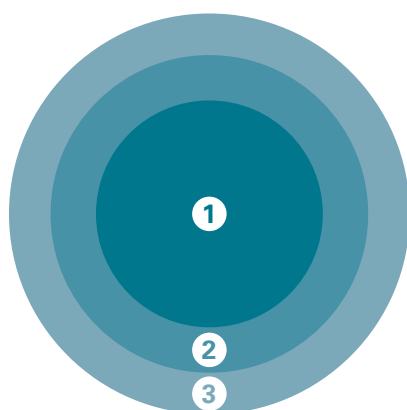


# Strategy for the mining business

## Mining division business strategy

To be an international mining company based in Chile, focused on copper and related by-products, and recognised for operational efficiency, value creation and as a preferred partner in the global mining industry.



### 1 The existing core business

The first pillar of the strategy for the mining division is to optimise and enhance its existing core business: Los Pelambres, Centinela, Antucoya and Zaldívar.

### 2 Organic and sustainable growth of the core business

The second pillar of the strategy is to achieve sustainable, organic growth from further developing the areas around the Group's existing asset base in Chile: Encuentro Oxides, Centinela Molybdenum Plant, Los Pelambres Incremental Expansion and Centinela Second Concentrator.

### 3 Growth beyond the core business

The third pillar of the strategy is to seek growth beyond the Group's existing operations – both in Chile and internationally. The focus is on potential acquisitions of high-quality operating assets and high-potential early-stage developments.

## 1 The existing core business

### Current strategic focus:

- Embed the Safety Model across all operations to achieve zero fatalities
- Implement the Cost and Competitiveness Programme ("CCP") to improve performance and competitive position
- Integrate Zaldívar, focusing on capturing potential synergies
- Proactive and inclusive approach with communities and other stakeholders to strengthen sustainable development

➔ Further information on pages 40 to 47.

## 2 Organic and sustainable growth of the core business

### Current strategic focus:

- Advance projects under construction: Encuentro Oxides and the molybdenum plant at Centinela
- Continue to advance the Group's main brownfield projects: Los Pelambres Incremental Expansion and Centinela Second Concentrator

➔ Further information on pages 48 to 51.

## 3 Growth beyond the core business

### Current strategic focus:

- Work to develop the long-term growth pipeline beyond our existing operations
- Monitor the current market environment to assess potential value accretive acquisitions or joint ventures

➔ Further information on pages 48 to 51.



## 2015 in Review

The Group regrets that there has been one fatality this year. The Group is convinced that the Safety Model introduced in 2014 is the right approach and will keep on working with employees, contractors and suppliers to ensure the effective implementation of the critical controls associated with this model

Copper production of 630,300 tonnes is approximately 10% lower than guidance issued at the beginning of 2015

Group net cash costs for the full year 2015 of \$1.50/lb, in line with initial guidance for the year

During 2015, the Group implemented a corporate initiative to improve its competitive position and to achieve structural cost savings. The Cost and Competitiveness Programme ("CCP") has four areas of focus: services productivity, operational & maintenance management, corporate & organisational effectiveness and energy efficiency. In 2015, the CCP achieved \$150 million in cost savings

Michilla put on care and maintenance at the end of 2015



## Objectives for 2016

Zero fatalities

Improve safety standards through strengthening application of the Safety Model

Copper production of 710–740,000 tonnes (including 50% of Zaldívar), while reducing cash costs before by-product credits to \$1.65/lb from \$1.81/lb in 2015

Continue working on the capture of newly identified savings, aiming to add \$160 million of cost reductions this year



## 2015 in Review

Antucoya started production in September and ramp-up reached 58% of plant design capacity by the end of the year

Advanced Encuentro Oxides pre-stripping and commenced construction of processing facility. Started construction of the molybdenum plant at Centinela

Completed environmental baseline study and advanced engineering and EIA studies for the use of sea water in the Los Pelambres Incremental Expansion project

Completed the pre-feasibility study for the Centinela Second Concentrator and started the feasibility study. Submitted EIA for approval

Completed installation of secondary and tertiary crushers at Centinela Concentrator



## Objectives for 2016

Reach design capacity and stabilise all key performance indicators to achieve 2016 production plan

Advance construction of Encuentro Oxides and Molybdenum Plant, but at a slower rate than originally planned, to reduce expenditure in 2016. Completion expected in 2017

Submission of Environmental Impact Assessment ("EIA") for Los Pelambres Incremental Expansion project and advance feasibility study for completion in 2017

Advance Centinela Second Concentrator feasibility study for completion in 2017. EIA approval expected in 2016

Reach throughput capacity of 105,000tpd



## 2015 in Review

The acquisition of 50% of Zaldívar is a major milestone in the history of the Group and the first acquisition of an operating company since the acquisition of Michilla in 1980

Continued international exploration programme with existing and new joint venture partners

Consolidated full ownership of the Twin Metals project and advanced optimisation studies



## Objectives for 2016

Contribute 50–55,000 tonnes to Group production and increase thereafter

Fully integrate Zaldívar into the Group's operating practices

Continue current exploration programmes

Identify potential new growth opportunities in Chile and abroad

Continue with optimisation of the Twin Metals project and advance the permitting process