



CAP GROUP UPDATE

≡ **BICE** INVERSIONES

Fernando Reitich
President & CEO

Raúl Gamonal
CFO

Santiago - June 2014

Company overview

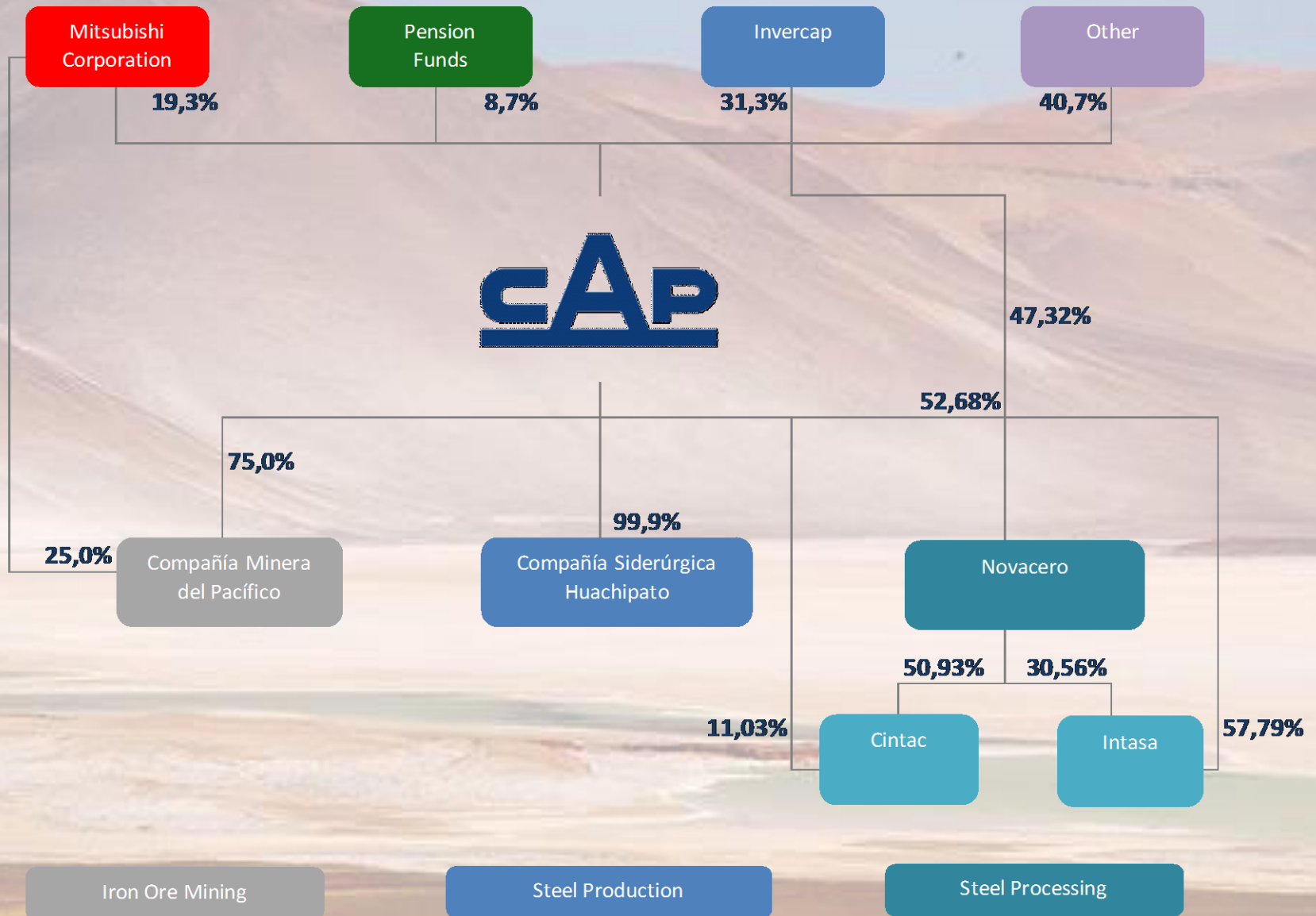
Global industry update

Financial performance

Future prospects

Final remarks

Ownership structure





Mining



- Production capacity: 15 Mt/y
- Only large-scale iron ore producer in Chile
- On track to reach 18 million tons production capacity
- 85% exports, mainly to Asia



Steel



- Production: 0.7 Mt/y
- Nominal capacity: 1.45 Mt/y
- Focus on grinding media, rebar & wire rod for the domestic market
- 50% of target market



Steel Processing



- Production capacity: 400 kt/y
- Leading steel processor in Chile
- Regional player: Chile, Peru and Argentina

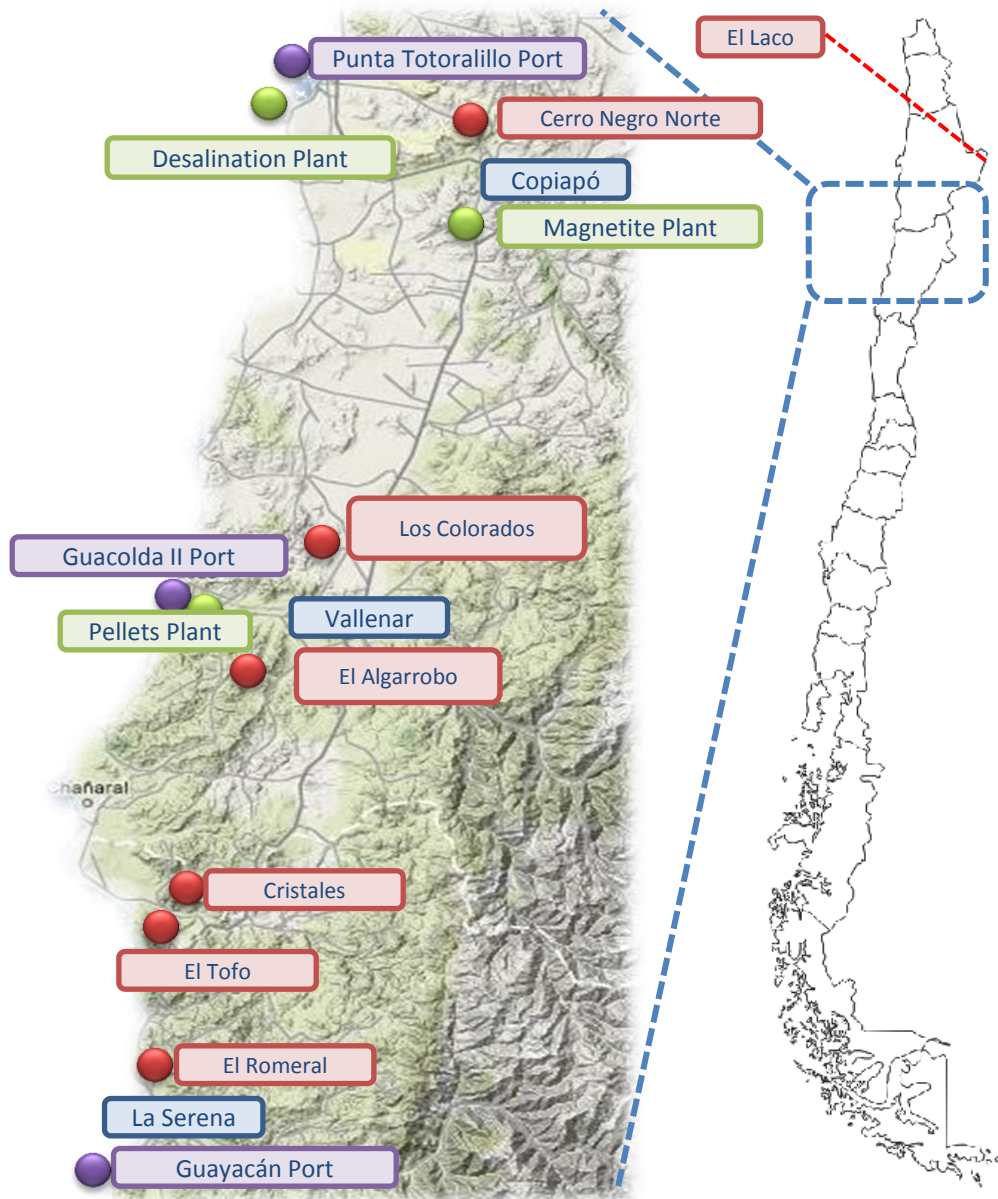




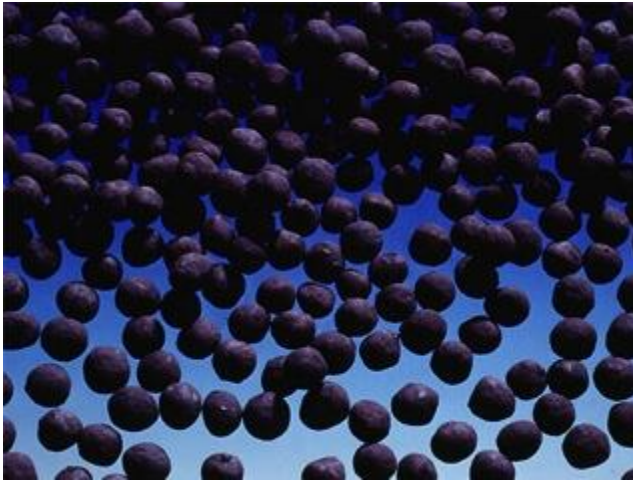
Cerro Negro Norte Mine

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

- La Serena
- Vallenar
- Copiapó



BF and DR Pellets (Fe 65% - 66%)



Lumps (Fe 62%)



Pellet Feed (Fe 67% - 68%)



Fines (Fe 62%)



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
3	CAP	677.700	4,01
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

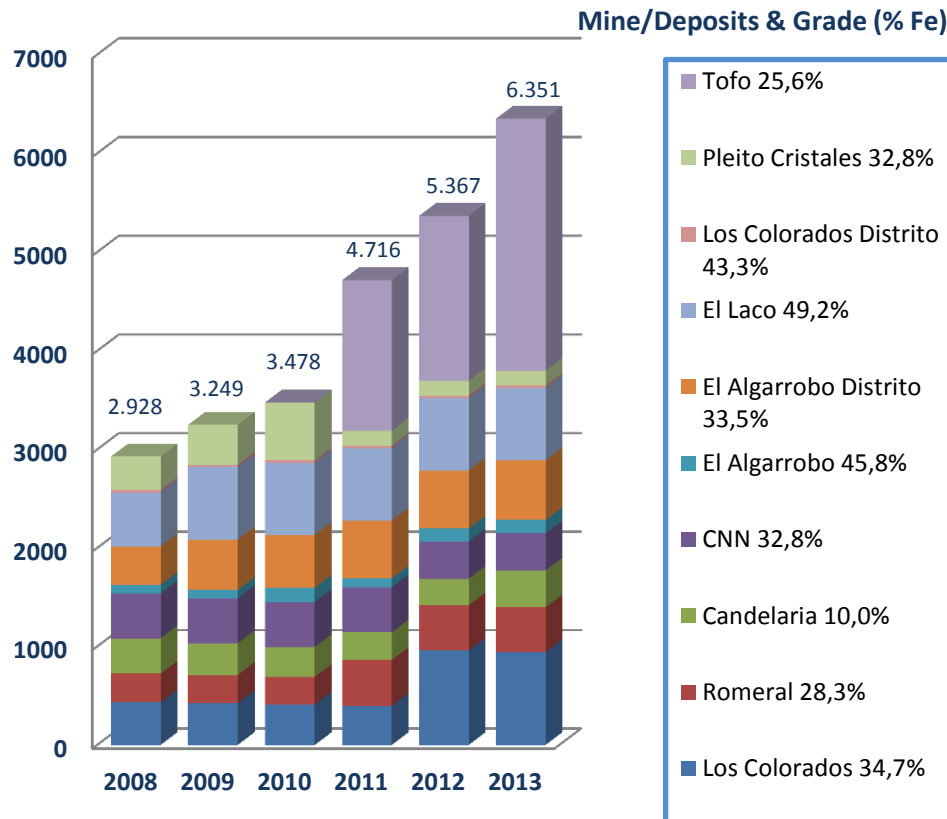
N°	Company	Hectares	%
1	Soquimich S.A.	2.861.157	20,06
2	Codelco	840.704	5,89
3	Minera Escondida Limitada	363.798	2,55
4	SCM Virginia	252.532	1,77
5	Enami	250.847	1,76
6	Antofagasta Minerals S.A.	231.392	1,62
7	CAP	205.788	1,44

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

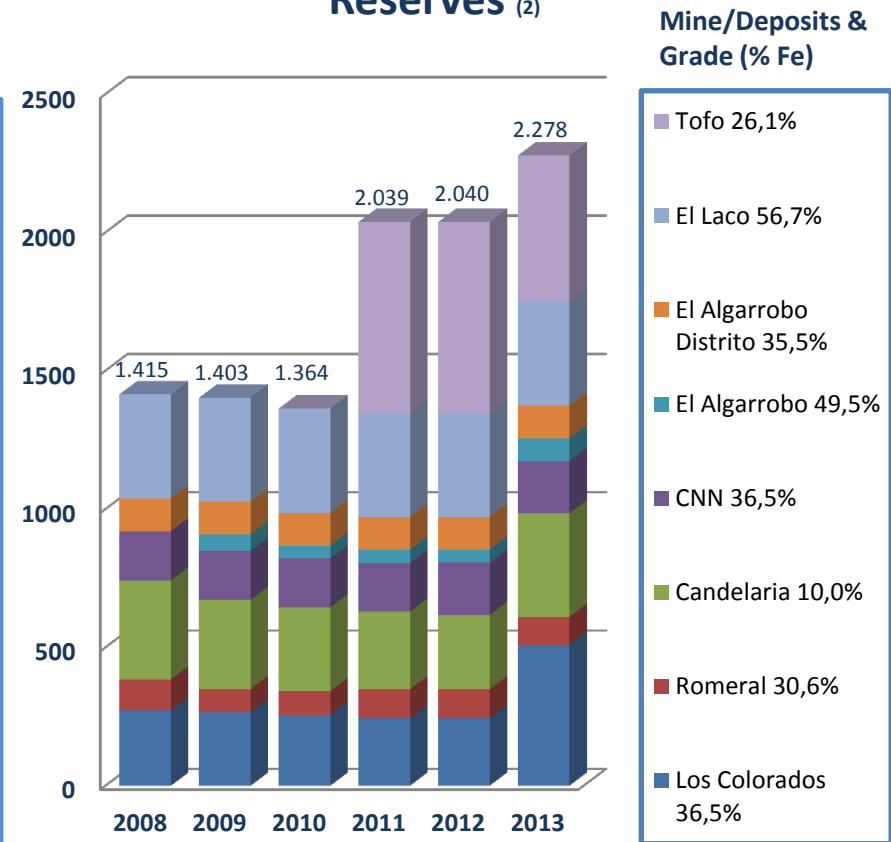
Resources and reserves of magnetite ore

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⁾

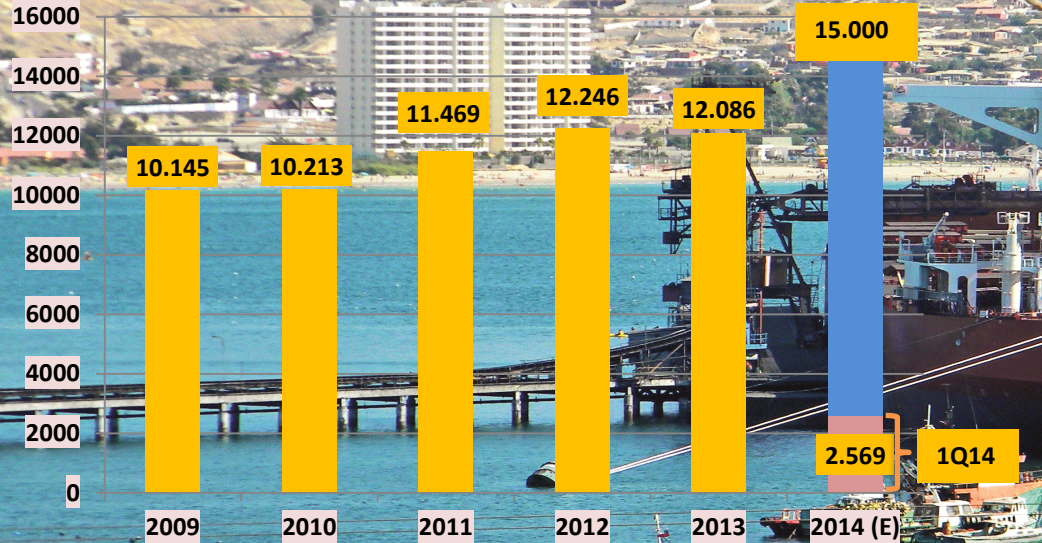


Reserves ⁽²⁾

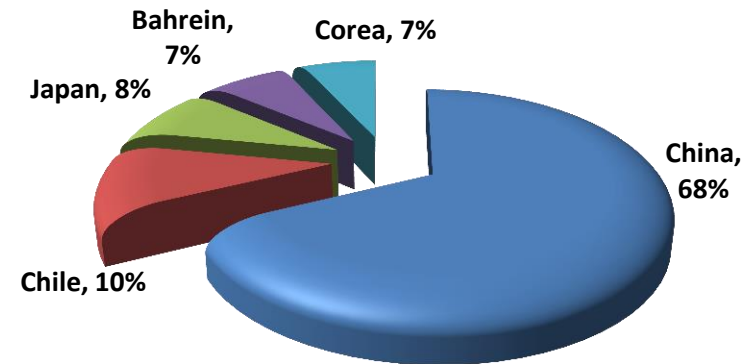
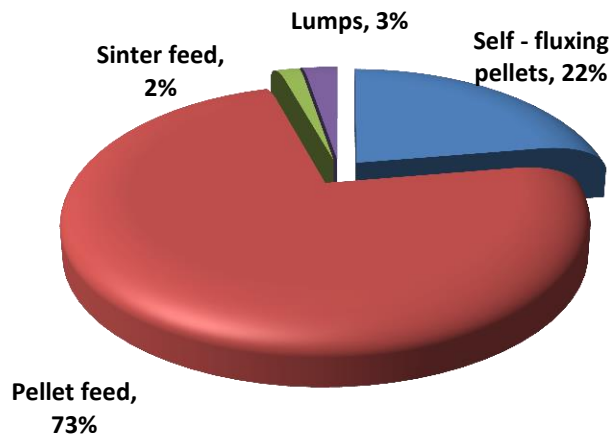


(1) Resources: Minerals measured on a geological ore content feasible of being mined. (2) Reserves: Minerals measured on a geological content feasible of being mined economically. (3) CMP has the contract for processing the tailings of the Candelaria copper mine.

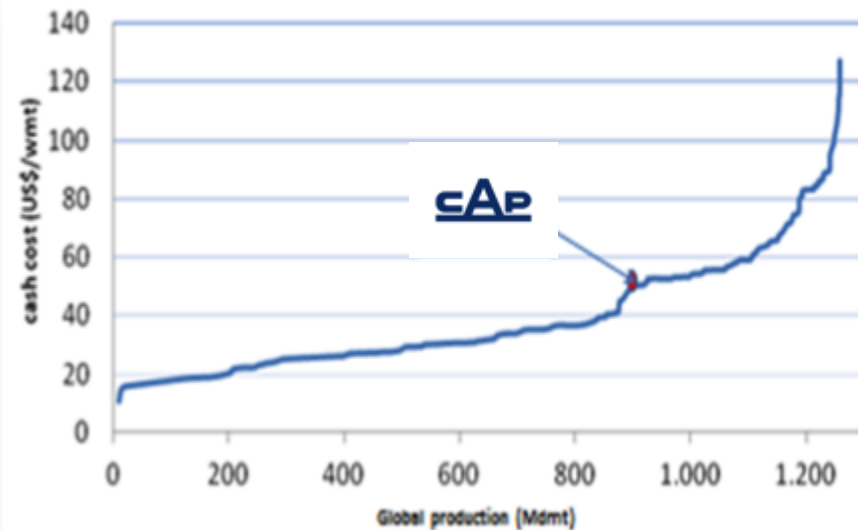
Shipments



Shipments by markets and products (March 2014)

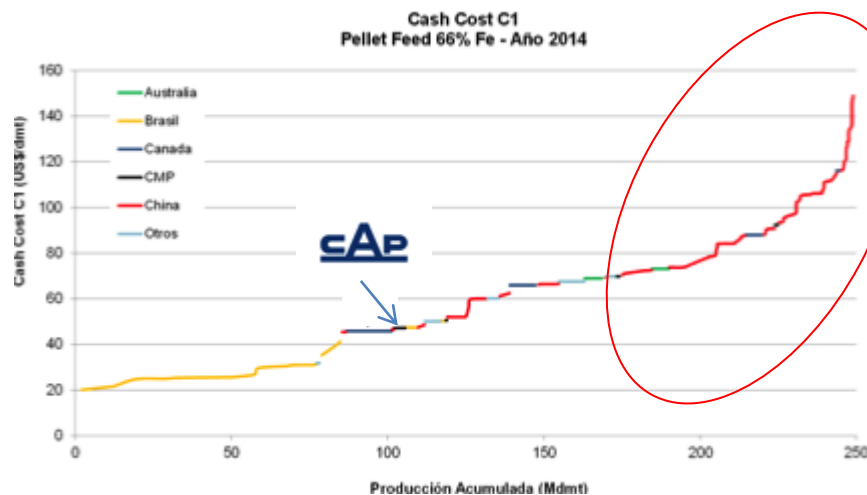


Global production cost

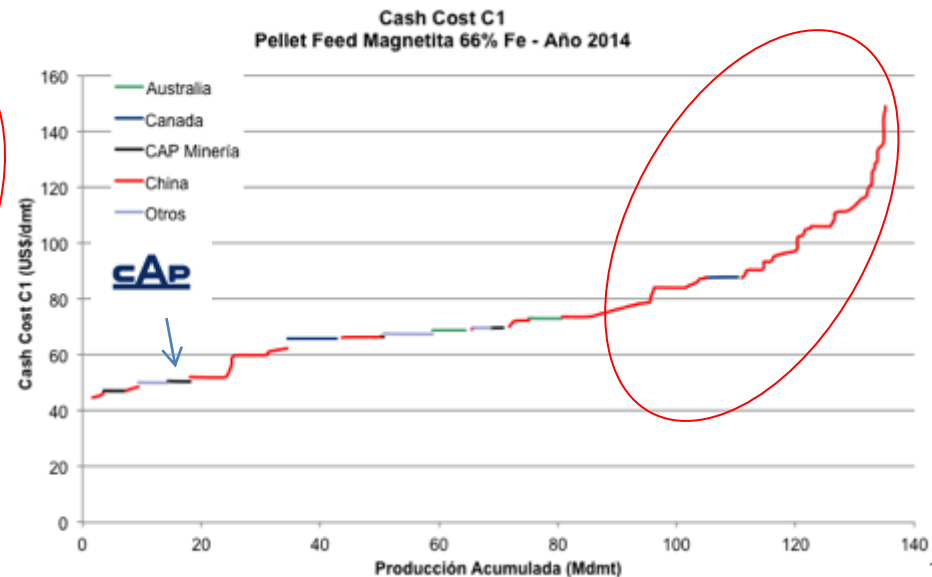


- CAP Mining is a low cost magnetite producer of high grade concentrate
- Mine depletion will lead to higher demand for high grade pellet feed
- Environmental and economic constraints support the increased need for magnetite concentrate

Pellet feed global production cost

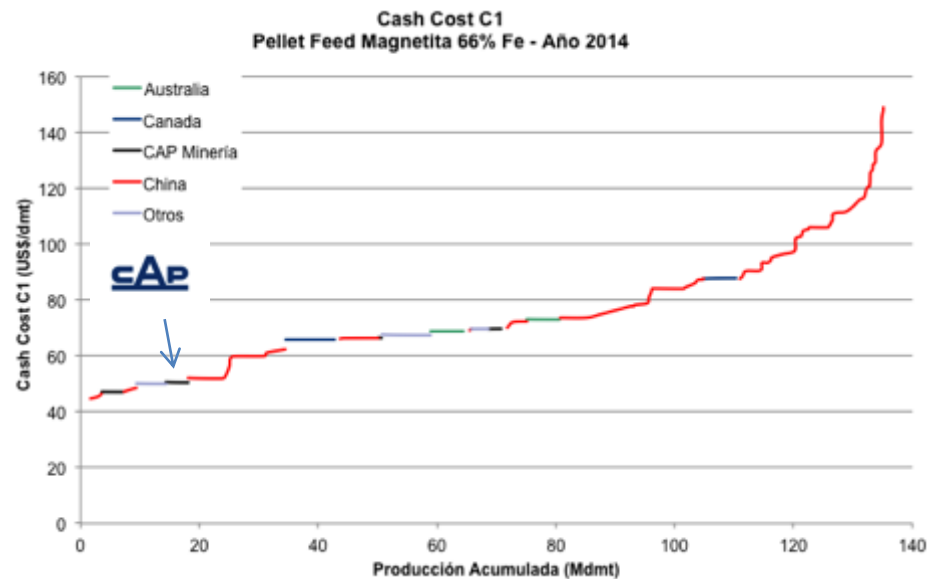


Magnetic pellet feed global production cost



Country	Market	Production (Mt)
Australia	Seaborne	11
Canada	Seaborne	14
Chile	Seaborne	6
China	Domestic	83
Kazakhstan	Domestic	8
Mauritania	Seaborne	3
Peru	Seaborne	5
USA	Domestic	1
Total		132

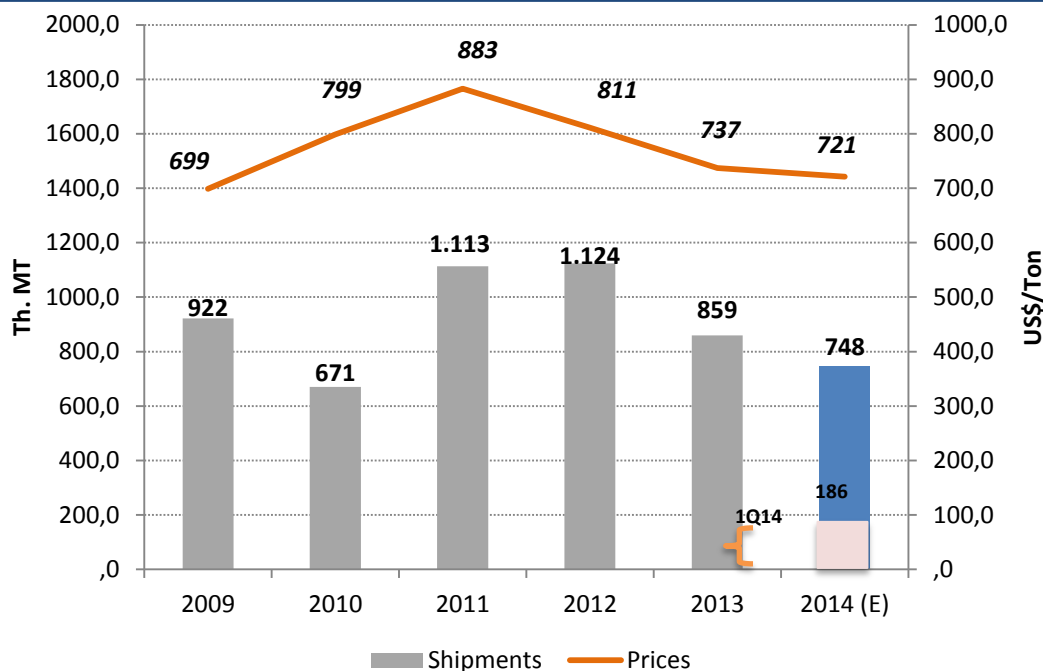
Magnetic pellet feed global production cost





- Reorganization of the plant to produce 700 kt/y, operating with only one blast furnace
- Strong adjustment in its industrial processes and workforce
- Long products demand underpinned by domestic construction and mining sectors

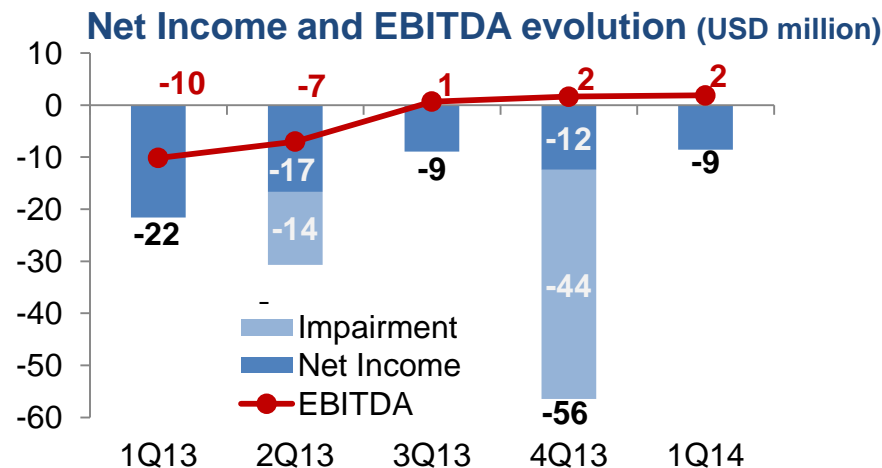
Shipments and prices



- Positive EBITDA during last three consecutive quarters
 - Focus on cost reduction
 - Organizational structure: increase in productivity; complete revamping of contracted services with focus on performance
 - Reduction of energy consumption & optimization of raw material utilization: minor investments and operational improvements (reuse, reduce, recycle)
 - Optimize logistics, increase inventory rotation
- Disposal of non-critical assets
- 30% work force reduction to date
- Markets
 - Increase share in objective markets, through the development and delivery of world-class quality steel
 - Seek new markets for specialty steels, based on proven technical excellence

CAP Acero

Talcahuano

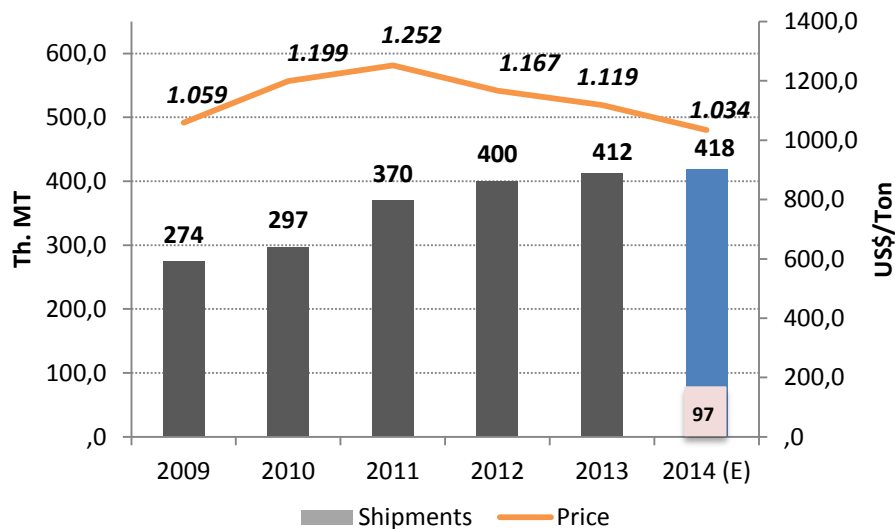




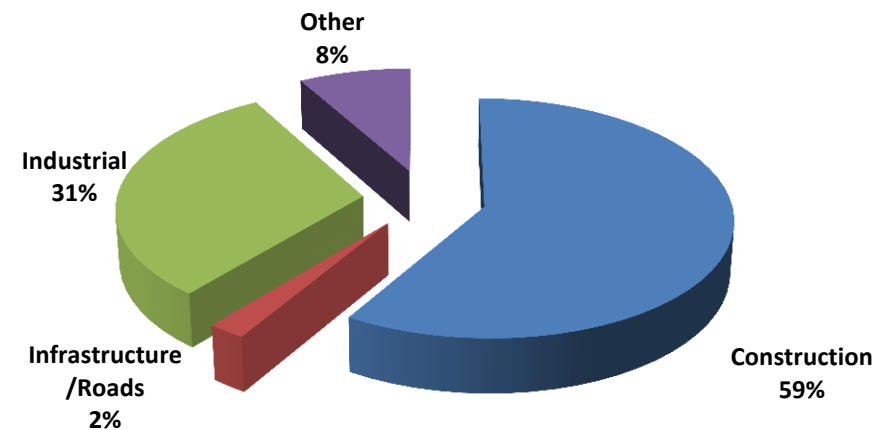
- Main flat steel importer of the Pacific coast of South America
- Creates value-added solutions for the construction, industry and infrastructure sectors in Chile, Peru and Argentina
- Chile is LATAM's most intensive user of steel in construction
- Transition to establish new and competitive supply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



Shipments and prices



Sales by Sector March 2014



Company overview

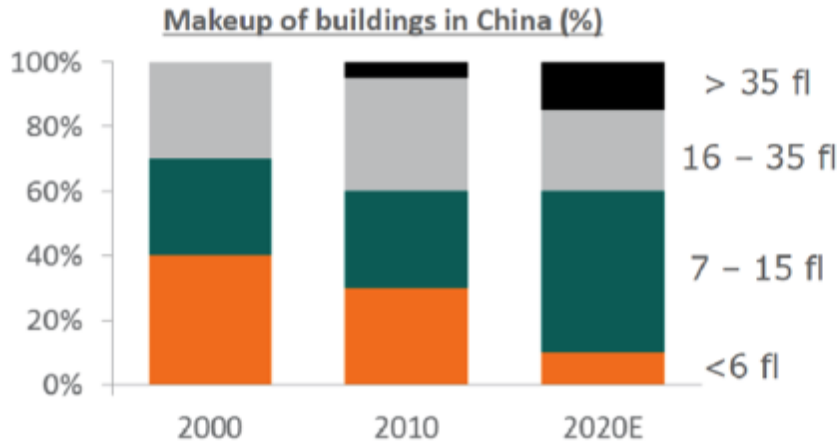
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Financial performance

Future prospects

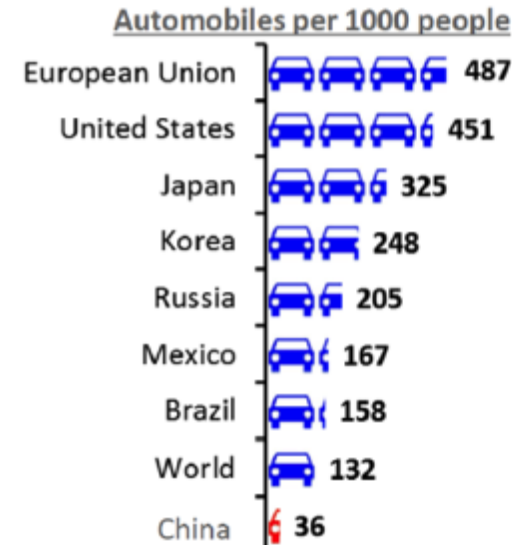
Final remarks

Taller buildings...

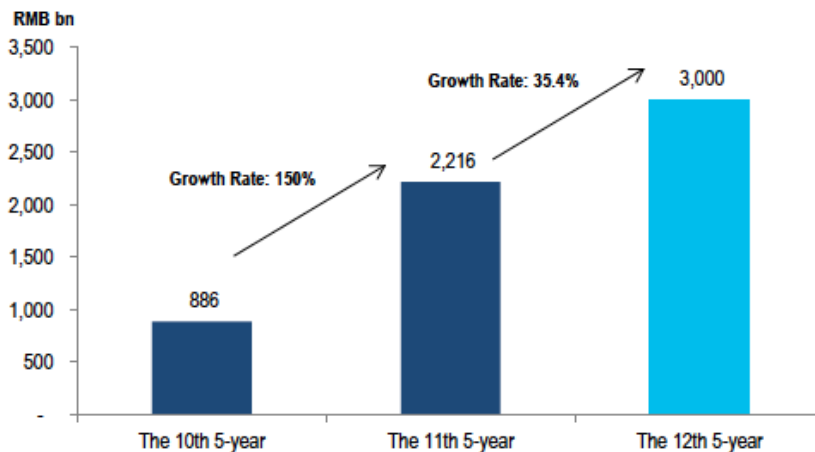


Source: The Economist, McKinsey Global Institute; Vale Market Intelligence

More cars...

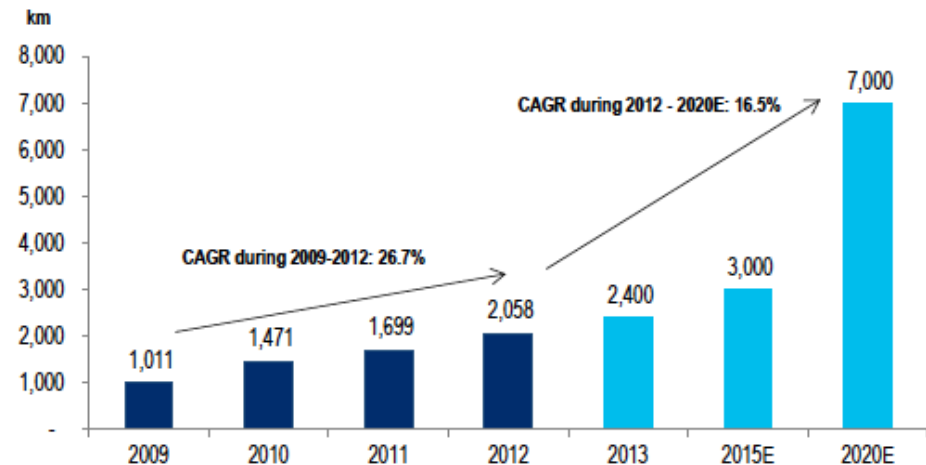


Expressway construction investment

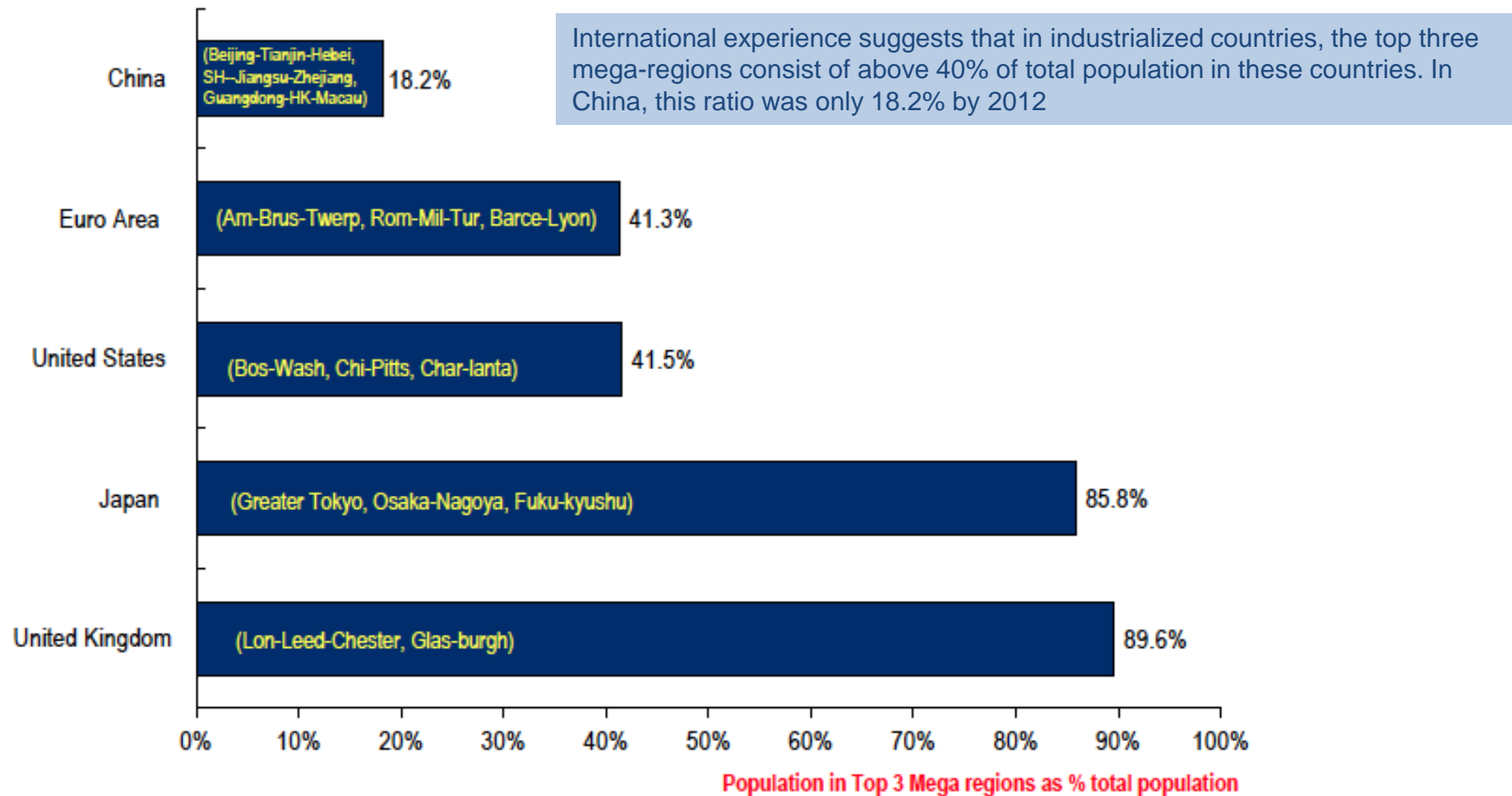


Source: Citi, April 2014

Urban rail transit construction

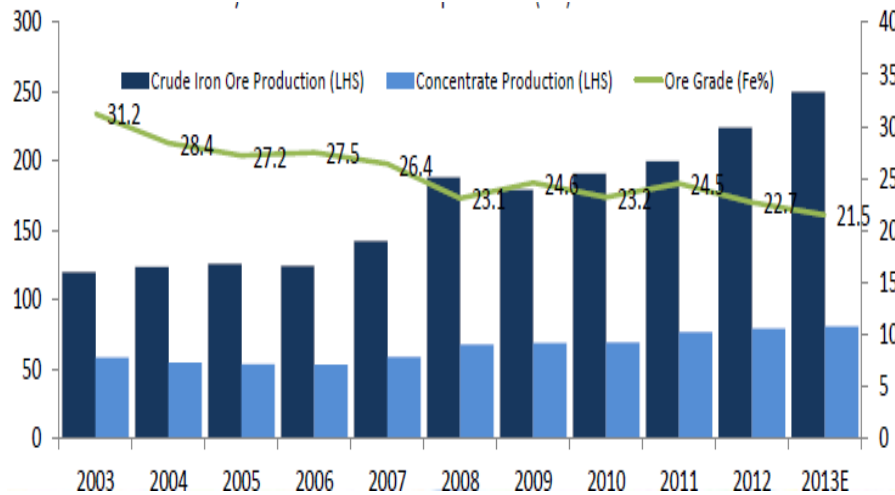


Population share in top three mega regions, selected countries

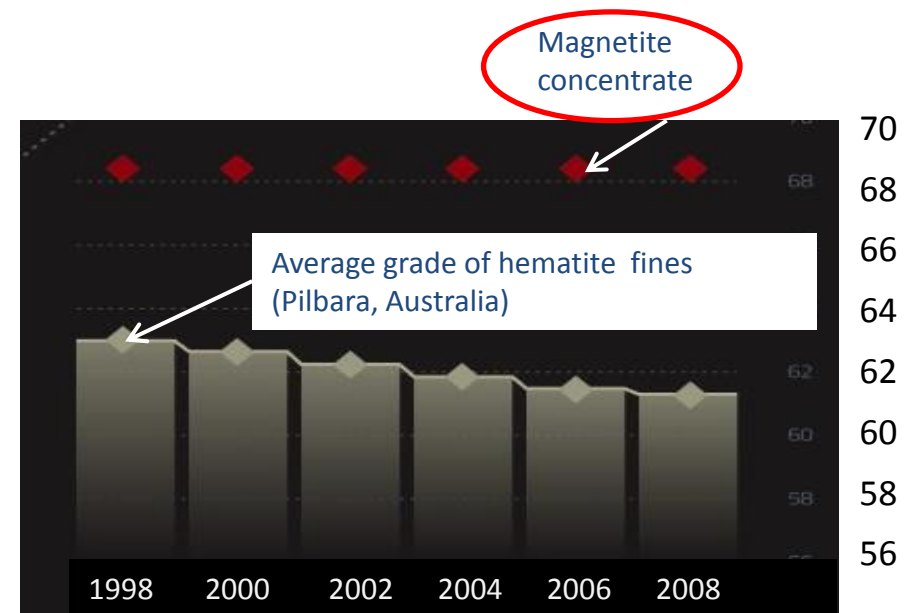


- Crude iron ore grade is dropping
- Mine depletion will lead to higher demand for high grade concentrates

Production from key CISA Chinese iron ore producers (Mt)



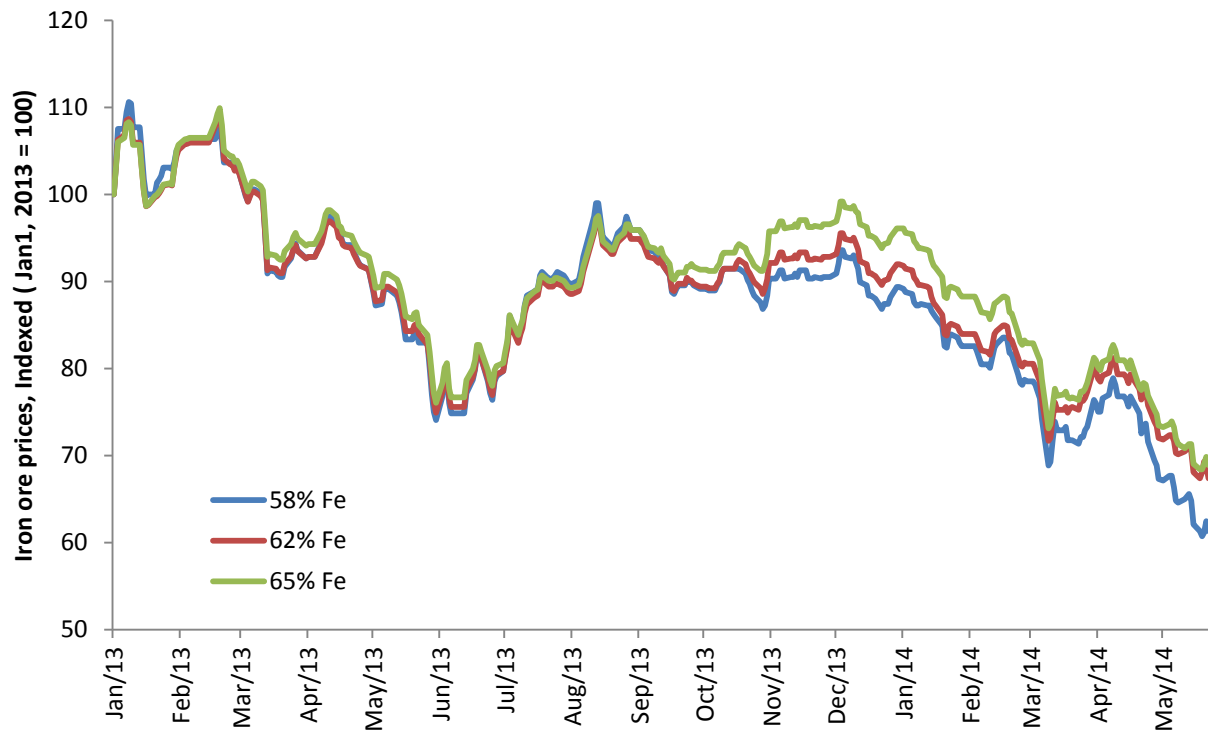
Source: Hatch, UNCTAD



Source: www.visualcapitalist.com

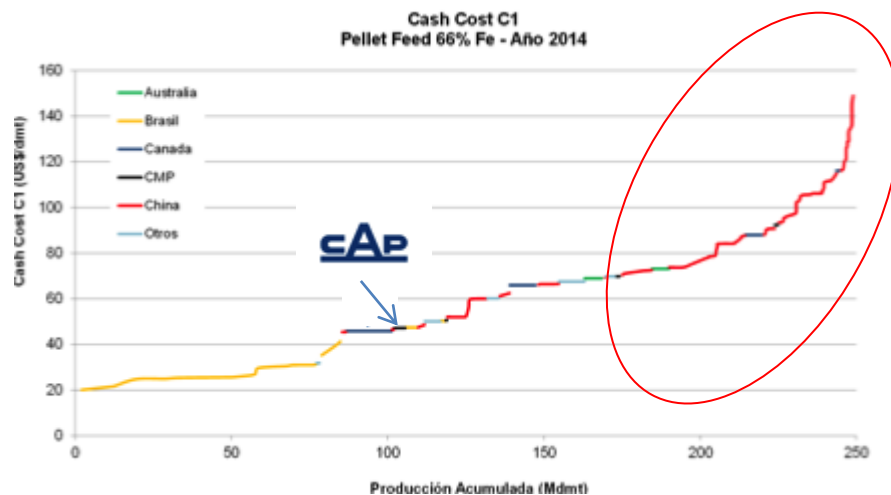
- The apparent excess of supply of iron ore as of 2Q14 is affecting lower grades to a larger extent than mid-high grades

Relative price performance of ores of different grades

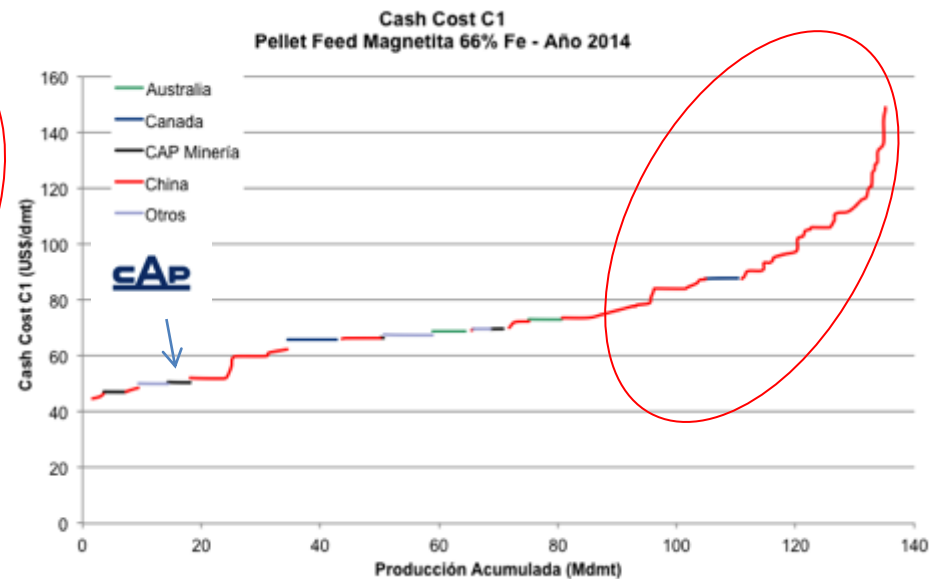


- 2/3 of world magnetite concentrate is produced by China

Pellet feed global production cost



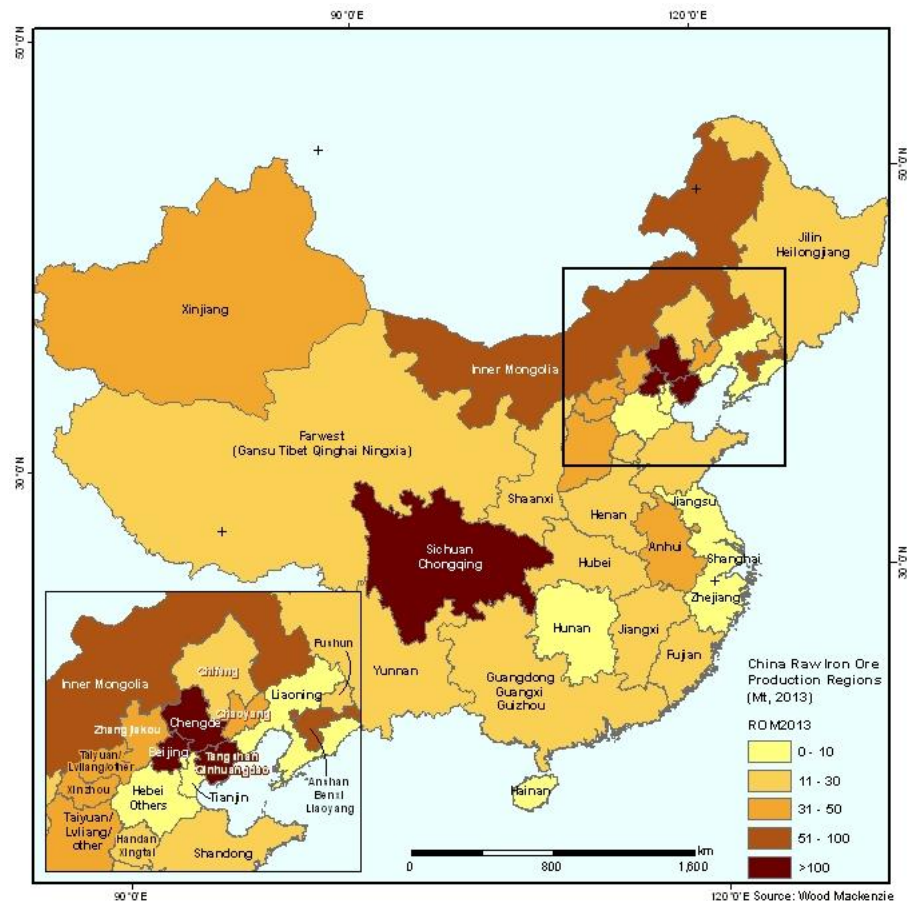
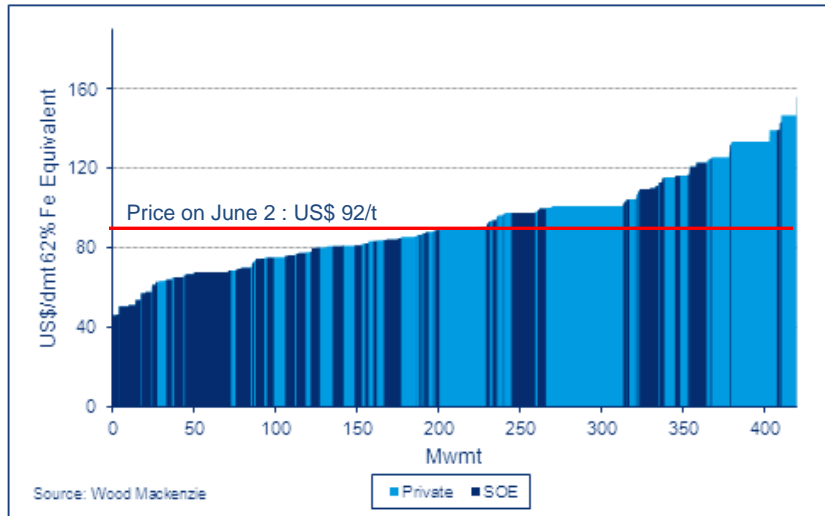
Magnetic pellet feed global production cost



- Iron Ore capacity production in China is 420 Mtpy in 2014 (62% Fe equivalent)
 - Average cash cost = USD 92 /dmt
 - Private companies have higher production costs

Geographic segmentation of Chinese iron ore industry

**2014 China ex-mine total cash cost curve
(USD/dmt 62% Fe equivalent)**



- At today's price :
 - More than 50% of iron ore mines in China are unviable;
 - And so are the vast majority of non-traditional suppliers (such as India, Iran, Malaysia, Indonesia, Philippines, and others), as well as suppliers from Russia, Ukraine, and small miners from Australia.

Iron Ore price (62%Fe-China)



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

PLATTS DAILY IRON ORE PRICE ASSESSMENTS

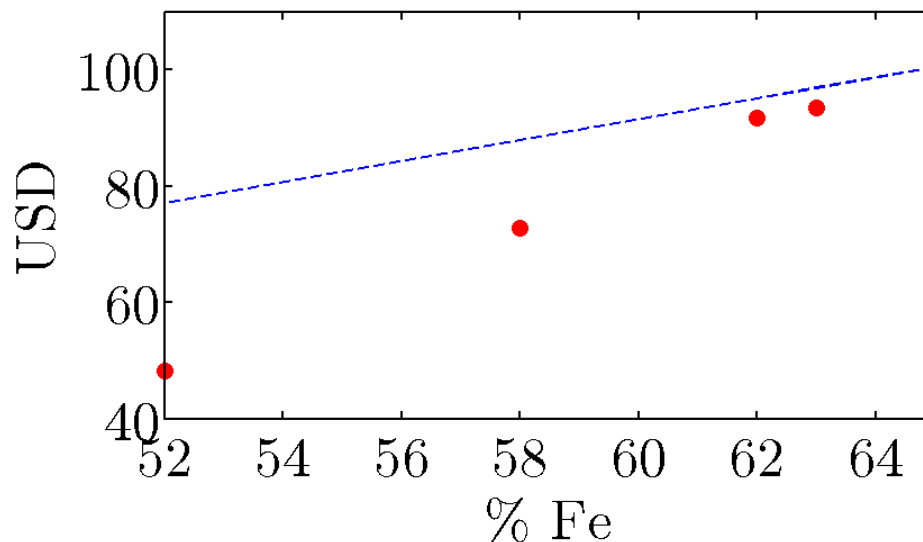
Platts daily iron ore assessments, June 2

	\$/dmt	Midpoint	Change	% Chg
IODEX 62% Fe CFR North China	91.25-92.25	91.75	0.25	0.27
63.5/63% Fe CFR North China	93.00-94.00	93.50	0.25	0.27
65% Fe CFR North China	100.00-101.00	100.50	0.25	0.25
58% Fe low Al CFR North China	75.50-76.50	76.00	0.25	0.33
58% Fe* CFR North China	72.25-73.25	72.75	0.25	0.34
52% Fe CFR North China	47.75-48.75	48.25	0.25	0.52

*Al = 4.0% max

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

	\$/dmt	Change
Range 60-63.5% Fe	1.80	0.00



Platts' SBB STEEL MARKETS DAILY (5/30/14):

China domestic concs prices follow imports lower

Singapore—Domestic iron ore concentrate prices in northern China's Hebei province continued to decline this week, falling Yuan 10-20/dry mt (\$1.60-3.20/dmt) week on week amid low seaborne prices, sources said Friday.

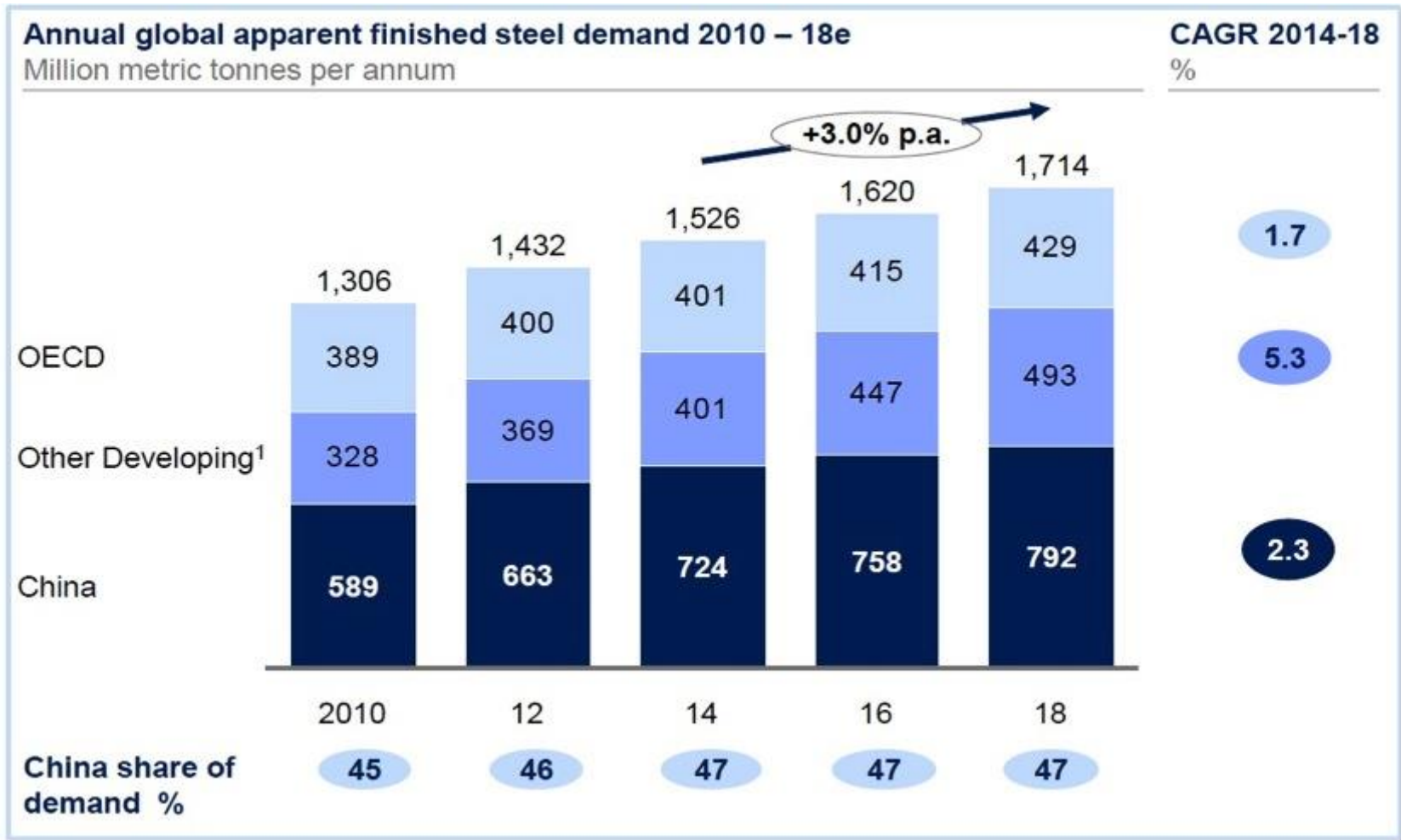
Platts assessed the domestic price of 66% Fe iron ore concentrate delivered to mills in Hebei's Tangshan city at Yuan 880-890/dmt Friday, compared with Yuan 890-910/dmt on May 23, both including 17% VAT and cash payment.

A large miner in Hebei province said he was forced to lower his offer again this week, by Yuan 30/dmt, following a Yuan 20/dmt decrease on May 20, as low-priced seaborne iron ore pressuring domestic material. "Seaborne iron ore prices were below \$100/dmt most of the time over the week, and to compete, we have to cut prices. But we can't afford to battle against overseas iron ore supplies via pricing in the long run — our costs are much higher," he said.

A second major miner in Hebei said he could give limited discounts to his long-term customers. "I do not want to cut my offers any more [because in] a quiet market, it is pointless. But for those [buyers with] firm inquiries, I am willing to give some discount, though I can only afford to cut another Yuan 10/dmt as I do not have much margin to play with," he said.

Global steel demand growth

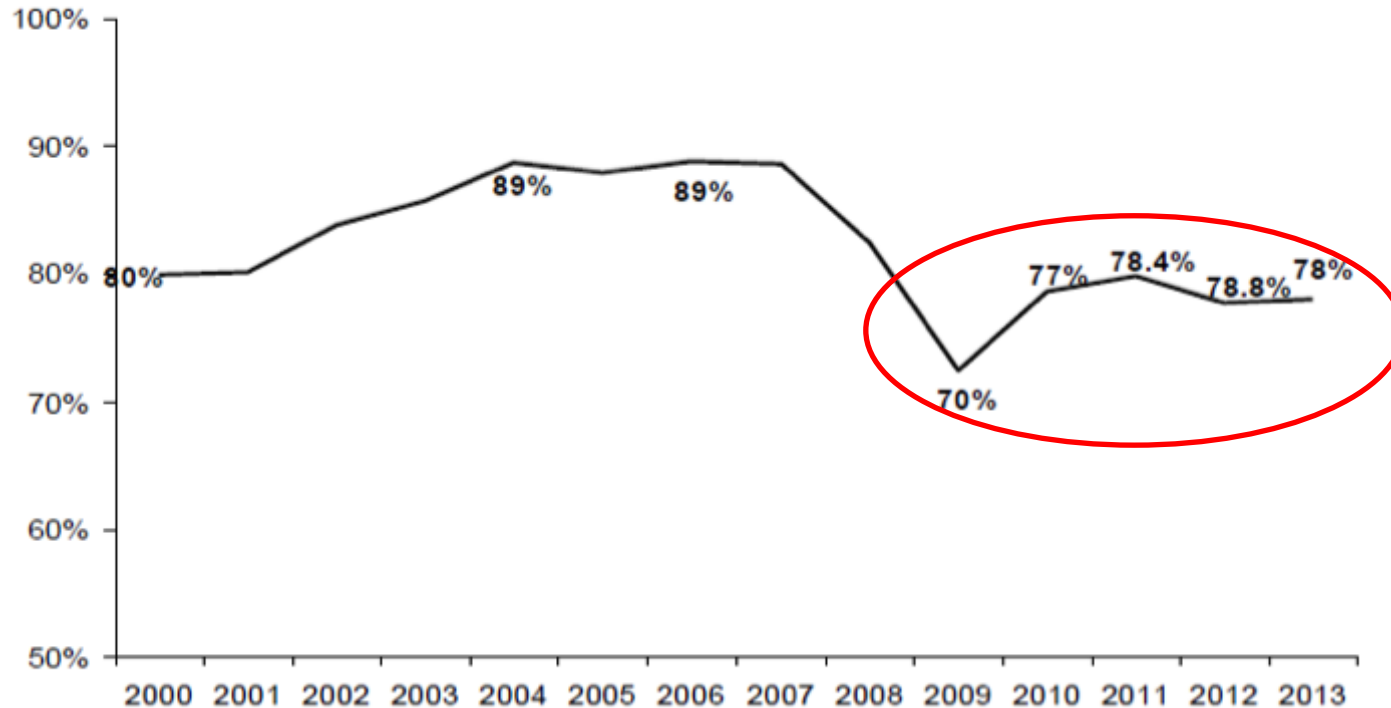
- Global apparent finished steel demand will grow from 1.5 bn tons in 2014 to 1.7 bn tons by 2018 (implied 3% CAGR)



(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

- Nevertheless, world capacity utilization has been below 80% for the last 5 years, thereby practically destroying the margins of the steel production industry
- Most of the excess capacity is concentrated in China. Current efforts to diminish this excess capacity have not yielded significant progress yet. But they may ...
- Annual average for world's crude steel capacity utilization rate was 78% in 2013, down 0,8% over 2012



Source: worldsteel

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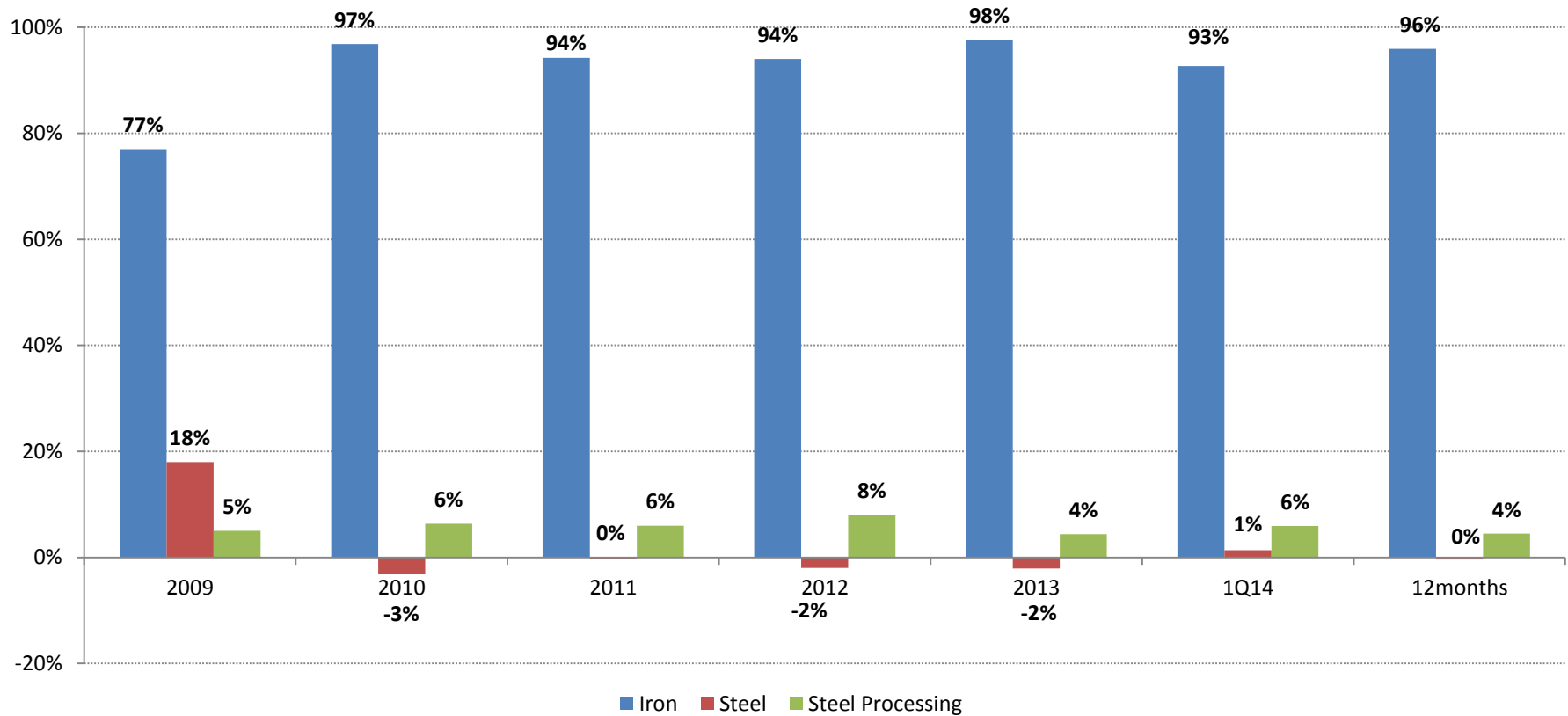
Final remarks

CAP – Financial evolution

USD Million	2008	2009	2010	2011	2012	2013	1Q14	12months
Sales	1.972	1.375	1.994	2.787	2.470	2.297	488	2.298
EBITDA	534	128	740	1.184	764	708	129	699
EBITDA Margin	27,1%	9,3%	37,1%	42,5%	30,9%	30,8%	26,4%	30,4%
Net Income	291	25	590	442	234	184 ⁽¹⁾	30	169 ⁽¹⁾
Cash	379	393	981	883	711	309	248	248
Gross Financial debt	880	907	1.001	628	719	932	941	941
Net Financial debt	501	514	20	-255	8	623	693	693
Net Financial Debt /EBITDA	0,94	4,01	0,03	-0,22	0,01	0,88		0,99
Capex	161	142	207	282	777	975	162	889

(1) Net income includes a MUS\$ 58 expense related to write-off and impairment in the steel business

EBITDA contribution by business



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

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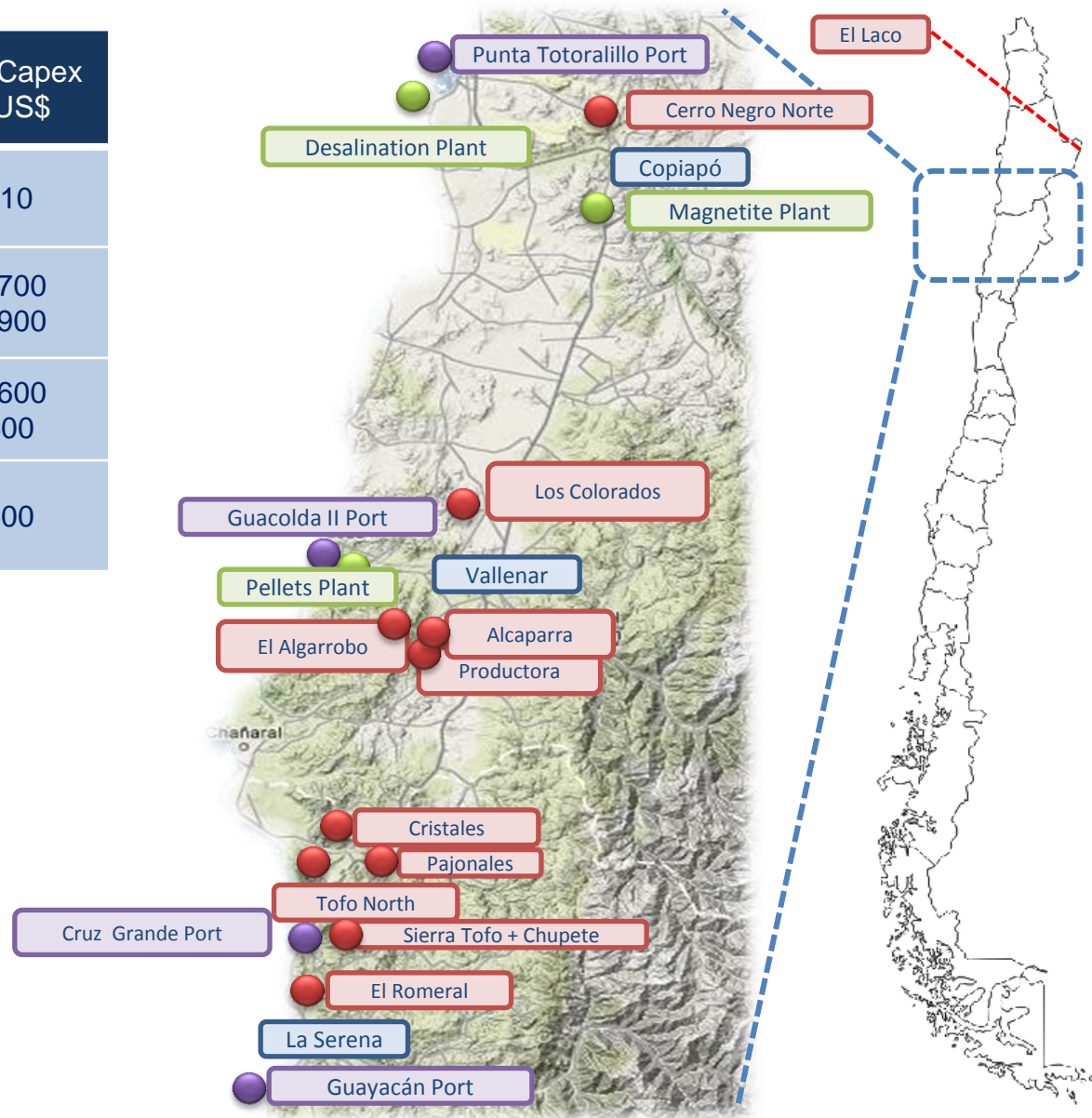
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Mining future prospects

Project	Production Mt		Est. Capex MUS\$
Magnetite Plant Expansion	1	PF	110
Tofo	6,5	PF	1,700
	13,5	PF	2,900
Alcaparra	6	PF	1,600
	135 Kt	Conc-Cu	300
Los Colorados Expansion	4	SF	500



Investment (E) : 1,700 – 2,900 MUS\$

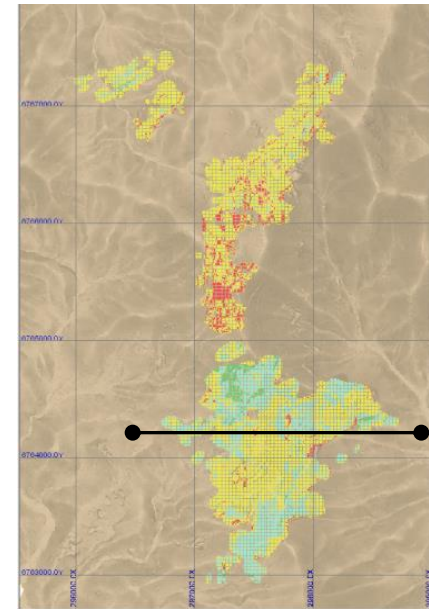
- Greenfield

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

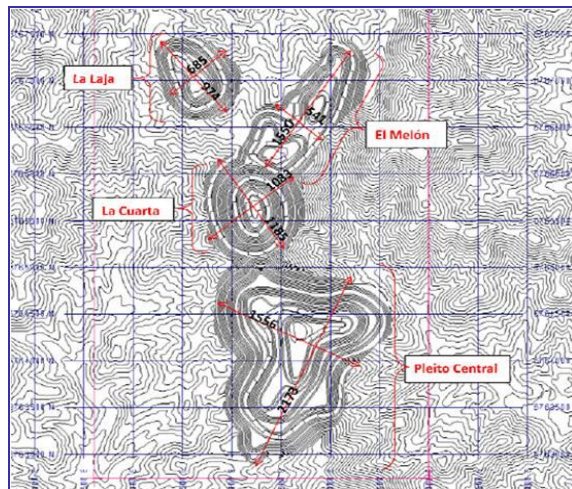
Stage: Conceptual engineering

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

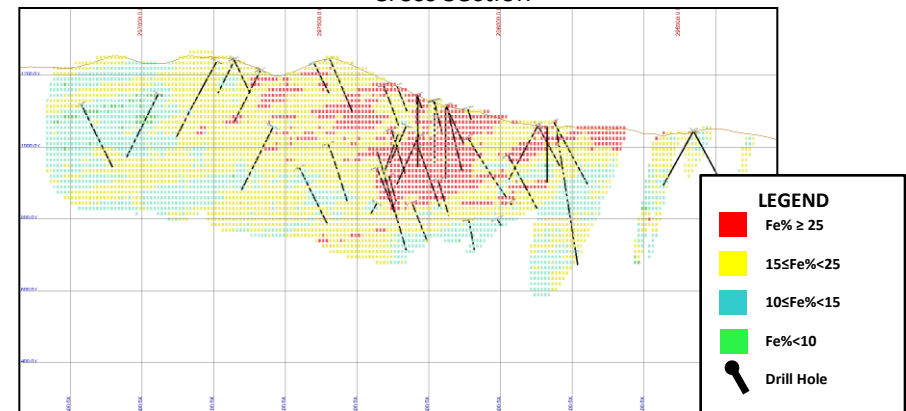
Geological Projection



Pit Design



Cross Section



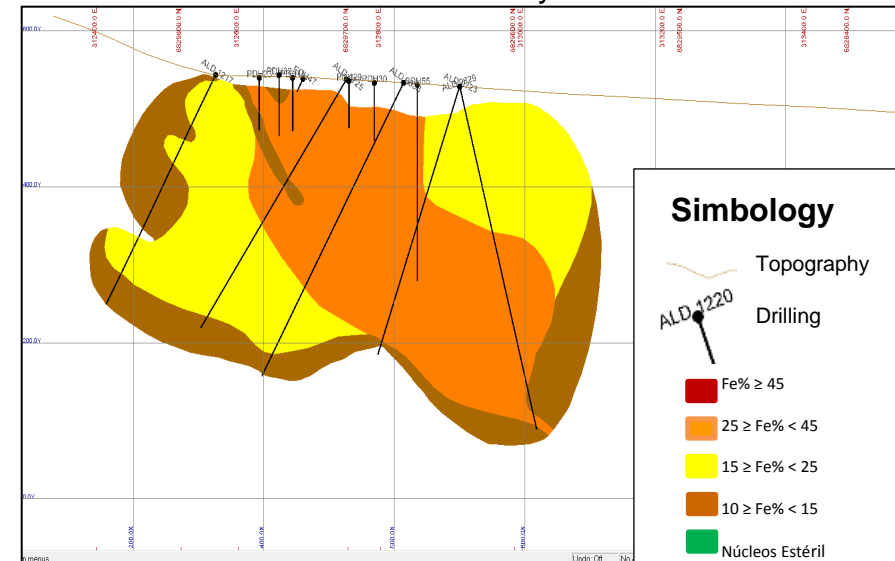
Investment (E): 1,600 + 300 MUS\$

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

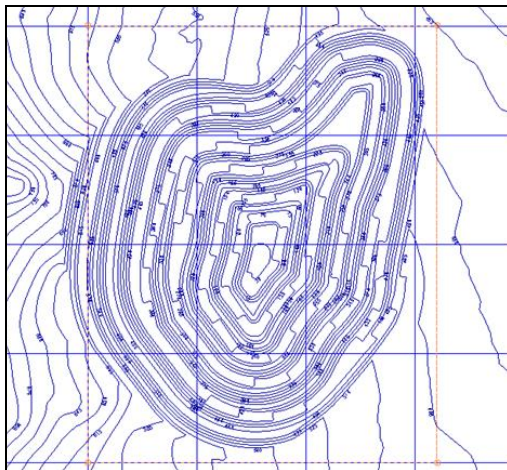
Stage: Advanced exploration
Exploratory metallurgy

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

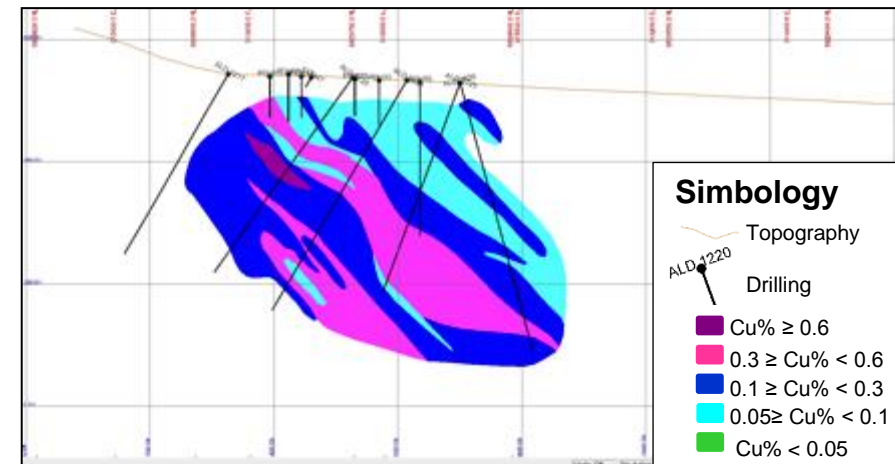
Iron ore body



Pit Design



Iron & Copper intersection



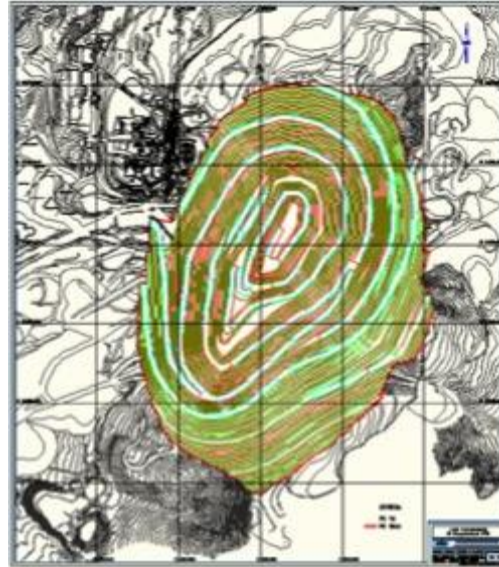
Investment : 500 MUS\$

- Brownfield

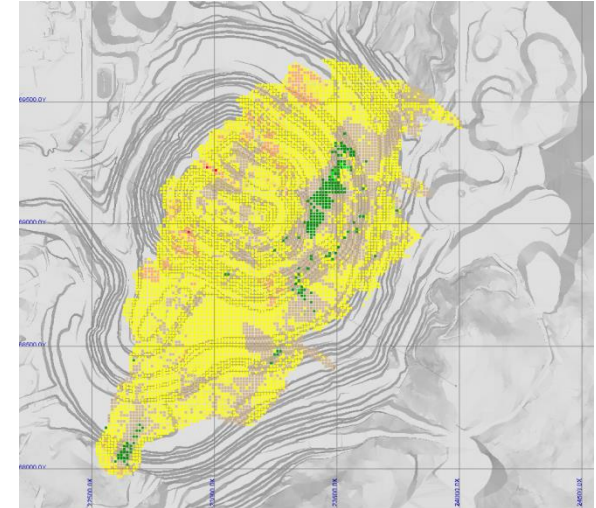
Production: 4 Mt/y of fines

Stage: Basic engineering

Pit Design

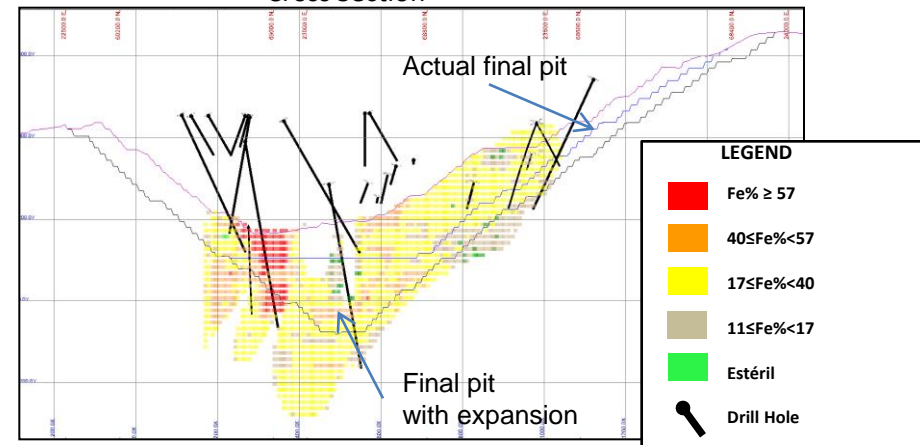


Geological Projection

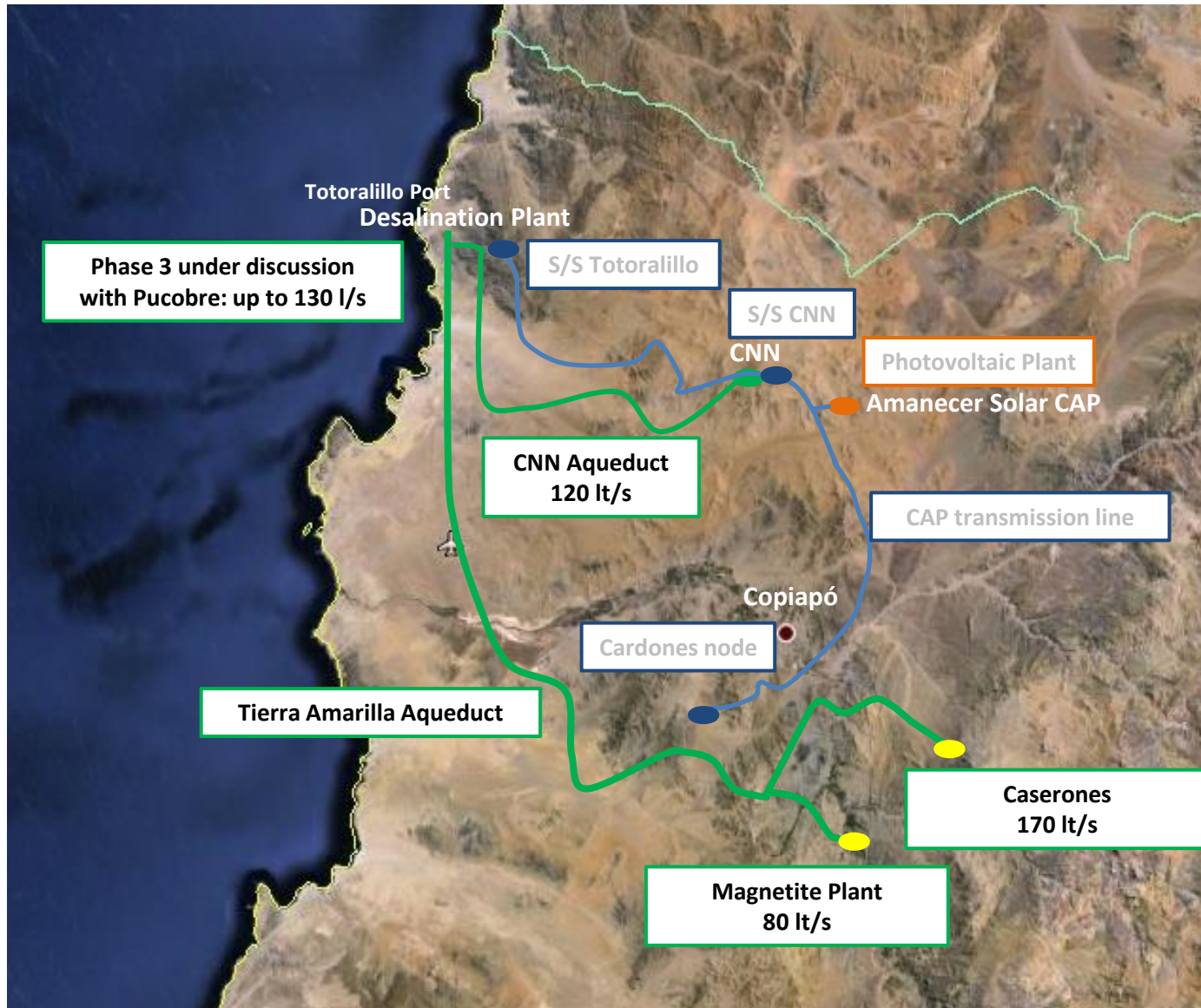


Resources 2012	Volume [Mt]	Fe [%]
Measured	694	31.5
Indicated	343	31.4
Inferred	100	33.9
TOTAL	1,137	31.7

Cross Section



Sustainable mining operations





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:

- Talcahuano bay
- Unloading coal 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%

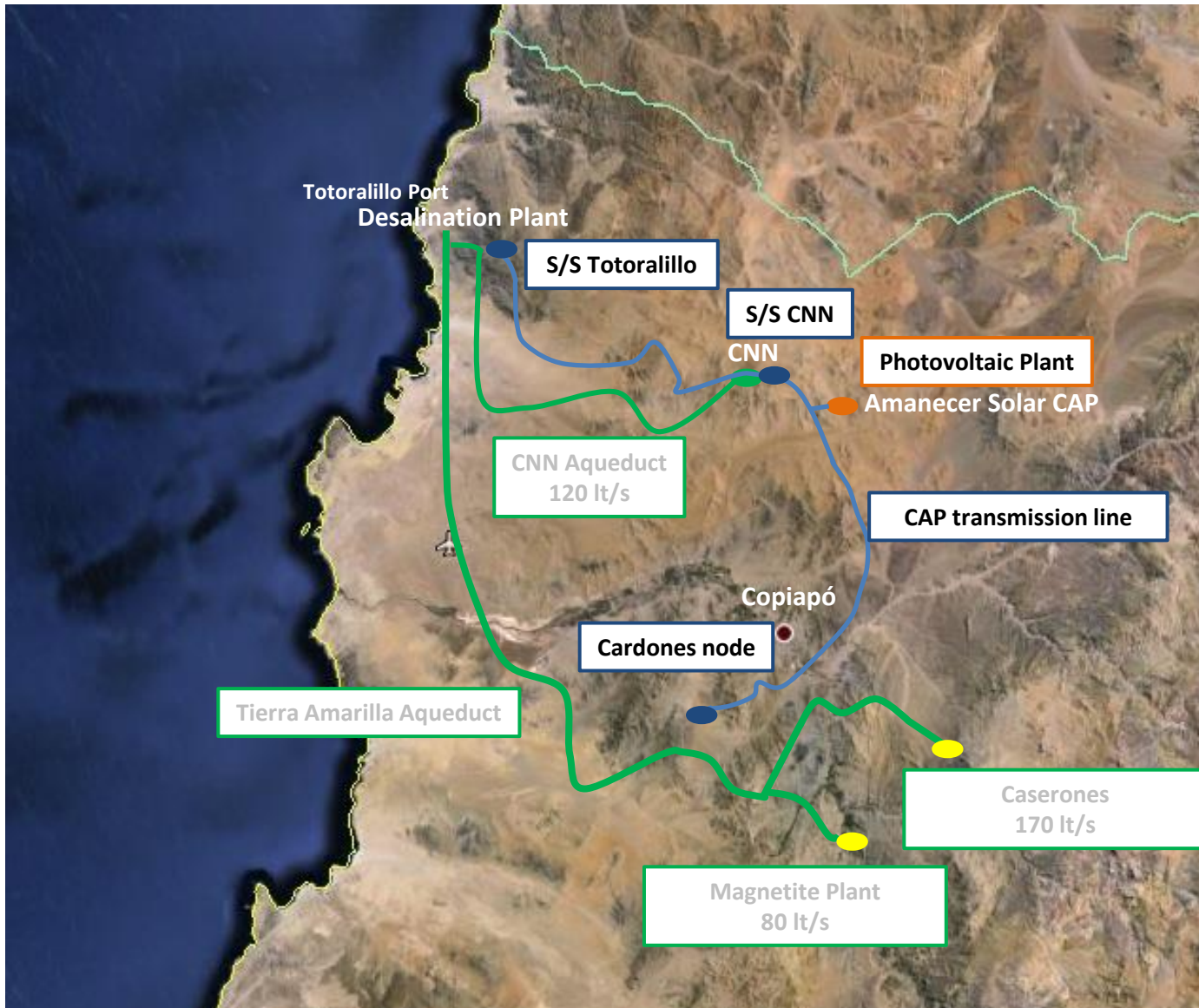
CAP Mining Totalillo Port

- Third-party iron ore loading and storage capacity at Totalillo port is 3 Mt/y
- Loaded tonnages: 2 Mt in 2013 and 2,5 Mt in 2014(E)
 - 1,1 Mt in Jan-Apr 2014
- EBITDA generation: MUS\$20 in 2013 and MUS\$22 in 2014(E)
 - US\$ 8,4 in Jan-Apr 2014
- With the addition of 1 Mt/y of copper loading services under preliminary negotiation, EBITDA could reach MUS\$35 per year (expected by 2017)

Other CAP Ports

- Copper storage and loading services in preliminary negotiation stage at Las Losas port, and under study at Guayacan port
- Copper loading services at Guayacán port, and various possibilities for CSH's port under study (expected to be defined by 2014)





- 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 201

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- **CAP Mining**

- On track for expansion of 50% production capacity to 18 Mt/y
- Ample portfolio of future prospects based on abundant reserves; further expansion to be defined in 2014 (return optimization based on economics, market intelligence and prudent financing)
- Global environmental and economic constraints support the growing need for CAP's magnetite concentrate

- **CAP Steel**

- Focus on long steel products that distinguishes from competitors through technology and/or logistics
- Expectation of cash neutrality and profitability in the near term (EBITDA 1T14 = USD 2 million)
- Versatility: possible re-expansion dependent on market conditions

- **CAP Steel Processing**

- Already largest flat steel processor in the Pacific coast of South America
- Leader in innovative solutions for industrial and residential construction
- Strong plans for organic and inorganic growth

- CAP is advancing through sustainable development based on competitive advantages
- Concurrently, cost reduction initiatives and productivity improvements will be at the center of management efforts
 - CAP Mining: operational improvements, capacity increase; ...
 - CAP Steel: organizational structure/inventory/logistics; optimization of raw materials and energy utilization; maximization of semi-finished steel for the given pig iron production; ...
 - CAP Steel Processing: minimization of inventory; reduction of lead time and freight costs; ...



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President & CEO

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CFO

Santiago - June 2014