

**NEWS RELEASE, 24 MAY 2017**

## **CHAIRMAN'S COMMENTS AT THE 2017 ANNUAL GENERAL MEETING**

*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 10:00am today.*

Thank you for joining us today.

As you can see, all of your directors are in attendance, as well as several members of senior management including our Group CEO Iván Arriagada, our Vice President of Institutional Relations Francisco Veloso and Mauricio Ortiz, the General Manager of our Transport Division. As you know, Ivan succeeded Diego Hernández in the role of Group CEO in April 2016, having previously served as the CEO of our mining division, and has led the Group's drive for increased cost discipline and improved performance of the operations.

There have also been a number of changes at Board level and I would like to take this opportunity to welcome Francisca Castro, who joined the Board as an independent non-executive director in November last year. Francisca has considerable experience in mining, energy and finance and has worked in various roles in Chile and internationally. She has already made significant contributions to the Board and the Audit and Risk, and the Remuneration and Talent Management Committees and has been recommended by your Board for election by shareholders today.

Francisca filled a vacancy created by Hugo Dryland's resignation. Hugo had been on the Board since 2011 and I would like to thank him for his valuable insights and guidance on a wide range of matters and for the significant contribution he has made to the Company during his time on the Board.

In September, Ollie Oliveira succeeded Bill Hayes as our Senior Independent Director. Ollie has been a member of the Board since 2011 and Bill will stay on the Board as a Non-Executive Director, but is no longer designated as independent.

Within the Board Committees there have also been a number of changes and Ollie is now Chairman of the Audit and Risk Committee, and Vivianne Blanlot is now Chairman of the Sustainability and Stakeholder Management Committee.

Before proposing the resolutions set out in the notice of meeting, I would like to highlight briefly Antofagasta's financial and operating performance during 2016 and our outlook for the rest of this year. I will then move onto the formal part of the meeting before opening the floor to questions.

Over the course of 2016 we saw copper prices stage a recovery from the lows at the beginning of the year, and this continued into early 2017. This is undoubtedly good news and is reflected in our improved results for the year, but as an industry we must be careful to guard against falling back into complacency. Despite the considerable efforts made so far – the industry still has further to go in order to put costs back onto a sustainable footing.

At Antofagasta, our response to these challenges has been to renew our focus on producing profitable tonnes. This is an essential part of our strategy to ensure our business will generate positive free cash flow through the cycle and generate good returns on the capital we invest.

Before saying a few words about our operating performance, I would like to take a moment to talk about safety. The safety of our employees and the communities in which we work is our number one priority. Unfortunately, I regret to report that during 2016 Antofagasta had two fatalities, one at our Railway division and one at our newly commissioned Antucoya mine. On behalf of the Board, the employees of the company – and myself – I would like to express our sincere condolences to the families of our departed colleagues. Our target is to achieve zero fatalities at our operations, and while our business is inherently hazardous, this is a target that we constantly strive to achieve.

In 2016 with the backdrop of weaker commodity prices we focussed on optimising our operations to ensure we remain competitive in a low-price environment. This was not an easy task as we also ramped up our newly built Antucoya mine, and began operating the Zaldívar mine which we bought a 50% stake in at the end of 2015.

Centinela also achieved significant milestones during the year reaching its expanded throughput capacity of 105,000 tonnes per day and commissioning the new paste thickeners, which have been operating well. These thickeners will improve our water recovery and reduce the area needed for tailings storage. This is an important part of this innovative tailings management system which is the largest application of this technology in the copper industry in the world.

During 2016, we produced 709,400 tonnes of copper, 12.5% higher than in 2015, together with 270,900 ounces of gold. We also produced just over 7,000 tonnes of molybdenum.

Given the economic uncertainty, LME copper prices fell in comparison to the prior year and, as you would expect, gold prices rallied as investors took comfort in the characteristics of that particular metal. Our average realised copper price of \$2.33/lb was marginally higher than in 2015, while gold was 8.7% higher and molybdenum rose 19.3%.

Turning to our financials; revenue was 12.3% higher than in 2015 at \$3.6 billion mainly as a result of higher sales volumes, but also the marginally higher realised copper price. Our EBITDA for the year was \$1.6 billion and, more impressively, our EBITDA Margin rose to just under 45%. This has been achieved by our relentless focus on reducing our operating costs, and our cash costs per pound of copper are down some 20% compared to 2015. Our control of capital expenditure on sustaining capital, deferred stripping and growth projects has been tight, bringing our expenditure down by some 24% to \$795 million, which was below our original expectations.

In accordance with our dividend policy, the total dividend for the year was 18.4 cents per share, or \$182 million, which represents a 53% pay out of our underlying earnings. This pay out ratio is above our minimum commitment of 35% and reflects our improved confidence in the position of the company and the outlook, and our wish to distribute more of the returns to shareholders.

Our approach to allocating capital with an appropriate balance between investment, growth and dividends, has allowed the Company to retain a strong position and our financial strength gave us the capacity to take advantage of opportunities over the year.

Turning to corporate governance – we fully complied with the UK Corporate Governance Code once again throughout 2016. We also completed our second externally facilitated Board and Board

Committee effectiveness review, revised and implemented succession plans at Board and management level and took steps to consolidate the Group's newest operations, Antucoya and Zaldívar, into the Group which included site visits by Directors during the year.

As highlighted in the annual report, we are taking steps this year to implement a cultural reinforcement process in consultation with employees and key stakeholders and will be implementing a programme to improve opportunities for female employees and to ensure that the working environment throughout the Group encourages the recruitment and retention of female talent.

We have also introduced a new Operating Model as we work to further improve our operating performance by strengthening key processes and ensuring we achieve our full production capabilities.

The Model improves operating reliability and releases spare capacity resulting in competitive advantage for the Group's mines. We are achieving this by focusing on operations, maintenance and planning while seeking operating excellence in all of these areas. This initiative will lead to long-term and sustainable improvements in how we operate.

Let me now speak about the future and our plans for growth.

Our three-pillar strategy for growth, remains unchanged. Firstly, we will focus on optimising our existing operations, where investment generates good returns quickly. Secondly, we look for sustainable, organic growth in the areas around our operations. And finally, we look for special opportunities for growth beyond our core businesses both in Chile and abroad.

Antucoya is part of this three-pillar strategy for growth and we commenced commercial production in April last year, achieved production design capacity in August and will produce some 80-85,000 tonnes of copper this year, having produced 66,000 tonnes last year.

In the current environment, we are working to get the most out of our existing operations, lowering our cost base and improving operating efficiency, while at the same time preserving our development options for the future and ensuring they are ready to grow at the right time.

We currently have two development projects underway, Encuentro Oxides and the new molybdenum plant at Centinela. Both of these projects were started in early 2015 and are on-schedule to be completed by the end of this year.

Los Pelambres and Centinela both have very large mineral resources and will be the source of our organic growth for decades to come. While the sentiment in the copper market has improved it is important that we maintain our discipline and our focus. We have strong growth projects within our portfolio, but we must ensure that we evaluate these opportunities carefully and proceed with caution.

At Los Pelambres, our next development project is the Incremental Expansion project. This is our most advanced project and we finalised the feasibility study in March this year. We now expect the capital expenditure to be \$1.05 billion, very similar to the pre-feasibility study estimate, with some \$425 million earmarked for a desalination plant and pipeline that will provide up to 400 litres per second of water. This will complement the continental water sources we already have and provide us with water security. This project also involves construction of a new concentrator line at Los Pelambres, and when complete will add 55,000 tonnes of copper to our annual production, bringing total production to over 400,000 tonnes a year.

Our next major project at Centinela is the construction of a second concentrator. We are currently working on a feasibility study for the first phase of this expansion and this will add some 140,000 tonnes of copper, 150,000 ounces of gold and 2,800 tonnes of molybdenum annually to our existing

Centinela operations. We are assessing alternative crushing technologies for this concentrator, and are also considering ways in which to sequence the development of the project to optimise the investment, and so that it overlaps less with the Los Pelambres expansion and reduces the pressure on our resources.

In the meantime, we continue to look for growth further afield and where special opportunities may exist we have the financial and operating capabilities to seize those opportunities.

We have made good progress in improving the sustainable operation of our assets. During 2016, we made an important step towards putting our relations with the Caimanes community at Los Pelambres on a sustainable path and we resolved the outstanding court cases concerning the Mauro tailings dam. As a result, the Company is now proceeding with the plans agreed with the community and courts on future water supply solutions, additional safety measures, community development projects, and providing access to benefits for families in the community.

As we work to reduce our cost base we must do so in a way that reflects our responsibilities to the communities – and the environment – in which we operate. I am delighted therefore with the demonstrable progress that Antofagasta has made to strengthen its community relations during 2016.

We produce copper responsibly and profitably, putting people and safety first and working closely with our local communities to ensure that our mines are developed sustainably. Our aim is to work in partnership with all of our stakeholders to provide jobs, prosperity and opportunities to not just the local population, but Chile as a whole.

The Board and I have reinforced our messages on the importance of safety to senior management. Looking to the remainder of this year, and for every year, the safety and health of our employees remains central to our success. The safety of our employees and contractors will always come first in everything that we do and we will continue to work hard to achieve our target of zero fatalities.

We made good progress in 2016, reducing costs and increasing production as the full impact from the new assets in our portfolio flowed through. This led to a strong end to the year, which was boosted by a marked strengthening in copper prices on higher than expected Chinese demand.

As we look ahead we see a market which is more driven by supply considerations than demand factors, some of them short term. This has already resulted in more supply disruptions than were originally expected and we now expect the year to end in balance, or possibly in a small deficit.

Although prices and sentiment are better than last year, some of the challenges we have seen in the market over the last two or three years are expected to continue over the next 12 months. We are now seeing the return of inflationary pressures on input prices and this is one reason we remain committed to our strategy of controlling costs and putting them on a sustainably lower footing, producing profitable tonnes and delivering positive free cash flow through the cycle. With this approach, we will maintain healthy margins during periods of lower prices and safeguard our financial strength to the benefit of all of our stakeholders – our employees, communities, shareholders and the government. This in turn sets us up well to take full advantage of any upturn in the market.

2017 will be an important year in Chile, as later during the year we will be heading to the polls to select our next President. Regardless of the outcome the copper industry in Chile still has a vital role to play both in the country's development and in the global markets. While I believe that Chile needs to continue to diversify its economy as the country raises living standards for all, we must not lose sight of the very important role that the copper industry has to play.

The country has 30% of global copper reserves and if managed properly copper has a long term role to play in Chile's development. With the right incentives in place and working with all the

stakeholders involved we can develop these reserves safely and to the benefit of not only today's generation, but also for future generations of Chileans.

I would also like to take this opportunity to thank all of the employees and contractors that work across the Group whose contribution has helped to make Antofagasta what it is today.

---

**Investors - London**

Andrew Lindsay [alindsay@antofagasta.co.uk](mailto:alindsay@antofagasta.co.uk)  
Paresh Bhanderi [pbhanderi@antofagasta.co.uk](mailto:pbhanderi@antofagasta.co.uk)  
*Telephone* +44 20 7808 0988

**Investors - Santiago**

Francisco Veloso [fveloso@aminerals.cl](mailto:fveloso@aminerals.cl)  
*Telephone* +56 2 2798 7000

**Media (Brunswick)**

Carole Cable [antofagasta@brunswickgroup.com](mailto:antofagasta@brunswickgroup.com)  
Will Medvei [antofagasta@brunswickgroup.com](mailto:antofagasta@brunswickgroup.com)  
*Telephone* +44 20 7404 5959

**Media - Santiago**

Pablo Orozco [porozco@aminerals.cl](mailto:porozco@aminerals.cl)  
Carolina Pica [cpica@aminerals.cl](mailto:cpica@aminerals.cl)  
*Telephone* +56 2 2798 7000

---