

# BMO Capital Markets 2017

## Global Metals & Mining Conference

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27<sup>th</sup> February 2017

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Chief Executive Officer



ANTOFAGASTA PLC

# Cautionary statement



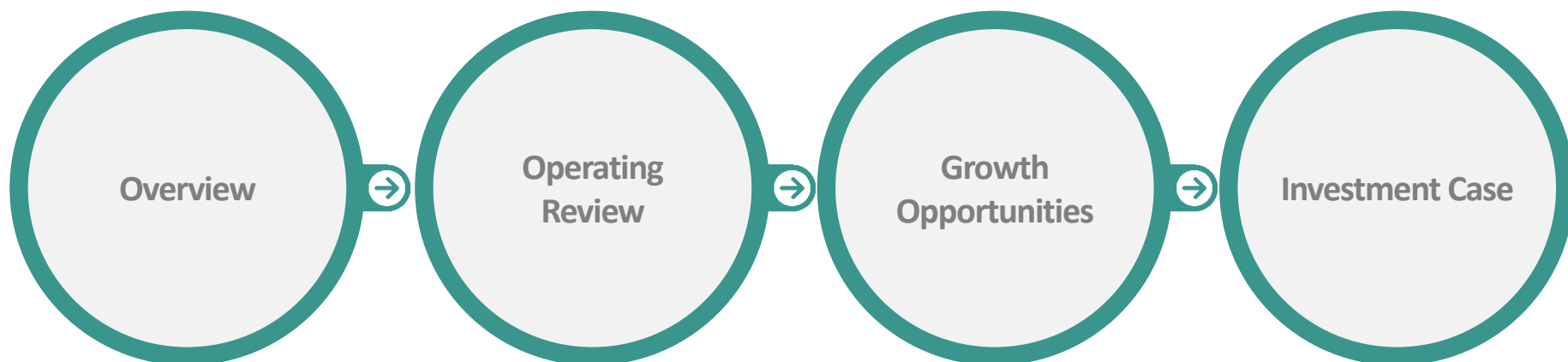
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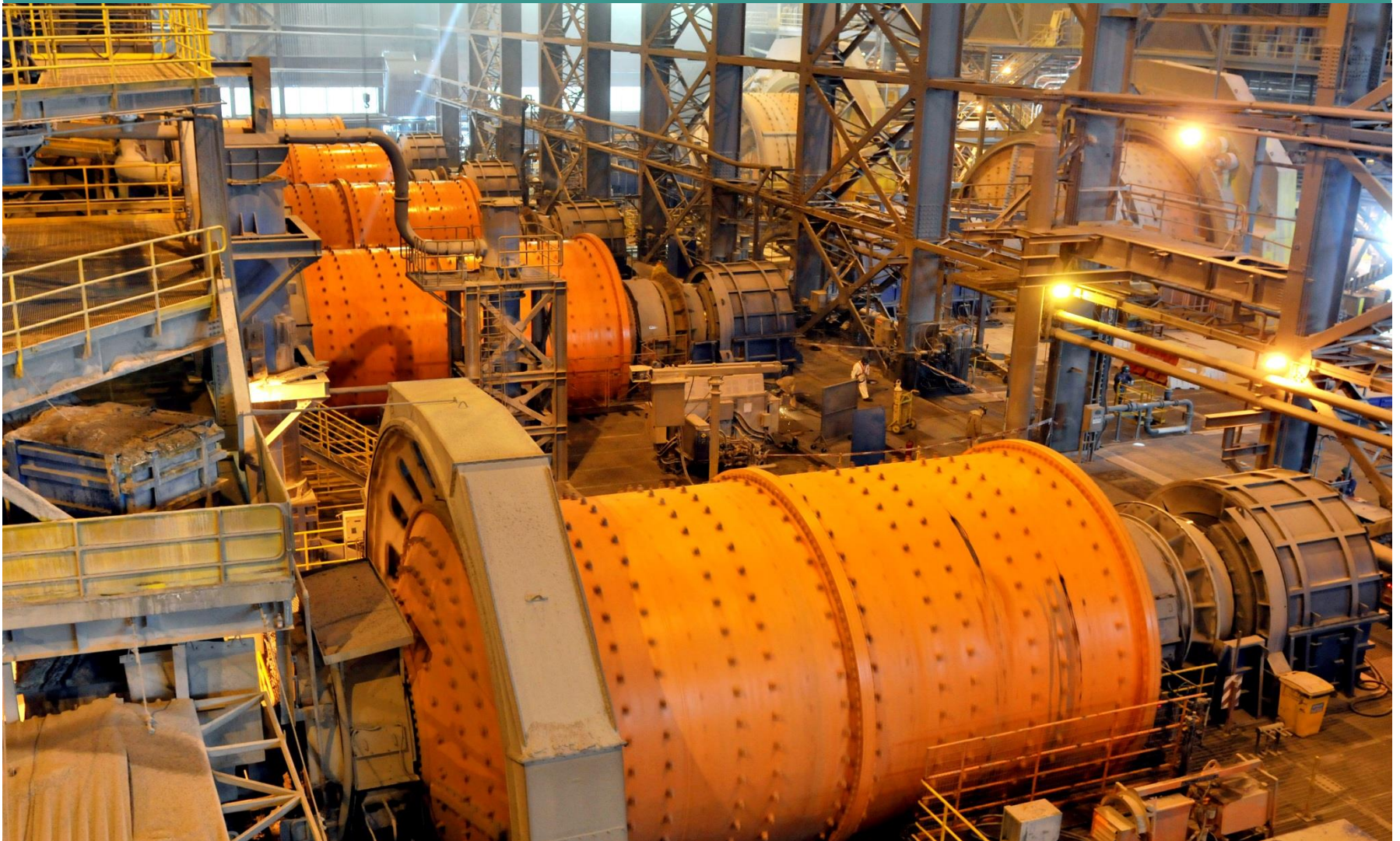
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*The Company is currently in a closed period.  
Full year results will be announced on 14 March 2017*

## Overview



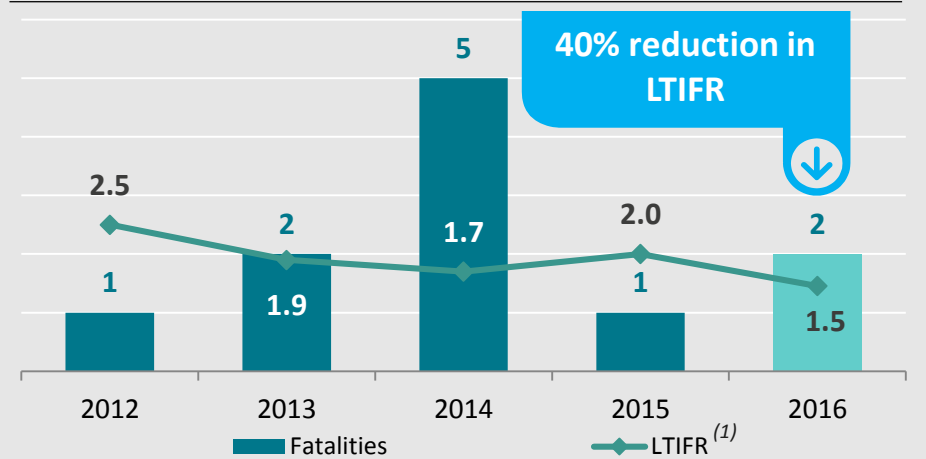
- A fatality occurred at Antucoya in April 2016 and another in the transport division in July
- Committed to zero fatalities target
- 40% improvement in injury rate since 2012
- New safety and occupational health model embedded in own employee and contractor activities
- Regular senior management site visits to reinforce Safety First

## Renewed areas of focus



- Identify and assess fatality and serious injury risks
- Implement critical controls
- Report and investigate near misses
- Increase on the ground senior leadership

## Safety Performance



1. LTIFR: Lost Time Injury Frequency Rate

# Antofagasta at a glance - 2016

## Group

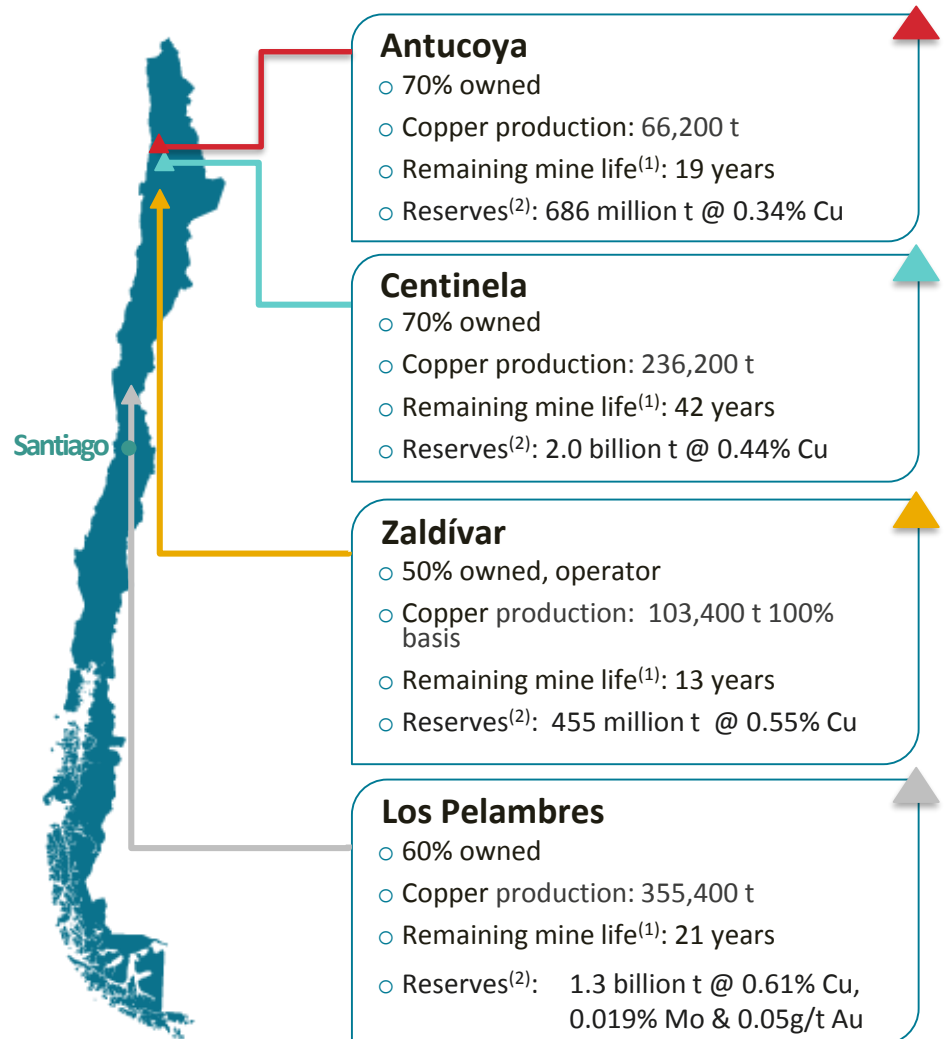
- 65% owned by Luksic Group, 35% free float
- Market cap: \$10.7 billion (21/2/2017)
- FTSE 100

## Mining division

- Copper production: 709,400 tonnes
- Gold production: 270,900 oz
- Molybdenum production: 7,100 tonnes
- Net cash costs \$1.20/lb
- All operations in Chile, one of the world's most developed and stable mining locations
- Top 10 copper producer
- High quality assets with significant potential production growth

## Transport division

- Total tonnage transported: 6.5million tonnes
- Transport division provides rail and road cargo services in Chile's Antofagasta Region



1. From 31 December 2016

2. As of 31 December 2015 on 100% basis. More details available in the 2015 Annual Report and, for Zaldívar, in the 2015 Barrick Gold Annual Report

# Framework for shareholder value creation



- Only profitable production
- Every tonne must make an earnings contribution

- Rebase costs
- Protect margins
- Planning, maintenance and continuous improvement
- Releasing spare capacity

- Advance organic growth options
- Disciplined capital allocation
- Long term investment criteria

- Community engagement model
- Social licence to operate or grow

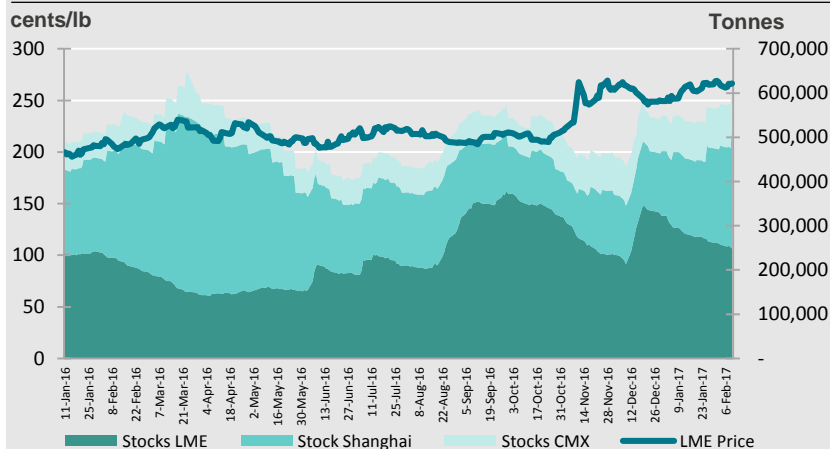
- History of innovation
- Enables sustainability and lower costs
- Embedded practice

## Demand stronger than expected

### 2016

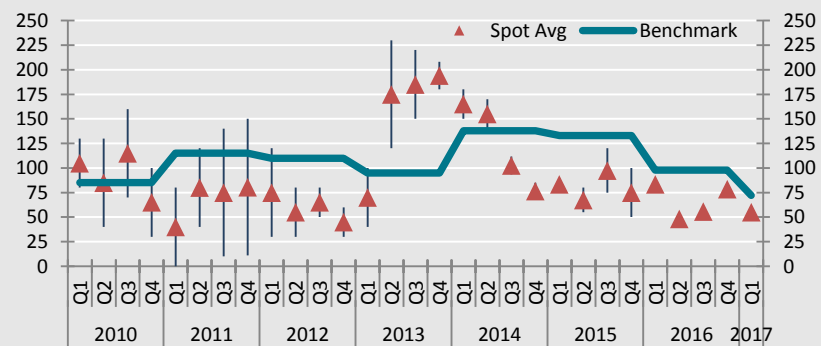
- Expected surplus did not materialise
- Low prices reduced scrap availability
- Mine supply focused on profitable production
- Mine disruption rates were low compared with last few years
- China total refined consumption stronger than originally expected (real growth 4 to 5%)
- China's commitment to continued infrastructure investment
- Trump's infrastructure spending plan reinforced change in sentiment for commodities and copper
- Reduction of refined imports and scrap into China as product mix shifted to concentrates
- Spot premiums traded below annual benchmark
- Record year for concentrates import growth into China at 17 million DMT

### Copper Exchange Inventory



Source: Bloomberg

### CRU Premium: CIF Shanghai (\$/t)



Source: CRU

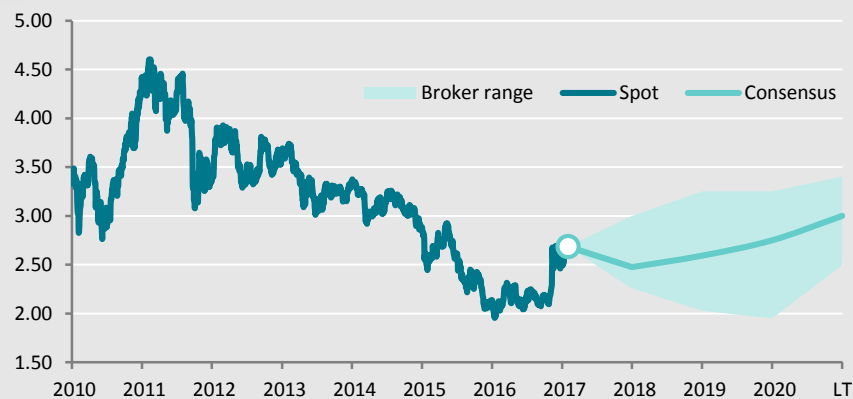


## Medium and long-term price strength expected

### Outlook

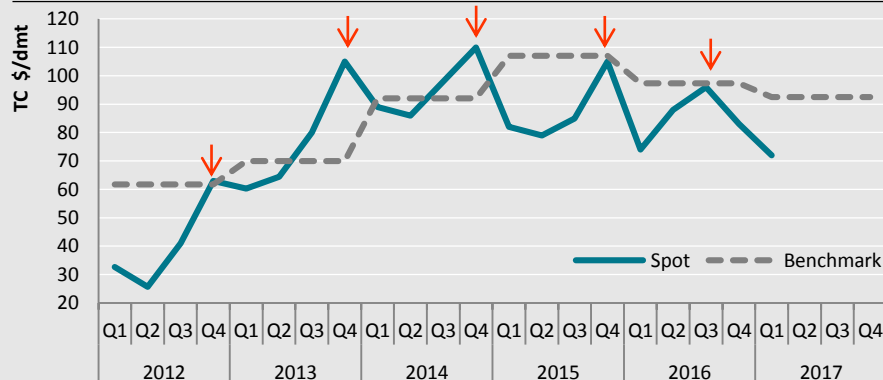
- Improved sentiment towards copper continuing
- Reflationary environment positive
- Apparent consumption in China misled estimates of real consumption, and growth estimated to continue at approximately 3%
- This will lead to market deficit sooner than expected
- Trump stimulus useful, but China growth important
- Mines' inability to respond quickly will support prices. Rate of supply growth slowing
- Production problems at Escondida and Grasberg bolstering the copper prices, at least in the short term
- 2017 benchmark TC/RCs with Chinese smelters set lower at \$92.5/DMT and 9.25 c/lb with tonnage reduction - reflects tighter market
- Believe new price floor establish
- Medium and long-term price strength expected

### Copper Price Performance and Forecast (\$/lb)



Source: 20 brokers' and analysts' estimates (less than 3 months old), February 2017

### Quarterly Annual & Spot TC (RC = TC/10 USc/lb)



Source: Antofagasta plc

## Operating Review



# 2016 performance and 2017 guidance



Portfolio optimised. Cost control continues

Cu

Au

Mo

C1

2016  
Production (t)

709,400

vs. 2015

▲ 12.5%

2017 Guidance (t)

685,000 - 720,000

2016  
Production (oz)

270,900

vs. 2015

▲ 26.6%

2017 Guidance (oz)

185,000 - 205,000

2016  
Production (t)

7,100

vs. 2015

▼ 29.7%

2017 Guidance (t)

8,500 - 9,500

2016  
Net Cash Costs (\$/lb)

1.20

vs. 2015

▼ 20.0%

2017 Guidance (\$/lb)

1.30

# 2016 a year of achievement

## Los Pelambres

- New community engagement model
- Resolved long standing court cases and de-risked expansion

**13.8% ▼**  
in net cash costs

## Centinela

- Completed installation of paste thickeners
- Received EIA for 2nd Concentrator

**35.7% ▼**  
in net cash costs

## Antucoya

- Commercial production started
- Ramp-up complete
- Primary crusher dust suppression system installed

-  
first year of operation

## Zaldívar

- Integration complete
- Higher copper recoveries
- Substantial synergies achieved

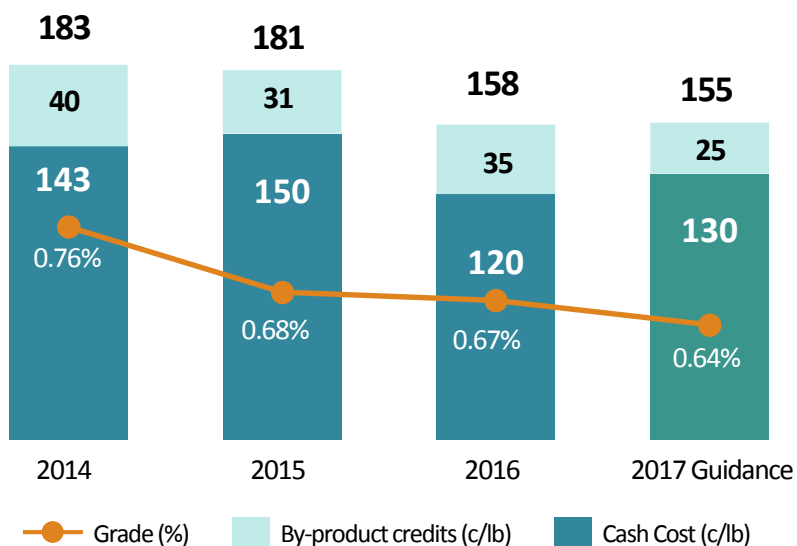
**~14% ▼**  
in cash costs

**Operational improvement and cost control ongoing**



# Cost improvements despite grade decline

## Group cash costs and copper grades



- Between 2014 and 2016 grades fell by 12%, but gross cash costs **fell** by 14%
- In 2017 costs expected to fall again despite a further reduction in grade

## Cost and Competiveness Programme



### Services Productivity

Improving productivity and quality of contracts while reducing costs



### Operating & maintenance management

Improving performance of critical processes and standardising maintenance management



### Corporate & Organisational Effectiveness

Reducing corporate costs and restructuring corporate functions



### Energy Efficiency

Improving energy pricing and consumption efficiency

## Los Pelambres



- Next phase of community engagement around growth
- Plant reliability
- Advance Incremental Expansion project

## Centinela



- Operate plant at 105ktpd
- Smooth start up of Encuentro Oxides and Moly projects
- Advance 2<sup>nd</sup> Concentrator

## Antucoya



- Operate plant at steady state
- Focus on costs

## Zaldívar



- Increase metallurgical recoveries
- Cost reductions
- Evaluate potential of primary sulphide

# Zaldívar – integration complete

## Synergies being achieved

- Acquired 1 December 2015. Antofagasta operator
- Commenced production in 1995, consistently generating positive cash flow
- Well-maintained leaching, solvent extraction and electro-winning facilities with a capacity of 150ktpa
- Produces copper through three processing methods
- Experienced management team with strong operating practices



## Antofagasta Value Proposition

2016 vs 2015

Recoveries



- Recovery improvement task force put in place
- Leverage experience from leachable sulphides at other operations

Production



- Streamlined operations to achieve design throughput
- Higher grade and higher recovery

Costs



- Unlocked synergies \$15-20m
- Leveraged corporate contracts to achieve scale savings

## Growth Opportunities





## 1 Existing core business

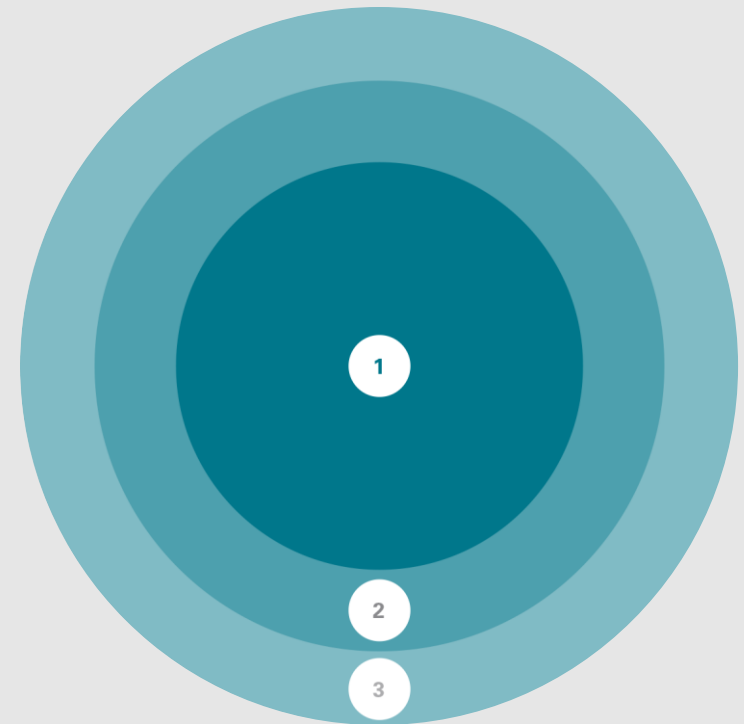
- Constant focus on cost management and compliance
- Delivery on production and cash cost guidance
- Optimise performance of existing assets
- Proactive approach with community and other stakeholders

## 2 Return focused growth of the core business

- Centinela at 105 ktpd
- Complete Encuentro Oxides and Moly Plant projects
- Advance Centinela Second Concentrator and Los Pelambres Incremental Expansion feasibility studies and permitting

## 3 Growth beyond the core business




- Progress international exploration activities
- Monitor potential acquisition opportunities



# Phased growth opportunities



1. Feasibility study figures
2. Estimated figures for the first five years
3. Pre-feasibility study figures
4. Including desalination plant

-  Completed
-  Construction
-  Feasibility study

# Encuentro Oxides Project

## Location



## Overview

- Open pit heap leach operation to utilise spare capacity of the SX-EW plant at Centinela from 2017. 17 km south of plant
- Potential life extension with material from Encuentro and Polo Sur resources

Execution Phase *	Progress 79%	Cu production	45,000 tpa
Capex	\$636 million	LOM	8 years (+3 potential)
Production start-up	2017	Ore leached	10 Mtpa

\* As at December 2016

## Encuentro Oxides Crushing plant



# Molybdenum Plant Project

## Location



## Overview

- Extracting molybdenum from copper concentrate to produce a molybdenum concentrate

Execution Phase *	Progress 71%	Mo production	2,400 tpa
Capex	\$125 million	LOM	42 years
Production start-up	2017	Mo grade	0.6% Mo in Cu conc

\* As at December 2016

## Moly Plant



# Los Pelambres Incremental Expansion

## Location

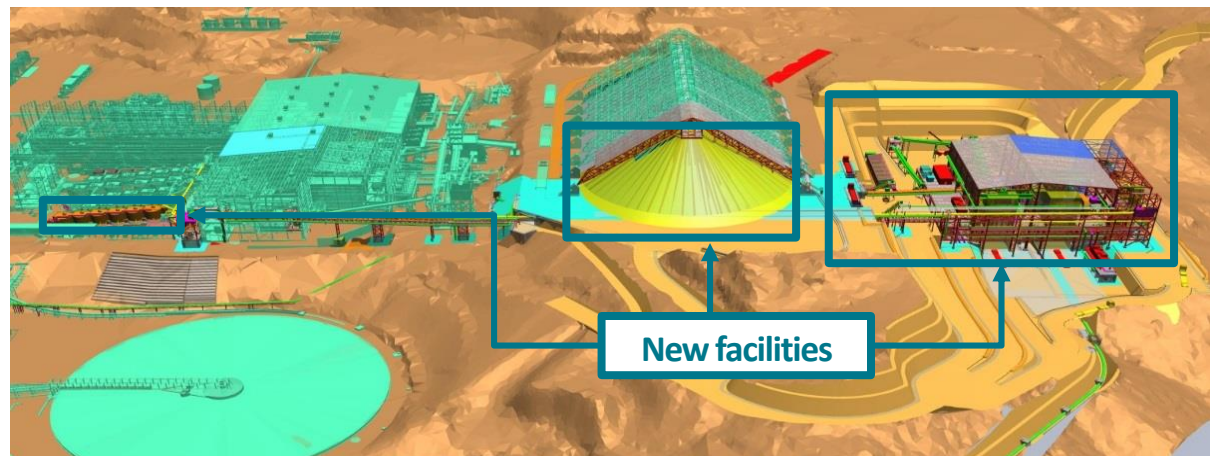


## Overview

- Development in two phases, with separate environmental studies:
- **Phase I (190ktpd):** Desalination Plant and a new grinding/concentrator line increasing copper production and competitiveness to compensate for increased ore hardness and potential water supply shortage. EIA submitted in June 2016, evaluation underway
- **Phase II (205ktpd):** Expansion and Life of Mine extension by increasing mine reserves, tailings dam storage and waste dump capacities beyond current design and permits.

Current stage *	Feasibility	Cu production *	60,000 tpa
Initial investment *	\$1.1 billion (PFS)	LOM - Phase I	21 years
Earliest production start-up *	2020	LOM - Phase II	30+ years

\* Phase I



# Centinela Second Concentrator

## Location



## Overview

- New 90 ktpd concentrator fed from the Esperanza Sur mine. Design considers a future expansion to 150 ktpd adding the Encuentro Sulphides mine.
- New sea water pumping system and upgrade to existing Centinela infrastructure
- EIA approved in December 2016
- Focus on reducing initial capex intensity and maximizing the value of the District, by integrating the new facilities into Centinela

Current stage	Feasibility study	Annual production	Cu: 140,000 t Au: 150,000 oz Mo: 3,000 t
Initial capex	\$2.7 billion (PFS)	LOM	30 years+
Earliest production start-up	2021		

(\*) CuEq w/ Au



## Investment Case



# Capital allocation

Free Cash Flow



Operating Costs



Sustaining Capex & Mine Development



Committed Dividends



Growth Capex

Excess Cash Dividend

## Decision factors

Copper price

- Stress test forecasts at various copper prices

Free cash flow

- Future free cash flow generation
- Cash buffer

Capex

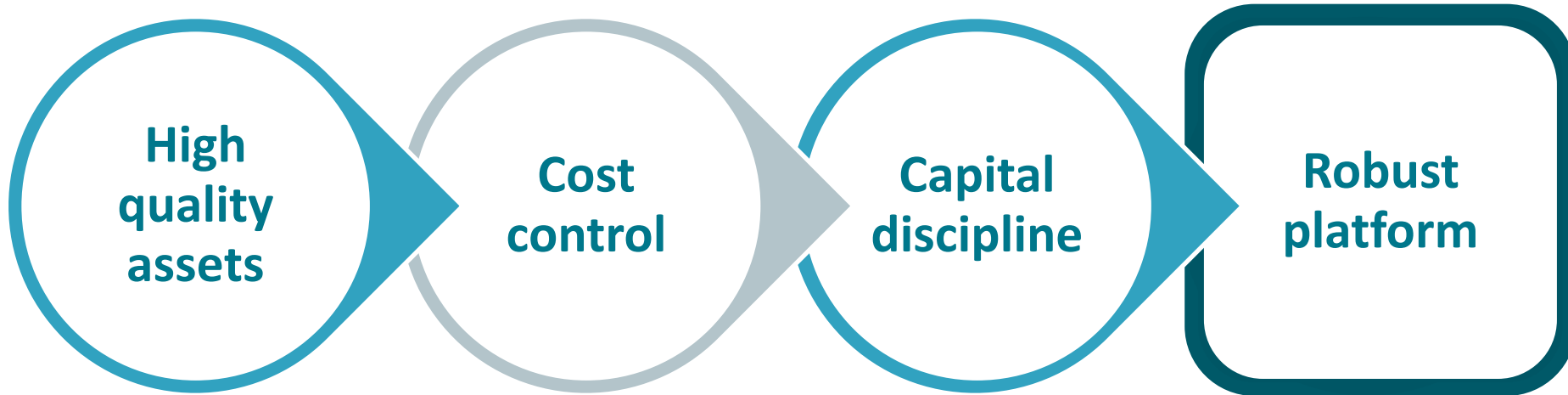
- Upcoming capital expenditure
- Approved vs. non-approved

Balance sheet

- Debt structure
- Potential acquisitions



# Investment case – building a robust platform



- Strong and growing production
- Large resource base
- Low costs and long-life assets
- Four mines in two 'world-class' mining districts in Chile

- Cost and Competitiveness Programme
- Focus on operating efficiencies through technical innovation and exploiting synergies

- Strong and flexible balance sheet
- Small net debt levels
- Protecting margins and profitability
- Consistent dividend policy

- Continuing to optimise mines
- Disciplined approach to acquisitions and disposals
- Lowering cost base

**Creating value for shareholders**



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