

# 2016 FY Results Presentation

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14<sup>th</sup> March 2017

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ANTOFAGASTA PLC

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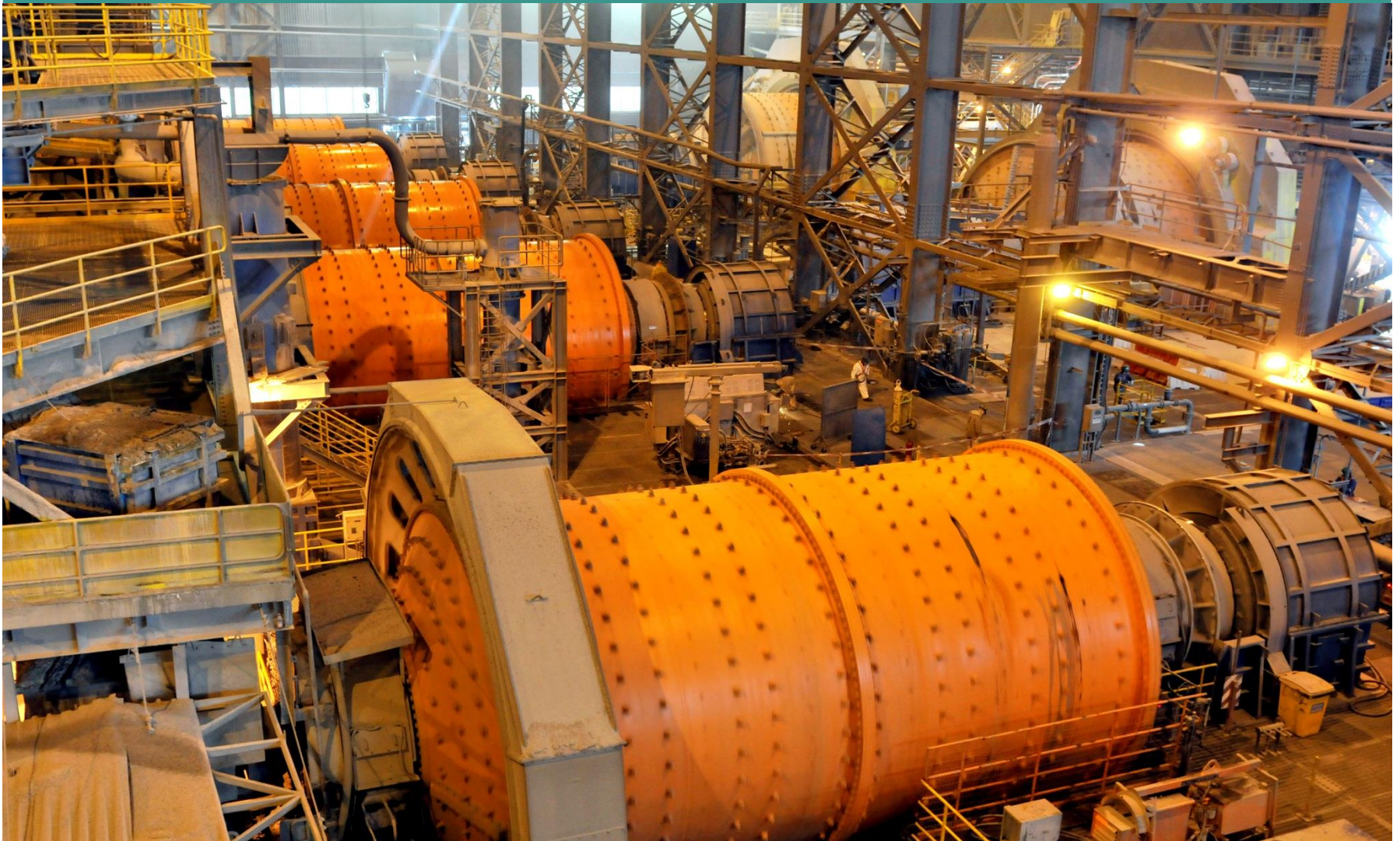
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## Overview



# Safety First

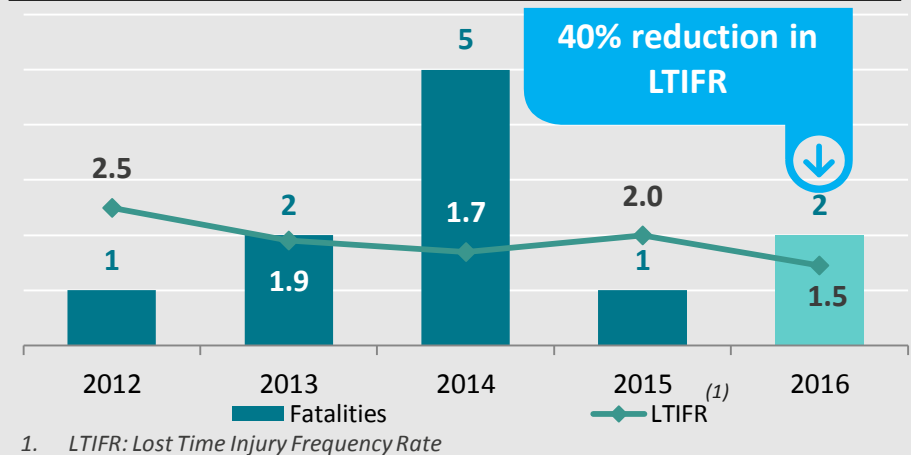
- Regrettably two fatalities occurred during the year, one at Antucoya and one at the transport division
- Committed to zero fatalities
- 40% improvement in injury rate since 2012
- New safety and occupational health model embedded in own employee and contractor activities
- Regular senior management site visits to reinforce Safety First

## Renewed areas of focus

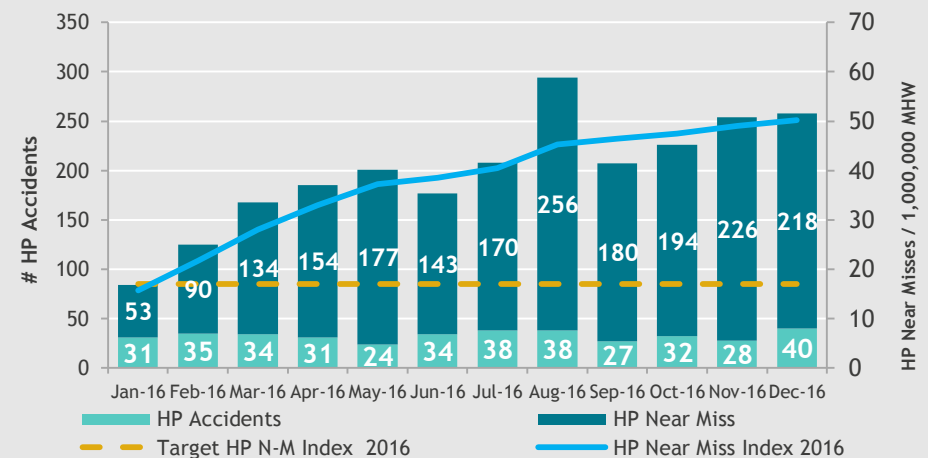


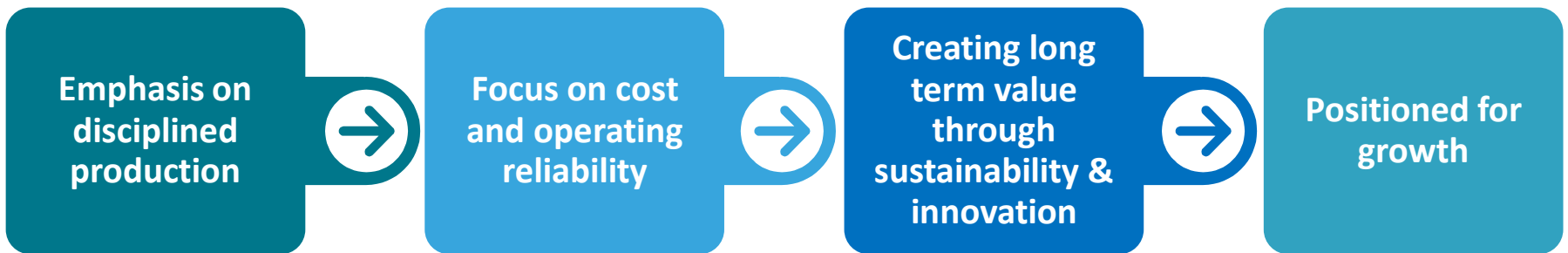
- Identify and assess fatality and serious injury risks
- Implement critical controls
- Report and investigate near misses
- Increase on the ground senior leadership

## Safety Performance



## High Potential Accidents and Near-Misses (Leading Indicators)





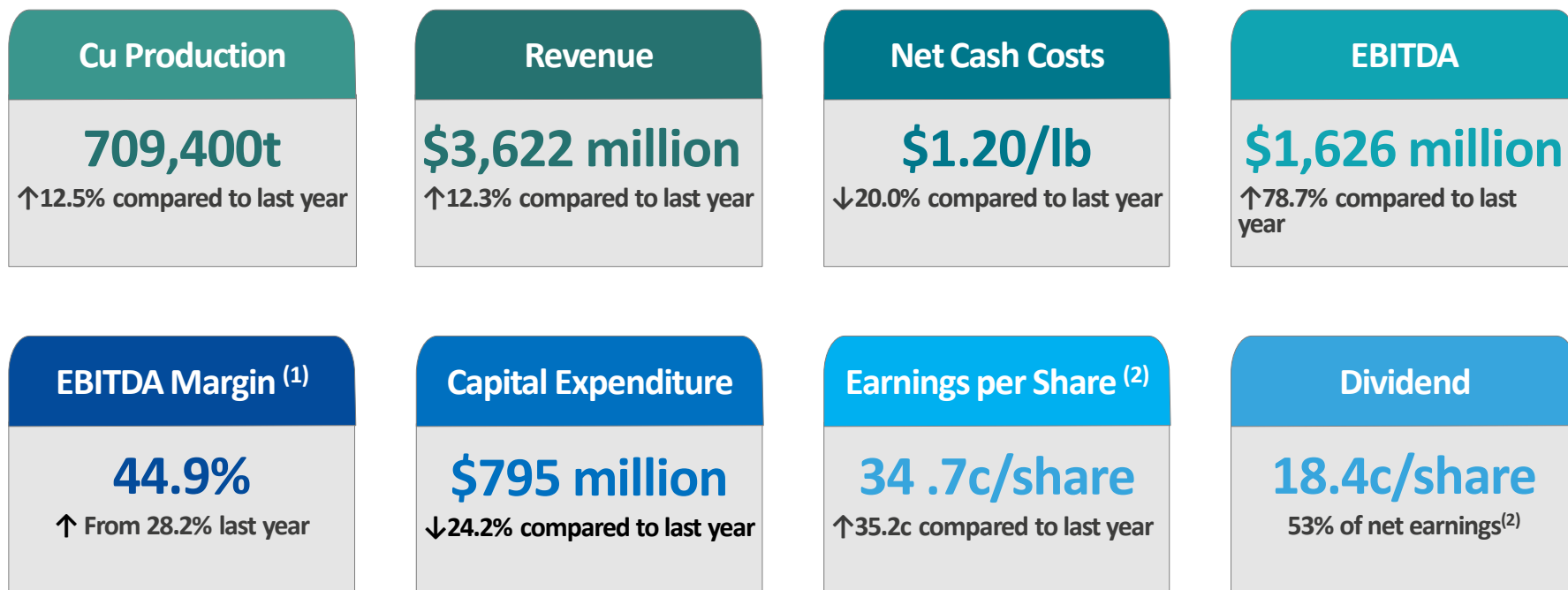
- Only profitable production
- Every tonne must make an earnings contribution

- Protect margins
- Embedded Cost & Competitiveness Programme
- Releasing spare capacity

- Community engagement model
- Social licence to operate or grow
- Embedded practice of innovation

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

# 2016 – strong performance



**Strong performance across all metrics**

1. Calculated as EBITDA/Group revenue. If Associates and JVs revenue is included EBITDA margin was 41.1% in 2016 and 27.3% in 2015
2. From continuing operations and before exceptional items

# 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
- Approved EIA for Second 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

Operating improvements and cost control ongoing





## 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

## Financial Overview



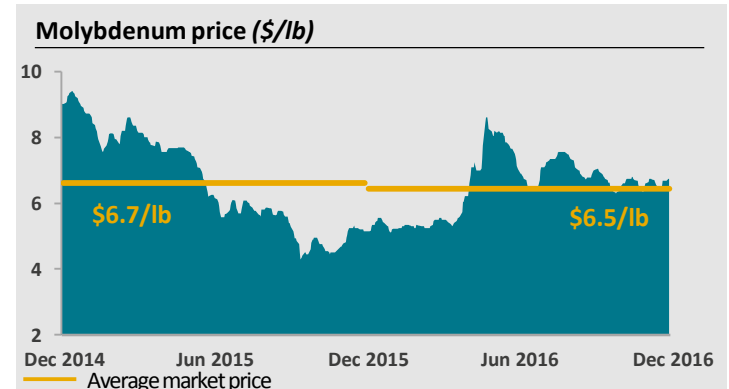
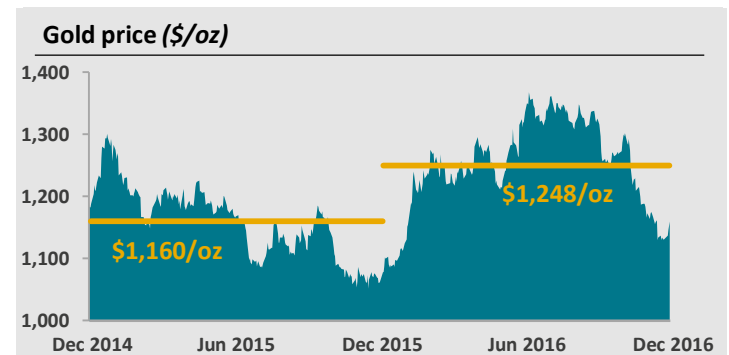
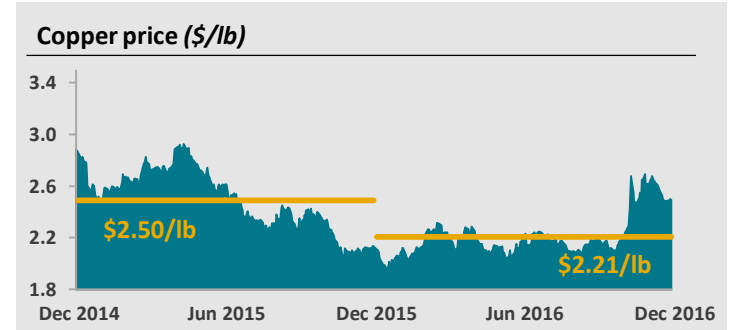
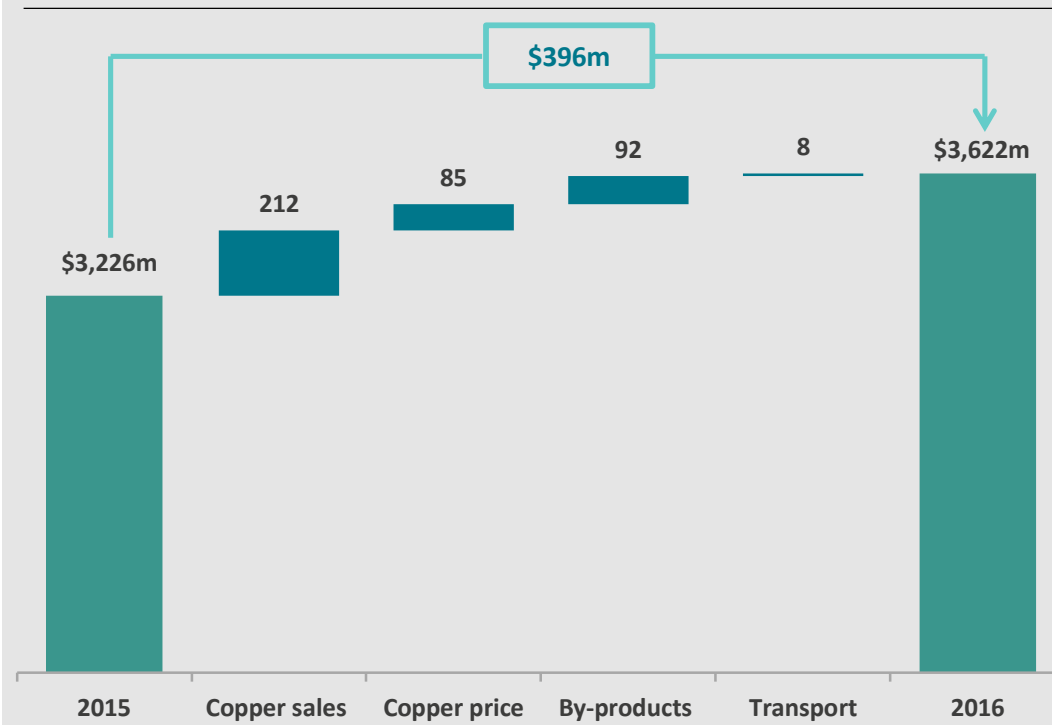
# Revenue - improving commodity price environment



Revenue up 12.3%

- Higher copper prices and sales volumes
  - Michilla closed
  - Antucoya sales since April 2016
  - Achieved production guidance
- Realised prices higher than average LME prices

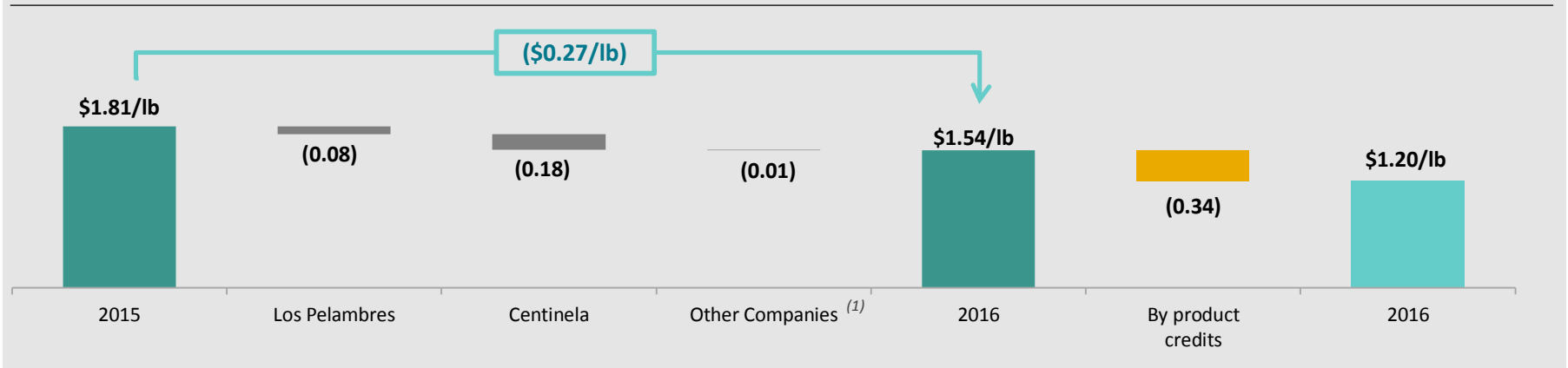
## Revenue<sup>(1)</sup> 2015 vs 2016 (\$m)



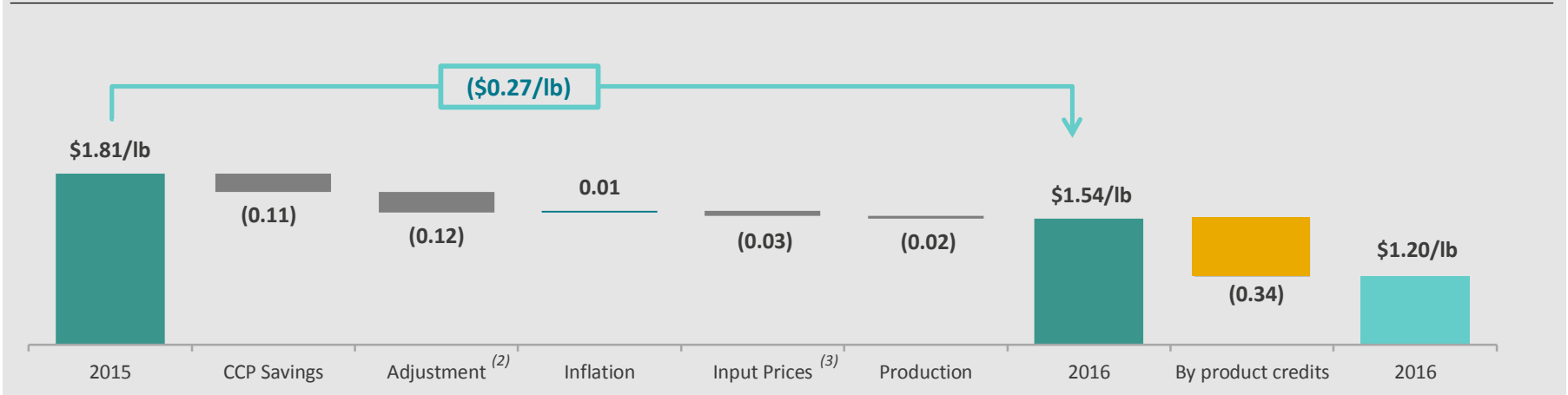
1. Includes results of continuing operations and Antucoya from 1 April 2016. Excludes Zaldívar (JV).

# Unit cash costs- down significantly

## Cash costs before by-product credits and C1 Cost (\$/lb) - by operation



## Cash costs before by-product credits and C1 Cost (\$/lb) - by cost type



1. "Other Companies" refers to combined effect of Michilla closure and the incorporation of Antucoya from April 2016 and Zaldívar
2. Impact of revised estimation method for deferred stripping costs
3. Energy, diesel and acid

# Operating cost savings – target exceeded

## \$519 million of total operating cost savings achieved since 2014

### Operating Cost Savings of \$242 million in 2016

#### Mine Site Costs

\$176 million saved in 2016 in mine site cash cost, 10% above target

#### E&E and Corporate Costs

\$66 million of savings coming from exploration & evaluation and corporate costs

### Grade Decline

Between 2014 - 2016 grades fell by 12%, but gross cash costs fell by 16%




Services Productivity



Operating & Maintenance Management

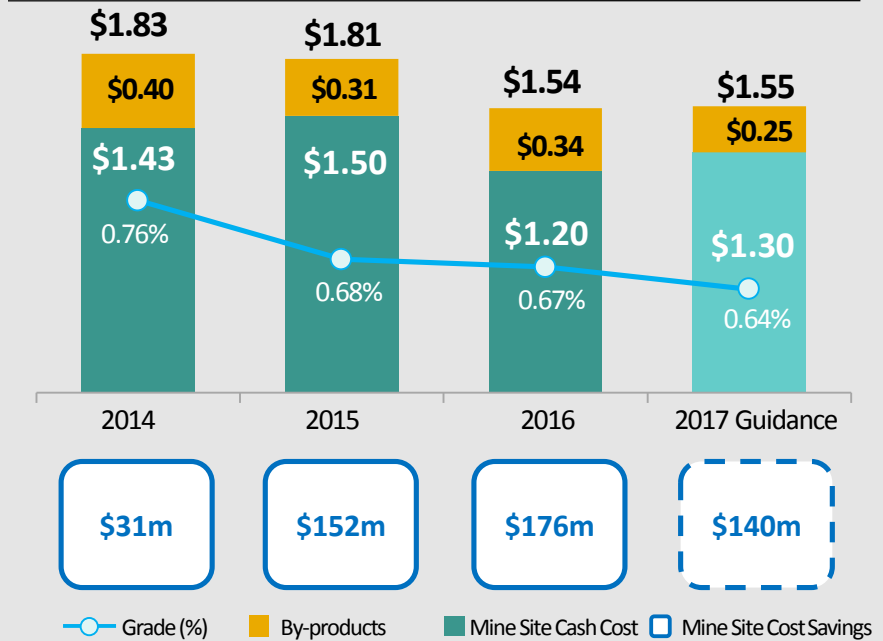


Corporate & Organisational Effectiveness



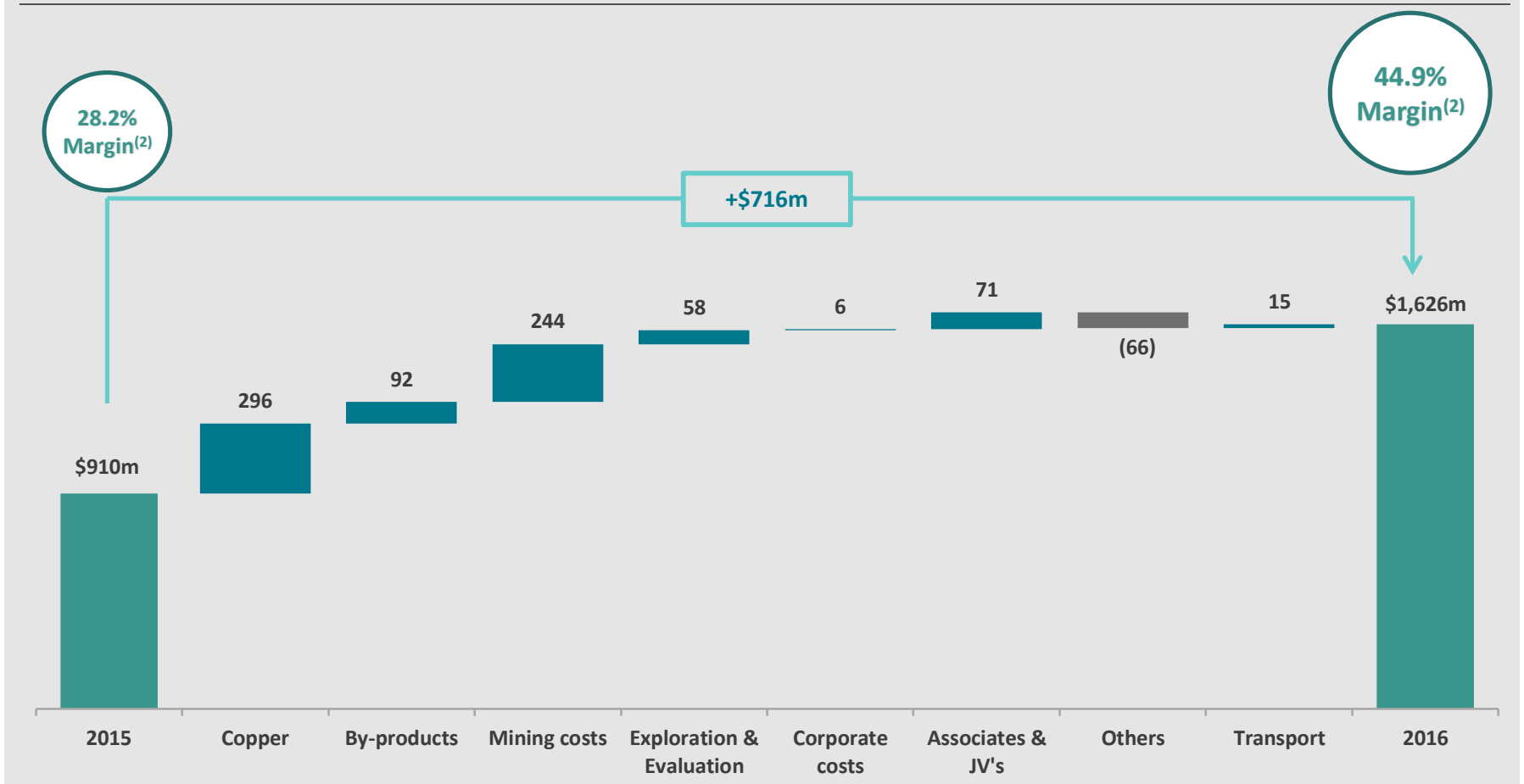
Energy Efficiency

### Group mine site costs and copper grades (\$/lb)



# Strong increase in EBITDA and EBITDA Margin

## EBITDA<sup>(1)</sup> 2015 vs 2016 (\$m)

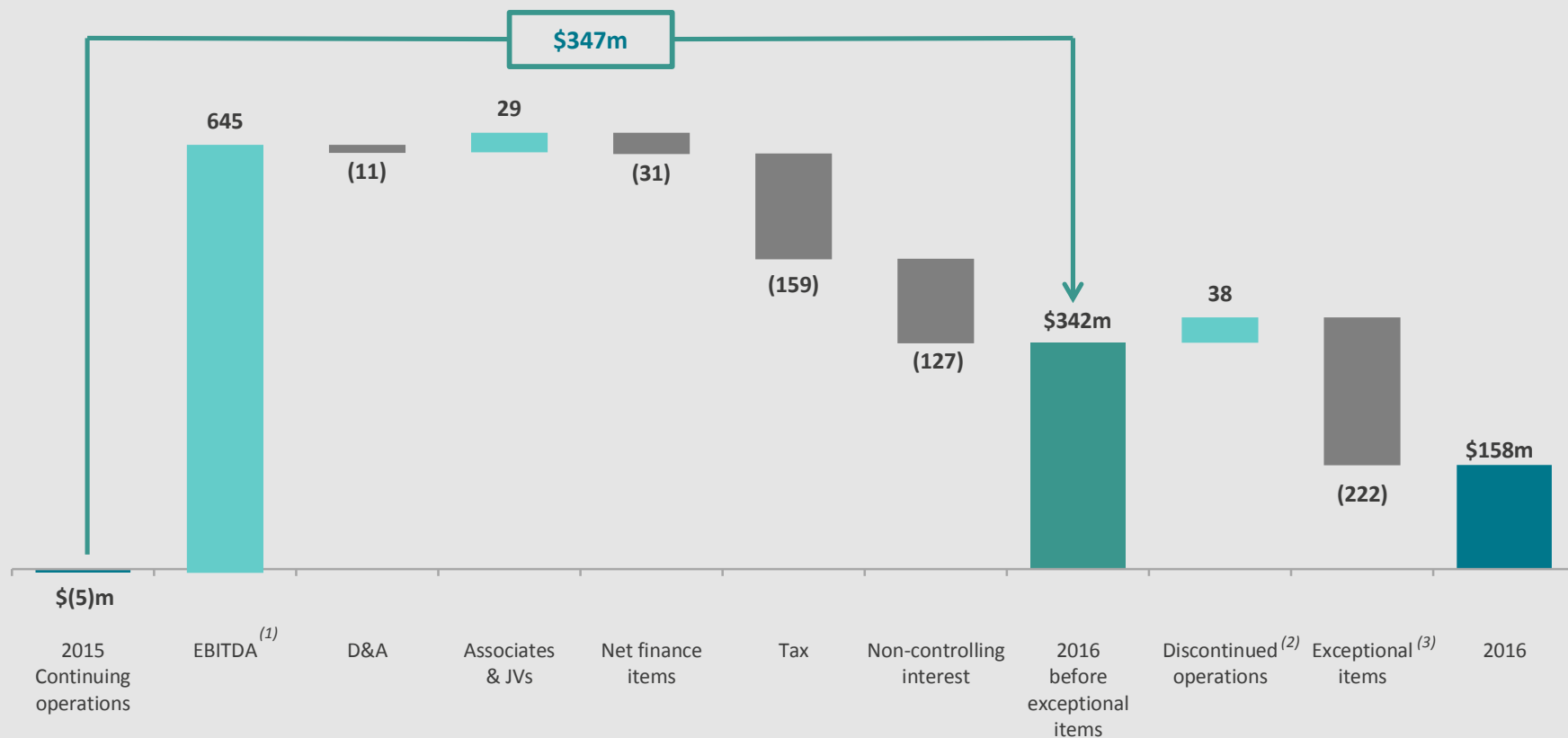


1. Results of continuing operations only and includes EBITDA from Associates and JV's .

2. Calculated as EBITDA/Group revenue. If Associates and JVs revenue is included EBITDA margin was 41.1% in 2016 and 27.3% in 2015

# Net earnings increased \$347 million

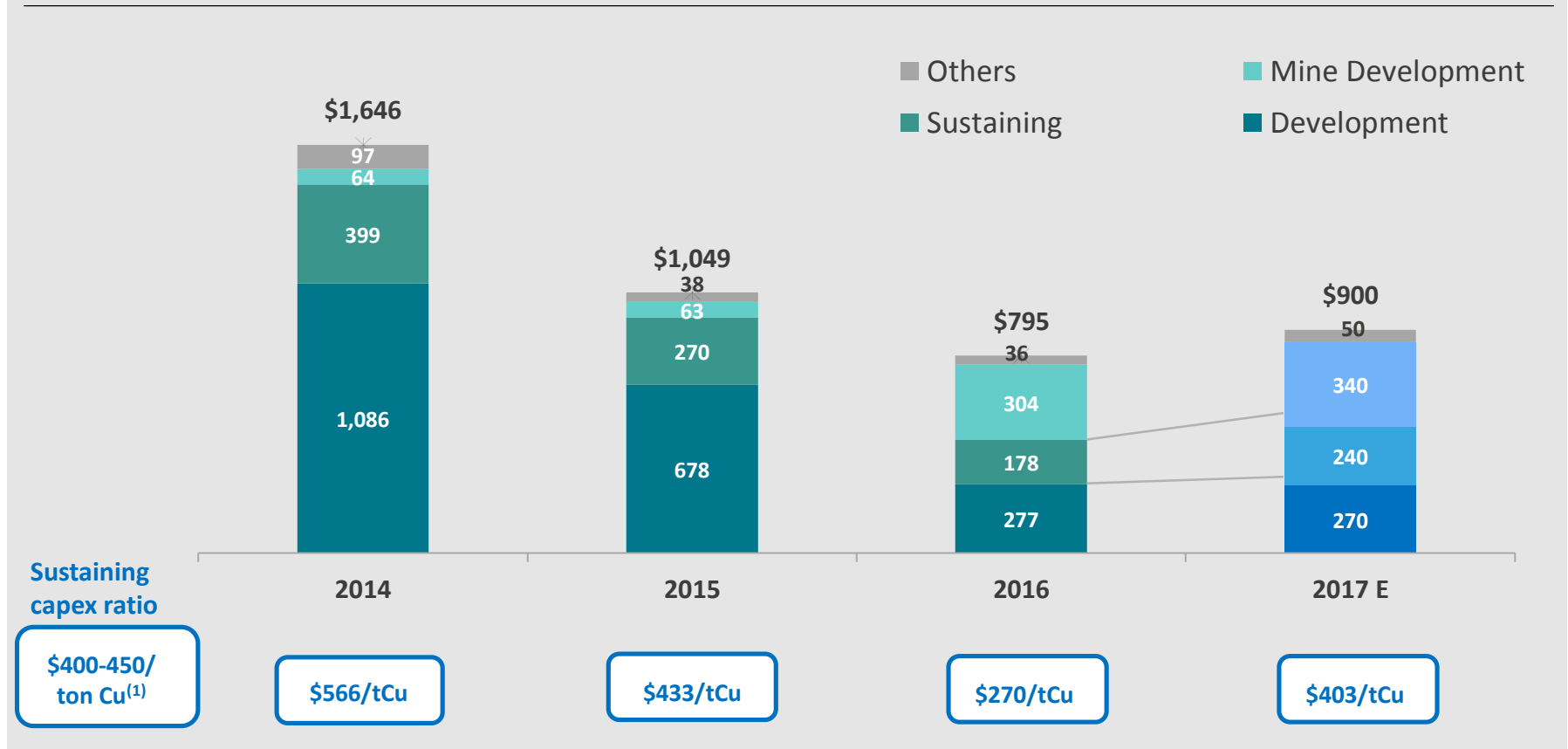
## Net Earnings 2015 vs 2016 (\$m)



1. EBITDA from subsidiaries
2. Michilla
3. Alto Maipo, Antucoya & Energía Andina

# Capital Expenditure – fell by \$254 million

## Capital expenditure (\$m)



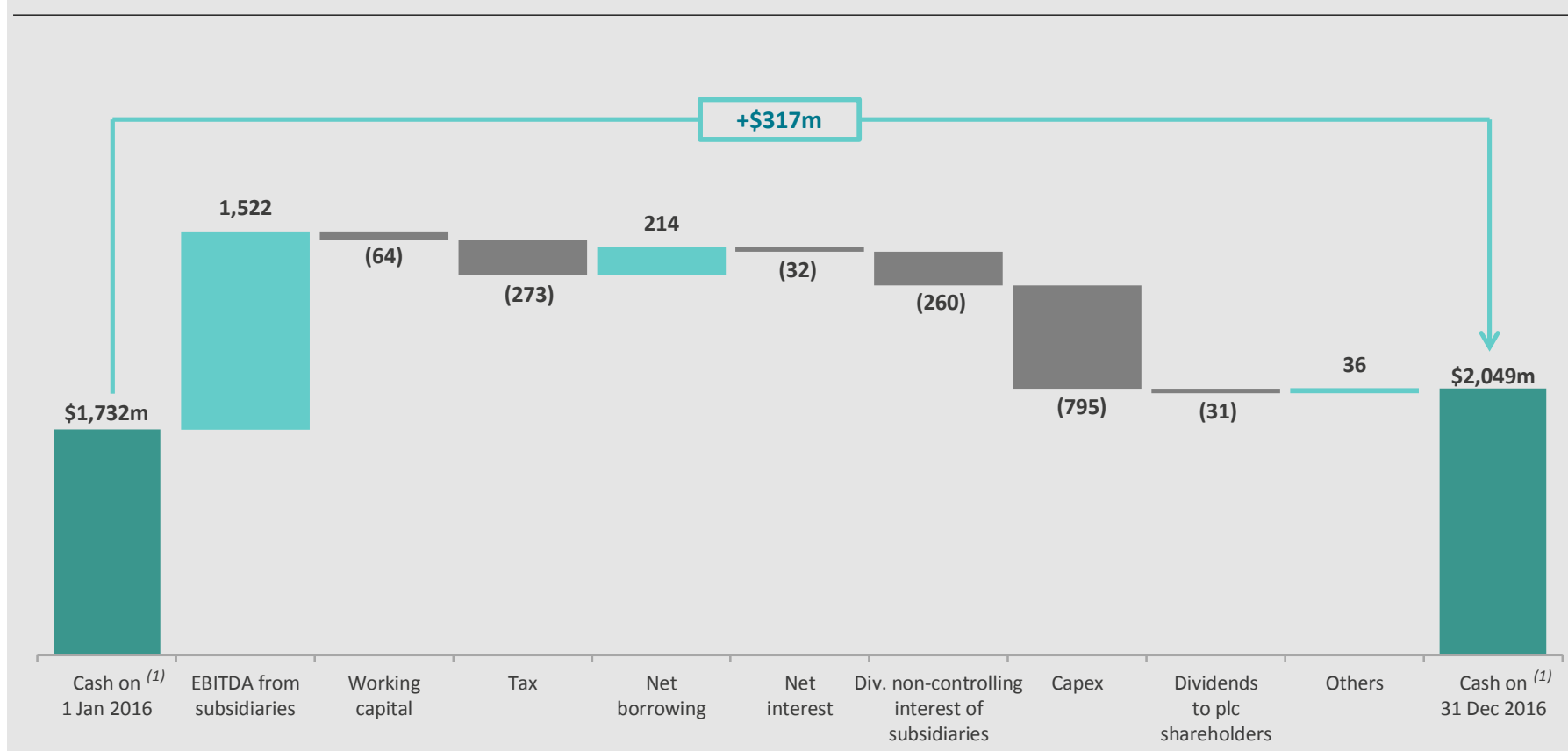
- Attributable Zaldívar capital expenditure - \$57m in 2016 and \$50m in 2017

Note: Figures are based on cash flow and exclude Zaldívar (2016 & 2017).

1. Target established in 2015



## Cash flow in period (\$m)



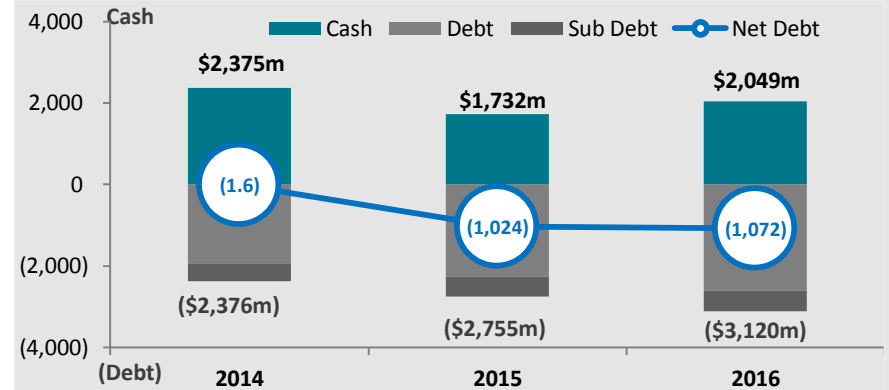
1. Including liquid investments

# Strong Balance Sheet and liquidity

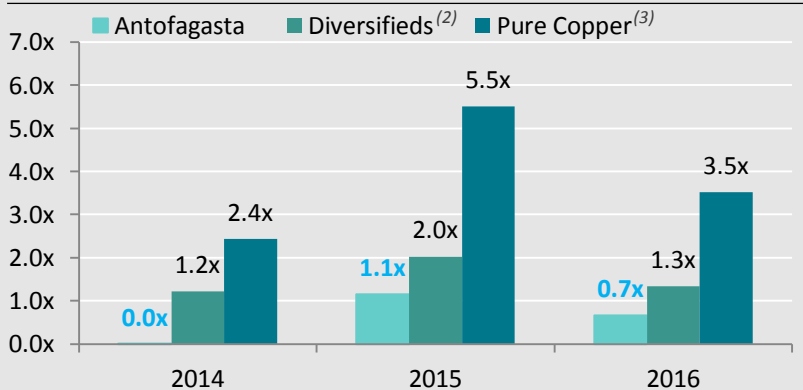
## Balance Sheet

- Low Net Debt/EBITDA ratio
- Low cost of funding
- Well positioned compared to peers and other diversified miners

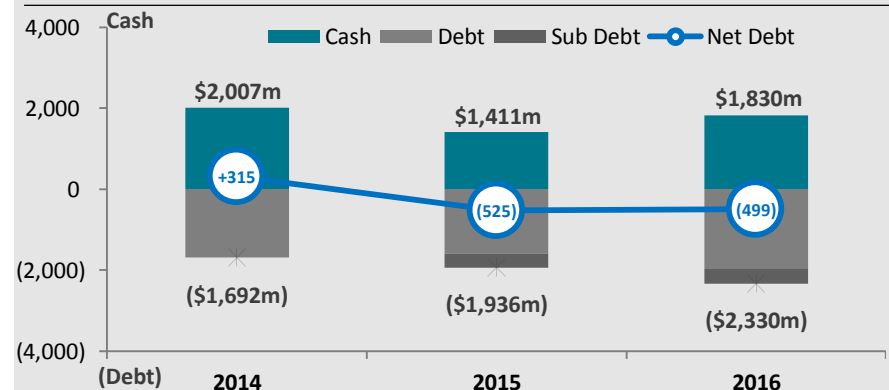
## Net Cash/(Debt) Gross Basis (\$m)



## Net Debt to LTM EBITDA<sup>(1)</sup>



## Net Cash/(Debt) Attributable Basis (\$m)



1. Source: FactSet and companies' filings. Median points for Diversifieds and Pure Copper Companies  
 2. Diversifieds: BHP Billiton, Rio Tinto, Anglo American and Glencore  
 3. Pure Copper Companies: Freeport, Southern Copper, First Quantum and Kaz Minerals

# Operating Review & Growth Opportunities



# Copper market - Medium and long-term price strength expected

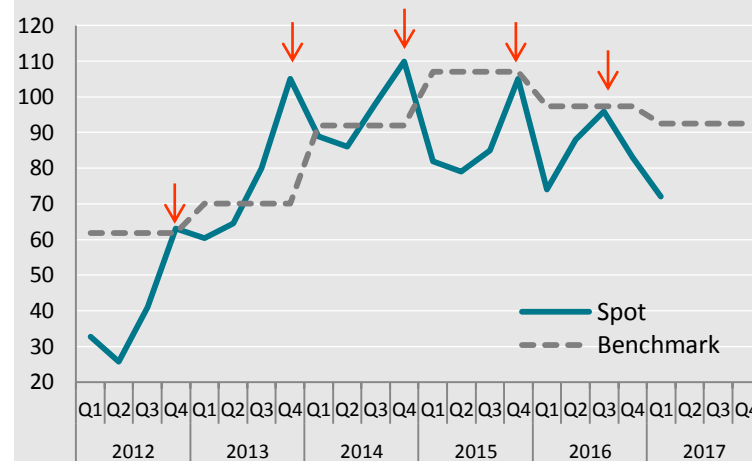


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## Observations

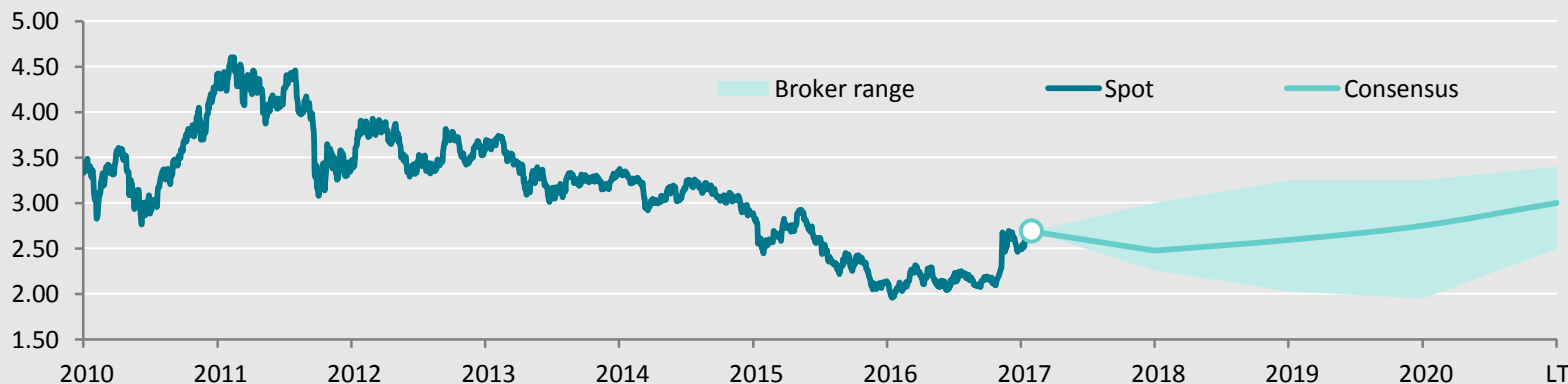
- China consumption growth estimated to continue at approximately 3%pa
- This will lead to market deficit sooner than expected
- Reflationary environment positive. Trump stimulus useful, but China growth important
- Mines' inability to respond quickly will support prices. Rate of supply growth slowing
- Production problems at several large mines bolstering the copper price - at least in the short term
- Believe new price floor established

## Quarterly Annual & Spot TC (RC=TC/10 US\$/lb)



Source: Antofagasta plc

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



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

# Chile – Supportive mining environment



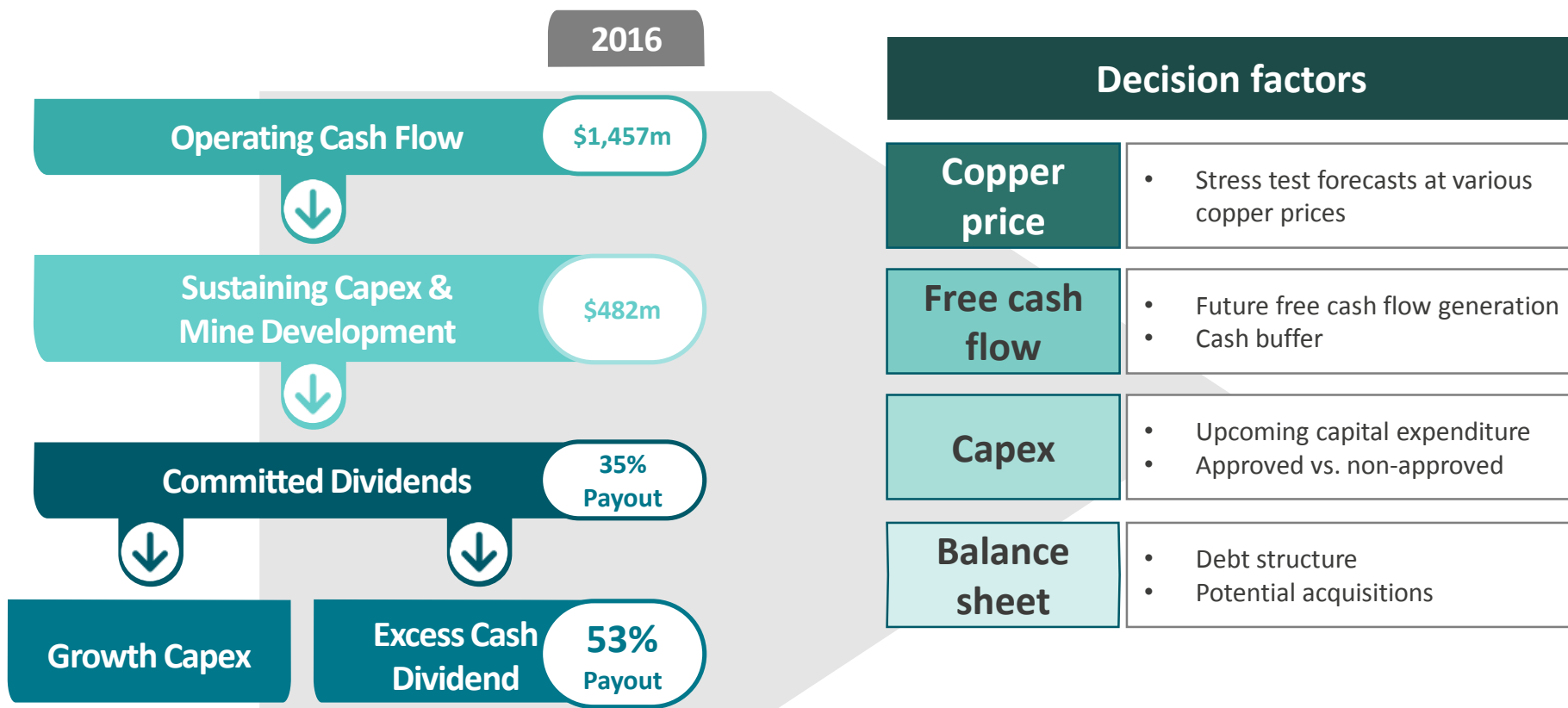
## Chile

**OECD country**  
**3.9%pa GDP growth over last 5 years (2011- 15)**  
**History of stability**  
**Solid public finances. Government debt 17.5% of GDP (2015)**  
**Mining 7.7% of GDP<sup>(1)</sup>**

(1) Central Bank of Chile as of Sept 2016

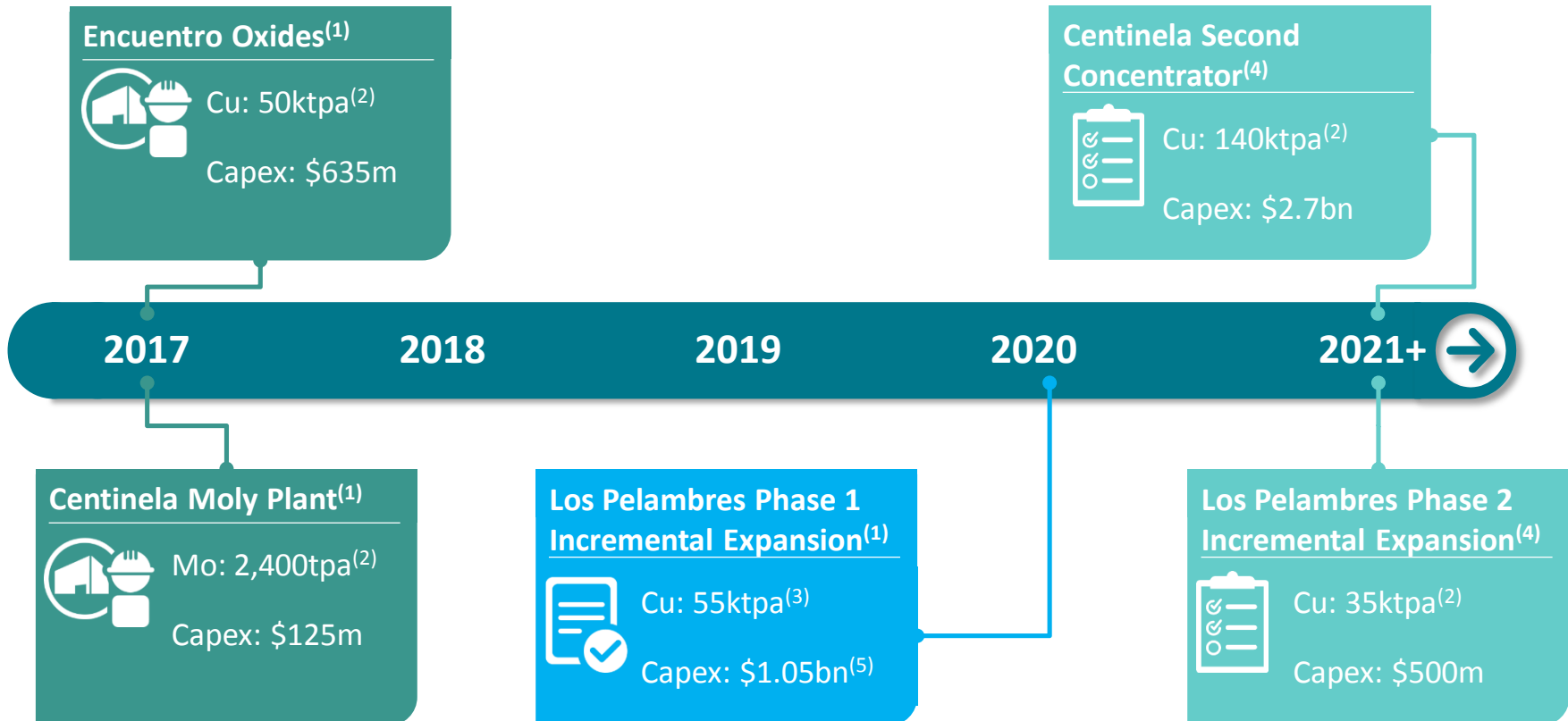
Topics of interest	Antofagasta
<p><b>Labour</b></p> <ul style="list-style-type: none"> <li>○ Labour productivity compared to other established mining jurisdictions</li> <li>○ Recent labour legislation changes do not address labour productivity improvement</li> </ul>	<p>Cost &amp; Competitiveness Programme and new operating model</p> <p>History of good labour relations</p>
<p><b>Power</b></p> <ul style="list-style-type: none"> <li>○ Emergence of significant renewable power sector</li> <li>○ Integrating national grid increases certainty of supply</li> <li>○ Energy supply tenders show lower future energy prices</li> </ul>	<p>Lower priced PPA at Los Pelambres</p> <p>Group power costs down 26% since 2014</p> <p>Expect to access lower priced power</p>
<p><b>Water</b></p> <ul style="list-style-type: none"> <li>○ Limited permitting for continental water</li> <li>○ Desalinated water in the north of Chile is becoming the new normal for future mining projects</li> <li>○ Water availability is a function of power and ultimately cost</li> </ul>	<p>Already use untreated sea water at Centinela and Antucoya</p> <p>Desalination plant included in Los Pelambres expansion project</p>
<p><b>Community</b></p> <ul style="list-style-type: none"> <li>○ Relationships with communities evolved from transactional to sustainable partnerships</li> <li>○ Essential to maintain social licence to operate or grow</li> </ul>	<p>Agreement with Caimanes community signed in 2016</p> <p>New engagement model being used at all operations</p>

# Capital allocation – drives decision making






**2016 Dividend of \$182 million representing 53% pay out**

# Phased growth opportunities



1. Feasibility study figures
2. Estimated figures for the first 5 years
3. Estimated figures for the first 15 years
4. Pre-feasibility study figures
5. Including desalination plant

-  Construction
-  Feasibility study complete
-  Feasibility study underway

# Los Pelambres Incremental Expansion – FS complete

## Location

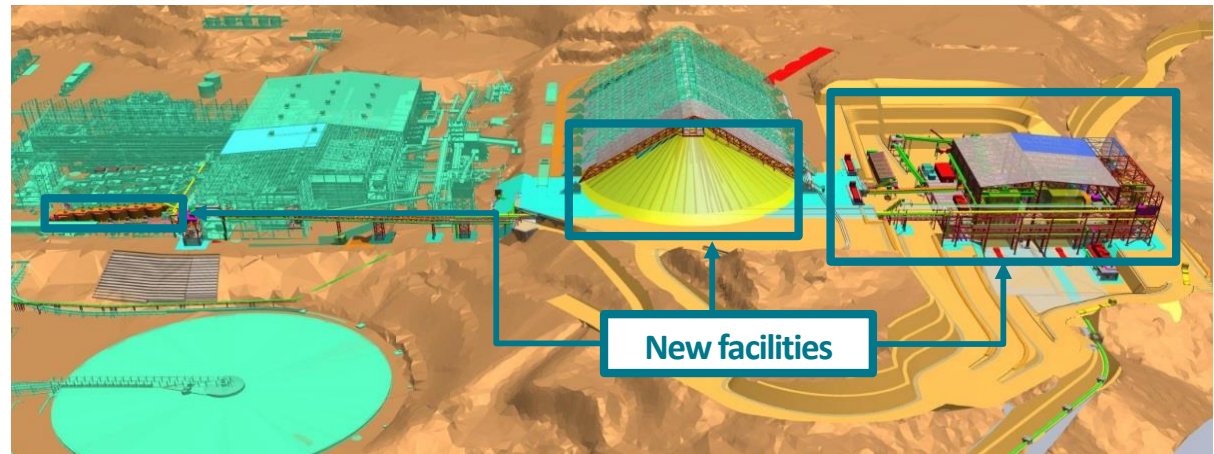


## Overview

- 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, feasibility study complete
- **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 Study completed	Cu production *	55,000 tpa
Initial investment *	\$1.05 billion (FS)	LOM - Phase I	19 years
Earliest production start-up *	2020	LOM - Phase II	30+ years

\* Phase I





# Zaldívar – integration delivering improvements

## Synergies being achieved

- Acquired 1 December 2015 (Antofagasta operator)
- Well-maintained leaching, solvent extraction and electro-winning facilities with a capacity of 150ktpa
- Experienced management team with strong operating practices
- Large primary sulphide deposit to be defined and understood
- Sulphide leaching potential



## Antofagasta Value Proposition

### 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 in 2016
- Leveraged Group contracts to achieve scale savings

## Guidance & Investment Case



# 2017 guidance – continued cost control



Cu

Au

Mo

C1

2017 Guidance (t)

685,000 - 720,000

2017 Guidance (oz)

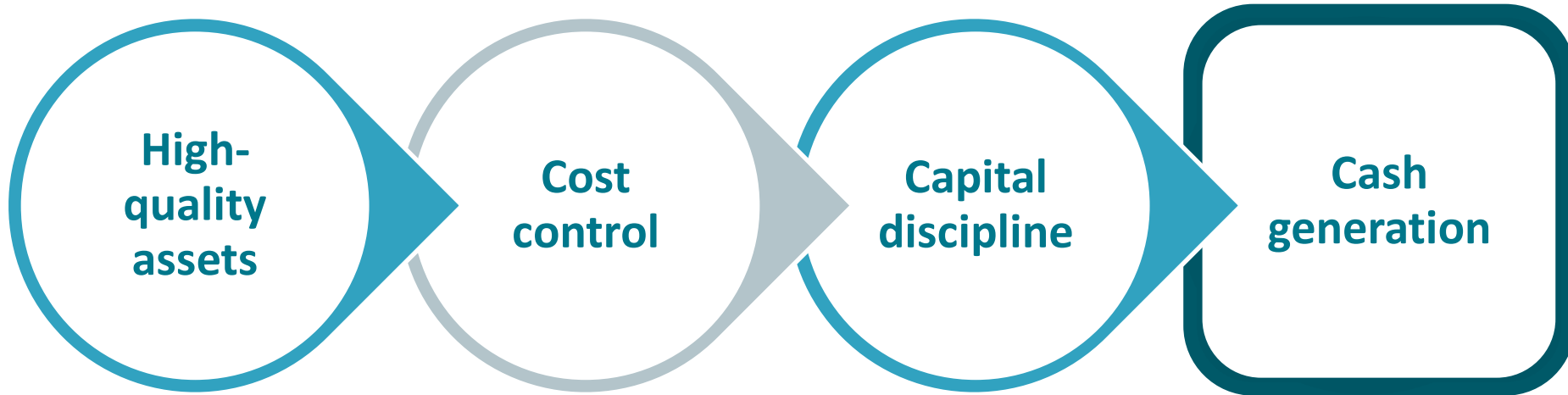
185,000 - 205,000

2017 Guidance (t)

8,500 - 9,500

2017 Guidance (\$/lb)

1.30



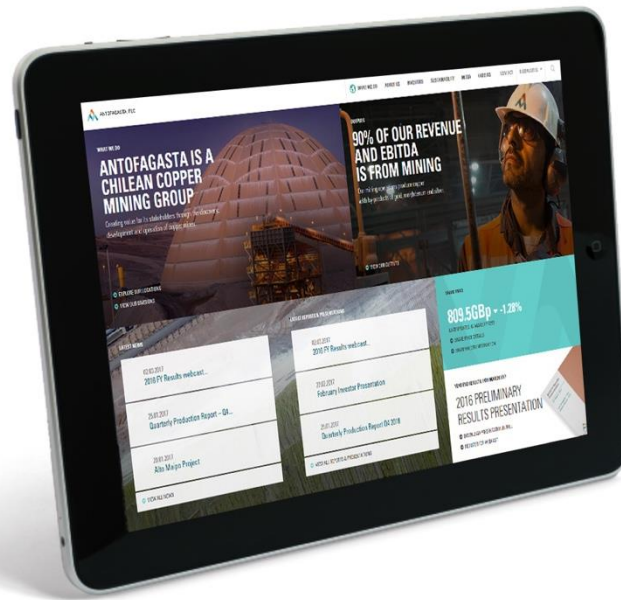
- Strong and growing production
- Large resource base
- Low cost and long-life assets
- Four mines in two 'world-class' mining districts in Chile

- Cost and Competitiveness Programme
- Technical innovation
- Improving productivity

- Disciplined capital allocation
- Strong and flexible balance sheet
- Low net debt levels
- Consistent dividend policy

**Creating value for shareholders**





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