



Fernando Reitich - CEO  
Raúl Gamonal - CFO

Santiago, October 2014

Company overview

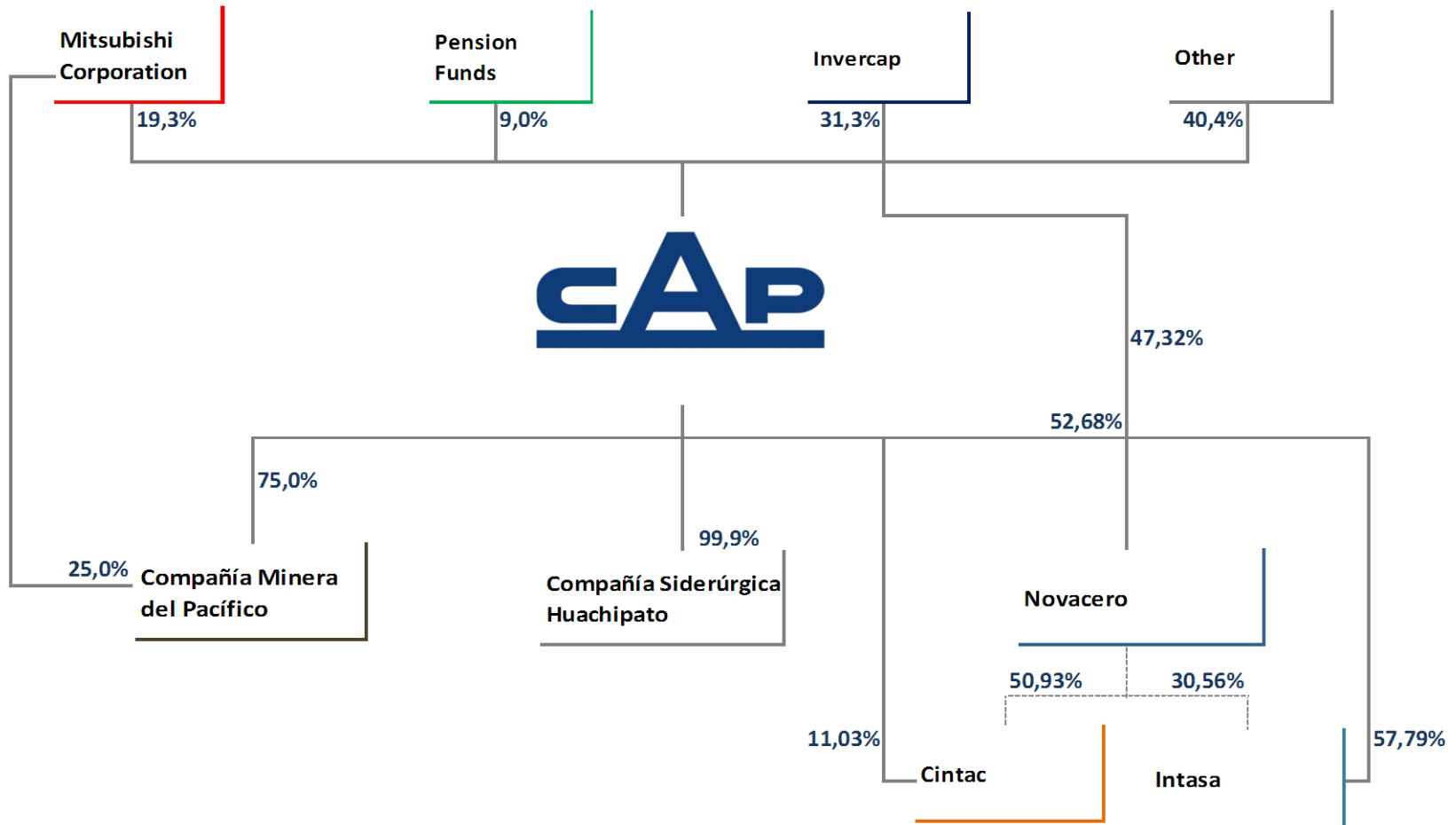
Global industry update

Financial performance

Projects

Conclusions

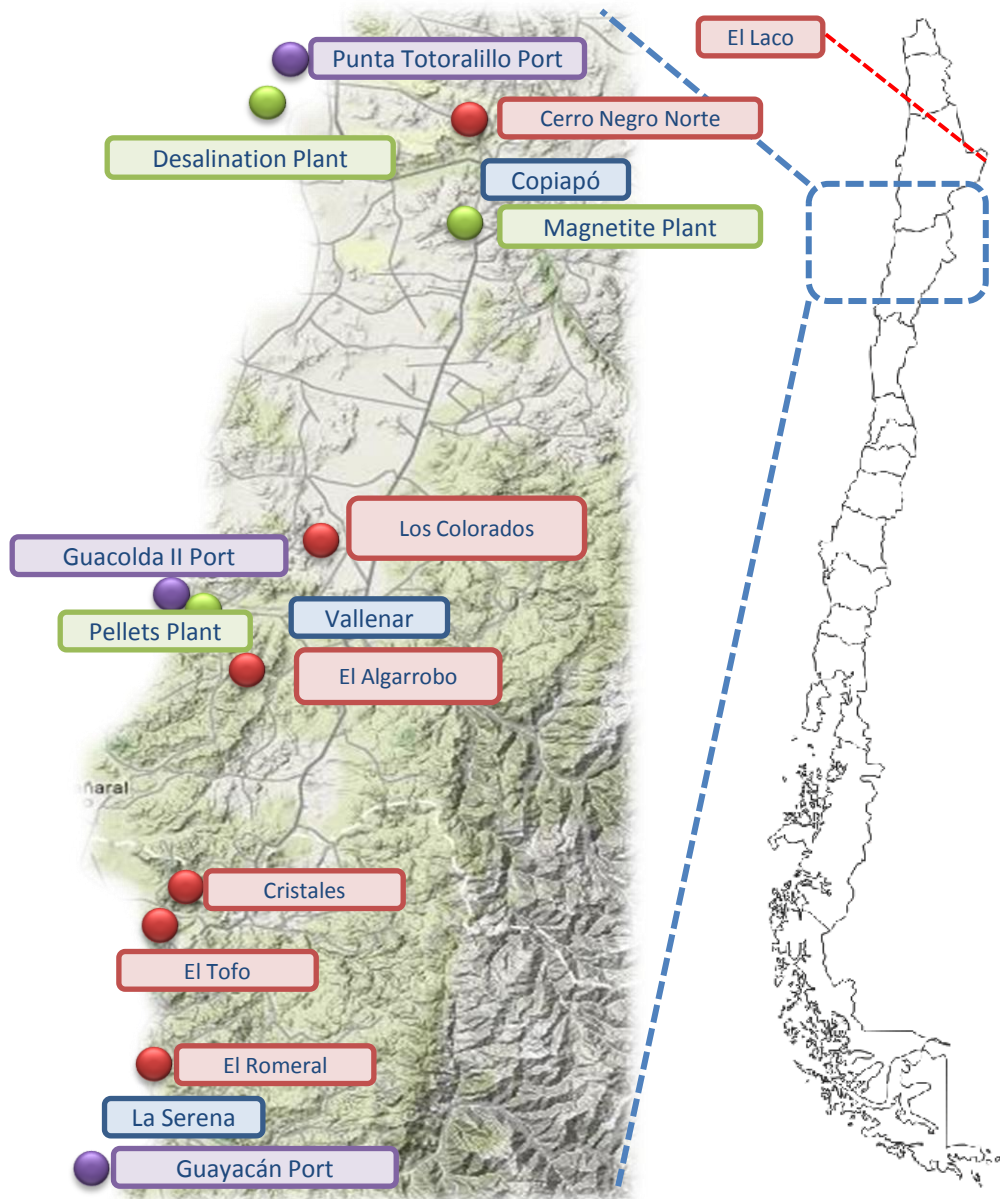
# Ownership structure



# Mining sites

CAP Mining has three different areas of operation in the north of Chile, located around the cities of:

- La Serena
- Vallenar
- Copiapó







*El Romeral mine*



*Los Colorados mine*





*Magnetite plant*



*Cerro Negro Norte Mine*



## Ranking 2013

### Hectares in exploration concessions - Chile

N°	Company	Hectares	%
1	BHP Chile Inc	1.917.100	11,33
2	Compañía Contractual Minera Los Andes	841.100	4,97
<b>3</b>	<b>CAP</b>	<b>677.700</b>	<b>4,01</b>
4	Teck Exploraciones Mineras Chile Ltda	629.700	3,72
5	Antofagasta Minerals S.A.	514.500	3,04
6	Codelco	435.500	2,57

## Ranking 2013

### Hectares in exploitation concessions - Chile

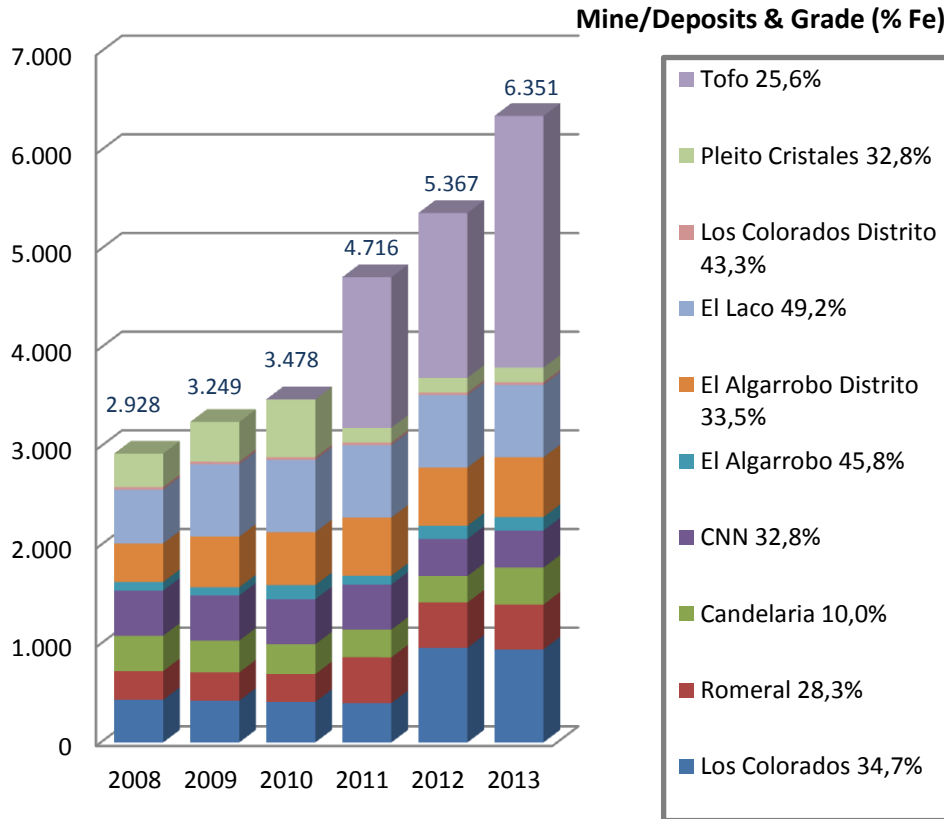
N°	Company	Hectares	%
1	Soquimich S.A.	2.861.157	20,06
2	Codelco	840.704	5,89
3	Minera Escondida Limitada	363.798	2,55
4	SCM Virginia	252.532	1,77
5	Enami	250.847	1,76
6	Antofagasta Minerals S.A.	231.392	1,62
<b>7</b>	<b>CAP</b>	<b>205.788</b>	<b>1,44</b>

- Top 3 position in exploration concessions
- More than 700.000 meters drilled over the period 2008-2013

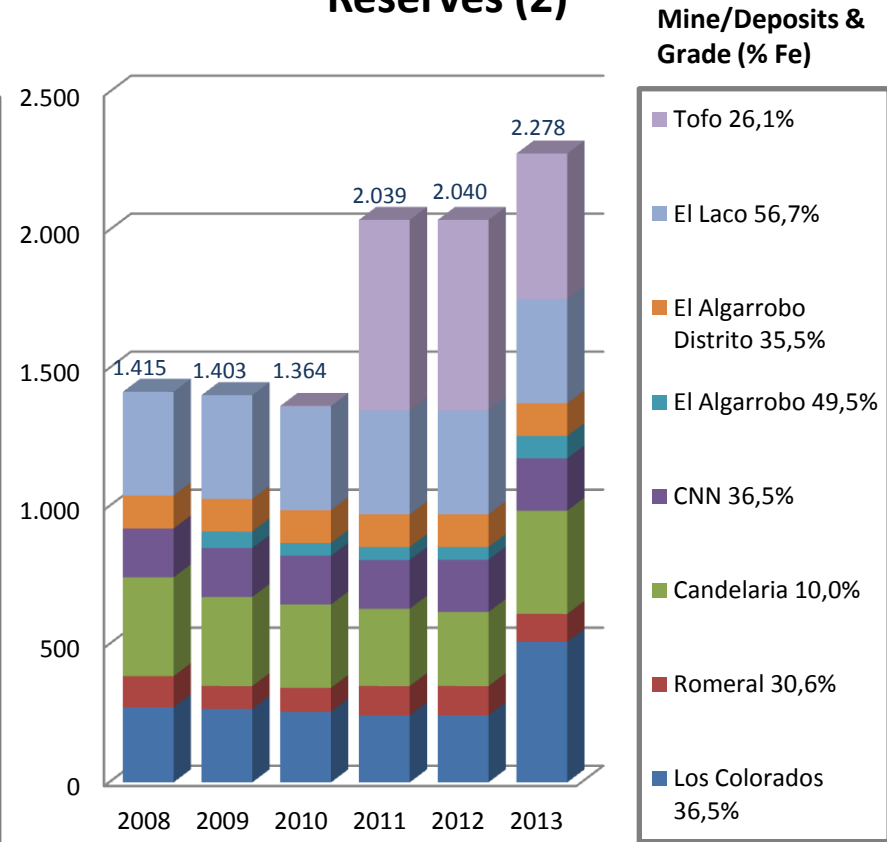
# Resources and reserves of magnetic ore

As a result of continued successful exploration campaigns, iron ore resources have increased progressively over the years, reaching 6,351 million tons in 2013

## Mineral resources (1)

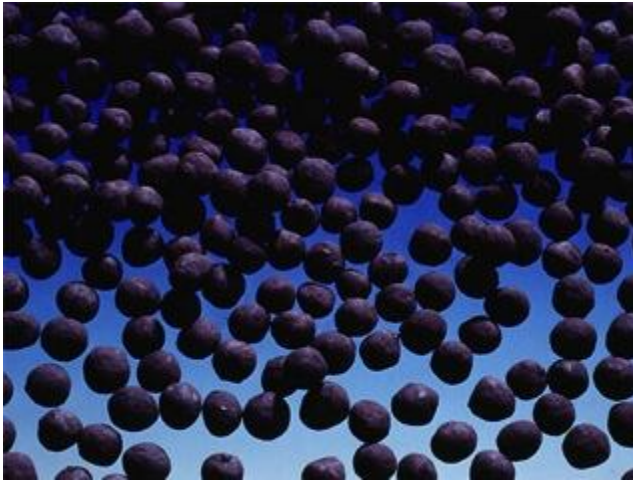


## Reserves (2)



(1) Resources: Minerals measured on a geological ore content feasible of being mined. (2) Reserves: Minerals measured on a geological content feasible of being mined economically. (3) CMP has the contract for processing the tailings of the Candelaria copper mine.

**BF and DR Pellets (Fe 65% - 67%)**



**Lumps (Fe 62%)**



**Pellet Feed (Fe 67% - 68%)**



**Fines (Fe 62%)**

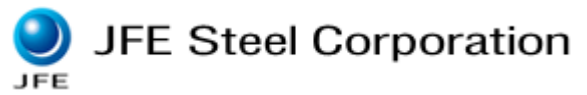




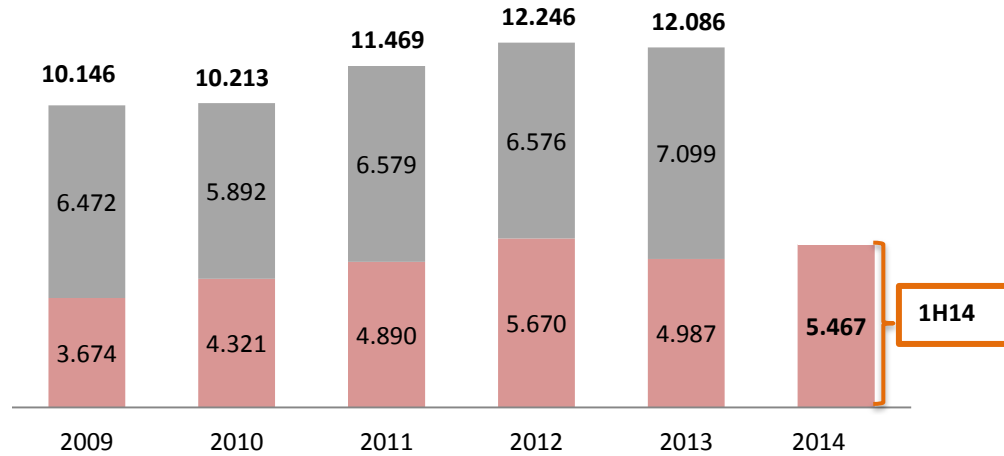
# Main customers



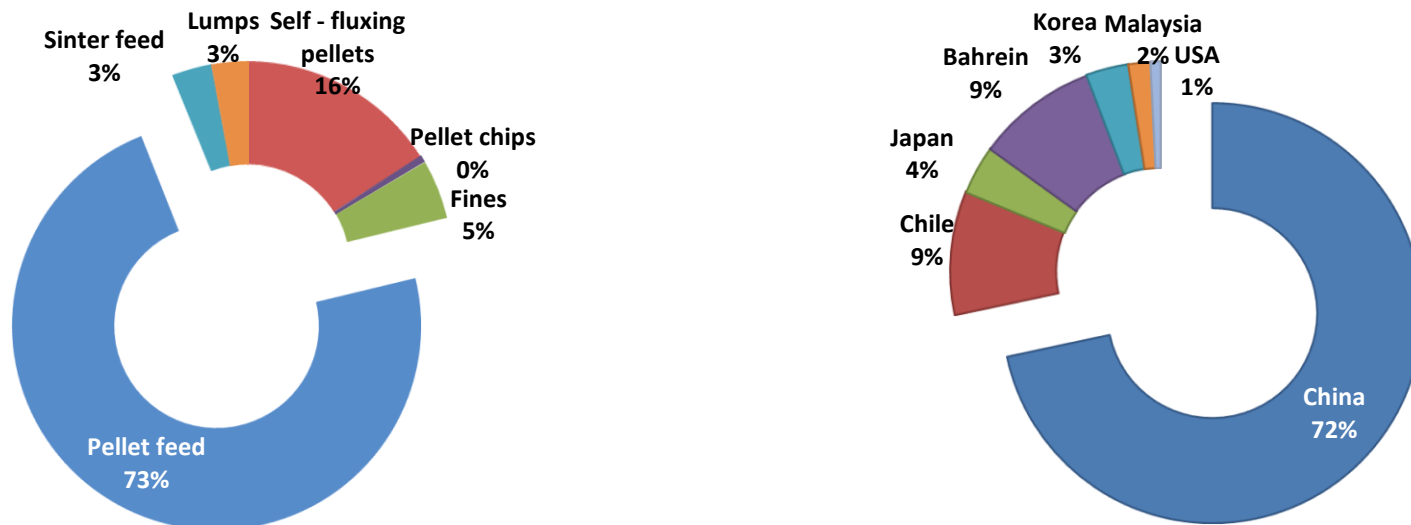
RGL Group Co Ltd



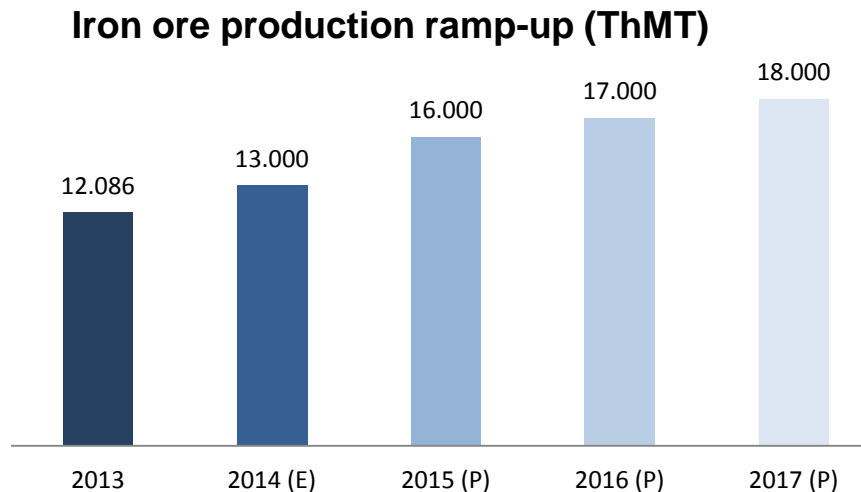
## Shipments



## Shipments by markets and products (June 2014)



- Due to the magnitude of the price adjustment of iron ore in 2014, CAP Minería's focus has been on cost and expense reduction, which amount to approximately US\$90 million YTD
- Within this effort, the company has reprogrammed the timeline for its ramp up of production at CNN and the works at Romeral phase V. These processes are continuing without interruption, albeit at a slower pace than originally planned
- As a result, the current projection is for productions of 13Mt for the current year, increasing to 16Mt in 2015, 17Mt in 2016 and 18Mt in 2017



- Additional changes to this program may be proactively effected in response to market conditions, in a manner so as to optimize cash generation and return to shareholders



## Action taken

## Effect

New bids and renegotiations on service contracts



Outsourcing expenses reduced by **US\$35 million** in 2014 (e)

Promote the railway as primary means for transporting iron ore



Transport costs reduced by **US\$20 million** in 2014 (e)

Sales and administration expenses



Reduction of **US\$10 million** in 2014 (e)

Conservative selection criteria for mining exploration and exploitation



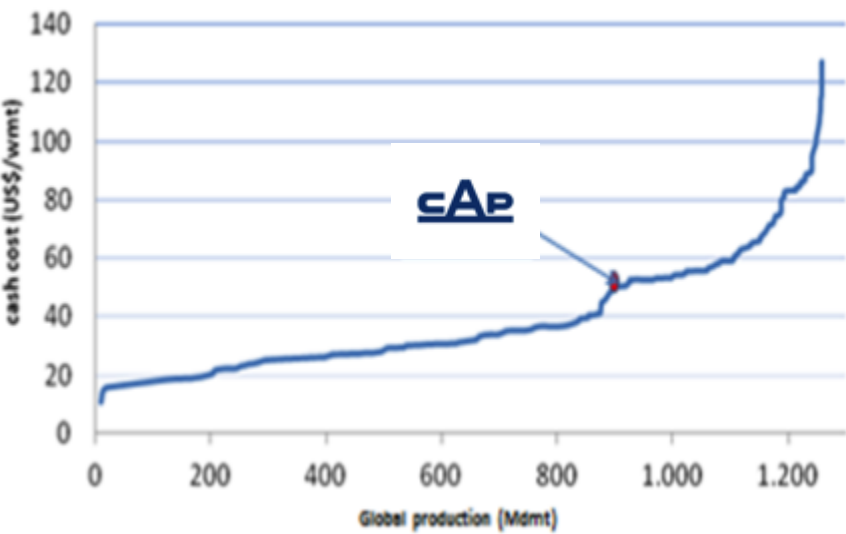
Exploration and exploitation costs reduced by **US\$5 million** in 2014 (e)

## Innovation

- CAP Mining is currently applying an efficiency plan in the use of raw materials, that will reduce the cost related to this concept by US\$10 million in 2015. The plan considers, the optimization of the iron ore extraction process from copper tailings in the Magnetite plant
- Efficiency in maintenance of the mining operations is being improved, translating into a cost reduction estimated at US\$12 million for the year 2015

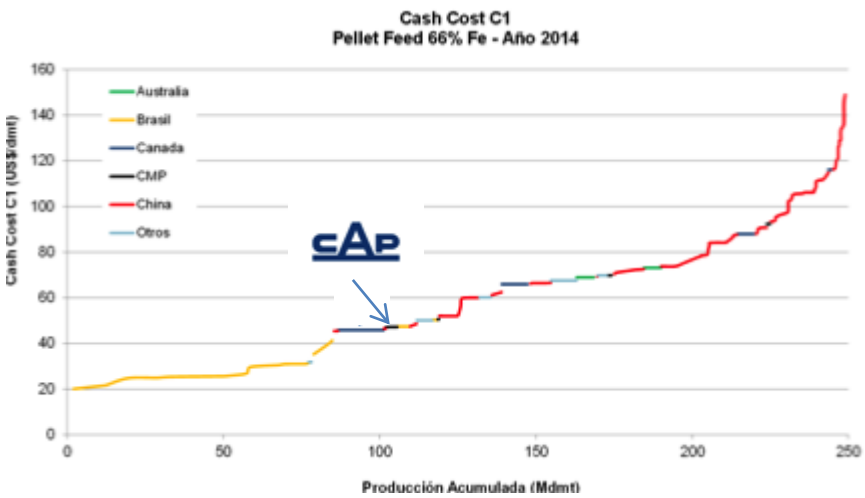
# Cash cost curve

## Global production cost

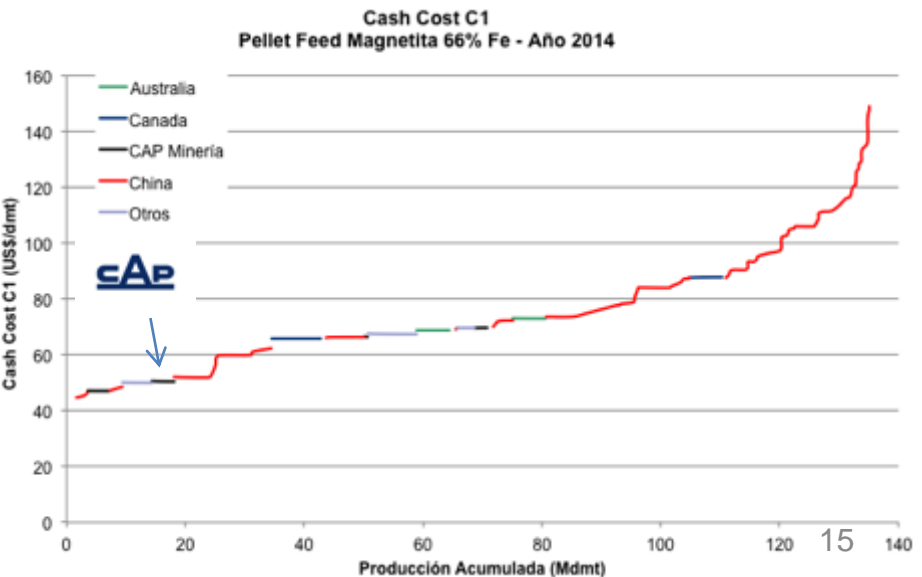


- CAP Mining is a low cost magnetite producer of high grade concentrate
- Mine depletion will lead to higher demand for high grade pellet feed
- Environmental and economic constraints support the increased need for magnetite concentrate

## Pellet feed global production cost

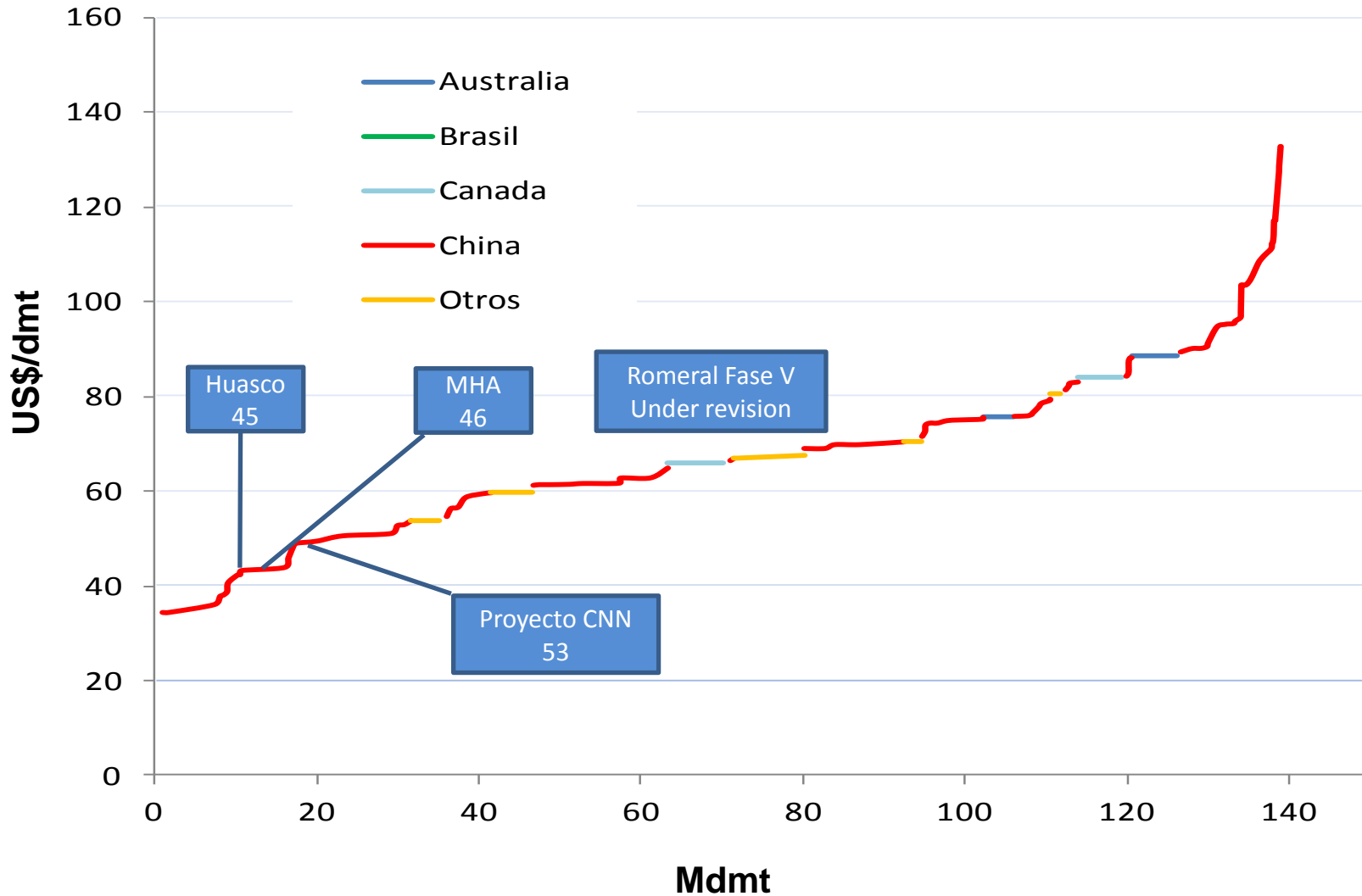


## Magnetic pellet feed global production cost



Source: Wood Mackenzie Research

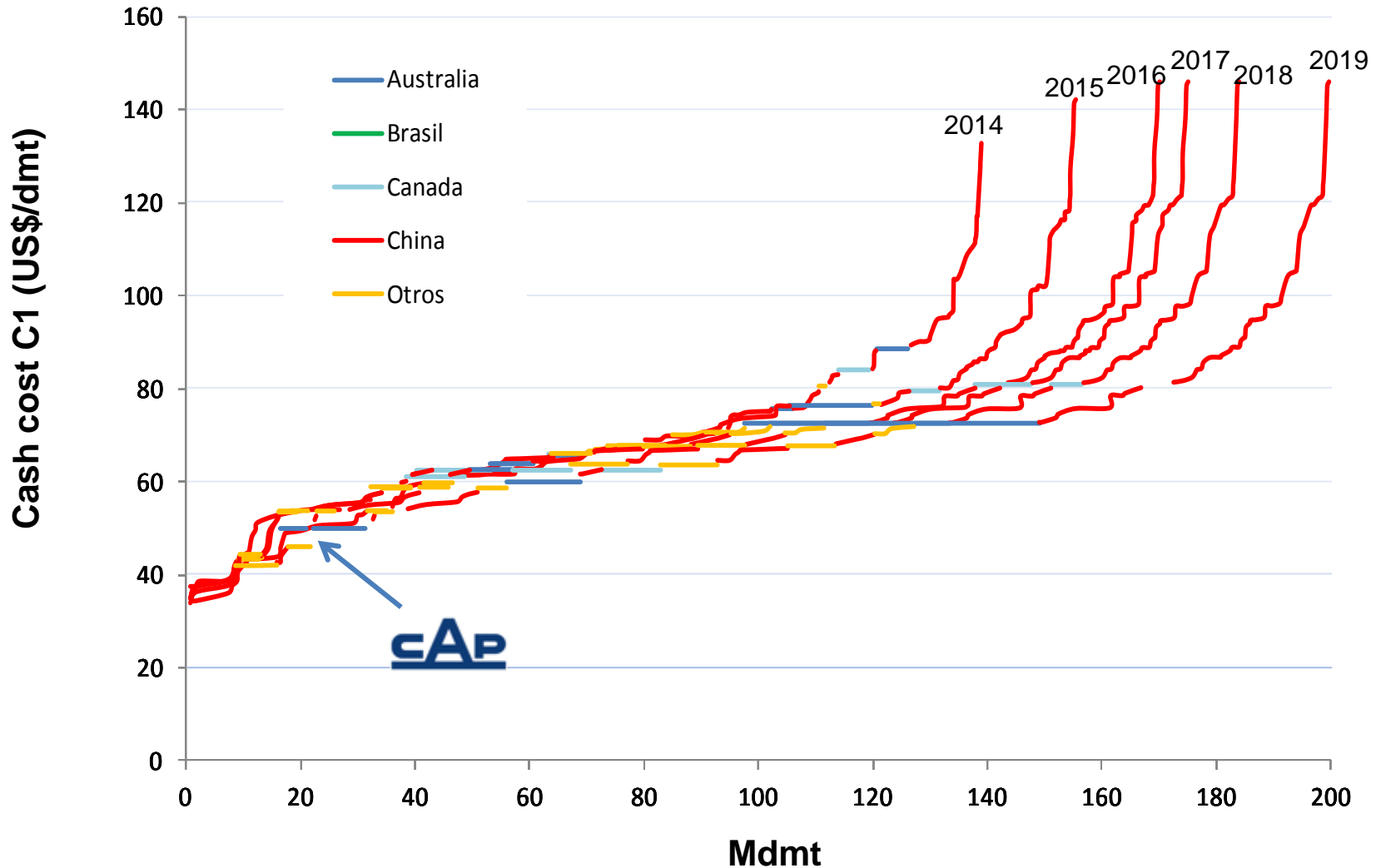
## C1 cash cost of magnetic pellet feed producers (66% Fe equivalent)





# Projected global cash cost curve – magnetite ore

## Cash cost C1 (66% Fe equivalent)

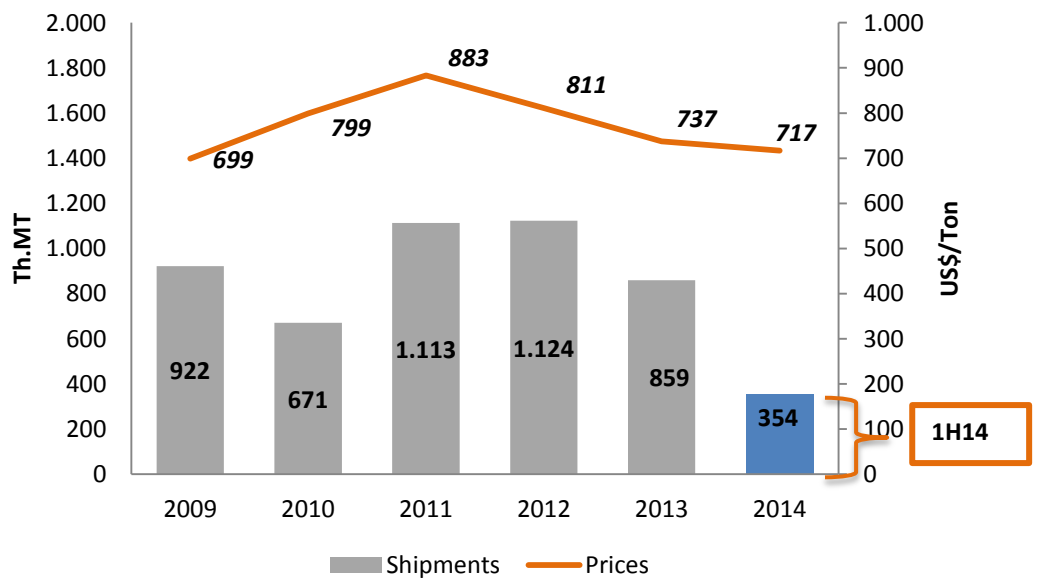




# Steel focus on long products

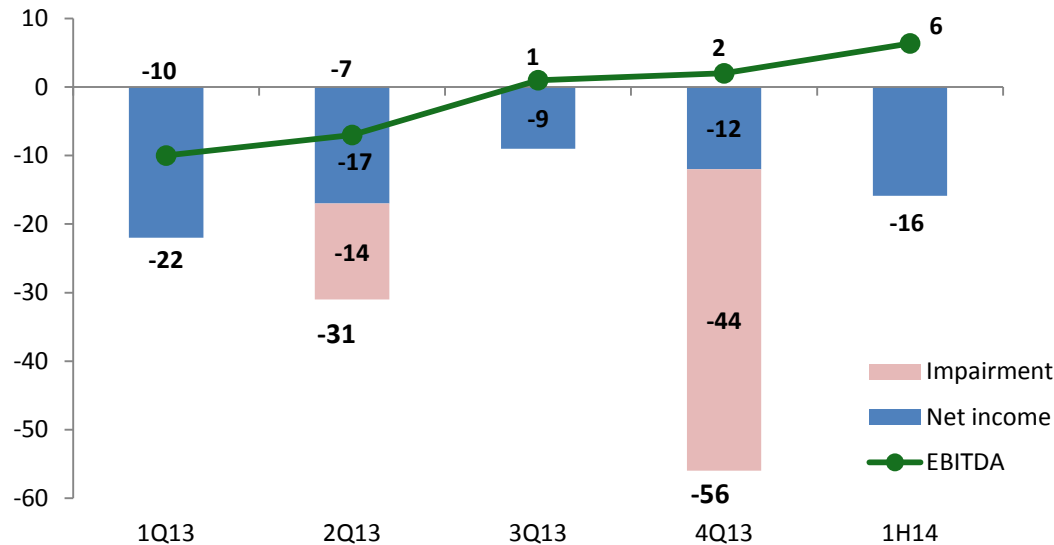
- Steel business reorganization to produce 700 kt/y, with one blast furnace
- Strong adjustment in its industrial processes and workforce
- Long products demand underpinned by domestic construction and mining sectors

## Shipments and prices





Net Income and EBITDA evolution (USD million)



- Due to the reorganization and adjustment in industrial processes, the steel company has managed to generate positive cash flow over the last fourth quarter

## Action taken

## Effect

Adjustments in CAP Steel's workforce made in 2013 are continuing in 2014



Labor costs reduced by **US\$10 million** in 2014 (e)  
Personnel December 2012: 1,716  
Personnel September 2014: 1,183

New bids on service contracts



Outsourcing expenses reduced by **US\$7 million** in 2014 (e)

Operations undergoing energy efficiency plan



Reduction of **US\$25 million** in 2014 (e), due to improvements in the steel production process, efficient reuse of internal gases, and optimization of the plant

Other adjustments



Reduction of **US\$8 million** in 2014 (e), in general expenses and in the use of operation and maintenance materials

## Innovation

CAP Steel has undergone exhaustive product development research, focused in improving end use performance, mainly for its grinding media quality grades. Successful testing being presently carried out is allowing the Company to achieve stronger customer satisfaction and explore opportunities in foreign markets

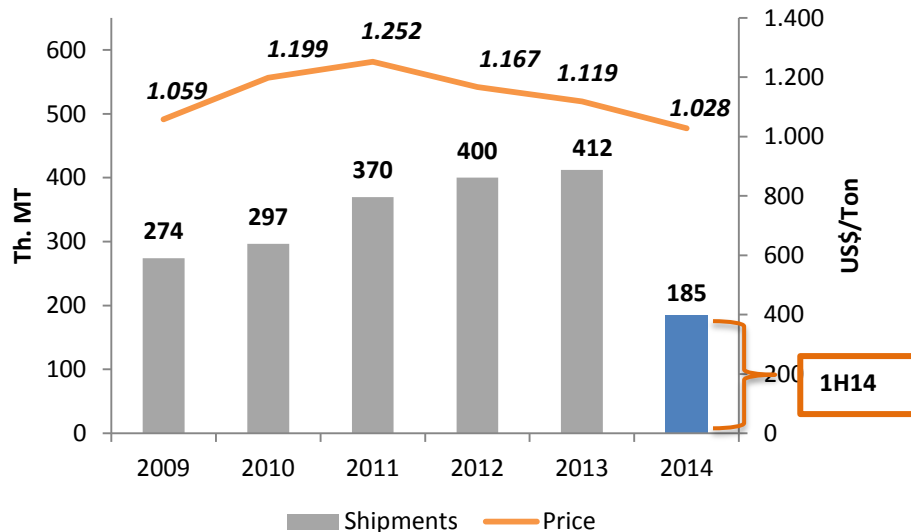
- New coal blends have allowed the company to reduce coke production costs by US\$5 per ton while maintaining its high quality and enabling the export of coke surplus, which has generated revenues of US\$ 13 million



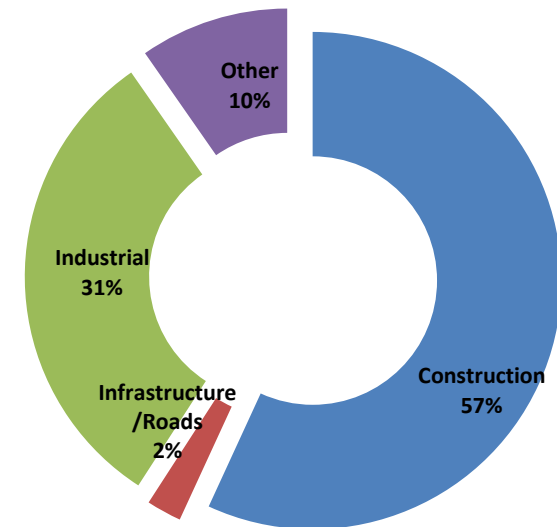
- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is LATAM's most intensive user of steel in construction
- Main flat steel importer of the Pacific coast of South America
- Transition to establish new and competitive supply sources of flat steel



## Shipments and prices



## Sales by Sector June 2014



## Action taken

## Effect

Adjustments in CAP Steel Processing 's workforce made in 2013 are continuing in 2014



Labor costs reduced by **US\$4.6 million** in 2014 (e)  
Personnel June 2013: 753  
Personnel September 2014: 601

Sales and administration costs



Cost reduction of US\$7 per ton (approx. **US\$2.2 million** per year)

Efficiency in operations and logistic costs



Operation cost and logistic reductions of US\$16 per ton and US\$6 per ton, respectively (approx. **US\$6.9 million** per year)

Assets optimization



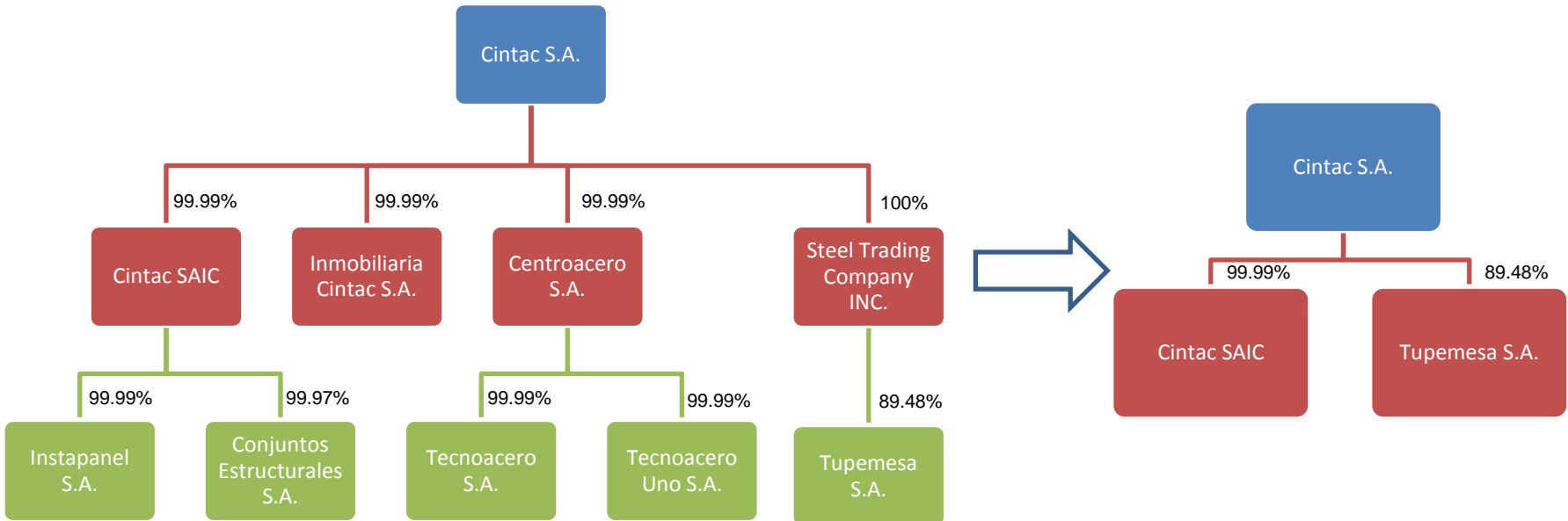
Availability of **91,000 m<sup>2</sup>** for lease or sale. Working capital adjustment for **US\$19.0 million** in 2014

## Innovation

- CAP Steel Processing has contributed during this year with new products such as steel photovoltaic structures, certified roadside defenses and Metalcon siding for the housing market. These products are expected to generate sales of US\$26 million per year approximately
- The group is working on new architectural panels for industrial applications and acoustic panels for industrial and highway applications. These products are estimated to generate sales for US\$ 9,5 million per year and will be launched next year



## Steel processing reorganization towards a lighter and lower cost structure



- The reorganization allowed the company to benefit of a goodwill of US\$10 million
- Labor cost and general expenses reduction of US\$1.2 million and US\$0.4 million per year, respectively
- Assets availability for rental to third parties: Centroacero, 55,600 m<sup>2</sup>, US\$1.3 million yearly  
Varco Pruden, 36,000 m<sup>2</sup>, US\$0.8 million yearly

Company overview

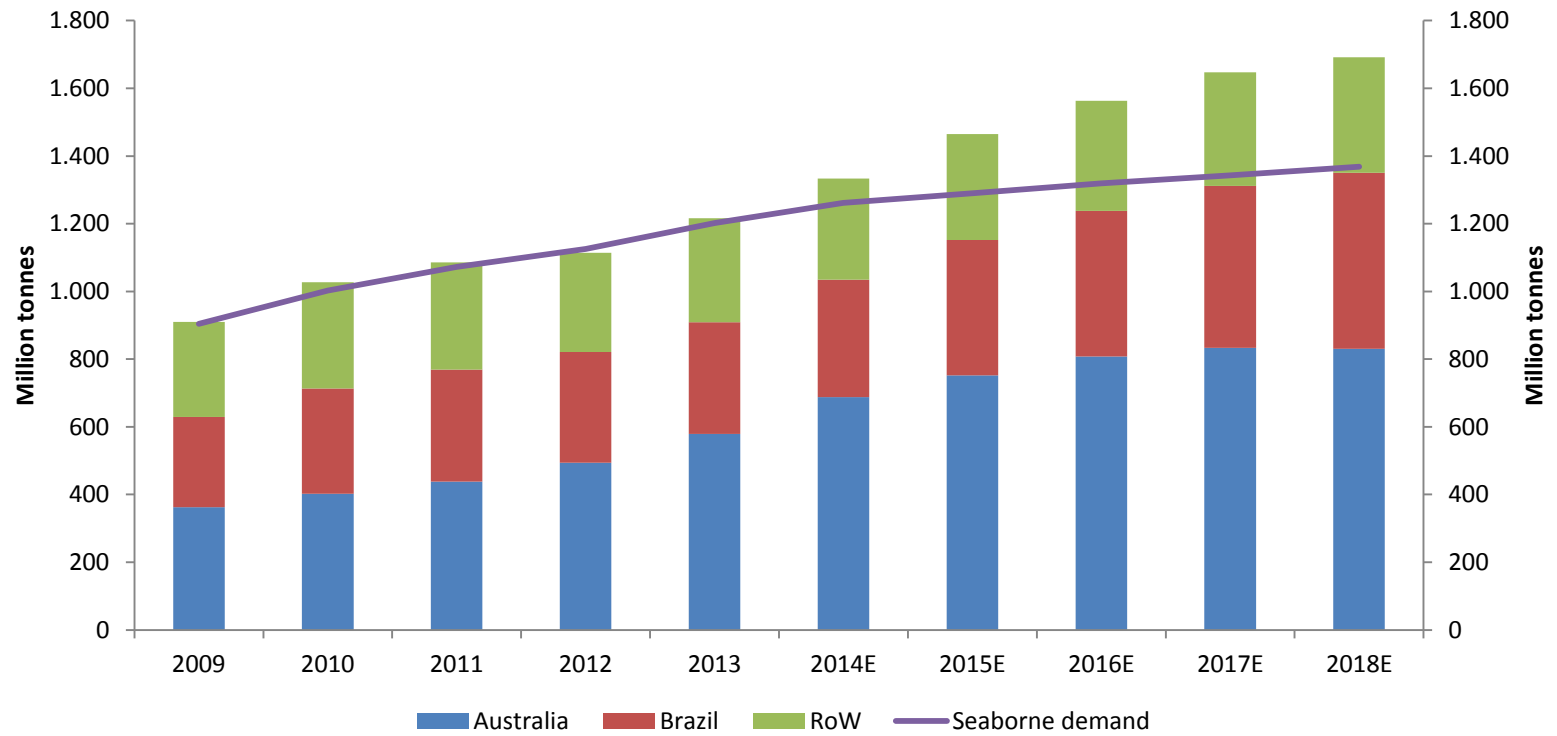
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# Seaborne iron ore supply/demand projection



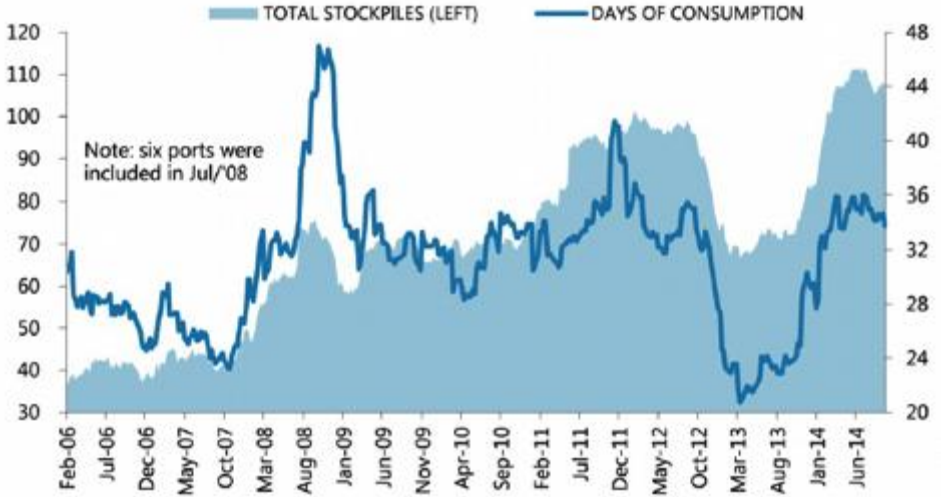
Price	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Fines 62% Fe CFR China (US\$/dmt)	81	145	168	130	135	107	80	82	85	80

Source: Goldman Sachs, September 2014

# Iron ore inventories in Chinese ports



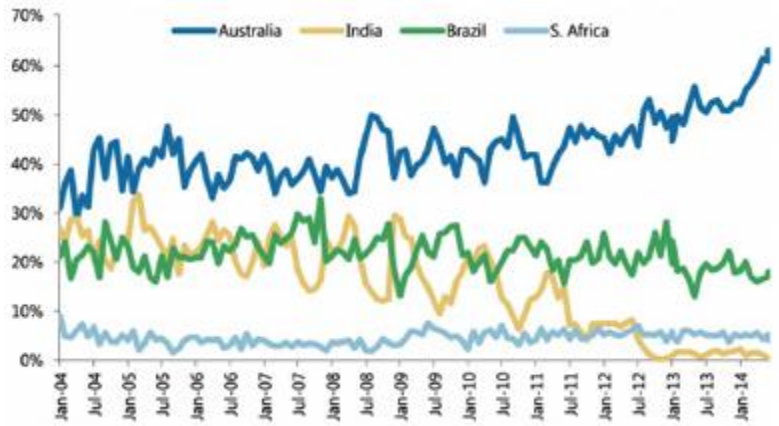
Total iron ore stockpiles at China's major ports (Mt)



Chinese iron ore stockpiles by origin (Mt)

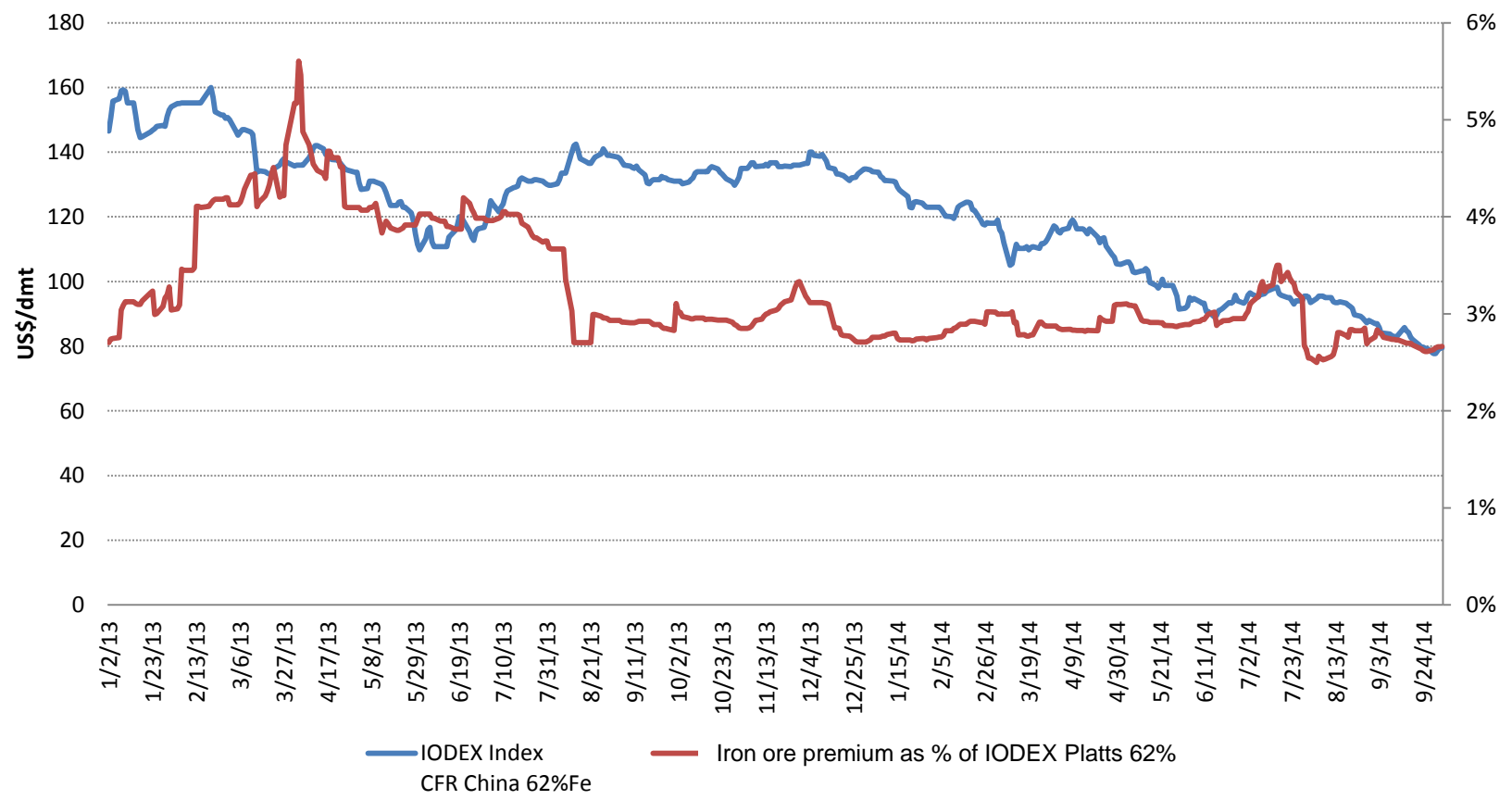


Share of iron ore imports into China



Source: Morgan Stanley Iron Ore Chartbook, October 2014

## Iron ore premium as percentage of the price





Premium for higher grades ... but most concentrate producers are struggling ...

## PLATTS DAILY IRON ORE PRICE ASSESSMENTS

### Platts daily iron ore assessments, October 17

	\$/dmt	Midpoint	Change	% Chg
IODEX 62% Fe CFR North China	80.50-81.50	81.00	0.75	0.93
63.5/63% Fe CFR North China	82.00-83.00	82.50	0.75	0.92
65% Fe CFR North China	88.75-89.75	89.25	1.00	1.13
58% Fe low Al CFR North China	70.50-71.50	71.00	0.75	1.07
58% Fe* CFR North China	66.25-67.25	66.75	0.75	1.14
52% Fe CFR North China	46.75-47.75	47.25	0.75	1.61

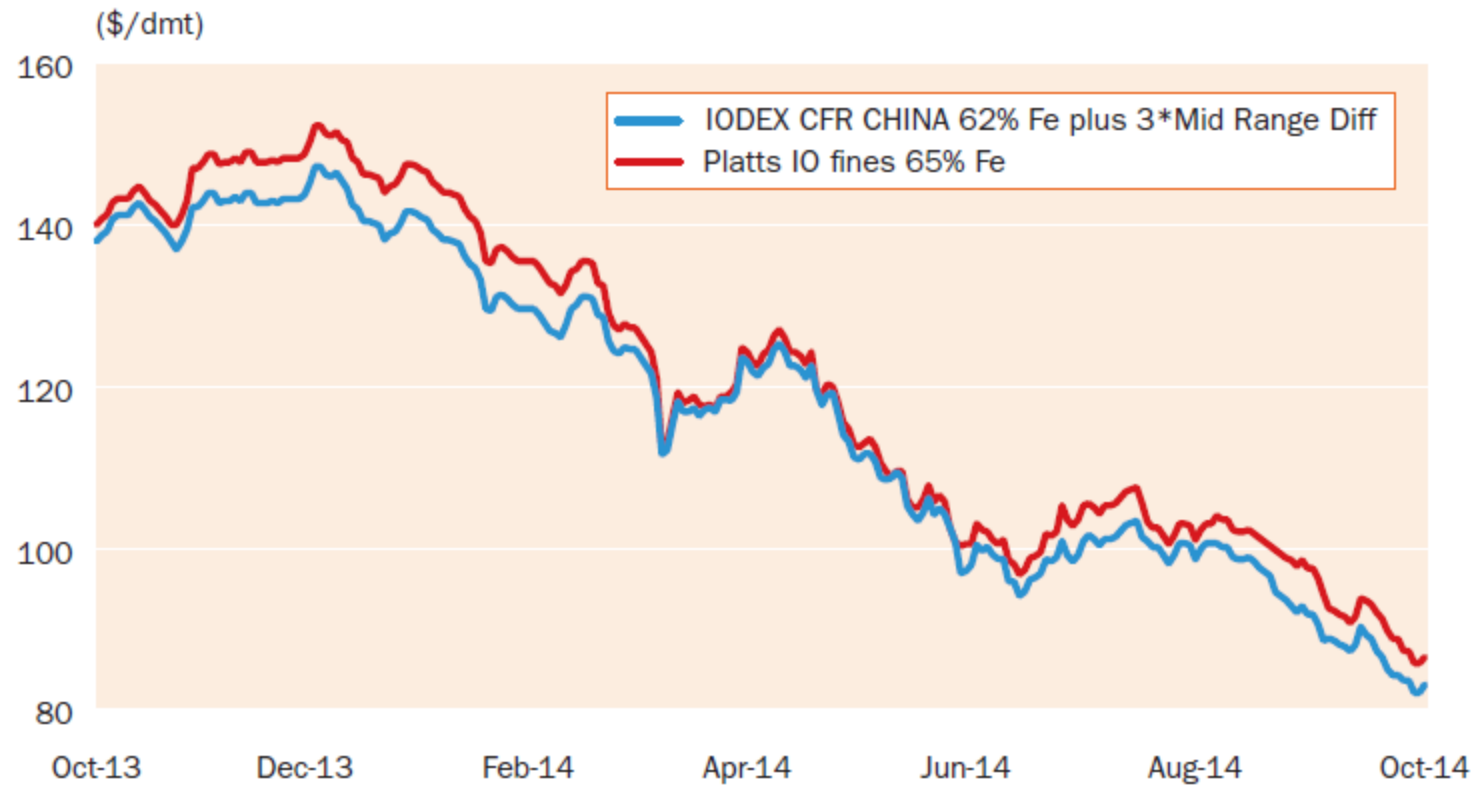
\*Al = 4.0% max

### Per 1% differentials (Range 60-63.5% Fe), \$/dmt

	Within Min-Max	\$/dmt	Change
Per 1% Fe	60-63.5% Fe	1.45	0.00
Per 1% Alumina	1-2.5% Al <sub>2</sub> O <sub>3</sub>	0.50	0.00
Per 1% Silica	4.5-6.5% SiO <sub>2</sub>	1.60	0.00
	6.5-9% SiO <sub>2</sub>	2.00	0.00

Source: Platts, October 2014

## Platts IODEX and 1% diff vs Platts IO fines 65%



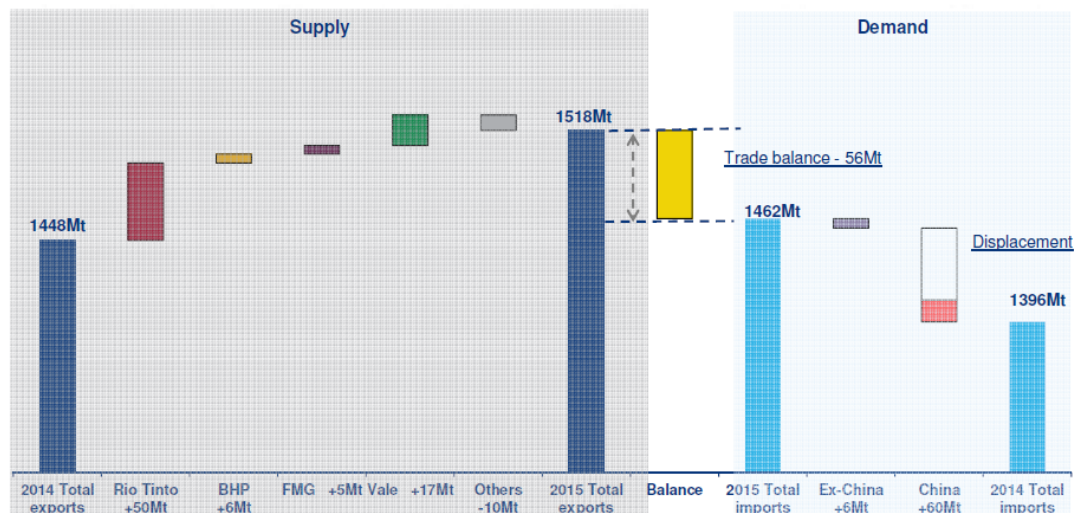
# Chinese supply adjustment and oversupply for 2015

Chinese iron ore production has decreased, following the iron ore price downward trend



Source: Morgan Stanley Iron Ore Chartbook, October 2014

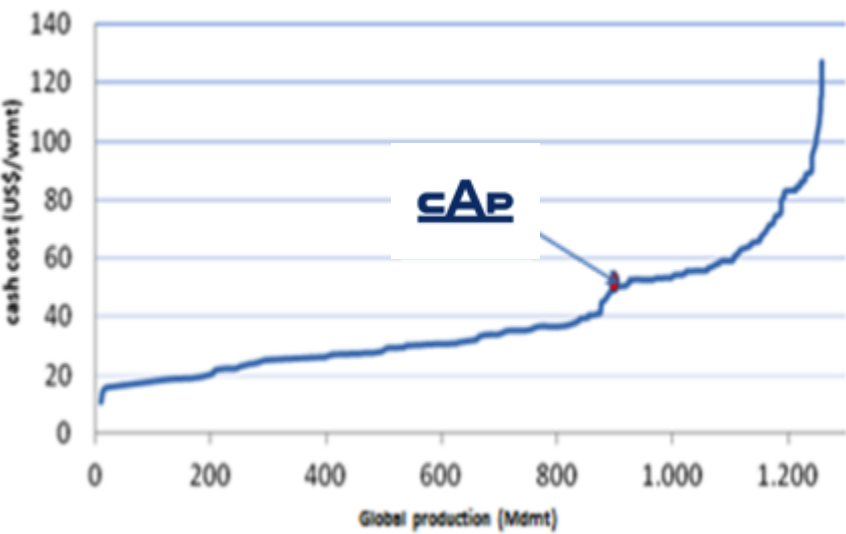
## Iron ore oversupply projected for 2015



Source: Wood Mackenzie, September 2014

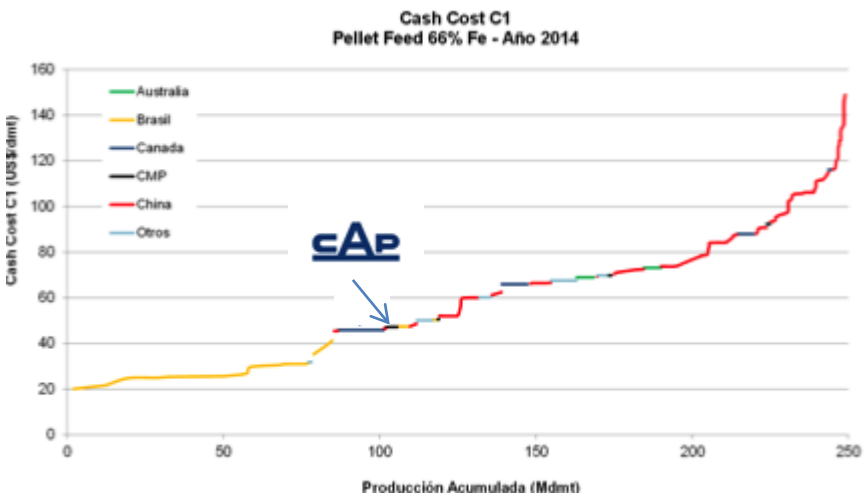
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## Global production cost

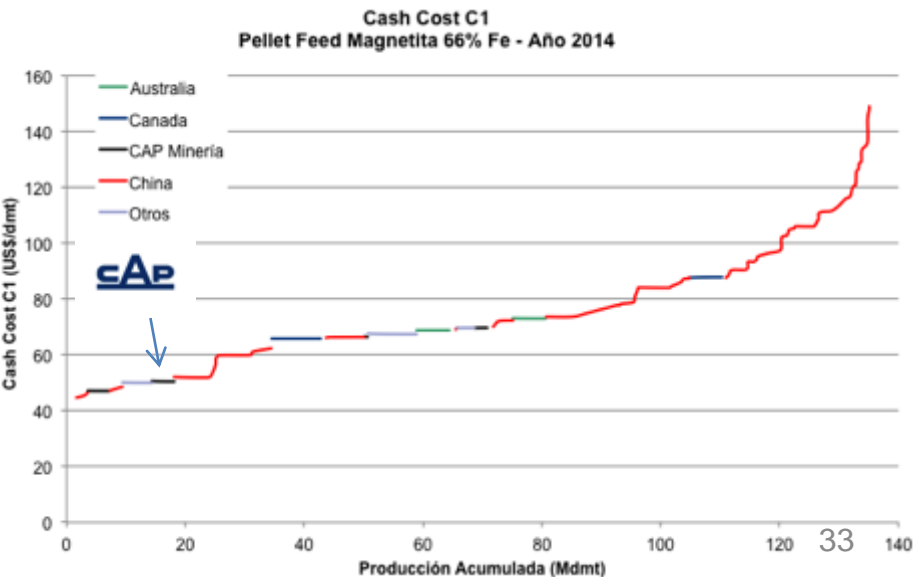


- CAP Mining is a low cost magnetite producer of high grade concentrate
- Mine depletion will lead to higher demand for high grade pellet feed
- Environmental and economic constraints support the increased need for magnetite concentrate

## Pellet feed global production cost



## Magnetic pellet feed global production cost

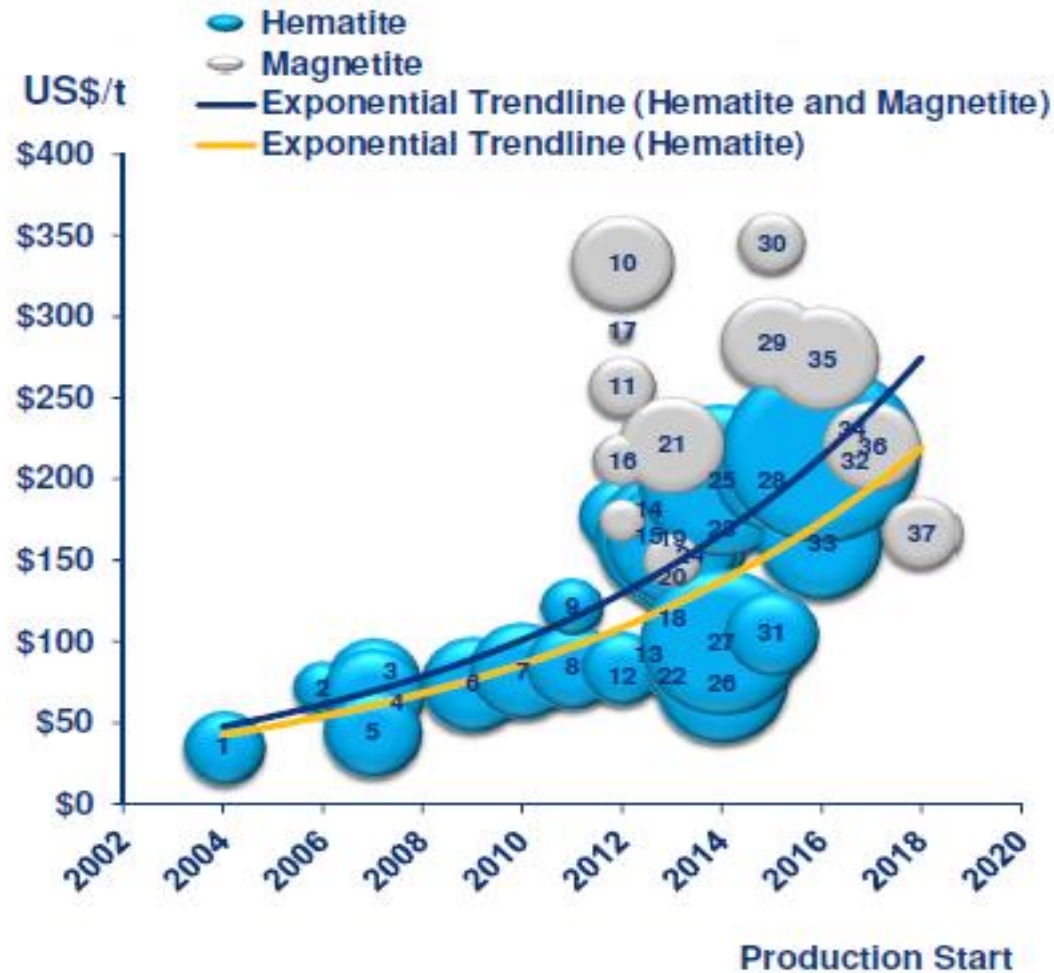


Source: Wood Mackenzie Research

# Global iron ore project: Hematite v/s Magnetite

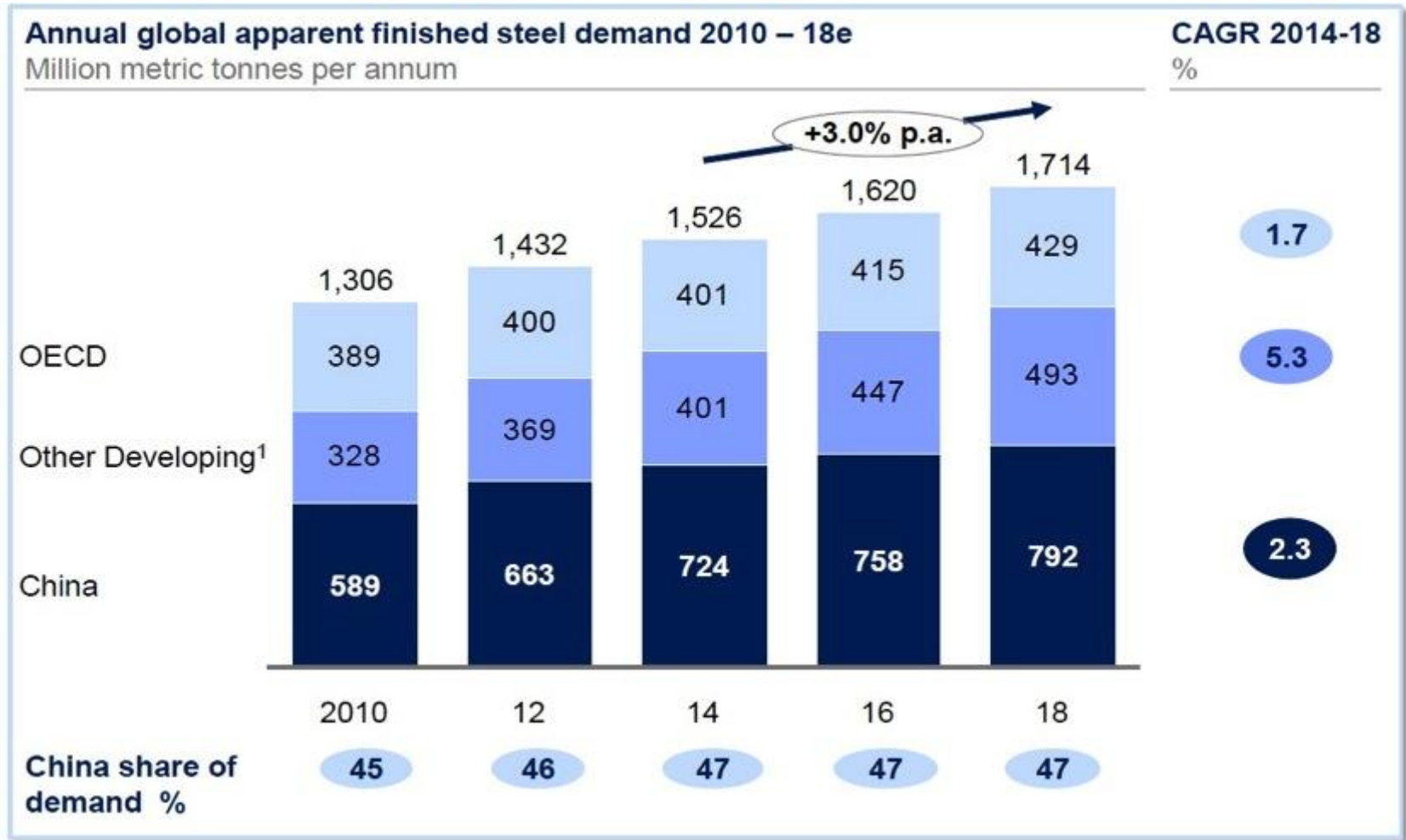
- According to projections, the market for high grade magnetite concentrate should continue to be in balance

## Growth in Capex (37 projects with announced capex)





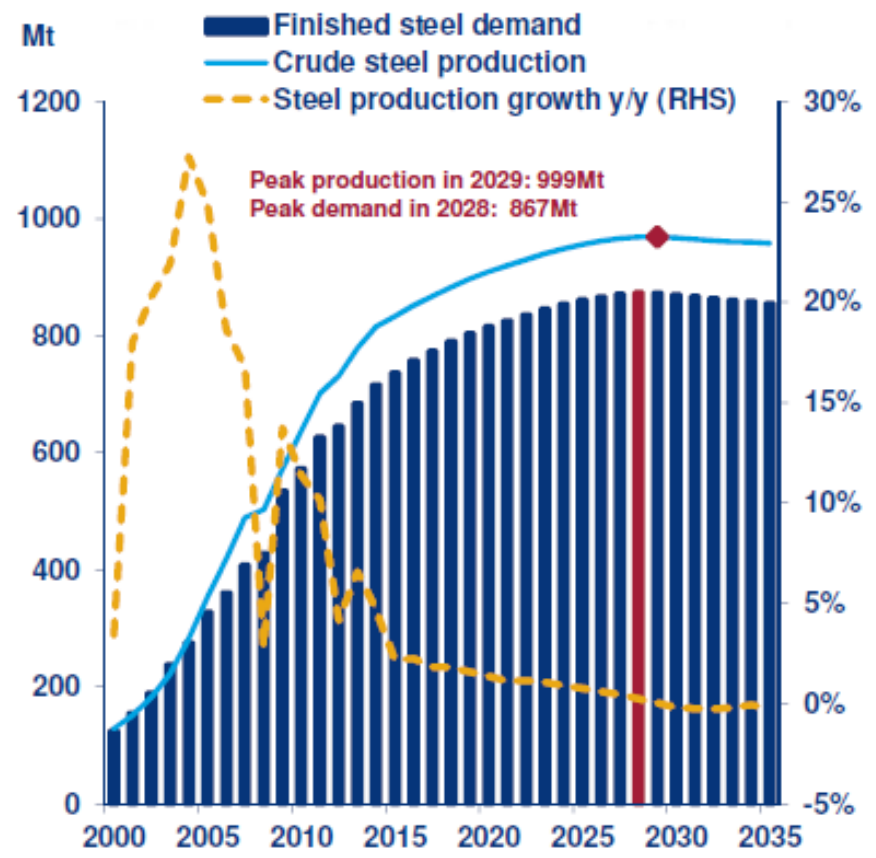
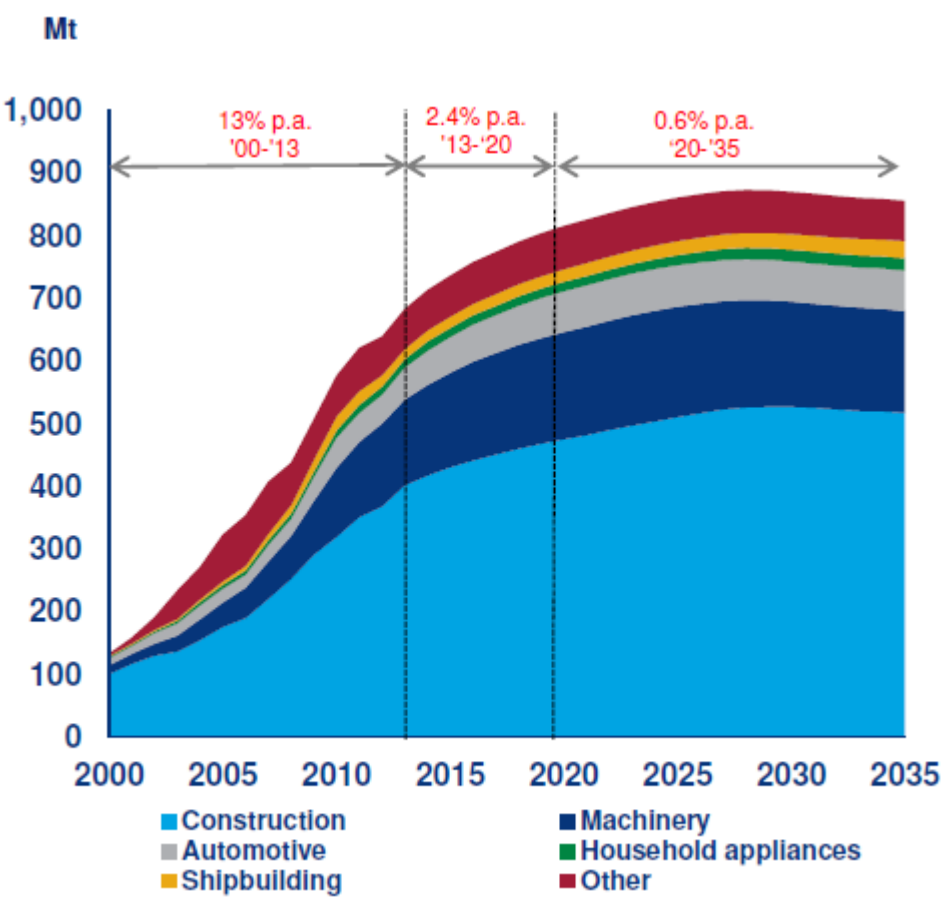
- Global finished steel demand will grow from 1.5 bn tons in 2014 to 1.7 bn tons by 2018 (implied 3% CAGR)



(1) Other Developing includes CIS, MENA, Sub-Saharan Africa, Latin America, India, and Other Asia  
 SOURCE: WSA; McKinsey Steel Demand Model Oliver Ramsbottom, Partner, McKinsey & Company, February 2014  
 Source: Worldsteel, October 2014

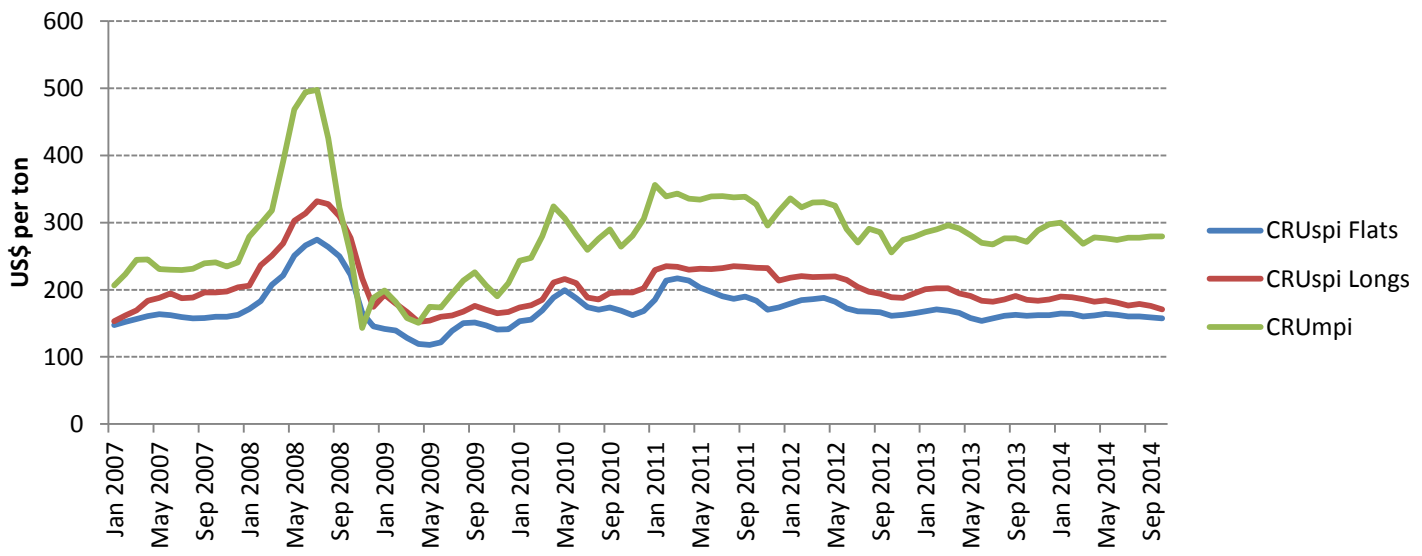
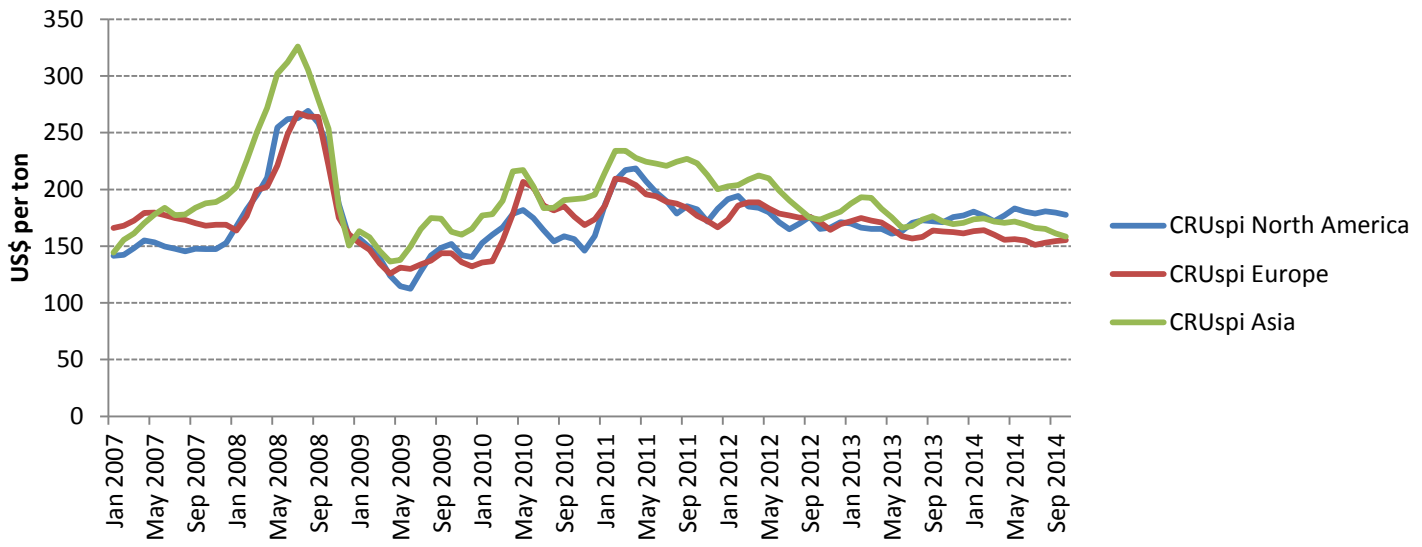
# China steel consumption

- Construction, machinery and automotive industries are relevant drivers for steel demand in China



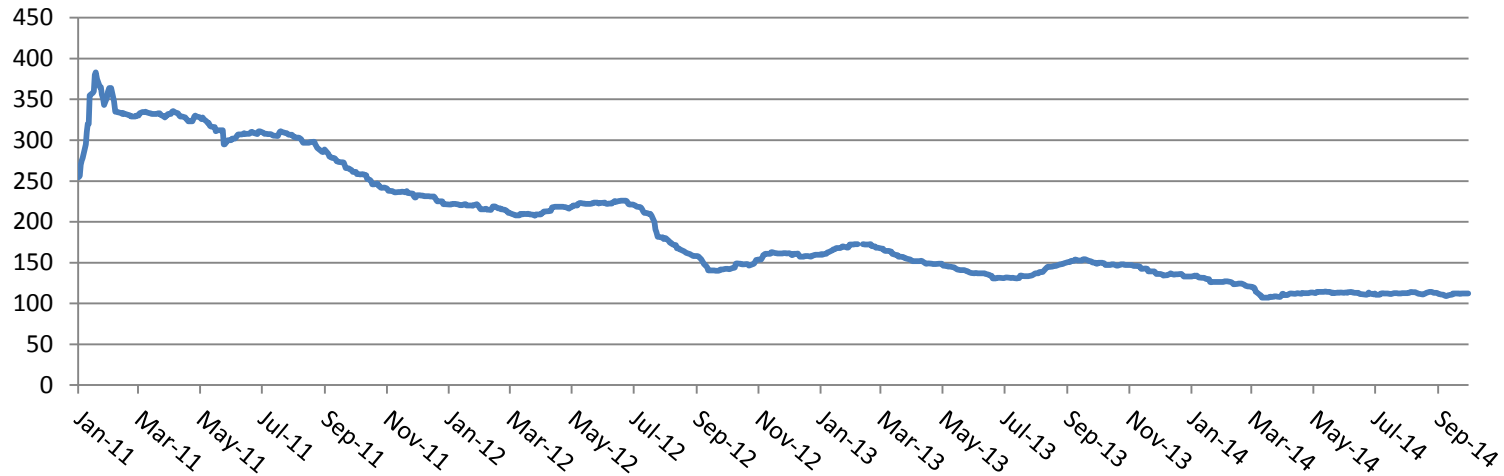
Source: Wood Mackenzie, September 2014

# Steel price evolution

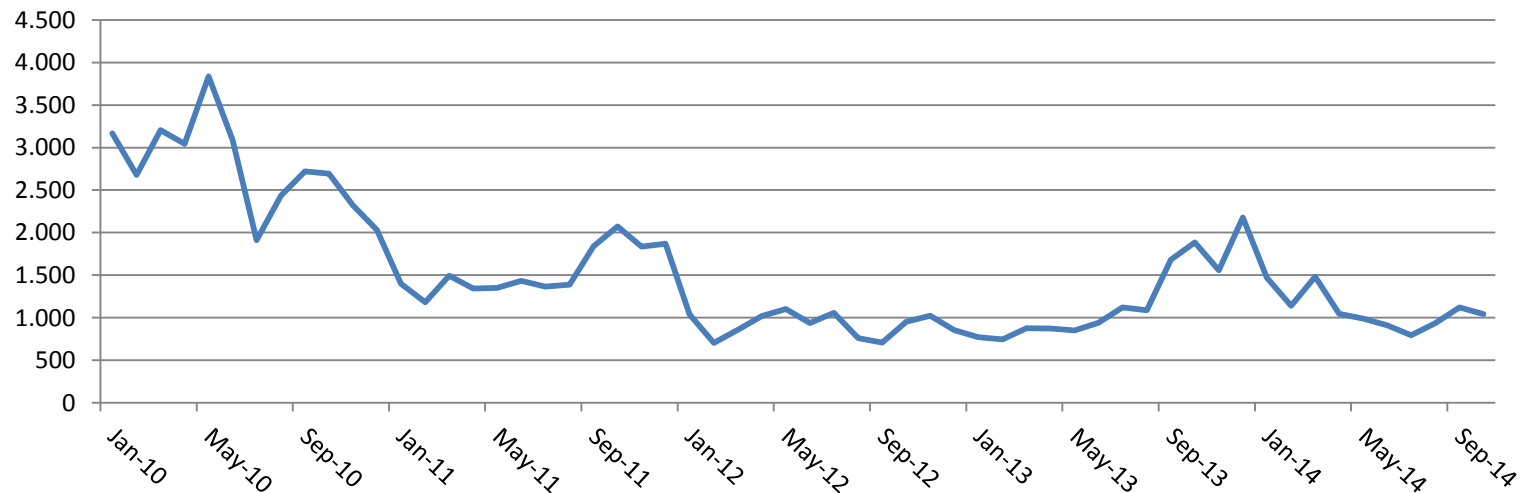


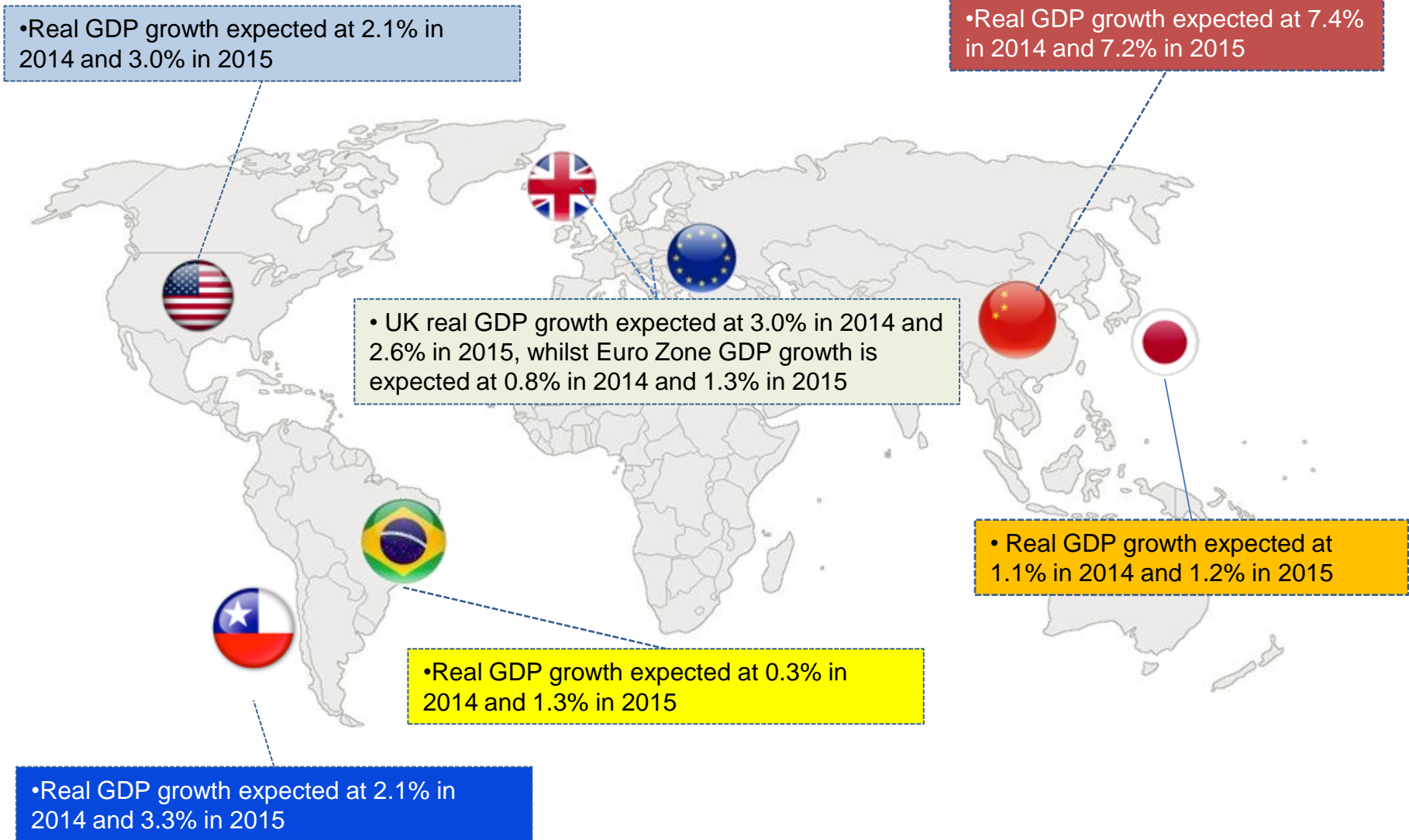
Source: CRUsapi, October 2014

## Metallurgical Coal (US\$/TM)



## Baltic Dry Index







Company overview

Global industry update

**Financial performance**

Projects

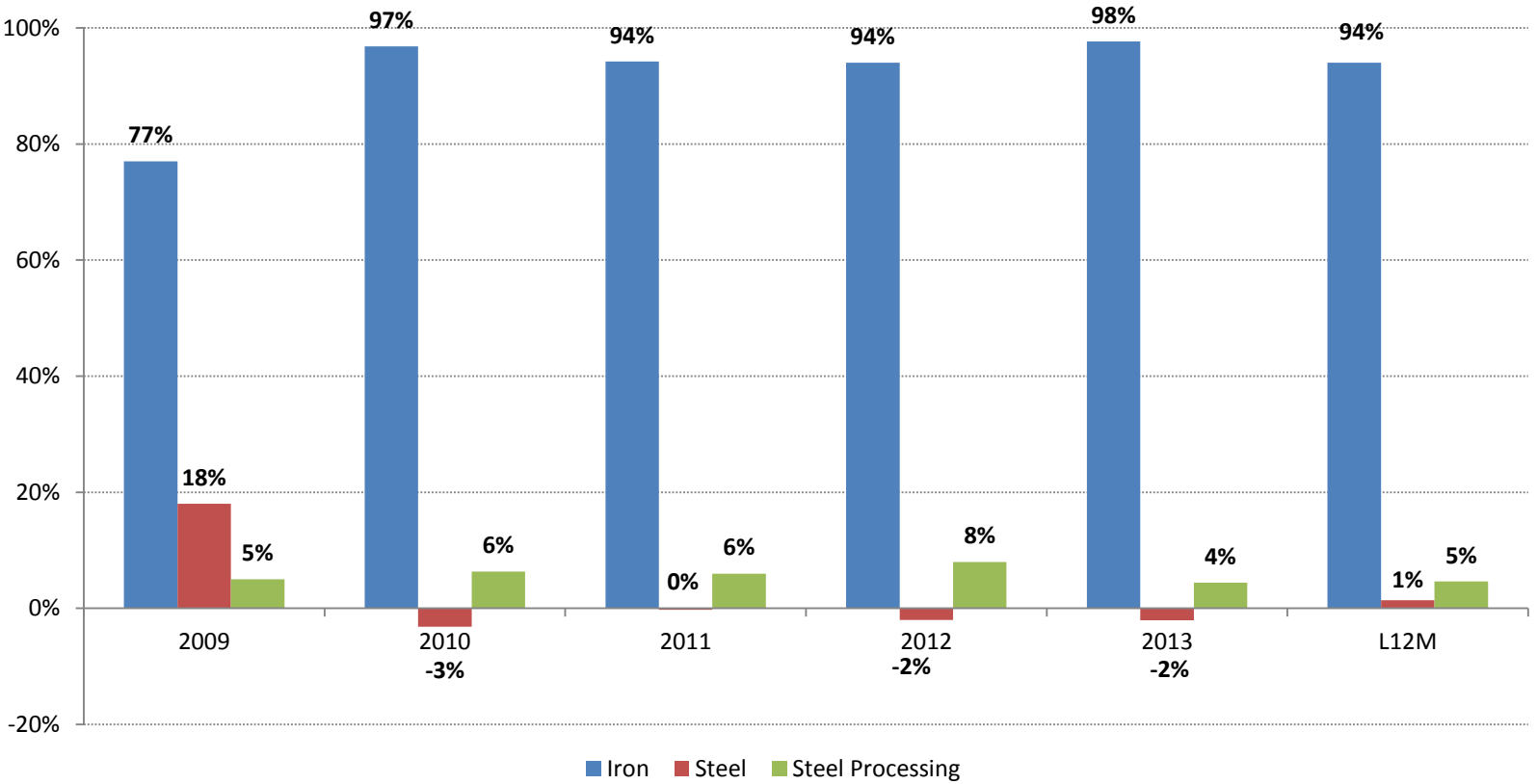
Conclusions

USD Million	2009	2010	2011	2012	2013	1H14	L12M
Sales	1.375	1.994	2.787	2.470	2.297	994	2.233
EBITDA	128	740	1.184	764	708	237	651
EBITDA Margin	9,3%	37,1%	42,5%	30,9%	30,8%		29,1%
Net Income	25	590	442	234	184	46	148
Cash	393	981	883	711	309	414	414
Gross Financial debt	907	1.001	628	719	932	1.198	1.198
Net Financial debt	514	20	-255	8	623	784	784
Net Financial Debt /EBITDA	4,01	0,03	-0,22	0,01	0,88		1,20
Capex	142	207	282	777	975	301	770

- As of September 30th, 2014, CAP's Financial Statements will reflect an effect in deferred taxes, at a rate of 27%, for approximately US\$ 75 million
- The above mentioned US\$75 million deferred taxes effect, is an accounting registration that will not have cash impact

Tax Reform 2014 USD Million	
CAP Mining	(58)
CAP Steel	(19)
Steel processing	-
CAP Holding	2
<b>Total</b>	<b>(75)</b>

# EBITDA contribution by business



(1) EBITDA: Gross Margin – S&AE + Depreciation and Amortization + Dividends received in cash, over the last twelve months

Company overview

Global industry update

Financial performance

**Projects**

Conclusions

With the start up of the Cerro Negro Norte mine in May, 2014, the current investment plan reached its final stage



Considering the current situation of the iron ore market, the focus of the company will be on protecting the company's cash flow and maintaining a high level of liquidity



Any further investment will be subject to the above restrictions. The maintenance CAPEX of the CAP Group is US\$100 million



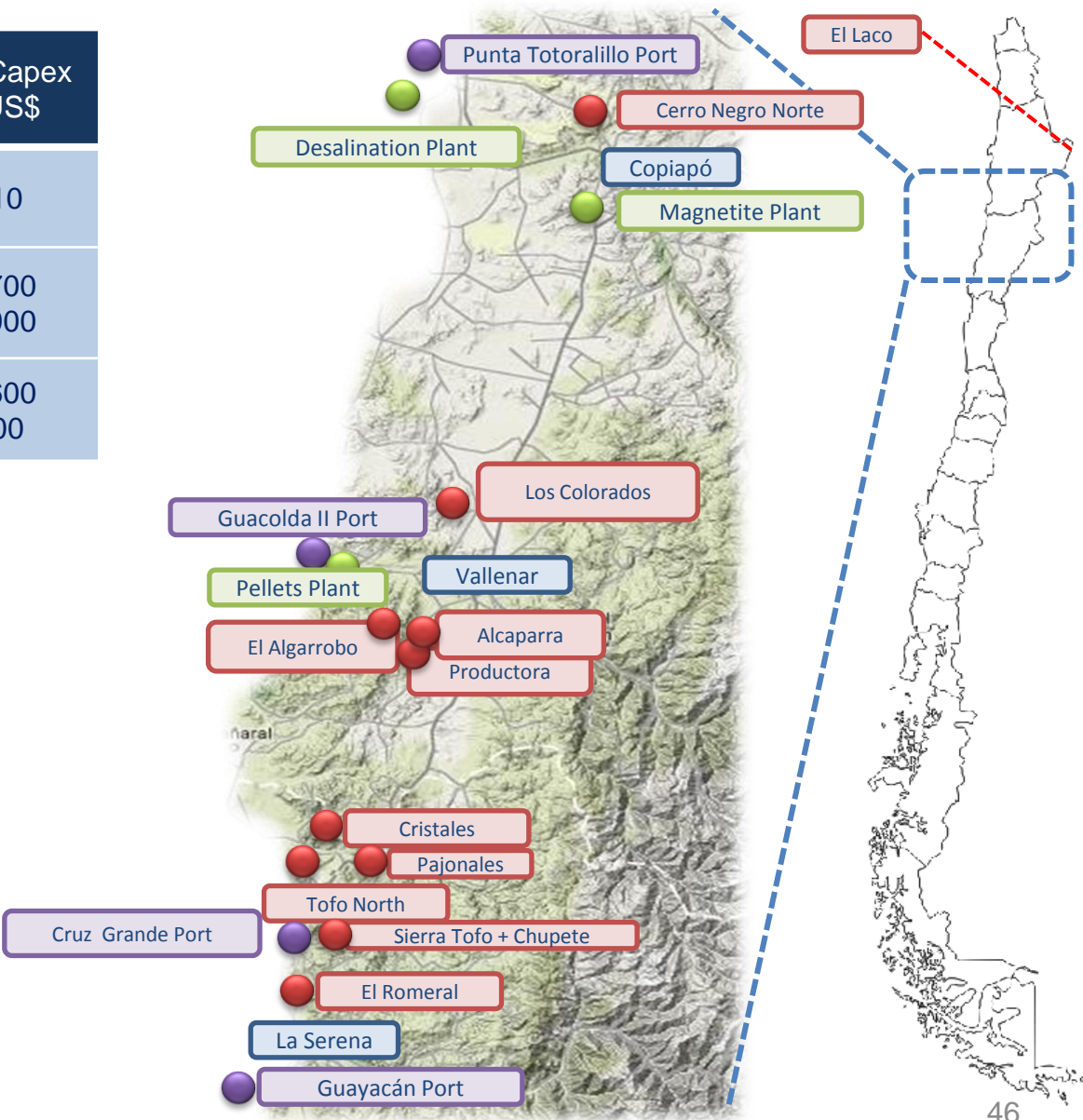
CAP is currently working in monetization structures that should allow for the development of its future projects



# Mining future prospects



Project	Production Mt	Est. Capex MUS\$
Magnetite Plant Expansion	1 PF	110
Tofo	6,5 PF 13,5 PF	1,700 2,900
Alcaparra	6 PF 135 Kt Conc-Cu	1,600 300



Investment (E) : 1,700 – 2,900 MUS\$

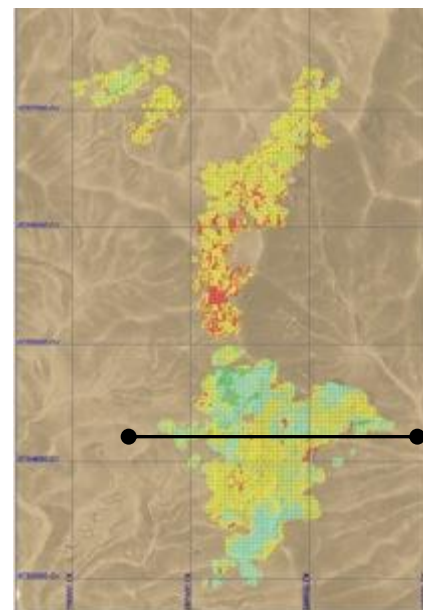
- Greenfield

Production: 6.5-13,5 Mt/y of pellet feed

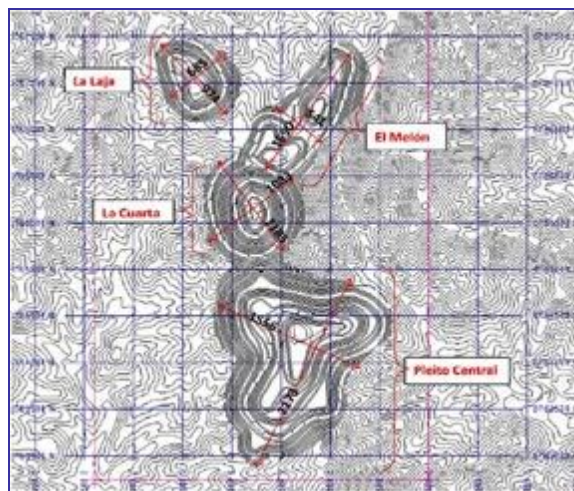
Stage: Conceptual engineering

Resources	Volume [Mt]	Fe [%]
Measured	946	25.5
Indicated	455	23.4
Inferred	190	22.5
<b>Total</b>	<b>1,591</b>	<b>24.5</b>

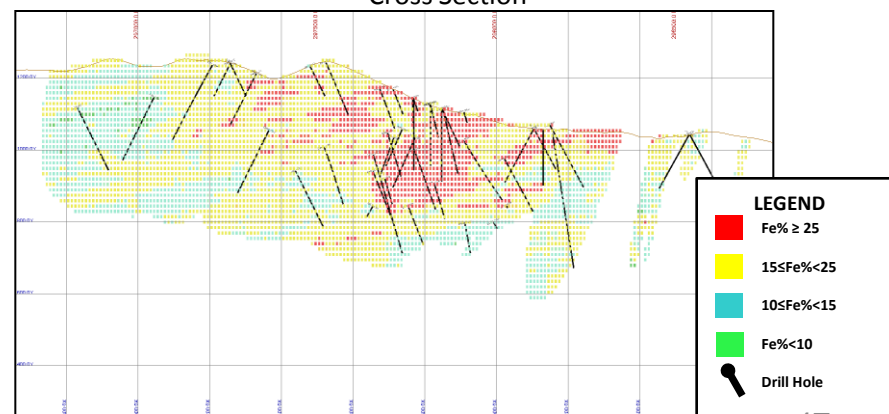
Geological Projection



Pit Design



Cross Section



# Alcaparra (iron/copper)

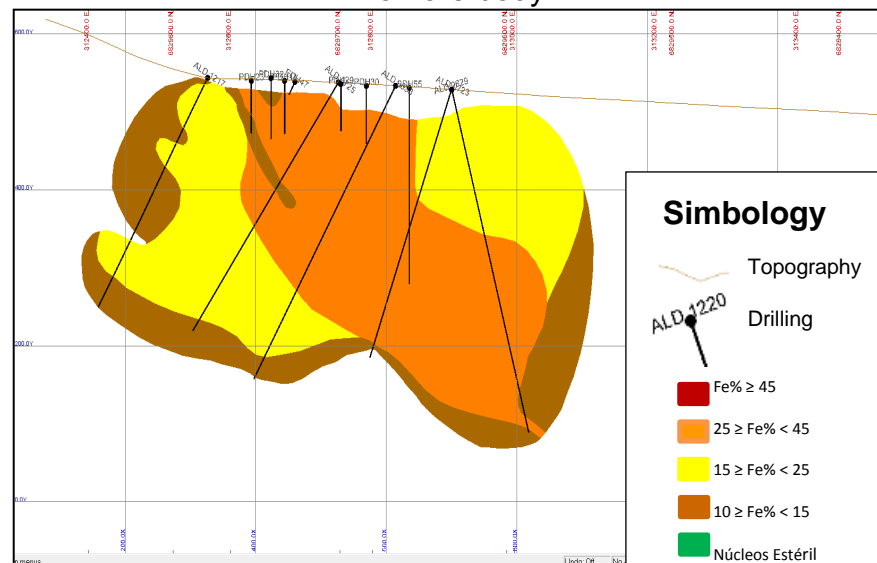
Investment (E): 1,600 + 300 MUS\$

Production: 6 Mt/y of pellet feed  
135 kt/y of copper concentrate

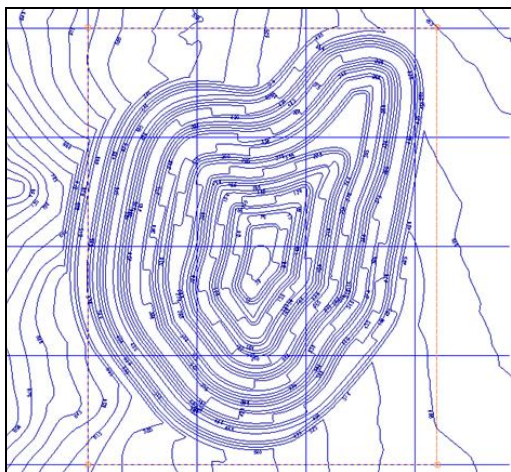
Stage: Advanced exploration  
Exploratory metallurgy

Resources	Volume [Mt]	Fe/Cu [%]
Iron	674	24.5
Copper	423	0.26

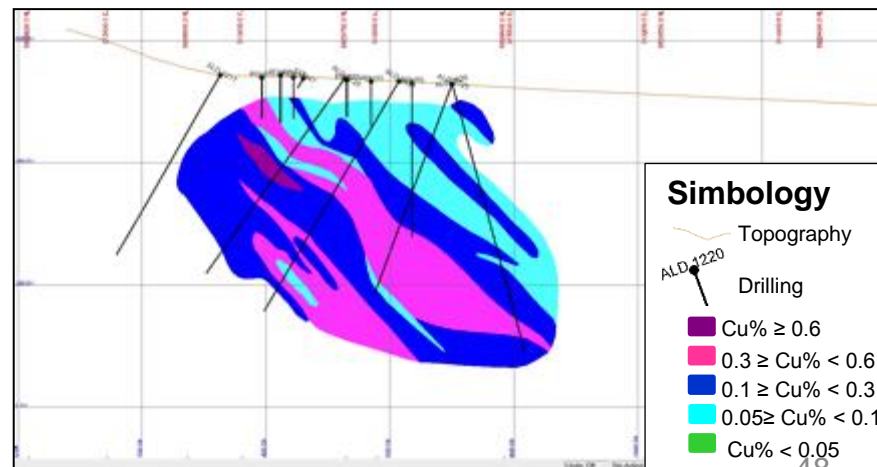
Iron ore body



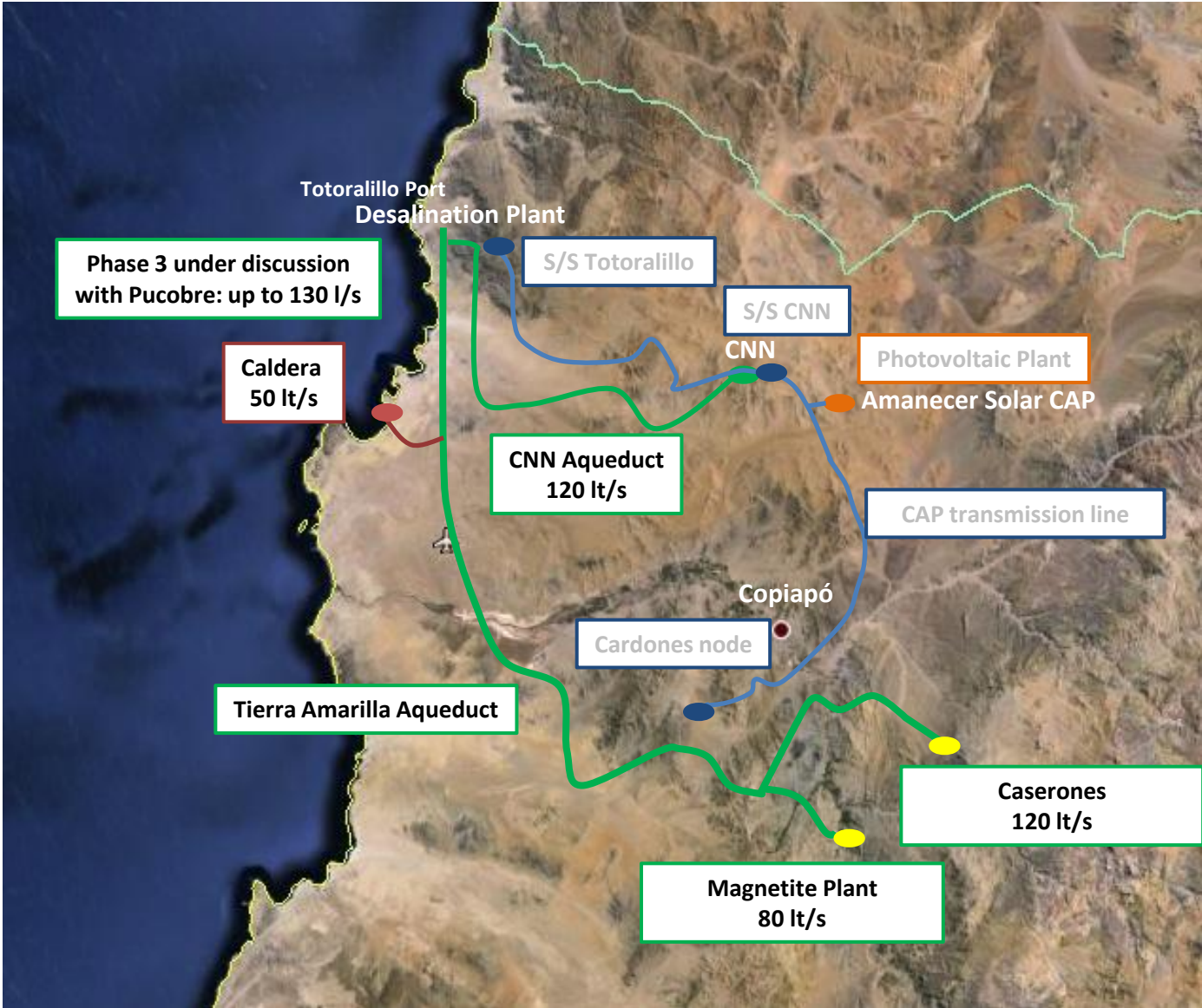
Pit Design



Iron & Copper intersection









- 100 MW Photovoltaic power plant fully committed to CAP (PPA)
- Located nearby CNN Mine
- CAP retains call option for up to 40% of the equity
- Compliance with NCRE law
- Connected to a 142 km long 220 kv transmission line owned by CAP



*General view of the “Amanecer Solar CAP” Plant site, as of March 2014*





*Guayacan Port*

## Total capacity CAP ports: 34.8 Mt/y



### Punta Totoralillo:

- 29 km north of Caldera
- Iron ore shipping
- 200,000 dwt
- Max capacity: 12 million t/y
- Effective utilization: 4.5 million t/y



### Guayacán:

- Herradura bay, Coquimbo
- Iron ore shipping
- 165,000 dwt
- Max capacity: 6 million t/y
- Effective utilization: 2.7 million t/y



### Guacolda II:

- Located in Huasco City
- Iron ore shipping
- 300,000 dwt
- Max capacity: 12 million t/y
- Effective utilization: 7.2 million t/y



### Huachipato:

- San Vicente bay
- Unloading coal, limestone and iron ore & finished steel shipping
- Max capacity: 2 million t/y
- Effective utilization: 1 million t/y



### Las Losas:

- Located in Huasco City
- Multi purpose port
- Max capacity: 2 million t/y
- Effective utilization: 0.4 million t/y



### Guarello:

- Guarello island, south
- Limestone shipping
- 800 kt/y
- Max capacity: 0.8 million t/y
- Effective utilization: 0.5 million t/y

Note: Weighted average of port utilization: 47%

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Global industry update

Financial performance

Projects

Conclusions

**Under current market conditions, the protection of the company's cash flow and liquidity levels are of the utmost importance**

**Cost reduction initiatives and productivity improvements are at the center of management efforts**

- **CAP Mining**

- Ample portfolio of future prospects based on abundant reserves
- Projects under study are being analyzed considering current market conditions
- Global environmental and economic constraints support the growing need for magnetite concentrate

- **CAP Steel**

- Focus on long steel products that distinguishes from competitors through technology and/or logistics
- Cash neutrality attained, continuous cost cutting efforts geared towards profitability

- **CAP Steel Processing**

- Largest flat steel processor in the Pacific coast of South America
- Leader in innovative solutions for industrial and residential construction

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