

3 May, 2012

## Highlights

- Group copper production was 162,900 tonnes in Q1 2012, a 25.5% increase on production in Q1 2011 when Esperanza was commencing production. 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.
- Gold production was 63,500 ounces in Q1 2012, compared with 22,100 ounces in Q1 2011 also reflecting the greater contribution from Esperanza. The decrease compared to the previous quarter was mainly due to the lower plant throughput in Q1 2012 at Esperanza.
- Forecast 2012 production for Esperanza is expected to remain within the range of 160,000 to 175,000 tonnes of copper and 240,000 to 260,000 ounces of gold announced earlier this year, albeit at the lower end of these ranges. Expected production levels at the other three mines remain in line with the previous forecast.
- Molybdenum production at Los Pelambres was 3,100 tonnes in Q1 2012, 19.2% above the previous quarter, mainly due to higher grades.
- Group cash costs (net of by-product credits) in Q1 were 98.1 cents per pound, a 9.0% reduction compared to Q1 2011 but broadly in line with the previous quarter of 97.3 cents per pound.
- Cash costs excluding by-product credits in Q1 were 163.6 cents per pound compared with 151.3 cents per pound in the previous quarter, mainly reflecting the impact of lower production volumes on unit costs and in line with the forecast for the full year.
- Antucoya is expected to start production in H2 2014, with the development cost of the project estimated at US\$1.7 billion.

Group Total	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Acc 2012	Acc 2011	Full Year 2011
Total production of payable copper ('000 tonnes)	187.0	162.9				162.9	129.8	640.5
Total production of payable moly ('000 tonnes)	2.6	3.1				3.1	2.3	9.9
Total production of payable gold ('000 ounces)	71.8	63.5				63.5	22.1	196.8
Weighted average cash costs before by-product credits (cents per pound)	151.3	163.6				163.6	155.8	155.2
Weighted average cash costs (cents per pound)	97.3	98.1				98.1	107.8	101.9

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## Mining operations

### *Los Pelambres*

Los Pelambres produced 95,900 tonnes of payable copper in line with their budget for the quarter. This compares with 114,400 tonnes produced in Q4 2011, which had been a record quarter for Los Pelambres. The decrease compared with the previous quarter was mainly due to lower plant throughput due to planned major plant maintenance in March and lower grades.

Molybdenum production was 3,100 tonnes in Q1 2012, 19.2% higher than the previous quarter, as a result of an increase in the molybdenum grade, partially offset by the lower plant throughput. Gold production was 11,900 ounces, compared with 12,900 ounces in the previous quarter reflecting the lower plant throughput.

Cash costs were 75.6 cents per pound in Q1 2012 compared with 79.5 cents per pound in the previous quarter. This decrease in costs was due to higher by-product credits which were partially offset by an increase in on-site and shipping costs. The increase in on-site and shipping costs reflected the impact on unit costs of the lower copper production, as well as an increase in maintenance costs. By-product credits increased from 44.0 cents per pound in Q4 2011 to 65.4 cents per pound in Q1 2012 mainly reflecting the increased molybdenum by-product credits as a result of higher molybdenum grades as well as a slightly higher price compared to the previous quarter.

During April 2012 the regional environmental authority approved the Environmental Impact Declaration to lift the previous annual average processing capacity limit of 175,000 tonnes per day. While this is not expected to result in any material change to forecasted production levels in the near-term, it should allow greater flexibility in the operation of the plant.

### *Esperanza*

Esperanza produced 30,500 tonnes of payable copper in Q1 2012, compared with 35,600 tonnes in the previous quarter, mainly due to a 8.0% decrease in the average plant throughput from 76,500 tonnes per day in Q4 2011 to 70,400 tonnes per day in the current quarter. Nevertheless, Q1 2012 production was 23,100 tonnes higher than in Q1 2011 when Esperanza started its ramp-up. The lower average throughput in Q1 compared with the previous quarter reflected damage which occurred to the primary crusher feed conveyor during February and March, resulting in stoppages while the belt was repaired. Plant throughput during January, prior to the damage to the conveyor, averaged 86,000 tonnes per day. Throughput during February and March averaged 62,000 tonnes per day, reflecting the stoppages for the repair work. The repair work was completed in March, resolving the conveyor issue and bringing the average plant throughput during April to 80,000 tonnes per day.

Gold production was 51,700 ounces in Q1, 12.2% lower than the previous quarter, mainly due to the decrease in daily throughput as well as lower recoveries. The production in the current quarter was 36,700 ounces higher than in Q1 2011.

Esperanza currently expects to remain within the 2012 full-year forecast range announced on 1 February of between 160,000 and 175,000 tonnes of copper production and between 240,000 and 260,000 ounces of gold production, which was based on an average throughput level of between 80,000 to 86,000 tonnes per day. However given the issues experienced during the first quarter as described above it is likely that full year production will be towards the lower end of these ranges.

There is an on-going process to optimise the reliability and performance of the operation. As previously announced, one area of focus is the performance and capacity of the tailings thickeners. This includes both the efficiency of the existing thickeners for the appropriate disposal of the tailings within the designated waste areas, and also an assessment of the additional thickening capacity which is appropriate in terms of the overall capacity of the plant.

Cash costs were 61.7 cents per pound in Q1, broadly in line with 59.1 cents per pound in the previous quarter reflecting a marginal increase in on-site and shipping costs partly offset by slightly higher by-product credits. The increase in on-site and shipping costs is mainly due to the impact of lower production on unit costs.

## ***El Tesoro***

El Tesoro achieved a record production of 28,200 tonnes in Q1, a 2.9% increase compared with 27,400 tonnes in the previous quarter. This increase was due to higher plant throughput and recoveries, partially offset by lower grades. During the quarter the Mirador open pit contributed 24,700 tonnes and the run-of-mine operation contributed 3,500 tonnes. The lower contribution from the run-of-mine compared with the previous quarter reflects the increased utilisation of the SX-EW plant capacity by materials from Mirador which are higher grade than the materials previously supplied from the Tesoro Central and Tesoro North-East open pits.

Cash costs were 147.8 cents per pound in Q1, compared with 161.4 cents per pound in the previous quarter. This decrease was mainly due to the impact of higher production on unit costs, as well as lower acid costs.

## ***Michilla***

Michilla produced 8,300 tonnes of copper in Q1, compared with 9,600 tonnes in the previous quarter. This 14% decrease was due to lower plant throughput and lower grades. The decrease in plant throughput was due to a reduction in ore feed from third parties as well as the Estefanía mine partially offset by an increase in the amount of ore purchased from ENAMI.

Cash costs in Q1 were 323.2 cents per pound, 54.7 cents per pound higher than the previous quarter, due to higher costs associated with processing lower grade ore, the impact of processing material from the higher cost Núcleo X pit, the impact of lower production on unit costs and the increase in the amount of ore purchased from ENAMI where the cost is linked to the market price of copper.

## **Projects and exploration**

As previously announced, the Group signed a Memorandum of Understanding with Marubeni Corporation in December 2011 pursuant to which Marubeni will become a 30% partner in the Antucoya project for a consideration totalling US\$350 million. Definitive agreements between Antofagasta and Marubeni have now been signed, on 19 April 2012 and closing of these agreements is expected in the second half of this year. Antucoya is a copper oxide deposit that is expected to produce an average of 80,000 tonnes of copper cathodes per annum through a standard heap-leach process with first production in the second half of 2014. It is expected to have a mine life of approximately 20 years, with proved and probable Ore Reserves of 643 million tonnes of 0.35% copper. Antucoya is finalising the key construction contracts and the development cost of the project is currently estimated at US\$1.7 billion.

The Group has entered into an agreement with Magnus Minerals Limited relating to exploration opportunities in Finland, a strategic alliance with Manica Minerals Ltd. in relation to exploration in Zambia and an agreement with Chalcophile Resources Pty Ltd. with the purpose of evaluating geological information on certain exploration properties in Queensland, Australia.

## **Commodity prices and exchange rates**

The LME copper price averaged 376.9 cents per pound in Q1 2012, compared with 339.7 cents per pound in Q4 2011 and 437.5 cents per pound in Q1 2011. The LME spot copper price at the end of Q1 2012 was 384.7 cents per pound.

The market molybdenum price in Q1 2012 averaged US\$14.2 per pound, compared with US\$13.4 per pound in Q4 2011 and US\$17.2 per pound in Q1 2011. The average market molybdenum price for March 2012 was US\$14.3 per pound.

The market gold price in Q1 2012 averaged US\$1,691 per ounce, compared with US\$1,686 per ounce in Q4 2011 and US\$1,387 per ounce in Q1 2011. The spot gold price at the end of Q1 2012 was US\$1,662 per pound.

The realised copper, molybdenum and gold prices which the Group will recognise for its sales in the year 2012 will differ from the average market prices shown above because, in line with industry practice, sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for the month in which settlement takes place. The typical period for which sales remain open until settlement occurs for copper concentrate sales is approximately three to four months from shipment date, for copper cathode sales approximately one month from shipment, for molybdenum sales approximately two months from shipment and for gold content of copper concentrate sales approximately one month from shipment. Additionally, under IFRS open sales are marked to market at the end of each period through

adjustments to turnover in the income statements using forward prices in the case of copper concentrate (including the gold content) and copper cathode, and period-end prices for molybdenum sales. In accordance with normal practice, these adjustments will be reported when the Group reports its Q1 financial results announcement on 17 May 2012.

The provisional pricing adjustments with respect to copper sales have resulted in a total positive provisional pricing adjustment of US\$181.1 million for Q1 2012 and an average realised price of 429.6 cents per pound. The provisional pricing adjustments with respect to molybdenum sales have resulted in a total negative provisional pricing adjustment of US\$0.5 million for Q1 2012 and an average realised price of US\$14.6 per pound. The provisional pricing adjustments with respect to gold sales have resulted in a total positive provisional pricing adjustment of US\$0.3 million for Q1 2012 and an average realised price of US\$1,704 per ounce.

The Chilean peso / US dollar exchange rate averaged Ch\$489.5 / US\$1 in Q1 2012, compared with Ch\$481.6 / US\$1 in Q1 2011. The average exchange rate for Q4 2011 was Ch\$512.5 / US\$1. The exchange rate at 30 March 2012 was Ch\$489.8 / US\$1.

### **Transport**

The transport division maintained a solid operational performance in Q1 2012 with total volumes transported of 1.9 million tonnes, in line with volumes in the comparative quarter of 2011.

### **Water**

The water business continued to perform well, with Q1 2012 volumes of 13.0 million cubic metres, 3.3% ahead of the previous quarter and 5.4% higher than the same quarter last year, as a result of increased demand from both regulated and unregulated clients.

### **Interim Management Statement**

This report represents the Interim Management Statement for the purposes of the UK Listing Authority's Disclosure and Transparency Rules. Other than as set out above, there have been no significant changes in the financial position of the Group in the quarter ended 31 March 2012.

The totals in the tables below may include some small apparent differences as the specific individual figures have not been rounded.

Los Pelambres	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Acc 2012	Acc 2011	Full Year 2011
<b>Production statistics</b>								
Daily average ore treated ('000 tonnes)	184.7	171.5				171.5	171.3	176.6
Copper concentrate produced ('000 tonnes)	326.7	298.5				298.5	274.8	1,228.0
Average copper ore grade (%)	0.77	0.71				0.71	0.68	0.74
Average copper recovery (%)	90.6	89.6				89.6	89.3	89.7
Payable copper in concentrate ('000 tonnes)	114.4	95.9				95.9	91.2	411.8
Average moly ore grade (%)	0.021	0.024				0.024	0.017	0.019
Average moly recovery (%)	81.7	81.6				81.6	82.4	82.3
Payable moly ('000 tonnes)	2.6	3.1				3.1	2.3	9.9
Payable gold ('000 ounces)	12.9	11.9				11.9	7.2	39.8
<b>Cash costs statistics</b>								
On-site and shipping costs (cents per pound)	108.2	125.1				125.1	110.5	110.0
Tolling charges for concentrates (cents per pound)	15.3	15.9				15.9	20.3	18.0
By - product credits (cents per pound) <sup>(1)</sup>	(44.0)	(65.4)				(65.4)	(55.6)	(49.7)
Cash costs (cents per pound)	79.5	75.6				75.6	75.2	78.3

<sup>(1)</sup> By-products credits do not include any costs attributable to the production of molybdenum concentrate.

Esperanza	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Acc 2012	Acc 2011	Full Year 2011
<b>Production statistics</b>								
Daily average ore treated ('000 tonnes)	76.5	70.4				70.4	27.1	55.7
Copper concentrate produced ('000 tonnes)	139.0	137.7				137.7	43.5	367.2
Average copper ore grade (%)	0.60	0.60				0.60	0.54	0.56
Average copper recovery (%)	86.5	85.6				85.6	80.9	85.3
Payable copper in concentrate ('000 tonnes)	35.6	30.5				30.5	7.4	90.1
Average gold ore grade (g/t)	0.38	0.39				0.39	0.41	0.36
Average gold recovery (%)	74.0	70.4				70.4	69.0	72.8
Payable gold ('000 ounces)	58.9	51.7				51.7	15.0	157.1
<b>Cash costs statistics</b>								
On-site and shipping costs (cents per pound)	185.4	189.4				189.4	287.0	219.4
Tolling charges for concentrates (cents per pound)	15.6	16.7				16.7	15.4	15.5
By - product credits (cents per pound) <sup>(2)</sup>	(141.9)	(144.4)				(144.4)	(157.4)	(151.7)
Cash costs (cents per pound)	59.1	61.7				61.7	144.9	83.2

<sup>(2)</sup> By-products credits for Q1 2012 include 0.7 cents per pound relating to the sale of Run-Of-Mine oxides from Esperanza to El Tesoro.

<b>El Tesoro</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Acc 2012</b>	<b>Acc 2011</b>	<b>Full Year 2011</b>
<b>Daily average ore treated<sup>(3)</sup> ('000 tonnes)</b>	<b>20.2</b>	<b>22.5</b>				<b>22.5</b>	<b>25.2</b>	<b>23.8</b>
<b>Average ore grade<sup>(3)</sup> (%)</b>	<b>1.75</b>	<b>1.59</b>				<b>1.59</b>	<b>0.97</b>	<b>1.26</b>
<b>Average recovery<sup>(3)</sup> (%)</b>	<b>72.1</b>	<b>74.4</b>				<b>74.4</b>	<b>68.9</b>	<b>71.0</b>
<b>Copper cathodes from the heap-leach process ('000 tonnes)</b>	<b>22.8</b>	<b>24.7</b>				<b>24.7</b>	<b>15.1</b>	<b>75.9</b>
<b>Copper cathodes from ROM ('000 tonnes)</b>	<b>4.6</b>	<b>3.5</b>				<b>3.5</b>	<b>5.2</b>	<b>21.1</b>
<b>Total copper cathodes ('000 tonnes)</b>	<b>27.4</b>	<b>28.2</b>				<b>28.2</b>	<b>20.3</b>	<b>97.1</b>
<b>Cash costs (cents per pound)</b>	<b>161.4</b>	<b>147.8</b>				<b>147.8</b>	<b>195.2</b>	<b>171.6</b>

<sup>(3)</sup> The average daily throughput, ore grade and recovery figures, relate to the heap leach process and do not include amounts relating to the ROM material.

<b>Michilla</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Acc 2012</b>	<b>Acc 2011</b>	<b>Full Year 2011</b>
<b>Daily average ore treated ('000 tonnes)</b>	<b>12.1</b>	<b>11.3</b>				<b>11.3</b>	<b>14.9</b>	<b>12.5</b>
<b>Average ore grade (%)</b>	<b>1.08</b>	<b>0.99</b>				<b>0.99</b>	<b>1.03</b>	<b>1.18</b>
<b>Average recovery (%)</b>	<b>75.3</b>	<b>76.4</b>				<b>76.4</b>	<b>76.2</b>	<b>75.6</b>
<b>Copper cathodes ('000 tonnes)</b>	<b>9.6</b>	<b>8.3</b>				<b>8.3</b>	<b>11.0</b>	<b>41.6</b>
<b>Cash costs (cents per pound)</b>	<b>268.5</b>	<b>323.2</b>				<b>323.2</b>	<b>192.2</b>	<b>213.3</b>

Transport	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Acc 2012	Acc 2011	Full Year 2011
<b>Rail tonnage transported ('000 tonnes)</b> <sup>(4)</sup>	1,627	1,490				1,490	1,524	6,419
<b>Road tonnage transported ('000 tonnes)</b> <sup>(4)</sup>	481	442				442	461	1,896

<sup>(4)</sup> Rail tonnages are the aggregate of the volumes of the FCAB rail network in Chile and the Andino rail network in Bolivia. Shipments from customers which are carried on both networks are included in both the FCAB and Andino volumes which are combined to calculate the total rail tonnages shown above. Similarly, shipments which are carried by rail and by road are included in both the rail and road volumes shown above.

Water	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Acc 2012	Acc 2011	Full Year 2011
<b>Water volume sold – potable and untreated ('000 m<sup>3</sup>)</b> <sup>(5)</sup>	12,545	12,960				12,960	12,296	48,296

<sup>(5)</sup> Water volumes include water transportation of 0 m<sup>3</sup> in Q1 (15,000 m<sup>3</sup> in Q1 2011).