



Extractive Sector Transparency Measures Act Report

Reporting Year From: 01/01/2017 To: 31/12/2017
Reporting Entity Name Antofagasta Minerals S.A.
Reporting Entity ESTMA Identification Number E076365

Subsidiary Reporting Entities (if necessary)

Attestation (by Reporting Entity)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Attestation (through independent audit)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.

*The auditor expressed an unmodified opinion, dated _____, on the ESTMA report for the entity(ies) and period listed above.
The independent auditor's report can be found at _____*

Director or Officer of Reporting Entity Full Name: Philip Holden **Date:** 01/06/2018
Position Title: Group Financial Controller

REPORT ON PAYMENTS TO GOVERNMENTS

Antofagasta plc CEO, Iván Arriagada said:

"I am pleased to issue today Antofagasta plc's 2017 Report on Payments to Governments. The report sets out the taxes paid in 2017 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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2017 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 2017. 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 the United States. Mining is the Group’s core business and in 2017 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 and is the operator of the mine. Zaldívar is accounted for as a joint venture by the Group. 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. Other Group subsidiary legal entities hold investments in the Group’s mining operations, mining properties, infrastructure required for the mining operations and cash generated by the mining operations, and therefore incur tax and fee payments (or refunds) relevant to this report.

The Group’s principal activity outside of Chile is the Twin Metals project (100% owned by the Group) which is a copper, nickel and platinum group metals (PGM) underground mining project located in north-eastern Minnesota in the United States.

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 the parent company and its subsidiary undertakings. Accordingly, this report reflects payments made by the Group subsidiaries conducting mining and exploration activities: Los Pelambres, Centinela, Antucoya, Encuentro and Antofagasta Minerals S.A., as well as the other Group subsidiaries which hold investments in the Group's mining operations, mining properties, infrastructure required for the mining operations and cash generated by the mining operations. This report excludes payments made by the Zaldívar operation as it is a joint venture rather than a subsidiary undertaking. The amounts reflect 100% of the payments made by the subsidiary companies – i.e. not just the Group's proportionate share where the Group does not own 100% of the subsidiary undertaking.

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. Any cash refunds for excess payments made in the previous year are offset against current year payments, and if the refunds exceed the payments the net refund is shown as a negative amount in this report.

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

- *Production entitlements*
- *Taxes* - taxes levied on the 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 25.5% in 2017) 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 2017, withholding tax of 9.5% will be paid when those profits are distributed (35% less the 25.5% 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 percentage 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 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 major public infrastructure such as highways, railways, bridges and port facilities. Payments which form part of the Group’s social investment activities, for example contributions in respect of local schools, health care or community facilities, or improvements to the general environment of local communities, such as improvements to local roads and public spaces, 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 have been 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 operating 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 - 2017

| COUNTRY SUMMARY | | | | | | | | |
|------------------------|-------------------------------|--------------|------------------|------------------|----------------|-------------|------------------------------------|--------------|
| | Production entitlement | Taxes | Royalties | Dividends | Bonuses | Fees | Infrastructure improvements | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| Chile | - | 311,081,000 | - | - | - | 5,752,000 | - | 316,833,000 |
| United States | - | - | - | - | - | 206,000 | - | 206,000 |
| Total | - | 311,081,000 | - | - | - | 5,958,000 | - | 317,039,000 |

| 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 | - | 311,081,000 | - | - | - | 5,752,000 | - | 316,833,000 |
| Total | - | 311,081,000 | - | - | - | 5,752,000 | - | 316,833,000 |
| PROJECT REPORT | Production entitlement US\$ | Taxes US\$ | Royalties US\$ | Dividends US\$ | Bonuses US\$ | Fees US\$ | Infrastructure improvements US\$ | Total US\$ |
| Los Pelambres | - | 258,600,000 | - | - | - | 864,000 | - | 259,464,000 |
| Centinela | - | 47,217,000 | - | - | - | 904,000 | - | 48,121,000 |
| Antucoya | - | (39,985,000) | - | - | - | 154,000 | - | (39,831,000) |
| Encuentro | - | (74,000) | - | - | - | 405,000 | - | 331,000 |
| Exploration activities (within Antofagasta Minerals S.A.) | - | - | - | - | - | 3,332,000 | - | 3,332,000 |
| Antofagasta Minerals S.A. | - | (9,218,000) | - | - | - | - | - | (9,218,000) |
| Inversiones Los Pelambres Ltda. | - | 6,931,000 | - | - | - | - | - | 6,931,000 |
| Los Pelambres Investment Company Limited | - | 61,100,000 | - | - | - | - | - | 61,100,000 |
| Michilla Costa | - | (13,518,000) | - | - | - | 18,000 | - | (13,500,000) |
| Centinela Transmisión S.A. | - | 28,000 | - | - | - | - | - | 28,000 |
| Minera Pampa Fénix SCM | - | - | - | - | - | 75,000 | - | 75,000 |
| Total | - | 311,081,000 | - | - | - | 5,752,000 | - | 316,833,000 |

| 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 | - | - | - | - | - | 49,000 | - | 49,000 |
| Minnesota Department of Natural Resources | - | - | - | - | - | 157,000 | - | 157,000 |
| Total | - | - | - | - | - | 206,000 | - | 206,000 |
| PROJECT REPORT | Production entitlement US\$ | Taxes US\$ | Royalties US\$ | Dividends US\$ | Bonuses US\$ | Fees US\$ | Infrastructure improvements US\$ | Total US\$ |
| Twin Metals | - | - | - | - | - | 206,000 | - | 206,000 |
| Total | - | - | - | - | - | 206,000 | - | 206,000 |