

Q2 2018 PRODUCTION REPORT

PRODUCTION AND COSTS AS EXPECTED

Antofagasta plc CEO, Iván Arriagada said: *“Our performance in terms of copper production and controlling costs during the quarter has been successful and, as anticipated and previously guided, copper production during this second quarter was higher than in the first quarter while net cash costs were lower.*

“Second quarter copper production was 163,200 tonnes and we expect it to continue increasing quarter-on-quarter during the remainder of the year and into 2019 as grades improve, and as 9,200 tonnes of copper in concentrates, stockpiled at the Los Pelambres plant on account of the pipeline blockage in April, is moved to the port.

“We continue our disciplined approach to costs, but we have seen higher input prices and the impact of a stronger Chilean peso coupled with lower grades during the first half of the year. However, with grades and by-product volumes expected to increase in the second half, we expect a reduction in net cash costs.

“We maintain our production guidance for the full year at 705-740,000 tonnes and the net cash cost guidance for the year is also unchanged at \$1.35/lb.”

HIGHLIGHTS

PRODUCTION

- As previously announced, production and sales were delayed at Los Pelambres following a blockage in the concentrate pipeline in April/May. As at the end of the quarter there were 9,200 tonnes of copper contained in concentrates stockpiled at the plant which will be pumped down to the port during Q3.
- Group copper production in Q2 2018 increased by 6.1% compared to the previous quarter as a result of increased sulphide grades and higher throughput at all operations, despite being impacted by the pipeline blockage.
- Group copper production for the first six months of the year was 317,000 tonnes, 8.5% lower than in the same period last year as a result of lower grades being mined during the period.
- Gold production during the quarter increased by 22.9% to 39,700 ounces compared to the previous quarter, but for the first six months decreased by 35.8% to 72,000 ounces due to lower grades at Centinela.
- Molybdenum production in the quarter was 2,800 tonnes and for the year to date was 31.1% higher than in the same period last year, principally due to higher grades and recoveries.

CASH COSTS

- Cash costs before by-product credits in Q2 2018 were \$1.85/lb, 7.5% lower than in Q1 2018. The decrease is mainly related to increased production at Centinela and a weaker Chilean Peso.
- Cash costs before by-product credits for the first six months were \$1.92/lb, 23.1% higher than last year mainly due to lower production, a stronger local currency and increased input costs.

- Net cash costs were \$1.50/lb in Q2 2018, a 2.6% decrease compared with the previous quarter, primarily due to lower cash costs before by-product credits, partially offset by lower by-product credits.
- Net cash costs for the first six months were \$1.52/lb, 22.6% higher than in the same period last year on higher cash costs before by-product credits, partially offset by higher by-products credits.

GUIDANCE

- Copper production for 2018 is expected to be between 705,000 and 740,000 tonnes, unchanged from the beginning of the year, with higher production expected during the second half of the year.
- Cost guidance for the full year is unchanged with net cash costs of \$1.35/lb, assuming the exchange rate remains at current levels.

OTHER

- On 30 May, Zaldívar submitted an Environmental Impact Assessment to extend the company's water extraction permit from current sources beyond 2025 in line with its existing life of mine.
- On 13 July, Centinela announced the sale of its electricity transmission lines for \$117 million.

GROUP PRODUCTION AND CASH COSTS		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Copper production	kt	317.0	346.3	(8.5)	163.2	153.8	6.1
Copper sales	kt	303.9	334.1	(9.0)	167.1	136.8	22.1
Gold production	koz	72.0	112.2	(35.8)	39.7	32.3	22.9
Molybdenum production	kt	5.9	4.5	31.1	2.8	3.1	(9.7)
Cash costs before by-product credits ⁽¹⁾	\$/lb	1.92	1.56	23.1	1.85	2.00	(7.5)
Net cash costs ⁽¹⁾	\$/lb	1.52	1.24	22.6	1.50	1.54	(2.6)

(1) 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 78,000 tonnes of copper in Q2 2018, 3,100 tonnes lower than in the previous quarter following the previously announced blockage of the concentrate pipeline in April/May. The mining operation and the processing plant continued to operate normally during this event with concentrates being stockpiled at the plant. As at the end of the quarter there was 9,200 tonnes of copper contained in the stockpile that is not reported as production until it pumped to the port, which is expected to be completed during Q3.

In the first six months of 2018, copper production decreased by 3.1% compared with the same period last year. This decrease was primarily due to the pipeline blockage. Production up to the stage of pumping through the pipeline was 2.5% higher than in H1 2017, mainly due to higher throughput which increased by 5.0%.

Molybdenum production was lower at 2,800 tonnes in Q2 2018 compared to the previous quarter, primarily due to lower grade. Production for the first six months of the year of 5,900 tonnes was 31.1% higher than in the comparable period in 2017 as a result of higher throughput, grade and recoveries.

Cash costs before by-product credits in Q2 2018 were 5.8% lower at \$1.62/lb, compared with the previous quarter. This decrease was primary due to 8c/lb impact of the one-off signing bonuses paid in Q1. For the first six months of the year, cash costs before by-product credits were \$1.67/lb, 15.2% higher than in 2017 primarily due to lower production, a stronger local currency and higher input prices.

By-product credits decreased from 73c/lb in Q1 to 52c/lb in Q2 due to lower molybdenum and gold production and lower molybdenum and gold realised prices. For the first six months of 2018, by-product credits were 63c/lb, 27c/lb higher than same period last year primary due to higher molybdenum production and realised prices.

Net cash costs for the quarter were \$1.10/lb, and for the year to date were \$1.04/lb or 4.6% lower than the same period last year.

LOS PELAMBRES		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Daily ore throughput	kt	166.1	158.2	5.0	167.0	165.2	1.1
Copper grade	%	0.67	0.67	0.0	0.69	0.64	7.8
Copper recovery	%	88.1	88.8	(0.8)	88.1	88.1	0.0
Copper production	kt	159.1	164.2	(3.1)	78.0	81.1	(3.8)
Copper sales	kt	145.4	150.2	(3.2)	72.2	73.2	(1.4)
Molybdenum grade	%	0.025	0.021	19.0	0.024	0.025	(4.0)
Molybdenum recovery	%	83.2	78.2	6.4	82.7	83.8	(1.3)
Molybdenum production	kt	5.9	4.5	31.1	2.8	3.1	(9.7)
Molybdenum sales	kt	6.1	4.3	41.9	3.2	2.9	10.3
Gold production	koz	27.5	26.7	3.0	12.6	14.9	(15.4)
Gold sales	koz	24.5	24.0	2.1	11.8	12.7	(7.1)
Cash costs before by-product credits ⁽¹⁾	\$/lb	1.67	1.45	15.2	1.62	1.72	(5.8)
Net cash costs ⁽¹⁾	\$/lb	1.04	1.09	(4.6)	1.10	0.99	11.1

(1) Includes tolling charges of \$0.25/lb in Q2 2018, \$0.27/lb in Q1 2018, \$0.26/lb YTD 2018 and \$0.26/lb YTD 2017

Centinela

Total copper production at Centinela was 56,400 tonnes in Q2 2018, 19.2% higher than in the previous quarter as copper grades improved in the Esperanza pit. As previously guided grades are expected to continue to increase quarter by quarter through the remainder of the year. Total production for the first half of the year 2018 was 11.1% lower than in 2017, primarily as a result of lower grades in the sulphide and oxide ores.

Production of copper in concentrates was 34,300 tonnes in Q2 2018, 35.6% higher than in the previous quarter due to higher throughput and improved grades, which increased from 0.43% to 0.52%. Copper in concentrate production for the first six months of the year was 59,600 tonnes, compared with 86,300 tonnes same period last year mainly reflecting lower grades and recoveries.

Copper cathode production was similar in Q2 compared to Q1, and was 45.5% higher in H1 than in the same period last year as higher throughput due to the start-up of Encuentro Oxides was offset by lower grades.

Gold production was 55.7% higher than the previous quarter and 48.0% lower than H1 last year, primarily due to grade.

Cash costs before by-product credits were \$2.05/lb, 15.6% lower than in the previous quarter. This decrease was mainly due to higher sulphide grades and the impact on fixed costs of higher copper production. Cash costs before by-product credits for the first six months of 2017 were 32.9% higher than in 2017 as a result of lower copper production and a stronger local currency and higher input prices.

Increased gold production helped to further reduce net cash costs in Q2 2018 to \$1.74/lb. During the first six months of the year net cash costs were 61.7% higher on higher cash costs before by-product credits and with gold production 48.0% lower than in the same period last year.

CENTINELA		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
CONCENTRATES							
Daily ore throughput	kt	92.0	90.7	1.4	95.8	88.1	8.7
Copper grade	%	0.47	0.63	(25.4)	0.52	0.43	20.9
Copper recovery	%	81.2	86.5	(6.1)	81.1	81.4	(0.4)
Copper production	kt	59.6	86.3	(30.9)	34.3	25.3	35.6
Copper sales	kt	60.1	89.7	(33.0)	43.2	16.9	155.6
Gold grade	g/t	0.14	0.24	(41.7)	0.17	0.12	41.7
Gold recovery	%	63.3	70.5	(10.2)	62.5	64.6	(3.3)
Gold production	koz	44.5	85.5	(48.0)	27.1	17.4	55.7
Gold sales	koz	43.6	90.6	(51.9)	32.6	11.0	196.4
CATHODES							
Daily ore throughput	kt	41.5	22.9	81.2	45.4	37.6	20.7
Copper grade	%	0.72	0.94	(23.4)	0.67	0.77	(13.0)
Copper recovery	%	74.2	70.3	5.5	74.6	73.8	1.1
Copper production – heap leach	kt	40.9	27.1	50.9	20.4	20.5	(0.5)
Copper production – total ⁽¹⁾	kt	44.1	30.3	45.5	22.1	22.0	0.5
Copper sales	kt	46.2	30.6	51.0	25.1	21.1	19.0
Total copper production	kt	103.7	116.6	(11.1)	56.4	47.3	19.2
Cash costs before by-products ⁽²⁾	\$/lb	2.22	1.67	32.9	2.05	2.43	(15.6)
Net cash costs ⁽²⁾	\$/lb	1.94	1.20	61.7	1.74	2.18	(20.2)

(1) Includes production from ROM material

(2) Includes tolling charges of \$0.16/lb in Q2 2018, \$0.16/lb in Q1 2018, \$0.16/lb YTD 2018 and \$0.19/lb YTD 2017

Antucoya

Copper production at Antucoya was 18,300 tonnes in Q2 2018, 25.3% higher than in the previous quarter as throughput increased by 43.8% to 91,600 tonnes per day, the highest quarterly throughput since production started in 2016. Production in the first six months of 2018 was 16.7% lower than the same period last year on lower copper grades and recoveries.

During the quarter cash costs were \$2.08/lb compared to \$2.29/lb in Q1 2018, 9.2% lower reflecting the increase in production. For the first six months cash costs were 26.9% higher as copper production fell relative to the previous year, the stronger Chilean Peso and higher input prices.

ANTUCOYA		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Daily ore throughput	kt	77.7	77.5	0.3	91.6	63.7	43.8
Copper grade	%	0.34	0.37	(8.1)	0.34	0.34	0.0
Copper recovery	%	68.4	75.3	(9.2)	67.2	70.1	(4.1)
Copper production	kt	32.9	39.5	(16.7)	18.3	14.6	25.3
Copper sales	kt	31.6	39.3	(19.6)	16.7	14.9	12.1
Cash costs	\$/lb	2.17	1.71	26.9	2.08	2.29	(9.2)

Zaldívar

Throughput increased by 22.4% compared to the previous quarter while grades and recoveries increased by 8.6% and 7.2% respectively. Due to the long leach cycle at Zaldívar, these higher throughput, grades and recoveries should also be reflected in higher payable copper production during the balance of the year.

Production for the year to date of 21,300 tonnes was 17.8% lower compared with the same period last year due to lower throughput and grades, partially compensated for by higher recoveries.

Cash costs increased by 11.8% to \$2.08/lb in Q2 2018 compared to the previous quarter and cash costs for the first six months of 2018 were \$1.97/lb compared with \$1.60/lb for the same period in 2017, primarily due to lower production, the stronger Chilean peso and higher input prices.

ZALDÍVAR		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Daily ore throughput	kt	34.3	48.0	(28.5)	37.7	30.8	22.4
Copper grade	%	0.73	0.80	(8.8)	0.76	0.70	8.6
Copper recovery ⁽¹⁾	%	64.9	61.8	5.0	66.8	62.3	7.2
Copper production – heap leach ⁽²⁾	kt	16.4	19.2	(14.6)	8.1	8.3	(2.4)
Copper production – total ^(2,3)	kt	21.3	25.9	(17.8)	10.5	10.8	(2.8)
Copper sales ⁽²⁾	kt	20.6	24.3	(15.2)	9.9	10.7	(7.5)
Cash costs	\$/lb	1.97	1.60	23.1	2.08	1.86	11.8

(1) Average over full leach cycle

(2) Group's 50% share

(3) Includes production from secondary leaching

Transport

The transport division transported 1.6 million tonnes in Q2 2018, 5.9% higher than in the previous quarter and 3.0 million tonnes were transported in the first six months of the year, 2.2% higher than in the same period last year.

TRANSPORT		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Rail	kt	2,481	2,395	3.6	1,264	1,217	3.9
Road	kt	554	575	(3.7)	297	257	15.6
Total tonnage transported	kt	3,035	2,970	2.2	1,561	1,474	5.9

Commodity prices and exchange rates

		Year to Date			Q2	Q1	
		2018	2017	%	2018	2018	%
Copper							
Market price	\$/lb	3.14	2.61	20.3	3.12	3.16	(1.3)
Realised price	\$/lb	3.00	2.72	10.3	3.11	2.86	8.7
Gold							
Market price	\$/oz	1,318	1,238	6.5	1,307	1,330	(1.7)
Realised price	\$/oz	1,310	1,272	3.0	1,290	1,348	(4.3)
Molybdenum							
Market price	\$/lb	11.9	8.0	48.8	11.6	12.2	(4.9)
Realised price	\$/lb	12.7	8.0	58.8	10.6	14.9	(28.9)
Exchange rates							
Chilean peso	per \$	612	660	(7.3)	622	602	3.3

Spot commodity prices for copper, gold and molybdenum as at 30 June 2018 were \$3.01/lb, \$1,253/oz and \$11.3/lb respectively compared with \$3.03/lb, \$1,325/oz and \$11.3/lb as at 31 March 2018 and \$3.27/lb, \$1,303/oz and \$7.1/lb as at 31 December 2017.

The provisional pricing adjustments for copper, gold and molybdenum for the quarter were negative \$1.7 million, negative \$1.3 million and negative \$10.5 million respectively.

The provisional pricing adjustments for copper, gold and molybdenum for the first six months of the year were negative \$87.5 million, negative \$1.3 million and positive \$10.2 million respectively.