

NEWS RELEASE, 29 OCTOBER, 2014

## Q3 2014 PRODUCTION REPORT

### FULL YEAR GUIDANCE UNCHANGED

#### HIGHLIGHTS

#### PRODUCTION

- Copper production in Q3 2014 was 169,200 tonnes, a 5.0% decrease compared with the previous quarter, principally due to lower throughput at Los Pelambres and Centinela concentrates
- Copper production in the first nine months of the year was 3.9% lower than in the same period last year primarily due to lower grades
- Gold production was 64,700 ounces in Q3 2014, a 3.4% decrease on Q2 2014 due to lower throughput at Centinela concentrates as a result of planned maintenance, which was partly offset by higher grades
- Molybdenum production at Los Pelambres was 2,300 tonnes in Q3 2014, compared with 1,600 tonnes in the previous quarter, principally due to higher grades

#### CASH COSTS

- Cash costs before by-product credits in Q3 2014 were \$1.85/lb, a 2.6% decrease compared with Q2 2014. This decrease mainly related to lower energy costs at Los Pelambres and the one-off signing bonus between Centinela concentrates and its labour unions that was paid in Q2 2014
- Cash costs before by-product credits for the first nine months of the year at \$1.86/lb were 3.9% higher than in the corresponding period last year due to the one-off signing bonuses paid this year at Los Pelambres and Centinela concentrates and the completion of mining activities at the lower cash cost Mirador pit by Centinela cathodes in 2013
- Net cash costs for the first nine months of 2014 were \$1.44/lb, 8.3% higher than the same period last year primarily due to higher cash costs before by-product credits and lower realised gold prices

#### GUIDANCE

- The Group remains on track to meet its full year guidance of 700,000 tonnes of copper, 270,000 ounces of gold and 7,500 tonnes of molybdenum and net cash costs of \$1.45/lb

#### OTHER

- As part of the programme to reduce power costs, the El Arrayán wind farm was commissioned in July and now provides Los Pelambres with some 20% of its power needs. Following this, in September 2014, Los Pelambres signed Power Purchase Agreements with two solar power providers for a total of 50MW of power

GROUP PRODUCTION AND CASH COSTS		Q3	Q2	%	YTD		
		2014	2014		2014	2013	%
Copper production	kt	<b>169.2</b>	178.8	(5.0)	<b>517.3</b>	538.3	(3.9)
Gold production	koz	<b>64.7</b>	67.0	(3.4)	<b>188.5</b>	230.6	(18.3)
Molybdenum production	kt	<b>2.3</b>	1.6	43.8	<b>5.5</b>	6.7	(17.9)
Cash costs before by-product credits	\$/lb	<b>1.85</b>	1.90	(2.6)	<b>1.86</b>	1.79	3.9
Net cash costs	\$/lb	<b>1.42</b>	1.45	(2.1)	<b>1.44</b>	1.33	8.3

## MINING OPERATIONS

### Los Pelambres

Los Pelambres produced 94,900 tonnes of copper in Q3 2014 compared with 100,900 tonnes in the previous quarter. This decrease was mainly due to lower throughput as result of the suspension of mining activities following the fatal accident in September and harder ore, which was partially offset by increased grades. The 3.9% decrease in production to 291,500 tonnes in the first nine months of 2014 compared with the same period last year was due to lower grades during the first half of the year.

Molybdenum production increased by 43.8% to 2,300 tonnes in Q3 2014, from 1,600 tonnes in the previous quarter, primarily due to significantly higher grades. Production at 5,500 tonnes was 17.9% lower in the first nine months of 2014 compared with the same period last year due primarily to lower grades.

Cash costs before by-product credits in Q3 2014 were \$1.51/lb compared with \$1.59/lb in the previous quarter. This was principally due to lower energy prices complemented by the commissioning of the El Arrayán wind farm in July, which now provides Los Pelambres with some 20% of its power needs. Following this, in September, Los Pelambres signed Power Purchase Agreements with two solar power providers for a total of 50MW of power. Net cash costs were \$0.05/lb lower at \$1.06/lb in Q3 2014 compared with the previous quarter primarily reflecting increased production of molybdenum, which was partly offset by lower realised molybdenum prices.

Net cash costs for the first nine months of 2014 were \$1.15/lb, compared with \$1.18/lb in the first nine months of 2013 primarily as gold production increased by 23.5%.

LOS PELAMBRES		Q3	Q2		YTD		
		2014	2014	%	2014	2013	%
Daily ore throughput	kt	<b>175.7</b>	191.0	(8.0)	<b>176.5</b>	175.8	0.4
Copper grade	%	<b>0.69</b>	0.67	3.0	<b>0.69</b>	0.73	(5.5)
Copper recovery	%	<b>88.6</b>	89.7	(1.2)	<b>90.0</b>	89.9	0.1
Copper production	kt	<b>94.9</b>	100.9	(5.9)	<b>291.5</b>	303.4	(3.9)
Copper sales	kt	<b>89.9</b>	94.2	(4.6)	<b>279.9</b>	305.7	(8.4)
Molybdenum grade	%	<b>0.018</b>	0.011	63.6	<b>0.014</b>	0.015	(6.7)
Molybdenum recovery	%	<b>81.1</b>	81.5	(0.5)	<b>82.9</b>	81.5	1.7
Molybdenum production	kt	<b>2.3</b>	1.6	43.8	<b>5.5</b>	6.7	(17.9)
Molybdenum sales	kt	<b>2.5</b>	1.7	47.1	<b>5.8</b>	6.2	(6.5)
Gold production	koz	<b>17.0</b>	18.1	(6.1)	<b>50.5</b>	40.9	23.5
Gold sales	koz	<b>15.4</b>	15.8	(2.5)	<b>46.8</b>	40.9	14.4
Cash costs before by-product credits*	\$/lb	<b>1.51</b>	1.59	(5.0)	<b>1.58</b>	1.55	1.9
Net cash costs	\$/lb	<b>1.06</b>	1.11	(4.5)	<b>1.15</b>	1.18	(2.5)

\* Includes tolling charges of \$0.22/lb in Q3 and Q2 2014, \$0.21 in 2014 YTD and \$0.17/lb in 2013 YTD

### Centinela concentrates (previously Esperanza)

Centinela produced 41,400 tonnes of payable copper in concentrates in Q3 2014, compared with 43,100 tonnes in the previous quarter, primarily due to lower throughput after a semi-annual maintenance shutdown at the plant. The 5.6% decrease in production to 123,700 tonnes in the first nine months of 2014 compared to the same period in 2013 was principally due to lower throughput and grades.

Gold production was 47,700 ounces in Q3 2014, 1,200 ounces lower than in the prior quarter due to lower throughput at the processing plant. Gold production in the first nine months of the year was 27.2% lower than in the same period last year as a result of declining grades.

Cash costs before by-product credits were \$2.44/lb in Q3 2014 compared with \$2.50/lb in the previous quarter. This reduction in costs is explained by the one-off bonus payments following labour negotiations paid in Q2 2014. Net cash costs at \$1.76/lb in Q3 2014 were in line with the previous quarter.

Compared with the first nine months of 2013, cash costs before by-product credits were 3.0% higher, primarily due to the payment of the one-off bonus in May 2014 and higher tolling charges. Net cash costs for the first nine months of 2014 were \$1.65/lb compared with \$1.29/lb in the same period last year. This is primarily due to the decrease in the gold price and production compared to the same period last year.

CENTINELA CONCENTRATES (PREVIOUSLY ESPERANZA)		Q3	Q2	%	YTD		
		2014	2014		2014	2013	%
Daily ore throughput	kt	<b>84.6</b>	88.4	(4.3)	<b>85.1</b>	87.3	(2.5)
Copper grade	%	<b>0.65</b>	0.62	4.8	<b>0.64</b>	0.65	(1.5)
Copper recovery	%	<b>88.5</b>	88.2	0.3	<b>88.1</b>	87.7	0.5
Copper production	kt	<b>41.4</b>	43.1	(3.9)	<b>123.7</b>	131.1	(5.6)
Copper sales	kt	<b>38.4</b>	46.8	(17.9)	<b>124.2</b>	125.2	(0.8)
Gold grade	%	<b>0.27</b>	0.26	3.8	<b>0.27</b>	0.32	(15.6)
Gold recovery	%	<b>74.9</b>	71.8	4.3	<b>72.5</b>	80.4	(9.8)
Gold production	koz	<b>47.7</b>	48.9	(2.5)	<b>138.0</b>	189.6	(27.2)
Gold sales	koz	<b>41.2</b>	52.3	(21.2)	<b>135.1</b>	176.7	(23.5)
Cash costs before by-product credits*	\$/lb	<b>2.44</b>	2.50	(2.4)	<b>2.38</b>	2.31	3.0
Net cash costs	\$/lb	<b>1.76</b>	1.75	0.6	<b>1.65</b>	1.29	27.9

\* Includes tolling charges of \$0.25/lb in Q3 2014, \$0.24/lb in Q2 2014, \$0.24/lb in 2014 YTD and \$0.20/lb in 2013 YTD

### **Centinela cathodes (previously El Tesoro)**

Centinela produced 22,000 tonnes of copper cathodes in Q3 2014 similar to the 22,300 tonnes produced in the previous quarter. Production in the first nine months of 2014 was 11.1% lower than in the same period last year. This decrease was mainly due to lower grades and recoveries following the completion of mining activities at the higher grade Mirador pit in Q4 2013, partially offset by higher throughput.

Cash costs decreased by 3.6% to \$1.86/lb in Q3 2014 compared with the previous quarter primarily due to the weakening of peso and lower input costs. Cash costs in the first nine months of 2014 were \$1.82/lb compared to \$1.28/lb last year again primarily reflecting the lower cost of production from processing the higher grade Mirador ore last year.

CENTINELA CATHODES (PREVIOUSLY EL TESORO)		Q3	Q2		YTD		
		2014	2014	%	2014	2013	%
Daily ore throughput	kt	<b>23.1</b>	25.2	(8.3)	<b>24.7</b>	19.4	27.3
Copper grade	%	<b>1.34</b>	1.20	11.7	<b>1.27</b>	1.63	(22.1)
Copper recovery	%	<b>68.4</b>	72.7	(5.9)	<b>71.6</b>	78.8	(9.1)
Copper production – heap leach	kt	<b>19.6</b>	19.7	(0.5)	<b>60.5</b>	70.2	(13.8)
Copper production – total *	kt	<b>22.0</b>	22.3	(1.3)	<b>68.0</b>	76.5	(11.1)
Copper sales	kt	<b>21.4</b>	22.0	(2.7)	<b>66.5</b>	74.8	(11.1)
Cash costs	\$/lb	<b>1.86</b>	1.93	(3.6)	<b>1.82</b>	1.28	42.2

\* Includes production from ROM material

## Michilla

Copper production at Michilla was 10,900 tonnes during the third quarter, 12.1% lower than in the previous quarter largely as a result of slippage in the mine plan that delayed access to the higher grade areas of the Lince pit. The 24.9% increase in production to 34,100 tonnes in the first nine months of the year compared with the same period last year was due to higher grades and recoveries at the mine.

Cash costs increased slightly to \$2.47/lb in Q3, compared with \$2.28/lb in the previous quarter primarily due to lower production in the quarter. Cash costs for the first nine months of 2014 were \$2.41/lb compared with \$3.35/lb in the same period last year. This decrease was primarily due to lower stripping costs, a weaker peso and less processing of higher cost, third party ores.

MICHILLA		Q3	Q2		YTD		
		2014	2014	%	2014	2013	%
Daily ore throughput	kt	<b>11.0</b>	12.9	(14.7)	<b>12.0</b>	11.5	4.3
Copper grade	%	<b>1.12</b>	1.12	0.0	<b>1.10</b>	0.92	19.6
Copper recovery	%	<b>80.5</b>	79.2	1.6	<b>79.9</b>	77.3	3.4
Copper production – heap leach	kt	<b>9.0</b>	10.8	(16.7)	<b>29.1</b>	22.6	28.8
Copper production – total	kt	<b>10.9</b>	12.4	(12.1)	<b>34.1</b>	27.3	24.9
Copper sales	kt	<b>11.0</b>	11.9	(7.6)	<b>33.2</b>	26.3	26.2
Cash costs	\$/lb	<b>2.47</b>	2.28	8.3	<b>2.41</b>	3.35	(28.1)

## Antucoya

The construction of Antucoya remains on time and on budget with 94% total progress (including design, engineering, procurement and construction) and 87% construction progress as at 30 September 2014. During the quarter, several milestones were achieved including completion of pre-stripping and the inauguration of the truck shop.

## Commodity prices and exchange rates

		Q3	Q2		YTD		
		2014	2014	%	2014	2013	%
<b>Copper</b>							
Market price	\$/lb	<b>3.17</b>	3.08	2.9	<b>3.15</b>	3.35	(6.0)
Realised price	\$/lb	<b>3.02</b>	3.28	(7.9)	<b>3.06</b>	3.26	(6.1)
<b>Gold</b>							
Market price	\$/oz	<b>1,283</b>	1,288	(0.4)	<b>1,288</b>	1,456	(11.5)
Realised price	\$/oz	<b>1,149</b>	1,315	(12.6)	<b>1,290</b>	1,402	(8.0)
<b>Molybdenum</b>							
Market price	\$/lb	<b>12.7</b>	13.6	(6.6)	<b>12.1</b>	10.5	15.2
Realised price	\$/lb	<b>11.1</b>	18.5	(40.0)	<b>13.2</b>	10.0	32.0
<b>Exchange rates</b>							
Chilean peso	per \$	<b>577</b>	554	4.2	<b>561</b>	488	15.0

The spot commodity prices for copper, gold and molybdenum as at 30 September 2014 were \$3.06/lb, \$1,212/oz and \$10.6/lb respectively compared with \$3.15/lb, \$1,314/oz and \$13.3/lb as at 30 June 2014.

The provisional pricing adjustments and hedging effects for the first nine months of the year for copper, gold and molybdenum were negative \$108.7 million, negative \$8.4 million and positive \$6.0 million respectively.

## Transport and water

Total volumes transported by the transport division were 1.9 million tonnes in Q3 2014, 3.5% higher than in the previous quarter, and 5.4 million tonnes in the first nine months of the year, 3.1% lower than in the same period last year.

The water division sold 12.2 million cubic metres in Q3 2014, 3.9% lower than in the previous quarter, and 37.8 million cubic metres in the first nine months of the year, 1.3% lower than in the same period last year.

		Q3	Q2		YTD		
		2014	2014	%	2014	2013	%
Total tonnage transported	kt	<b>1,853</b>	1,790	3.5	<b>5,372</b>	5,542	(3.1)
Water volumes sold	mil m <sup>3</sup>	<b>12.2</b>	12.7	(3.9)	<b>37.8</b>	38.3	(1.3)

## Tax changes in Chile

The Chilean tax reform bill (the "Bill") was enacted into law on 29 September 2014. The Bill is in line with the Group's expectations as it is unchanged from the draft commented on at the time of the Group's Half Yearly Financial Report published on 26 August 2014.

Under the Bill, companies can elect to pay corporate tax and withholding tax under two different systems, attributable or semi-integrated. This election must be made by the end of 2016 and the company must then stay under the chosen system for five years before it can make a new election. Each of the Group's companies in Chile will need to separately elect which system to adopt and this decision will depend on several factors, including the evaluation of the different financial implications and, where other shareholders have interests in the Group's companies, the views of these shareholders.

Under the attributable system, total corporation and withholding tax is unchanged at 35%, but the withholding tax element is payable when profits are earned regardless of whether dividends are distributed or not. If the Group's companies in Chile were in future to pay 100% of their earnings as dividends, there would be no impact on the total corporation and withholding tax paid by those companies, and at lower pay-out ratios the impact would be to bring forward tax payments rather than to increase the total tax paid over the life of the operation.

Alternatively, the semi-integrated system provides the same flexibility as the system previously in force, under which withholding tax is paid only when dividends are distributed. However under the semi-integrated system only 65% of the corporation tax paid can be used as a credit against the 35% withholding tax as opposed to the 100% credit under the previous system.

Corporation (first category) tax rates will increase from 20% in 2013 to 25% in 2017 under both systems, and further to 27% in 2018 under the semi-integrated system.

The Group is continuing to evaluate the impact of the two systems.

One consequence of the Bill is that the Group has to make a one-off increase to its deferred tax provision in the 31 December 2014 year-end results in order to reflect the new corporate tax rates. The impact of this on retained earnings will be in the range of \$105 million to \$150 million.

## **Safety**

Sadly during the quarter, the Group experienced a fatal accident at Los Pelambres. Elena Ávila lost her life as a result of an accident involving the truck she was driving.

Subsequent to the close of the quarter, three employees of one of our contractors were killed in a motor vehicle accident at Centinela.

The Group is committed to safeguarding the safety of all of its employees and contractors. The Group is currently assisting the contractor and the relevant authorities to investigate the causes of these accidents and to put in place further preventative and control measures to safeguard all of our employees and contractors. Production was halted to carry out the requisite investigations and has since resumed.

The Group is devoted to strengthening the safety culture of all of our operations and ensuring that all contractors share our goals and ambitions. To this end, a new safety and occupational health model was introduced at the beginning of the year and is being rolled out across the Group with the aim of reducing risks, especially fatal risks.

Antofagasta management and staff express their condolences to all the families and friends of those involved in these accidents.

## **Los Pelambres – El Mauro tailings dam**

Since the El Mauro tailings dam began operating in 2008, there have been a series of legal claims by some members of the Caimanes community who live in the area. These claims have been through various courts and stages of appeal, but Los Pelambres has always complied with all applicable laws, regulations and controls.

At the time that the Half Yearly Financial Report was published, the Supreme Court of Chile was considering an appeal made by some members of the community in connection with a claim that the El Mauro tailings dam was affecting their alleged water rights and the environmental condition of the Pupío stream. This claim had been rejected by the Trial Court of Los Vilos in November 2012 and was affirmed by the Court of Appeals of La Serena in August 2013.

On 21 October 2014, the Supreme Court, by split decision, admitted the appeal and ordered Los Pelambres to submit to the Trial Court of Los Vilos, within one month, an implementation plan for the works required to ensure that the operation of the dam does not affect the normal flow and quality of the waters of the Pupío stream.

Los Pelambres believes that the requirements of this order have already been met as Los Pelambres has undertaken significant works to ensure that the flow of the Pupío stream is not altered and that the operation of the tailings dam does not affect the quantity or quality of these waters – something that has been confirmed by accredited independent assessors and other public services in Chile and confirmed by the very same Supreme Court in a parallel decision. Nevertheless, Los Pelambres will provide the Court with a plan for suitable additional works to address the requirements of the Supreme Court and ensure continued compliance with all applicable laws, regulations and controls.

The company will continue to update the market should there be any material developments.

### **Interim management statement**

This report represents the Interim Management Statement for the purposes of the UK Listing Authority's Disclosure and Transparency Rules. Other than as set out above, there have been no material events or transactions, or significant changes to the financial position and performance of the Group, since 30 June 2014.

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