

For immediate release

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Unaudited Results for the Three Months ended 31 March 2013

London, 16 May 2013

Highlights

- **Group copper production volumes of 183,800 tonnes, a 12.8% increase compared with Q1 2012, mainly due to higher plant throughput at Esperanza. Sales volumes in Q1 2013 were 170,000 tonnes, a smaller increase than for production volumes mainly due to temporary shipping delays.**
- **Group revenue of US\$1,504.0 million (Q1 2012 – US\$1,762.1 million), with increased copper and gold volumes offset by lower realised prices.**
- **Group EBITDA of US\$781.7 million (Q1 2012 – US\$1,105.4 million), mainly reflecting the lower revenue in the period, and to a lesser extent slightly higher operating costs.**
- **Group attributable net cash position increased to US\$2,636.1 million (31 December 2012 – US\$2,564.6 million).**

Production and sales volumes

The volume of copper produced in the three months ended 31 March 2013 was 183,800 tonnes, a 12.8% increase on the 162,900 tonnes produced in the three months ended 31 March 2012. This was mainly due to higher plant throughput at Esperanza. However, compared with the last quarter of 2012 copper production was 5.2% lower, mainly due to major scheduled maintenance at Los Pelambres during the current period.

Sales volumes in the three months ended 31 March 2013 were 170,000 tonnes (three months ended 31 March 2012 – 158,700 tonnes), a smaller increase than for production volumes mainly due to temporary delays in shipping due to strike action at ports from which El Tesoro and Michilla's copper production is shipped.

Gold production volumes were 86,200 ounces and sales volumes were 74,800 ounces (three months ended 31 March 2012 - production volumes of 63,500 ounces and sales volumes of 63,400 ounces) reflecting increased production at Esperanza.

Molybdenum production volumes were 2,600 tonnes and sales volumes were 2,200 tonnes (three months ended 31 March 2012 – production volumes were 3,100 tonnes and sales volumes were 2,900 tonnes).

Revenue

Group revenue in the three months ended 31 March 2013 was US\$1,504.0 million compared with US\$1,762.1 million in the same period in 2012, with increased copper volumes offset by lower realised copper and gold prices.

The realised copper price in the period decreased from 429.6 cents per pound in the first quarter of 2012 to 341.1 cents per pound. London Metal Exchange ("LME") copper prices averaged 359.8 cents per pound during the period compared with 376.9 cents per pound in the first three months of 2012. Significant decreases in the market price through Q1 2013 led to negative provisional pricing adjustments of US\$80.9 million. Conversely, the increase in the market price during the first quarter of 2012 resulted in a realised price significantly higher than the average market price for that period. Revenue for the period ended 31 March 2013 also included a gain of US\$2.0 million on commodity derivatives which matured during the period, mainly at Michilla.

Market molybdenum prices averaged US\$11.4 per pound in the three month period, a decrease from the average price of US\$14.2 per pound in the three months ended 31 March 2012. The realised molybdenum price of US\$11.1 per pound for the period was 2.6% lower than the average market price.

Market gold prices averaged US\$1,632.1 per ounce in the three month period, a decrease from the average price of US\$1,690.9 per ounce in the three months ended 31 March 2012. The realised gold price of US\$1,588.2 per ounce for the three month period was below the market price for the period reflecting the decrease in price over the period and the resulting settlement and mark-to-market adjustments relating to the provisional pricing of gold sales.

The transport division's sales were US\$47.2 million in the period, a 4.9% improvement compared with the same period in 2012 as a result of increased tariffs through indexation. The water division's sales were US\$36.9 million, a 13.5% increase compared with the same period in 2012 as a result of increased volumes sold to regulated clients, increased tariffs and the impact of the stronger Chilean peso, partly offset by decreased volumes sold to unregulated clients.

Further details of production and sales volumes and realised prices by mining operation are given in Note 2, and an analysis of revenue by business segment is given in Note 3. Further details of the operating performance of each mine and the rail and water division were announced in the Group's first quarter production report on 1 May 2013.

EBITDA

Group EBITDA in the three months ended 31 March 2013 was US\$781.7 million, compared with US\$1,105.4 million in the first three months of 2012. This 29.3% decline mainly reflected the decrease in revenues discussed above together with an increase in operating costs.

Weighted average cash costs excluding by-product credits (which are reported as part of revenue) and tolling charges for concentrates (which are deducted from revenue) increased from 151.2 cents per pound in the three months ended 31 March 2012 to 157.4 cents per pound in the first three months of 2013. This increase mainly reflected higher on-site costs at Los Pelambres, partly due to the impact of higher energy prices under a new contract entered into by Los Pelambres in January 2013.

Net cash costs including by-product credits (which are reported as part of revenue) were 115.5 cents per pound, compared with 98.1 cents per pound in the first three months of 2012, partly reflecting lower by-product credits at Los Pelambres and Esperanza. Further details of the cash costs of each mine are given in the Group's first quarter production report. Exploration and evaluation expenditure increased from US\$62.7 million in the first quarter of 2012 to US\$76.7 million in the first three months of 2013. The increase mainly related to additional expenditure on the Los Pelambres expansion pre-feasibility study.

Further details of cash costs by mining operation are given in Note 2 and an analysis of EBITDA by business segment is given in Note 3. Details of commodity derivative instruments are given in Note 5. As explained above, further details of the operating performance of each mine and the rail and water divisions were announced in the Group's first quarter production report on 1 May 2013.

Cash and Borrowings

At 31 March 2013 the Group had cash, cash equivalents and liquid investments of US\$4,013.9 million (31 December 2012 – US\$4,291.9 million), and total borrowings of US\$1,598.1 million (31 December 2012 – US\$1,889.2 million), resulting in a net cash position of US\$2,415.8 million (31 December 2012 – US\$2,402.7 million). Excluding the non-controlling interest in each partly-owned operation, the Group's attributable share of total cash and cash equivalents and liquid investments was US\$3,729.6 million (31 December 2012 – US\$3,860.2 million), and attributable borrowings were US\$1,093.5 million (31 December 2012 – US\$1,295.6 million), resulting in an attributable net cash position of US\$2,636.1 million (31 December 2012 – US\$2,564.6 million).

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Notes

1. General information and accounting policies

These unaudited first quarter results are for the three-month period ending 31 March 2013. The Group revenue and EBITDA information, including all comparatives, have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year to 31 December 2012, with the exception the adoption of IFRS 11 "Joint Arrangements", and in accordance with applicable International Financial Reporting Standards and Interpretations (IFRS), which have been endorsed by the European Union. IFRS 11, which applies for the first time in 2013, no longer permits proportional consolidation of joint ventures which are now required to be accounted for by the equity method of accounting. This has resulted in a reclassification in the income statement of US\$6.0 million in the comparative period ended 31 March 2012 from total operating costs to share of results from associates and joint ventures (hence increasing the restated EBITDA by that amount), but does not have any effect on net income or net assets.

While the revenue and EBITDA information contained in this three month results announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The information included in this announcement for the three month periods ending 31 March 2012 and 31 March 2013 is unaudited.

The information contained in this announcement for the year ended 31 December 2012 does not constitute statutory accounts. A copy of the statutory accounts for that year will be delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain statements under section 498(2) (regarding adequacy of accounting records and returns) or section 498(3) (regarding provision of necessary information and explanations) of the Companies Act 2006. The comparative information contained in Note 2 of this announcement is not derived from the statutory accounts for the year ended 31 December 2012 and is accordingly not covered by the auditors' report.

The Group's five mining companies, Los Pelambres, Esperanza, El Tesoro, Michilla and Antucoya will also file quarterly financial statements under a consistent IFRS basis for the three-month period ended 31 March 2013 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS").

2. Production and Sales Statistics

(See notes following Note 2(b).)

(a) Production and sales volumes for copper, gold, molybdenum and silver

	<u>Production</u>			<u>Sales</u>		
	Three months ended 31 March 2013	Three months ended 31 March 2012	Full year 2012	Three months ended 31 March 2013	Three months ended 31 March 2012	Full year 2012
Copper ('000 tonnes)						
Los Pelambres	101.2	95.9	403.7	102.8	92.5	396.9
Esperanza	47.9	30.5	163.2	41.0	30.0	163.0
El Tesoro	25.4	28.2	105.0	19.5	27.8	105.9
Michilla	9.3	8.3	37.7	6.7	8.4	37.4
Group total	183.8	162.9	709.6	170.0	158.7	703.2
Gold ('000 ounces)						
Los Pelambres	11.8	11.9	51.5	11.8	11.9	51.5
Esperanza	74.4	51.7	248.4	63.0	51.5	248.6
	86.2	63.5	299.9	74.8	63.4	300.1
Molybdenum ('000 tonnes)						
Los Pelambres	2.6	3.1	12.2	2.2	2.9	12.6
Silver ('000 ounces)						
Los Pelambres	496.2	510.9	2,019.4	496.2	510.9	2,019.4
Esperanza	379.9	228.7	1,323.2	304.0	235.8	1,282.5
	876.1	739.6	3,342.6	800.2	746.7	3,301.9

(b) Cash costs per pound of copper produced and realised prices for copper, gold, molybdenum and silver sold

	<u>Cash cost</u>			<u>Realised prices</u>		
	Three months ended 31 March 2013 US cents/pound	Three months ended 31 March 2012 US cents/pound	Full year 2012 US cents/pound	Three months ended 31 March 2013 US cents/pound	Three months ended 31 March 2012 US cents/pound	Full year 2012 US cents/pound
Copper						
Los Pelambres	107.3	75.6	85.9	335.8	441.9	367.0
Esperanza	85.4	61.7	65.9	338.7	434.8	364.8
El Tesoro	126.6	147.8	149.3	362.2	392.9	364.5
Michilla	329.7	323.2	318.3	374.5	397.4	372.8
Group weighted average (net of by-products)	115.5	98.1	103.0	341.1	429.6	366.4
Group weighted average (before deducting by-products)	171.7	163.6	162.8			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	157.4	151.2	149.8			
Cash costs at Los Pelambres comprise:						
On-site and shipping cost	133.5	125.1	123.4			
Tolling charges for concentrates	16.8	15.9	15.8			
Cash costs before deducting by-product credits	150.3	141.0	139.1			
By-product credits (principally molybdenum)	(43.0)	(65.4)	(53.2)			
Cash costs (net of by-product credits)	107.3	75.6	85.9			
Cash costs at Esperanza comprise:						
On-site and shipping cost	190.6	189.4	176.4			
Tolling charges for concentrates	19.3	16.7	17.8			
Cash costs before deducting by-product credits	209.8	206.1	194.2			
By-product credits (principally gold)	(124.4)	(144.4)	(128.3)			
Cash costs (net of by-product credits)	85.4	61.7	65.9	US\$	US\$	US\$
Copper LME average price (US cents/pound)				359.8	376.9	360.6
Gold (US\$/ounce)						
Los Pelambres				1,610.1	1,663.9	1,668.0
Esperanza				1,584.1	1,712.7	1,676.6
Weighted average				1,588.2	1,703.5	1,675.1
Gold average market price				1,632.1	1,690.9	1,668.9
Molybdenum (US\$/pound)						
Los Pelambres				11.1	14.6	11.9
Molybdenum average market price				11.4	14.2	12.7
Silver (US\$/ounce)						
Los Pelambres				29.6	31.9	31.0
Esperanza				30.3	33.1	31.3
Weighted average				29.9	32.3	31.1
Silver average market price				30.1	32.6	31.1

Notes to the production and sales statistics

- (i) The production and sales figures represent the total amounts produced and sold at each mine, not the Group's attributable share of each mine. The Group owns 60% of Los Pelambres, 70% of Esperanza, 70% of El Tesoro and 74.2% of Michilla.
- (ii) Los Pelambres produces copper and molybdenum concentrates and Esperanza produces copper concentrate. The figures for Los Pelambres and Esperanza are expressed in terms of payable metal contained in concentrate. Los Pelambres and Esperanza are also credited for the gold and silver contained in the copper concentrate sold. El Tesoro and Michilla produce cathodes with no by-products.
- (iii) Cash costs are a measure of the cost of operational production expressed in terms of cents per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates at Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax for all four operations.
- (iv) Realised copper prices are determined by comparing revenue from copper sales (grossing up for tolling charges for concentrates) with sales volumes for each mine in the period. Realised molybdenum prices at Los Pelambres are calculated on a similar basis. Realised prices reflect gains and losses on commodity derivatives, which are included within revenue.
- (v) The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.
- (vi) The production information in Note 2(a) and the cash cost information in Note 2(b) is derived from the Group's production report for the first quarter of 2013, published on 1 May 2013.

3. Revenue and EBITDA analysed by business segment

	<u>Turnover</u>			<u>EBITDA</u>		
	Three months ended	Three months ended	Full year	Three months ended	Three months ended	Full year
	31 March	31 March		31 March	31 March	
	2013	2012	2012	2013	2012	
US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m	
Los Pelambres	811.2	997.7	3,553.7	509.3	735.4	2,457.0
Esperanza	397.7	372.5	1,704.2	221.3	242.2	1,074.0
El Tesoro	155.7	240.8	851.0	96.7	148.5	492.8
Michilla	55.3	73.6	307.4	5.7	14.3	47.9
Exploration and evaluation	-	-	-	(76.7)	(62.7)	(283.4)
Corporate and other items	-	-	-	(16.6)	(13.2)	(85.0)
Mining	1,419.9	1,684.6	6,416.3	739.7	1,064.5	3,703.3
Railway and other transport services	47.2	45.0	190.4	19.4	18.7	73.7
Water concession	36.9	32.5	133.4	22.6	22.2	81.3
Group turnover and EBITDA	1,504.0	1,762.1	6,740.1	781.7	1,105.4	3,858.3

Revenue by product:

	<u>Revenue by product</u>		
	Three months ended 31 March 2013 US\$m	Three months ended 31 March 2012 US\$m	Full year 2012 US\$m
Copper			
- Los Pelambres	727.4	873.8	3,091.3
- Esperanza	289.1	276.9	1,249.0
- El Tesoro	155.7	240.8	851.0
- Michilla	55.3	73.6	307.4
Gold			
- Los Pelambres	18.9	19.8	85.7
- Esperanza	99.5	87.9	415.5
Molybdenum			
- Los Pelambres	50.4	87.9	314.7
Silver			
- Los Pelambres	14.5	16.2	62.0
- Esperanza	9.1	7.7	39.7
Total Mining	1,419.9	1,684.6	6,416.3
Railway and transport services	47.2	45.0	190.4
Water concession	36.9	32.5	133.4
	1,504.0	1,762.1	6,740.1

Notes to revenue and EBITDA by business segment

- (i) Revenue from Esperanza is stated after eliminating inter-segmental sales of Run-Of-Mine oxides to El Tesoro of US\$2.1 million (three months ended 31 March 2012 – US\$0.5 million). Revenue from the railway and other transport services division is stated after eliminating inter-segmental sales to the mining division of US\$0.7 million (three months ended 31 March 2012 - US\$2.6 million). Revenue from the water concession is stated after eliminating inter-segmental sales to the mining division of US\$1.6 million (three months ended 31 March 2012 - US\$1.9 million) and after eliminating sales to the railway and other transport services division of US\$0.1 million (three months ended 31 March 2012 - US\$0.1 million).
- (ii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper concentrates (including the gold content contained therein), molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 4.
- (iii) Revenue includes a realised gain at El Tesoro of US\$0.1 million (three months ended 31 March 2012 – nil) and a realised gain at Michilla of US\$1.9 million (three months ended 31 March 2012 – gain of US\$0.6 million) arising from commodity hedging. Further details are given in Note 5.
- (iv) EBITDA is calculated by adding back depreciation, amortisation, impairment charges and disposals of plant, property and equipment to operating profit from subsidiaries.

4. Embedded derivatives – provisionally priced sales

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time or month of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from one to five months after shipment to the customer.

Under IFRS, both gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The Group determines mark-to-market prices using forward prices at each period end for copper concentrate and cathode sales, and period-end month average prices for molybdenum

concentrate sales due to the absence of a futures market in the market price references for that commodity in the majority of the Groups contracts. The mark-to-market adjustments to the balance sheet at the end of each period are as follows:

	Balance sheet -		
	net mark to market effect on debtors		
	At 31.03.13	At 31.03.12	At 31.12.12
	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	(52.0)	39.1	1.8
Los Pelambres - molybdenum concentrate	(2.9)	(1.6)	(0.4)
Esperanza - copper concentrate	(20.9)	5.4	(0.5)
Esperanza - gold in concentrate	(1.2)	(0.4)	(1.2)
El Tesoro - copper cathodes	(0.6)	-	(0.2)
Michilla - copper cathodes	(0.3)	(0.2)	(0.1)
	<u>(77.9)</u>	<u>42.3</u>	<u>(0.6)</u>

For the period ended 31 March 2013

	Three months ended						
	31 March 2013						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
Provisionally invoiced gross sales	818.8	326.1	157.3	54.8	21.5	101.4	58.7
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(1.8)	0.5	0.2	0.1	-	1.2	0.4
Settlement of sales invoiced in the previous period	(1.1)	1.3	1.1	0.2	(2.5)	(0.5)	(0.5)
Total effect of adjustments to previous period invoices in the current period	(2.9)	1.8	1.3	0.3	(2.5)	0.7	(0.1)
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(2.9)	(0.9)	(2.4)	(1.4)	-	(1.1)	(1.8)
Mark-to-market adjustments at the end of the current period	(52.0)	(20.9)	(0.6)	(0.3)	-	(1.2)	(2.9)
Total effect of adjustments to current period invoices	(54.9)	(21.8)	(3.0)	(1.7)	-	(2.3)	(4.7)
Total pricing adjustments	(57.8)	(20.0)	(1.7)	(1.4)	(2.5)	(1.6)	(4.8)
Realised gains/(losses) on commodity derivatives	-	-	0.1	1.9	-	-	-
Revenue before deducting tolling charges	761.0	306.1	155.7	55.3	19.0	99.8	53.9
Tolling charges	(33.6)	(17.0)	-	-	(0.1)	(0.3)	(3.5)
Revenue net of tolling charges	727.4	289.1	155.7	55.3	18.9	99.5	50.4

For the period ended 31 March 2012

	Three months ended 31 March 2012						
	Los Pelambres Copper concentrate	Esperanza Copper concentrate	El Tesoro Copper cathodes	Michilla Copper cathodes	Los Pelambres Gold in concentrate	Esperanza Gold in concentrate	Los Pelambres Molybdenum concentrate
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Provisionally invoiced gross sales	765.6	250.8	233.6	71.5	19.9	87.8	94.1
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	18.0	(4.3)	0.2	0.2	-	1.6	0.1
Settlement of sales invoiced in the previous period	71.8	32.5	4.0	1.2	(0.1)	(0.7)	1.6
Total effect of adjustments to previous period invoices in the current period	89.8	28.2	4.2	1.4	(0.1)	0.9	1.7
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	6.7	3.2	3.0	0.3	-	(0.1)	(0.6)
Mark-to-market adjustments at the end of the current period	39.1	5.4	-	(0.2)	-	(0.4)	(1.6)
Total effect of adjustments to current period invoices	45.8	8.6	3.0	0.1	-	(0.5)	(2.2)
Total pricing adjustments	135.6	36.8	7.2	1.5	(0.1)	0.4	(0.5)
Realised gains/(losses) on commodity derivatives	-	-	-	0.6	-	-	-
Revenue before deducting tolling charges	901.2	287.6	240.8	73.6	19.8	88.2	93.6
Tolling charges	(27.4)	(10.7)	-	-	-	(0.3)	(5.7)
Revenue net of tolling charges	873.8	276.9	240.8	73.6	19.8	87.9	87.9

For the period ended 31 December 2012

	Year ended 31 December 2012						
	Los Pelambres Copper concentrate US\$m	Esperanza Copper concentrate US\$m	El Tesoro Copper cathodes US\$m	Michilla Copper cathodes US\$m	Los Pelambres Gold in concentrate US\$m	Esperanza Gold in concentrate US\$m	Los Pelambres Molybdenum concentrate US\$m
	Provisionally invoiced gross sales	3,144.8	1,298.1	852.8	303.1	89.8	416.5
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	18.0	(4.3)	0.2	0.2	-	1.6	0.1
Settlement of sales invoiced in the previous period	75.8	29.5	4.0	1.3	0.2	1.5	1.3
Total effect of adjustments to previous period invoices in the current period	93.8	25.2	4.2	1.5	0.2	3.1	1.4
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(23.5)	(11.7)	(6.0)	(3.2)	(4.1)	(1.6)	(29.6)
Mark-to-market adjustments at the end of the current period	1.8	(0.5)	(0.2)	(0.1)	-	(1.2)	(0.4)
Total effect of adjustments to current period invoices	(21.7)	(12.2)	(6.2)	(3.3)	(4.1)	(2.8)	(30.0)
Total pricing adjustments	72.1	13.0	(2.0)	(1.8)	(3.9)	0.3	(28.6)
Realised gains/(losses) on commodity derivatives	(5.9)	-	0.2	6.1	-	-	-
Revenue before deducting tolling charges	3,211.0	1,311.1	851.0	307.4	85.9	416.8	333.9
Tolling charges	(119.7)	(62.1)	-	-	(0.2)	(1.3)	(19.2)
Revenue net of tolling charges	3,091.3	1,249.0	851.0	307.4	85.7	415.5	314.7

Copper concentrate

The typical period for which sales of copper concentrate remain open until settlement occurs is a range of approximately three to five months from shipment date.

At 31 March 2013 sales totalling 187,800 tonnes remained open as to price (Los Pelambres – 133,100 tonnes, Esperanza – 54,700 tonnes), with an average mark-to-market price of 341.7 cents per pound compared with an average provisional invoice price of 359.3 cents per pound. At 31 March 2012 sales totalling 172,400 tonnes remained open as to price (Los Pelambres – 131,300 tonnes, Esperanza – 41,100 tonnes), with an average mark-to-market price of 383.5 cents per pound compared with an average provisional invoice price of 371.8 cents per pound. At 31 December 2012 sales totalling 203,400 tonnes remained open as to price (Los Pelambres – 134,200 tonnes, Esperanza – 69,200 tonnes), with an average mark-to-market price of 359.6 cents per pound compared with an average provisional invoice price of 359.3 cents per pound.

Copper cathodes

The typical period for which sales of copper cathodes remain open until settlement occurs is approximately one month from shipment date.

At 31 March 2013, sales totalling 4,000 tonnes remained open as to price (El Tesoro – 3,400 tonnes, Michilla – 600 tonnes), with an average mark-to-market price of 341.0 cents per pound compared with an average provisional invoice price of 351.0 cents per pound. At 31 March 2012, sales totalling 12,600 tonnes remained open as to price (El Tesoro – 9,900 tonnes, Michilla – 2,700 tonnes), with an average mark-to-market price of 384.1 cents per pound compared with an average

provisional invoice price of 385.1 cents per pound. At 31 December 2012, sales totalling 13,400 tonnes remained open as to price (El Tesoro – 9,900 tonnes, Michilla – 3,500 tonnes), with an average mark-to-market price of 358.9 cents per pound compared with an average provisional invoice price of 360.2 cents per pound.

Gold in concentrate

The typical period for which sales of gold in concentrate remain open is approximately one month from shipment date.

At 31 March 2013, sales totalling 32,900 ounces remained open as to price, with an average mark-to-market price of US\$1,593.8 per ounce compared with an average provisional invoice price of US\$1,630.5 per ounce. At 31 March 2012, sales totalling 20,900 ounces remained open as to price, with an average mark-to-market price of US\$1,659.9 per ounce compared with an average provisional invoice price of US\$1,679.7 per ounce. At 31 December 2012, sales totalling 42,400 ounces remained open as to price, with an average mark-to-market price of US\$1,676.9 per ounce compared with an average provisional invoice price of US\$1,704.8 per ounce.

Molybdenum concentrate

The typical period for which sales of molybdenum remain open is approximately two months from shipment date.

At 31 March 2013 sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of US\$10.9 per pound compared with an average provisional invoice price of US\$11.6 per pound. At 31 March 2012 sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of US\$14.3 per pound compared with an average provisional invoice price of US\$14.7 per pound. At 31 December 2012 sales totalling 1,700 tonnes remained open as to price, with an average mark-to-market price of US\$11.4 per pound compared with an average provisional invoice price of US\$11.5 per pound.

5. Derivative Financial Instruments

The Group periodically uses derivative financial instruments to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Group has applied the hedge accounting provisions of IAS 39 “Financial Instruments: Recognition and Measurement”. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects derivatives recognise in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is excluded from the designated hedging relationship, and is therefore recognised directly in the income statement within other finance items respectively.

(a) Mark-to-market adjustments and income statement impact

The balance sheet mark-to-market adjustments in respect of derivatives at the end of each period, and the total effect on the income statement for each period, are as follows:

For the period ended 31 March 2013

	<u>Income statement impact for three months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.03.13</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains/(losses)	Total net	Gains/(losses)	Net financial
	gains/(losses)	resulting from mark-	gain/(loss)	resulting from	asset/(liability)
		to-market adjustments		mark-to-market	
		on hedging		adjustments on	
		instruments		hedging	
				instruments	
	US\$m	US\$m	US\$m	US\$m	US\$m
Commodity Derivatives					
El Tesoro	0.1	-	0.1	1.5	0.3
Michilla	1.9	(6.1)	(4.2)	7.5	27.4
Exchange Derivatives					
Michilla	2.8	-	2.8	(1.2)	5.8
Interest Derivatives					
Esperanza	(2.4)	-	(2.4)	2.2	(15.9)
Energy Derivatives					
Los Pelambres	0.8	-	0.8	(10.3)	-
	3.2	(6.1)	(2.9)	(0.3)	17.6

For the period ended 31 March 2012

	<u>Income statement impact for three months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.03.12</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains/(losses) resulting	Total net	Gains/(losses)	Net financial
	losses	from mark-to-market	gain/(loss)	resulting from	asset/(liability)
		adjustments on		mark-to-market	
		hedging instruments		adjustments on	
				hedging	
				instruments	
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
Commodity Derivatives					
Los Pelambres	-	-	-	(0.1)	(0.1)
El Tesoro	-	-	-	(0.3)	0.2
Michilla	0.6	(1.8)	0.6	(27.6)	29.0
Exchange Derivatives					
Michilla	(0.3)	-	(0.3)	11.5	3.7
Interest Derivatives					
Esperanza	(4.7)	-	(4.7)	4.0	(23.0)
	(4.4)	(1.8)	(4.4)	(12.5)	9.8

For the year ended 31 December 2012

	<u>Income statement impact for year ended 31.12.12</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.12.12</u>			<u>reserves at</u>	<u>sheet impact of</u>
	Realised	Gains/(losses) resulting	Total net	Gains/(losses)	Net financial
	losses	from mark-to-market	gain/(loss)	resulting from	asset/(liability)
		adjustments on		mark-to-market	
		hedging instruments		adjustments on	
				hedging	
				instruments	
	US\$'m	US\$'m	US\$'m	US\$'m	US\$'m
Commodity Derivatives					
Los Pelambres	(5.9)	-	(5.9)	-	-
El Tesoro	0.2	-	0.2	(1.7)	(1.2)
Michilla	6.1	(12.4)	(6.3)	(20.0)	26.0
Exchange Derivatives					
Michilla	0.7	-	0.7	14.8	7.0
Interest Derivatives					
Esperanza	(13.7)	-	(13.7)	8.9	(18.1)
Energy Derivatives					
Los Pelambres	-	-	-	10.3	10.3
	(12.6)	(12.4)	(25.0)	12.3	24.0

The gains/(losses) recognised in reserves are disclosed before non-controlling interests and tax.

The net financial asset/(liability) resulting from the balance sheet mark-to-market adjustments are analysed as follows:

	At 31.03.13	At 31.03.12	At 31.12.12
	US\$m	US\$m	US\$m
Analysed between:			
Current assets	24.4	2.8	35.3
Non-current assets	9.1	30.1	8.0
Current liabilities	(5.7)	(9.3)	(6.2)
Non-current liabilities	(10.2)	(13.8)	(13.1)
	<u>17.6</u>	<u>9.8</u>	<u>24.0</u>

(b) Outstanding derivative financial instruments

(i) Commodity derivatives

The Group periodically uses commodity derivatives to reduce its exposure to fluctuation in the copper price.

- Min/max instruments

	At 31.03.13	For instruments held at 31.03.13			
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 April 2013 Months	Covering a period up to:	Weighted average floor US cents	Weighted average cap US cents
Michilla	54,750	12.8	31-12-14	350.7	462.1

Between 1 April 2013 and 30 April 2013 no additional min/max instruments were entered into and 2,750 tonnes of min/max instruments matured. As a result the cumulative position by 30 April 2013 was:

- (i) 33,000 tonnes of 2013 Group copper production had been hedged with min-max options of which 11,000 tonnes matured by 30 April 2013 and 22,000 tonnes remain outstanding and will mature by the end of the year.
- (ii) 30,000 tonnes of 2014 Group copper production has been hedged with min-max options.

- Future arbitrage

The Group also has futures for copper production, to buy and sell copper production with the effect of swapping COMEX prices for LME prices without eliminating underlying market price exposure.

	At 31.03.13	For instruments held at 31.03.13		
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 April 2013 Months	Covering a period up to:	Weighted average price US cents
El Tesoro	7,000	5.5	31-01-14	374.1

(ii) Exchange derivatives

The Group periodically uses foreign exchange derivatives to reduce its exposure to fluctuations in the exchange rates influencing operating costs and the fair value of non-US dollar denominated assets or liabilities.

- Cross currency swaps

The Group has used cross currency swaps to swap Chilean pesos for US dollars.

	At 31.03.13	For instruments held at 31.03.13		
	Principal value of cross currency swaps held US\$m	Weighted average remaining period from 1 April 2012 Months	Covering a period up to:	Weighted average rate Ch\$/US\$
Michilla	42.0	3.6	16-09-13	547.2

Between 1 April 2013 and 30 April 2013 US\$7.0 million of cross-currency swaps relating to Michilla matured.

(iii) Interest derivatives

The Group periodically uses interest derivatives to reduce its exposure to interest rate movements.

- Interest rate swaps

The Group has used interest rate swaps to swap the floating rate interest relating to the Esperanza financing for fixed rate interest. At 31 March 2013 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Actual notional amount US\$m	Weighted Average Fixed Rate %
Esperanza	15/02/11	15/08/18	290.1	3.372

The actual notional amount hedge depends upon the amount of the related debt currently outstanding.