

MINERA ESCONDIDA LIMITADA

Consolidated Financial Statements
as of December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

Minera Escondida Limitada

**Consolidated Financial Statements for
The Years ended December 31, 2018 and 2017**



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ThUS\$: Thousands of United States dollars

Ch\$: Chilean pesos



Independent Auditors' Report

To the Members of
Minera Escondida Limitada.:

We have audited the accompanying consolidated financial statements of Minera Escondida Limitada and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the statements of profit or loss and other comprehensive income, changes in Member's equity and cash flows for the years 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 accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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 auditors' 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 its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2.3 of the financial statements, which describes a restatement of the consolidated statements of profit or loss and other comprehensive income of the period ended as of December 31, 2017 as a consequence of adoption of the new International Financial Reporting Standard 15 Revenue from Contracts with Customers. Our opinion is not modified in respect of this matter.

A handwritten signature in blue ink, appearing to read 'Nolberto Pezzati'. The signature is fluid and cursive, with a large loop at the end.

Nolberto Pezzati

KPMG Ltda.

Santiago, April 26, 2019

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Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	2018 ThUS\$	2017 ThUS\$ Restated (*)
Revenue	3	7,573,690	6,036,634
Other income	4	21,341	51,326
Costs, excluding net finance costs	5	(4,954,980)	(4,332,162)
Operating profit		2,640,051	1,755,798
Finance income		12,987	4,199
Finance costs		(173,490)	(124,060)
Net finance costs	6	(160,503)	(119,861)
Profit before taxes		2,479,548	1,635,937
Income tax expenses		(693,763)	(449,256)
Income tax expenses - tax on the mining activity (net of any tax exemptions)		(99,881)	5,816
Income tax expense	7 a)	(793,644)	(443,440)
Profit for the period		1,685,904	1,192,497
Other comprehensive income:			
Gains/ (losses) taken to equity including actuarial losses		3,646	8,728
Related tax		1,816	(2,010)
Items that will not be subsequently reclassified to profit or loss		5,462	6,718
Other comprehensive income		5,462	6,718
Total comprehensive income		1,691,366	1,199,215

(*) The Group has initially applied IFRS 15 at January 1, 2018. Under the transition method chosen, comparative information has not been restated except by the refining cost treatment affecting the revenue and expenses, please refer to the Note 2.3-ii).

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

Consolidated Statement of Financial Position

	Note	2018 ThUS\$	2017 ThUS\$
ASSETS			
Current Assets			
Cash and cash equivalents	19	706,450	459,262
Trade and other receivables	8	480,957	721,407
Trade receivables due from related parties	9	38,222	23,532
Inventories	11	1,148,964	1,431,025
Other		47,761	8,182
Total current assets		2,422,354	2,643,408
Non-current assets			
Trade and other receivables	8	56,172	55,235
Inventories	11	362,912	389,945
Property, plant and equipment	12	12,565,305	13,314,876
Total non-current assets		12,984,389	13,760,056
Total assets		15,406,743	16,403,464
LIABILITIES			
Current Liabilities			
Trade and other payables	13	813,416	713,982
Trade payables due to related parties	9	222,525	250,676
Bank and other loans	14	230,671	329,000
Other financial liabilities		711	1,114
Current tax liabilities	7 d)	181,079	162,729
Provisions	15	96,325	91,453
Deferred income		85,714	21,072
Total current liabilities		1,630,441	1,570,026
Non-current liabilities			
Trade and other payables	13	203	437
Trade payables due to related parties	9	47,869	143,721
Bank and other loans	14	2,762,109	2,839,091
Deferred tax liabilities	7 c)	1,158,110	1,040,160
Provisions	15	454,591	527,975
Total non-current liabilities		4,422,882	4,551,384
Total liabilities		6,053,323	6,121,410
Net assets		9,353,420	10,282,054
MEMBERS' EQUITY			
Paid-in capital	16	931,242	931,242
Retained earnings		8,422,178	9,350,812
Total members' equity		9,353,420	10,282,054

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

Consolidated Statement of Cash Flows

Indirect method	Note	2018 ThUS\$	2017 ThUS\$
Cash flows provided by operating activities			
Profit before taxes		2,479,548	1,635,937
Adjustments for:			
Depreciation and amortization	12	1,310,577	1,353,156
Impairment of property, plant and equipment	12	(380)	206,383
Finance income and finance costs	6	160,503	119,861
Other		408,234	357,317
Changes in assets and liabilities:			
Trade and other receivables		200,333	(86,040)
Inventories		309,094	(285,957)
Trade and other payables		69,102	102,829
Other net assets and liabilities		(403)	361
Provisions and other liabilities		63,272	(21,274)
Cash provided by operating activities		4,999,880	3,382,573
Interest received	14	12,835	4,220
Interest paid	14	(159,206)	(135,646)
Tax Refunds		37,735	1,852
Income tax paid		(631,712)	(66,648)
Taxes paid - royalty (specific tax on the mining activity)		(49,131)	(57,349)
Net cash provided by operating activities		4,210,401	3,129,002
Acquisition of property, plant and equipment		(1,006,493)	(874,015)
Proceeds from sale of assets		1,600	-
Net cash used in investing activities		(1,004,893)	(874,015)
Proceeds from bank loans	14	150,000	800,000
Repayment of bank loans	14	(485,705)	(443,607)
Other movements in equity balances		(587)	-
Dividends paid	16	(2,620,000)	(2,599,000)
Net cash used in financing activities		(2,956,292)	(2,242,607)
Net decrease in cash and cash equivalents		249,216	12,380
Cash and cash equivalents as of January 1		459,262	444,168
Effects of movements in exchange rates on cash held		(2,028)	2,714
Cash and cash equivalents	19	706,450	459,262

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

Consolidated Statement of Changes in Members' Equity

	Note	Paid-in capital ThUS\$	Retained earnings ThUS\$	Other comprehensive income ThUS\$	Total Equity ThUS\$
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
Opening balance as of January 1, 2017	16	931,242	10,759,733	(9,136)	11,681,839
Total comprehensive income		-	1,192,497	-	1,192,497
Actuarial gain/(loss) pension and medical schemes		-	-	8,728	8,728
Tax recognised on pension and medical schemes		-	-	(2,010)	(2,010)
Dividends/Distributions	16	-	(2,599,000)	-	(2,599,000)
Ending balance as of December 31, 2017	16	931,242	9,353,230	(2,418)	10,282,054

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 Chilean Superintendence of Securities and Insurance, in conformity with Exempt Resolution No. 618 of this Superintendence, 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, 2018 and 2017, the members are as follows:

Direct Owner	Parent	Ownership	
		2018 %	2017 %
BHP Escondida Inc.	BHP Billiton Limited	57.5	57.5
Río Tinto Escondida Limited	Rio 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, 2018. 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, 2018 and 2017, and the results of its operations, changes in members' equity and cash flows for the years ended December 31, 2018 and 2017.

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, 2019.

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.

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.

2.1 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.

2.1 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 income 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.

2.1 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 15 and 9 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.

2.2 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, 2018 and 2017 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.

2.2 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
Finance leases	Based on term of lease or economic useful life of leased asset on average 15 years

d) Leased assets

Assets held under leases which result in the Group receiving substantially all the risk and rewards of ownership of the asset (financial leases) are recognized at the lower of the fair value of the asset or the estimated present value of the minimum lease payments.

Operating lease assets are not capitalized and rental payments are included in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

The Company maintains operating and financing leases as of December 31, 2018 and 2017.

e) 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.

2.2 Significant accounting policies, continued

e) Impairment of assets, continued

ii. Non-financial

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 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 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.

2.2 Significant accounting policies, continued

f) 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.

g) Other 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 79 years from the reporting date.

2.2 Significant accounting policies, continued

g) Other 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.

h) 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.

i) 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. 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.

2.2 Significant accounting policies, continued

j) 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.

2.2 Significant accounting policies, continued

j) Financial instruments, continued

iii. Derivative financial instruments

The Group accounts for derivatives and hedging activities in accordance with IFRS 9, Financial Instruments. Derivate instruments are recorded on the statement of financial position at their respective fair value.

Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, 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).

k) Revenue recognition

The Company generates revenue from the production and sale of copper cathodes. 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 Company'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 Company has a separate performance obligation for freight and shipping services.

2.2 Significant accounting policies, continued

k) Revenue recognition, continued

Contracts in place between the Company and its customers include a range of terms and pricing mechanisms. Where the Company'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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

The Company 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 Company's right to consideration from the customer which corresponds directly with the Company's performance completed to date.

The Company 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.

l) 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.

2.2 Significant accounting policies, continued

l) Overburden removal costs, continue

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.

m) 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 analyzing 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.

2.2 Significant accounting policies, continued

n) 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.

o) 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.

p) 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.

q) Comparatives and reclassifications

Certain comparative balances have been reclassified so as to disclose them on a comparable basis with current period figures. Such reclassifications and changes improve the comparability between periods. These changes include the reclassifications of treatment charges and refining charges (TCRC) from cost to be netted to revenue.

2.3 New 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 2017, with the exception of the following new accounting standards and interpretations which became effective from 1 January 2018:

- IFRS 9 'Financial Instruments' which is a replacement of IAS 39 'Financial Instruments: Recognition and Measurement'; and
- IFRS 15 'Revenue from Contracts with Customers' which is a replacement of IAS 18 'Revenue'.

The impact of adopting IFRS 9 and IFRS 15 on the Company's consolidated financial statements is described in note 2.3 (i) and note 2.3 (ii). The impact of adopting other minor changes to IFRS applicable from 1 January 2018 did not have a significant impact on the Company's financial statements.

i) IFRS 9 – Financial Instruments

The new standard requires classification and measurement of financial assets based on the business model in which they are managed and their cash flow characteristics. Under the new standard, the Company's financial assets previously classified as loans and receivables have been classified as measured at amortised cost, with no change to those classified at fair value through profit or loss. No significant measurement impacts have been identified as a result of reclassifying financial assets into the categories required by the new standard.

For financial liabilities, the current classification and measurement requirements are unchanged.

Financial assets carried at amortised cost must be tested for impairment based on expected losses, as opposed to the previous policy of recognising impairments only when there was objective evidence that a credit loss was present. This did not have a significant impact given the Company's counterparty risk framework.

The new standard amends the rules on hedge accounting to enable closer alignment between the Company's risk management strategy and the accounting outcomes. The standard broadens the scope of arrangements that may qualify for hedge accounting and allows for simplification of hedge designations. Other changes under the standard mean that hedge effectiveness is only considered on a prospective basis with no set quantitative thresholds, certain costs of hedging, previously taken to the income statement, can be recognised directly in equity and voluntary de-designation of hedges is prohibited. The Company will monitor increased opportunities to apply hedge accounting in the future.

ii) IFRS 15 – Revenue from Contracts with Customers

This standard modifies the determination of when to recognise revenue and how much revenue to recognise. Revenue is recognised when control of the promised goods or services pass to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has applied the full retrospective transition approach, resulting in the restatement of comparative information. Comparative information in the consolidated financial statements of profit or loss and other comprehensive income has been restated to reflect changes in accounting for treatment costs and refining charges. Certain sales contracts require the Company to physically deliver unrefined concentrate with the contractual sales amount reflecting the final refined metal content delivered, reduced by treatment costs and refining charges. Revenue was previously recognised at the gross value of the final refined metal content delivered with contractually agreed treatment costs and refining charges recorded as an expense.

2.3 New Accounting Pronouncements, continued

ii) IFRS 15 – Revenue from Contracts with Customers, continued

While having no net income statement impact, under IFRS 15 the treatment costs and refining charges must be recognised as a reduction to revenue. The impact of all other measurement differences identified between IAS 18 and IFRS 15 was immaterial.

Revenue includes both revenue from contracts with customers, which is recognised under IFRS 15 and provisional pricing adjustments, which is recognised under IFRS 9. Under IFRS 15, provisional pricing adjustments will be separately disclosed in the notes to the financial statements as other revenue.

The impact on the consolidated statements of profit or loss and other comprehensive income (increase/(decrease)) for the year ended 31, December 2017 is as follows:

	Accumulated 01/01/2017 12/31/2017 ThUS\$ Restated
Revenue	(327,803)
Costs, excluding net finance costs	327,803

There is no material impact on the statement of financial position or statement of cash flows.

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

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

Applicable from 1 January 2019 and beyond

The following new accounting standards and interpretations may have a significant impact on the profit or loss or net assets of the Company in future financial reporting periods and have not been adopted by the Company in these Financial Statements.

a) Accounting Policies

Title of standard/interpretation	Summary of impact on the Financial Statements
IFRS 16 'Leases'	<p>This standard provides a new model for lessee accounting under which all leases with the exception of short term (under 12 months) and low value leases, will be accounted for by the recognition on the balance sheet of a right of use asset and a corresponding lease liability. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the right of use asset and finance charges representing the unwind of the discount on the lease liability.</p> <p>The Group has progressed its implementation project, focusing on a review of contracts, aggregation of data to support the evaluation of the accounting impacts of applying the new standard and assessment of the need for changes to systems and processes. While the Company's evaluation of the effect of adopting the standard is ongoing, on transition it is expected that it will increase the Group's recognised assets and liabilities. Further, compared with the existing accounting for operating leases, the classification and timing of expenses will be impacted and consequently the classification between cash flow from operating activities and cash flow from financing activities.</p>

2.3 New Accounting Pronouncements, continued

a) Accounting Policies, continued

	<p>The Group is considering available options for transition, which include either retrospective with restatement of comparatives or the modified approach with the cumulative impact of application recognised as at 1 January 2019.</p> <p>The Group's existing operating leases will be the main source of leases under the new standard. While the impact of the standard continues to be assessed as it will be impacted by the transition approach selected by the Group and the lease population at the point of transition, it is expected that the Group's recognised assets and liabilities will increase by an amount materially aligned to the disclosed operating lease commitments at the date of transition.</p> <p>Information on the undiscounted amount of the Group's operating lease commitments under IAS 17 'Leases', the current leasing standard, is disclosed in note 18 'Commitments'. No significant impact is expected for the Group's leases.</p>
IFRIC 23 'Uncertainty over Income Tax Treatments'	This interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' for calculating provisions for uncertain tax positions. The Group is currently assessing the impact of the interpretation on its Financial Statements and does not expect significant effect for this.
Conceptual Framework for Financial Reporting	The revised framework may affect the application of IFRS in situations where no standard applies to a specific transaction or event. The Group is currently assessing the impact of the revised framework on its Financial Statements and does not expect significant effect for this.

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 8% in 2018 of total copper concentrate revenue (6% in 2017). As of December 31, 2018 and 2017, revenue is composed as follows:

	2018			2017		
	Copper concentrate ThUS\$	Copper cathodes ThUS\$	Total ThUS\$	Copper concentrate ThUS\$ Restated	Copper cathodes ThUS\$ Restated	Total ThUS\$ Restated
Sales of own product	6,191,886	1,765,372	7,957,258	4,049,536	1,518,094	5,567,630
Sales of related party product	-	(804)	(804)	-	(303)	(303)
Total Revenue from contracts with customers	6,191,886	1,764,568	7,956,454	4,049,536	1,517,791	5,567,327
Other revenue*	(353,684)	(29,080)	(382,764)	419,566	49,741	469,307
Total revenue	5,838,202	1,735,488	7,573,690	4,469,102	1,567,532	6,036,634

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

4 Other income

	2018	2017
	ThUS\$	ThUS\$
Income from Miscellaneous operations (a)	21,341	51,326
Total Other Income	21,341	51,326

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

5 Costs, excluding net finance costs

	2018	2017
	ThUS\$	ThUS\$
		Restated
Movements in finished product inventories and products-in-progress	372,295	(259,334)
Raw materials and consumables	1,387,844	1,171,454
Employee payroll and benefits (a)	374,644	333,308
Outsourcing services (including transportation)*	882,262	816,333
Net foreign currency translation (gain)/loss	(41,143)	55,673
Operating leases	26,858	25,454
Depreciation and amortization	1,310,577	1,353,156
Impairment of property, plant and equipment	(380)	206,383
Evaluation and exploration costs	41	204
Deferred stripping costs	387,709	336,237
Other	254,273	293,294
Total costs	4,954,980	4,332,162

* Restated amount ThUS\$ 327,803 in year 2017 outsourcing services (including transportation) due to the change of policy stated in Note 2.3 ii related to TCRC.

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

	2018	2017
	ThUS\$	ThUS\$
Employee payroll and benefits	370,471	331,865
Share-based payment awards for employees - BHP*	4,204	1,553
Subtotal employee payroll and benefits	374,675	333,418
Less - employee benefit expenses classified under exploration and evaluation expenses	(31)	(110)
Total employee payroll and benefits	374,644	333,308

*This payment was made by the Parent Company.

(b) Employees:

	2018	2017
Number of employees	3,554	3,593
Total employees	3,554	3,593

6 Net finance costs

	2018 ThUS\$	2017 ThUS\$
Finance costs		
<i>Interest expense using the effective interest rate method:</i>		
Bank loan interest	88,387	62,444
Other interest	51,554	48,636
Interest costs - related parties	5,481	5,998
Discount in provisions and other liabilities	25,173	24,989
Capitalized interest (a)	(3,867)	(13,299)
<i>Other gains or losses:</i>		
Foreign currency translation changes - net debt	2,046	(2,714)
Foreign currency translation changes - net debt, related parties	4,716	(1,994)
	173,490	124,060
Finance income		
Interest income	(9,204)	(2,609)
Other finance income	(3,783)	(1,590)
	(12,987)	(4,199)
Net finance costs	160,503	119,861

(a) Interest has been capitalized (ThUS\$ 3,867 as of December 31, 2018 and ThUS\$13,299 as of December 31, 2017) at the interest rate applicable to specific loans financing assets under construction at a capitalization rate that represents the average interest rate for such loans. As of December 31, 2018, the capitalization rate was 3.86% (2.67% as of December 31, 2017).

7 Income tax expense and deferred taxes

a) Income tax expense

Income tax expense for the years ended December 31, 2018 and 2017 are attributable to the following:

	2018 ThUS\$	2017 ThUS\$
Income tax expense	567,563	306,664
Mining royalty tax expense	102,372	45,342
Deferred income tax (income)/Expense for the period	106,587	96,505
Prior year adjustment	15,260	(6,676)
Other	1,862	1,605
Total current and deferred income tax expense	793,644	443,440

As of December 31, 2018, profit and loss shows an effect related to the corporate tax and specific mining tax of US\$793 millions. This represents an increase of 79% compared with December 2017 where the income tax expense amounted to US\$ 443 millions. This is explained mainly by the increase in the incomes for 2018 compared with 2017 and by the increase in the corporate income tax rate from 25.5% to 27%.

The change in specific tax on mining activities implied rate of 4% from 2013 to 2017 whereas in subsequent years, rates will range between 5% and 14%.

7 Income tax expense and deferred tax, continued

a) Income tax expense, continued

Reconciliation of the effective tax rate:

		2018		2017
	%	ThUS\$	%	ThUS\$
Profit before taxes		2,479,548		1,635,937
Income tax at legal tax rate	27.0%	669,478	25.5%	417,164
Factors affecting income tax for the period:				
Specific tax on mining activities	5.00%	123,977	4.00%	65,437
Change in tax rate (*)	0.00%	-	-3.28%	(53,688)
Other (**)	0.01%	189	0.89%	14,527
Total tax expense	32.01%	793,644	27.11%	443,440

(*) Change in mining royalty tax expense rate

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

Implementation of the tax reform

On September 29, 2014, the Tax reform proposed by President Michelle Bachelet was published in the Official Gazette. Such Law establishes different income tax rates under the "Attributed income system" and the "Partially-integrated system", the latter being the tax system that is by default applicable to the Company. Income tax rates established by the partially-integrated system are 21.0% for 2014, 22.5% for 2015, 24% for 2016, 25.5% for 2017 and 27.0% for 2018.

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, 2018 is ThUS\$ 1,816 (ThUS\$ 2,010 as of December 31, 2017) related to actuarial losses calculated on post-retirement employee benefits.

c) Deferred taxes

As of December 31, 2018 and 2017, deferred taxes are detailed as follows:

	2018	2017
	ThUS\$	ThUS\$
Net deferred taxes		
Opening balance	1,040,160	966,131
Deferred tax (income)/expense	106,587	96,505
Remeasurements and other movements	12,174	(25,254)
Income tax charge/(credit) recorded directly in equity	(1,816)	2,778
Other movements	1,005	-
Balance as of December 31	1,158,110	1,040,160

	2018	2017
	ThUS\$	ThUS\$
Deferred tax asset (liability)		
Property, plant and equipment	(963,485)	(916,299)
Provisions	(8,713)	(7,472)
Stripping costs	(262,087)	(268,562)
Mine restoration	102,090	120,285
Leasing	9,257	4,850
Other	(35,172)	27,038
Total deferred tax liability	(1,158,110)	(1,040,160)

7 Income tax expense and deferred tax, continued

d) Current tax assets and liabilities

As of December 31, 2018 and 2017, 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:

	2018 ThUS\$	2017 ThUS\$
Income tax expense	(569,426)	(306,664)
Expense for specific mining tax activities	(102,372)	(45,342)
Less:		
Monthly provisional income tax payments	393,153	60,795
Monthly provisional specific mining tax payments	56,499	51,583
Monthly provisional income tax payments recoverable, year 2015	33,802	33,802
Monthly provisional income tax payments recoverable, year 2016	6,015	43,750
Plus:		
Other	1,250	(653)
Total current tax asset (liability)	(181,079)	(162,729)

As of December 31, 2018 the total taxable retained earnings amounts to ThUS\$6,824,083 with an associated credit of ThUS\$1,403,325 of which ThUS\$5,306,480 is presented with a tax credit of 20.9% and ThUS\$1,517,603 with an associated credit of 27%. This amount includes the historical FUT extinguished by the Chilean Tax reform as of 1 January 2017 being now part of the new RAI register.

8 Trade and other receivables

	2018 ThUS\$	2017 ThUS\$
Trade and Other receivables, current		
Trade receivables	303,740	571,380
Other receivables	177,217	150,027
Total Current	480,957	721,407
Trade and Other Receivable, Non-Current		
Other receivables	56,172	55,235
Total Non-current*	56,172	55,235

*Refer to Note 22 for further information regarding aging and recovery details.

9 Receivables and payables due to/from related parties

As of December 31, 2018 and 2017, trade receivables due from related parties were as follows:

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	Term	2018 ThUS\$	2017 ThUS\$
BHP Chile Inc. (Chile Branch)	86.160.300-8	Chile	Common owners	US\$	Miscellaneous services	30 days	616	10,871
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	US\$	Gas sales	30 days	35,965	12,183
BMAG - Olympic Dam	Foreign	Australia	Common owners	US\$	Miscellaneous services	30 days	-	322
Minera Spence S.A.	86.542.100-1	Chile	Common owners	US\$	Sale of cathodes and other	30 days	748	-
Cía. Minera Cerro Colorado Ltda.	94.621.000-5	Chile	Common owners	US\$	Sale of cathodes and other	30 days	6	-
Others			Miscellaneous	US\$	Miscellaneous services	30 days	887	154
Total trade receivables due from related parties, current							38,222	23,532

As of December 31, 2018 and 2017, trade and other payables due to related parties were as follows:

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	Term	2018 ThUS\$	2017 ThUS\$
BHP Chile Inc. (Chile Branch)	86.160.300-8	Chile	Common owners	US\$	Miscellaneous services	30 days	14,960	19,887
BHP Chile Inc	44.201.144.1	USA	Common owners	US\$	Miscellaneous services	30 days	14,837	53,765
Minera Spence S.A.	86.542.100-1	Chile	Common owners	US\$	Purchase of cathodes and other	30 days	866	3,038
Cía. Minera Cerro Colorado Ltda.	94.621.000-5	Chile	Common owners	US\$	Purchase of cathodes and other	30 days	-	167
BHP Billiton Finance B.V.	0-E	UK	Common owners	US\$	Loans	30 days	97,410	97,607
BHP Billiton Chile Inves.	77.950.280-5	Chile	Common owners	US\$	Acids Sales	30 days	7,074	4,646
BHP Billiton Group Operations	0-E	Australia	Common owners	US\$	Miscellaneous services	30 days	15,657	11,372
BHP Billiton Limited	0-E	Australia	Common owners	US\$	Miscellaneous services	30 days	11,602	770
BHP International Finance Corporation	59.023.350-1	USA	Common owners	US\$	Subordinated debt (a)	30 days	25,808	25,808
BHP Billiton Freight Singapore	0-E	Singapore	Common owners	US\$	Miscellaneous services	30 days	2,233	208
BHP Billiton Shared Services	0-E	Malaysia	Common owners	US\$	Miscellaneous services	30 days	775	522
Tamakaya Energía SpA	76.349.223-0	Chile	Common owners	US\$	Energy	30 days	29,551	30,066
Others			Miscellaneous	US\$	Miscellaneous services	30 days	1,752	2,820
Total trade payables due to related parties, current							222,525	250,676

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

Company	Taxpayer ID	Country	Relationship	Currency	Transaction description	Term	2018 ThUS\$	2017 ThUS\$
BHP International Finance Corporation	59.023.350-1	USA	Owners	US\$	Subordinated debt	1-5 years	47,869	143,721
Total trade payables due to related parties, non-current							47,869	143,721

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, 2018 the outstanding balance is ThUS\$47,869 non-current.

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, 2018. The expected credit loss provision is immaterial as of December 31, 2018.

10 Transactions with related parties

Significant transactions with related parties are summarized as follows:

Company	Taxpayer ID No.	Country	Relationship	Currency	Transaction description	2018		2017	
						Amount	Effect on profit or loss debit/(credit)	Amount	Effect on profit or loss debit/(credit)
						ThUS\$	ThUS\$	ThUS\$	ThUS\$
BHP Chile Inc.	86.160.300-8	Chile	Common owners	USD	Project management and other services	94,435	94,435	86,034	86,034
BHP Chile Inc.	86.160.300-8	Chile	Common owners	USD	Marketing services	1,650	1,650	1,950	1,950
BHP Chile Inc.		USA	Common owners	USD	Management fee	15,923	15,923	73,671	73,671
BHP Billiton Limited	Foreign	Australia	Common owners	USD	Miscellaneous services	20,319	20,319	12,853	12,853
Broken Hill Proprietary (USA)	Foreign	USA	Common owners	USD	Miscellaneous services	1,544	1,544	2,719	2,719
BHP Billiton Group Operations	Foreign	Australia	Common owners	USD	Miscellaneous services	40,394	40,394	36,572	36,572
BHP Billiton Shared Services	Foreign	Malaysia	Common owners	USD	Miscellaneous services	3,101	3,101	4,598	4,598
BHP Billiton Shared Services	Foreign	Philippines	Common owners	USD	Miscellaneous services	861	861	-	-
BHP Billiton Marketing Asia Pt	Foreign	Singapore	Common owners	USD	Miscellaneous services	16,438	16,438	16,266	16,266
BHP ESCONDIDA INC		USA	Owners	USD	Dividends paid (*)	1,506,500	-	1,494,425	-
Rio Tinto Finance PLC	59.023.330-7	Bermuda	Common owners	USD	Dividends paid (*)	786,000	-	779,700	-
Jeco Corporation	59.023.340-4	Japan	Owners	USD	Dividends paid (*)	262,000	-	259,900	-
Jeco 2 Limited	59.158.690-4	England	Owners	USD	Dividends paid (*)	65,500	-	64,975	-
BHP BILLITON PLC			Common owners	USD	Miscellaneous services	52	(52)	474	474
BHP BILLITON INTERNATIONAL SER	Foreign	USA	Common owners	USD	Miscellaneous services	142	142	418	418
BMAG - PETROLEUM			Common owners	USD	Miscellaneous services	-	-	5,641	5,641
BHP BILLITON PETROLEUM			Common owners	USD	Miscellaneous services	1,403	1,403	-	-
BHP BILLITON IRON ORE PTY LTD	Foreign	Australia	Common owners	USD	Miscellaneous services	48	(48)	4	(4)

10 Transactions with related parties, continued

Company	Taxpayer ID No.	Country	Relationship	Currency	Transaction description	2018		2017	
						Amount	Effect on profit or loss debit/(credit)	Amount	Effect on profit or loss debit/(credit)
						ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cia. Minera Cerro Colorado Ltda	94.621.000-5	Chile	Common owners	USD	Miscellaneous services	43	43	99	99
					Purchase of cathodes	-	-	4,548	4,548
Minera Spence S.A.	86.542.100-1	Chile	Common owners	USD	Miscellaneous services	110	(110)	(156)	(156)
					Purchase of cathodes	15	15	-	-
BHP Billiton Marketing AG	Foreign	Singapore	Common owners	USD	Purchase of cathodes	17,738	17,738	13,792	13,792
Tamakaya Energia SpA	76.349.223-0	Chile	Common owners	USD	Power purchase agreement	354,237	354,237	225,185	225,185
Tamakaya Energia SpA	76.349.223-0	Chile	Common owners	USD	Gas sale agreement	222,449	(222,449)	117,902	(117,902)
BHP Billiton Chile Inves.	77.950.280-5	Chile	Common owners	USD	Purchase of acid	79,715	79,715	34,578	34,578
BHPB Freight Singapore	Foreign	Singapore	Common owners	USD	Freight	135,192	135,192	68,419	68,419
Other			Common owners	USD	Miscellaneous services	281	281	38	38

(*) Dividend paid on behalf of owners

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

11 Inventories

	2018	2017
	ThUS\$	ThUS\$
Inventories		
Raw materials and supplies for production (a)	286,433	208,816
Products-in-progress (b)	770,157	1,130,467
Finished products (b)	92,374	91,742
Total inventories current	1,148,964	1,431,025
Products-in-progress (b)(c)	362,912	389,945
Total inventories non-current	362,912	389,945

(a) During 2018, the Company has written-off warehouse materials inventories worth ThUS\$5,157 (ThUS\$9,265 as of December 31, 2017) which is included in costs.

(b) During 2018, there were no inventories that were written down to net realizable value (NRV).

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

12 Property, plant and equipment

2018	Construction-in-progress	Land and buildings	Plant and equipment	Leased fixed assets	Other mining assets	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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
2017	Construction-in-progress	Land and buildings	Plant and equipment	Leased fixed assets	Other mining assets	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cost						
Opening balance as of January 1, 2017	2,047,038	1,770,001	15,801,338	531,670	1,562,728	21,712,775
Additions (a)	467,061	-	56,106	-	335,113	858,280
Transfers	(2,079,319)	(80,125)	2,145,465	-	(336,237)	(350,216)
Disposals	-	-	(9,854)	-	-	(9,854)
Balance as of Dec 31, 2017	434,780	1,689,876	17,993,055	531,670	1,561,604	22,210,985
Accumulated depreciation						
Opening balance as of January 1, 2017	-	(675,596)	(6,604,666)	-	(82,156)	(7,362,418)
Depreciation expense	-	(80,802)	(1,193,510)	(35,444)	(43,400)	(1,353,156)
Transfers	-	13,957	2,038	-	-	15,995
Disposals	-	-	9,853	-	-	9,853
Impairment of assets (b)	-	-	(206,383)	-	-	(206,383)
Balance as of Dec 31, 2017	-	(742,441)	(7,992,668)	(35,444)	(125,556)	(8,896,109)
Net ending balance as of Dec 31, 2017	434,780	947,435	10,000,387	496,226	1,436,048	13,314,876

(a) Additions for plant and equipment include net foreign exchange gain/losses related to the closure and rehabilitation provisions. Refer to Note 17 Provisions.

(b) Write-off and impairment losses recognized during the period:

During the period ended December 31, 2017, the Company recognized an impairment loss in plant and equipment of ThUS\$206,383 related to the Overland conveyor and Gearless motor conveyor.

During the period ended December, 31 2018, the Company has registered ThUS\$3,514,914 - gross amount - related with fixed assets that still are being used (ThUS\$3,237,666 at December 31, 2017), which are fully depreciated.

During the period ended December 31, 2018 and 2017, the Company does not have pledged assets.

13 Trade and other payables

	2018	2017
	ThUS\$	ThUS\$
Trade and other payable, current		
Trade payables	775,364	667,069
Other payables	38,052	46,913
Total trade and other payables, current	813,416	713,982
Trade and other payables, non-current		
Other payables	203	437
Total trade and other payables, non-current	203	437

14 Bank loans and other loans

	2018	2017
	ThUS\$	ThUS\$
Current		
Unsecured bank loans (a)	207,919	307,919
Finance leases (b)	22,752	21,081
Total loans, current	230,671	329,000
Non-current		
Unsecured bank loans (a)	2,293,827	2,348,046
Finance leases (b)	468,282	491,045
Total loans, non-current	2,762,109	2,839,091

(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, 2018, the outstanding balance is ThUS\$224,000. 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, 2018, the outstanding balance is ThUS\$40,000 (ThUS\$180,000 as of December 31, 2017). Maturity ThUS\$420,000 December 01, 2022 and ThUS\$180,000 December 01, 2019.
- ii. On October 11, 2013, the Company entered into a loan agreement with Export Development Canada (EDC) amounting to ThUS\$100,000. The loan with EDC was fully paid in October 2018 and it will bears interest since that date at LIBOR (180 days) + 1.15%. At the same date, the Company entered into a loan agreement with Export Development Canada (EDC) amounting to ThUS\$150,000. The loan with EDC will be paid in 6 biannual payments beginning the second half of 2018 and bears interest at LIBOR (180 days) + 1.29%. Maturity ThUS\$100,000 October 11, 2018 (paid completely) and ThUS\$150,000 October 11, 2023.
- iii. 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, 2018, the outstanding balance is ThUS\$43,750. (ThUS\$56,250 as of December 31, 2017). Maturity March 04, 2022.
- iv. 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 Billiton 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, 2018, the outstanding balance is ThUS\$106,229. (ThUS\$177,083 as of December 31, 2017). Maturity March 03, 2020.

14 Bank loans and other loans, continued

- v. 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. The outstanding balance amount with The Bank of Tokyo-Mitsubishi UFJ, Ltd. is ThUS\$1,180,624 as of December 31, 2018. Maturity October 13, 2021.
- vi. 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, 2018, the outstanding balance is ThUS\$157,143. 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, 2018, the outstanding balance is ThUS\$300,000. Maturity ThUS\$200,000 June 03, 2024 and ThUS\$300,000 June 01, 2027.
- vii. On December 14, 2017, the Company entered into a loan agreement of ThUS\$300,000 with The Bank Export development Canada as the agent bank. The loan with The Bank Export development Canada will be paid on December 14, 2022 and bears interest at LIBOR (180 days) + 1.41%.
- viii. On October 11, 2018, the Company entered into a loan agreement of ThUS\$150,000 with The Bank Export development Canada as the agent bank. The loan with The Bank Export development Canada will be paid on December 14, 2022 and bears interest at LIBOR (180 days) + 2.62%.

(b) Finance leases:

The finance lease relates to the gas power plant Kellar. This plant has been operating since December 2016, the Kellar 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, Kellar 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 detail of future minimum payments is showed below:

	Future minimum		Interest		Present value of	
	Lease payments				Minimum lease payment	
	2018	2017	2018	2017	2018	2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Less than one year	55,574	55,574	30,919	32,466	24,655	23,108
Between one and five years	250,084	250,083	117,041	125,390	133,043	124,693
More than five years	420,936	474,494	87,600	110,169	333,336	364,325
	726,594	780,151	235,560	268,025	491,034	512,126

14 Bank loans and other loans, continued

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

	Note	Bank Loans ThUS\$	Finance Lease ThUS\$
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)

	Note	Bank Loans ThUS\$	Finance Lease ThUS\$
Restated balance at January 1, 2017	14	(2,338,500)	(531,670)
Changes from financing cash flows:			
Proceeds from loans and borrowings		(800,000)	-
Repayment of borrowings		443,607	-
Payment of finance lease liabilities		-	19,544
Total changes from financing cash flows		(356,393)	19,544
The effect of changes in foreign exchange rates		(2,714)	-
Other changes:			
Interest received		(4,220)	-
Interest paid		135,646	-
Interest accrual		(89,783)	-
Total liability-related other changes		41,643	-
Total equity-related other changes		-	-
Balance at December 31, 2017	14	(2,655,964)	(512,126)

15 Provisions

	2018 ThUS\$	2017 ThUS\$
Current		
Employee benefits (a)	67,061	69,007
Post-retirement employee benefits	9,843	4,373
Other (c)	19,421	18,073
Total provisions, current	96,325	91,453
Non-current		
Post-retirement employee benefits (d)	76,480	82,474
Restoration and rehabilitation (b)	378,111	445,501
Total provisions, non-current	454,591	527,975

(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\$2,324,522 as of December 31, 2018 (ThUS\$2,517,823 as of December 31, 2017). 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\$13,895 (ThUS\$11,246 in December 31, 2017).

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

	2018	2017
Mortality table	RV-2014	RV-2014
Actual annual interest rate	5.15%	4.93%
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.

15 Provisions, continued

Effect in thousands of US\$	2018		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (change of 1%)	(9,960)	9,903	(2,987)	5,840
Future increase in salaries (change of 1%)	9,832	(10,023)	11,021	(9,441)

Provision reconciliation

	Employee benefits ThUS\$	Restoration and rehabilitation ThUS\$	Restructuring ThUS\$	Post-retirement employee benefits ThUS\$	Other ThUS\$	Total ThUS\$
Opening balance as of January 1, 2018	69,007	445,501	501	86,846	17,573	619,428
Amount capitalized	-	(93,237)	-	-	-	(93,237)
Debit/(credit) for the period:						
Increases/(decreases)	74,863	-	-	11,753	2,648	89,264
Gains/ (losses) taken to equity including actuarial losses	-	-	-	(4,232)	-	(4,232)
Effect of discount rate	-	26,112	-	4,216	-	30,328
Effect of foreign currency translation differences	(4,607)	-	-	(10,803)	(58)	(15,468)
Payments	(72,202)	(265)	-	(1,457)	-	(73,924)
Transfer	-	-	-	-	(1,243)	(1,243)
Ending balance as of Dec 31, 2018	67,061	378,111	501	86,323	18,920	550,916

16 Equity

Paid-in capital is reconciled as follows:

	2018 ThUS\$	2017 ThUS\$
Opening capital (a)	62,308	62,308
Capitalization 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, 2018 and 2017, corresponding to a capital of a limited liability company, thus not having a constitution of shares.

16 Equity, continued

As of December 31, 2018 and 2017, distributions (dividends) were the following:

Owners	Ownership %	2018 ThUS\$	2017 ThUS\$
BHP Escondida Inc.	57.5	1,506,500	1,494,425
Rio Tinto Escondida Limited	30	786,000	779,700
JECO Corporation	10	262,000	259,900
JECO 2 Ltd.	2.5	65,500	64,975
Total dividend	100	2,620,000	2,599,000

As of December 31, 2018 and 2017, 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 ThUS\$
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
28-Apr-17	28-Apr-17	111,000
22-Jun-17	June 30/ July31, 2017	629,000
30-Sep-17	28-Sep-17	360,000
18-Oct-17	29-Nov-17	580,000
02-Nov-17	21-Dec-17	919,000
Total		2,599,000

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, 2018, the Group has no significant pending lawsuits or contingencies and accordingly, there are no assets or liabilities associated with contingencies at such date.

18 Commitments and operating leases

	2018 ThUS\$	2017 ThUS\$
Commitment		
Expenses expiring over the next 12 months	1,869,437	2,935,379
Expenses expiring between 1 and 2 years	1,112,773	1,031,078
Expenses expiring between 2 and 3 years	493,022	627,477
Expenses expiring between 3 and 4 years	214,170	323,996
Expenses expiring between 4 and 5 years	142,396	201,539
Expenses expiring in more than 5 years	500,230	1,190,787
Total commitment (a)	4,332,028	6,310,257
Operating leases		
Expenses expiring over the next 12 months	79,514	109,103
Expenses expiring between 1 and 2 years	71,305	76,383
Expenses expiring between 2 and 3 years	71,305	76,320
Expenses expiring between 3 and 4 years	71,305	76,320
Expenses expiring between 4 and 5 years	71,305	76,320
Expenses expiring in more than 5 years	552,613	686,880
Total operating leases	917,347	1,101,326

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

19 Cash and cash equivalents

(a) As of December 31, 2018 and 2017, this caption is composed of the following:

	2018 ThUS\$	2017 ThUS\$
Cash and cash equivalents		
Bank balances	406,438	359,262
Short-term deposits	300,012	100,000
Total cash and cash equivalents	706,450	459,262

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:

		2018 ThUS\$	2017 ThUS\$
Cash and cash equivalents	Ch\$	35,581	13,102
Cash and cash equivalents	Euro	-	1,008
Cash and cash equivalents	US\$	670,869	445,152
Total cash and cash equivalents		706,450	459,262

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, 2018, it is estimated that one percentage point increase in the LIBOR interest rate would decrease the Company's profit after taxation and equity by ThUS\$22,394 (as of December 31, 2017: ThUS\$24,599). 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 2018 and 2017 is as follows:

1% rate variation effect	2018 ThUS\$	2017 ThUS\$
Loans - international banks	20,941	22,177
Other loans	1,453	2,422
Total variation	22,394	24,599

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, 2018 and 2017:

Functional currency - US dollar	2018 ThUS\$	2017 ThUS\$
Cash and cash equivalents	35,581	12,699
Trade and other receivables, current	98,447	49,620
Trade and other receivables, non-current	11,442	11,458
Trade receivables due from related parties, current	7,528	7,259
Trade and other payables, current	(532,674)	(494,235)
Trade payables due to related parties, current	37,626	14,515
Provisions, current	(77,470)	(74,003)
Provisions, non-current	(425,027)	(529,716)
Total	(844,547)	(1,002,403)

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, 2018 and 2017, 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	2018 ThUS\$		2017 ThUS\$	
	Post-tax profit	Equity	Post-tax profit	Equity
Variation of + Ch\$10	8,477	8,477	11,231	11,231
Variation of - Ch\$10	(8,725)	(8,725)	(11,603)	(11,603)

The foreign exchange rate used as of December 31, 2018 was Ch\$694.77 per US\$1 (Ch\$615.22 per US\$1 as of December 31, 2017).

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 2018 to the impact of movements in commodity prices upon provisionally invoiced sales and purchases volumes was predominately around copper.

The Company had 353 thousand tonnes of copper exposure at 31 December 2018 (2017: 363 thousand tonnes) that was provisionally priced. The final price of these sales or purchases will be determined during the first half of FY2019. 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\$147 million (2017: US\$181 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 FY2018. Moody's maintained their credit rating for the Group of A3 with positive outlook throughout FY2018.

There were no defaults on loans payable during the period.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2018 and 2017.

2018	Bank loans and other loans ThUS\$	Future interest payments ThUS\$	Other derivatives ThUS\$	Other liabilities ThUS\$	Total ThUS\$
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)

2017	Bank loans and other loans ThUS\$	Future interest payments ThUS\$	Other derivatives ThUS\$	Other liabilities ThUS\$	Total ThUS\$
Maturity date					
In 1 year or less	(329,011)	(119,954)	(1,114)	(713,982)	(1,164,061)
1 - 2 years	(230,681)	(103,882)	-	(437)	(335,000)
2 - 3 years	(797,018)	(68,728)	-	-	(865,746)
3 - 4 years	(763,582)	(55,368)	-	-	(818,950)
4 - 5 years	(459,432)	(116,007)	-	-	(575,439)
Over 5 years	(588,365)	(138,043)	-	-	(726,408)
Total	(3,168,089)	(601,982)	(1,114)	(714,419)	(4,485,604)
Balance as of Dec 31, 2017	(3,168,089)	(601,982)	(1,114)	(714,419)	(4,485,604)

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 categorized 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 analyzed 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, 2018 and 2017 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, 2018 and 2017, 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

2018	Gross amount ThUS\$	Not past due ThUS\$	Aging of receivables			
			Less than 30 days ThUS\$	31 - 60 days ThUS\$	61 - 90 days ThUS\$	Over 90 days ThUS\$
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

2017	Gross amount ThUS\$	Not past due ThUS\$	Aging of receivables			
			Less than 30 days ThUS\$	31 - 60 days ThUS\$	61 - 90 days ThUS\$	Over 90 days ThUS\$
Trade receivables	571,380	571,380	-	-	-	-
Other receivables	202,348	171,655	22,548	2,734	712	7,606
Total	773,728	743,035	22,548	2,734	712	7,606

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, 2018

During 2018 and 2017 no renegotiation of the terms and conditions of receivables has occurred.

* Majority receivable coming from these customer; Scrap Management Solutions Spa, Finning Chile S A and AES Gener S.A. which expected to be partially recovered in second quarter 2019.

Fair value

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

Derivatives are initially recognized 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

2018	Note	Amortized cost ThUS\$	Fair value ThUS\$	Total ThUS\$
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	38,967	4,029,633
Non-financial liabilities				2,023,690
Total liabilities				6,053,323

2017	Note	Loans and receivables ThUS\$	Held at fair value through profit or loss ThUS\$	Other financial liabilities at amortized cost ThUS\$	Total ThUS\$
Fair value hierarchy			Level 2*		
<i>Financial assets</i>					
Cash and cash equivalents	19	459,262	-	-	459,262
Trade and other receivables (a)	8	205,262	497,093	-	702,355
Total financial assets		664,524	497,093	-	1,161,617
Non-financial assets					15,241,846
Total assets					16,403,463
<i>Financial liabilities</i>					
Trade and other payables (b)	13	-	47,350	667,069	714,419
Other derivative contracts		-	1,114	-	1,114
Unsecured bank loans	14	-	-	2,655,965	2,655,965
Total financial liabilities		-	48,464	3,323,034	3,371,498
Non-financial liabilities					2,749,912
Total liabilities					6,121,410

(a) This does not include taxes of ThUS\$74,005 (2017: ThUS\$73,707) included in other receivables – see Note 10 Trade and other receivables.

(b) This does not include taxes of ThUS\$83 (2017: 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 analyzed 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.

As per the foreign investment agreement between the Chilean Government and the Company's owners, the financial debt ratio should not exceed 75% / 25% of equity (3:1) for each calendar year.

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

	2018	2017
	ThUs\$	ThUs\$
Total liabilities	6,053,323	6,097,837
Less: cash and cash equivalents	(706,450)	(459,262)
Net Debt	5,346,873	5,638,575
Net equity	9,353,420	10,277,372
Financial Debt / Equity Ratio	57%	55%

21 Compensation of key management personnel

	2018	2017
	ThUS\$	ThUS\$
Payroll and bonuses (short-term employee benefits)	4,822	8,304
Severance indemnity payments (post-employment benefits)	373	274
Total	5,195	8,578

Compensation of key management personnel in relation to share based payments represent (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, 2018 amounted to ThUS\$538,118, 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, 2018 amounted to ThUS\$103,465, which are intended to ensure compliance of the conditions agreed with the supplies.

23 Subsequent events

As of February 7, 2019, the Company decreed dividends of ThUS\$750,000, these have been totally paid at the date of this financial statements.

Abril 23, 2019

Señor

Joaquín Cortez Huerta

Presidente Comisión para el Mercado Financiero (CMF)

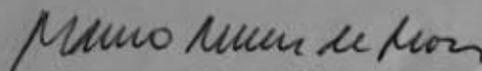
Presente

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 2018 y 2017, 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,



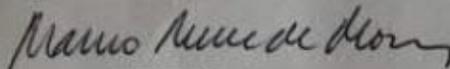
Mauro Neves
Gerente General
Minera Escondida Limitada

Abril 23, 2019

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 2018 y 2017, 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
Gerente General
Minera Escondida Limitada