Business risks and opportunities in mining and metals

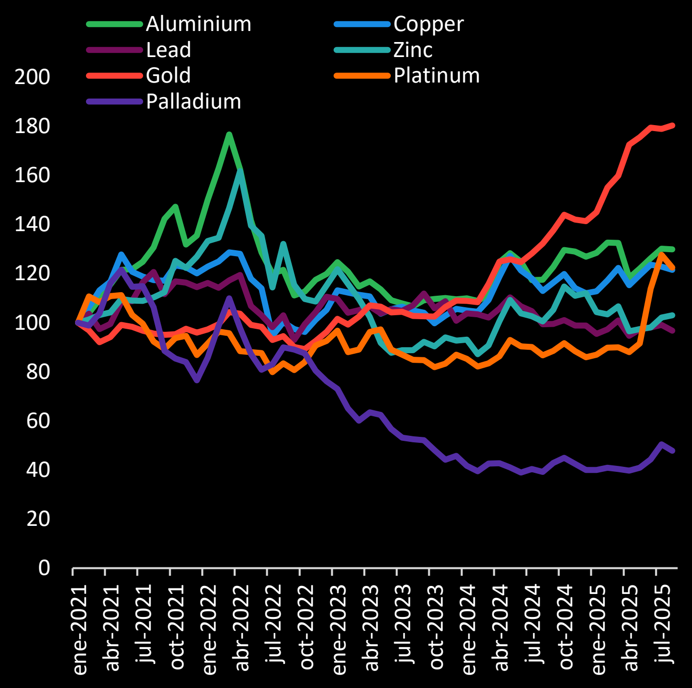
2026

Building a better working world

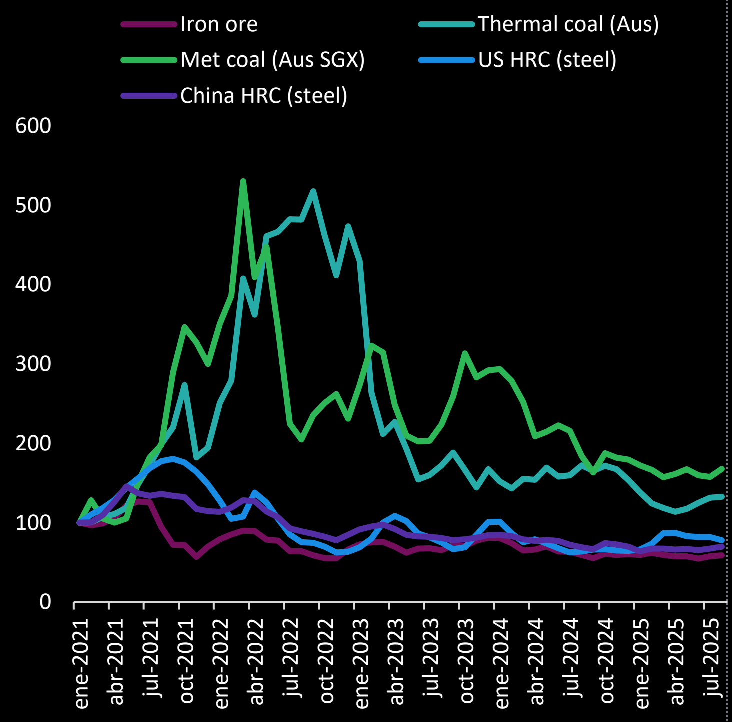
Prices are generally positive, but uncertainty is driving some interesting responses as risk appetites decline

Selected average monthly prices – January 2021 to August 2025 (Index 100 = Jan 2021)

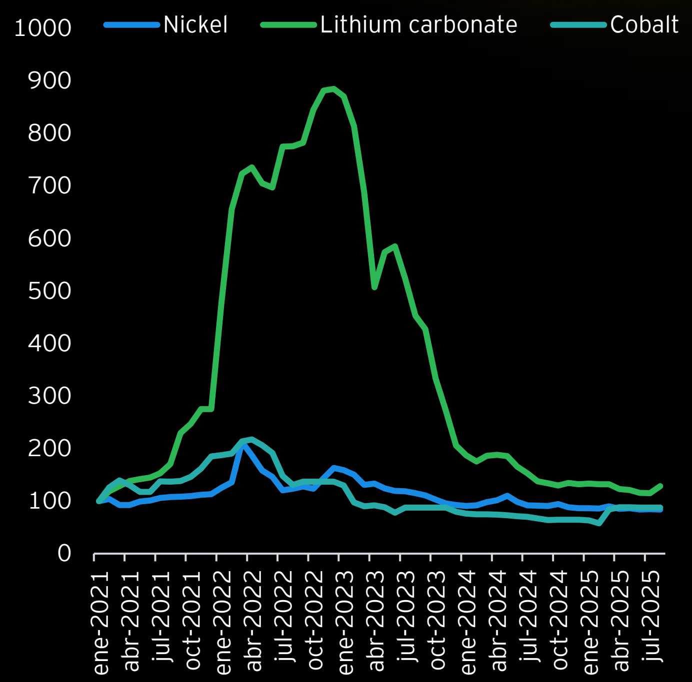
Base and precious metals gain on global trade and geopolitical uncertainty



Steel and bulk commodity prices fall on weaker demand and oversupply



Optimism returning to battery minerals; PGMs are improving, which is positive for lithium



Source: EY Insights analysis of Refinitiv DataStream and S&P Cap IQ Pro

In 2026 we believe the focus will shift to managing short term risks

2019-2024 → 2025 → 2026

External factors LTO, ESG, carbon

- License to operate: community and workforce safety and stakeholder engagement
- Climate change and the journey to Net Zero
- ESG with a focus on sustainability, nature, waste and water
- Climate policies and regulation incorporated into strategies, decisions and reporting

Strategic risks Capital

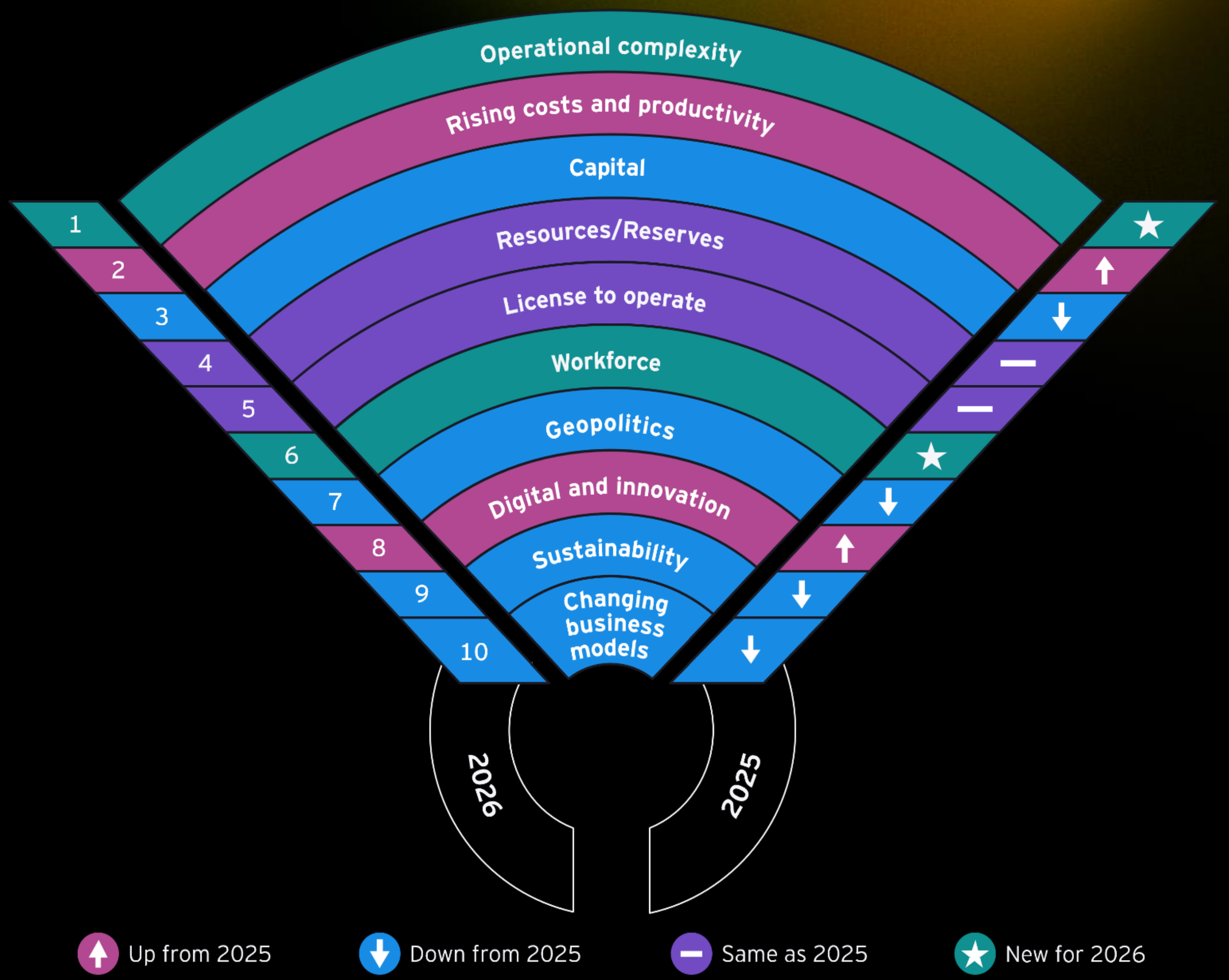
- Growing demand and supply gaps
- Recognition of need to grow
- Complexity of acquisitions and switch to build
- Collaboration to improve capital efficiency and foster innovation

Operational risks, complexity, costs, productivity

- Preserve cash until certainty returns
- Recognition that complexity needs to be conquered to successfully meet future demand
- Intense focus on costs and productivity
- AI is the next frontier but it doesn't solve workforce issues

Top 10 business risks and opportunities 2026

- Rising focus on operational risk to successfully meet future demand while preserving capital
- The changing capital agenda and creating long-term value through collaborative ecosystems
- Inflation has returned to normal, but energy and labor costs remain at all-time highs, needing a laser focus on productivity
- Volatile geopolitics makes strategic relationships with governments and communities vital
- Top 5 for Chile
  - Costs and productivity
  - Workforce
  - Geopolitics
  - Resources / Reserves
  - Operational complexity



Los 10 riesgos y oportunidades para la minería 2026

1. Operational complexity (Chile #5)

Declining ore grades and complex conditions highlight the need for innovation and focus on fundamentals

- Complexity is increasing as mines get older or are replaced to meet demand.
- Mines are deeper, grades are lower, and geotechnical and other issues like water are both more complex and variable across the life of mine.
- This complexity reduces productivity and increases costs but also changes our assumptions about brownfield expansions and starting new mines.
- Predictability underpins investor confidence, access to capital and strategic agility.
- Rethinking mine design and operations to reduce complexity is critical.
- Significant operational complexity in Chile, with deeper, lower-grade mines, the shift to underground mining, remote high-altitude deposits (such as in Atacama) and severe water stress.

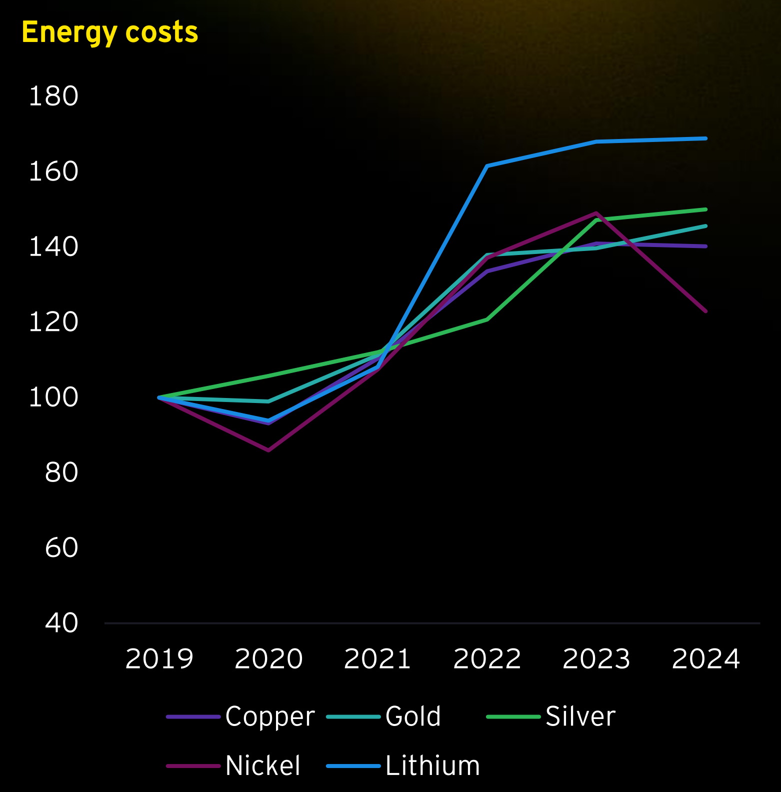
What complexities most significantly impact value?

2. Rising costs and productivity (Chile #1)

The rising cost of operations demands urgent productivity solutions

- Productivity remains low and the range of bottlenecks impacting throughput has been heightened by complexity.
- End-to-end productivity remains a challenge.
- While inflation is apparently under control, persistently high energy and labor costs mean we have had no relief.
- Rising royalties and taxes have put a further squeeze on margins, along with logistics and transport costs.
- In Chile, Input costs, particularly labor and energy are higher than in 2019. Higher tax and royalty rates also put pressure on margins.

Source: Indexed average costs based on S&P Global data



Source: Indexed average costs based on S&P Global data

3. Capital (Chile #8)

Miners evaluate strategic alternatives as investors support reinvesting for growth

Buy:

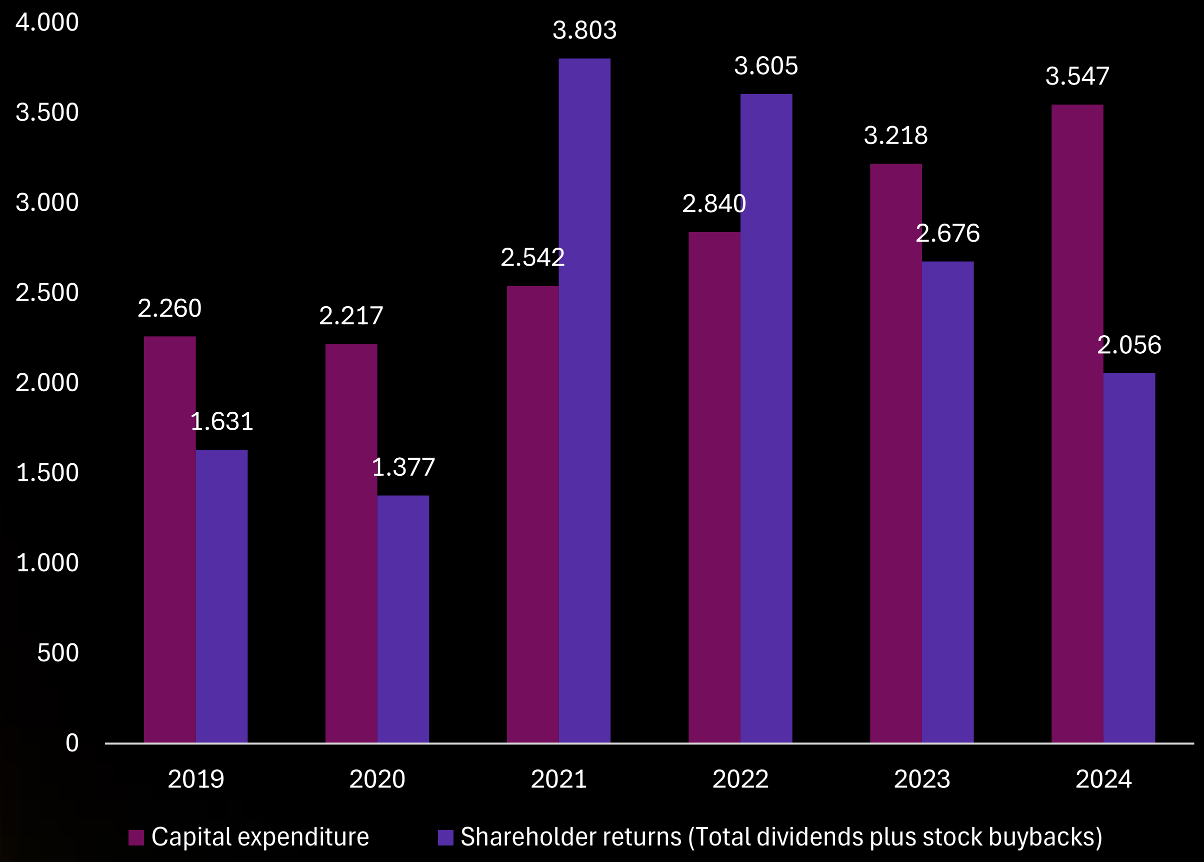
- Large M&A deals are challenging and complex with a range of approvals, both internal and external proving challenging.
- The recently announced Anglo American-Teck merger underscores how strategic imperatives, especially in the copper sector, can still drive significant industry transactions.

Build:

We need a new mine the size of Escondida every two years, but do they exist and can they be built economically?

- Brownfields expansions will be normal.
- JVs and district strategies will continue to evolve
- The capital intensity of both greenfield and brownfield projects is expected to rise.
- Chile's greenfield pipeline is constrained by high exploration costs, limited viable deposits and lengthy permitting processes.

Capital expenditure and shareholder returns, 2019-2024, (US$m)



Source: S&P Global; EY Insights analysis
Note: Based on analysis of data for top 20 mining and metals companies by market capitalization as of 8 August 2025 (excluding coal and coal and consumable fuels from 2019-2024

4. Resource/reserve depletion (Chile #4)

Looming supply shortfalls should be a catalyst for innovation

Declining ore grades continue to increase complexity, raise costs and reduce productivity

Extending mine life requires massive capital commitments and often complex approvals

We need to identify additional resources but eexploration budgets are down 3% to $12.5b. Is this cash preservation in uncertain times or lack of confidence

Ore grades are declining, with many new projects in pipeline below 0.45% copper, raising energy use and operating costs; capital intensity of copper projects has also risen 3.3% y-o-y to US$15,800/mt in 2024

Opportunities to boost reserves

- Accelerated exploration
- Technological innovation
- Partnerships and joint ventures
- Strategic acquisitions
- Waste to value
- New frontiers: Ultra deep mining

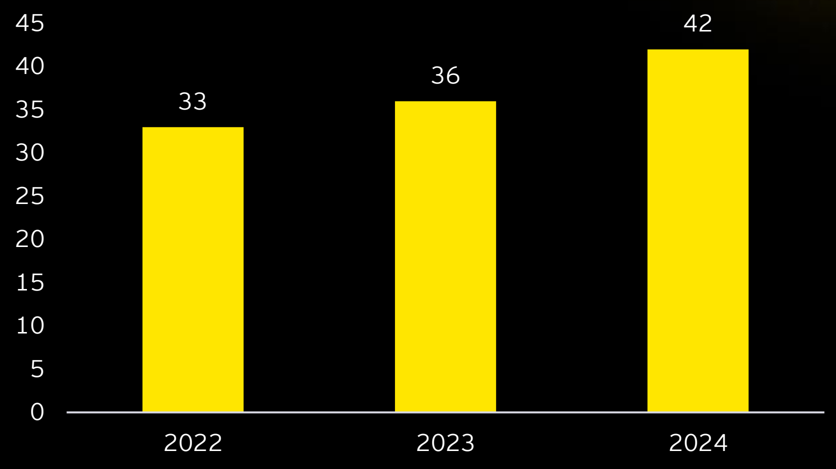
5. License to operate (Chile #7)

Higher expectations keep focus on LTO performance but we need a greater focus on safety

- External stakeholders want a greater return from mining assets whether that is governments or communities.
- Focus on LTO will intensify as nationalism continues to rise and government budgets tighten further.
- LTO and ESG have the most significant impact on permitting and are increasingly shaped by regional objectives.
- Miners can reap the benefits of building trust by doing what is right, not just what is regulated.
- Ongoing collaboration with communities is key.
- Chile: 43% of Latin America's energy transition mineral mines are located on or near officially recognized Indigenous and local community lands, increasing social and regulatory risks

Have other priorities got in the way of our laser focus on safety?

ICMM Member total recordable fatalities 2022-24



Source: ICMM

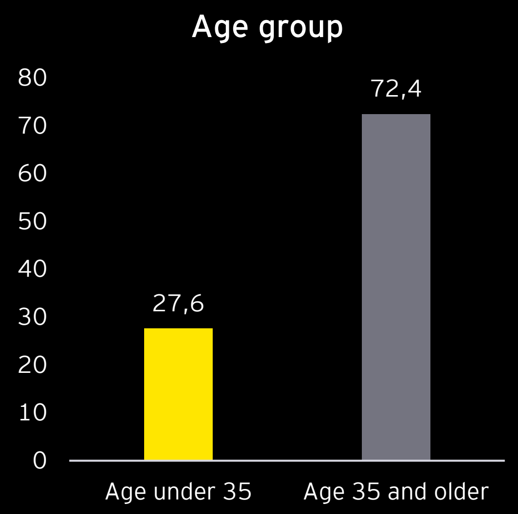
Fatalities and high-risk safety incidents impact our LTO like nothing else, so we need to get our focus back.

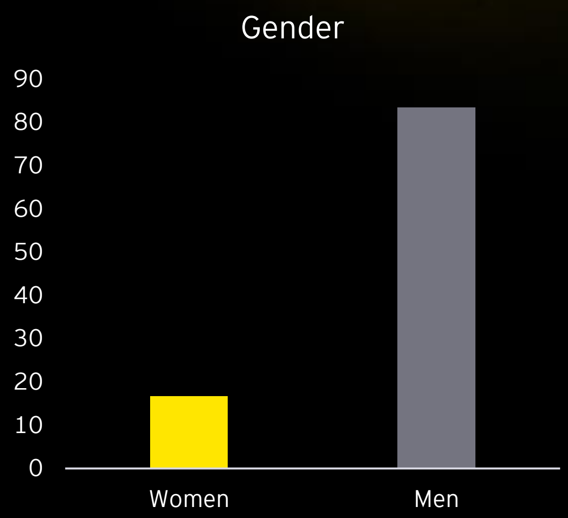
6. Workforce (Chile #2)

Labor shortages increase complexity and delay critical projects

- Mining continues to suffer from a poor reputation and struggles to attract a diverse workforce
- Mapping talent and predicting needs is key – moving to long term workforce planning will align with the broader mine plan
- Need to revaluate the employee value proposition and build out career pathways to bring the EVP to life.
- Adopt technology to support on-boarding and just-in-time learning to build specialized skills, strengthen safety culture, and optimize production.
- Chile: An ageing workforce nearing retirement, harsh remote conditions and acute shortages expected in critical roles such as mechanical maintainers, automation specialists and data analysts are key risks

The mining workforce is mainly made up of older, male workers





Source: OECD calculations based on national labour force surveys for the European Union, Canada, Chile, Colombia, Costa Rica, Korea, Mexico, the United States and the United Kingdom

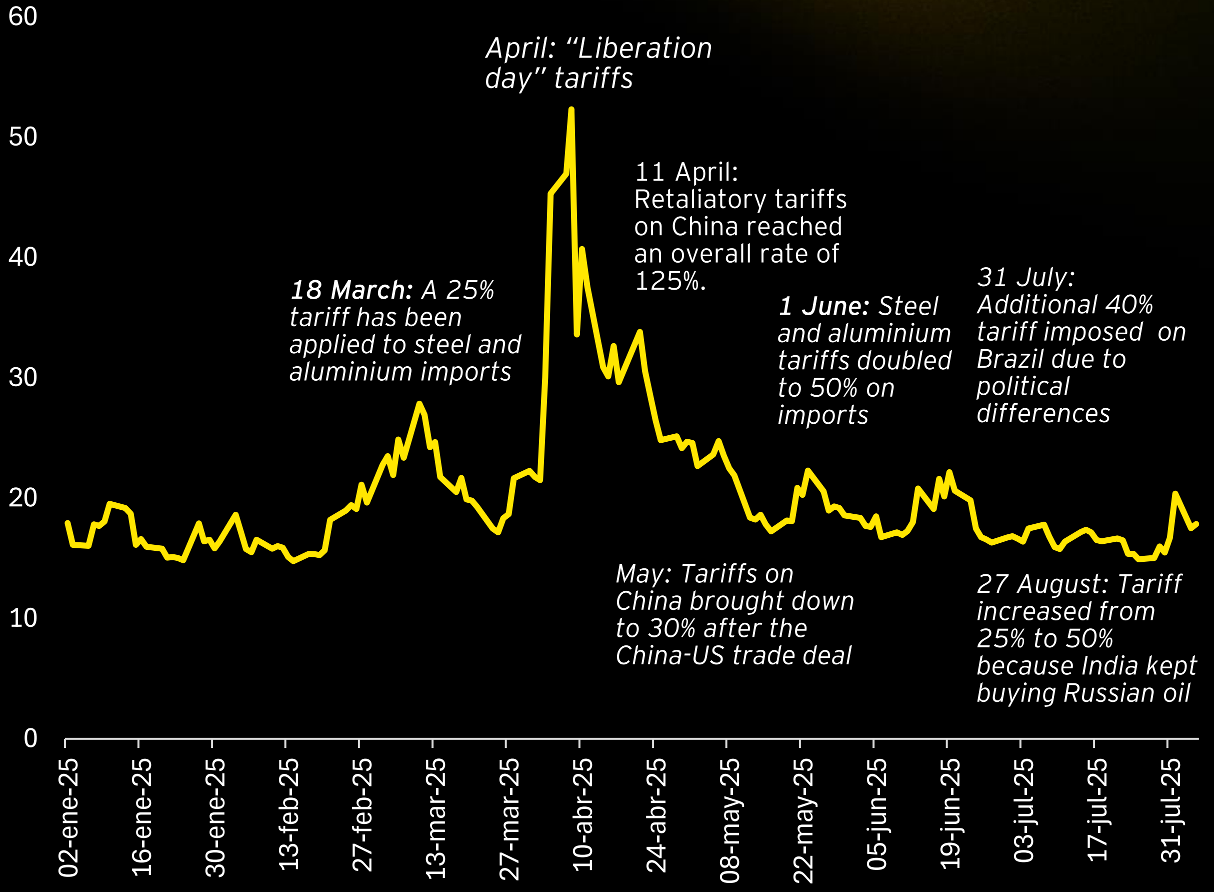
7. Geopolitics (Chile #3)

Rising trade barriers threaten supply and growth

- Governments are increasingly competing to control mining and processing domestically to ensure supply of strategic minerals and metals
- Tariffs and countermeasures have been implemented between the United States and countries such as China, the EU, and Canada
- Section 232 tariffs of 50% on steel, aluminium, and certain semi-finished and derivative copper products
- Tariffs are not the only changes though as we see resource nationalism influences tax policies and carbon pricing being used as an economic tool for fiscally constrained governments
- Changing trade flows may shift geopolitical power
- Chile: International trade uncertainty and potential policy changes from upcoming elections. Chile faces challenges and opportunities to balance relations with both the US and China as both compete for strategic minerals.

US tariffs and market volatility 2025
CBOE Market Volatility

VIX index – 2 January 2025 to 5 August 2025



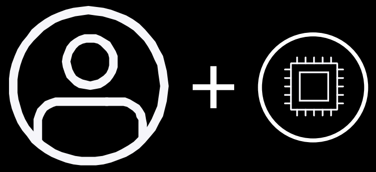
8. Digital & Innovation (Chile #10)

AI tops the investment agenda, but ROI depends on alignment to business

- Many companies are yet to see real ROI from their technology and other innovation initiatives
- Progress has been made with developing proof of concepts, with scalable solutions and AI the next frontier
- Alignment of the technology and innovation agenda with business strategy is key – develop use cases that solve real business issues
- Collaborate and partner across the broad ecosystem – universities and cross sectors
- Unlocking value requires the right foundations to be in place and the right talent to deliver it
- Chile: Significant scope to develop local digital talent to accelerate adoption of electric and autonomous mining solutions, including cyber integration into core processes

Now - Supporting the business

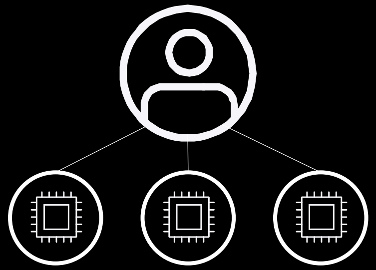
Today, we see "assistants" of operators and engineers with AI



Supporting Operations

Next - Managing the business

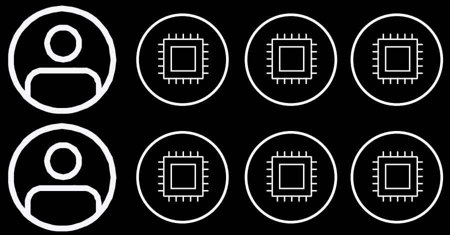
More prevalent GEN AI with agents working at the direction of humans



Enhancing Operations

Beyond - Running the business

Agentic AI – agents run the business, monitoring end-to-end, identifying issues and taking necessary action



End-to-end

9. Sustainability (Chile - under the radar)

Nature-positive commitments remain strong even as sustainability stalls

- Leading miners aim have committed to be nature-positive by 2030, but measurement of progress remains a challenge
- Indigenous partnerships are key to meeting sustainability goals and maintaining LTO
- Innovative ideas from other sectors are solving sustainability challenges
- Inconsistent adoption of regulations and standards causing challenges for multi-nationals
- Enhanced use of digital and data can improve measurement and monitoring
- Chile's sustainability risks are driven by acute water scarcity, biodiversity threats, slow environmental impact assessments and rising stakeholder expectations - particularly regarding Indigenous rights and social licence to operate.

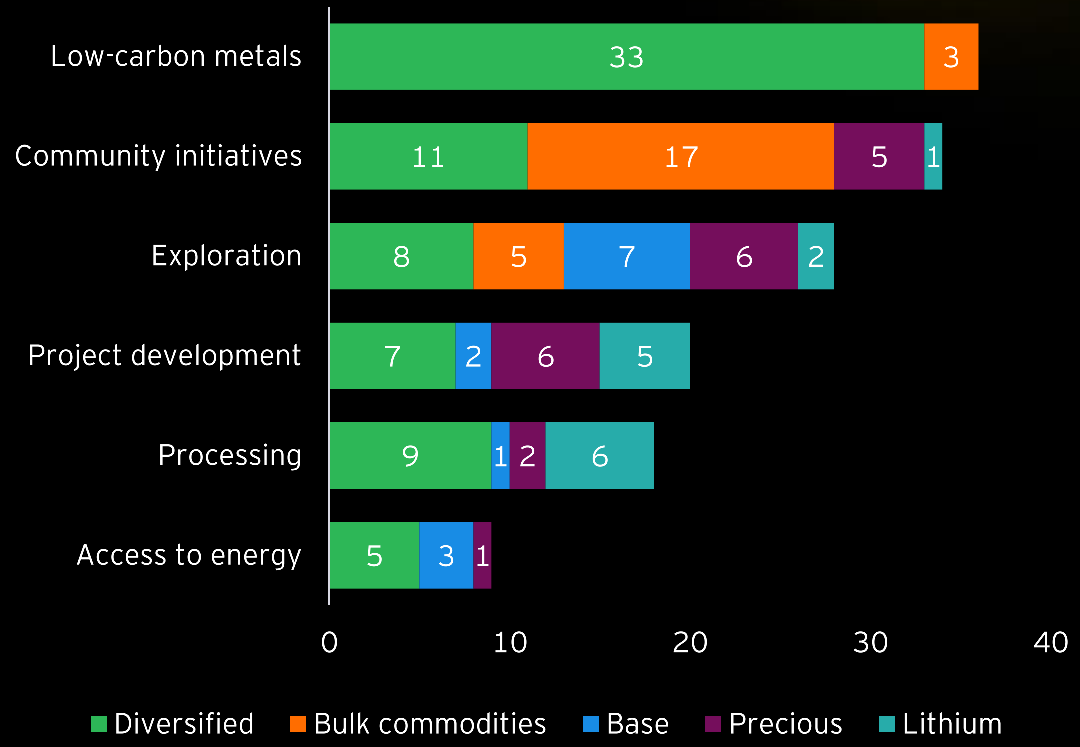
10. New business models (Chile #9)

Miners are exploring new models that boost supply, resilience and competitive advantage

- Vertical integration is the top capital allocation option for 26% of the miners surveyed
- Implementing circular economy practices like reprocessing tailings, recycling scrap and e-waste, and using closed-loop systems
- Innovative joint venture agreements, collaborative agreements or "district" strategies to address capital costs, technical complexities and environmental and social challenges of large-scale projects.
  - At Simandou, a complex joint venture brings together several parties to build rail and port infrastructure
  - Joint mine plan between Codelco (Andina) and Anglo American (Los Bronces) in Chile will increase copper output with limited capital outlay
- Chile: Companies explore strategic joint venture, district-based mining strategy and public-private partnerships to capture value across the value chain

Analysis of alliances, partnerships and joint ventures by the top 32 mining companies by subsector

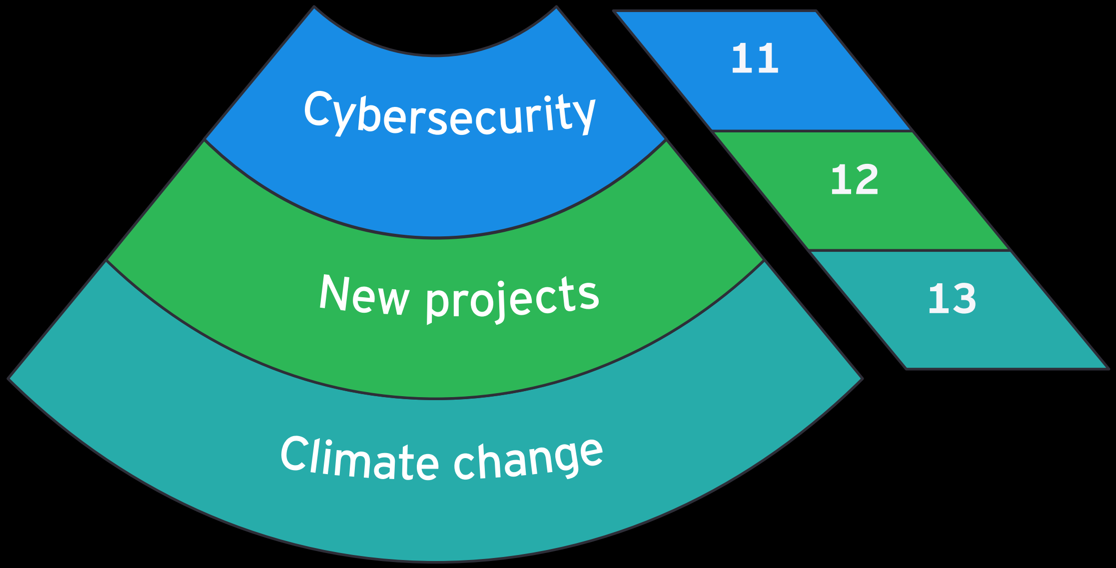
Top 6 areas of collaboration (2022 – 2024)



Source: EY Insights analysis

Under the radar

This year's survey saw three risks fall out of the top 10 radar



- **Cybersecurity:** Miners remain confident in their ability to respond to attacks, with 76% of breaches tied to third parties. Cybersecurity is core to reputation and LTO
- **New projects:** Almost a third of respondents think governments are likely to amend laws to speed up the granting of licenses. Even when funding and licenses are available, regulatory delays, skill shortages and sustainability requirements also slow new projects.
- **Climate change:** Over 50% confident in reaching Scope 1 and 2 targets. Apparent acceptance that Scope 3 out of miners' control and therefore unachievable.

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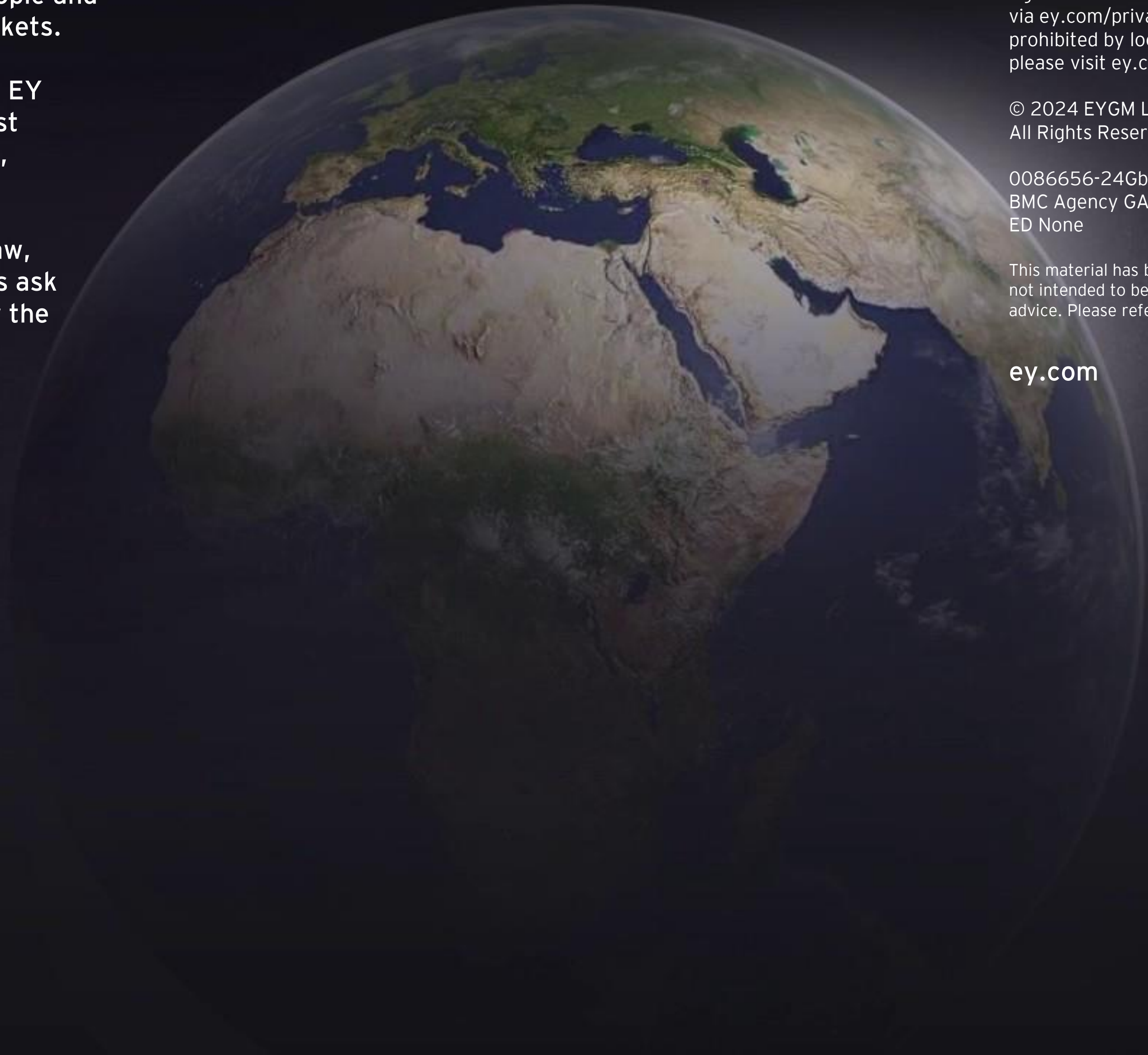

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