Trade and other receivables		(146,705)	200,333
Inventories		225,851	309,094
Trade and other payables		(107,447)	69,102
Other net assets and liabilities		-	(403)
Provisions and other liabilities		554,609	63,272
Cash provided by operating activities		4,010,519	4,999,880
Interest received	14	8,989	12,835
Interest paid	14	(172,650)	(159,206)
Tax refunded		32,894	37,735
Income tax paid		(628,353)	(631,712)
Taxes paid - royalty (specific tax on the mining activity)		(118,657)	(49,131)
Net cash provided by operating activities		3,132,742	4,210,401
Acquisition of property, plant and equipment		(1,081,499)	(1,006,493)
(Losses)/Proceeds from sale of assets		(264)	1,600
Net cash used in investing activities		(1,081,763)	(1,004,893)
Proceeds from bank loans	14	400,000	150,000
Repayment of bank loans	14	(368,357)	(485,705)
Other movements in equity balances		-	(587)
Dividends paid	16	(2,220,000)	(2,620,000)
Net cash used in financing activities		(2,188,357)	(2,956,292)
Net (decrease)/increase in cash and cash equivalents		(137,378)	249,216
Cash and cash equivalents as of January 1		706,450	459,262
Effects of movements in exchange rates on cash held		8,971	(2,028)
Cash and cash equivalents	19	578,043	706,450

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

Consolidated Statement of Changes in Members' Equity

	Note	Paid-in capital US\$'000	Retained earnings US\$'000	Reserves US\$'000	Total Equity US\$'000
Opening balance as of January 1, 2019	16	931,242	8,419,134	3,044	9,353,420
Total comprehensive income		-	1,116,130	-	1,116,130
Gains/ (losses) taken to equity including actuarial losses		-	-	(16,740)	(16,740)
Tax recognised on pension and medical schemes		-	-	5,150	5,150
Dividends/Distributions	16	-	(2,220,000)	-	(2,220,000)
Ending balance as of December 31, 2019	16	931,242	7,315,264	(8,546)	8,237,960
Opening balance as of January 1, 2018	16	931,242	9,353,230	(2,418)	10,282,054
Total comprehensive income		-	1,685,904	-	1,685,904
Gains/ (losses) taken to equity including actuarial losses		-	-	3,646	3,646
Tax recognised on pension and medical schemes		-	-	1,816	1,816
Dividends/Distributions	16	-	(2,620,000)	-	(2,620,000)
Ending balance as of December 31, 2018	16	931,242	8,419,134	3,044	9,353,420

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

1 Reporting Entity

Minera Escondida Limitada (the “Company” or “Escondida”) is registered with the Registry of Entities Subject to Specific Tax on the Mining Activity of the Financial Market Commission (CMF), in conformity with Exempt Resolution No. 618 of this Superintendencia, which cancelled the registration with the Registry of Reporting Entities on December 15, 2011.

The Company was incorporated through a public deed on August 14, 1985 as a limited liability partnership. Its legal address is located at Cerro El Plomo N°6000, 18th floor in the city of Las Condes, Santiago, Chile and has the Taxpayer ID No. 79.587.210-8.

The Company is a mining company operated by BHP and is engaged in the exploration, extraction, processing and marketing of mineral resources. The Company is currently exploiting two pits of copper ore bodies located in the Second Region of the Republic of Chile, 170 kilometers southeast of the city of Antofagasta at an altitude of 3,100 meters above sea level. The Company produces copper concentrates and copper cathodes through its open-pit mining operation and cathode and concentrates treatment plants at the mine site. Concentrate also includes gold and silver. Concentrate is transported by pipeline to the port facility in Coloso, near Antofagasta where it is filtered and shipped to customers. Copper cathodes are produced at an oxide and sulphide plant, a heap leaching and electro winning facility, located at the mine site. Copper cathodes are transported by rail to the port of Antofagasta for shipment to customers.

As of December 31, 2019 and 2018, the members are as follows:

Direct Owner	Parent	Ownership	
		2019 %	2018 %
BHP Escondida Inc.	BHP Billiton Limited	57.5	57.5
Río Tinto Escondida Limited	Río Tinto PLC	30	30
JECO Corporation	Mitsubishi Corporation 70%, JX Nippon Mining & Metals Corporation 20%, Mitsubishi Materials Corporation 10%	10	10
JECO 2 Ltd.	Mitsubishi Corporation 50%, JX Nippon Mining & Metals Corporation 40%, Mitsubishi Materials Corporation 10%.	2.5	2.5
Total		100	100

2 Accounting policies

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements are presented in thousands of United States dollars (USD) and are based on the accounting records maintained by the Group, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Group has adopted new accounting pronouncements and amendments effective on January 1, 2019. Note 2 to the financial statements includes the effects of adopting these new accounting pronouncements and amendments for all the periods presented, including the nature and effects of significant changes in accounting policies. These consolidated financial statements comprise the Company and its subsidiaries, collectively referred to as the Group.

b) Management's responsibility

These consolidated financial statements fairly reflect the Group's financial position as of December 31, 2019 and 2018, and the results of its operations, changes in members' equity and cash flows for the years ended December 31, 2019 and 2018.

The information contained in these consolidated financial statements is the responsibility of the Company's Management, who expressly indicate an explicit and unreserved statement of compliance with all principles and criteria included in IFRS. The financial statements have been authorized by the Company's President on April 25th, 2020.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the valuation of certain financial assets and liabilities (including derivative instruments), which are measured at fair value.

d) Functional and presentation currency

These financial statements are presented in USD, which is the Group's functional currency. All financial information presented in USD has been rounded to the nearest thousand dollars. The Company maintains accounting records in USD as authorized by the Company's Foreign Investment Contract with the Chilean government. Transactions in other currencies are recorded at actual rates of the transaction date. Year-end balances in foreign currencies are translated into USD at the applicable closing exchange rate (748.74).

e) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make a number of estimates and judgments relating to the reported assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods. The key areas of estimates and judgments are as follows:

i. The capitalization of property, plant and equipment and project costs

Mineral property development costs are capitalized as part of property, plant and equipment in the period in which they are incurred, to the extent that the project is considered to be economically viable. Management reviews capitalized amounts to ensure that the treatment of such expenditure is reasonable, in particular, with respect to each project's commercial viability.

2 Accounting policies, continued

2.1 Basis of preparation, continued

e) Use of estimates and judgments, continued

i. The capitalization of property, plant and equipment and project costs, continued

Usually a project is considered to be commercially viable when it has completed its pre-viability study and the commencement of a viability stage has been approved.

ii. Useful lives of property, plant and equipment and mineral reserve estimates

Mining property, including capitalized finance costs, are depreciated proportionally to the volume of copper extracted during the period, compared with total proven reserves and probable reserves at the beginning of the fiscal year. Several inherent uncertainties exist when estimating ore reserves and applicable assumptions may change when new information becomes available.

This includes assumptions on ore grade estimates and cut-off grade, recovery rates, commodity prices, exchange rates, production costs, capital investments, processing and rehabilitation costs and discount rates.

Reserve estimates may change from period to period because economic assumptions used to estimate reserves may change and as additional geological data is generated during the course of operations. Changes in reported reserves may affect the Company's financial performance and financial position in a number of ways, including the following:

- Recoverable amounts of assets may be affected by changes in estimated future cash flows.
- Depreciation and amortization expense recognized for the period may change for changes recognized on units of production basis or when the useful lives of assets change.
- Stripping costs capitalized in the statement of financial position or recognized in the statement of profit or loss and other comprehensive income may change due to changes in the stripping cost ratios or units of production that are the basis for depreciation.
- The provision for restoration and rehabilitation may change where changes in estimated reserves affects expectations on the period of rehabilitation or cost of such activities.
- The carrying amount of deferred tax assets may change due to changes in estimates of the probability of utilizing tax benefits.

iii. Impairment of assets

The Company reviews the carrying amount of property, plant and equipment to determine whether there is objective evidence that such assets may be impaired. This requires determination of recoverable amount of the relevant asset. In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future post-tax cash flows. These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each reporting date. The estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, tax attributes and discount rates.

2 Accounting policies, continued

2.1 Basis of preparation, continued

e) Use of estimates and judgments, continued

iv. Provisions for restoration and rehabilitation costs

The Company establishes a provision, based on the net present values, of dismantling and rehabilitation costs when an obligation arises after the development or during production of a mining property. The provision is based on a closure plan prepared with the assistance of external advisors. Management uses its best estimate to determine and amortize such estimated costs over the life of the mine (for capitalized dismantling costs). Final dismantling and rehabilitation costs are uncertain and cost estimates may change as a result of many factors, including changes in legal requirements, the development of new restoration techniques or experience in other mine sites.

The expected timing and extension of expenses may also change; e.g., as a result of changes in reserves or mineral processing levels. Consequently, there might be significant adjustments to the provisions established that may affect future financial performance.

v. Deferred taxes

Judgment is also required in assessing whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation and its interaction with income tax accounting principles. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss and other comprehensive income.

vi. Basis of Copper Price Estimates

Inventory net realizable value adjustments are calculated based on the estimated selling price less the estimated costs of completion and sale. Any write-down of inventories to net realizable value is recognized as an expense in the period in which the write-down occurs.

In addition, for certain purchase and sales contracts, the contract price is determined on a provisional basis at the date of sale/purchase and adjustments to the sale/purchase price subsequently occur based on movements in quoted market or contractual prices up to the date of final pricing.

Estimated copper price used for the inventory net realizable value assessment and for provisional pricing adjustments are based on an estimated forward price curve. This forward curve is based on the forecasted market price from the last day of the month.

Subsequent changes to the market price on eventual sale of inventory or finalization of provisionally priced contracts will affect the adjustment recognized.

2 Accounting policies, continued

2.1 Basis of preparation, continued

e) Use of estimates and judgments, continued

vii. Copper leach inventories

The valuation of inventory work in progress for the leaching process requires estimation of recoverable copper. This estimation involves determining volumes to be recovered from accumulations of mined ore and the period of recovery. This estimate is calculated by engineers using available industry, engineering and scientific data.

Actual volumes of copper recovered during the leaching process may therefore differ to the estimated copper recovery used in the valuation of inventory work in progress. In addition, any subsequent changes to the methods used in extracting copper through the leaching process may affect the copper recovery assumptions resulting in a change in the inventory work in progress volumes and weighted average unit costs.

f) Basis of consolidation

Subsidiaries are entities controlled by the Company. An entity controls another entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Set out below is a list of entities forming part of the consolidated group:

Company	Taxpayer ID No.	Country	Ownership %
Minera Escondida Limitada (Parent)	79.587.210-8	Chile	100
Fundación Minera Escondida	73.297.300-1	Chile	100
Fundación Educacional Escondida y filial	74.191.400-K	Chile	100
Kelti S.A.	76.454.918-K	Chile	99

2.2 Significant accounting policies

The accounting policies set out below have been consistently applied to all the periods presented in these consolidated financial statements. This is the first year application of the new standards and refer to the related disclosure note of change of policy because IFRS 16 and 23 adoption.

a) Inventories

Inventories – raw materials for production (including stockpile inventory), copper concentrate and copper cathodes are valued at the lower of cost and net realizable value. Mining and milling costs and non cash costs are included in the value of inventories, as well as the allocated costs of central maintenance and engineering and the on-site general and administrative costs including all essential infrastructure support.

Stockpile costs are determined using the weighted average cost method.

Materials and supplies are also valued at the lower of average cost and estimated net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion and selling expenses.

Inventories classified as non-current are related with the sulphide leach pad material and they are not expected to be utilized or sold within 12 months after the reporting date.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

b) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment charges. Cost includes expenditures that are directly attributable to the acquisition of the asset and capitalized interest incurred during the construction and development period and during subsequent expansion periods.

The cost of self-constructed assets includes the cost of materials and direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use by management, the costs of dismantling and removing the items and restoring the site on which they are located and interest on borrowing costs for qualifying assets are also included. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in the statement of profit or loss and other comprehensive income.

c) Depreciation

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date of commissioning for those assets that are depreciated on a units of production basis; while for those assets that apply the straight line method of depreciation, depreciation commences when they are available for use.

Plant and equipment that in general have a useful life of less than 12 years or that are depreciated on a straight-line basis can be depreciated over their respective useful lives. Plant and equipment that have a useful life greater than 12 years are depreciated on a units of production basis over the useful life of proven and probable mineral reserves.

Mine development is depreciated on a units-of-production basis over the life of the proven and probable mineral reserves. Land is not subject to depreciation.

Changes in estimates are accounted for over the estimated remaining economic life or the remaining commercial reserves of the mine as applicable.

Total depreciation and amortization for the years ended December 31, 2019 and 2018 is included as a cost of the production of inventories.

Expenditures for replacements and improvements are capitalized when the asset's standard of performance is significantly enhanced or the expenditure represents a replacement of a component of an overall tangible fixed asset which has been separately depreciated.

The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives indicated below.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

c) Depreciation, continued

Categories	Useful life
Buildings	10-25 years
Plant and equipment	Up to 12 years; useful life greater than 12 is based on reserves on a units of production basis
Land	Not depreciated
Capitalized exploration, evaluation and development expenditure	Based on applicable mineral reserves on a unit of production basis
Overburden removal costs	Based on applicable mineral reserves on a unit of production basis of the relevant item
Right of use assets	Based on term of lease or economic useful life of leased asset on average 15 years

d) Impairment of assets

i. Financial assets (including receivables)

A provision for expected credit losses is recognised for all financial assets held at amortised cost, loan commitments and financial guarantees not measured at fair value through profit or loss and lease receivables.

As permitted by IFRS 9, the Group applies the 'simplified approach' to trade receivable balances and the general approach' to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The review includes assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements, for example, letters of credit.

In calculating the provision the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

A provision with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. Losses are recognized in profit or loss and presented in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

d) Impairment of assets, continued

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at least annually to determine whether there is any indication of impairment. If any indication of impairment exists, the asset's recoverable amount is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount.

The Company conducts an internal review of asset values which is used as a source of information to assess whether there are any indicators of impairment. External factors such as changes in expected future processes, commodity price, costs and other market factors are also monitored to assess for indicators of impairment.

The recoverable amount is the greater of its value in use and its fair value less direct costs to sell.

The fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion projects, and its eventual disposal, using assumptions that an independent market participant may take into account.

These cash flows are discounted by an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset by the Group in its present form and its eventual disposal. Value in use (VIU) is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value less cost of disposal (FVLCD) and consequently the VIU calculation is likely to give a different result (usually lower) to a FVLCD calculation.

In testing for indicators of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units (CGU). Cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumptions	Basis
Future production	Proved and probable reserves and, in certain cases, expansion projects.
Commodity prices	Forward market and contract prices, and longer-term price protocol estimates.
Exchange rates	Current (forward) market exchange rates.
Discount rates	Cost of capital risk adjusted for the risk specific to the asset.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

e) Income taxes and deferred income taxes

Income tax expense consists of current and deferred income taxes. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided using the balance sheet method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at period end.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Specific tax on 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 governmental authority and the amount payable is calculated considering the revenue derived (net of any allowable deductions) after the adjustment for items comprising temporary differences. For Chile specific tax on mining activity, current and deferred tax is determined 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 recognized as current provisions and included in expenses.

f) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i. Restoration and rehabilitation

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation.

The extent of work required, and the associated costs are dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of the closure and rehabilitation program are recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision.

Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Expenditures may occur before and after closure and can continue for an extended period of time depending on closure and rehabilitation requirements. The majority of the expenditure is expected to be settled within a period of 71 years from the reporting date.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

f) Provisions, continued

i. Restoration and rehabilitation, continued

Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for the Company. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, Company environmental policies which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and rehabilitation activities is recognized in property, plant and equipment and depreciated accordingly. The amount of the provision is progressively increased over time in accordance with the effects of discounting, generating an expense that is recognized in finance costs.

Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost. Changes to the capitalized cost result in an adjustment to future depreciation and financial charges. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgments and estimates involved. Factors influencing those changes include:

- Revisions to estimated reserves, resources and lives of operations;
- Developments in technology;
- Regulatory requirements and environmental management strategies;
- Changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and
- Movements in interest rates affecting the discount rate applied.

g) Provisions for post-retirement employee benefits

Severance indemnity payments - The Group has an agreement with its employees which establishes the payment of severance indemnities on termination of employment. This is calculated on the basis of one month per year of service and is subject to a maximum limit in the amount of years of service. The Group records a provision on the basis of the best estimate of the severance indemnity that the Group has to pay.

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

h) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions (748.74). Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are directly recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

i) Financial instruments

i. Non-derivative financial assets

The Group initially recognizes financial assets at amortised cost on the date that they originate. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual arrangements.

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are substantially transferred. Any interest in transferred financial assets that are created or retained by the Group are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii. Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All financial liabilities at fair value through profit or loss are recognized initially on the trade date at which the Group becomes a party to the contractual arrangements.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Trade and other payables

Such financial liabilities are recognized initially at fair value. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method. Items presented in the statement of financial position as current liabilities have a maturity less than 12 months.

Interest-bearing loans

Such financial liabilities are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost.

Any difference between funds obtained (net of costs required for obtaining funds) and the reimbursement amount is recognized in the statement of profit or loss and other comprehensive income during the life of the debt using the effective interest rate method.

Such liabilities are classified within current liabilities and non-current liabilities based on the contractual expiration date of nominal capital.

The Group has the following non-derivative financial liabilities: loans and trade and other payables.

Subsequent to initial recognition these financial liabilities are measured at amortized cost.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

i) Financial instruments, continued

iii. Derivative financial instruments

The Group accounts for derivatives and does not apply hedge accounting in accordance with IFRS 9, Financial Instruments. Derivative instruments are recorded on the statement of financial position at their respective fair value.

Derivatives are initially recognized at fair value on the date the contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss arising from changes in the fair value of the new measurement is recognized immediately in the statement of profit or loss and other comprehensive income.

The Group usually enters into sales contracts at the average annual London Metal Exchange (LME) price recognized with a one month time lag for cathodes and three to four month time lag for concentrates, for all tons of copper shipped in a given calendar year.

In the case where copper is sold with a different quotation period than our targeted standard price, derivative financial instruments are entered into to achieve the average sales price and timing described above. Changes in the fair value of these financial instruments are recognized immediately in the statement of profit or loss and other comprehensive income.

iv. Fair value and classification

(a) Derivatives - The fair value of forward sales contracts is based on their quoted market price. Such fair value reflects the credit risk of the instrument and includes the adjustments of the Company's and counterparty's credit risk, where applicable.

In consideration of the aforementioned procedures the different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

j) Revenue recognition

The Group generates revenue from the production and sale of copper cathodes and concentrate. Revenue is recognised when control of the promised goods or services pass to the customer. In most instances, control passes when the goods are delivered to a destination specified by the customer, which is typically on board the customer's appointed vessel. The amount of revenue recognised reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

A significant proportion of the Group's goods are sold on Cost, Insurance and Freight (CIF) Incoterms, where the Company is required to provide freight and shipping services after the date at which the goods have transferred to the customer. The Group has a separate performance obligation for freight and shipping services.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

j) Revenue recognition, continued

Contracts in place between the Group and its customers include a range of terms and pricing mechanisms. Where the Group's sales are provisionally priced, the final price depends on future index prices. Final prices are normally determined between 30 to 180 days after delivery of the goods. The amount of revenue initially recognised is based on the relevant forward market price. Adjustments between the provisional and final price are accounted for under IFRS 9 Financial Instruments and recognised in revenue. Provisional pricing adjustments are separately disclosed in the notes to the financial statements as other revenue.

Revenue excludes any applicable sales taxes and royalties.

Revenue from the sale of significant by-products is included within revenue. Where a by-product is not significant, revenue is credited against costs.

A receivable is recognised when the goods are delivered, as this is the point in time when the consideration is unconditional. Cash received before control of the promised goods or services passes to the customer is recognised as deferred income. The Group does not have any contracts where the period between the transfer of the promised goods or services and payment by the customer is expected to exceed one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has several long-term contracts in place to provide goods to customers in future periods. Revenue on these contracts is generally recognised on an as invoiced basis, reflecting the Group's right to consideration from the customer which corresponds directly with the Group's performance completed to date.

The Group applies the practical expedient in IFRS 15 Revenue paragraph 121 to not disclose information on the transaction price allocated to performance obligations that are unsatisfied.

k) Overburden removal costs

The overburden and other mine waste materials removal process to improve access to ore bodies is referred to as stripping. In surface mining, stripping costs are recognized separately for each component of an ore body. A component is a specific section of an ore body to which access can be improved because of the stripping activity. The identification of components depends on the mine plan, which comprises separate phases identified in the plan.

Two classes of stripping activities exist:

- Development stripping costs: refers to the removal of the initial waste to improve access to an ore body that will be exploited commercially.
- Production stripping costs: refer to the removal of waste during the normal course of the production activities. Production stripping costs start after the first ore has been extracted from the component.

Stripping development costs are capitalized as stripping activity asset, when:

- It is probable that future economic benefit associated with the stripping activity will flow to the company; and
- Costs can be measured reliably.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

k) Overburden removal costs, continued

Deferred stripping costs may give rise to two types of benefits accruing to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the entity shall account for the costs of that stripping activity as an inventory cost. To the extent that the benefit is improved access to ore, the entity shall recognize these costs as a non-current asset for deferred stripping costs if the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Deferred stripping costs are classified between inventory produced and the stripping activity asset by using the stripping ore ratio. When the current ratio of stripping ore is greater than the estimated useful life of a mine, a portion of stripping costs is capitalized to the stripping activity asset.

Stripping activity assets and deferred stripping costs are amortized using the units of production method based on proved and probable reserves of relevant components. Stripping activity assets are classified within "Other Mining Assets" in property, plants and equipment.

l) Exploration and evaluation expenses

Exploration and evaluation activity involves the search for mineral and water resources, the determination of technical feasibility and the assessment of commercial feasibility of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data.
- Gathering exploration data through topographical, geochemical and geophysical studies.
- Exploratory drilling, trenching and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and financial feasibility studies.

Administration costs that are not directly attributable to a specific exploration area are recognized in profit or loss as incurred. License costs paid in connection with a right to explore in an existing exploration area are recognized in profit and loss. Exploration and evaluation expenditure (including amortization of capitalized license costs) is recognized in profit or loss as incurred, except where the existence of a commercially viable mineral deposit has been established.

Cash flows associated with exploration and evaluation expenses which have been disbursed are classified under operating activities in the statement of cash flows.

2 Accounting policies, continued

2.2 Significant accounting policies, continued

m) Development expenditure

When proved reserves are determined and development is authorized, capitalized exploration and evaluation expenditure is reclassified to 'construction in progress', and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalized and classified as construction in progress. Development expenditure is recorded net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in 'construction in progress' are reclassified as either 'plant and equipment' or 'other mining assets' in case of deferred stripping.

n) Finance income and finance costs

Finance income comprises interest income on cash and cash equivalents. Interest income is recognized as it accrues in profit or loss. Finance costs comprise interest expense on borrowings, the unwinding of the discount rate on provisions, impairment losses recognized for financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

Finance costs are in general accounted for as and when accrued except when they refer to the financing of the construction or development of qualifying assets, such costs are capitalized up to the date in which the asset is ready for its intended use. Qualifying assets are assets that require a substantial period of time to be ready for their intended use in the future. Capitalized expenditures (before the impact of taxes) for the period are determined by applying the interest rate applicable to loans outstanding during the period for average capitalized expenditure for qualifying assets during the period.

o) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. This process may require the analysis of geological information which is complex and difficult to interpret.

p) Comparatives and reclassifications

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

2 Accounting policies, continued

2.3 New Accounting Pronouncements

i) Recent accounting pronouncements

The accounting policies applied in these consolidated financial statements have been applied on a consistent basis as those applied in the Company's consolidated financial statements as at 31 December 2018, with the exception of the following new accounting standards and interpretations which became effective from 1 January 2019:

- IFRS 16 'Leases' which is a replacement IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.'; and
- IFRIC 23 'Uncertainty over Income Tax Treatments'

The impact of adopting other minor changes to IFRS applicable from 1 January 2019 did not have a significant impact on the Company's financial statements.

IFRS 16 – Leases

IFRS 16 Leases, replaces existing leases guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC - 15 'Operating Leases' and SIC - 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Therefore, the main impact is an increase in assets and the financial debt. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right of use and interest expense on lease liabilities.

The Group has elected to apply the modified retrospective transition approach, with no restatement of comparative financial information. For existing finance leases, the right of use asset and lease liability on transition will be the IAS 17 carrying amounts as at 31 December 2018.

As allowed by the standard, the Group has elected:

- Except for existing finance leases, to measure the right of use asset on transition at an amount equal to the lease liability
- Not to recognise low-value or short term leases on the balance sheet, with short term leases being those with a lease term, including reasonably certain extension options, of less than 12 months. Costs for these lease arrangements will continue to be expensed
- To only recognise, within the lease liability, the lease component of contracts that include non-lease components and other services;
- To reflect the impairment of right of use assets on transition by adjusting their carrying amounts for onerous lease provisions recognised on the Group balance sheet as at 31 December 2018.

The application of IFRS 16 requires certain significant judgements, estimates and assumptions including whether the Group controls the right to direct the use of assets in certain contractual arrangements, the likelihood of extension and termination options being exercised, the separation and estimation of non-lease components of payments, the identification and valuation of in-substance fixed payments and the determination of the incremental borrowing rate relevant in calculating lease liabilities.

On the transition date of January 1, 2019, the Group recognised additional leases on its consolidated balance sheet, which increased the debt and non-current asset balances by an amount of US\$47,662 thousand.

2 Accounting policies, continued

2.3 New Accounting Pronouncements, continued

i) Recent accounting pronouncements, continued

IFRS 16 – Leases, continued

Leases presented in consolidated balance sheet as of December 31, 2019

US\$'000	
Lease right of use assets (included in property plant and equipment)	454,223
Short term lease liability (included in bank and other loans)	35,651
Long term lease liability (included in bank and other loans)	457,436
Total Lease liabilities	493,087

The future minimum payments for Leases presented in the consolidated balance sheets as December 31, 2019

US\$'000	IFRS 16	Previous Finance Lease	Total
Expiring over the next 12 months	11,069	59,556	70,636
Expiring between 1 and 2 years	5,425	59,566	64,991
Expiring between 2 and 3 years	3,912	59,566	63,479
Expiring between 3 and 4 years	3,020	59,566	62,587
Expiring between 4 and 5 years	784	59,566	60,350
Expiring in more than 5 years	539	422,607	423,145
Total Payment	24,750	720,439	745,188
Less amount representing interest	(1,267)	(250,834)	(252,101)
Present value of net minimum lease payments	23,482	469,605	493,087
Less current portion	10,475	25,176	35,651
Long term portion	13,007	444,429	457,436

IFRIC 23 – Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies that are outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- If an entity considers the treatment of uncertain tax positions separately
- The assumptions an entity makes about the tax authorities' assessment of tax treatments
- How an entity determines taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company must determine whether to consider each treatment of an uncertain tax position separately or together with one or more treatments of uncertain tax positions. Should take approach that best predicts the uncertainty solution.

New and amended accounting standards and interpretations issued but not yet effective

Certain new standards, amendments and interpretations have been issued but their application date is not yet effective and the Group does not plan to early adopt these standards.

2 Accounting policies, continued

2.3 New Accounting Pronouncements, continued

i) Recent accounting pronouncements, continued

The adoption of these changes to IFRS applicable from January 1, 2019 does not have a significant impact on the Company's financial statement.

Amendments to IFRSs	Date of mandatory application
IFRS 3: Business combinations - interests previously held in a joint operation	Annual periods beginning on or after January 1, 2019.
IFRS 9: Financial instruments - negative compensation payments	Annual periods beginning on or after January 1, 2019.
IFRS 11: Joint agreements - interests previously held in a joint operation	Annual periods beginning on or after January 1, 2019.
IAS 12: Income taxes - tax consequences of payments related to financial instruments classified as equity	Annual periods beginning on or after January 1, 2019.
IAS 23: Costs on Loans - costs of loans eligible for capitalisation	Annual periods beginning on or after January 1, 2019.
IAS 28: Investments in associates - long-term investments in associates or joint ventures	Annual periods beginning on or after January 1, 2019.
IAS 19: Employee Benefits - Plan Change, Reduction or Termination	Annual periods beginning on or after January 1, 2019.

ii) New accounting pronouncements (standards, interpretations and amendments) with effective application for annual periods beginning on or after January 1, 2020.

The standards and interpretations, as well as the amendments to IFRS, which have been issued, but have not yet entered into force as of the date of these financial statements, are detailed below. The Company has not applies these standards in advance:

New IFRS	Date of mandatory application
IFRS 17 Insurance Contracts	Annual periods beginning on or after January 1, 2021.
Definition of Material – Amendments to IAS 1 and IAS 8	Annual periods beginning on or after January 1, 2020.
Definition of a Business – Amendments to IFRS 3	Annual periods beginning on or after January 1, 2020.
Revised Conceptual Framework for Financial Reporting	Annual periods beginning on or after January 1, 2020.
Consolidated Financial Interest Rate Reform – Amendments to IFRS 9, IAS 9 and IFRS 7	Annual periods beginning on or after January 1, 2020.
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be defined.

The Company will evaluate the impact of the amendment once it comes into effect.

3 Revenue

The Company generates revenue from the production and sales of copper concentrate and copper cathodes. Copper concentrate also contains gold and silver in saleable quantities. These represented 5% in 2019 of total copper concentrate revenue (8% in 2018). As of December 31, 2019 and 2018, revenue is composed as follows:

	2019			2018		
	Copper concentrate	Copper cathodes	Total	Copper concentrate	Copper cathodes	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales of own product	5,666,180	1,499,454	7,165,634	6,191,886	1,765,372	7,957,258
Sales of related party product	-	-	-	-	(804)	(804)
Total Revenue from contracts with customers	5,666,180	1,499,454	7,165,634	6,191,886	1,764,568	7,956,454
Other revenue*	(50,457)	5,019	(45,438)	(353,684)	(29,080)	(382,764)
Total revenue	5,615,723	1,504,473	7,120,196	5,838,202	1,735,488	7,573,690

*Other revenue is related to the effect of the provisional price during the year.

4 Other income

	2019	2018
	US\$'000	US\$'000
Income from miscellaneous operations (a)	36,096	21,341
Total other income	36,096	21,341

(a) Primarily related to the sale of scrap consumables.

5 Costs, excluding net finance costs

	2019	2018
	US\$'000	US\$'000
Movements in finished product inventories and products-in-progress	321,557	372,295
Raw materials and consumables	1,329,082	1,387,844
Employee payroll and benefits (a)	275,869	374,644
Outsourcing services (including transportation)	806,969	882,262
Net foreign currency translation gain	(28,857)	(41,143)
Equipment rentals	21,930	26,858
Depreciation and amortisation	1,176,000	1,310,577
Impairment of property, plant and equipment	-	(380)
Evaluation and exploration costs	3	41
Deferred stripping costs	510,759	387,709
Cancellation of power contract*	662,491	-
Other	296,735	254,273
Total costs	5,372,538	4,954,980

*Relates to the onerous contract provision related to cancellation of power contracts as part of the shift towards 100 per cent renewable energy at Escondida. Refer to note 15 Provisions for further information.

5 Costs, excluding net finance costs, continued

a) Movements in employee payroll and benefits are detailed as follows:

	2019 US\$'000	2018 US\$'000
Employee payroll and benefits	272,137	370,471
Share-based payment awards for employees - BHP*	3,732	4,204
Subtotal employee payroll and benefits	275,869	374,675
Less - employee benefit expenses classified under exploration and evaluation expenses	-	(31)
Total employee payroll and benefits	275,869	374,644

*This payment was made by the Parent Company.

b) Employees:

	2019	2018
Number of employees	3,555	3,554
Total employees	3,555	3,554

6 Net finance costs

	2019 US\$'000	2018 US\$'000
Finance costs		
<i>Interest expense using the effective interest rate method:</i>		
Bank loan interest	16,502	88,387
Other interest	133,523	51,554
Interest costs - related parties	3,000	5,481
Discount in provisions and other liabilities	29,805	25,173
Capitalised interest (a)	(12,923)	(3,867)
<i>Other gains or losses:</i>		
Foreign currency translation changes - net debt	(1,800)	2,046
Foreign currency translation changes - net debt, related parties	(630)	4,716
	167,477	173,490
Finance income		
Interest income	(3,945)	(9,204)
Other finance income	(4,971)	(3,783)
	(8,916)	(12,987)
Net finance costs	158,561	160,503

(a) Interest has been capitalised (ThUS\$ 12,923 as of December 31, 2019 and ThUS\$ 3,867 as of December 31, 2018) at the interest rate applicable to specific loans financing assets under construction at a capitalisation rate that represents the average interest rate for such loans. As of December 31, 2019, the capitalisation rate is 3.07% (3.86% as of December 31, 2018).

7 Income tax expense and deferred taxes

a) Income tax expense

Income tax expense for the years ended December 31, 2019 and 2018 are attributable to the following:

	2019 US\$'000	2018 US\$'000
Income tax expense	459,747	567,563
Mining royalty tax expense	82,621	102,372
Deferred income tax (income)/Expense for the period	(32,953)	106,587
Prior year adjustment	(1,279)	15,260
Other	926	1,862
Total current and deferred income tax expense	509,062	793,644

As of December 31, 2019, profit and loss shows an effect related to the corporate tax and specific mining tax of ThUS\$ 509 millions. This represents a decrease of 36% compared with December 2018 where the income tax expense amounted to Th US\$ 793 millions. This is explained mainly by the decrease in the incomes for 2019 compared with 2018.

The specific tax on mining activities implies variable rates range between 5% and 14%. For 2018 and 2019 the tax rate is 5%.

Reconciliation of the effective tax rate:

	%	2019 US\$'000	%	2018 US\$'000
Profit before taxes		1,632,805		2,479,548
Income tax at legal tax rate	27.0%	440,857	27.0%	669,478
Factors affecting income tax for the period:				
Specific tax on mining activities	5.00%	81,640	5.00%	123,977
Other (*)	(0.82) %	(13,435)	0.01%	189
Total tax expense	31.18%	509,062	32.01%	793,644

(*) Related to permanent differences and non-deductible expenses.

b) Income tax recognized in other comprehensive income

Income tax (charge)/credit relating to items that will not be reclassified to profit or loss at December 31, 2019 is ThUS\$ 5,150 (ThUS\$ 1,816 as of December 31, 2018) related to actuarial losses calculated on post-retirement employee benefits.

7 Income tax expense and deferred taxes, continued

c) Deferred taxes

As of December 31, 2019 and 2018, deferred taxes are detailed as follows:

	2019	2018
Net deferred taxes	US\$'000	US\$'000
Opening balance	1,158,109	1,040,160
Deferred tax (income)/expense	(32,953)	106,587
Remeasurements and other movements	(4,583)	12,174
Income tax credit recorded directly in equity	(5,150)	(1,816)
Other movements	(1,162)	1,005
Balance as of December 31	1,114,261	1,158,110

	2019	2018
Deferred tax asset (liability)	US\$'000	US\$'000
Property, plant and equipment	(1,212,000)	(963,485)
Provisions	(3,378)	(8,713)
Stripping costs	(203,864)	(262,087)
Mine restoration	103,847	102,090
Leasing	44,866	9,257
Other	156,268	(35,172)
Total deferred tax liability	(1,114,261)	(1,158,110)

d) Current tax assets and liabilities

As of December 31, 2019 and 2018, the Company determined, pursuant to the tax laws currently in effect, the income tax expense provision for the period and specific royalty on mining activities, by virtue of publication in the Official Gazette of Law No. 20.097, to which the monthly provisional income tax payments were credited, detailed as follows:

	2019	2018
	US\$'000	US\$'000
Income tax expense	(460,674)	(569,426)
Expense for specific mining tax activities	(82,621)	(102,372)
Less:		
Monthly provisional income tax payments	433,738	393,153
Monthly provisional specific mining tax payments	71,548	56,499
Monthly provisional income tax payments recoverable, year 2015		33,802
Monthly provisional income tax payments recoverable, year 2016	6,015	6,015
Plus:		
Other	4,849	1,250
Total current tax asset (liability)	(27,145)	(181,079)

As of December 31, 2019 the total taxable retained earnings amounts to ThUS\$5,841,551 with an associated credit of ThUS\$1,674,253 of which ThUS\$4,615,775 is presented with a tax credit of 20.9% and ThUS\$1,225,775 with an associated credit of 27%. This amount includes the historical Taxable Profits Fund (FUT – Fondo Utilidad Tributario) extinguished by the Chilean Tax reform as of 1 January 2017 being now part of the new Taxable profit (RAI) register.

8 Trade and other receivables

	2019 US\$'000	2018 US\$'000
Trade and other receivables, current		
Trade receivables	477,799	303,740
Other receivables	179,086	177,217
Total current	656,885	480,957
Trade and other receivable, non-current		
Other receivables	49,463	56,172
Total non-current*	49,463	56,172

*Refer to Note 20 for further information regarding aging and recovery details.

9 Receivables and payables due to/from related parties

As of December 31, 2019 and 2018, trade receivables due from related parties were as follows:

Company	RUT	Country	Relationship	Currency	Transaction description	Term	2019 US\$'000	2018 US\$'000
BHP Chile Inc. (Chile Branch)	86.160.300-8	Chile	Common owners	US\$	Miscellaneous services	30 days	1,053	616
BHP Chile Inc.	44.201.144.1	USA	Common owners	US\$	Miscellaneous services	30 days	2,416	-
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	US\$	Gas sales	30 days	24,392	35,965
Minera Spence S.A.	86.542.100-1	Chile	Common owners	US\$	Sale of cathodes and other	30 days	9,955	748
Cía. Minera Cerro Colorado Ltda.	94.621.000-5	Chile	Common owners	US\$	Miscellaneous services	30 days	1,324	6
Others			Miscellaneous	US\$	Miscellaneous services	30 days	393	887
Total trade receivables due from related parties, current							39,533	38,222

9 Receivables and payables due to/from related parties, continued

As of December 31, 2019 and 2018, trade and other payables due to related parties were as follows:

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	Term	2019 US\$'000	2018 US\$'000
BHP Chile Inc. (Chile Branch)	86.160.300-8	Chile	Common owners	US\$	Miscellaneous services	30 days	26,468	14,960
BHP Chile Inc	44.201.144.1	USA	Common owners	US\$	Miscellaneous services	30 days	-	14,837
Minera Spence S.A.	86.542.100-1	Chile	Common owners	US\$	Purchase of cathodes and other	30 days	38	866
BHP Finance B.V.	Foreign	USA	Common owners	US\$	Loans	30 days	48,312	97,410
BHP Chile Inversiones.	77.950.280-5	Chile	Common owners	US\$	Purchases of acid	30 days	9,257	7,074
BHP Group Operations	Foreign	Australia	Common owners	US\$	Miscellaneous services	30 days	13,390	15,657
BHP Limited	Foreign	Australia	Common owners	US\$	Miscellaneous services	30 days	1,576	11,602
BHP International Finance Corporation	59.023.350-1	USA	Common owners	US\$	Subordinated debt (a)	30 days	25,808	25,808
BHP Freight Singapore	Foreign	Singapore	Common owners	US\$	Miscellaneous services	30 days	163	2,233
BHP Shared Services	Foreign	Malaysia	Common owners	US\$	Miscellaneous services	30 days	426	775
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	US\$	Energy	30 days	74	29,551
BHP Marketing Asia Pte Ltd	Foreign	Singapore	Common owners	US\$	Miscellaneous services	30 days	1,689	-
BMAG - Copper America	Foreign	USA	Common owners	US\$	Miscellaneous services	30 days	1,715	-
Others			Miscellaneous	US\$	Miscellaneous services	30 days	2,900	1,752
Total trade payables due to related parties, current							131,816	222,525

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	Term	2019 US\$'000	2018 US\$'000
BHP International Finance Corporation	59.023.350-1	USA	Owners	US\$	Subordinated debt	1-5 years	-	47,869
Total trade payables due to related parties, non-current							-	47,869

The subordinated debt with related parties is as follows:

- (a) Loan of ThUS\$ 287,500 granted in March 2015 including a grace period of 2.5 years for principal owed payable in 6 biannual payments starting from September 2017. Interest is calculated at the rate of LIBOR (6 months) + 0.8% and is payable on a biannual basis on March and September of each year. As of December 31, 2019 the outstanding balance is nil.

As at the date of these financial statements, no guarantees have been provided or received for trade receivables due from and/or payables to related parties, and no uncollectible amounts exist. An assessment of the expected credit losses relating to related party receivables has been performed at December 31, 2019 and the expected credit loss provision is immaterial.

10 Transactions with related parties

Significant transactions with related parties are summarised as follows:

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	2019		2018	
						Amount	Effect on profit or loss debit/(credit)	Amount	Effect on profit or loss debit/(credit)
						US\$'000	US\$'000	US\$'000	US\$'000
BHP Chile Inc.	86.160.300-8	Chile	Common owners	USD	Project management and other services	124,151	124,151	94,435	94,435
BHP Chile Inc.	86.160.300-8	Chile	Common owners	USD	Marketing services	1,800	1,800	1,650	1,650
BHP Chile Inc.	Foreign	USA	Common owners	USD	Management fee	2,416	(2,416)	15,923	15,923
BHP Limited	Foreign	Australia	Common owners	USD	Miscellaneous services	13,360	13,360	20,319	20,319
Broken Hill Proprietary (USA)	Foreign	USA	Common owners	USD	Miscellaneous services	1,128	1,128	1,544	1,544
BHP Group Operations	Foreign	Australia	Common owners	USD	Miscellaneous services	48,719	48,719	40,394	40,394
BHP Shared Services	Foreign	Malaysia	Common owners	USD	Miscellaneous services	3,676	3,676	3,101	3,101
BHP Shared Services	Foreign	Philippines	Common owners	USD	Miscellaneous services	1,703	1,703	861	861
BHP Marketing Asia Pt	Foreign	Singapore	Common owners	USD	Miscellaneous services	13,463	13,463	16,438	16,438
BHP ESCONDIDA INC	Foreign	USA	Owners	USD	Dividends paid(*)	1,276,500	-	1,506,500	-
Rio Tinto Finance PLC	59.023.330-7	Bermuda	Common owners	USD	Dividends paid(*)	666,000	-	786,000	-
Jeco Corporation	59.023.340-4	Japan	Owners	USD	Dividends paid(*)	222,000	-	262,000	-
Jeco 2 Limited	59.158.690-4	England	Owners	USD	Dividends paid(*)	55,500	-	65,500	-
BMAG - PETROLEUM	Foreign	USA	Common owners	USD	Miscellaneous services	2,697	2,697	-	-
BHP PETROLEUM	Foreign	USA	Common owners	USD	Miscellaneous services	2,746	2,746	1,403	1,403

10 Transactions with related parties, continued

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	2019		2018	
						Amount	Effect on profit or loss debit/(credit)	Amount	Effect on profit or loss debit/(credit)
						US\$'000	US\$'000	US\$'000	US\$'000
Minera Spence S.A.	86.542.100-1	Chile	Common owners	USD	Miscellaneous services	8,867	8,867	110	(110)
				USD	Purchase of cathodes	-	-	15	15
BHP Marketing AG	Foreign	Singapore	Common owners	USD	Sales commissions	16,925	16,925	17,738	17,738
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	USD	Power purchase agreement	326,248	326,248	354,237	354,237
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	USD	Gas sale agreement	201,856	(201,856)	222,449	(222,449)
BHP Chile Inversiones	77.950.280-5	Chile	Common owners	USD	Purchase of acid	103,667	103,667	79,715	79,715
BHP Freight Singapore	Foreign	Singapore	Common owners	USD	Freight	148,179	148,179	135,192	135,192
Other			Common owners	USD	Miscellaneous services	1,184	1,184	281	281

(*) Dividend paid on behalf of owners

Transactions with related parties detailed above were performed under normal operating conditions.

11 Inventories

	2019	2018
	US\$'000	US\$'000
Inventories		
Raw materials and supplies for production (a)	381,372	286,433
Products-in-progress (b)	487,868	770,157
Finished products (b)	60,019	92,374
Total inventories current	929,259	1,148,964
Products-in-progress (b)(c)	356,765	362,912
Total inventories non-current	356,765	362,912

(a) During 2019, the Company has written-off warehouse materials inventories worth ThUS\$ 2,417 (ThUS\$ 5,157 as of December 31, 2018) which is included in costs.

(b) During 2019, there were no inventories that were written down to net realisable value (NRV).

(c) Product-in-progress non-current are not expected to be utilised or sold within 12 months after the reporting date.

12 Property, plant and equipment

2019	Construction-in-progress	Land and buildings	Plant and equipment	Leased fixed assets	Other mining assets	Right of use assets	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
Opening balance as of January 1, 2019	740,992	1,699,311	18,001,535	531,670	1,747,774	-	22,721,282
Additions (a)	641,413	-	7,546	-	497,055	2,187	1,148,201
Transfers	(390,713)	23,510	217,909	(531,670)	61,082	565,292	(54,590)
Disposals	-	-	(161,647)	-	-	-	(161,647)
Balance as of Dec 31, 2019	991,692	1,722,821	18,065,343	-	2,305,911	657,479	23,653,246
Accumulated depreciation							
Opening balance as of January 1, 2019	-	(817,372)	(9,089,617)	(70,889)	(178,099)	-	(10,155,977)
Depreciation expense	-	(59,111)	(975,916)	(35,445)	(80,884)	(24,644)	(1,176,000)
Disposals	-	-	161,647	-	-	-	161,647
Transfers	-	-	88,612	106,334	(571,532)	(88,612)	(465,198)
Balance as of Dec 31, 2019	-	(876,483)	(9,815,274)	-	(830,515)	113,256	(11,635,528)
Net ending balance as of Dec 31, 2019	991,692	846,338	8,250,069	-	1,475,396	454,223	12,017,718

2018	Construction-in-progress	Land and buildings	Plant and equipment	Leased fixed assets	Other mining assets	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost						
Opening balance as of January 1, 2018	434,780	1,689,876	17,993,055	531,670	1,561,604	22,210,985
Additions (a)	467,860	-	(93,237)	-	573,879	948,502
Transfers	(161,648)	9,435	152,215	-	(387,709)	(387,707)
Disposals	-	-	(50,498)	-	-	(50,498)
Balance as of Dec 31, 2018	740,992	1,699,311	18,001,535	531,670	1,747,774	22,721,282
Accumulated depreciation						
Opening balance as of January 1, 2018	-	(742,441)	(7,992,668)	(35,444)	(125,556)	(8,896,109)
Depreciation expense	-	(74,931)	(1,147,658)	(35,445)	(52,543)	(1,310,577)
Disposals	-	-	50,329	-	-	50,329
Impairment of assets (b)	-	-	380	-	-	380
Balance as of Dec 31, 2018	-	(817,372)	(9,089,617)	(70,889)	(178,099)	(10,155,977)
Net ending balance as of Dec 31, 2018	740,992	881,939	8,911,918	460,781	1,569,675	12,565,305

(a) Additions for plant and equipment include net foreign exchange gain/losses related to the closure and rehabilitation provisions. Refer to Note 15 Provisions.

(b) Write-off and impairment losses recognised during the year:

During the year ended December, 31 2019, the Company has registered ThUS\$ 2,067,054 - gross amount - related with fixed assets that still are being used (ThUS\$ 3,514,914 at December 31, 2018), which are fully depreciated.

During the year ended December 31, 2019 and 2018, the Company does not have pledged assets.

13 Trade and other payables

	2019 US\$'000	2018 US\$'000
Trade and other payable, current		
Trade payables	708,248	775,364
Other payables	42,272	38,052
Total trade and other payables, current	750,520	813,416
Trade and other payables, non-current		
Other payables	140	203
Total trade and other payables, non-current	140	203

14 Bank loans and other loans

	2019 US\$'000	2018 US\$'000
Current		
Unsecured bank loans (a)	772,452	207,919
Leases (b)	35,652	22,752
Total loans, current	808,104	230,671
Non-current		
Unsecured bank loans (a)	1,921,801	2,293,827
Leases (b)	457,436	468,282
Total loans, non-current	2,379,237	2,762,109

(a) Bank loans include the following:

- i. On December 12, 2012, the Company entered into a loan of ThUS\$600,000, of which ThUS\$420,000 is payable to Japan Bank for International Cooperation and the remaining ThUS\$180,000 is payable to Mizuho Corporate Bank Ltd. The loan payable to Japan Bank for International Cooperation will be repaid in 15 biannual payments starting in the second half of 2015 and bears interest at a rate of LIBOR (180 days) + 0.075%. As of December 31, 2019, the outstanding balance is ThUS\$168,000. The syndicated loan with Mizuho Corporate Bank will be paid in 9 biannual payments beginning the second half of 2015 and bears interest at LIBOR (180 days) + 1%. As of December 31, 2019, the outstanding balance is NIL (ThUS\$40,000 as of December 31, 2018). Maturity ThUS\$420,000 December 01, 2022 and ThUS\$180,000 December 01, 2019.
- ii. On February 14, 2014, the Company entered into a loan agreement with Export Finance and Insurance Corporation (EFIC) amounting to ThUS\$100,000. The loan with EFIC is to be repaid in 16 biannual payments beginning in the second half of 2014 and bears interest at LIBOR (180 days) + 1.15%. As of December 31, 2019, the outstanding balance is ThUS\$31,250. (ThUS\$43,750 as of December 31, 2018). Maturity March 04, 2022.
- iii. On February 18, 2015, the Company entered into a loan of ThUS\$500,000, of which ThUS\$212,500 is payable to Bank of Tokyo Mitsubishi UPJ Ltd as agent bank and the remaining ThUS\$287,500 is payable to BHP International Finance Corporation. The loan with Bank of Tokyo will be paid in 6 biannual payments beginning the second half of 2017 and bears interest at LIBOR (180 days) + 0.8%. As of December 31, 2019, the outstanding balance is ThUS\$35,381. (ThUS\$ 106,229 as of December 31, 2018). Maturity March 03, 2020.
- iv. On October 13, 2016, the Company entered into a loan agreement of ThUS\$1,200,000 with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the agent bank. Maturity October 13, 2021.
- v. On June 06, 2017 the Company entered into a loan agreement of ThUS\$500,000, of which ThUS\$ 300,000 was granted by Japan Bank for International Cooperation and ThUS\$200,000 was granted by a group of banks, led by The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the agent bank. As of December 31, 2019, the outstanding balance is ThUS\$128,571. The loan with Japan Bank for International Cooperation bears interest will be paid in 2 biannual payments beginning in the first half of 2020 and bears interest at LIBOR (180 days) + 0.475%. As of December 31, 2019, the outstanding balance is ThUS\$300,000. Maturity ThUS\$200,000 June 03, 2024 and ThUS\$300,000 June 01, 2027.

14 Bank loans and other loans, continued

- vi. On December 14, 2017, the Company entered into a loan agreement of ThUS\$300,000 with EDC as the agent bank. The loan with EDC will be paid on December 14, 2022 and bears interest at LIBOR (180 days) + 1.41%. Maturity December 14, 2022.
- vii. On October 11, 2018, the Company entered into a loan agreement of ThUS\$150,000 with EDC as the agent bank. The loan with EDC will be paid on December 14, 2022 and bears interest at LIBOR (180 days) + 1.29%.
- viii. On February 22, 2019, the Company entered into a loan agreement of ThUS\$100,000 with EDC as the agent bank. The loan with EDC will be paid on February 22, 2024 and bears interest at LIBOR (180 days) + 1.29%.
- ix. On November 22, 2019, the Company entered into a loan agreement of ThUS\$300,000 with The bank Of Tokyo-Mitsubihsi. The loan with BoTM will be paid on November 22, 2024 and bears interest at LIBOR (180 days) + 1.10%.

(b) Leases:

The lease mainly relates to the gas power plant Kelar. This plant has been operating since December 2016, the Kelar gas plant, which is intended to supply the growing demand for Minera Escondida and other BHP in Chile operations. Located in the industrial port area of Mejillones, Kelar is a combined cycle unit composed of two combustion turbines and a steam unit. The maximum net power that can be injected into the system is 517 MW. Maturity September 30, 2031. The increase in overall lease balance 2019 relate to implementation of IFRS16.

The detail of future minimum payments is showed below:

	Future minimum Lease payments		Interest		Present value of Minimum lease payment	
	2019	2018	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Less than one year	70,636	55,574	23,896	30,919	46,739	24,655
Between one and five years	251,407	250,084	85,053	117,041	166,355	133,043
More than five years	423,145	420,936	143,152	87,600	279,993	333,336
	745,188	726,594	252,101	235,560	493,087	491,034

(c) Reconciliation of movements of bank loans and leases to cash flows arising from financing activities.

	Note	Bank Loans US\$'000	Lease US\$'000
Restated balance at January 1, 2019	14	(2,501,746)	(491,034)
Changes from financing cash flows:			
Proceeds from loans and borrowings		(400,000)	-
Repayment of borrowings		368,357	-
Payment of finance lease liabilities		-	30,827
Total changes from financing cash flows		(2,533,389)	(460,207)
The effect of changes in foreign exchange rates		(8,970)	-
Other changes:			
Interest received		(8,989)	-
Interest paid		172,650	(37,300)
Interest accrual		(315,556)	4,420
Total liability-related other changes		(151,895)	(32,880)
Total equity-related other changes		-	-
Balance at December 31, 2019	14	(2,694,254)	(493,087)

14 Bank loans and other loans, continued

	Note	Bank Loans US\$'000	Lease US\$'000
Restated balance at January 1, 2018	14	(2,655,965)	(512,126)
Changes from financing cash flows:			
Proceeds from loans and borrowings		(150,000)	-
Repayment of borrowings		485,705	-
Payment of finance lease liabilities		-	21,092
Total changes from financing cash flows		335,705	21,092
The effect of changes in foreign exchange rates		(2,028)	-
Other changes:			
Interest received		(12,835)	-
Interest paid		159,206	-
Interest accrual		(325,829)	-
Total liability-related other changes		(179,458)	-
Total equity-related other changes		-	-
Balance at December 31, 2018	14	(2,501,746)	(491,034)

15 Provisions

	2019 US\$'000	2018 US\$'000
Current		
Employee benefits (a)	47,087	67,061
Post-retirement employee benefits	14,485	9,843
Other (c)	4,901	19,421
Total provisions, current	66,473	96,325
Non-current		
Post-retirement employee benefits (d)	88,628	76,480
Restoration and rehabilitation (b)	384,617	378,111
Onerous contracts (e)	662,491	-
Total provisions, non-current	1,135,736	454,591

(a) The expenditure associated with total employee benefits will occur in a pattern consistent with when employees choose to exercise their entitlement to benefits.

(b) The total undiscounted amount of restoration and rehabilitation activities is ThUS\$ 2,272,902 as of December 31, 2019 (ThUS\$ 2,324,522 as of December 31, 2018). No significant payments are expected to be required over the next five years.

The provision for restoration and rehabilitation includes dismantling all mine facilities including the Los Colorados, Laguna Seca and OGP1 plants, Cathode Oxide plant, Cathode Sulphide Leaching plant, a portion of the Coloso port facilities and the rehabilitation of the Salar de Punta Negra area.

In accordance with Law 20.551, which regulates the closure of mine site or facilities in Chile, the Company is obligated to deliver to the regulating authority a commitment (in the form of financial instruments that can be used as guarantees) that it will comply with its closure and rehabilitation obligations in a future period. The Company's closure obligations are based on its submitted closure plan.

(c) Other includes mainly on going legal cases of ThUS\$ 4,596 (ThUS\$ 13,895 in December 31, 2018).

(d) The main actuarial assumptions at the reporting date of the financial statements are as follows:

	2019	2018
Mortality table	RV-2014	RV-2014
Actual annual interest rate	5.96%	5.15%
Incorporation of disability/accidents	25%	25%
Retirement age for women	60 years	60 years
Retirement age for men	65 years	65 years

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

Effect in thousands of US\$	2019		2018	
	Increase	Decrease	Increase	Decrease
Discount rate (change of 1%)	23,048	28,506	(9,960)	9,903
Future increase in salaries (change of 1%)	15,741	23,037	9,832	(10,023)

15 Provisions, continued

Provision reconciliation:

	Employee benefits US\$'000	Restoration and rehabilitation US\$'000	Restructuring US\$'000	Post-retirement employee benefits US\$'000	Other US\$'000	Total US\$'000
Opening balance as of January 1, 2019	67,061	378,111	501	86,323	18,920	550,916
Amount capitalised	-	10,024	-	-	-	10,024
Debit/(credit) for the year:						
Increases/(decreases)	68,578	504	194	12,128	655,329	736,733
Gains/ (losses) taken to equity including actuarial losses	-	-	-	16,803	-	16,803
Effect of discount rate	-	25,002	-	4,803	-	29,805
Effect of foreign currency translation differences	(1,340)	(28,005)	(16)	(8,470)	1	(37,830)
Payments	(87,212)	(1,019)	(509)	(8,474)	(6,752)	(103,966)
Transfer	-	-	-	-	(276)	(276)
Ending balance as of Dec 31, 2019	47,087	384,617	170	103,113	667,222	1,202,209

(e) Reflects an onerous contract provision in relation to the cancellation of existing power contracts as part of the shift towards 100 per cent renewable energy supply contracts. Payments are expected to be completed within 10 years.

16 Equity

Paid-in capital is reconciled as follows:

	2019 US\$'000	2018 US\$'000
Opening capital (a)	62,308	62,308
Capitalisation of retained earnings by public deed dated:		
July 27, 1988	1,497	1,497
October 7, 1988	22,877	22,877
February 6, 1989	6,110	6,110
April 7, 1989	6,013	6,013
March 30, 2001	161,000	161,000
December 21, 2001	196,700	196,700
October 15, 2002 (absorption of SCM Escondida)	4,597	4,597
December 19, 2002	53,400	53,400
December 30, 2003	16,700	16,700
December 30, 2004	16,700	16,700
December 30, 2005	50,000	50,000
December 30, 2006	50,000	50,000
December 30, 2009	83,340	83,340
April 26, 2013	200,000	200,000
Total	931,242	931,242

(a) The Group's opening capital of ThUS\$ 62,308 was contributed by the former partners of Minera Utah SCM de Chile Inc. and Getty Mining (Chile) Inc., and relates to property, plant and equipment, cash advances and exploration expenses. The subscribed capital is fully paid, which corresponds to ThUS\$ 931,242 as of December 31, 2019 and 2018, corresponding to a capital of a limited liability company, thus not having a constitution of shares.

16 Equity, continued

As of December 31, 2019 and 2018, distributions (dividends) were the following:

Owners	Ownership %	2019 US\$'000	2018 US\$'000
BHP Escondida Inc.	57.5	1,276,500	1,506,500
Rio Tinto Escondida Limited	30	666,000	786,000
JECO Corporation	10	222,000	262,000
JECO 2 Ltd.	2.5	55,500	65,500
Total dividend	100	2,220,000	2,620,000

As of December 31, 2019 and 2018, distributions (dividends) were approved by resolution signed by each owner as follows:

Date of resolution for payment of dividends	Date of payment of dividend	Total US\$'000
07-Feb-19	27-Feb-19	750,000
20-May-19	30-May-19	300,000
19-Aug-19	29-Aug-19	420,000
14-Nov-19	27-Nov-19	750,000
Total		2,220,000
17-Jan-18	22-Feb-18	250,000
14-May-18	29-May-18	1,100,000
12-Sep-18	27-Sep-18	1,000,000
08-Nov-18	29-Nov-18	270,000
Total		2,620,000

17 Contingencies

The Group conducts a quarterly analysis of the record of pending lawsuits and the assessment of the associated outflows or inflows using the following categories: Probable – possibilities of more than 50% of occurrence of a disbursement; Possible – possibilities between 10% and 50% of occurrence of a disbursement; Remote – less than 10% of occurrence of a disbursement.

As of December 31, 2019, the Group has no significant pending lawsuits or contingencies and accordingly, there are no assets or liabilities associated with contingencies at such date.

The Chilean Attorney General's Office (CDE) filed a claim against Escondida before the Environmental Court of Antofagasta on 13 April 2020 for alleged environmental damage related to groundwater extraction from SPN. An estimate of the potential financial impact of this event can't be made at this time.

18 Commitments

	2019 US\$'000	2018 US\$'000
Commitment		
Expenses expiring over the next 12 months	1,114,196	1,869,437
Expenses expiring between 1 and 2 years	470,865	1,112,773
Expenses expiring between 2 and 3 years	225,185	493,022
Expenses expiring between 3 and 4 years	214,170	214,170
Expenses expiring between 4 and 5 years	142,396	142,396
Expenses expiring in more than 5 years	500,230	500,230
Total commitment (a)	2,667,042	4,332,028
Operating leases		
Expenses expiring over the next 12 months	70,636	79,514
Expenses expiring between 1 and 2 years	64,991	71,305
Expenses expiring between 2 and 3 years	63,479	71,305
Expenses expiring between 3 and 4 years	62,587	71,305
Expenses expiring between 4 and 5 years	60,350	71,305
Expenses expiring in more than 5 years	423,145	552,613
Total operating leases	745,188	917,347

(a) These commitments are mainly associated with contracts with suppliers and investment project contracts.

19 Cash and cash equivalents

(a) As of December 31, 2019 and 2018, this caption is composed of the following:

	2019 US\$'000	2018 US\$'000
Cash and cash equivalents		
Bank balances	378,043	406,438
Short-term deposits	200,000	300,012
Total cash and cash equivalents	578,043	706,450

Cash and cash equivalents consist of short term deposits with an initial term of less than one month in term deposits and financial instruments issued by commercial institutions. 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.

(b) The detail of cash and cash equivalents by type of currency is as follows:

		2019 US\$'000	2018 US\$'000
Cash and cash equivalents	Ch\$	65,200	35,581
Cash and cash equivalents	Euro	-	-
Cash and cash equivalents	US\$	512,843	670,869
Total cash and cash equivalents		578,043	706,450

There are no restrictions on any cash and cash equivalents.

20 Financial risk management

Financial risk management strategy

The financial risks arising from the Group's operations comprise market, liquidity and credit risk. These risks arise in the normal course of business and the Group manages its exposure to them in accordance with the BHP Group's portfolio risk management strategy. The objective of the strategy is to support the delivery of the Group's financial targets, while protecting its future financial security and flexibility by taking advantage of the natural diversification provided by the scale, diversity and flexibility of the Group's operations and activities.

A Cash Flow at Risk (CFaR) framework is used to measure the aggregate and diversified impact of financial risks upon the Group's financial targets. The principal measurement of risk is CFaR measured on a portfolio basis, which is defined as the worst expected loss relative to projected business plan cash flows over a one year horizon under normal market conditions at a confidence level of 90 per cent.

The Financial risk management procedures/policies are detailed below:

Market risk

The Group's activities expose it to market risks associated with movements in interest rates, foreign currencies and commodity prices. Under the strategy outlined above, the Group seeks to achieve financing costs, currency impacts, input costs and commodity prices on a floating or index basis. This strategy gives rise to a risk of variability in earnings, which is measured under the CFaR framework.

In executing the strategy, financial instruments are potentially employed in three distinct but related activities. The following table summarises these activities and the key risk management processes:

Activity	Key risk management processes
<p>1 Risk mitigation On an exception basis, hedging for the purposes of mitigating risk related to specific and significant expenditure on investments or capital projects will be executed if necessary to support the Group's strategic objectives.</p>	<ul style="list-style-type: none"> • Execution of transactions within approved mandates.
<p>2 Economic hedging of commodity sales, operating costs, short-term cash deposits and debt instruments</p> <p>Where Group commodity production is sold to customers on pricing terms that deviate from the relevant index target and where a relevant derivatives market exists, financial instruments may be executed as an economic hedge to align the revenue price exposure with the index target.</p> <p>Where debt is issued in a currency other than the US dollar and/or at a fixed interest rate, fair value and cash flow hedges may be executed to align the debt exposure with the Group's functional currency of US dollars and/or to swap to a floating interest rate.</p> <p>Where short-term cash deposits are held in a currency other than US dollars, derivative financial instruments may be executed to align the foreign exchange exposure to the Group's functional currency of US dollars.</p>	<ul style="list-style-type: none"> • Measuring and reporting the exposure in customer commodity contracts and issued debt instruments. • Executing hedging derivatives to align the total group exposure to the index target. • Execution of transactions within approved mandates.
<p>3 Strategic financial transactions Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.</p>	<ul style="list-style-type: none"> • Execution of transactions within approved mandates.

20 Financial risk management, continued

Market risk, continued

Primary responsibility for the identification and control of financial risks, including authorising and monitoring the use of financial instruments for the above activities and stipulating policy thereon, rests with the Financial Risk Management Committee under authority delegated by the Group's Management Committee.

Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings from the possibility that changes in interest rates will affect future cash flows or the fair value of variable interest rate financial instruments. Interest rate risk is managed as part of the portfolio risk management strategy.

On the basis of the net debt position as of December 31, 2019, it is estimated that one percentage point increase in the LIBOR interest rate would decrease the Group's profit after taxation and equity by ThUS\$ 27,754 (as of December 31, 2018: ThUS\$ 22,394). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and the balances are constant over the year.

The detail of the effect of the variation of 1% in the rate for loans in 2019 and 2018 is as follows:

1% rate variation effect	2019	2018
	US\$'000	US\$'000
Loans - international banks	27,132	20,941
Other loans	622	1,453
Total variation	27,754	22,394

Foreign currency risk

The US dollar is the functional currency of the Group's operations and as a result currency exposures arise from transactions and balances in currencies other than the US dollar. The Group's potential currency exposures comprise transactional exposure in respect of non-functional currency monetary items and expenditure.

The following table shows the foreign currency risk on the financial assets and liabilities of the Company's operations denominated in currencies other than the functional currency of the operations as of December 31, 2019 and 2018:

Functional currency - US dollar	2019	2018
	US\$'000	US\$'000
Cash and cash equivalents	58,257	35,581
Trade and other receivables, current	52,606	98,447
Trade and other receivables, non-current	11,949	11,442
Trade receivables due from related parties, current	34,596	7,528
Trade and other payables, current	(554,985)	(532,674)
Trade payables due to related parties, current	7,390	37,626
Provisions, current	(61,808)	(77,470)
Provisions, non-current	(446,943)	(425,027)
Total	(898,938)	(844,547)

20 Financial risk management, continued

Market risk, continued

Foreign currency risk, continued

The Group's foreign currency risk is managed as part of the portfolio risk management strategy.

The principal non-functional currency to which the Group is exposed to is the Chilean peso. On the basis of the Group's net financial assets and liabilities, as of December 31, 2019 and 2018, a weakening/strengthening of the United States dollar against this currency as shown in the table below, holding other inputs constant, could affect post-tax profit and equity as follows:

Currency movement	2019 US\$'000		2018 US\$'000	
	Post-tax profit	Equity	Post-tax profit	Equity
Variation of + Ch\$10	8,293	8,293	8,477	8,477
Variation of - Ch\$10	(8,518)	(8,518)	(8,725)	(8,725)

The foreign exchange rate used as of December 31, 2019 was Ch\$748.74 per US\$1 (Ch\$694.77 per US\$1 as of December 31, 2018).

Commodity price risk

Contracts for the sale and physical delivery of commodities are executed whenever possible on a pricing basis intended to achieve a relevant index target. While the Group has succeeded in transitioning substantially all of the Group commodity production sales to market-based index pricing terms, derivative commodity contracts may from time to time be used to align realised prices with the relevant index. Contracts for the physical delivery of commodities are not typically financial instruments and are carried in the balance sheet at cost (typically at US\$ nil); they are therefore excluded from the fair value and sensitivity analysis. Accordingly, the financial instrument exposures set out below do not represent all of the commodity price risks managed according to the Group's objectives. Movements in the fair value of contracts included are offset by movements in the fair value of the physical contracts; however, only the former movement is recognised in the Group's income statement prior to settlement. The risk associated with commodity prices is managed as part of the portfolio risk management strategy.

Provisionally priced commodity sales and purchases contracts

Provisionally priced sales or purchases volumes are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales and purchases arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables or trade payables. The Company's exposure at 31 December 2019 to the impact of movements in commodity prices upon provisionally invoiced sales and purchases volumes was predominately around copper.

The Company had 380 thousand tonnes of copper exposure at 31 December 2019 (2018: 353 thousand tonnes) that was provisionally priced. The final price of these sales or purchases will be determined during the first half of FY2020. A 10 per cent change in the price of copper realised on the provisionally priced sales, with all other factors held constant, would increase or decrease profit after taxation by US\$164 million (2018: US\$147 million). The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange rates can impact commodity prices. The sensitivities should therefore be used with care.

20 Financial risk management, continued

Liquidity risk

The Group's liquidity risk arises from the possibility that it may not be able to settle or meet its obligations as they fall due and is managed as part of the portfolio risk management strategy. Operational, capital and regulatory requirements are considered in the management of liquidity risk, in conjunction with short-term and long-term forecast information.

Recognising the cyclical volatility of operating cash flows, the Group has defined minimum target cash and liquidity buffers to be maintained to mitigate liquidity risk and support operations through the cycle.

The Group's strong credit profile, diversified funding sources, its minimum cash buffer and its committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Company's policy on counterparty credit exposure ensures that only counterparties of an investment grade standing are used for the investment of any excess cash.

Standard & Poor's credit rating of the Group remained at the A level with stable outlook throughout FY2020. Moody's maintained their credit rating for the Group of A3 with positive outlook throughout FY2020.

There were no defaults on loans payable during the year.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2019 and 2018.

2019	Bank loans and other loans US\$'000	Future interest payments US\$'000	Other derivatives US\$'000	Other liabilities US\$'000	Total US\$'000
Maturity date					
In 1 year or less	(794,899)	(113,488)	-	(750,520)	(1,658,907)
1 - 2 years	(765,682)	(86,846)	-	(140)	(852,668)
2 - 3 years	(459,432)	(66,205)	-	-	(525,637)
3 - 4 years	(249,448)	(51,070)	-	-	(300,518)
4 - 5 years	(487,608)	(40,290)	-	-	(527,898)
Over 5 years	(420,088)	(100,792)	-	-	(520,880)
Total	(3,177,157)	(458,691)	-	(750,660)	(4,386,508)
Balance as of Dec 31, 2019	(3,177,157)	(458,691)	-	(750,660)	(4,386,508)

2018	Bank loans and other loans US\$'000	Future interest payments US\$'000	Other derivatives US\$'000	Other liabilities US\$'000	Total US\$'000
Maturity date					
In 1 year or less	(228,718)	(138,365)	(711)	(844,464)	(1,212,258)
1 - 2 years	(797,018)	(120,625)	-	(203)	(917,846)
2 - 3 years	(763,582)	(87,889)	-	-	(851,471)
3 - 4 years	(459,432)	(56,187)	-	-	(515,619)
4 - 5 years	(249,448)	(50,073)	-	-	(299,521)
Over 5 years	(494,582)	(132,964)	-	-	(627,546)
Total	(2,992,780)	(586,103)	(711)	(844,667)	(4,424,261)
Balance as of Dec 31, 2018	(2,992,780)	(586,103)	(711)	(844,667)	(4,424,261)

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or significantly later than the settlement date.

Amounts disclosed in the above table include the undiscounted contractual payments and accordingly, they will not always reconcile to the amounts presented in the statement of financial position.

20 Financial risk management, continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

To manage credit risk the Company maintains BHP Group-wide policies and procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits.

As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

(a) Counterparties

The Company's credit risk exposures are categorised according to transactions with the following main types of counterparties:

- Receivables counterparties – the sales to the Group's customers are made on a mix of open and secured terms.
- Derivate counterparties – counterparties to derivative contracts consist of a diverse number of financial institutions and industrial counterparties in the relevant markets.
- Cash investment counterparties – the Group holds short-term cash investment with approved financial institutions.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount. These limits are reviewed at least biennially. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group has security. The Group does not require collateral in respect of trade and other receivables.

The balances of the trade receivables as of December 31, 2019 and 2018 include the provisional invoices issued for copper concentrate and copper cathode shipments. Such invoices are based on the weight measured by the Group and on the tests subject to review and final agreement by the customers. According to the terms and conditions of the sales contracts, the final price received will also be dependent on the copper prices quoted on independent metal exchanges, including the LME, during the future quoting periods applicable to each delivery. As of December 31, 2019 and 2018, provisional invoicing agreement sales have been valued according to the future prices.

There is also an embedded derivative regarding refining treatment price participation clauses (included in certain contracts) in the concentrate mineral sales contracts which does not qualify for hedge accounting.

The Group's maximum exposure to credit risk at the reporting date and the ageing of current and non-current receivables at the reporting date is as follows:

20 Financial risk management, continued

Credit risk, continued

(a) Counterparties, continued

2019	Gross amount US\$'000	Not past due US\$'000	Aging of receivables			
			Less than 30 days US\$'000	31 - 60 days US\$'000	61 - 90 days US\$'000	Over 90 days US\$'000
Trade receivables	477,799	477,799	-	-	-	-
Other receivables	228,549	222,350	2,001	111	467	3,620
Total	706,348	700,149	2,001	111	467	3,620

2018	Gross amount US\$'000	Not past due US\$'000	Aging of receivables			
			Less than 30 days US\$'000	31 - 60 days US\$'000	61 - 90 days US\$'000	Over 90 days US\$'000
Trade receivables	303,740	303,740	-	-	-	-
Other receivables	233,389	171,258	56,674	2,686	611	2,158
Total	537,129	474,998	56,674	2,686	611	2,158

The Company believes that the unimpaired amounts that are past due by more than 30 days are recoverable, based on payment history and analyses of the underlying customer credit ratings.

The expected credit loss on the Group's trade and other receivables is immaterial as at December 31, 2019.

During 2019 and 2018 no renegotiation of the terms and conditions of receivables has occurred.

Fair value

All financial assets and financial liabilities, other than derivatives, are initially recognised at the fair value of the consideration paid or received, net of transaction costs applicable and, subsequently at fair value or amortised cost, as indicated in the tables below.

Derivatives are initially recognised at fair value at the date in which the contract is entered into and subsequently measured at fair value.

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

20 Financial risk management, continued

Fair value, continued

2019	Note	Amortised cost US\$'000	Fair value US\$'000	Total US\$'000
Fair value hierarchy			Level 2*	
<i>Financial assets</i>				
Cash and cash equivalents	19	578,043	-	578,043
Trade and other receivables (a)	8	-	557,034	557,034
Trade receivables due to related parties	9	39,533	-	39,533
Total financial assets		617,576	557,034	1,174,610
Non-financial assets				13,495,151
Total assets				14,669,761
<i>Financial liabilities</i>				
Trade and other payables (b)	13	750,496	-	750,496
Trade payables due to related parties	9	131,816	-	131,816
Other derivative contracts		-	-	-
Unsecured bank loans	14	2,694,254	-	2,694,254
Financial leases		493,087	-	493,087
Total financial liabilities		4,069,653	-	4,069,653
Non-financial liabilities				2,362,148
Total liabilities				6,431,801

2018	Note	Amortised cost US\$'000	Fair value US\$'000	Total US\$'000
Fair value hierarchy			Level 2*	
<i>Financial assets</i>				
Cash and cash equivalents	19	706,450	-	706,450
Trade and other receivables (a)	8	233,389	225,460	458,849
Trade receivables due to related parties	9	38,222	-	38,222
Total financial assets		978,061	225,460	1,203,521
Non-financial assets				14,203,222
Total assets				15,406,743
<i>Financial liabilities</i>				
Trade and other payables (b)	13	775,364	38,255	813,619
Trade payables due to related parties	9	222,525	-	222,525
Other derivative contracts		-	711	711
Unsecured bank loans	14	2,501,746	-	2,501,746
Financial leases		491,034	-	491,034
Total financial liabilities		3,990,669	38,966	4,029,635
Non-financial liabilities				2,023,688
Total liabilities				6,053,323

(a) This does not include taxes of ThUS\$ 99,850 (2018: ThUS\$ 74,005) included in other receivables – see Note 10 Trade and other receivables.

(b) This does not include taxes of ThUS\$ 164 (2018: ThUS\$ 83) included in other payables – see Note 15 Trade and other payables.

20 Financial risk management, continued

Fair value, continued

Fair value hierarchy

The carrying amount of financial assets and financial liabilities measured at fair value is mainly calculated using quoted prices in active markets for identical assets or liabilities.

(*) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Trade and other receivables and payables and the commodity contract are included in Level 2 as they are measured based on forward market prices.

Capital management

The Group's capital management policy is exclusively restricted by the covenants established in the loan agreements with foreign banks. The net worth of the Company may not be less than ThUS\$ 900,000, measured upon completing the corresponding 12-month calendar period.

The return on capital is measured regularly and its interpretation is according to the market scenario, production restrictions and LME copper prices, among other variables.

The dividend policy is analysed by Management according to the profitability of the periods and cash flow requirements. These requirements are strongly impacted by the Company's capital projects, normal debt to creditors and taxes. Additionally, precautions must be adopted before any eventual commodity price drops and their possible impact on a negative cash flow outcome that might force payments to clients.

The financial debt/equity ratio, calculated by the Company at the end of the balance period is as follows:

	2019 US\$'000	2018 US\$'000
Total liabilities	6,431,801	6,053,323
Less: cash and cash equivalents	(578,043)	(706,450)
Net debt	5,853,758	5,346,873
Net equity	8,237,960	9,353,420
Financial debt / equity ratio	71%	57%

21 Compensation of key management personnel

	2019 US\$'000	2018 US\$'000
Payroll and bonuses (short-term employee benefits)	5,940	4,822
Severance indemnity payments (post-employment benefits)	293	373
Total	6,233	5,195

Compensation of key management personnel in relation to share based payments NIL as at 31 December 2019 (ThUS\$ 2,003 as of December 31, 2018) a recharge in total from the parent entity.

22 Guarantees

(a) Guarantees granted

The guarantees granted by the company as of December 31, 2019 amounted to ThUS\$ 536,938, which mainly relate to bank guarantee required by National Service of Geology and Mining (SERNAGEOMIN) for closure of mining works to comply with the requirement established in Law N° 20.551. The other guarantees, different from closure guarantees, are mainly issued in favour of the Government, to cover eventual environment problems that may arise in the construction of certain projects under development.

(b) Guarantees received

The guarantees received as of December 31, 2019 amounted to ThUS\$117,027 which are intended to ensure compliance of the conditions agreed with the supplies.

23 Subsequent events

During the period between January 1, 2020 and the date of issuance of these financial statements (April 26, 2020), no significant events have occurred that require adjustment to the financial statements. Events that have not resulted in adjustments to the financial statements but requiring disclosure that have occurred after 31 December 2019 are outlined below.

The Chilean Attorney General's Office (CDE) filed a claim against Escondida before the Environmental Court of Antofagasta on 13 April 2020 for alleged environmental damage related to groundwater extraction from SPN. Escondida stopped extracting water from the Punta Negra aquifer in 2017. An estimate of the potential financial impact of this event can't be made at this time.

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 implies a series of measures to contain its spread, and on March 18, 2020, a State of Constitutional Exception of Catastrophe has been decreed throughout the national territory.

As part of the sanitary measures that have been adopted to face this situation, both locally and internationally, it includes, among others, the restriction of movement and the closing of borders, which is expected to significantly affect economic activity and markets in general. In relation to the latter, it has been observed, among other effects, a sharp rise in the US Dollar, a sustained drop in the price of copper and other products.

As of the date of issuance of these consolidated financial statements, the Company's operations have not had significant effects on its ability to meet its financial, production or sale commitments. The foregoing is without prejudice to the impact on world demand for copper, which has meant a decrease in the price, which is public knowledge.

As of this date, it is not possible to estimate the potential impacts that the development of this situation could have in the future.

Between December 31, 2019 and the date of issuance of these consolidated financial statements, there have been no other subsequent events that significantly affect the Company's consolidated financial statements.