

NEWS RELEASE, 27 JULY, 2016

Q2 2016 PRODUCTION REPORT

STEADY IMPROVEMENT

Antofagasta plc CEO, Iván Arriagada said: *“Our decision to concentrate the Group’s efforts in 2016 on operational and capital cost control, improved productivity and enhanced operational efficiencies has begun to bear fruit. For the first half of the year, cash costs before by-product credits and net cash costs were \$1.60/lb and \$1.26/lb respectively, below the respective levels of the previous year.*

“Although we now expect production for the full year to be at the lower end of the range announced in January, we remain confident that we will continue to deliver on our cost control and operational efficiency objectives for the full year.”

HIGHLIGHTS

PRODUCTION

- Copper production in Q2 2016 was 166,200 tonnes, a 5.8% increase on Q1 2016 as production increased at Los Pelambres, Zaldivar and Antucoya compared to Q1 2016
- Integration of Zaldívar into the Group is complete with improvements in recoveries achieved during the quarter
- Commercial production at Antucoya achieved at the beginning of the quarter
- Group copper production for the first six months of the year was 323,300 tonnes, 6.6% higher than in the same period last year
- Gold production was 52,800 ounces in Q2 2016, a 6.9% decrease on Q1 2016 largely due to lower production at Centinela
- Molybdenum production at Los Pelambres was 1,600 tonnes in Q2 2016, compared to 1,700 tonnes in Q1 2016 principally due to lower grades, partially offset by higher recoveries and throughput

CASH COSTS

- Cash costs before by-product credits in Q2 2016 were \$1.57/lb, 3.7% lower than in Q1 2016. This decrease is mainly related to lower cash costs across the operations as cost efficiencies and productivity improvements have been delivered
- Cash costs before by-product credits for the first six months of the year were \$1.60/lb, \$0.28/lb lower than the same period last year due primarily to higher production, improved cost performance and the weaker Chilean Peso.
- Net cash costs were \$1.25/lb in Q2 2016, a 2.3% decrease compared with the previous quarter primarily due to lower cash costs before by-product credits, supported by a significantly higher realised molybdenum price

GUIDANCE

- Group copper production for the full year is expected to be at the lower end of the 710-740,000 tonnes guided in January, with production for the year weighted to the second half. Installation of

the tailings thickeners at Centinela and the ramp-up of Antucoya are proceeding within their planned ranges, but inherent risks will persist until both projects are completed

- The Group has revised its estimation of deferred stripping costs at Los Pelambres in 2016 compared with that used in the original guidance announced in January 2016. Changes introduced in the estimation method impacted Los Pelambres accounting for \$0.08/lb of the reduction in costs for the Group for the first six months of the year compared with the same period of the prior year
- Group cash costs before by-product credits and net cash costs for the full year are now expected to be \$1.60/lb and \$1.30/lb respectively
- The corresponding increase in Group capital expenditure, as mine development, for the year is equal to the reduction in operating costs so total cash expenditure for the year, operating and capital, is expected to be unchanged

OTHER

- Regrettably there was a fatal accident at Antucoya during the quarter and another in the Transport Division in July. A full investigation has now been completed at Antucoya and actions identified during the review are being implemented with direct oversight by senior management. An investigation of the causes and lessons learned is underway at the Transport Division. Safety remains the top priority for the Group.

GROUP		Year to Date			Q2	Q1	
		2016	2015	%	2016	2016	%
Copper production ⁽¹⁾	kt	323.3	303.4	6.6	166.2	157.1	5.8
Copper sales ⁽¹⁾	kt	309.4	290.1	6.7	155.2	154.2	0.6
Gold production	koz	109.5	112.5	(2.7)	52.8	56.7	(6.9)
Molybdenum production	kt	3.3	4.7	(29.8)	1.6	1.7	(5.9)
Cash costs before by-product credits ⁽²⁾	\$/lb	1.60	1.88	(14.9)	1.57	1.63 ⁽³⁾	(3.7)
Net cash costs ⁽²⁾	\$/lb	1.26	1.53	(17.6)	1.25	1.28 ⁽³⁾	(2.3)

(1) Includes Antucoya production and sales pre and post start of commercial production

(2) Includes Antucoya's cash costs from the start of commercial production on 1 April 2016

(3) Costs reduced by \$0.09/lb from those quoted in the Q1 Production Report to reflect revised estimation of stripping activity at Los Pelambres

This announcement contains inside information

Investors – London

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

Media – London

Carole Cable antofagasta@brunswickgroup.com
 Will Medvei antofagasta@brunswickgroup.com
 Telephone +44 20 7404 5959

Investors – Santiago

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

Media – Santiago

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

MINING OPERATIONS

Los Pelambres

Copper production at Los Pelambres was up 9.2% quarter on quarter (89,800 tonnes of copper in Q2 2016 compared with 82,200 tonnes), which was due to higher grades and improved throughput following the completion of major maintenance in Q1 2016. The 1.6% increase in production to 172,100 tonnes in the first half of 2016 reflects the impact of improved recoveries despite lower throughput as the mine processes a higher proportion of harder ore. In addition, production in the first half of 2015 was disrupted by community protests which have since been addressed through the implementation of an improved long term community engagement plan.

Molybdenum production was 5.9% lower at 1,600 tonnes in Q2 2016 compared to the previous quarter, primarily due to lower grade, partly offset by higher throughput and improved recoveries. Production in the first six months of 2016 at 3,300 tonnes was 29.8% lower than last year, primarily due to lower grades and also lower throughput.

The Group has revised its estimation of deferred stripping costs at Los Pelambres in 2016 compared with that used in the original guidance announced in January 2016. The 2016 full year cash costs before by-products credits are now expected to be \$1.50/lb. The corresponding increase in capital expenditure, as mine development, for the year is expected to be \$112 million, with total forecast cash expenditure for 2016, operating and capital, remaining unchanged.

Cash costs before by-product credits in Q2 2016 were in line with the previous quarter at \$1.33/lb. Compared with the first half of last year, cash costs before by-product credits at \$1.33/lb were \$0.34/lb lower (\$0.20/lb before the deferred stripping change), with lower material movement and lower input prices being the main contributors.

Net cash costs in Q2 2016 at \$1.00/lb were 5.7% lower than in the previous quarter due to lower cash costs before by-product credits and the 91% increase in the realised molybdenum price and higher production of gold. Net cash costs for the first half of the year were 25% lower than the same period last year at \$1.02/lb as a result of lower onsite costs as explained above combined with higher by-product prices and favourable movements in the Chilean Peso exchange rate offset by lower molybdenum production.

LOS PELAMBRES		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	%
Daily ore throughput	kt	151.7	166.4	(8.8)	155.8	147.5	5.6
Copper grade	%	0.70	0.70	-	0.73	0.70	4.3
Copper recovery	%	89.4	86.5	3.4	89.6	89.3	0.3
Copper production	kt	172.1	169.4	1.6	89.8	82.2	9.2
Copper sales	kt	173.6	163.4	6.2	90.2	83.4	8.2
Molybdenum grade	%	0.015	0.019	(21.1)	0.015	0.016	(6.3)
Molybdenum recovery	%	78.4	80.6	(2.7)	80.3	76.5	4.9
Molybdenum production	kt	3.3	4.7	(29.8)	1.6	1.7	(5.9)
Molybdenum sales	kt	3.1	4.4	(29.5)	1.3	1.9	(31.6)
Gold production	koz	28.9	22.3	29.6	14.8	14.2	4.2
Gold sales	koz	32.6	22.5	44.9	16.9	15.7	7.6
Cash costs before by-product credits ⁽¹⁾	\$/lb	1.33	1.67	(20.4)	1.33	1.33 ⁽²⁾	-
Net cash costs ⁽¹⁾	\$/lb	1.02	1.36	(25.0)	1.00	1.06 ⁽²⁾	(5.7)

(1) Includes tolling charges of \$0.26/lb in Q1, Q2 and YTD 2016 and \$0.27/lb in 2015 YTD

(2) Costs reduced by \$0.16/lb from those quoted in the Q1 Production Report to reflect revised estimation of stripping activity

Centinela

Total copper production at Centinela in Q2 2016 was 48,300 tonnes, 3.0% lower than in the previous quarter. During the first six months of the year Centinela produced 98,100 tonnes of copper down 17.1% compared to the same period in 2015 primarily due to significantly lower production of copper cathodes.

Production of copper in concentrates was 36,000 tonnes in Q2 2016, compared with 37,200 tonnes in the previous quarter primarily due to lower throughput with major maintenance in April, partially offset by higher grade and recoveries. Copper in concentrate production for the first six months of the year was 6.6% lower compared to 2015 as lower grades and lower recoveries impacted production despite higher throughput.

On completion of repairs to the second thickener throughput is expected to reach the expanded design capacity of 105,000 tonnes of ore per day on a peak basis during the fourth quarter. In addition, copper grades will be over 0.60% during the second half of the year as mining moves as planned into a higher grade area of the pit. Throughput will run at the new design capacity on a continuous basis once the third thickener has been completed.

Sales were lower than production as concentrate stocks accumulated at the port as poor weather conditions temporarily delayed shipments over the end of the period. These stocks have since been shipped.

Cathode production in Q2 2016 was 12,400 tonnes, a 1.6% decrease on the 12,600 tonnes produced in Q1 2016 largely as a result of lower throughput in the quarter. Compared with the first half of last year, cathode production during 2016 was 37.8% lower as grades declined as expected as mining moved to the lower grade zones of the Tesoro Central and throughput decreased due to restrictions in the reclamation system reported in the previous quarter. The restrictions are caused by high moisture levels of the ore coming from the current phase of the pit that is being mined and is expected to continue until the end of the year.

Gold production was 38,000 ounces in Q2 2016, 4,500 ounces lower than in the previous quarter primarily due to a drop in gold recovery. Gold production for the year to date was 80,500 ounces, 10.7% lower than the first six months of 2015 with significantly lower gold grades and lower recoveries.

Cash costs before by-product credits were \$1.98/lb in Q2 2016 compared with \$2.14/lb in the previous quarter. This decrease in costs is primarily due to productivity improvements including the reduced use of materials and spare parts, mainly in mine equipment. For the year to date costs were 3.3% lower than in 2015 at \$2.06/lb reflecting costs improvements and lower prices of consumables such as acid and diesel.

Net cash costs in Q2 2016 at \$1.49/lb were \$0.08/lb lower than in the previous quarter primarily reflecting reduced maintenance costs. Net cash costs for the first half of 2016 were \$1.53/lb compared with \$1.67/lb in the first half of 2015. This decrease is mainly due to the higher realised gold price, which partially offset lower gold production.

CENTINELA		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	%
CONCENTRATES							
Daily ore throughput	kt	90.2	78.8	14.5	88.5	92.0	(3.8)
Copper grade	%	0.53	0.67	(20.9)	0.54	0.52	3.8
Copper recovery	%	86.3	87.3	(1.1)	87.1	85.6	1.8
Copper production	kt	73.2	78.4	(6.6)	36.0	37.2	(3.2)
Copper sales	kt	59.5	70.5	(15.6)	25.8	33.6	(23.2)
Gold grade	g/t	0.21	0.28	(25.0)	0.22	0.21	4.8
Gold recovery	%	72.5	75.3	(3.7)	69.2	75.9	(8.8)
Gold production	koz	80.5	90.1	(10.7)	38.0	42.5	(10.6)
Gold sales	koz	64.5	83.5	(22.8)	26.9	37.5	(28.3)
CATHODES							
Daily ore throughput	kt	20.6	25.8	(20.2)	19.3	21.9	(11.9)
Copper grade	%	0.76	1.06	(28.3)	0.76	0.75	1.3
Copper recovery	%	69.4	67.6	2.7	72.9	66.2	10.1
Copper production – heap leach	kt	20.7	34.4	(39.8)	10.2	10.5	(2.9)
Copper production – total ⁽¹⁾	kt	24.9	40.0	(37.8)	12.4	12.6	(1.6)
Copper sales	kt	23.9	40.0	(40.3)	10.9	13.0	(16.2)
Total copper production	kt	98.1	118.4	(17.1)	48.3	49.8	(3.0)
Cash costs before by-product credits ⁽²⁾	\$/lb	2.06	2.13	(3.3)	1.98	2.14	(7.5)
Net cash costs ⁽²⁾	\$/lb	1.53	1.67	(8.4)	1.49	1.57	(5.1)

(1) Includes production from ROM material

(2) Includes tolling charges for copper in concentrates of \$0.21/lb in Q2 2016, \$0.23/lb in Q1 2016, \$0.22/lb in 2016 YTD and \$0.20/lb 2015 YTD

Antucoya

Sales and costs are no longer capitalised at Antucoya following commercial production being declared at the beginning of the quarter. The project is ramping up to full capacity of 85,000 tonnes per annum, which is expected to be achieved in the second half of 2016. Improvements to the dust suppression systems are now being implemented and are expected to be completed by the end of 2016.

Copper production at Antucoya was 14,400 tonnes in Q2 2016, 13.4% higher than in the previous quarter as higher throughput was achieved despite lower grades and recoveries. During the quarter the cash costs were \$1.82/lb.

ANTUCOYA		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	%
Daily ore throughput	kt	59.3	-	-	64.9	53.6	21.1
Copper grade	%	0.38	-	-	0.35	0.42	(16.7)
Copper recovery	%	70.3	-	-	68.2	72.4	(5.8)
Copper production	kt	27.0	-	-	14.4	12.7	13.4
Copper sales	kt	26.0	-	-	14.2	11.8	20.3
Cash costs ⁽¹⁾	\$/lb	1.82	-	-	1.82	-	-

(1) Cash costs from Q2 2016 onwards following commercial production being reached on 1 April 2016

Zaldívar

Copper production at Zaldívar was 13,600 tonnes in Q2 2016, 9.7% higher than in the previous quarter as lower grade was offset by higher throughput and recoveries. The significant increase in recovery has been achieved through the use of improved sulphide leaching including experience gained at other operations of the Group.

Cash costs decreased to \$1.42/lb in Q2 2016 compared with \$1.59/lb in the previous quarter. Cash costs for the first six months of 2016 were \$1.50/lb.

ZALDÍVAR		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	%
Daily ore throughput	kt	47.1	-	-	49.7	44.8	10.9
Copper grade	%	0.60	-	-	0.55	0.65	(15.4)
Copper recovery	%	66.0	-	-	69.4	62.9	10.3
Copper production – heap leach	kt	18.2	-	-	10.0	8.2	22.0
Copper production – total ⁽¹⁾	kt	26.0	-	-	13.6	12.4	9.7
Copper sales	kt	25.6	-	-	14.0	11.5	21.7
Cash costs	\$/lb	1.50	-	-	1.42	1.59	(10.7)

(1) Includes production from secondary leaching

Transport

Total volumes transported by the division were 1.6 million tonnes in Q2 2016, 1.3% lower than in the previous quarter, due to poor weather conditions particularly in June. Since the beginning of the year 3.3 million tonnes have been transported, 14.9% higher than in the same period last year reflecting additional demand from customers which has been achieved by the improved performance of the rolling stock fleet.

		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	%
Rail	kt	2,725	2,304	18.2	1,357	1,368	(0.8)
Road	kt	594	585	1.6	292	302	(3.3)
Total tonnage transported	kt	3,319	2,889	14.9	1,649	1,670	(1.3)

Commodity prices and exchange rates

		Year to date			Q2	Q1	
		2016	2015	%	2016	2016	
Copper							
Market price	\$/lb	2.13	2.69	(20.8)	2.15	2.12	1.3
Realised price	\$/lb	2.15	2.54	(15.2)	2.08	2.23	(6.4)
Gold							
Market price	\$/oz	1,219	1,206	1.1	1,259	1,180	6.7
Realised price	\$/oz	1,288	1,222	5.4	1,255	1,315	(4.6)
Molybdenum							
Market price	\$/lb	6.1	8.0	(23.0)	7.0	5.3	31.0
Realised price	\$/lb	7.4	7.0	4.8	10.3	5.4	90.7
Exchange rates							
Chilean peso	per \$	690	621	11.2	678	703	(3.6)

The spot commodity prices for copper, gold and molybdenum as at 30 June 2016 were \$2.20/lb, \$1,322/oz and \$7.5/lb respectively compared with \$2.21/lb, \$1,236/oz and \$5.3/lb as at 31 March 2016 and \$2.60/lb, \$1,173oz and \$6.3 /lb as at 30 June 2015.

The provisional pricing adjustments for copper, gold and molybdenum for the quarter were negative \$7.5 million, negative \$0.4 million and positive \$10.4 million respectively.