



Codelco and SQM sign partnership agreement making Chile a leader in the global lithium market

- **This is yet another step toward materializing the public-private partnership that will produce high-quality lithium products from the Salar de Atacama.**
- **Starting in 2031, the state will receive 85% of the operating margin of the new production through payments to Corfo, taxes and the profits received by Codelco as a shareholder.**
- **The two companies have set up the website www.acuerdocodelcosqm.cl so the public can learn the details about the partnership.**

Santiago, 31 May 2024.- The National Copper Corporation (Codelco) and Sociedad Química y Minera de Chile SA (SQM) have signed the Partnership Agreement that they had announced in a Memorandum of Understanding released last December. The agreement establishes in detail all the steps, stages, rights, obligations, terms and conditions of the public-private partnership that will take responsibility for production of refined lithium in the Salar de Atacama from 2025 to 2060.

The partnership, composed of Codelco through its subsidiary Minera Tarar, and SQM through SQM Salar, will become effective once all the legal, regulatory, technical and environmental requirements and the respective indigenous consultation process have been fulfilled, all of which is planned to be completed in the first months of 2025.

“It is with great pride that Codelco, its workers, executives and board members receive this new responsibility given to it by its shareholder, the Chilean state. Just as we have contributed to making Chile the world leader in copper production, we will now contribute to making our country a leader in the production of lithium, another mineral critical to the energy transition, which will allow us to fight the climate emergency. We will do so as partners of SQM, a Chilean company that has the scale, technical and human expertise, financial resources and sales network that we need to avoid missing the opportunities that now open themselves up to us. Codelco contributes all its business experience, talent and mining development expertise, in addition to its valuable international prestige, to this partnership. There are still several milestones to be reached before this partnership becomes operational, but I thank and congratulate Codelco’s tremendous human team, which managed to give shape to an unprecedented partnership for Chile, both due to its nature as well as the magnitude of the resources involved, doing so in record time and amid many pessimistic forecasts,” said Codelco Chairman Máximo Pacheco.

The agreement states that the aim is to achieve a total additional production of 300,000 Lithium Carbonate Equivalent (LCE) in 2025-2030, while a production of 280,000-300,000 tons of LCE annually has been defined for 2031-2060. This increase in lithium production will be achieved through improvements in process efficiency, the adoption of new technologies and the optimization of operations and does not entail increased brine extraction or use of continental waters.



“The projects we are going to develop with Codelco will be extraordinarily positive for Chile, the Antofagasta Region, communities, workers and for both companies. This partnership is proof of the confidence we inspire with our over 25 years of experience producing lithium from the Salar de Atacama and refining it at the chemical plant in Antofagasta, our operational efficiency and the business synergies. We are filled with pride at taking such significant steps in public-private partnerships in Chile with this joint project. The partnership will have access to 100% of our infrastructure and plants, including the world's largest lithium product refining center in Antofagasta. We are committed to compliance with the highest environmental standards and an ongoing process of dialogue with Atacameño communities to protect the salt marsh's ecosystem. With the Codelco-SQM partnership, as of 2031 Chile will receive 85% of the operating margin through different channels,” said Ricardo Ramos, CEO of SQM.

Principles of the partnership:

In line with the provisions of the Memorandum of Understanding signed on 27 December 2023, the Partnership Agreement signed establishes that:

1. The partnership will be implemented through a joint venture in which Codelco will own 50% of the shares plus one.
2. Operational continuity and respect for SQM's lease agreement through 2030 is assured, guaranteeing fulfillment of current agreements with communities and other social organizations.
3. The partnership is expected to begin operations during 2025, once preliminary conditions are met. These include the indigenous consultation process led by Corfo and compliance with all processes and permits for the operation, such as: authorization from the Chilean Nuclear Energy Commission, ratification by the Office of the Comptroller General of the Republic and different antitrust approvals by the National Economic Prosecutor and other agencies abroad.
4. The partnership will have two periods of operation:
 - *First period*, from the date the partnership becomes effective through 31 December 2030, during which SQM will oversee general management.
 - *Second period*, from 1 January 2031 to 31 December 2060, during which Codelco will oversee general management.
5. The partnership will be tasked with designing and developing a new production project that will incorporate new technologies to trend toward water balance while simultaneously increasing lithium recovery through compliance with the highest environmental standards.

The most relevant issued covered by the Partnership Agreement's 20 articles include:

- **Partnership:** regulates the assets that will be part of the business and the partnership in detail; the reorganization of SQM Salar to become the joint venture; the CORFO-Tarar contracts, the indigenous consultation of said contracts, the amendment of CORFO-SQM contracts, the procedure before the Chilean Nuclear Energy Commission (CCHEN), among other aspects.
- **Merger between SQM Salar and Tarar:** regulates the corporate actions on the part of SQM Salar and Minera Tarar for the merger between the two entities, with SQM Salar subsisting as the joint venture, with a name yet to be determined.



- **Salar de Maricunga assets and intellectual property:** regulation of the transfer of SQM assets in the Salar de Maricunga to Codelco, and the granting of SQM intellectual property licenses to Codelco and the company.
- **Termination:** regulation of the Partnership Agreement's termination if the preliminary conditions are not met.
- **Compensation:** regulation of compensation in the event of breaches of agreement obligations or inaccuracy of statements and guarantees.

Regarding the partnership's corporate governance, between 2025 and 2030, the company's board will be composed of 6 members and each party will appoint half of them. Codelco will appoint the president and SQM the vice president. Meanwhile, SQM will have the majority of votes in shareholders' meetings, business management and rights to maintain consolidation of the joint venture's results. Starting in 2031, the board will be composed of 7 members and Codelco will have the majority. Its members cannot have served as Codelco or SQM S.A. board members for over 10 years, either continuous or discontinuously. The state company will have the majority of votes in the shareholders' meeting and results will be consolidated in Codelco.

In economic terms, it is important to note that, under the partnership, the Chilean state, through Codelco, Corfo and the Treasury, will receive approximately 70% of the operating margin generated by the new production between 2025 and 2030. Meanwhile, starting on 1 January 2031, the state will receive 85% of the operating margin through payments to Corfo, taxes and the profits that Codelco receives as a shareholder.

The two companies are currently engaged in the dialogue process with Salar de Atacama communities to achieve their participation in all matters of common interest related to the joint venture's productive activities, especially in socio-environmental matters, in line with International Labor Organization (ILO) Convention 169 on Indigenous and Tribal Peoples. This process of dialogue will extend beyond the signing of this agreement with the aim of reaching consensus on human development, socio-environmental and governance issues.

Project 2031- 2060

For production in the period 2031-2060, the agreement establishes that the companies will submit the project to the Environmental Impact Assessment System, including an indigenous consultation process regarding the environmental impacts likely to directly affect indigenous peoples.

This project considers the use of new technologies for operations in the Salar de Atacama, which will allow a trend toward water balance and increase lithium recovery while complying with the highest environmental standards, for which mechanical evaporation of solutions with water capture and filtration processes that allow separating solutions into flows with greater and lower concentration of certain elements have been considered. The new technologies that will be incorporated will also allow minimizing and possibly eliminating the consumption of well water, in addition to reinjecting a large proportion of the extracted solutions back into the Salar de Atacama.



If the indigenous consultation process is completed and a favorable Environmental Qualification Resolution (RCA) is obtained, the project should begin to be executed before the end of this decade, ensuring uninterrupted production through 2060.