

Q1 2017 PRODUCTION REPORT

Antofagasta plc CEO, Iván Arriagada said: *“We have started the year with a continued focus on cost efficiency and productivity improvements. Production is in line with our expectations and is some 9% higher than in the same quarter of last year. When compared with the last quarter of 2016 the lower production reflects the expected grade decline at Los Pelambres and Centinela.*

“Cash costs before by-product credits were 8% lower compared with the same quarter last year as we continue to progress our cost improvement measures.

“We reassert our guidance for the year of 685-720,000 tonnes of copper at a cash cost before by-product credits of \$1.55/lb and a net cash cost of \$1.30/lb.”

HIGHLIGHTS

PRODUCTION

- Copper production in Q1 2017 increased by 9.4% compared with the same quarter in 2016 to 171,900 tonnes with higher production at Centinela, and Antucoya now operating at full production
- Compared with the previous quarter, copper production reduced by 16.4% due to expected lower grades at Los Pelambres and Centinela Concentrates
- Gold production was 53,300 ounces in Q1 2017, 6.0% lower than in Q1 2016 and 41.5% lower than in the previous quarter as grades declined at Centinela
- Molybdenum production at Los Pelambres increased by 29.4% compared to the same period in 2016 as grades increased and by 10.0% compared with the previous quarter as recoveries improved

CASH COSTS

- Cash costs before by-product credits in the quarter improved by 7.6% compared to Q1 2016 to \$1.59/lb as a result of productivity gains and cost improvements on an increased production base
- Cash costs before by-product credits were 8.9% higher than in Q4 2016. This increase is mainly related to the lower production partly offset by productivity improvements and cost savings. Net cash costs were \$1.27/lb in Q1 2017, 7.3% lower than in Q1 2016 and 12.4% higher than the previous quarter, broadly reflecting the changes in cash costs before by-product credits

GUIDANCE

- Guidance is unchanged. Group copper production for the full year is expected to be 685-720,000 tonnes, with production higher in the second half of the year than in the first, and cash costs before by-product credits of \$1.55/lb and net cash costs of \$1.30/lb

OTHER

- The transfer of Los Pelambres’s 40% interest in the Alto Maipo project to AES Gener and the improved pricing of the electricity that will be provided by the project has been completed

- As announced on 21 March, the ICSID tribunal came to a favourable conclusion rejecting the Government of Pakistan's final defence against liability in relation to the arbitration claims filed by Tethyan Copper Company. Proceedings have now advanced to the damages phase

GROUP PRODUCTION AND CASH COSTS		Year to Date			Q1		Q4	
		2017	2016	%	2017	2016	%	
Copper production ⁽¹⁾	kt	171.9	157.1	9.4	171.9	205.5	(16.4)	
Copper sales ⁽²⁾	kt	175.7	154.2	13.9	175.7	206.7	(15.0)	
Gold production	koz	53.3	56.7	(6.0)	53.3	91.1	(41.5)	
Molybdenum production	kt	2.2	1.7	29.4	2.2	2.0	10.0	
Cash costs before by-product credits ⁽³⁾	\$/lb	1.59	1.72	(7.6)	1.59	1.46	8.9	
Net cash costs ⁽³⁾	\$/lb	1.27	1.37	(7.3)	1.27	1.13	12.4	

(1) Includes pre-commercial production at Antucoya of 12,700 tonnes, which is not included in unit cost calculations

(2) Includes pre-commercial production sales at Antucoya of 11,800 tonnes

(3) Cash cost is a non-GAAP measure used by the mining industry to express the cost of production in US dollars per pound of copper produced

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MINING OPERATIONS

Los Pelambres

Los Pelambres produced 82,800 tonnes of copper in Q1 2017 almost unchanged compared with the same quarter last year, and 13.8% lower than in the previous quarter as grade fell from 0.77% to 0.68% as expected.

Throughput in the quarter was higher than in Q1 2016 due to increased plant availability, as maintenance was carried out on the plant in January 2016. This year major maintenance is scheduled at the concentrator plant for April, late July/early August and the last quarter, and this is factored into guidance for the year.

Molybdenum production was 29.4% higher at 2,200 tonnes in Q1 2017 compared to Q1 2016, primarily due to the higher grades, and 10.0% higher than the previous quarter due to improved recoveries.

Gold production for the quarter was 13,800 ounces, 2.8% lower than the same period last year and 6.1% lower than in the previous quarter as a result of lower grades.

Cash costs before by-product credits in Q1 2017 were \$1.41/lb, compared with \$1.49/lb in Q1 2016. This 5.4% decrease in costs was primarily due to lower labour and maintenance costs as a result of productivity improvements. Compared with the previous quarter, costs increased by 4.4% due to lower production and higher input costs, including diesel and energy, which was partly offset by cost savings.

Despite the lower copper grade during the quarter net cash costs at \$1.04 /lb were 14.8% lower than in Q1 2016 and 6.3% lower than in the previous quarter, again reflecting productivity and cost improvements, as well as increased by-product credits.

LOS PELAMBRES		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
Daily ore throughput	kt	160.9	147.5	9.1	160.9	160.8	0.1
Copper grade	%	0.68	0.70	(2.9)	0.68	0.77	(11.7)
Copper recovery	%	87.7	89.3	(1.8)	87.7	87.2	0.6
Copper production	kt	82.8	82.2	0.7	82.8	96.1	(13.8)
Copper sales	kt	82.7	83.4	(0.8)	82.7	97.4	(15.1)
Molybdenum grade	%	0.020	0.016	25.0	0.020	0.020	-
Molybdenum recovery	%	74.3	76.5	(2.9)	74.3	69.7	6.6
Molybdenum production	kt	2.2	1.7	29.4	2.2	2.0	10.0
Molybdenum sales	kt	2.1	1.9	10.5	2.1	1.8	16.7
Gold production	koz	13.8	14.2	(2.8)	13.8	14.7	(6.1)
Gold sales	koz	13.6	15.7	(13.4)	13.6	15.7	(13.4)
Cash costs before by-product credits ⁽¹⁾	\$/lb	1.41	1.49	(5.4)	1.41	1.35	4.4
Net cash costs ⁽¹⁾	\$/lb	1.04	1.22	(14.8)	1.04	1.11	(6.3)

(1) Includes tolling charges of \$0.28/lb in Q1 2017, \$0.27/lb in Q4 2016 and \$0.26/lb in Q1 2016

Centinela

Total copper production at Centinela was 55,500 tonnes in Q1 2017, 11.4% higher than in the same quarter in 2016, primarily as a result of higher copper in concentrate production and a 31.0% increase in cathode production. Production fell by 27.0% compared to the previous quarter due to lower production of copper in concentrates.

Copper in concentrate production was 39,000 tonnes in Q1 2017, 4.8% higher than in Q1 2016, and sales were 30.7% higher due to the rescheduling of shipments in the quarter.

Production of copper in concentrates decreased from 59,500 tonnes in the previous quarter to 39,000 tonnes primarily due to grades falling from 0.82% to 0.59%, as expected, and lower throughput, which was impacted by scheduled major maintenance in March. The next major maintenance for the concentrator will be in September and this is factored into guidance for the year.

Cathode production in Q1 2017 was 16,500 tonnes, 31.0% higher than in Q1 2016 due to higher grades, recoveries and throughput, and unchanged from Q4 2016.

Gold production was 39,500 ounces in Q1 2017, 7.1% lower than in the same period last year mainly due to lower recoveries, partly offset by higher grade. Compared with the previous quarter production was some 36,900 ounces lower primarily due to a drop in grade from 0.40g/t to 0.23g/t. The gold grade for the full year is expected to be 0.2g/t.

Cash costs before by-product credits at \$1.79/lb were 16.4% lower in Q1 2017 than in the same quarter in 2016 due to cost savings and increased production. Compared with the previous quarter, unit costs were 23.4% higher due to the lower production, partly offset by continued cost savings achieved in the quarter through the reduced use of third party contractors.

Net cash costs were impacted by lower by-product credits compared to both Q1 2016 and Q4 2016 as gold production decreased.

CENTINELA		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
CONCENTRATES							
Daily ore throughput	kt	89.2	92.0	(3.0)	89.2	95.7	(6.8)
Copper grade	%	0.59	0.52	13.5	0.59	0.82	(28.0)
Copper recovery	%	84.8	85.6	(0.9)	84.8	88.7	(4.4)
Copper production	kt	39.0	37.2	4.8	39.0	59.5	(34.5)
Copper sales	kt	43.9	33.6	30.7	43.9	56.5	(22.3)
Gold grade	g/t	0.23	0.21	9.5	0.23	0.40	(42.5)
Gold recovery	%	70.8	75.9	(6.7)	70.8	71.3	(0.7)
Gold production	koz	39.5	42.5	(7.1)	39.5	76.4	(48.3)
Gold sales	koz	45.6	37.5	21.6	45.6	75.4	(39.5)
CATHODES							
Daily ore throughput	kt	24.5	21.9	11.9	24.5	24.0	2.1
Copper grade	%	0.94	0.75	25.3	0.94	0.90	4.4
Copper recovery	%	74.5	65.8	13.2	74.5	72.8	2.3
Copper production – heap leach	kt	14.9	10.2	46.1	14.9	14.5	2.8
Copper production – total ⁽¹⁾	kt	16.5	12.6	31.0	16.5	16.5	-
Copper sales	kt	16.0	13.0	23.1	16.0	17.5	(8.6)
Total copper production	kt	55.5	49.8	11.4	55.5	76.0	(27.0)
Cash costs before by-product credits ⁽²⁾	\$/lb	1.79	2.14	(16.4)	1.79	1.45	23.4
Net cash costs ⁽²⁾	\$/lb	1.33	1.57	(15.3)	1.33	0.87	52.9

(1) Includes production from ROM material

(2) Includes tolling charges of \$0.20/lb in Q1 2017, \$0.23/lb in Q4 2016 and \$0.23/lb in Q1 2016

Antucoya

Antucoya achieved commercial production at the end of Q1 2016, during which period it produced 12,700 tonnes of copper. Production design capacity was reached in August 2016 and in Q1 2017 production was 20,300 tonnes, 3.0% higher than in the previous quarter as higher grades and recoveries were achieved.

Now that the mine is operating at a steady rate, attention is focused on optimising all aspects of the operation.

During the quarter the cash costs were \$1.75/lb compared to \$1.98/lb in Q4 2016, due to higher production and lower maintenance costs as productivity and cost efficiency savings started to be realised.

ANTUCOYA		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
Daily ore throughput	kt	75.9	53.9	40.8	75.9	81.7	(7.1)
Copper grade	%	0.39	0.42	(7.1)	0.39	0.37	5.4
Copper recovery	%	76.0	72.4	5.0	76.0	70.5	7.8
Copper production	kt	20.3	12.7	59.8	20.3	19.7	3.0
Copper sales	kt	20.2	11.8	71.2	20.2	21.1	(4.3)
Cash costs ⁽¹⁾	\$/lb	1.75	-	-	1.75	1.98	(11.6)

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

Zaldívar

Copper production at Zaldívar was 13,300 tonnes in Q1 2017 a 7.3% increase compared with the same period last year explained by higher grades and recoveries. Production was 2.9% lower than in the previous quarter as throughput and recoveries fell, partly offset by improved grades.

Cash costs at \$1.64/lb in Q1 2017 increased by 3.1% compared to Q1 2016 primarily due to inventory changes. Compared with \$1.47/lb in the previous quarter cash costs increased primarily due to the impact of lower production.

Under the new Employment and Labor law the level of minimum services to be provided during a strike have to be agreed and this was successfully done in Q1. Negotiations with the union on the terms for the new contract are due to commence during Q2.

ZALDÍVAR		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
Daily ore throughput	kt	42.2	44.8	(5.8)	42.2	52.7	(19.9)
Copper grade	%	0.86	0.65	32.3	0.86	0.81	6.2
Copper recovery	%	64.5	62.9	2.5	64.5	67.4	(4.3)
Copper production – heap leach ⁽¹⁾	kt	10.1	7.9	27.8	10.1	9.6	5.2
Copper production – total ^(1, 2)	kt	13.3	12.4	7.3	13.3	13.7	(2.9)
Copper sales ⁽¹⁾	kt	12.9	11.5	12.2	12.9	14.2	(9.2)
Cash costs	\$/lb	1.64	1.59	3.1	1.64	1.47	11.6

(1) Group's 50% share

(2) Includes production from secondary leaching

Transport

The division transported 1.4 million tonnes in Q1 2017, 8.0% lower than in the previous quarter and 14.7% lower than in the same period last year as rail tonnages were impacted by a strike at one of the division's customers and reduced production at another.

		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
Rail	kt	1,145	1,368	(16.3)	1,145	1,267	(9.6)
Road	kt	279	302	(7.6)	279	280	-
Total tonnage transported	kt	1,424	1,670	(14.7)	1,424	1,547	(8.0)

Commodity prices and exchange rates

		Year to Date			Q1	Q4	
		2017	2016	%	2017	2016	%
Copper							
Market price	\$/lb	2.65	2.12	25.0	2.65	2.39	10.5
Realised price	\$/lb	2.82	2.22	27.0	2.82	2.69	4.9
Gold							
Market price	\$/oz	1,219	1,180	3.3	1,219	1,219	-
Realised price	\$/oz	1,277	1,315	(2.9)	1,277	1,168	9.3
Molybdenum							
Market price	\$/lb	7.8	5.3	46.9	7.8	6.6	17.7
Realised price	\$/lb	8.2	5.4	53.0	8.2	5.2	59.7
Exchange rates							
Chilean peso	per \$	655	702	(6.7)	655	666	(1.7)

The spot commodity prices for copper, gold and molybdenum as at 31 March 2017 were \$2.64/lb, \$1,249/oz and \$6.76/lb respectively compared with \$2.51/lb, \$1,148/oz and \$6.75/lb at the end of 2016, and \$2.21/lb, \$1,233/oz and \$5.33/lb as at 31 March 2016.

The provisional pricing adjustments for copper, gold and molybdenum for the quarter were positive \$66.6 million, negative \$0.2 million and positive \$2.4 million respectively.