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## **CHAIRMAN'S COMMENTS MADE AT THE 2013 ANNUAL GENERAL MEETING**

**London, 12 June 2013**

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.

In 2012 we addressed, and successfully resolved, a number of operational and organisational issues which had negatively impacted the operational efficiency of the Group in 2011. This enabled us to achieve record copper production during the year of just under 710,000 tonnes, 10.8% higher than in 2011. We also produced record amounts of gold and molybdenum, with our gold production increasing by more than 50% to nearly 300,000 ounces and molybdenum production reaching a record 12,200 tonnes.

This record level of production translated into strong financial results for the Group, with earnings per share before exceptional items increasing to 140.2 cents from 139.7 cents in 2011. Taking into account exceptional items relating to the Antucoya project, which I will talk about in more detail shortly, earnings per share were 104.7 cents in 2012, compared with 125.4 cents in 2011.

The Group has maintained its ability to generate cash and has further improved its robust balance sheet position. Our net cash position increased by US\$1.3 billion to US\$2.4 billion at the end of 2012. We remain focused on ensuring an appropriate balance between significant capital returns to our shareholders, while maintaining a strong balance sheet and flexibility to pursue growth opportunities. In line with this focus we very much hope that you will agree later in this meeting to approve the proposed final dividend of 90.0 cents per ordinary share, which includes a special dividend of 77.5 cents per ordinary share. Along with the interim dividend of 8.5 cents paid in October 2012, the total dividend for the 2012 financial year is 98.5 cents per ordinary share, amounting to US\$971.1 million. This represents a payout ratio of 70% of our net earnings before exceptional items.

Our performance in 2013 to date is in line with forecasts made earlier in the year for annual production of approximately 700,000 tonnes of copper. We are continuing to make good progress at Esperanza to reach design capacity with average throughput levels of approximately 90,000 tonnes per day achieved during the first quarter of this year. Our Transport and Water divisions also continue to deliver solid performance in line with expectations.

Looking beyond the existing operations, we remain committed to our strategy of organic growth in our existing areas of operation as well as continuing to identify and invest in new opportunities both in Chile and abroad. I would like to briefly update you on events since our full year results, particularly on the Antucoya project, and our strategy going forward.

In 2012 we commenced construction at our most advanced growth opportunity, the Antucoya project, which is north of Antofagasta near our Michilla operations. However, given rising costs in 2012 and further potential cost escalation, the decision was taken to temporarily suspend development of the project to enable a full review to be undertaken. The review included renegotiation of the principal construction contracts for the project, additional detailed engineering and an updated resource model following further drilling of the deposit. The review was completed at the beginning of this year and has provided greater confidence over development costs and other relevant parameters for the project as well as strengthening the mine plan. We now believe the project's costs can be more tightly controlled and that the project will be a valuable addition to the Group's portfolio of operations when it comes into production. On 27 March this year we announced the decision to resume the project. Production is expected to commence during 2015, with average annual copper cathode production of approximately 85,000 tonnes expected in the first 10 years of the mine's life.

Beyond the Antucoya project, the Group has a number of other opportunities to increase production above 700,000 tonnes of copper per year. The focus of the Group's growth opportunities is firstly to maximise production from existing operations through debottlenecking or incremental plant expansions. In a capital intensive industry such as ours, this provides the best opportunities for relatively rapid, lower cost and lower risk growth, particularly during periods of pressure on capital costs.

The Centinela Mining District is the main area of focus for the Group's medium and longer-term growth. Our main development projects relate to the Esperanza Sur and Encuentro deposits. The feasibility study evaluating how to best utilise these deposits is expected to be completed by early 2014. The Esperanza Sur deposit could extend the Esperanza mine's life by many years, or be developed as a stand-alone operation. The oxide cap at Encuentro provides the opportunity to continue to maximise the use of the existing SX-EW plant at El Tesoro when the grade at the current pits being mined declines. We are continuing to review the options in the rest of the Centinela Mining District including a potential standalone plant to process the Encuentro sulphide deposit.

At Los Pelambres we are examining two options: a staged expansion to more than double the existing plant capacity and an incremental expansion of the existing plant. Given the size of the resource base a pre-feasibility study has been commissioned to assess the possibility of more than doubling the plant capacity. The study is expected to be completed during 2013 and if it is positive it will then be followed by a feasibility study.

Our growth opportunities outside of Chile include the Twin Metals project in Minnesota where the pre-feasibility study continues and is expected to be completed next year. One of the main focus areas is on the development of the most appropriate metallurgical process for this large poly-metallic deposit. However, even if the appropriate metallurgical process is identified in the short term, with all of the permitting requirements we do not expect the mine to come into production much before the end of this decade.

We have also further expanded our portfolio of early-stage exploration agreements with junior companies, with new agreements over the past year signed on projects in Finland, Zambia, Australia, Canada, Peru and Brazil.

The operating environment for the Group and the mining industry in general is particularly challenging at present, with significant cost pressures prevailing throughout the mining life-cycle. There has also been some relative price weakness since the beginning of the year with prices dropping from \$3.67/lb to a relatively narrow trading range at around \$3.30/lb. As ever, the industry continues to be challenged by declining ore grades, which is putting pressure on costs. The operating and capital cost environment in the mining industry in Chile remains subject to the negative forces of high inflation, shortages of experienced project personnel and escalating costs of energy. Nevertheless, Chile remains a very mining friendly country, with a stable political and fiscal environment. The country is at near-full employment, consumer price inflation is low and the peso is strong reflecting the country's continued growth.

However, there has been a marked increase in social and environmental activism against large projects in Chile in recent years and we have been particularly affected by this at Los Pelambres where this activism has been reflected by numerous law suits against the company over recent years. One recent claim, that the water quality in the Pupío valley was being affected by the mine's tailings dam was rejected by the Court of Appeal in La Serena and this decision was upheld in the Supreme Court. Another claim, concerning the ability of the tailings dam to withstand an earthquake was also rejected by the Appeal Court and is now awaiting the decision of the Supreme Court, which is expected any day now. This increased trend towards litigation is becoming increasingly widespread in Chile, which is putting companies' licence to operate under question even though all the required approvals and permits have been properly obtained.

We have always sought and obtained all required permitting and complied with all applicable legislation and commitments during the development and operation of our operations and will continue to do so. We also address concerns that are raised in consultation with local communities and have made progress in overcoming the legal challenges while always acting in a reasonable and responsible manner. But as I have just mentioned, retaining and augmenting our social licence to operate is an on-going challenge. We aim to maintain positive relationships with the communities surrounding our operations through regular and open communication.

The Company has a dedicated Sustainability and Stakeholder Management Committee which reports directly to the Board on social and environmental management. In 2012 the Group continued to strengthen its community investment procedures, recording and categorising its contributions with the aim of making a smaller number of more strategic and impactful investments to benefit local people. We continue to work towards widening local people's skills and sources of income to develop social and economic opportunities for communities beyond mining.

The Group is also active in promoting equal opportunities across the workforce. Currently some 10% of our employees in our mining division are female, which is almost double the percentage in the general mining workplace

in Chile. We continue to implement incentives to encourage women to join the Group including our work with SERNAM, the national agency devoted to promoting women's rights, which has run women-only courses to train equipment operators.

The high cost of energy is another key issue facing the industry in Chile. The Group has prioritised energy efficiency for many years and seeks every opportunity to reduce its consumption. In 2012 the Group created a new Energy unit within Antofagasta Minerals to develop and secure affordable energy supplies and explore new technologies. Our investments to date in renewable energy make us one of the leaders within the Chilean mining sector.

Turning now to the leadership of the Group, it was with great sadness that my brother and Director of Antofagasta plc since 2005, Mr Guillermo Luksic, passed away in April after a period of illness. I am pleased to welcome Mr Nelson Pizarro, who joined the Board in July last year and Mr Andronico Luksic, who joined the Board in April this year. Mr Pizarro's extensive knowledge of the mining industry, both in projects and operations and Mr Luksic's experience across a wide range of business sectors throughout Chile and Latin America will greatly benefit the Company as we continue to enhance our business strategy.

We have also made some important appointments to the senior management team during the year. In August 2012, I was delighted to welcome Mr Diego Hernández as the new CEO of the mining division. He brings a great depth of experience of the mining sector across South America, and in particular of the Chilean copper industry, having previously served as CEO of Codelco and President, Base Metals for BHP Billiton. He brings a high degree of focus on operational excellence and value, which is a natural fit with the Group's culture and which is already having an impact on the business.

We have also restructured the organisation to better manage the challenges presented by the mining industry today. This has included a number of appointments to the executive team, both at the Antofagasta Minerals corporate centre and also at the individual operations, which have enhanced the Group's capabilities and expertise in the technical and financial areas of our business.

Reflecting on the market more generally, although copper has traded lower this year, reaching \$3.10/lb in April, a level not seen since October 2011, the market has since recovered to above \$3.30/lb and has averaged \$3.46/lb so far this year. The market continues to be tight with relatively low levels of visible stocks and a supply side that is affected by disruptions at existing operations and delays to new production coming on-stream. Although some of the additional production expected to come on-stream this year has started or will start soon and could ease the pressure in the marketplace, we remain positive on the longer-term fundamentals of the copper industry.

We delivered a strong performance in 2012 against a back drop of a difficult operating environment. We have the quality of asset base that, coupled with the expertise of our Board and management team, will enable us to deliver our forecast production in 2013 and to take advantage of our longer-term growth opportunities. Finally I would like to offer my personal thanks to those individuals that continue to deliver this performance, in particular our workers, management team and partners whose contribution is vital to the on-going success of Antofagasta.

## **Enquiries**

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