

## CHAIRMAN'S COMMENTS AT THE 2016 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 new Group CEO, Iván Arriagada and I welcome him to this, his first AGM as Group CEO.

I would like to take this opportunity to thank Mr. Diego Hernández for his service to the Group. As you all know, Diego stepped down from the role of Group CEO last month, having successfully led the Company through an important period and challenging market conditions. Since joining the Group in 2012, Diego has implemented robust organisational structures to ensure that we are well placed to adapt to new challenges. He has also managed the achievement of many important milestones for the Group including the commissioning of the Antucoya mine, the closure of Michilla, the sale of the group's water business and the acquisition of 50% of Zaldívar.

On behalf of all the Board and the employees and shareholders we wish to thank Diego for his time as Chief Executive and I, and the Board, look forward to working with him as he continues to advise us on important matters affecting the Group.

Before proposing the resolutions set out in the notice of meeting, I would like to highlight briefly Antofagasta's financial and operational performance during 2015 and the outlook for the rest of this year. I will then move onto the formal part of the meeting and there will be an opportunity to ask questions after that.

There is no doubt that 2015 was a difficult year, and one in which the challenges facing our industry were brought into sharp focus. Continued falls in commodity prices highlighted the worst effects of more than a decade of bullish markets - a time in the cycle when controlling costs was less important than securing production growth. This approach led to over-investment in new mining capacity across the globe and declining productivity. Industry lead times have meant that just as global demand growth slowed, much of this new production came online at what are now unsustainable costs. Now is the time to remove the consequences of these excesses.

We took a cautious approach to developing our business at the peak of the market, and as a result we entered the current downturn with a strong balance sheet. As we continue to respond to low commodity prices, we are focussed on ensuring our continued financial resilience by working hard to ensure discipline in our allocation of capital, reducing costs, improving operational efficiencies and lowering our overheads. We

remain focused on cash flow generation and margin protection through sustainable cost reductions and productivity improvements that help compensate for the impact of lower commodity prices.

Before saying a few words about our operating performance, I would like to take a moment to talk about safety. Unacceptably, over the past 18 months we have had two fatalities and I would like to express on my own behalf – as well as that of the Board – my sincere condolences to the families of our colleagues who died. We will continue to reinforce our actions and practices to ensure that the safety of all of our employees and contractors comes first.

Our target across the Group is to achieve zero fatalities. We are determined to ensure that all our employees work in a safe environment wherever they are and we are focussed on developing and rolling out procedures and behaviours to support this goal.

In 2015 we focussed on optimising our operations to ensure we remain competitive in a low-price environment. We also made several structural changes that strengthened our position as a focused copper miner. Major highlights included the start of production at our new Antucoya mine, the sale of our water division and the purchase of a 50% interest in the Zaldívar copper mine from Barrick Gold. At the same time, we also took the decision to close the Michilla mine, which after a long history as part of the Group has come to the end of its economic life. These changes have further strengthened the Group's focus on mining and increased our production capacity.

During 2015 we produced 630,300 tonnes of copper, 11% less than originally expected, together with 214,000 ounces of gold. We also produced just over 10,000 tonnes of molybdenum, our highest moly production since 2012.

Against the backdrop of a weak macroeconomic environment, prices fell for all of our products. Our average realised copper price of \$2.28/lb was 24% lower than in 2014 and gold and moly prices were down 8% and 49% respectively.

Turning to our financials, lower metal prices and production impacted revenue and reduced EBITDA by 58% to \$891 million. However, despite these adverse circumstances, we remained focused on maintaining a strong balance sheet, improving operational efficiencies and managing costs. In 2015 we reduced our gross cash costs through various programmes by 11c/lb, or 6% of cash costs, to increase our efficiency and productivity and protect our future margins. These programmes, combined with our reduction of Exploration & Evaluation and Corporate Costs, brought our savings in 2015 to \$245 million, or 8% of our total operating costs. During 2016 we aim to reduce our costs by a further \$160 million, or 6% of last year's gross cash costs.

In accordance with our dividend policy to pay out at least 35% of our net income, the total dividend for the year was 3.1 cents per share, or \$30.6 million, which was paid as the interim dividend. No final dividend has been recommended by the Board as the interim dividend exceeds the minimum payout ratio in our dividend policy.

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.

During the year we sold the ADASA water business for slightly more than \$960 million. This helped us fund our acquisition of a 50% stake in the Zaldívar copper mine from Barrick Gold in December and has concentrated our focus on our core business of mining copper.

This acquisition has come after reviewing many potential opportunities around the world. Zaldívar is located in a region where we are experienced operators and was an opportunity that aligned with our long-term objectives and passed our hurdle rates for this type of investment. We have now been operators of the Zaldívar mine for nearly six months and we are pleased with how smoothly it has been integrated into the Group. We have already achieved some synergies with Zaldívar and we are now investigating ways to improve copper recoveries, which could help increase production from current levels. We believe that Zaldívar has been the best quality copper acquisition that has come available for some time and that it complements our existing portfolio of assets in the north of Chile.

Turning to corporate governance – we fully complied with the UK Corporate Governance Code throughout 2015. We also undertook a number of changes to the Board Committees, which included the creation of a new Projects Committee that will allow greater Board oversight of Antofagasta's major projects. The development of new projects is critical to the future of the Company and this Committee will allow more detailed scrutiny of our projects. All investment decisions that are brought to the Board for approval will first be reviewed by the Committee to highlight matters for the Board's consideration and to make recommendations to the Board. This Committee is already making an important contribution to providing Board-level input into the advancement of our projects and I would like to thank Ollie Oliveira for agreeing to be the first Chairman of the Committee.

As I mentioned earlier, Iván Arriagada has succeeded Diego as Group CEO. Iván joined the Group in February 2015 as CEO of the mining division. Since joining the Group, Iván has led a rigorous cost reduction programme, focusing on maintaining the Company's healthy balance sheet while ensuring all of the Company's operations are generating operating cash flow. He was also directly involved in leading the Zaldívar negotiations and its ultimate acquisition. Iván is the right person to succeed Diego and to continue to deliver the Group's strategy. His strong leadership has proven effective in navigating the current challenge of low copper prices while maintaining our ability to grow and develop in the future.

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 started production in September last year and achieved commercial production at the beginning of last month. The mine is now expected to reach its design capacity in a few months' time and will produce some 65-70,000 tonnes of copper this year.

In the current environment, we are working to get the most out of our existing operations, lowering our cost base and improving operational efficiency, while 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 were scheduled to be completed by the

end of 2016 and early 2017, respectively. The development of both projects has now been slowed by some eight months as we concentrate on cash preservation in these uncertain times.

Los Pelambres and Centinela both have very large mineral resources and will be the source of our organic growth for decades to come.

At Los Pelambres, our next expansion is the Incremental Expansion project. For this project, we decided last year to take a phased approach to its development to spread the financial cost. As part of this project we will also construct a desalination plant and pipeline that will provide up to 400 litres per second of water, which will complement the continental water sources we already have and provide us with water security.

We have started the permitting process and we will work with the authorities over the coming months to address their comments on our proposals. We expect that the feasibility study for the Pelambres expansion will be completed by the end of next year.

Our next 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 which will add some 140,000 tonnes of copper, 150,000 ounces of gold and 3,000 tonnes of molybdenum annually to our existing Centinela operations. We have submitted the Environmental Impact Assessment and expect it to be approved later this year, and the feasibility study to be completed by the end of next year.

Advancing permitting and studies for these projects allows us to secure options for growth in the future.

Beyond our key brownfield projects, we also have a number of greenfield projects for development in the longer-term such as the Twin Metals project in Minnesota and a potential further expansion of Los Pelambres.

Finally, we look for growth further afield where special opportunities may exist.

We have made good progress in improving the sustainable operation of our assets. Water is a valuable resource for us, our communities and for Chile, and we recycled up to 72% of water in our operations in 2015 with the rest evaporating or remaining in tailings dams, and we are a leading user of sea water. The Group's priority is to ensure that it has sufficient water to operate without compromising the quality or availability of water for the local community.

In 2015 Los Pelambres strengthened its relationships with local communities. This was achieved by engaging in a formal, transparent and open consultation process designed to allow Los Pelambres to better understand community concerns and to share views and information about its own activities. Less than two weeks ago we agreed a lasting solution with the Caimanes community which addresses certain requirements set down by courts in Chile and will see Los Pelambres invest in future water supply solutions, safety measures, community development projects and compensation. This is part of our ongoing commitment to ensure that the impact we have on the communities and environments in which we work is limited as much as possible.

We are also focused on increasing our energy efficiency to reduce carbon emissions by diversifying our energy sourcing to include more renewables. By the end of 2015, 47% of the energy consumed by Los Pelambres came from renewable sources, and by 2019 this is expected to increase to 80%.

Antofagasta takes its responsibility to the community and the environment very seriously and we will continue to work together with local stakeholders to develop a common long term vision.

Before we look ahead I would like to take a moment to reiterate our commitment to safety. 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, communities and operations will always come first in everything that we do and we will continue to work hard to achieve our target of zero fatalities.

2015 was a time for managing the challenges that faced Antofagasta, and the wider industry as a whole, in what has been another year of tough markets and tough operating conditions. But, as was the case with the acquisition of Zaldívar, this has also been a time for taking advantage of good opportunities when they arise.

As we look forward we are not counting on an improved macroeconomic environment although we have recently seen some positive signals to this effect. We are expecting another year or two of low copper prices. Consequently, it is vital that we continue to improve our operational performance and our ability to deliver on our commitments. In particular, we are focussing on achieving our production and cost guidance for this year and to continue to do so in the future.

Our organisational structure has been optimised, our costs reduced, our balance sheet strength maintained and we are focused on improving our operations. All of this, leaves us well placed to weather the current downturn.

Finally, 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.

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