



52-wk Range: £5.41-10.89
12 month target £10.33

Market Cap (M): £8,872.7
EV (M): £7,682.2

Mining

Unaudited 1Q results – better than our forecast

Summary

Antofagasta is a leading copper producer listed on the LSE. Its major asset is the Los Pelambres mine which has recently commissioned an expansion to 175ktpd. Its other current producing mines are El Tesoro and Michilla, both significantly smaller than Los Pelambres. Antofagasta expects to commission the Esperanza mine and add 215kt of copper and 175k oz of gold to annual production.



Key Metrics

EV/EBITDA: 4.61
Shares Outstanding (M): 985.9
Current Price (GBP): £9.00

Event

Antofagasta has released its March quarterly unaudited results. The company reported turnover of \$981.9M and an ebitda of \$623.4M.

Comment

This result was better than we had forecast, turnover of \$969M and EBITDA of \$594M. The main differences were that we had forecast significantly lower gold and molybdenum revenues. Our error with molybdenum was that we had underestimated the provisional pricing. Gold revenues, although not quoted in the quarterly production reports, were significantly higher than we had forecast with actual production being around 9,000oz. Looking forward for the balance of the year we anticipate that gold production will drop significantly to a bit above 3k oz per quarter for the balance of 2010.

We have made no changes to our commodity price forecasts for the current quarter with the only change made being a small drop to our forecast gold production. We do however note that the Chilean peso has dropped around 2% against the US\$ since the end of the first quarter which combined with a resilient molybdenum price could result in a small drop in the cash costs at Los Pelambres when the 2Q production figures are released.

Recommendation

Our target price has increased to £10.33, formerly £9.90/share. The Buy recommendation is maintained. The main driver in the rise in the target price has been the fall in the value of sterling since we published our last note.

Contact

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (US\$M):	3498.4	3087.7	4435.7	6580.8	6032.7
EBITDA (US\$M):	2724.5	1665.9	2860.0	4554.5	4047.6
NPAT (inc significant items):	1706.5	667.7	1283.1	2181.3	2024.0
EPS (USc):	173.1	67.7	130.2	221.3	205.3
Cash Flow/Share (USc):	227.0	162.0	239.8	375.6	334.0
Copper Price (USc/lb):	314.5	233.9	333.4	345.0	300.0

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Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 28 May 2010

Company Name	Disclosure
Antofagasta (ANTO)	

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Fox-Davies corporate client & coverage universe as of 28 May 2010:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.05.10	£5.18	£6.16
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.05
Antofagasta	ANTO LN Equity	BUY	28.05.10	£10.33	£8.98
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.005
Discovery Metals	DME LN Equity	BUY	24.05.10	£0.78	£0.43
EMED Mining	EMED LN Equity	BUY	12.04.10	£0.62	£0.08
Exco Resources	EXS AU Equity	BUY	09.04.10	A\$0.67	A\$0.24
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	20.05.10	£0.13	£0.05
Highland Gold	HGM LN Equity	BUY	20.05.10	£1.46	£1.32
Hochschild Mining	HOC LN Equity	HOLD	21.04.10	£3.11	£2.90
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.10
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.3
Minera IRL	MIRL LN Equity	BUY	14.05.10	£0.94	£0.62
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.07
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.04

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