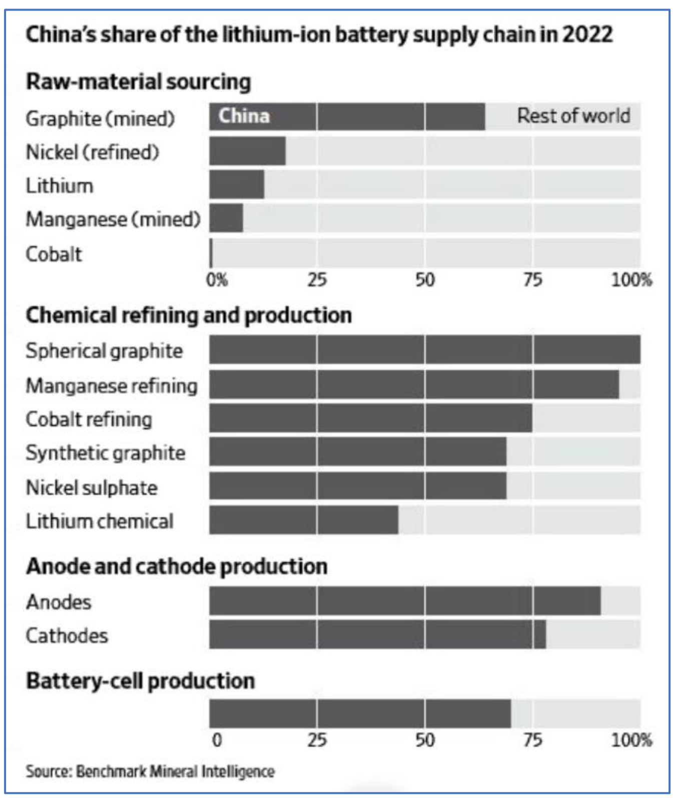
To whom it may concern: the surprising no bidding process over strategic Salar de Atacama lithium extraction.

The facts are as follows:

1. **Uniqueness of Salar de Atacama, Chile:** it is considered one of the best brine deposits from where to extract lithium in the world. As of today, it is administered by a state owned entity CORFO and it has only two players operating under different contract conditions: Albemarle, an American company which is authorized to extract up to 85.000 lithium carbonate (LCE) metric tons per year until 2043 and SQM, a Chilean company co-controlled by two industrial groups (Grupo Pampa (26%) and China´s TIANQI (22%)), which is authorized to annually extract 180.000 LCE metric tons until 2030. Both operations are subject to the same royalty structure and pay income taxes as any other company based in Chile. TIANQI has a joint venture with Albemarle in Australia in Greenbushes hard rock deposit, the largest operational lithium mine globally. Total production capacity in Salar de Atacama remains undefined.

   World lithium demand in 2023 is expected to reach 1.2 million LCE metric tons: electromobility would account for a million LCE metric ton.

2. **Chinese dominant position:** the following table should speak for itself.



15 million electric vehicles (EV´s) in 2023, including hybrids, out of 88 million light vehicles sold worldwide, represented around 17% of the global market; half of them, or 7 million EV´s in China, represented 30% of its own domestic market; 3 million EV´s in Europe, 20%; 1.5 million EV´s in the US, 10%.

A transition to EV´s approaching a massification stage.

3. **Chilean free trade agreements with US (1994) and EU (2003) incoherent with no bidding process:** some objectives of the first one are to *"promote conditions of fair competition in the free trade area"* and *"substantially increase investment opportunities in the territories of the Parties"*; some of the second are *"stimulating productive synergies, creating new opportunities for trade and investment and promoting competitiveness and innovation" and "promoting joint efforts to develop scientific and technological initiatives in the field of mining"*.

   As for Government Procurement rules, EU FTA establishes that *"Each party shall ensure that the procurement of its entities covered by this tittle takes place in a transparent, reasonable and non-discriminatory manner, treating any supplier of either Party equally and ensuring the principle of open and effective competition"*; in the US FTA, *"The objectives of this Chapter are to recognize the importance of conducting government procurement in accordance with the fundamental principles of openness, transparency and due process; and to strive to provide comprehensive coverage of procurement markets by eliminating market access barriers to the supply of goods and services, including construction services."*

   Dead letter?

4. **US Inflation Reduction Act (2022) and incompatibility with foreign entity of concern:** given Chilean FTA with the US, federal income tax credits associated with this Act would no longer be applicable to a Chilean based firm – such as SQM - potentially *"owned by, controlled by, or subject to the jurisdiction of a government of a foreign country"*, such as China.

5. **CODELCO and SQM have publicly traded securities in US markets:** as such, both companies are subject – beyond Chilean Laws - to US securities laws and to the Foreign Corrupt Practices Act (FCPA), among others. In 2017 and under a deferred prosecution agreement, SQM agreed to pay a criminal penalty in connection with payments to politically connected individuals in Chile in violation of FCPA, for knowingly failing to implement internal controls and falsifying its books and records. In a related matter, SQM reached a settlement with the Securities and Exchange Commission (SEC), paying a civil monetary penalty *"because its books and records did not accurately and fairly reflect the purpose of the transactions and disposition of assets from the CEO account"*.

   Any transaction involving CODELCO and SQM will be overseen under the light of these laws, by the Justice Department, the SEC or any bondholder or shareholder of them.

6. **Potential annual payments equivalent to over 1.4% of GDP structured under a no competitive, open and transparent bidding process:** last December 27th, 2023 CODELCO and SQM announced an MOU[1,2,3] that purports to create a 50/50 partnership to extract 300.000 LCE metric tons annually under an extended period from January 1st, 2031 until December 31st, 2060. CORFO had already leased its mining properties in Salar de Atacama to CODELCO under the same equivalent period.

   In summarized terms, there are two periods in the proposed partnership:

   a. January 1st, 2025 to December 31st, 2030, **"What you receive, you pay for"**: CODELCO obtains profits – after royalties and income taxes paid by SQM – out of 201.000 LCE metric tons, for which it duly compensates SQM authorizing an additional 300.000 metric ton LCE extraction. These additional 300.000 LCE metric tons are allocated into two tranches: 165.000 LCE metric tons that are "free of charge" transferred; 135.000 LCE metric tons that have to reimburse CODELCO for 50% of their associated profits. SQM delivers profits; CODELCO, an additional 300.000 LCE ton quota; and Chilean Treasury captures additional royalties – via CORFO - and income taxes out of new quota.

   b. January 1st, 2031 to December 31st, 2060, **"The gift"**: SQM would finally receive, after royalties and income taxes, 18 to 20% of the sale price of 300.000 LCE metric tons to be produced annually in exchange for its industrial facility, knowhow and its prorate marginal investment to increase production from present 200.000 LCE metric ton capacity. At US$ 20.000 an LCE metric ton, a **US$ 12 billion gift less fixed asset value**.

LCE Royalty CORFO						**January 1st, 2031 to December 31st, 2060 50/50 SQM CODELCO Partnership**			
US$ / MT		20.000	30.000	40.000		***US$ / MT***			
Up to 4.000	6,8%	272	272	272		Sales price	20.000	30.000	40.000
4.000 to 5.000	8%	80	80	80		Production Cost	5.000	5.000	5.000
5.000 to 6.000	10%	100	100	100		Royalty	5.372	9.372	13.372
6.000 to 7.000	17%	170	170	170		Net Income before taxes	9.628	15.628	21.628
7.000 to 10.000	25%	750	750	750		Income taxes (27%)	2.600	4.220	5.840
Over 10.000	40%	4.000	8.000	12.000		Net Income	7.028	11.408	15.788
Total Royalty		5.372	9.372	13.372		50% SQM profit	3.514	5.704	7.894
						50% SQM profit over sales	18%	19%	20%
						Total Chilean state income	11.486	19.296	27.106
						Total state income over sales	57%	64%	68%
						(includes royalties, taxes and 50%)			
						US$ million if 300.000 LCE MT /year			
						SQM annual payment	**1.054**	**1.711**	**2.368**
						Chilean state annual payment	3.446	5.789	8.132
						Total payments	4.500	7.500	10.500
						% of Chilean GDP	1,4%	2,3%	3,2%

[1]https://www.codelco.com/prontus_codelco/site/docs/20160401/20160401130745/2023_12_27_memorando_de_entendimiento_codelco___sqm.pdf
[2] https://s25.q4cdn.com/757756353/files/doc_news/2023/12/PR_Codelco_27Dec2023_eng_final.pdf
[3] https://s25.q4cdn.com/757756353/files/doc_news/2023/12/Codelco_MOU_27Dec2023_eng.pdf

The **biggest ever Chilean state contract** (Treasury, CODELCO and CORFO involved) with a private counterparty would be allocated under no competitive bidding process.

Chilean GDP amounts to US$ 328 billion. Lithium prices have varied wildly in the last 12 months within a US$ 14.000 to US$ 80.000 per LCE MT range.

Until now, Contraloría General de la República, the public entity that oversees the correct implementation of Chilean Laws in the public sector, particularly its services and goods provision contracts, has pronounced no word about this potential transaction in the making, even though CORFO and CODELCO should also be under its comptroller role.

7. **Iraq´s oil fields successful bidding process over extraction**: in 2009 Rumaila oil field, in southern Iraq and biggest in that country, was awarded to BP at US$ 2 per barrel of oil under a 20 year contract. The contract required increasing production and considered new investments whose depreciated value at the end of the period would be reimbursed. The whole difference between the extraction cost hired to BP and market value of oil remained in Iraqi coffers, whether big or small.

   Rumaila was a known oil field, as it is Salar de Atacama in lithium production.

   A bidding process over lithium extraction, whereby the whole difference between lithium prices and extraction costs remains with CORFO – CODELCO – Treasury, is also possible and allows Chile to keep for itself the capital gain from lithium scarcity. There is no need to transfer wealth to anyone, under a competitive bidding process centered on lithium extraction and not the ownership of its uncertain economic value.

Final comment: Seven years from now are enough to pursue environmental evaluations, to ascertain with a better degree of confidence Salar de Atacama potential lithium productive capacity and soon prepare bidding processes so that transition from present SQM operation would be fluid under increasing lithium production objectives. It would also allow Chile to ensure US and EU markets lithium provision, while keeping China also supplied but at bay.

And foremost, **there would be no US$ 12 billion gift less plant value to any firm**, but only the fair and competitive price payment for lithium extraction.

Present MOU between CODELCO and SQM should be terminated if Chile is a serious country.

A new bidding process, open, competitive and legally strong, would ensue. US and EU institutions should make sure free trade agreements, securities and anti-corruption laws are complied with. And so should local authorities before it is too late.

Manuel Cruzat Valdés

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