

FOR IMMEDIATE RELEASE, 20 MAY 2015

## CHAIRMAN'S COMMENTS AT THE 2015 ANNUAL GENERAL MEETING

*Antofagasta plc (the "Company") today released the script to be used by the Chairman, Jean-Paul Luksic at the Company's Annual General Meeting that commences at 10:30am today.*

Thank you for joining us today.

As you can see all of your directors, except for Hugo Dryland who has an important commitment in the US today, are in attendance, as well as several members of senior management including our Group CEO, Diego Hernandez, and the new CEO of our mining division, Ivan Arriagada.

I would like to take this opportunity to welcome Mr. Jorge Bande as our latest director who joined our Board in December. Jorge has extensive experience across the energy, mining, and water sectors and will be standing for election later during this meeting.

Before we present the resolutions on today's formal agenda, I would first like to provide you with an overview of Antofagasta's financial and operational performance during 2014 and the outlook for the rest of this year.

Antofagasta spent 2014 consolidating the business which we believe will continue to secure the company's margins while copper prices remain weak and volatile, and put the company in a stronger financial position once the market recovers. The last few years have seen declining commodity prices, heightened geopolitical tensions and a higher cost of mining around the world, including in Chile. This macro environment has created an atmosphere of uncertainty for investors and they have looked for companies with the lowest risk profile. Our strategy in this environment remains robust and consistent: we focus on lower risk / higher return projects such as brownfield expansions while steadily advancing our greenfield projects as part of our long term growth. We seek only to invest in projects that we expect to offer strong returns. We continue to concentrate on what we know best – producing copper, reducing our costs and building a platform for long-term growth. When the world economy picks up again and demand growth accelerates, the supply side response will be constrained by the lack of development in these past few years which we believe will ensure that the long-term copper fundamentals remain strong. Antofagasta is in a strong position to capitalise from that stronger market environment.

Before saying a few words about our operating performance I would just like to repeat my comments in the Annual Report about the fatalities that occurred last year. Despite our continued efforts five people died during the course of the year. This is terrible, and the Board and I offer our heartfelt sympathy to their families. We owe it to their memory, and the memory of the others lost over the years, to redouble our efforts to achieve our target of zero fatalities. I know that this is much easier to say than to do, but I want to make sure that each and every employee knows that it is our top priority.

In 2014, we produced almost 705,000 tonnes of copper, slightly lower than the record production levels achieved in 2013.

Whilst the Group has enjoyed a number of years of significant growth, 2014 was a year of consolidation during which the Group created a strong base from which to grow over the coming years. We have focused on increasing our productivity and optimising the use of our plant and equipment to ensure the highest levels of efficiency. During the year, we completed the merger of Esperanza and El Tesoro to form Minera Centinela, which has allowed us to capture synergies arising from shared operational overheads, the integration of mine plans and sharing properties and facilities. The copper price is low at the moment and our strategy when prices are down is to focus on higher return, lower risk projects such as brownfield expansions whilst steadily advancing greenfield

projects as part of our long-term development. We seek only to invest in projects that we expect to offer strong returns.

During 2014, we made good progress advancing the projects under construction at Antucoya and Centinela, and early works started at Encuentro Oxides shortly before the completion of its feasibility study in November. The feasibility study on the Pelambres Incremental Expansion continued through the year and the pre-feasibility study on Centinela's Second Concentrator will be brought to the Board for approval in the coming months, before it progresses to the feasibility study stage. A pre-feasibility study was also completed in 2014 on the Twin Metals Minnesota project. These projects provide a healthy growth pipeline for the Group over the coming five to ten years.

From a financial perspective, 2014's revenues were impacted by lower realised commodity prices and slightly lower sales volumes. Unit operating costs also increased, impacted by lower grades and one-off signing bonuses paid to mine employees during the year, partly offset by the weakening of the Chilean peso and lower input costs. In addition, the Group made some \$80 million of cost savings during the year, which equated to some \$0.05/lb. By-product revenues were also impacted by lower production and a weaker gold price. This has meant EBITDA decreased by 18% compared with 2013 to \$2.2 billion, however, our EBITDA margin remained resilient at 42%, which is healthy compared to our peers.

Despite the difficult market conditions, the Group continued to generate respectable operating cash flows of \$2.5 billion during the year, only some \$150 million less than last year. By the end of the year the Group's attributable net cash was still positive at \$315 million, which will soon be improved by the proceeds arising from the recent sale of our water division.

The Board has proposed a final dividend of 9.8 cents per share, which along with the 11.7 cents per share interim dividend, paid in October 2014, results in a total dividend of 21.5 cents per share for the year. This represents a total distribution of \$212.0 million and a pay-out ratio of 35%.

Antofagasta has a history of returning excess capital to shareholders, as illustrated last year when we paid down our net cash position as a dividend with a pay-out ratio of over 140%. The decision this year to pay a total dividend equal to 35% of net earnings, excluding the deferred tax provision arising as a result of the Chilean tax reform, was taken in view of the uncertainty in the copper market at the start of this year, as well as uncertainties at Los Pelambres arising from an adverse court decision and actions by some protestors in February and March of this year.

These uncertainties came to prominence within days of each other at the beginning of March this year. One was related to the scarcity of water in Choapa Valley near Los Pelambres and the other was related to a court ruling about the flow of water in the Pupio stream in a neighbouring valley. As these issues have been going on for some time and have recently received some prominence, I would like to spend a few moments explaining what happened and what the current situation is.

There has been below average annual rainfall in the Los Pelambres region for some years and this year it has been particularly severe. A small group of protesters from the Choapa Valley blocked the access road to the mine for ten days in early March, disrupting normal operations and reducing throughput at the mine. The protests were triggered by a small group of people seeking action by Los Pelambres and the local government to help alleviate the drought. Following a period of negotiation facilitated by the government, Los Pelambres agreed to contribute funding for the study of a desalination plant project, which would be developed under a private-public alliance or public concession scheme. Los Pelambres also agreed to contribute funds to complete studies for the construction of a water dam for local use, which if constructed would be developed under a private-public alliance. Finally, Los Pelambres agreed that it will use sea water for any further expansions of its mining operations.

The other uncertainty arose when the Civil Court of Los Vilos notified Los Pelambres that the plan submitted by it was not sufficient to address the requirements of the Supreme Court order on the basis that the proposed works do not allow the natural flow of the Pupío stream to the town of Caimanes and that as a consequence Los Pelambres must destroy part, or all, of the tailings dam wall. Los Pelambres has appealed the decision to the Appeal Court of La Serena. The dam will continue to operate normally while the appeal process proceeds, however the parties may seek interim relief during this period.

I can assure you that Los Pelambres has always complied with all applicable laws, regulations and controls, but it is likely that we will continue to have legal and other challenges over the coming years. We will seek to resolve these challenges and will continue to engage with the local community as well as considering the exercise of all available legal measures that may be required to overturn any adverse court decisions.

Turning to corporate governance - maintaining high standards of corporate governance is fundamental to the Board's ability to discharge its duties to shareholders. The Board and I remain committed to ensuring that the structures and procedures in place across the Group reflect the best principles of good governance and take into account the expectations of our stakeholders.

During the year, as part of a move to strengthen minority shareholder protection in companies with a controlling shareholder, such as ours, new Listing Rules came into force that require such companies to enter into relationship agreements with their controlling shareholders. The Company has therefore entered into a new relationship agreement, which includes the mandatory provisions required by the new Listing Rules that require transactions between the controlling shareholders and the company to be on arm's length terms and the controlling shareholder will not take any action that will prevent the Company from complying with its obligations under the Listing Rules. The Company and our controlling shareholders believe that this new agreement further clarifies the relationship and provides comfort to all shareholders on how the Company conducts its business. I hope you agree.

Also, as part of the new Listing Rules, all of our independent Non-Executive Directors are now subject to a dual vote by shareholders when they stand for re-election today. This means that each resolution to elect or re-elect an independent Non-Executive Director must be approved by both a majority vote of all shareholders and a majority vote of the Company's independent shareholders.

In September last year I stepped back from the position of Executive Chairman to become Non-Executive Chairman. At the same time Diego Hernandez took on the role of Group CEO, having previously been responsible for the mining division. These changes reflect the development of the Group and my role is now less focused on the day-to-day operations and more concerned with the strategic development of the Group and leading the Board.

Also, I would like to take this opportunity to thank Nelson Pizarro for the valuable contribution that he made to the Group during his time as a non-executive director and I wish him well in his important new position as CEO of Codelco.

Looking ahead - Our three-pillar strategy for growth remains unchanged. We focus first on optimising our existing operations, where investment generates good returns quickly. Secondly, we look for sustainable, organic growth in the areas around our operations. And thirdly we seek growth beyond our core businesses both in Chile and abroad.

Chile continues to offer good opportunities for growth. Our largest current development is our Antucoya project in the north of Chile where commissioning is underway with ramp-up to full capacity expected to be completed by the end of this year with the first year of full production in 2016. Beyond Antucoya, we have a number of brownfield projects underway. The first of these to come on-stream is the expansion of the Centinela concentrator. Work continues to optimise the concentrator and we expect to reach throughput of 105,000 tonnes per day in late 2015, up from the 86,000 tonnes per day we achieved in 2014.

The next brownfield project in our project pipeline is Encuentro Oxides which will enable Centinela's SX-EW plant to continue to produce at full capacity of 100,000 tonnes of cathode per year, helping to offset a decline in production that we would otherwise see as a result of falling grades. The feasibility study was completed in November of last year and full-scale construction started early this year. Through a number of optimisations of the project, including mine fleet, pre-stripping and truck shop optimisations, we have been able to reduce the pre-feasibility study capital expenditure estimate for the project by more than \$150 million to a feasibility study estimate of \$636 million.

Also at Centinela, we have completed the feasibility study on the construction of a molybdenum plant which would come into production at the end of 2016 producing some 2,400 tonnes of moly a year for the first five years, before it increases once the second concentrator at Centinela is completed to over 6,000 tonnes per year.

Our last project at Centinela is the construction of a second concentrator whose pre-feasibility study, as I mentioned earlier, will be brought to the Board for approval in the coming months. Work on the Environmental Impact Assessment ("EIA") is well advanced and is expected to be submitted for approval by the end of this year with production starting in 2019. The Second Concentrator is designed to produce approximately 140,000 tonnes of copper per year, 150,000 ounces of gold and 6,500 tonnes of moly, and capital expenditure is estimated at \$2.7 billion. This will be Phase 1 of the development and we expect that Phase 2 would start some five years later increasing throughput by over 60% and metal production by a further 60,000 tonnes of copper, 20,000 ounces of gold and 3,000 tonnes of moly.

The last of our current brownfield projects is at Los Pelambres. The feasibility study examining the options for an incremental expansion to increase daily throughput at Los Pelambres to 205,000 tonnes continued during 2014. An environmental baseline study which is required as part of the project development has been started and we expect to submit the EIA in mid-2016. This EIA has been delayed by the need for additional work following our commitment only to use sea water for any expansion at Los Pelambres and we hope that the EIA will be approved by the regulatory authorities in 2017/2018.

Beyond our key brownfield projects, we have a number of greenfield projects. Our largest longer-term growth projects are a potential further expansion of Los Pelambres and the development of Twin Metals.

The pre-feasibility study on Twin Metals, our copper, nickel and platinum group metals ("PGMs") project based in Minnesota, in the United States was completed in August last year. In November 2014 the Group entered into an agreement to acquire all of the issued and outstanding shares of our project partner Duluth Metals Limited, bringing Antofagasta's ownership in the project to 100%. The acquisition was completed in early 2015 and we are now evaluating further optimisations of the prefeasibility study that was completed in 2014 while also advancing the permitting process. The project has significant reserves of copper and nickel with a long mine life, and is a world-class deposit in terms of size and I expect it to be an important part of the Group in the future.

Finally, we look for growth further afield where considerable and more diverse opportunities exist, but where we do not have the benefit of any organic synergies. We have an active early-stage exploration programme beyond our existing core locations at Centinela and Los Pelambres with a number of exploration earn-ins and strategic alliances with junior mining companies around the world. These are all early stage at the moment, but we hope that one or more may one day become operating mines.

Each year we strive to improve our environmental and social performance. Last year we became a member of the International Council on Mining and Metals (the ICMM) and this required us to first satisfy their entry requirements for sustainable behaviour and transparency. We are now working with the ICMM in promoting the highest principles and standards for sustainable mining and by fulfilling these standards ourselves.

Today, you will have noticed, we have provided you with a copy of our latest Sustainability Report. It has only just been issued and I hope you enjoy reading it and seeing what we have achieved during the year. This includes the progress in the various renewable power projects we have invested in, with the El Arrayán wind farm coming on-

line in June 2014 and our commitment to take power from two new solar projects. I am proud to say that by mid-2016, 50% of Los Pelambres' power will come from renewable sources and by the end of 2018 this should increase to 80% including the Alto Maipo run-of-river power generator - a major achievement for a mine of its size.

Looking to the years ahead our strategy remains unchanged. We invest throughout the cycle in projects that generate good returns. Our core assets form the foundation of our strategy, providing the cash flow and ability to develop organically and externally. The success of our operations is the focus of the day-to-day activities of the Group and it is upon this that we build for the future.

Sustainability and the health and safety of our employees remain central to our success.

In 2015 we expect to produce 695,000 tonnes of copper at a net cash cost of \$1.40/lb and while we continue to work on reducing costs during this period of consolidation.

This year will be an important year for Antofagasta as we complete our current projects, prepare for our next phase of growth and face the challenges that the current macroeconomic environment brings.

Whilst the sector faces challenges in the short term, we continue to invest through the cycle. We have a portfolio of quality, long-life assets; we are focussed on developing and expanding our two world-class mining districts and advancing our portfolio of projects. With our low costs and strong balance sheet we are well-placed to weather the current market conditions and to take advantage of the upturn when it occurs.

I would like to take this opportunity to thank all of the employees and contractors that work across the Group whose contribution has helped to make Antofagasta what it is today and also to thank the communities in which we operate for their support and engagement.

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**Investors – London**

Andrew Lindsay                      alindsay@antofagasta.co.uk  
Paresh Bhanderi                      pbhanderi@antofagasta.co.uk  
*Telephone*                              +44 20 7808 0988

**Investors – Santiago**

Alfredo Atucha                      aatucha@aminerals.cl  
*Telephone*                              +56 2 2798 7000

**Public Relations Advisors - London**

Carole Cable                          antofagasta@brunswickgroup.com  
Robin Wrench                          antofagasta@brunswickgroup.com  
*Telephone*                              +44 20 7404 5959

**Media – Santiago**

Pablo Orozco                          porozco@aminerals.cl  
Carolina Pica                          cpica@aminerals.cl  
*Telephone*                              +56 2 2798 7000

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