

REPORT ON PAYMENTS TO GOVERNMENTS

Antofagasta plc CEO, Iván Arriagada said:

"I am pleased to issue today Antofagasta plc's first Report on Payments to Governments. The report sets out the taxes paid in 2015 by the Company and its subsidiaries relating to mining.

"All of our operating mines are located in Chile and this is where 99.9% of taxes were paid during the year."

A copy of the report can be found below and on the Company's website at <http://www.antofagasta.co.uk/investors/reports-presentations/>.

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2015 REPORT ON PAYMENTS TO GOVERNMENTS

INTRODUCTION

This report details payments to governments made by Antofagasta plc and its subsidiary undertakings (“Antofagasta” or “the Group”) relating to activities involving the exploration, discovery, development and extraction of minerals, for the year ended 31 December 2015. This report has been prepared in accordance with the requirements of the UK’s Report on Payments to Governments Regulations 2014 (as amended in December 2015) (“the Regulations”), which enacted EU Accounting Directive 2013/34/EU, as well as the related requirements set out in the Disclosure and Transparency Rules of the UK’s Financial Conduct Authority.

ANTOFAGASTA PLC

Antofagasta is a Chile-based copper mining group. The Group currently operates four copper mines in Chile, and has a significant portfolio of growth opportunities located predominantly in Chile and in the United States. Mining is the Group’s core business and in 2015 represented over 90% of Group revenue and EBITDA. The balance of the Group’s revenue and earnings are generated by its transport division, which is also in Chile.

Three of Antofagasta plc’s subsidiary undertakings operate copper mines in Chile - Los Pelambres (60% owned by the Group and 40% by Non-Controlling Interests), Centinela (70% owned by the Group and 30% by Non-Controlling Interests) and Antucoya (70% owned by the Group and 30% by Non-Controlling Interests). Antofagasta also holds a 50% stake in the Zaldívar mine in Chile acquired in December 2015, and became the operator of the mine from that date. Zaldívar is accounted for as a joint venture by the Group. The Group’s Michilla subsidiary undertaking operated a copper mine in Chile until the end of 2015 when the operation was placed on care and maintenance. Each of the Group’s individual mining operations are therefore held within separate Chilean legal entities. The Group is developing the Encuentro mineral deposit as an integral part of the Centinela operation. At present, the mineral deposit is held within Encuentro which is a separate Chilean subsidiary undertaking, although the property will be transferred to Centinela in due course. Tax payments which have been made directly from Encuentro are shown separately from Centinela to reflect the current ownership structure.

Antofagasta Minerals S.A. is the Group’s mining corporate centre, and also undertakes certain exploration and development activities. There are additional intermediate holding companies, which hold investments in the Group’s mining operations and also hold cash generated by those operations. During 2015 two of these intermediate holding companies made tax payments relevant to this report - Inversiones Los Pelambres Ltda. and CCM Leonor. Antofagasta Minerals S.A., Inversiones Los Pelambres Ltda. and CCM Leonor are all separate Chilean legal entities.

The Group’s principal activity outside of Chile is the Twin Metals project in Minnesota in the United States, where the Group is currently conducting optimisations of the project’s pre-feasibility study. The parent company Antofagasta plc is registered in the UK and conducts no direct exploration or mining activities.

All of the revenues and operating costs of the Group’s mining operations, and the large majority of the mining division’s corporate costs, are therefore recorded by Group legal entities within the same tax jurisdiction, namely Chile.

BASIS OF PREPARATION

Scope of report

Disclosure of payments to governments is required in respect of payments arising from the exploration, discovery, development and extraction of minerals; the payments included within this report therefore relate only to Antofagasta's mining activities, and exclude payments made by its transport division.

Groups are required to prepare a consolidated report disclosing payments made by its subsidiary undertakings. Accordingly, this report reflects payments made by Pelambres, Centinela, Antucoya, Michilla, Encuentro, Antofagasta Minerals S.A., Inversiones Los Pelambres Ltda. and CCM Leonor – and excludes payments made by the Zaldívar joint venture.

Payments

The payments disclosed in this report are on a cash basis. Chilean corporate tax payments on account made during a year are typically based on the prior year's taxable profit, and therefore the tax cash payments are likely to differ from the current tax charge reflected in the Group's income statement.

The payments made to governments are required to be analysed into the following categories:

- *Production entitlements*
- *Taxes* - taxes levied on the income, production or profits of companies, excluding taxes levied on consumption, value added taxes, personal income taxes, sales taxes, property taxes or municipal charges.

In Chile the total tax rate is 35%, which comprises a standard corporate ("first category") tax which is payable as profits are earned by the operating company (tax rate of 22.5% in 2015) and a withholding tax payable when those profits are distributed by the operating company to its immediate parent (total tax rate of 35% less the first category tax already paid). So for profits generated in 2015, withholding tax of 12.5% will be paid when those profits are distributed (35% less the 22.5% first category tax rate). The withholding tax effectively represents a deferred tax on the profits generated by the operating companies, payable when those profits are distributed, and forms part of the total 35% tax rate. The withholding tax paid in respect of amounts distributed by the operating companies to the Group companies which hold the Group's interests in the operating companies is therefore included within this report as part of the taxes levied on the income or profits generated by the Group's mining activities. Withholding tax paid in respect of amounts distributed by the operating companies to the external companies which hold the Non-Controlling Interests in the operating companies is excluded from this analysis, as it does not reflect part of the tax charge borne by the Group's subsidiaries, but rather is a tax charge borne by those external companies. There is also a Chilean mining "royalty" tax, which is calculated as a % of taxable operating profit for mining operations, and accordingly is a profits-based tax which is therefore included within this report as part of the total "taxes" paid.

The "taxes" reflected in this report in respect of the amounts levied on the income or profits generated by the Group's mining activities in Chile therefore comprise corporate ("first category") tax, withholding tax paid in respect of amounts distributed by the operating companies to the Group companies which hold the Group's interests in the operating companies, and the mining "royalty" tax.

- *Royalties* – typically amounts levied based on production levels or revenues. As noted above, the Chilean mining "royalty" tax is a profits-based tax rather than a production or revenue-based royalty.
- *Dividends*
- *Bonuses* - signature, discovery and production bonuses

- *Fees* - licence fees, rental fees, entry fees and other considerations for mining licences or concessions.
- *Infrastructure improvements* - payments to governments for the construction of infrastructure such as roads, bridges and port facilities. Payments which are of a social investment in nature, for example contributions in respect of local schools, health care or the community facilities, are excluded.

Government

“Government” means any national, regional or local authority of a country, and includes a department, agency or undertaking that is a subsidiary undertaking where the authority is the parent undertaking.

Materiality

Under the Regulations a payment need not be disclosed if it is a single payment of less than the equivalent of £86,000 (€100,000) or a series of related payments in a single year whose total is less than the equivalent of £86,000. In general this *de minimis* materiality level has been applied when preparing this report, although in some circumstances payments below this threshold may be voluntarily included.

Analysis by project / entity

An analysis of payments by project is required where payments are attributable to specific projects. Projects are defined as operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. Where agreements are substantially interconnected in operational and geographical terms, with substantially similar terms, those agreements should be treated as a single project. Payments may be disclosed at an entity level where payments are made in respect of obligations imposed at that entity level rather than at a project level.

Rounding

The amounts shown in this report have been rounded to the nearest US\$1,000.

PAYMENTS TO GOVERNMENT - 2015

COUNTRY SUMMARY								
	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure improvements	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Chile	-	271,339,000	-	-	-	6,549,000	-	277,888,000
United States	-	-	-	-	-	263,000	-	263,000
Total	-	271,339,000	-	-	-	6,812,000	-	278,151,000

CHILE								
GOVERNMENT REPORT	Production entitlement US\$	Taxes US\$	Royalties US\$	Dividends US\$	Bonuses US\$	Fees US\$	Infrastructure improvements US\$	Total US\$
Tesorería General de la República de Chile	-	271,339,000	-	-	-	6,549,000	-	277,888,000
Total	-	271,339,000	-	-	-	6,549,000	-	277,888,000
PROJECT REPORT	Production entitlement US\$	Taxes US\$	Royalties US\$	Dividends US\$	Bonuses US\$	Fees US\$	Infrastructure improvements US\$	Total US\$
Los Pelambres	-	226,454,000	-	-	-	964,000	-	227,418,000
Centinela	-	61,994,000	-	-	-	189,000	-	62,183,000
Antucoya	-	5,000	-	-	-	35,000	-	40,000
Michilla	-	(4,223,000)	-	-	-	736,000	-	(3,487,000)
Encuentro	-	65,000	-	-	-	629,000	-	694,000
Exploration activities (within Antofagasta Minerals S.A.)	-	-	-	-	-	3,996,000	-	3,996,000
Antofagasta Minerals S.A.	-	(20,051,000)	-	-	-	-	-	(20,051,000)
Inversiones Los Pelambres Ltda.	-	6,499,000	-	-	-	-	-	6,499,000
CCM Leonor	-	596,000	-	-	-	-	-	596,000
Total	-	271,339,000	-	-	-	6,549,000	-	277,888,000

UNITED STATES								
GOVERNMENT REPORT	Production entitlement US\$	Taxes US\$	Royalties US\$	Dividends US\$	Bonuses US\$	Fees US\$	Infrastructure improvements US\$	Total US\$
Department of Interior	-	-	-	-	-	53,000	-	53,000
Minnesota Department of Natural Resources	-	-	-	-	-	210,000	-	210,000
Total	-	-	-	-	-	263,000	-	263,000
PROJECT REPORT	Production entitlement US\$	Taxes US\$	Royalties US\$	Dividends US\$	Bonuses US\$	Fees US\$	Infrastructure improvements US\$	Total US\$
Twin Metals	-	-	-	-	-	263,000	-	263,000
Total	-	-	-	-	-	263,000	-	263,000