

For immediate release

Cleveland House
33 King Street
London
SW1Y 6RJ
United Kingdom

Telephone: + 44 20 7808 0988
Fax: + 44 20 7930 7578
Email: info@antofagasta.co.uk

Unaudited Results for the Three Months ended 31 March 2012

London, 17 May 2012

Highlights

	Three months ended 31 March 2012 US\$m	Three months ended 31 March 2011 US\$m	Change %	Full year 2011 US\$m
Group turnover	<u>1,762.1</u>	<u>1,269.0</u>	38.9%	<u>6,076.0</u>
Group EBITDA	<u>1,099.4</u>	<u>811.9</u>	35.4%	<u>3,660.5</u>

Revenue

Group revenue in the three months ended 31 March 2012 was US\$1,762.1 million compared with US\$1,269.0 million in the same period in 2011, mainly reflecting increased copper and gold volumes and increased gold prices.

The volume of copper produced in the three months ended 31 March 2012 was 162,900 tonnes, a 25.5% increase on the 129,800 tonnes produced in the three months ended 31 March 2011. This was mainly due to the impact of Esperanza, which had been commencing production in the comparative period, as well as increased production at El Tesoro due to processing material from the higher grade Mirador pit. Nevertheless, there was a 12.9% decrease in copper production compared with Q4 2011, mainly due to planned maintenance and expected lower grades at Los Pelambres and lower throughput at Esperanza in February and March as a result of damage to the feed conveyor which has since been repaired. Sales volumes in the three months ended 31 March 2012 were 158,700 tonnes (three months ended 31 March 2011 – 120,800). The difference with production volumes mainly reflects timing differences due to shipping and loading schedules.

Gold production volumes were 63,500 ounces and sales volumes were 63,400 ounces (three months ended 31 March 2011 – production volumes of 22,100 ounces and sales volumes of 9,800 ounces) reflecting the increased production as a result of the start-up of Esperanza.

Molybdenum production volumes were 3,100 tonnes and sales volumes were 2,900 tonnes (three months ended 31 March 2011 – production volumes were 2,300 tonnes and sales volumes were 1,800 tonnes) as a result of an increase in the average molybdenum grade at Los Pelambres.

The realised copper price in the period was 429.6 cents per pound, broadly in line with the realised price of 427.7 cents in the first quarter of 2011. London Metal Exchange (“LME”) copper prices averaged 376.9 cents per pound during the period compared with 437.5 cents per pound in the three months ended 31 March 2011. However, an increase in the market price during Q1 2012 led to positive provisional pricing adjustments of US\$181.1 million, resulting in a significantly higher realised price compared with the average market price for the period. Conversely, the decrease in the market price during the first quarter of 2011 resulted in a realised price lower than the average market price for that period. Revenue for the period ended 31 March 2012 also included a gain of US\$0.6 million on commodity derivatives at Michilla which matured during the period.

Market molybdenum prices averaged US\$14.2 per pound in the three month period, a decrease from the average price of US\$17.2 per pound in the three months ended 31 March 2011. The realised molybdenum price of US\$14.6 per pound for the period was marginally higher than the average market price.

Market gold prices averaged US\$1,690.9 per ounce in the three month period, an increase from the average price of US\$1,386.5 per ounce in the three months ended 31 March 2011. The realised gold price of US\$1,703.5 for the three month period was marginally above the market price for the period reflecting the increase 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\$45.0 million in the period, a 9.0% improvement compared with the same period in 2011 as a result of increased tariffs through indexation. The water division's sales were US\$32.5 million, a 15.2% increase compared with the same period in 2011 as a result of increased volumes, increased tariffs and the impact of the stronger Chilean peso.

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 are also given in the Group's first quarter production report released on 3 May 2012.

EBITDA

Group EBITDA in the three months ended 31 March 2012 was US\$1,099.4 million, compared with US\$811.9 million in the first three months of 2011. The increased revenues discussed above were partly offset by increased operating costs. Excluding by-product credits (which are reported as part of revenue) and tolling charges for concentrates (which are deducted from revenue), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Los Pelambres and Esperanza, and cash costs in the case of the other two operations) increased from 140.8 cents per pound in the three months ended 31 March 2011 to 151.2 cents per pound in the first three months of 2012. This increase mainly reflected the impact of increased production at Esperanza, where pre-credit costs are above the average of the other operations and to a lesser extent higher costs at Los Pelambres and Michilla. Net cash costs including by-product credits (which are reported as part of revenue) were 98.1 cents per pound, compared with 107.8 cents per pound in the first three months of 2011, with the higher gold sales volumes largely offsetting the increased operating costs. Further details of the cash costs of each mine are given in the Group's first quarter production report.

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 division are also given in the Group's first quarter production report released on 3 May 2012.

Subsequent to the period-end, in April 2012 a gross intra-group dividend of US\$400 million was declared from the Antofagasta Railway Company plc to Antofagasta plc. While this intra-group dividend eliminates in the Group's consolidated results, it generated Chilean withholding tax of US\$107.4 million. This is not expected to have any significant impact on the Group's expected effective tax rate for the full-year, but is likely to result in the withholding tax charge being significantly weighted towards the first half of the year.

Cash and Borrowings

At 31 March 2012 the Group had cash, cash equivalents and liquid investments of US\$3,545.8 million (31 December 2011 – US\$3,280.0 million). Excluding the minority share in each partly-owned operation, the Group's attributable share of total cash and cash equivalents was US\$3,289.0 million (31 December 2011 – US\$3,041.1 million). Total Group borrowings at 31 March 2012 were US\$2,058.0 million (31 December 2011 – US\$2,140.3 million). Of this, US\$1,400.9 million (31 December 2011 – US\$1,456.3 million) is proportionally attributable to the Group after excluding the minority shareholdings in partly-owned operations.

Basis of Information

The Group revenue and EBITDA figures included in this release for the three-month period ended 31 March 2012 are presented on a basis consistent with the accounting policies used in the Group's 2011 Annual Report and Financial Statements under International Financial Reporting Standards and Interpretations ("IFRS").

The Group's four mining companies, Los Pelambres, Esperanza, El Tesoro and Michilla will today also file quarterly financial statements under a consistent IFRS basis for the three-month period ended 31 March 2012 with the Chilean securities regulator, the Superintendencia de Valores y Seguros de Chile ("SVS").

Enquiries

London

Investor relations - Antofagasta plc

Tel: +44 20 7808 0988

www.antofagasta.co.uk

Desmond O'Connor - doconor@antofagasta.co.uk

Hussein Barma - hbarma@antofagasta.co.uk

Philip Holden - pholden@antofagasta.co.uk

Media enquiries - Bankside Consultants

Tel: +44 20 7367 8871

Simon Rothschild - simon.rothschild@bankside.com

Santiago

Antofagasta Minerals S.A.

Tel: +562 798 7000

Alejandro Rivera - arivera@aminerals.cl

Luis Eduardo Bravo - lbravo@aminerals.cl

Notes

1. General information and accounting policies

These unaudited first quarter results are for the three-month period ending 31 March 2012. 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 2011 and in accordance with applicable International Financial Reporting Standards and Interpretations (IFRS) which have been endorsed by the European Union.

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 2011 and 31 March 2012 is unaudited.

The information contained in this announcement for the year ended 31 December 2011 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 2011 and is accordingly not covered by the auditors' report.

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 2012	Three months ended 31 March 2011	Full year 2011	Three months ended 31 March 2012	Three months ended 31 March 2011	Full year 2011
Copper ('000 tonnes)						
Los Pelambres	95.9	91.2	411.8	92.5	88.0	415.5
Esperanza	30.5	7.4	90.1	30.0	1.4	86.3
El Tesoro	28.2	20.3	97.1	27.8	20.8	96.0
Michilla	8.3	11.0	41.6	8.4	10.6	42.2
Group total	162.9	129.8	640.5	158.7	120.8	640.0
Gold ('000 ounces)						
Los Pelambres	11.9	7.2	39.8	11.9	7.2	39.8
Esperanza	51.7	15.0	157.1	51.5	2.6	153.4
	63.5	22.1	196.8	63.4	9.8	193.2
Molybdenum ('000 tonnes)						
Los Pelambres	3.1	2.3	9.9	2.9	1.8	9.4
Silver ('000 ounces)						
Los Pelambres	510.9	357.4	1,774.3	510.9	357.4	1,774.3
Esperanza	228.7	12.7	724.3	235.8	12.7	724.3
	739.6	370.1	2,498.6	746.7	370.1	2,498.6

(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 2012 US cents/pound	Three months ended 31 March 2011 US cents/pound	Full year 2011 US cents/pound	Three months ended 31 March 2012 US cents/pound	Three months ended 31 March 2011 US cents/pound	Full year 2011 US cents/pound
Copper						
Los Pelambres	75.6	75.2	78.3	441.9	428.4	371.1
Esperanza	61.7	144.9	83.2	434.8	424.4	354.7
El Tesoro	147.8	195.2	171.6	392.9	437.0	391.2
Michilla	323.2	192.2	213.3	397.4	404.1	381.6
Group weighted average (net of by-products)	98.1	107.8	101.9	429.6	427.7	372.6
Group weighted average (before deducting by-products)	163.6	155.8	155.2			
Group weighted average (before deducting by-products and excluding tolling charges from concentrate)	151.2	140.8	141.5			
Cash costs at Los Pelambres comprise:						
On-site and shipping cost	125.1	110.5	110.0			
Tolling charges for concentrates	15.9	20.3	18.0			
Cash costs before deducting by-product credits	141.0	130.8	128.0			
By-product credits (principally molybdenum)	(65.4)	(55.6)	(49.7)			
Cash costs (net of by-product credits)	75.6	75.2	78.3			
Cash costs at Esperanza comprise:						
On-site and shipping cost	189.4	287.0	219.4			
Tolling charges for concentrates	16.7	15.4	15.5			
Cash costs before deducting by-product credits	206.1	302.4	234.9			
By-product credits (principally gold)	(144.4)	(157.5)	(151.7)			
Cash costs (net of by-product credits)	61.7	144.9	83.2			
Copper LME average price (US cents/pound)				376.9	437.5	399.7
Gold (US\$/ounce)						
Los Pelambres				1,663.9	1,402.8	1,610.6
Esperanza				1,712.7	1,384.6	1,643.4
Weighted average				1,703.5	1,398.0	1,636.6
Gold average market price				1,690.9	1,386.5	1,572.4
Molybdenum (US\$/pound)						
Los Pelambres				14.6	17.8	15.1
Molybdenum average market price				14.2	17.2	15.5
Silver (US\$/ounce)						
Los Pelambres				31.9	33.3	35.9
Esperanza				33.1	31.5	35.2
Weighted average				32.3	33.2	35.7
Silver average market price				32.6	31.9	35.1

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 2012, published on 3 May 2012.

3. Revenue and EBITDA analysed by business segment

	<u>Turnover</u>			<u>EBITDA</u>		
	Three months ended 31 March 2012 US\$'m	Three months ended 31 March 2011 US\$'m	Full year 2011 US\$'m	Three months ended 31 March 2012 US\$'m	Three months ended 31 March 2011 US\$'m	Full year 2011 US\$'m
Los Pelambres	997.7	888.1	3,676.6	735.4	662.3	2,641.9
Esperanza	372.5	16.6	922.9	242.2	4.2	518.9
El Tesoro	240.8	200.4	827.8	148.5	107.0	463.6
Michilla	73.6	94.4	355.0	14.3	47.0	156.7
Exploration and evaluation	-	-	-	(64.1)	(35.0)	(215.4)
Corporate and other items	-	-	-	(17.8)	(12.0)	(55.3)
Mining	1,684.6	1,199.5	5,782.3	1,058.5	773.5	3,510.4
Railway and other transport services	45.0	41.3	178.8	18.7	20.0	76.0
Water concession	32.5	28.2	114.9	22.2	18.4	74.1
Group turnover and EBITDA	1,762.1	1,269.0	6,076.0	1,099.4	811.9	3,660.5

Revenue by product:

	<u>Revenue by product</u>		
	Three months ended 31 March 2012 US\$m	Three months ended 31 March 2011 US\$m	Full year 2011 US\$m
Copper			
- Los Pelambres	873.8	796.2	3,255.9
- Esperanza	276.9	12.7	646.4
- El Tesoro	240.8	200.4	827.8
- Michilla	73.6	94.4	355.0
Gold			
- Los Pelambres	19.8	10.1	63.9
- Esperanza	87.9	3.5	251.3
Molybdenum			
- Los Pelambres	87.9	70.0	293.8
Silver			
- Los Pelambres	16.2	11.8	63.0
- Esperanza	7.7	0.4	25.2
Total Mining	1,684.6	1,199.5	5,782.3
Railway and transport services	45.0	41.3	178.8
Water concession	32.5	28.2	114.9
	1,762.1	1,269.0	6,076.0

Notes to revenue and EBITDA by business segment

- (i) Revenue from Esperanza is stated after eliminating inter-segmental sales to El Tesoro of US\$0.5 million (three months ended 31 March 2011 – US\$3.1 million). Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of US\$2.6 million (three months ended 31 March 2011 - US\$3.7 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of US\$1.9 million (three months ended 31 March 2011 - US\$1.7 million) and after eliminating sales to the Railway and other transport services division of US\$0.1 million (three months ended 31 March 2011 - 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 on commodity derivatives at Michilla of US\$0.6 million (three months ended 31 March 2011 – loss of US\$8.4 million). Further details are given in Note 5.
- (iv) EBITDA is calculated by adding back depreciation, amortisation and disposals of plant, property and equipment and any impairment charges 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 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. The typical period for which sales remain open until settlement occurs is a range of approximately three to five months after the shipment date in the case of copper concentrates, approximately one month after the shipment date in the case of copper cathodes, a range of approximately one to three months after the shipment date in the case of molybdenum and a range of approximately one to four months after the shipment date in the case of gold contained in copper concentrates.

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 (including gold content) and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market for that commodity.

The mark-to-market adjustments at the end of each period and the effect on revenue in the income statement for each period are as follows:

	Balance sheet - net mark to market effect on debtors		
	At 31.03.12	At 31.03.11	At 31.12.11
	US\$m	US\$m	US\$m
Los Pelambres - copper concentrate	39.1	(9.9)	(18.0)
Los Pelambres - molybdenum concentrate	(1.6)	(1.2)	(0.1)
Esperanza - copper concentrate	5.4	(0.2)	4.3
Esperanza - gold in concentrate	(0.4)	-	(1.6)
El Tesoro - copper cathodes	-	(1.0)	(0.2)
Michilla - copper cathodes	(0.2)	(0.1)	(0.2)
	42.3	(12.4)	(15.8)

For the period ended 31 March 2012

	Three months ended 31 March 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	765.6	250.8	233.6	71.5	19.9	87.8
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 March 2011

	Three months ended 31 March 2011						
	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	844.9	13.3	201.9	105.2	10.8	3.6	73.4
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(124.3)	-	(4.1)	(1.4)	-	-	(0.3)
Settlement of sales invoiced in the previous period	121.4	-	3.5	1.0	(0.7)	-	0.2
Total effect of adjustments to previous period invoices in the current period	(2.9)	-	(0.6)	(0.4)	(0.7)	-	(0.1)
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(1.0)	-	0.1	(1.9)	-	-	1.0
Mark-to-market adjustments at the end of the current period	(9.9)	(0.2)	(1.0)	(0.1)	-	-	(1.2)
Total effect of adjustments to current period invoices	(10.9)	(0.2)	(0.9)	(2.0)	-	-	(0.2)
Total pricing adjustments	(13.8)	(0.2)	(1.5)	(2.4)	(0.7)	-	(0.3)
Realised gains/(losses) on commodity derivatives	-	-	-	(8.4)	-	-	-
Revenue before deducting tolling charges	831.1	13.1	200.4	94.4	10.1	3.6	73.1
Tolling charges	(34.9)	(0.4)	-	-	-	(0.1)	(3.1)
Revenue net of tolling charges	796.2	12.7	200.4	94.4	10.1	3.5	70.0

For the period ended 31 December 2011

	Year ended 31 December 2011						
	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	3,620.7	721.5	836.6	379.8	64.2	248.6
Effects of pricing adjustments to previous period invoices							
Reversal of mark-to-market adjustments at the end of the previous period	(124.3)	-	(4.1)	(1.4)	-	-	(0.3)
Settlement of sales invoiced in the previous period	116.2	-	3.5	1.0	(0.5)	-	0.3
Total effect of adjustments to previous period invoices in the current period	(8.1)	-	(0.6)	(0.4)	(0.5)	-	-
Effects of pricing adjustments to current period invoices							
Settlement of sales invoiced in the current period	(194.9)	(51.0)	(8.5)	(8.6)	0.4	5.1	(25.9)
Mark-to-market adjustments at the end of the current period	(18.0)	4.3	(0.2)	(0.2)	-	(1.6)	(0.1)
Total effect of adjustments to current period invoices	(212.9)	(46.7)	(8.7)	(8.8)	0.4	3.5	(26.0)
Total pricing adjustments	(221.0)	(46.7)	(9.3)	(9.2)	(0.1)	3.5	(26.0)
Realised gains/(losses) on commodity derivatives	-	-	0.5	(15.6)	-	-	-
Revenue before deducting tolling charges	3,399.7	674.8	827.8	355.0	64.1	252.1	311.4
Tolling charges	(143.8)	(28.4)	-	-	(0.2)	(0.8)	(17.6)
Revenue net of tolling charges	3,255.9	646.4	827.8	355.0	63.9	251.3	293.8

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 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 March 2011 sales totalling 91,400 tonnes remained open as to price (Los Pelambres – 90,000 tonnes, Esperanza – 1,400 tonnes), with an average mark-to-market price of 427.7 cents per pound compared with an average provisional invoice price of 432.8 cents per pound. At 31 December 2011 sales totalling 201,600 tonnes remained open as to price (Los Pelambres – 157,500 tonnes, Esperanza – 44,100 tonnes), with an average mark-to-market price of 344.7 cents per pound compared with an average provisional invoice price of 347.8 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 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 March 2011, sales totalling 10,200 tonnes remained open as to price (El Tesoro – 6,800 tonnes, Michilla – 3,400 tonnes), with an average mark-to-market price of 427.3 cents per pound compared with an average

provisional invoice price of 432.2 cents per pound. At 31 December 2011, sales totalling 12,600 tonnes remained open as to price (El Tesoro – 9,400 tonnes, Michilla – 3,200 tonnes), with an average mark-to-market price of 344.5 cents per pound compared with an average provisional invoice price of 345.9 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 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 March 2011, no sales remained open as to price. At 31 December 2011, sales totalling 15,300 ounces remained open as to price, with an average mark-to-market price of US\$1,536.0 per ounce compared with an average provisional invoice price of US\$1,638.6 per ounce.

Molybdenum concentrate

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

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 March 2011 sales totalling 1,400 tonnes remained open as to price, with an average mark-to-market price of US\$17.1 per pound compared with an average provisional invoice price of US\$17.4 per pound. At 31 December 2011 sales totalling 1,100 tonnes remained open as to price, with an average mark-to-market price of US\$13.4 per pound compared with an average provisional invoice price of US\$13.4 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”. The effective portion of 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 profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss 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 profit or loss within other finance items for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense 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 2012

	<u>Income statement impact for three months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>Realised</u>	<u>Gains/(losses)</u>	<u>Total net</u>	<u>reserves at</u>	<u>sheet impact of</u>
	<u>gains/(losses)</u>	<u>resulting from mark-</u>	<u>gain/(loss)</u>	<u>31.03.12</u>	<u>mark-to-market</u>
		<u>to-market adjustments</u>		<u>31.03.12</u>	<u>adjustments at</u>
		<u>on hedging</u>			<u>31.03.12</u>
		<u>instruments</u>		<u>Gains/(losses)</u>	<u>Net financial</u>
				<u>resulting from</u>	<u>asset/(liability)</u>
				<u>mark-to-market</u>	
				<u>adjustments on</u>	
				<u>hedging</u>	
				<u>instruments</u>	
	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 period ended 31 March 2011

	<u>Income statement impact for three months ended</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.03.11</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					
El Tesoro	-	-	-	1.7	0.4
Michilla	(8.4)	(3.3)	(11.7)	19.8	(60.4)
Exchange Derivatives					
Esperanza	1.1	-	1.1	(1.8)	-
Railway and other transport services	(2.4)	-	(2.4)	-	-
Interest Derivatives					
Esperanza	(0.7)	-	(0.7)	3.3	(32.2)
	(10.4)	(3.3)	(13.7)	23.0	(92.2)

For the year ended 31 December 2011

	<u>Income statement impact for year ended 31.12.11</u>			<u>Impact on</u>	<u>Total balance</u>
	<u>31.12.11</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					
El Tesoro	0.5	-	0.5	1.8	0.5
Michilla	(15.6)	49.1	33.5	86.4	58.4
Exchange Derivatives					
Michilla	-	-	-	(7.8)	(7.8)
Esperanza	1.1	-	1.1	(1.8)	-
Corporate and other items	(2.0)	-	(2.0)	-	-
Railway and other transport services	(2.4)	-	(2.4)	-	-
Interest Derivatives					
Esperanza	(22.4)	-	(22.4)	8.4	(27.0)
	(40.8)	49.1	8.3	87.0	24.1

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 31.03.12	At 31.03.11	At 31.12.11
	US\$m	US\$m	US\$m
Analysed between:			
Current assets	2.8	0.4	11.4
Non-current assets	30.1	-	47.6
Current liabilities	(9.3)	(54.2)	(16.9)
Non-current liabilities	(13.8)	(38.4)	(18.0)
	<u>9.8</u>	<u>(92.2)</u>	<u>24.1</u>

(b) Outstanding derivative financial instruments

(i) Commodity derivatives

The Group periodically uses commodity derivatives to manage its exposure to commodity price fluctuations, as well as for short-term commodity exchange and timing adjustments.

Hedging of market price exposure

The Group has entered into the following instruments, in order to manage its exposure to commodity price fluctuations.

Min/max instruments

	At 31.03.12	For instruments held at 31.03.12			
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 April 2012 Months	Covering a period up to:	Weighted average floor US cents	Weighted average cap US cents
Michilla	75,975	21.1	31/12/14	346.4	453.3

Between 1 April 2012 and 30 April 2012 no additional min/max instruments were entered into and 2,775 tonnes of min/max instruments matured. As a result up to 30 April 2012:

- (i) 33,300 tonnes of 2012 Group copper production had been hedged with min-max options of which 11,100 tonnes matured by 30 April 2012 and 22,200 tonnes remain outstanding and will mature by the end of the year.
- (ii) 33,000 tonnes of 2013 Group copper production has been hedged with min-max options.
- (iii) 18,000 tonnes of 2014 Group copper production has been hedged with min-max options.

Short-term commodity exchange and timing adjustments

The Group has entered into the following instruments in order to realise short-term commodity exchange and timing adjustments. In the case of El Tesoro the instruments have the effect of swapping COMEX prices for LME prices without any significant impact to underlying market price exposure. In the case of Los Pelambres the instruments results in short-term timing adjustments to the LME price received, without any significant impact to underlying average market price exposure.

Futures

	At 31.03.12	For instruments held at 31.03.12		
	Copper production hedged 000 tonnes	Weighted average remaining period from 1 April 2012 Months	Covering a period up to:	Weighted average price US cents
Los Pelambres	9,200	2.3	30/06/12	383.3
El Tesoro	8,500	5.8	31/01/13	352.9

(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.

	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	142.7	8.6	16/09/13	513.3

Between 1 April 2012 and 30 April 2012 US\$8.2 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 2012 the Group had entered into the contracts outlined below.

	Maturity date	Maximum notional amount US\$m	Weighted Average Fixed Rate %
Esperanza	15/08/18	840.0	3.372