Antofagasta

Annual Report and Financial Statements

2013

Antofagasta

A Chilean-based copper mining group with significant by-product production and interests in transport and water distribution.

The Group creates value for its stakeholders through the discovery, development and operation of copper mining operations.

The Group is committed to generating value in a safe and sustainable way throughout the commodity cycle.

Within this document you will find the following symbol ❯ This will direct you to further information on a related topic.

Visit www.antofagasta.co.uk for up-to-date investor information including our past financial results.

Inside this report

Strategic report

The Strategic report comprises the Overview, Strategic review, Operation review and the Financial review

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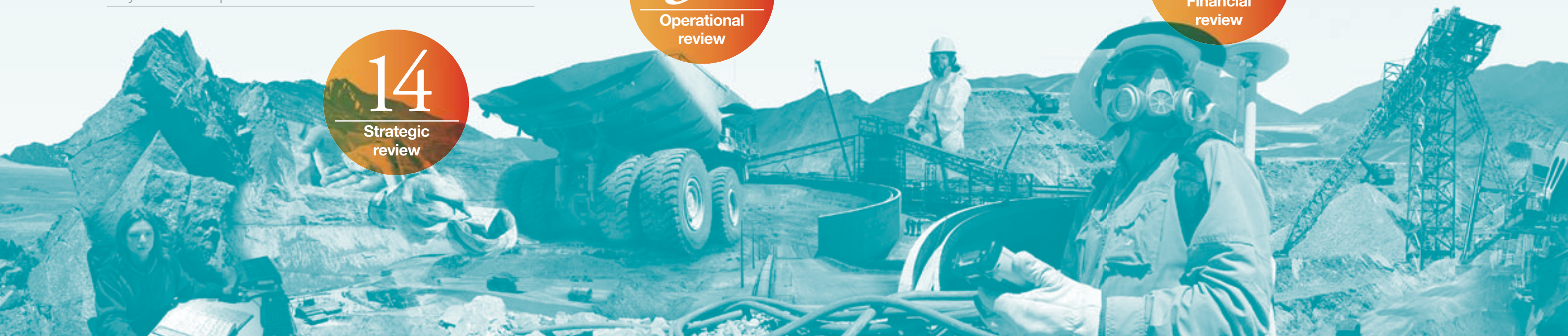
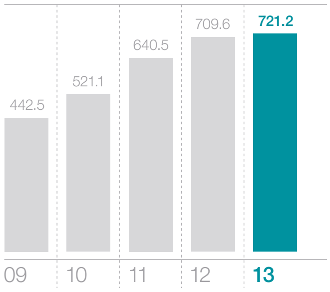
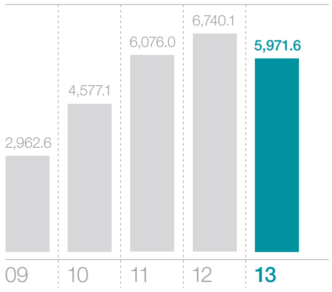


2013 highlights

Copper production
721,200 tonnes



Group revenue
$5,971.6m



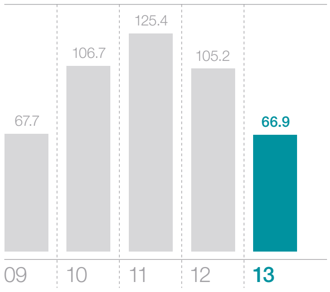
Record copper production of 721,200 tonnes, a 1.6% increase over 2012

Strong revenue of $5,971.6 million, 11.4% lower than 2012 as realised prices fell

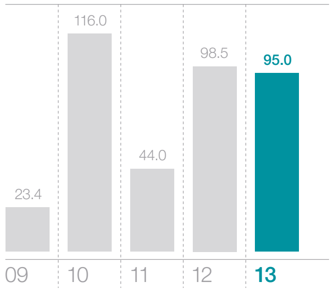
Earnings per share fell 36.4% to 66.9 cents per share due to lower realised prices and higher cash costs

Total dividend for the year of 95.0 cents per share, representing a total distribution to shareholders of $937 million, and a pay-out ratio of 142%

Earnings per share
66.9 cents



Dividends per share
95.0 cents



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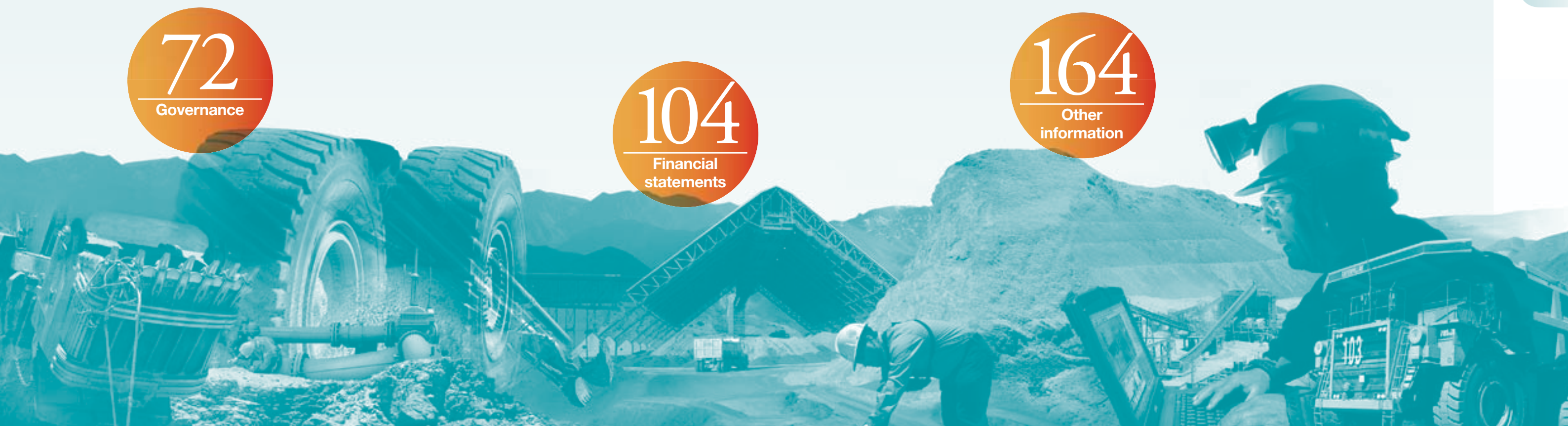

The business

Mining

Mining is the Group's core business, representing over 90% of Group revenue and EBITDA. The Group operates four copper mines located in Chile, of which two also produce significant by-products. The Group has a major portfolio of growth opportunities, also located predominantly in Chile.

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Group strategy

The strategy for growing the Group's mining business is based around three pillars:

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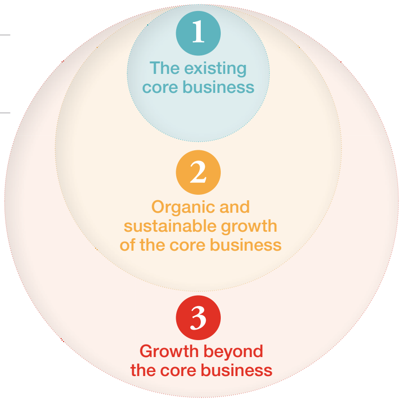


1 The existing core business

Los Pelambres
60% owned

The Group's flagship mine producing over 55% of the Group's production and approximately 65% of EBITDA. Produces copper concentrates containing gold and silver and a separate molybdenum concentrate. Page 36

Esperanza
70% owned

The Group's second largest mine, producing approximately 25% of Group production. Esperanza Sur deposit now incorporated into the mine plan. Produces copper concentrates containing gold and silver. Page 38

El Tesoro
70% owned

Concluded mining activities at the higher grade Mirador pit and now focusing efforts on Tesoro North-East and Tesoro Central. Produces copper cathodes. Page 40

Michilla
74.2% owned[1]

Under the current mine plan 2015 will be the final year of operation. Produces copper cathodes. Page 42

Production

	Copper (tonnes)		Molybdenum (tonnes)		Gold (ounces)	
	2013	2014 forecast	**2013**	2014 forecast	**2013**	2014 forecast
Los Pelambres	**405,300**	390,000	**9,000**	7,500	**56,700**	55,000
Esperanza	**174,900**	170,000			**237,100**	215,000
El Tesoro	**102,600**	95,000				
Michilla	**38,300**	45,000				
Total	**721,200**	700,000	**9,000**	7,500	**293,800**	270,000

Transport

The transport division operates the main cargo transport system in the Antofagasta region of Chile, moving sulphuric acid and copper cathodes to and from mines on its 900 km rail and road network. It also operates a railway in Bolivia. Page 48

Volume transported

('000 tonnes)	2013
Combined rail and road	**7,413**

Water

Aguas de Antofagasta operates the concession for the distribution of water in the Antofagasta region, supplying domestic and industrial users. Page 49

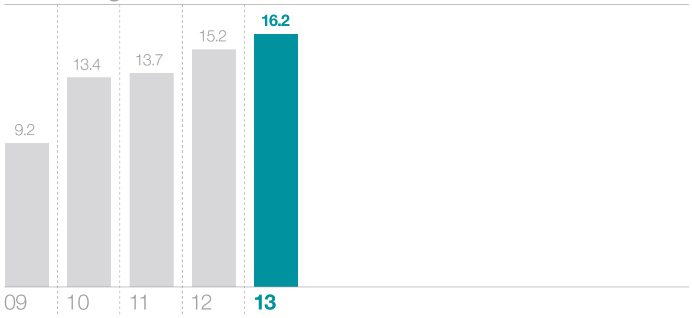
Volume transported

(million m^3)	2013
Water	**51.3**

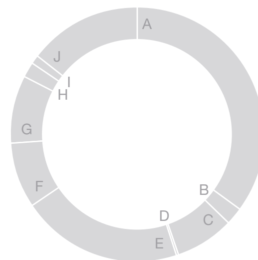
[1] As at 31 December 2013.

Mineral resources (including ore reserves) of subsidiaries

16.2bn tonnes



Breakdown by subsidiaries



A	Los Pelambres	5,714 mt @ 0.52% Cu
B	El Tesoro	346 mt @ 0.45% Cu
C	Antucoya	1,209 mt @ 0.30% Cu
D	Michilla	64 mt @ 1.59% Cu
E	Esperanza	3,326 mt @ 0.38% Cu
F	Encuentro	1,372 mt @ 0.40% Cu
G	Polo Sur	1,401 mt @ 0.34% Cu
H	Penancho Blanco	298 mt @ 0.42% Cu
I	Mirador	168 mt @ 0.27% Cu
J	Twin Metals	2,346 mt @ 0.52% Cu

2 Organic and sustainable growth of the core business

Greenfield

Centinela Mining District development

Esperanza Sur and Encuentro Sulphides developments combined into a single project to reduce capital intensity and maximise value. Page 46

Los Pelambres

Feasibility study under way. Current resource base triple the size of current mine plan could allow long-term expansion. Page 46

Brownfield growth projects

Esperanza

A debottlenecking project is currently under way to reach 105,000 tonnes daily throughput of ore by the end of 2015. Page 45

Los Pelambres

A pre-feasibility study to increase daily throughput by 15% to 205,000 tonnes per day throughput of ore was completed in 2013 and the project has now moved into feasibility study stage. Page 45

Encuentro Oxides

Feasibility study to be completed during 2014 on project to support El Tesoro in maintaining 100,000 tonnes of production to 2023. Page 45

3 Growth beyond the core business

Under construction

Antucoya 70% owned

The project resumed construction in early 2013 and remains on time and on budget for ramp-up in first half of 2015. Page 45

Greenfield

Twin Metals

Most advanced international opportunity. Pre-feasibility study to be completed in 2014. Page 47

Exploration

Active exploration programme internationally and in Chile. Continue to advance portfolio of early-stage exploration activities. Page 47

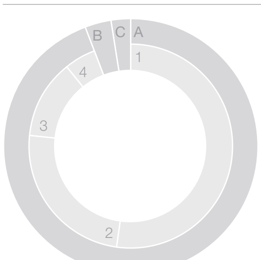
Energy

The Group has a number of investments in energy assets in Chile, with particular focus on renewable energy. Page 47

Group

Revenues by division

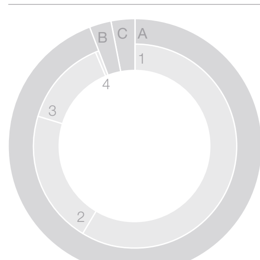
$5,971.6m



A	**Mining**	**5,639.1**
1	Los Pelambres	3,129.4
2	Esperanza	1,454.4
3	El Tesoro	747.4
4	Michilla	307.9
B	**Transport**	**196.6**
C	**Water**	**135.9**

EBITDA by division

$2,702.2m



A	**Mining**	**2,547.7**
1	Los Pelambres	1,814.0
2	Esperanza	649.2
3	El Tesoro	426.4
4	Michilla	16.3
5	Exploration	(274.9)
6	Corporate and other items	(83.3)
B	**Transport**	**76.8**
C	**Water**	**77.7**

Letter from Jean-Paul Luksic

Chairman of Antofagasta plc

In a year in which a challenging macroeconomic and commodity price environment continued to plague the entire mining industry, we remain focused on our three pillar strategy and our commitment to investing in the future. Our future may be defined as our employees, our communities and our assets. Hand-in-hand with this investment is a responsibility to focus on higher returns and profits and ensure that the Antofagasta culture of safety, sustainability, innovation, respect, excellence and forward thinking, supports that focus.

We are working to increase the productivity of our workforce by reviewing management structures and investing in automation wherever it makes sense.

Dear shareholders,

I am pleased to report that the reorganisation of the management structure, the relentless attention to cost control at the operating level and optimising production from our mines means that Antofagasta has once again outperformed our cost and production guidance set at the beginning of the year. Albeit the much weaker copper price environment and more hostile cost environment has resulted in our revenue declining by 11% to $6.0 billion and EBITDA falling by 30% to $2.7 billion, our EBITDA margins remained respectable at 45.3%. There is still more to do regarding lowering costs and increasing productivity and this work is fundamental to continuing to deliver the first pillar of our strategy – optimising our existing operations.

Productivity continues to be a difficult issue not only for Antofagasta, but for the Chilean mining industry. We are working to increase the productivity of our workforce by reviewing management structures and investing in automation wherever it makes sense.

Operationally, 2013 was a year of adjustment and consolidation across the Group as Los Pelambres and Esperanza both experienced considerable cost increases and as the management changes implemented in 2012 were consolidated. Los Pelambres continues to be our powerhouse and we now have a solution in place to moderate its high and volatile energy pricing, although this will take a few years to implement completely.

The second and third pillars to our strategy are related to the long-term growth of the business throughout the cycles. Although we report to the market quarterly, and internally monthly, the natural timescale for a mining business is better measured in years so we have invested in ensuring that long-term profitable growth can be achieved in any price environment. We decided to resume development of the Antucoya project last year and it remains on schedule to commence production in the first half of 2015.

The brownfields expansion projects at Esperanza and Los Pelambres will add to our strong and sustainable pipeline for the remainder of this decade and into the next. We also remain committed to investing in exploration for our future.

Governance and Board changes

Sound corporate governance is fundamental to our long-term success. The Board and I remain committed to ensuring that the structures and procedures in place across the Group are reflective of the best principles of good governance and continue to develop as Antofagasta grows. During 2013, we commissioned our first independent externally facilitated evaluation of the Board, the Audit and Risk Committee, and the Remuneration and Talent Committee. This was a useful exercise and we are now implementing recommendations raised in the reports, including strengthening the Board's focus on strategic issues.

Our strong and committed Board includes individuals with a diverse range of technical skills, backgrounds, expertise, nationalities and perspectives. We do not yet have a female director on our Board, but we are seeking a suitable candidate. Appointments continue to be made entirely on merit, whether at Board, executive or operational level, and we are confident that a Board candidate will be selected in line with this principle.

The natural timescale for a mining business is better measured in years so we have invested in ensuring that long-term profitable growth can be achieved in any price environment.

As a Group, women are represented at every level of management other than the Board and we continue to employ the highest percentage of female employees at our operations of any major mining company in Chile.

Sadly, during the year my brother and fellow director, Guillermo, died after a period of illness. In April the Board appointed Andrónico Luksic as a Non-Executive Director and he brings a wealth of experience across a range of sectors both in Chile and internationally, as well as recognised entrepreneurial skills. He is a director of several listed companies including Nexans S.A., which is listed on the NYSE Euronext Paris, and he is Chairman of Santiago-quoted Quiñenco S.A.

The Governance section of this report contains a detailed description of the Group's corporate governance structure, principals and people as well as the Directors' Remuneration report that for the first time, following the changes introduced by the UK government, includes a Directors' Remuneration Policy. This policy will be subject to shareholder approval at the Annual General Meeting.

Dividends

Earnings per share for the year were 66.9 cents, 38.3 cents lower than in 2012, which again reflects the challenging market conditions during the year and the increase in withholding tax related to this year's dividend. Our cash flow from operations declined to $2.7 billion and we continued to invest in Antucoya and other projects while maintaining our spending on evaluation and exploration.

The Board has amended the Group's dividend policy to simplify it and to set a minimum level of dividend relative to profits while considering the amount of excess cash held by the Group. Our new dividend policy is to determine the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and earnings generated during the year, and significant known or expected funding commitments and to pay a total annual dividend equal to at least 35% of net earnings.

Letter from Jean-Paul Luksic

As the first stage of implementing our new dividend policy we are making a return of capital to shareholders of the Group's existing surplus cash while still retaining the Group's capacity to grow either through the development of projects or by acquisition. We continue to hold our debt at the operating company level and not at the centre, as this structure provides greater financing flexibility for the Group.

The Board has decided to recommend a final dividend of 86.1 cents per share, bringing the total dividend for the year to 95.0 cents per share. This represents a total amount of $937 million and a pay-out ratio of 142% of net earnings.

As the recommended dividend includes a significant return of capital to shareholders, the pay-out ratio for this year does not indicate the pay-out that the Company may make in the future and this will be determined each year by the Board.

Sustainability

The Sustainability and Stakeholder Management Committee was established in 2008 and continues to assist the Board in fulfilling its social responsibilities with improvements being made in standards and transparency on an annual basis. Through the actions we have taken over the last year, we have continued to ensure that our operations develop in a way that considers the needs and concerns of all our stakeholders, while seeking to mitigate them in a sustainable way.

One of the key developments this year was the introduction of a system of quarterly reporting for all the community investment initiatives undertaken by the Group. This aim of publicly reporting to the community was to improve the effectiveness, transparency and understanding of all the work we do with the communities around our operations.

Investing in the communities in which we operate is paramount to securing their future long after the mine has gone. Education, health and communication are the priorities and over the year, we invested in an education and quality management programme at three schools in the Choapa Valley near Los Pelambres, a health clinic in the Choapa Valley, new potable water facilities in the Sierra Gorda Region, near Esperanza and El Tesoro, and the installation of a free wifi system in the same region.

Environmental protection is an important part of our sustainability efforts and includes the monitoring of compliance with air quality regulations and any impact to local ecosystems. Antofagasta prioritises energy efficiency and is proactive in seeking opportunities to reduce consumption and incorporate new energy sources.

95.0cents

Total dividend for 2013, representing a 142% pay-out ratio.

We are especially committed to ensuring that we develop our relationships with our employees in a sustainable way.

The Group's carbon emissions have been monitored since 2009 using the Carbon Disclosure Project's methodology. By using that better quality information to change the way we work, our general performance score improved from E to C in 2013.

To address the issue of water scarcity, Antofagasta Minerals has implemented innovative solutions to ensure that we are efficient in its use and innovative in the use of alternatives to continental water. This includes pioneering the use of non-desalinated sea water and more water-efficient thickened tailings deposit technology in Chile.

Sustainability is not confined to the world outside our business. We are especially committed to ensuring that we develop our relationships with our employees in a sustainable way. During 2013, a consultative process was conducted with our employees and other stakeholders to identify the key values that represent the culture of the Group. The values identified were safety, sustainability, innovation, respect, excellence and forward thinking. These values will be rolled out over 2014 to new and current employees and will be a critical part of the development of the future leaders of the Group. This employee development programme will support a new talent management process that identifies high potential employees and provides training and mentoring to maximise their potential.

Outlook

None of our achievements would be possible without the fine men and women who make up the Company, and I would like to thank them all for the contribution that they make. It is their hard work and dedication that has once again produced such an outstanding set of results in a very challenging environment.

Looking to 2014, Antofagasta will continue to invest in our long-term future. The macro environment remains challenging for mining and for mining in Chile, but our strategy is robust and our focus on productivity and profitability will ensure that Antofagasta remains one of the world's best mining companies in the decades to come.

Jean-Paul Luksic
Chairman
17 March 2014

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Statement from Diego Hernández

CEO of Antofagasta Minerals

My arrival at Antofagasta in 2012 coincided with a period of decline in the global mining industry from which copper has not been spared. However, during my first full year as CEO of Antofagasta Minerals, we have been able to take this opportunity to focus on resetting our cost base and developing our existing operations. This process started during 2013 and will take at least until the end of next year to complete, but through our continued investment we will be well positioned to benefit as the market strengthens.

721,200 tonnes

Record copper production for the second year running.

In the face of weaker and more uncertain markets we continue to focus on optimising and enhancing our existing operations to generate the greatest returns on our investment.

2013 Highlights

For the second year running we have achieved a record level of copper production of 721,200 tonnes, 1.6% more than in 2012, with all of our operations exceeding their production targets for the year. Los Pelambres and Michilla maintained their 2012 levels of production and Esperanza succeeded in increasing production by 11,700 tonnes to 174,900 tonnes as throughput was raised by 7.5%. Gold production remained strong at 293,800 ounces, slightly less than in the previous year and molybdenum production at Los Pelambres decreased by 26.3% to 9,000 tonnes following a record year in 2012. Both by-products were affected by lower grades.

Despite record production levels, with realised copper prices for the year down by 10.4% to \$3.28/lb and gold and molybdenum prices also significantly lower, Group revenue fell by \$768.5 million to \$5,971.6 million, an 11.4% reduction.

Group cash costs before by-product credits rose by 9.8% to \$1.79/lb as higher energy costs at Los Pelambres and increased mine movements at Esperanza adversely impacted costs. Los Pelambres had previously benefited from a low cost long-term Power Purchase Agreement (PPA), but this expired at the end of 2012. With energy prices significantly higher it was not possible to negotiate a further long-term PPA at acceptable rates and the mine moved to purchasing power at spot prices for 2013. This increased Group costs by \$0.07/lb. At Esperanza, despite higher throughput, as the mine entered a new phase of the mine plan, a considerable amount of material had to be moved, which was further impacted by higher inventory movements. This led to net cash costs before by-product credits increasing by \$0.42/lb to \$2.36/lb.

Net cash costs for the Group were affected by the above factors and by the decline in the production and prices of gold and molybdenum, which reduced by-product credits by \$0.17/lb, bringing net cash costs to \$1.36/lb. The step-up in net cash costs of \$0.33/lb from 2012 was a much higher increase than the Group has experienced before and arose through the combination of factors outlined above and is not expected to be repeated in 2014.

While the average copper price did decrease between 2012 and 2013, the fall was by less than most commentators had anticipated. Initial indications of a supply surplus by the end of 2013 did not materialise despite an estimated 6.0% increase in mine production as lower prices reduced the availability of scrap leading to a drawdown of inventories, the reversal of which may support the market in 2014. The gold price also fell significantly, averaging \$1,410/oz for the year and closing at \$1,202/oz, having averaged \$1,669/oz during 2012. The molybdenum market was also weaker averaging \$10.3/lb for the year, 18.9% lower than in 2012.

Los Pelambres remained both the largest contributor to copper production and the lowest cost operation, producing 56.2% of Group production and contributing 71.2% of the mining division's EBITDA. While this is a similar production contribution to 2012, it is an increase in the contribution to EBITDA.

Strategy and growth

Our three pillars strategy of optimising the existing business, brownfields development around our assets and growth beyond the core business, remains unchanged. In the face of weaker and more uncertain markets we continue to focus on optimising and enhancing our existing operations to generate the greatest returns on our investment. The second and third pillars of the strategy are to invest in projects to ensure a solid pipeline of growth and profitability throughout the cycles. The pipeline is robust with a combination of brownfield developments and in the case of Antucoya, a greenfield one.

At the end of 2012, the Antucoya project was placed under review in order to update the evaluation using new data that had been collected since

Statement from Diego Hernández

the completion of the feasibility study in 2011. Following a detailed analysis which concluded in March, it was decided to proceed with the project. The new mine plan resulting from the review has increased the average production from the mine, compared to the original plan, to 85,000 tonnes per annum and the total capital expenditure was estimated at $1.9 billion. Construction restarted in June and by the end of the year overall progress (design, procurement and construction) was 60% complete with the physical construction 32% complete. The project remains on time and on budget with ramp-up expected to commence in the first half of 2015.

In addition to the Antucoya project, we are also investing in an expansion at Esperanza, are conducting feasibility studies on the Encuentro Oxides and Los Pelambres Marginal Expansion projects and have started a pre-feasibility study on the joint development of Esperanza Sur and Encuentro Sulphides in the Centinela Mining District.

Based on the current timetables for each project, and assuming that they all proceed, Group production is expected to rise to nearly 900,000 tonnes per annum in 2018, an increase of nearly 25% over current levels. This would require a capital investment of some $3 billion. A series of investments such as these would depend on many factors, particularly market conditions, financing availability, and the viability and return of each individual project, and therefore each investment will be continually reassessed to ensure that it delivers value to the Group.

At Esperanza the project to increase throughput at the mine to the original design capacity of 97,000 tonnes of ore per day was altered as it became clear that for an investment of a further $105 million throughput could be raised to 105,000 tonnes per day, substantially improving project returns. This investment will add an additional 10–12,000 tonnes per year of copper production once it is completed in 2015.

At El Tesoro mined grades are dropping following completion of mining activities at the higher grade Mirador pit and the move to lower grade pits. While the impact on production will be partly compensated for by increasing throughput at the plant, production will continue to fall over time. We therefore plan to mine the Encuentro Oxide deposit to provide feed for El Tesoro, enabling it to maintain production of 100,000 tonnes per annum. The Encuentro Oxide project feasibility study will be completed in 2014 and if the results are positive production will commence in 2016.

At Los Pelambres a feasibility study is being conducted to evaluate the marginal expansion of the mine to a throughput capacity of 205,000 tonnes of ore per day. As a brownfields project utilising most of the mine's existing infrastructure, project returns are expected to be high.

This expansion will not only increase the mine's production, but will also compensate for what would otherwise be a fall in throughput and production as mining moves into areas of harder ores over the coming years. The net increase in production is estimated at 40–45,000 tonnes per year and the project will require an investment of some $1.2 billion to complete in 2018.

During the year it was decided that instead of developing the Esperanza Sur and Encuentro Sulphides projects separately, a single concentrator could be used to source feed from both deposits. This would reduce the capital intensity of the combined project while still allowing for the installation of a further concentrator in the future when needed. The original studies have now been combined and a pre-feasibility study is under way and is expected to be completed this year. If the project proceeds according to its current timetable, production would start in 2019.

In the longer term we also have the further expansion of Los Pelambres and the Twin Metals project in Minnesota. At Los Pelambres work is first being concentrated on the Marginal Expansion Project before attention is turned to the larger scale expansion, while at Twin Metals the pre-feasibility study will be completed in the middle of this year. Each project has its own challenges, particularly as regards the permitting requirements in their respective locations which makes it difficult to estimate their development timetables, but it is unlikely that either the larger scale expansion of Los Pelambres or the Twin Metals projects will be in production before the end of the current decade.

The possibility of high returns comes from the discovery and development of a new deposit. We therefore have an active exploration programme in Chile using our own exploration teams on our own properties, and abroad where we enter into exploration agreements with junior mining companies in order to utilise their knowledge and local expertise. Currently all of these projects are early-stage, and outside of Chile we are active in North America, Europe, Africa, Australia and elsewhere in South America.

Growth through acquisition always remains a possibility and we evaluate opportunities that are identified internally or are brought to us. However, it remains a competitive environment and the number of suitable opportunities is small.

Management team

Since I arrived in 2012 I have implemented a reorganisation of the Antofagasta Minerals management structure to better align roles with the Company's strategic objectives and to place the Company on a stronger footing to manage the challenges that we face day-to-day and in the longer term. The new structure of the senior management team is now complete with the creation of separate

The possibility of high returns comes from the discovery and development of a new deposit.

Corporate Affairs and Sustainability, and Legal Vice-Presidencies, which had previously been combined. This change reflects the ever increasing importance we are attaching to sustainability and the way we interact and communicate with the communities in the areas of our operations. Patricio Enei has been appointed as the Vice-President Legal having joined us from Codelco where he held the same position.

Safety and sustainability

Early in 2013 we had two fatalities in separate incidents at Los Pelambres and at Esperanza and since the year end we have had another fatality at Esperanza. These fatalities are unacceptable and I deeply regret that they occurred. I extend my heartfelt condolences to the families of the men who passed away. The root causes of the fatalities last year have been investigated and actions have been taken and procedures are being implemented to ensure that incidents such as this do not occur again. The causes of the latest fatality are currently being investigated and once complete we will implement the necessary changes. The Group has a zero fatalities policy and I mean to make sure that target is achieved, not just for one year, but every year.

As part of our safety management processes we are reinforcing the system of reporting near miss incidents as we believe that these incidents are an accident that has only been avoided by chance, rather than by the correct application of our Health and Safety procedures. This reporting structure and the training programmes that are in place will continue to improve the safety for all of our employees.

We are constantly working to improve our sustainability processes and monitoring. We recognise the vital importance of sustainable mining to the future of the Group and to those stakeholders that we impact through our activities. As part of this programme we have applied for membership of the International Council on Mining and Metals ("ICMM"), an organisation created in 2001 to maximise the contribution of the mining, minerals and metals industry to sustainable development. To be accepted as a member we must satisfy an independent audit of our sustainability procedures and achievements, a process we expect to complete during the first half of this year. As a member of the ICMM we will work with other members to strengthen the contribution of the mining industry to sustainable development.

Cost control

We continue to focus relentlessly on cost control at each of our operations. We began a process of reviewing all of our costs as well as our supply chain, work practices, and the use of contractors over 2013 and will continue this review and begin implementing it over the course of 2014. I am confident that we will achieve significant improvements and will rebase our costs to a level from which our growth programme can be implemented over the coming years. The focus is on profitability at each of the mines.

We are making particular efforts in three key areas: water consumption, energy and labour productivity. We already achieve water recycle rates of up to 85% and are leaders in the use of untreated sea water which we use at our Esperanza and Michilla operations, and when Antucoya is commissioned it will use sea water as well. The cost of energy at Los Pelambres is currently high and volatile as it depends to a significant extent on the amount of precipitation in the region. We have therefore invested in a wind farm and a run-of-river hydroelectric project to secure long-term sustainable energy supply for the mine and have also negotiated a further Power Purchase Agreement that will satisfy all of the mine's current power needs from the end of 2018. A further focus area is to improve the productivity of our workforce by studying work practices, the efficient use of contractors, and the full utilisation of automated processes.

The project team is continuing to review options for reducing the capital cost of our projects, including the impact of using a larger Antofagasta-led project team, as well as other capital cost-saving initiatives such as the procurement of mining equipment from China.

We continue to focus relentlessly on cost control at each of our operations.

Outlook

This year will be a year of consolidation as we create a strong base from which to grow over the coming years. We are strengthening procedures and lowering our cost base while investing in projects that will improve operating efficiencies at our operations and generate significant value for the Group and shareholders.

In 2014 we expect to produce some 700,000 tonnes of copper, similar to the production levels in 2013. Cash costs before by-product credits are expected to remain in line with 2013 costs at $1.80/lb, however, net cash costs will be impacted by lower production and price assumptions for gold and molybdenum. The profitability of our operations will depend to a large extent on the copper price during the year which we expect, in line with consensus, to be reasonably stable for the year at levels similar to 2013, although there will of course be short-term fluctuations.

We expect the copper market to move into surplus during 2014, although this remains highly dependent on the new mine supply, which this year is driven by greenfields projects, which are naturally higher risk than brownfield expansions. China continues to be key to the copper industry, and some volatility is expected to continue. However, in the longer term the fundamentals of the copper market remain strong.

Overall, we have had a successful year in challenging circumstances and I expect a similar operational performance in 2014. The changes we have put in place during the year have resulted in improved operational efficiency and our development projects are on time and on budget and this process will continue during 2014. We remain focused on profitability and productivity across the Group.

Diego Hernández
CEO Antofagasta Minerals
17 March 2014

Creating value through the cycle

Copper mining is, and always has been, a cyclical business. The Group's strategy reflects the need to create value in a sustainable manner across the economic cycles that impact demand, as well as throughout the lives of its mines. The following pages illustrate how the Group does that through:

- Focus
- Efficiency
- Investment
- Sustainability

100%

The Group's mining operations are entirely focused on up-stream mining activities.

Focus

Copper

Antofagasta is a copper-focused mining company. All of its mining operations, projects and growth opportunities are predominantly copper assets, many of which contain by-products as well. Copper sales represent almost 90% of the Group's revenues.

721,200

Tonnes of copper produced in 2013.

$1.36/lb

Weighted average net cash costs in 2013.

Up-stream mining activities

Projects are focused on the core "up-stream" mining activities, as this is where most of the value in the production chain is realised, and so there is no smelting or fabricating capacity within the Group. It produces either copper concentrates (25–35% copper) or copper cathodes (100% copper).

Efficiency

Organic growth

The Group's growth story has been and continues to be focused around organic growth. The approach is to develop assets from the initial exploration stage through to operating assets to ensure the maximum creation of value for shareholders. The Group is always seeking to optimise or expand existing operations to further maximise their value.

51%

Growth in copper production over the last five years.

Returns

The Group has a history of exceptional returns to shareholders, with 2013 full-year dividend representing a 142% pay-out ratio.

78%

Average pay-out ratio over the last five years.

Improving capital competitiveness

The competitiveness of the mining industry is constantly being squeezed by declining mined grades and inflation in operating and capital costs. The Group's response has been to adopt a new approach to lower the cost base of future growth projects through optimising and adjusting project standards, implementing a new procurement strategy and using larger owners' teams in project engineering to reduce the reliance on, and cost of, Engineering, Procurement and Construction Management ("EPCM") contractors.

Cost-saving initiatives

Control of operating costs remains a priority across the Group and during periods of lower growth, even greater focus can be applied to reducing costs. Currently, cost-saving initiatives are under way across the operations and at the corporate centre, which will reinforce and strengthen operational competitiveness, providing the Group with a strong lower cost base going forward.

Creating value through the cycle

Investment

Organic expansion

Continuing to invest throughout the cycle creates options and flexibility to support future growth, bringing new production online during upturns in the business cycle. In the current market the Group has refocused its nearer term investment strategy on higher return, lower capital, organic projects and in growth periods inorganic developments are also considered.

At Los Pelambres, a feasibility study is under way evaluating a marginal expansion. At Esperanza, a debottlenecking project will increase throughput and at El Tesoro, the Encuentro Oxides deposit will ensure that current levels of production can be maintained through to 2023.

900,000

Projected annual production in 2018.

Longer-term growth options

The main options for longer-term growth are around existing mines. Within the Centinela Mining District where El Tesoro and Esperanza are located, the Group has two further significant deposits, Esperanza Sur and Encuentro Sulphides, which are being evaluated for processing through a new single concentrator, reducing the capital intensity and maximising the value of the project.

At Los Pelambres, the current mine plan only utilises approximately one-third of its total resource base and therefore there is potential to significantly increase production following the completion of the marginal expansion.

The most advanced international opportunity is Twin Metals, a copper-nickel-PGM deposit in Minnesota, USA. The Group also continues to expand its portfolio of early-stage exploration agreements with various junior mining companies in countries worldwide, and has also invested significantly in exploration in Chile, both near existing mines and in other parts of the country.

For more on our long-term opportunities see pages 45 and 46.

3

Number of brownfield development projects.

$274.9m

Investment in exploration and evaluation by the Group in 2013.

Sustainability

Sustainability directly supports the Group's ability to create value for shareholders. Its approach is guided by its values, and its social and environmental policies. The Sustainability and Stakeholder Management Committee reviews strategy and performance across the social and environmental issues that the Group and its stakeholders view as material to future success. These issues are managed operationally and are reported to the Board. Further information is contained in the separately published Sustainability report.

Resource efficiency

The Group continues to lead the way in the use of untreated sea water, and to gain eco-efficiencies through alternative energy investments. These investments contribute to de-risking its energy portfolio against future price swings. Recent investments include the Alto Maipo hydroelectric project near to Santiago, a wind farm and a solar plant.

Employees and communities

The Group is proud of its track record of having had no significant labour disputes. It places a high priority on the Health and Safety of its workers and contractors by applying a robust risk system and strong safety culture. In addition, the Group works closely with local communities to prevent and monitor both environmental and social impacts while enhancing its contribution to local development.

2.1

Lost time injury frequency rate.

45%

Sea water as a percentage of total water consumption.

$24.4m

2013 investment in community projects surrounding its operations.

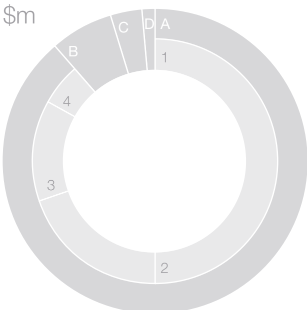
Strategic review


NESCAFÉ
Alegria

Marketplace

Mining division revenue by-product $5,639.1m

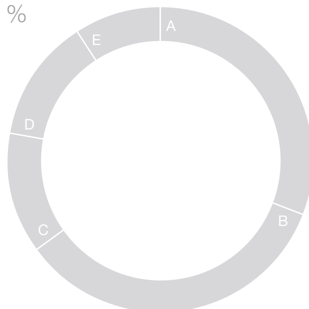
$m



A Copper	**4,998.0**
1 Los Pelambres	2,821.0
2 Esperanza	1,121.7
3 El Tesoro	747.4
4 Michilla	307.9
B Gold	
Los Pelambres/Esperanza	**382.5**
C Molybdenum	
Los Pelambres	**180.3**
D Silver	
Los Pelambres/Esperanza	**78.3**

Global copper consumption by sector market

%



A Construction	**31**
B Electrical & Electronic products	**34**
C Industrial machinery	**13**
D Transport	**13**
E Consumer products	**9**

Source: Brook Hunt's Long Term Copper Outlook – December 2013

Products

The Group's mining operations produce copper with by-products of gold, molybdenum and silver. Los Pelambres and Esperanza produce copper concentrate containing gold and silver, which is sold to smelters for further processing and refining into copper cathodes as well as the production of gold and silver. The El Tesoro and Michilla mines produce refined copper cathodes while Los Pelambres also produces molybdenum concentrate, which is sold to molybdenum roasters for further processing and refining.

Copper

The principal end markets for refined copper are construction and electrical and electronic products, which account for approximately 65% of global copper demand, followed by industrial machinery, transport and consumer products. The price of copper is typically determined by the major metals exchanges – the London Metal Exchange ("LME"), the Commodity Exchange, Inc. ("COMEX"), and the Shanghai Futures Exchange ("SHFE"). The price of copper is affected by supply-demand fundamentals as well as being influenced by financial investors, which can lead to volatile and cyclical movements.

Gold

Gold is used as an investment asset and for jewellery and various industrial and electronic applications. Gold can be readily sold on numerous markets throughout the world and benchmark prices are generally based on London Bullion Market Association quotations.

Molybdenum

The main use of molybdenum is as a key alloying element in steel, although it is also used in other products such as catalysts. Contract prices are typically based on price benchmarks such as those reported by Platts.

Market environment

Refined copper

2013 market performance

The average LME copper price during 2013 was $3.32 per pound ($/lb), representing an 8.0% decrease compared to the 2012 average. Over the course of the year there was a substantial destocking of material stored in Chinese bonded warehouses. This was due to a tight cathode market environment in the second half of the year, which was affected by smelter maintenance and smelter disruptions, as well as by a reduction in scrap availability due to the lower copper price environment. In line with this tight market, total visible stocks on the LME, COMEX and SHFE, which initially rose during the year, dropped off steadily during the second half to close at below the level they had started.

Global mine production grew by 6% in 2013 due to improved operational performance, brownfield expansions at a number of larger mines as well as new greenfield projects and the impact of limited disruptions. The surplus that had been expected one year ago in the cathodes market did not materialise, for the reasons explained above.

Prices were supported by better than expected demand from China, as well as to a lesser degree from the US and Europe. The Group's average realised price in 2013 was marginally below the LME price at $3.28/lb, which reflected net negative provisional pricing adjustments of $126.2 million. In 2012, average realised prices were $3.66/lb reflecting a tighter market and strong Chinese consumption that had continued to drive demand.

Market outlook

In 2014 the general consensus is that the copper market may move into surplus for the first time in five years, although this is highly dependent on the delivery of a number of high profile greenfield projects and the level of production disruptions during the year, which during 2013 had been historically low compared to the ten-year average.

Demand growth will continue to be focused around Chinese consumption, which now accounts for approximately 45% of global copper demand. Outside China, Europe and the US remain the other key consumers (accounting for 16% and 9% respectively), with demand in these economies being dependent on, among other factors, continued global economic recovery.

After Chinese bonded warehouses destocked over the course of 2013, a potential restocking could provide some support to the copper price in 2014. In the meantime the amount of supply that will come from scrap during the year remains unclear.

The consensus price forecast for 2014 is approximately $3.20/lb, reflecting the expectation that the copper market will move into a surplus at some time during the year.

Copper concentrate

2013 market performance

The concentrate market was impacted by major maintenance at some key smelters and temporary unexpected shutdowns that created a surplus during the second half of the year and resulted in higher spot treatment and refining charges ("TC/RCs"). The concentrates market was also affected by the delays in construction and ramp-up of new smelter capacity during 2013.

Market outlook

In 2014, more than 600,000 tonnes of smelting capacity is expected to come on-stream, however, this is expected to be offset by an approximate 7% increase in concentrates mine supply. Benchmark TC/RCs, with respect to 2014 charges, have been set at $92.0 per dry metric tonne of concentrate for smelting and 9.2 cents per pound of copper for refining, which reflects a softer market in favour of smelters with an approximate increase of 30% on 2013 levels.

Gold

The gold price experienced a significant decline during early 2013 due to the acceleration of the global recovery and increased confidence in the equity markets. Since the financial crisis started, gold has provided a natural hedge against the weaker dollar, however, as the US Federal Reserve and other governments changed their monetary policies, gold no longer provided this security.

These factors led to significant outflows from gold Exchange Traded Funds ("ETFs") back into the equity and other markets, which resulted in a large volume of sales and a fall in the price. Gold averaged $1,410 per ounce ($/oz) in 2013 compared with $1,669/oz in 2012.

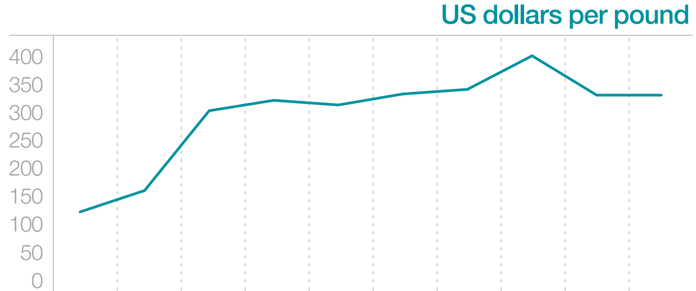
The 2014 market consensus is for an average price of $1,200/oz.

Molybdenum

The molybdenum market continued in surplus during 2013 with new supply entering the market and stagnant demand. Prices continued a downward trend, falling from an average price of $11.8/lb in January to $9.7/lb in December. The average price was $10.3/lb during the year, compared with $12.7/lb in 2012, although for 2014 market consensus is for an average price of $11.0/lb.

Average LME copper price

US dollars per pound



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.30	1.67	3.05	3.23	3.15	3.34	3.42	4.00	3.32	3.32

Business model

Creating value

The Group has consistently created value for its shareholders as a result of its expertise in the discovery of copper resources and the subsequent development and operation of copper mines.

The organic growth the Group has achieved as a result of its strong mining base and in-house exploration work has allowed full control from the outset over how the projects are developed. Given that much of the potential value of a mining project is realised (or lost) during the evaluation stage when the optimal nature of the project is determined, this control has enabled the Group to select the timing of when the projects are developed and to maximise the value created from its mineral deposits.

Investment versus income

Mining is a long-term business. Timescales can run in decades.

The period from initial exploration, through evaluation and construction to the start of production will often be in excess of ten years. Then, depending on the nature of the project and market conditions, it can take more than five years of operation to recoup the initial investment.

Therefore, mines usually plan to exploit higher grade areas towards the start of the mine life in order to maximise income from the operation. As a result, average ore grades often decline over time, with production volumes decreasing along with revenues. This, however, depends on commodity price levels, which tend to be cyclical. Long-life and low-cost operations increase the likelihood of being able to benefit from several high points in the commodity price cycle, while withstanding the troughs.

The Mining lifecycle

Exploration

Successful exploration is fundamental to the long-term future of a mining company. Over the past five years, the Group has significantly increased the mineral resource base of its subsidiaries as a result of its own in-house exploration activity. Generally the Group conducts its own exploration activities in the areas in which it has the deepest experience, namely Chile and Peru. For early-stage exploration outside of these areas, the Group normally works through partnerships with other companies already established in those locations.

Evaluation

Effective evaluation and project design are key to maximising the potential value of a mining project. The Group has great depth of experience in designing projects which make best use of complex mineral deposits, using innovative technical solutions across a wide range of environments. Sustainability is integral to the evaluation process, and the Group seeks to maximise social and environmental value through the design of its projects.

A Governance
B Business Development Committee
C Executive Committee

Income

Investment

Exploration	Evaluation
3–5 years	1 2 3–5 years 3

Exploration projects

Major exploration programme throughout Chile

Earn-in agreements in North America, Latin America, Europe, Africa and Australia

More on page 47

1 Twin Metals

Pre-feasibility study to be completed in 2014

Mineral resource estimate completed

More on page 47

2 Los Pelambres – Project

Resources: **5.7 billion** tonnes at **0.52%** copper + by-products

More on page 45

3 Centinela Mining District

Encuentro Resources: **1.4 billion** tonnes at **0.40%** copper + by-products

More on page 46

Strategic report Overview
Strategic report Strategic review
Strategic report Operational review
Strategic report Financial review
Governance
Financial statements
Other information

Construction

Constructing a mine requires a high level of up-front capital investment. Effective management of the costs, timing and efficiency of construction is needed to maximise a project's return on investment.

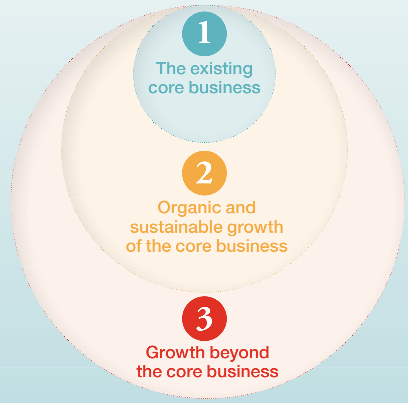
Operation

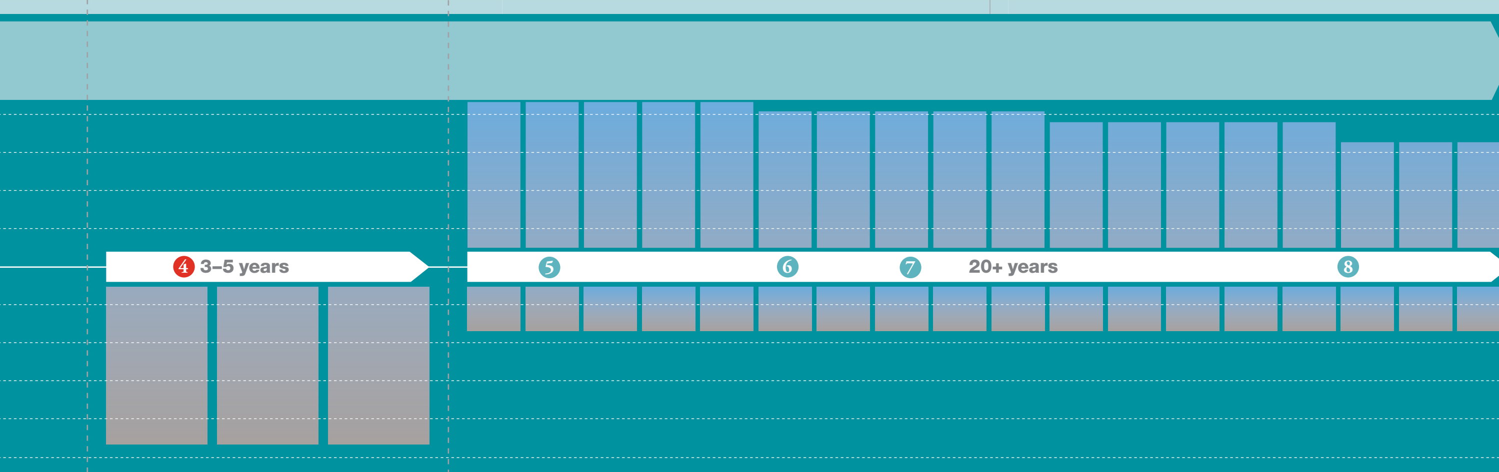
The Group's operations are focused on its core, up-stream mining activities, typically competitive cost, long-life mines. Initial mine plans often change over the course of a mine's life through improved processes, brownfield expansions or the incorporation of additional reserves, which can add significant extra value over the long term.

Strategy

The strategy for growing the Group's mining business is based around three pillars:

Page 20





4 Antucoya
- First expected production: **2015**
- Average annual production: **85,000 tonnes**
- Construction progress: **32%** as at 31 December 2013

More on page 45

5 Esperanza
- Start of operation: **2011**
- End of mine life: **2059**
- Years of operation: **3/49**
- 2014E copper production: **170,000 tonnes**

More on page 38

6 Los Pelambres
- Start of operation: **2000**
- End of mine life: **2037**
- Years of operation: **14/38**
- 2014E copper production: **390,000 tonnes**

More on page 36

7 El Tesoro
- Start of operation: **2001**
- End of mine life: **2022**
- Years of operation: **13/22**
- 2014E copper production: **95,000 tonnes**

More on page 40

8 Michilla
- Start of operation: **1959**
- End of mine life: **2015**
- Years of operation: **55/57**
- 2014E copper production: **45,000 tonnes**

More on page 42

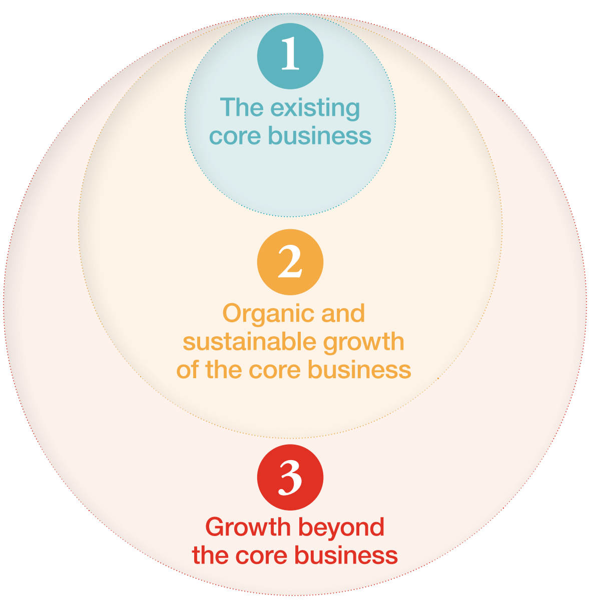
A The Antofagasta plc Board is responsible for the long-term success of the Group, for its leadership and strategic direction, and for oversight of the Group's performance, its risks and internal controls and strategy for managing material issues.

B The Business Development Committee focuses on the mining division's growth opportunities – reviewing potential transactions and project expenditure.

C At an operational level, the Executive Committee approves capital expenditures by the mining operations and monitors their performance.

Strategy for the mining business

A Chilean-based mining company focused on copper and related by-products, which delivers value to shareholders and is recognised as a preferred partner in the international mining space.



1 The first pillar of the strategy for the mining business is to optimise and enhance its existing core business – the Los Pelambres, Esperanza, El Tesoro, Michilla and Antucoya mines.

2 The second pillar of the strategy is to achieve sustainable, organic growth from further developing the areas around the existing asset base in Chile.

3 The third pillar of the strategy is to look for growth beyond the areas of the Group's existing operations – both in Chile and internationally. The primary focus is on the potential early-stage developments.

1 The existing core business

Current strategic focus: deliver efficient and competitive performance at all the Group's operations through improvements in safety, production and costs.

Actions in 2013

- Tragically the Group had two fatalities in 2013 and one in March 2014. Following each incident the Group has, based on the circumstances of the particular incident, defined steps to ensure such fatalities do not occur again. An integrated safety and occupational health plan has been implemented and is regularly reviewed, and updated when required.
- Record annual copper production of 721,200 tonnes of copper; an increase of 2.5% compared with 2012.
- Group net cash costs for the full year 2013 of $1.36/lb, better than expected for the year.

Objectives for 2014

- Zero fatalities.
- Achieve production of 700,000 tonnes and keep pre-credit cash costs in line with 2013 pre-credit cash costs of $1.80/lb.
- Maintain and improve the Group's competitive position by using innovative initiatives, employing best practice and process optimisation. An example of this is the new Corporate Supply Strategy, which is discussed in greater detail in the Key inputs section.

Pages 36 to 43

2 Organic and sustainable growth of the core business

Current strategic focus: develop a portfolio of attractive growth opportunities surrounding the Group's core assets and prioritised by strategic relevance and the implementation capacities of the Group.

Actions and achievements in 2013

- Completion of Los Pelambres Growth Project pre-feasibility study.
- Completion of Encuentro Oxides project pre-feasibility study.
- Development of a new approach to maximise the value of the Centinela Mining District.

Objectives for 2014

- Complete Los Pelambres Marginal Expansion feasibility study and advance the environmental permit for the project.
- Complete Encuentro Oxides feasibility study and start early works at the project.
- Complete Centinela Mining District project pre-feasibility study and advance the environmental permit for the project.

Pages 44 to 47

3 Growth beyond the core business

Current strategic focus: working actively on the growth of the Group's mining base and the development of growth opportunities.

Actions and achievements in 2013

- Construction of the Antucoya project restarted and progressing on time and on budget.
- Continued exploration activities in Chile, with a 7% increase in Resource Inventory achieved during the year. Continued progress in existing exploration agreements and new international agreements signed.
- Continued work on the Twin Metals pre-feasibility study, including completion of an evaluation of the optimal metallurgical process for the project.
- Securing power supply at long-term prices through the agreement with AES Gener for participation in the Alto Maipo hydroelectric project.

Objectives for 2014

- Advance Antucoya project on time and on budget.
- Continue national and international exploration, with a strong focus on the Centinela Mining District, as well as grassroots exploration elsewhere in Chile and abroad.

Pages 44 to 47

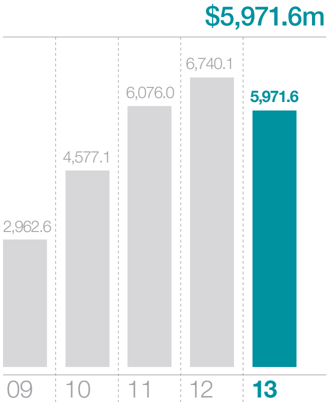
Key performance indicators

The Group uses KPIs to assess performance in terms of meeting its strategic and operational objectives. Performance is measured against the following financial, operational and sustainability objectives:

Financial KPIs

Revenue

$5,971.6m

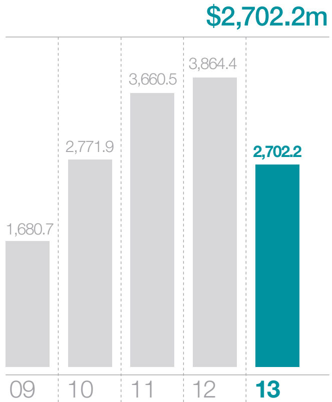


Why it is important: Revenue represents the income from sales, principally from the sale of copper as well as the molybdenum, silver and gold by-product credits.

Performance in 2013: Revenue fell 11.4% principally due to a 10.6% fall in realised copper price, marginally offset by higher production at Esperanza.

EBITDA

$2,702.2m

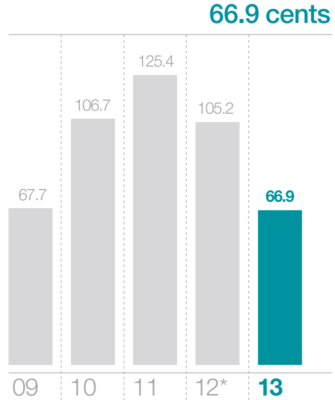


Why it is important: A measure of the Group's underlying profitability.

Performance in 2013: EBITDA decreased 30.1% as a result of higher mining unit costs across the operations and lower realised prices.

Earnings per share

66.9 cents



Why it is important: A measure of the profit attributable to shareholders.

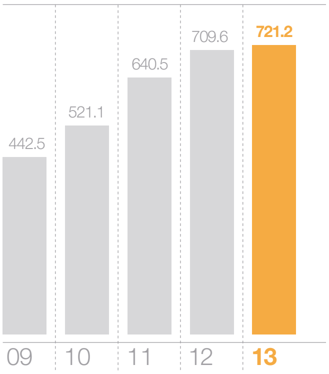
Performance in 2013: EPS was impacted by lower profitability as costs rose and realised prices declined and the increase in withholding tax related to the 2013 final dividend.

An analysis of Financial KPIs is included within the Financial review on pages 64 to 71.

* Post exceptional items.

Operational KPIs

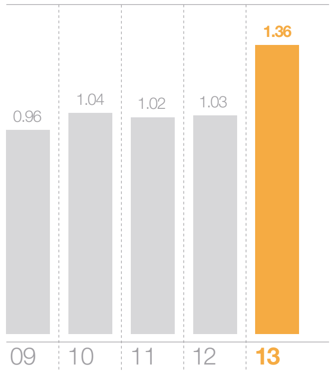
Copper production
721,200 tonnes



Why it is important: Copper is the Group's main product and its production is a key operational parameter.

Performance in 2013: Copper production increased 1.6% primarily due to increase in production at Esperanza.

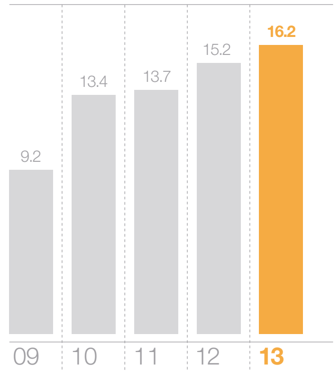
Net cash costs[1]
$1.36/lb



Why it is important: A key indicator of operational efficiency and profitability.

Performance in 2013: Net cash costs rose 32.0% primarily due to lower by-product credits as gold and molybdenum prices fell during the year and increased costs at Los Pelambres and Esperanza.

Mineral resources[2]
16.2bn tonnes



Why it is important: Growth to the Group's mineral resources base has supported its strong organic growth pipeline.

Performance in 2013: The mineral resource base grew by 6.6%, mainly reflecting the incorporation of additional resources at Polo Sur and Penancho Blanco.

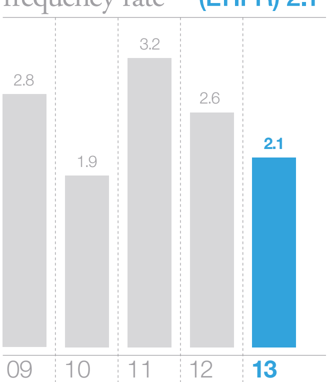
An analysis of the Group's copper production is included within the review of each operation in the Operational review on pages 36 to 43 and within the Financial review on pages 66 and 67.

An analysis of the Group's cash costs is included within the review of each operation in the Operational review on pages 36 to 43 and within the Financial review on page 67.

Mineral resources – a review of the Group's exploration activities is set out in the Operational review on pages 44 to 47, and the ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 168 to 176.

Sustainability KPIs

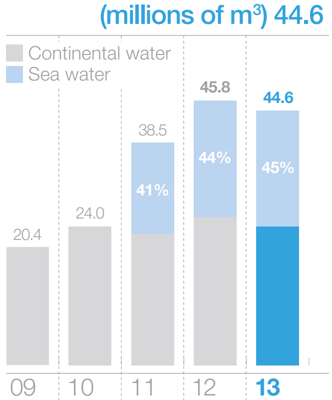
Lost time injury frequency rate[3]
(LTIFR) 2.1



Why it is important: Safety is a key priority for the Group with the LTIFR being one of the principal measures of safety performance.

Performance in 2013: The LTIFR of the mining division in 2013 was 2.1 accidents with lost time per million hours worked, the division's best ever performance. It is regrettable to report two fatalities in 2013 and one in March 2014 and this is not acceptable. The Group continues to target zero fatalities.

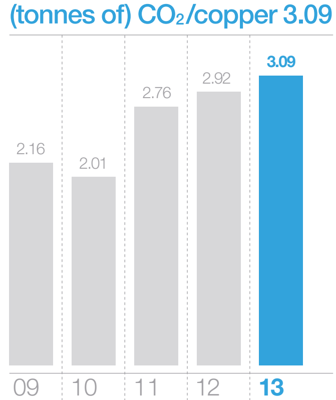
Water consumption[4]
(millions of m³) 44.6



Why it is important: We acknowledge water as a precious resource and are focused on maximising the efficient use of water and utilising the most sustainable sources as we grow production.

Performance in 2013: Although copper production increased, water consumption decreased due to the mining division's focus on improving water efficiency.

Carbon emissions[5]
(tonnes of) CO_2/copper 3.09



Why it is important: The Group recognises the risks and opportunities of climate change and the need to measure and mitigate its greenhouse gas ("GHG") emissions. The Group is investing in renewable energy projects to address rising energy costs and as part of its approach to mitigate climate change.

Performance in 2013: The Group has improved the quality of information to verification standards.

Further information on health and safety, water consumption and carbon emissions is provided in the Sustainability section on pages 50 to 65.

[1] Cash costs are an industry measure of the cost of production.
[2] Mineral resources relating to the Group's subsidiaries.
[3] The lost time injury frequency rate is the number of accidents with lost time during the year per million hours worked.
[4] Water consumption relates to the mining division only.
[5] Total CO_2 emissions per tonne of copper produced. Data relates to the mining division only.

Risk management

Effective risk management is an essential element of the Group's operations and strategy. The accurate and timely identification, assessment and management of risks are key to the operational and financial success of the Group.

Risk management framework

The Group's risk management framework can be divided into three tiers:

Governance

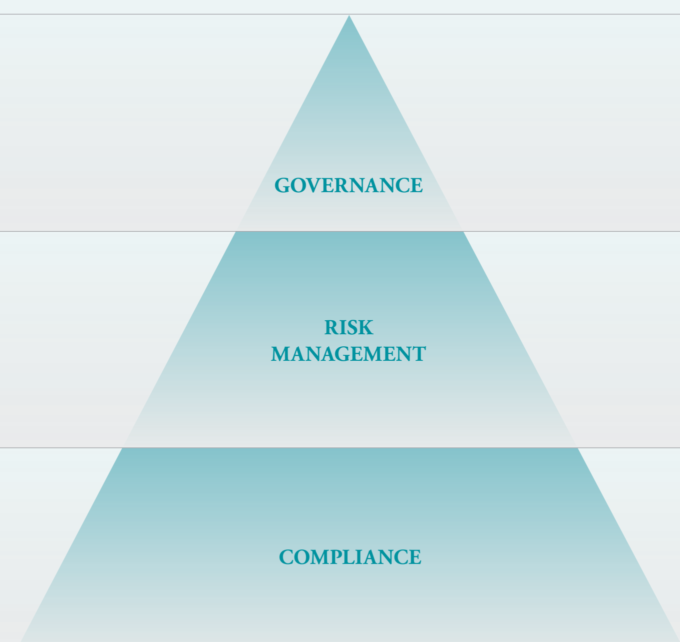
Ensuring that the Group's vision, strategy and objectives are communicated throughout the organisation, and that appropriate governance structures and policies and procedures are in place to embed those key aims and objectives.

Risk management

Ensuring that there are appropriate structures and processes in place to identify and evaluate risks, and that appropriate controls and mitigating actions are developed to address those risks. Ensuring that details of the key risks, and the performance in managing those risks, are reported on a timely basis to the relevant individuals.

Compliance

Ensuring that the Group's internal policies and procedures and control activities, as well as all relevant external laws and regulations, are adhered to.



The Board has ultimate responsibility for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives, and for maintaining sound risk management and internal control systems. The Directors receive a detailed analysis of the key matters for consideration in advance of the Board meetings. They also receive regular reports which include analysis of key metrics in respect of operational performance, including health and safety, financial, environmental, legal and social performance, as well as key developments in the Group's exploration and business development activities, information on the commodity markets, the Group's talent management activities and analysis of the Group's financial investments. This facilitates the timely identification of potential key issues and any necessary mitigating actions.

The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process and monitoring of key risks and mitigations. The Chairman of the Audit and Risk Committee reports to the Board following each committee meeting, allowing the Board to understand, and if necessary, further discuss the matters considered in detail by the Committee. These processes allow the Board to monitor the Group's major risks and related mitigations, and assess the acceptability of the level of risks which arise from the Group's operations and development activities.

The Group's Ethics Code sets out the Group's commitment to undertake business in a responsible and transparent manner. The Code demands honesty, integrity and responsibility from all employees and contractors, and includes guidelines to identify and manage potential conflicts of interest. An Ethics Committee, comprising members of senior executive management, is responsible for implementing, developing and updating the Ethics Code and monitoring compliance with the Code. During 2013 the Ethics Code and other compliance matters formed an integral part of the training programme for new employees.

Risk and Compliance management function

There is a central risk management function that has overall responsibility for risk management activities across the Group. The risk management function maintains the Group's risk register, which includes the strategic risks that cover the most significant threats to the Group's performance and the achievement of its strategy, along with mitigation activities. The risk register is updated on a continuous basis and strategic risk workshops are held at least once a year in which senior management from across the business perform a comprehensive review of the Group's key strategic risks and related mitigation activities. The risk management function reports to the Audit and Risk Committee at least quarterly, reporting on the overall risk management process, including a detailed status of the Group's key risks, mitigations and key actions.

The General Managers of each of the operations have overall responsibility for leading and supporting risk management within their business. There are Risk Champions within each operation who have direct responsibility for the risk management processes in their business and for the continuous update of the individual business risk registers, which include relevant mitigation activities. Finally, at each business unit, the owner of risks and controls provide a more effective and direct management of the risks. As part of the processes, risk workshops for each operation are held at least annually, in which the business unit's risks and corresponding mitigation activities are reviewed in detail to allow a thorough updating of these business risks. These workshops are used to assess and monitor the key risks that may impact each of the business unit's relationships with its stakeholders, limit its resources, interrupt its operations and/or negatively affect its potential future growth. The mitigating activities in relation to the most significant strategic and business unit risks are reviewed by the risk management function at least annually.

The Board regularly reviews the compliance of the Group with all relevant external laws and regulations, and internal policies, procedures and control activities.

BOARD

AUDIT AND RISK COMMITTEE

RISK MANAGEMENT FUNCTION

- Provide guidelines, standards and best practice examples of risk management to the organisation
- Overall responsibility for risk management activities
- Maintenance of risk register
- Oversight of risk workshops to update risk register
- Oversight of operations' risk registers
- Review of effectiveness of mitigating actions
- Support internal stakeholders in key strategic decisions
- Co-ordination with Internal Audit function

The Group has developed a Crime Prevention Model in accordance with anti-bribery and anti-corruption laws in the United Kingdom and in Chile. The Chief Financial Officer is responsible for setting, operating and monitoring the Crime Prevention Model.

As part of the Crime Prevention Model the following activities were undertaken during the year:

— training of all employees on anti-corruption and antitrust matters
— investigation of whistleblowing complaints
— due diligence activities were performed on all business partners.

Areas of focus during 2013 and development of key risks

During 2013 the focus was on implementing better risk management processes, including the following measures:

— enhanced the design and development of critical controls to increase their effectiveness
— development of a Disaster Recovery Plan ("DRP") and Business Continuity Plan ("BCP")
— increased the number of Risk Champions in order to roll-out risk management processes and track Risk Management across the Group
— updated the Risk Management Methodology and incorporated new areas (eg specific risk chapter for new contracts)
— included compliance matters in the Group's training programme
— implemented the Antitrust Protocol
— extended Due Diligence and the Conflict of Interest Declaration process to associated companies and people
— received certification for the second consecutive year of the Crime Prevention Model under Chilean law.

Further information

Further information about the Group's risk management systems are given in the Corporate governance report on pages 85 to 88 and in the Sustainability report on pages 50 to 63. Further detailed disclosure in respect of financial risks relevant to the Group are set out in Note 24 to the financial statements.

Risk management

Principal risks and uncertainties

Set out below are the Group's principal risks and related mitigations.

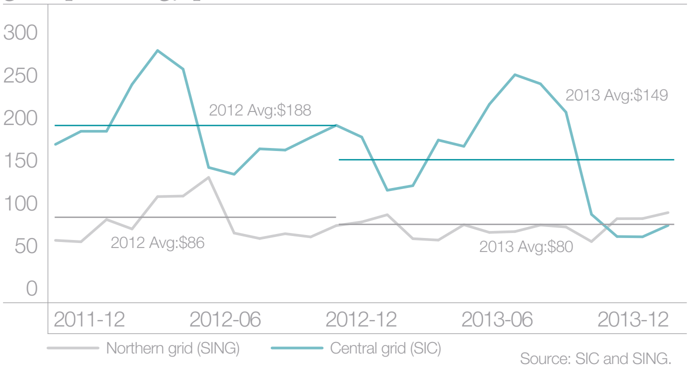
Risk	Mitigation
Community relations Failure to identify and manage local concerns and expectations can have a negative impact on relations with local communities and therefore affect the Group's reputation and social licence to operate and grow.	The Group engages with its local communities, to establish relations based on trust and mutual benefit throughout the mining lifecycle, from exploration to closure. The Group firstly seeks to identify and minimise any potentially negative operational impacts and risks through responsible behaviour – acting transparently and ethically, prioritising the health and safety of its workers, promoting dialogue and complying with commitments to stakeholders and establishing mechanisms to prevent or address a crisis. These steps are undertaken in the early stages of each of the projects in line with the requirement of the Group's project development process and the environmental permitting process. The Group also contributes to the local development of the communities in the areas of influence in which it operates, in particular through human capital development – education, training and employment of the local population. The Group endeavours to ensure clear and transparent communication with local communities, including through the use of a grievance management process, local perception surveys, local media and community meetings. Details of the Group's community relations activities are included in the Sustainability section on pages 58 and 59.
Strategic resources Disruption to the supply of any of the Group's key strategic inputs such as electricity, water, fuel, sulphuric acid and mining equipment could have a negative impact on production volumes. Longer-term restrictions on key strategic resources such as water and electricity could impact opportunities for the growth of the Group. A significant portion of the Group's input costs are influenced by external market factors.	Contingency plans are in place to address potential short-term disruptions to strategic resources. The Group enters into medium and long-term supply contracts for a range of key inputs to help ensure continuity of supply. Certain key supplies are purchased from several sources, when financially rational, to mitigate potential supply disruption arising from excessive exposure to any one supplier. Technological solutions, such as increased use of sea water in the Group's mining processes, can help address long-term shortages of scarce resources such as fresh water. Information on the Group's arrangements for the supply of key inputs are included within the Key inputs section on pages 28 and 29, and details of significant operational or cost factors related to key inputs are included within the Operational review on pages 32 to 49.
Operational risks Mining operations are subject to a number of circumstances not wholly within the Group's control, including damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, which could adversely affect production volumes and costs.	The key operational risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigation for each of these specific operational risks. Monthly reports for the Board provide a variance analysis of operational and financial performance, allowing potential key issues to be identified in a timely manner and any necessary actions, monitoring or control activities to be established. Also, during 2013, the Group developed a Business Continuity Plan ("BCP") for all key processes within its operations. It is expected that this BCP will be implemented by the end of 2014 and that this will help to mitigate the consequences of an event that may lead to disruption of the operations. The Group has appropriate insurance to provide protection from some, but not all, of the costs that may arise from such events. Details of the operational performance of each of the Group's operations are included within the Operational review on pages 32 to 49.
Development projects A failure to effectively manage the Group's development projects could result in delays in the commencement of production and cost overruns. Demand for supplies, equipment and skilled personnel could affect capital and operating costs. Increasing regulatory and environmental approvals and litigation could result in delays in construction or increases in project costs.	The Group has a project management system consisting of standards, manuals and procedures that contain the best practices which are applicable and enforceable in all phases of a project. The project management system supports the decision-making process by taking the approach of balancing risk versus benefit, thereby increasing the likelihood of success and providing a common defining language and standards for all stages of development. Additionally, during the project cycle (when going from one phase to another) there are quality checks for each of the standards that are applied by a panel of experts from within the Group. This panel reviews the feasibility process in order to assess the technical and commercial viability of the project. Detailed progress reports on the ongoing development projects are regularly reviewed, including assessments of the progress against the key project milestones, as well as actual performance against budget. Details of the progress of the Group's development projects are included within the Operational review on pages 44 to 47.
Political, legal and regulatory risks The Group may be affected by political instability and regulatory developments in the countries in which it is operating, pursuing development projects or conducting exploration activities. Issues regarding the granting of permits or the withdrawal or variation of permits already granted, and changes to the legal environment, regulations or taxation could adversely affect the Group's operations and development projects.	The Group assesses political risk as part of its evaluation of potential projects, including the nature of any foreign investment agreements. Political, legal and regulatory developments affecting the Group's operations and projects are monitored closely on a continuous basis. The Group operates in full compliance with the existing legal framework, licences, permits and rights in each country where its operations are. Details of any significant political, legal or regulatory developments impacting the Group's operations are included within the Operational review on pages 32 to 49.
Health and safety Health and safety incidents could result in harm to the Group's employees, contractors or to local communities. Ensuring their safety and wellbeing is first and foremost an ethical obligation for the Group and is stated in the charter. Poor safety records or serious accidents could have a serious impact on the Group's production and reputation.	Health and Safety risk management procedures are being strengthened, with particular focus on fatalities. The corporate Health and Safety area was established to provide a common strategy to the Group's operations and to co-ordinate Health and Safety matters. The Group is reinforcing the application of the Significant Incident Report (without energy exchange) system as an important part of the Group's overall approach to safety. The Group's goal is for zero fatalities and to minimise the number of accidents. This goal requires all contractors to comply with the Group's Occupational Health and Safety Plan, which is monitored through monthly audits supported by regular training and awareness campaigns for employees and contractors. The Plan is also being extended to workers' families and local communities, particularly in regard to issues of road safety. Further information about the Group's activities in respect of health and safety is set out in the Sustainability section on page 54.

Risk	Mitigation
Environmental management An operational incident which impacts the environment could affect the Group's relationship with local stakeholders and the Group's reputation and ultimately undermine its social licence to operate and to grow. The Group operates in challenging environments, including the Atacama desert where water scarcity is a key issue.	The Group has a comprehensive approach to incident prevention. Relevant risks have been mapped and are monitored and controlled. The Group's approach includes raising awareness among employees and providing training to promote operational excellence. Potential environmental impacts are key considerations when assessing projects, including the integration of innovative technology in the project design where it can help to mitigate those effects. The Group has pioneered the use of sea water for mining operations in Chile and strives to ensure maximum efficiency in water use, achieving high rates of reuse and recovery. Further information in respect of the Group's environmental activities is set out in the Sustainability section on pages 62 and 63.
Growth opportunities The Group may fail to identify attractive acquisition opportunities, or may select inappropriate targets. The long-term commodity price forecasts used when assessing potential projects and other investment opportunities are likely to have a significant influence on the forecast return on investment.	The Group assesses a wide range of potential growth opportunities, both from its internal portfolio and external opportunities. A rigorous assessment process is followed to evaluate all potential business acquisitions. The Business Development Committee reviews potential growth opportunities, including internal projects and potential transactions, and approves transactions and project expenditures within designated authority levels. For transactions in excess of these levels the Committee makes a recommendation to the Board. The Committee also monitors all ongoing projects. Details of the Group's growth opportunities are set out in the Operational review on pages 44 to 47.
Commodity prices The Group's results are heavily dependent on commodity prices – principally copper and to a lesser extent gold and molybdenum. The prices of these commodities are strongly influenced by a variety of factors, including world economic growth, inventory balances, industry demand and possible substitution.	The Group considers exposure to commodity price fluctuations within reasonable boundaries to be an integral part of the Group's business and its usual policy is to sell its products at prevailing market prices. The Group monitors the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditures and cash flows. From time to time, the Group uses derivative instruments to manage its exposure to commodity price fluctuations where appropriate. The Group has established a plan to address lower commodity price environments which contain different scenarios. The sensitivity of Group earnings to movements in commodity prices is set out in the Financial review on page 70. Details of hedging arrangements put in place by the Group are included in Note 24 to the financial statements.
Foreign currency exchange The Group's sales are mainly denominated in US dollars and some of the Group's operating costs are in Chilean pesos. The strengthening of the Chilean peso may negatively affect the Group's financial results.	The Group maintains an active and focused currency hedging programme to reduce short-term exposure to fluctuations in the US dollar against the Chilean peso. The Group continuously monitors the macroeconomic variables that affect it, particularly exchange rate movements. Details of the Group's currency hedging arrangements are shown in Note 24 to the financial statements.
Identification of new mineral resources The Group needs to identify new mineral resources in order to ensure continued future growth. The Group seeks to identify new mineral resources through exploration and acquisition. There is a risk that exploration activities may not identify sufficient viable mineral resources.	The Group conducts exploration programmes both in Chile and elsewhere. The Group has entered into early-stage exploration agreements and strategic alliances with third parties in a number of countries and has also acquired equity interests in companies with known geological potential. The Group focuses its exploration activities in stable and secure countries to reduce country risk exposure. A review of the Group's exploration activities is set out in the Operational review on pages 44 to 47.
Ore reserves and mineral resources estimates The Group's ore reserves and mineral resources estimates are subject to a number of assumptions and estimates, including geological, metallurgical and technical factors, future commodity prices and production costs. Fluctuations in these variables may result in some reserves or resources being deemed uneconomic, which could lead to a reduction in reserves or resources.	The Group's reserves and resources estimates are updated annually to reflect material extracted during the year, the results of drilling programmes and any revised assumptions. The Group follows the JORC code in reporting its ore reserves and mineral resources, which requires that the reserves and resources estimates are based on work undertaken by a Competent Person, as defined by the code. In addition, the Group's reserves and resources estimates are subject to a comprehensive programme of internal and external audits. The ore reserves and mineral resources estimates, along with supporting explanations, are set out on pages 168 to 176.
Talent and labour relations The Group's highly skilled workforce and experienced management team is critical to maintaining its current operations, implementing its development projects and achieving longer-term growth. The loss of key individuals and the failure to recruit appropriate staff may have a negative impact on the performance of the existing operations and the growth of the Group. Labour disputes could result in disruption to operations.	The Group develops skills through training and development, invests in initiatives to widen the talent pool and focuses on maintaining good relationships with workers, unions and contractors. Protecting the health and safety of workers is a fundamental priority. The Group's performance management system is designed to provide reward and remuneration structures and personal development opportunities appropriate to attract and retain key employees. The Group has in place a talent management system to identify and develop internal candidates for critical management positions, as well as processes to identify sustainable external candidates, where appropriate. There are long-term labour contracts in place at each of the Group's mining operations, which help to ensure labour stability. The Group seeks to identify and address labour issues which may arise throughout the period covered by existing long-term labour agreements. Contractors' employees are an important part of the Group's workforce and under Chilean law are subject to the same duties and responsibilities as the Group's own employees. The Group's approach is to treat contractors as strategic associates and its goal is to build long-term mutually beneficial relationships with its contractors. The Group maintains constructive relationships with its workers, and the six labour unions that represent them, through regular communication and consultation. Labour representatives are involved in discussions about the future of the workforce as early as possible. Details of the Group's relations with its employees and contractors are set out within the Sustainability section on page 56 and within the Operational review on pages 32 to 49.

Key inputs and cost base

Chilean central and northern grid spot energy prices

$/MWh



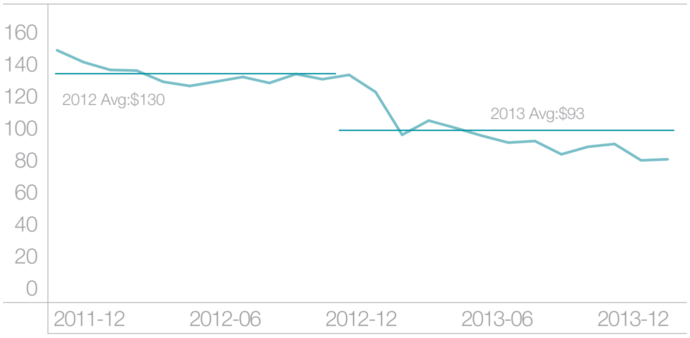
Source: SIC and SING.

75%

The percentage of power at Los Pelambres coming from sustainable sources by the end of 2018.

Sulphuric Acid

$/tonne



Source: Chilean customs.

The Group's mining operations are dependent on a range of key inputs, such as energy, water, labour and fuel. In the case of copper concentrate producers such as Los Pelambres and Esperanza, steel balls used in the milling process are also a significant input cost. With cathode producers using the SX-EW process, such as El Tesoro, Michilla and from next year Antucoya, sulphuric acid is a key input. The availability and cost of these, and other inputs, lies at the heart of the Group's cost management strategy, which focuses on cost control and security of supply.

The Group's two largest operations, Los Pelambres and Esperanza, are competitively positioned on the copper industry cost curve, reflecting a combination of their low operating costs and their significant molybdenum and gold by-product credits. The Group's net cash costs sit in the second quartile of the cost curve and are well placed among its competitors. The cash cost before by-product credits guidance for 2014 is $1.80/lb, in line with 2013, despite a fall in average grades. The initiatives implemented by the Group's procurement department, which are explained below, are key in achieving the cost reductions required to keep unit costs steady despite the decline in grade.

Energy

There are two electricity grids in Chile from which the Group takes its energy requirements – the northern grid (SING) which supplies the Esperanza, El Tesoro and Michilla mines, and the central grid (SIC) which supplies Los Pelambres. In the SIC approximately 40% of the energy is provided by hydroelectric plants with the remainder being provided by coal, LNG and diesel-fuelled plants, whereas in the SING approximately 80% of the energy comes from coal-fired power stations, with the remainder being provided by LNG and diesel powered plants. Due to its reliance on hydroelectric power generation, the costs of energy on the SIC fluctuate depending on the level of precipitation.

The Group procures its electricity supply through medium and long-term contracts at each of its mines. The cost of electricity under these contracts is, in most cases, linked to either the current cost of electricity on the Chilean grids or the costs of generation of the particular supplier, with the latter subject to adjustments for inflation and generation fuel input prices.

Following completion of a favourable fixed price contract in 2012, Los Pelambres has been exposed to the spot price, facing an energy market with scarce availability of short-term Power Purchase Agreements ("PPAs") indexed to more stable commodity prices such as coal or LNG. To improve the mine's security of supply Los Pelambres has made an investment in one of the largest wind power plants being built in Chile, El Arrayán, which will provide approximately 20% of Los Pelambres' energy requirements from mid-2014 for a period of 20 years. During 2013, the Group also invested in Alto Maipo, a major 530MW run-of-river hydroelectric project currently under construction to the south-east of Santiago. As part of this investment, two 20-year PPAs were signed commencing from 2015 and 2018, which will provide the remaining current energy requirements for Los Pelambres at competitive and stable prices.

Currently all of the Group's operations located on the SING benefit from long-term contracts indexed to the price of coal. During 2013, the Group also secured a competitive long-term PPA that will secure the energy provision for the Antucoya project once it commences operation in 2015.

Water

The Group has a secured water supply for each of its operations with the necessary permits in place to use surface water as well as water from nearby wells. As water is a precious commodity in the regions where the mines operate, considerable effort is made to maximise the amount of water that is recycled.

The Group has also been a pioneer in the use of untreated sea water for mining operations in Chile, with both its Esperanza and Michilla mines using this process. In 2013, sea water accounted for 45% of total water use and from 2015, Antucoya will also use sea water, pumping water from Esperanza's existing pipeline.

For new greenfield projects in Chile, the Group believes that the use of surface and well water will generally no longer be feasible and therefore a greater use of sea water is expected.

Labour

Security of the supply of labour is key to the success of the Group's operations. Labour agreements with unions are in place at all of the Group's mining operations, generally covering periods of between three to four years. Three of the four operating mines have labour agreements that terminate during 2014. There has never been a strike at a Group company and it is expected that new agreements will be agreed during the year, securing the terms of employment for all employees for another two to four years, the minimum and maximum allowed under Chilean law.

Contractors are a significant part of the Group's workforce at all of the operations, totalling approximately 75% of the total workforce. During 2014 a review will be conducted of the split of the activities undertaken by the contractors and employees with a view to reducing the contractor workforce. Labour negotiations for the contractors' workforce are the responsibility of the contractor. The Group focuses on maintaining strong labour relations with all contractors as this ensures operational continuity.

Sulphuric acid

The Group normally contracts for the majority of its sulphuric acid requirements in term contracts of a year or longer at specified rates. In most cases contractual prices will be agreed in the latter part of the year, to be applied to the purchases of acid for the following year.

The sulphuric acid market has softened in recent years primarily due to the weaker fundamentals in the phosphates fertiliser sector and the subsequent impact on sulphur and acid prices. More recently, there has been an increase in sulphur prices which may result in higher acid prices, although this will have a limited impact on the Group's 2014 costs as the prices for these contracts have already been set.

Service contracts and key supplies

The Group has over 1,000 contracts for services and supplies. Key supplies and services such as tyres, grinding equipment, chemicals, explosives, camp administration and maintenance services are covered by long-term agreements. Although the contracts are normally between the operation and the supplier, the tender and negotiation processes are mostly led centrally by the Group's procurement department in order to maximise the benefits of economies of scale and better risk control.

Price inflation of key mining supplies has been a challenge to the Chilean mining sector in recent years. The Group is currently accessing and developing a wider strategy to reduce operating costs through a more integrated and centralised supply chain model that will allow the Group to negotiate collectively, increasing its buying power and benefiting the operations. In addition the Group has entered into agreements with experienced local partners in China to increase procurement of equipment and other supplies from China.

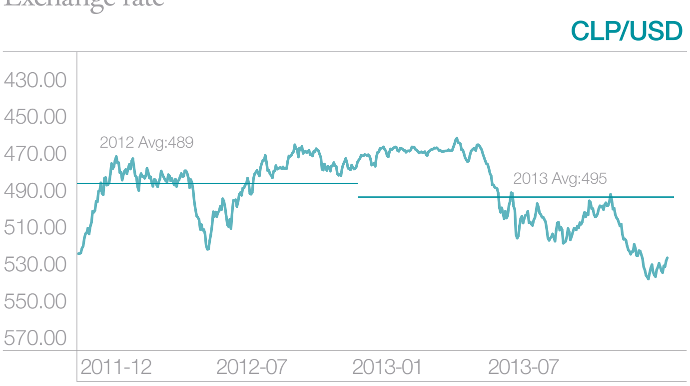
Fuel

The main use of fuel at the operations is for the trucks used to transport ore and waste at the mine sites. Improving fuel efficiency is a strategic priority for the Group with the number of litres of fuel consumed per tonne of material extracted being a key performance measure for the operations. Fuel is supplied by Chile's two largest suppliers to avoid sole supplier risk.

Exchange rate

The Group's costs are also impacted by the Chilean peso to US dollar exchange rate, as on average across the Group's mining operations approximately 40% of operating costs are denominated in Chilean pesos. However, the economic exposure to fluctuations in the exchange rate is partly mitigated by a natural hedge, as the copper industry is a major component of the Chilean economy, and movements in the copper price and Chilean peso tend to be correlated. However, the Chilean peso remained strong during the year, despite the weakening in the copper price, averaging Ch$495/$1, compared to an average rate of Ch$487/$1 in 2012.

Exchange rate



Source: Bloomberg.

Key relationships

The Group recognises that it cannot run its business in isolation. Therefore, strategy is underpinned by a series of relationships with stakeholders at local, national and international level, which contribute to the long-term success of the business.

Customers

Most of the copper and molybdenum sales are made under annual contracts or longer-term framework agreements, with sales volumes agreed for the coming year.

The majority of sales are with industrial customers who refine or further process the copper – smelters in the case of copper concentrate production and copper fabricators in the case of cathode production. The Group's in-house marketing team seeks to build long-term relationships with these core industrial customers.

Approximately 75% of Group sales are made to customers located in Asia. The metals sales pricing is generally based on prevailing market prices.

75%

Group sales made to customers located in Asia.

The structure of the Group's contracts

The Group's contracts will typically set out the annual volumes to be supplied and the main terms for the sale of each payable metal, with the pricing of the contained copper in line with London Metal Exchange ("LME") prices. A deduction is made from LME prices in the case of concentrate, to reflect treatment and refining charges ("TC/RCs") – the smelting and refining costs necessary to process the concentrate into copper cathodes. These TC/RCs have typically been determined annually and are normally in line with terms negotiated across the concentrate market.

A significant proportion of the Group's copper cathode sales are made under annual contracts and are priced in line with LME prices. In copper cathode transactions, a premium (or in some cases a discount) over the LME price is negotiated to reflect the differences in quality, logistics and financing that can be agreed compared with the metal exchanges' standard copper contract specifications.

Similarly, the Group's molybdenum contracts are made under long-term framework agreements with pricing usually based on Platts' average prices.

Across the industry neither copper producers nor consumers typically make annual commitments for 100% of their respective production or needs and therefore producers normally retain a portion to be sold on the spot market throughout the calendar year.

The prices realised by the Group during a specific period will differ from the average market price for that period 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.

For copper concentrate the period for which sales remain open until settlement occurs is, on average, three to four months from the shipment date, compared to copper cathode sales which remain open for an average of one month from shipment. Molybdenum sales remain open on average for two or three months from shipment and settlement for the gold and silver content in copper concentrate sales occurs approximately one month from shipment.

Employees felt their key strengths were autonomy, commitment, sense of belonging, structure and forward-thinking.

Suppliers

Suppliers play a critical role in the Group's ability to operate, supplying a large range of products from sulphuric acid to tyres for the trucks. More information on what the Group considers its key inputs is included on pages 28 and 29.

The Group has a significant number of suppliers across its operations and a lot of effort is put into maintaining strong working relationships with them. The Group has an open door policy which encourages suppliers to raise any issues or concerns. They are audited regularly to ensure compliance with the law and company standards.

Employees

The Group directly employs approximately 5,000 people, who work alongside approximately 15,000 contractors at its operations and projects. Mining is an inherently risky activity. Ensuring the health and safety of every worker is an absolute priority: first and foremost, it is an ethical obligation for the Group.

Skilled workers remain in short supply throughout the mining sector in Chile, and the Group's efforts and initiatives brought in over the last few years to secure and develop talent and bring young professionals into the industry have been successful throughout the year.

Relationships with trade unions based on mutual respect and transparency help the Group retain workers and avoid labour disputes, contributing to the productivity and efficiency of its business.

The Group undertakes an annual Organisational Climate survey to understand the level of employees' satisfaction. Based on the results, action plans are implemented to improve the work environment. More information on this is provided on page 56.

1:3

The ratio of employees to contractors across the Group.

Contractors

The number of contractors working for Antofagasta varies considerably according to business need and the current level of construction activity.

As at 31 December 2013, there were approximately 15,000 contractors working at the Group's operations and projects, approximately 4,000 higher than the same time last year, principally due to the Antucoya construction. Contractors are vitally important to mining operations and the aim is to build long-term relationships with contractor companies based on high standards. Health and safety targets are included in their performance contracts and their compliance with safety, human rights and labour standards is assessed by internal and external audits.

The minimum wage that Antofagasta Minerals sets for contractor employees is 70% higher than that set by Chilean law, and contractor staff have access to the same facilities as the Group's own employees at the mining camps.

Local communities

It is crucial to have strong relationships built on trust with local communities in the areas that the Group operates as it is not possible to run a mine successfully without the co-operation and agreement with these communities.

Having clear social policies and engaging regularly with community members helps to manage potential conflicts and maintains the Group's social licence to operate. Further information on this is included in the Sustainability section on pages 58 and 59.

Other local stakeholders

Positive relationships with all local stakeholders near to the Group's operations and projects are critical to the smooth operation of the business and its future growth.

All of the Group's operations designate a manager to oversee relationships with external stakeholders such as the local authorities and local media, as well as others.

Government and public authorities

Political developments and changes to legislation or regulations can affect business: in Chile, the UK, or other countries where the Group has development projects or exploration activities.

New and proposed legislation is monitored to enable the Group to anticipate, mitigate or reduce possible impacts, and to ensure it complies with all legal and regulatory obligations. The Group works with industry bodies to engage with governments on public policy, laws, regulations and procedures that impact its business, including on issues such as climate change and energy security.

The Group assesses political risk as part of its evaluation of potential projects, including the nature of foreign investment agreements in place. Political, legal and regulatory developments affecting the Group's operations and projects are monitored closely. The Group utilises appropriate internal and external legal expertise to ensure its rights are protected.

Operational review


128
151

Operational review

The Group's existing operations are located in Chile. In 2013 the Group achieved a record year of production, supported by strong operational performance at all operations.

721,200

Tonnes of copper produced in 2013.

$1.36/lb

Weighted average net cash costs in 2013.

- Antofagasta's mining operations and projects
- Other mines and projects
- Towns and cities
- Plants
- 80–90 Pound Rail
- 65–75 Pound Rail
- 50–60 Pound Rail
- Other railways
- National highway
- ADASA facilities
- Distribution line for untreated water
- Distribution line for potable water

100%

The Group's mining operations are entirely focused on up-stream mining activities.

1.6%

Increase in 2013 Group production versus 2012.

Mining division

The existing core business

The first aspect of the Group's strategy is to deliver efficient and competitive performance at all of its operations through improvements in safety, production and costs.

Start of operation: **2000**
End of mine life: **2037**
Years of operation: **14/38**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

Los Pelambres (60% owned)

Los Pelambres exceeded the original production forecast for the year, producing 405,300 tonnes of copper in 2013, marginally ahead of the 403,700 tonnes produced in 2012. Increased production arose from higher ore grades, which were partly offset by a decrease in average plant throughput.

2013 Production

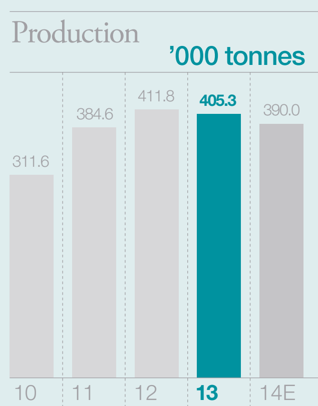
Copper tonnes (2012: 403,700)	Molybdenum tonnes (2012: 12,200)	Gold ounces (2012: 51,500)
0.4%	(26.2)%	10.1%
405,300	9,000	56,700

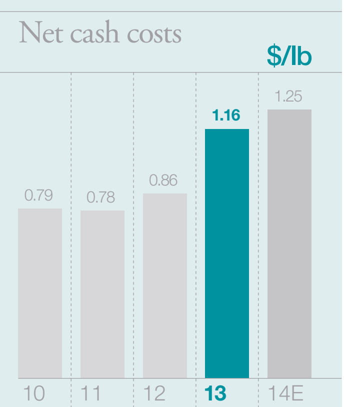
2014 Forecast

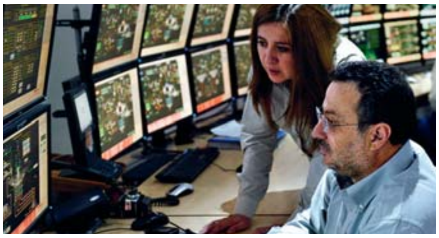
Copper tonnes	Molybdenum tonnes	Gold ounces
390,000	7,500	55,000

2013 Financials

Net cash costs US dollars per pound (2012: $0.86)	Operating profit (2012: $2,292.0m)
34.9%	(28.7)%
$1.16	$1,635.3m







Los Pelambres is a sulphide deposit located in Chile's Coquimbo Region, 240 km north-east of Santiago. It produces copper concentrate (containing gold and silver) and molybdenum concentrate, through a milling and flotation process.

2013 Performance

Operating profit

Operating profit at Los Pelambres was $1,635.3 million in 2013, compared with $2,292.0 million in 2012. This decrease in profitability can be explained by two factors: higher net cash costs and lower realised prices. Net cash costs were affected by higher energy costs and lower by-product, as detailed below. Lower realised copper prices, which fell to $3.25/lb from $3.67/lb, also impacted operating profit.

Production

Copper production was 405,300 tonnes in 2013, which exceeded the original forecast for the year and was marginally ahead of 2012 production of 403,700 tonnes. Production was supported by slightly higher ore grades (2.9% higher than in 2012) offset by lower plant throughput, resulting in the 1,600 tonne increase in production.

Molybdenum production decreased by 26.2% to 9,000 tonnes in 2013 compared with record production of 12,200 tonnes in 2012, mainly due to mining a lower molybdenum grade phase of the pit. Gold production was 10.1% higher in 2013 at 56,700 ounces produced and sold, compared with 51,500 ounces in 2012.

Costs

Cash costs before by-product credits were $1.52/lb in 2013, $0.13/lb higher than in 2012. This 9.4% increase was principally due to the $0.12/lb impact of higher spot energy prices following the expiration of a favourably priced energy contract in 2012 and subsequent exposure to higher spot prices. Net cash costs increased 34.9% to $1.16/lb, reflecting the impact of higher energy costs and lower by-product credits, as molybdenum production and prices for molybdenum and gold decreased in the year.

Total capital expenditure in 2013 was $208.9 million, which included works on a new truck shop and El Mauro tailings dam facilities. Parts of the capital expenditure programme were deferred so expenditure was lower than budgeted. Capital expenditure is expected to be approximately $240 million in 2014, reflecting some carry-over from the 2013 budget and the feasibility study costs relating to the marginal expansion of Los Pelambres. More details on this project can be found on page 45.

Legal update – El Mauro tailings dam

The El Mauro tailings dam began operating in 2008 and has always complied with all applicable laws, regulations and controls. During 2013, the Supreme Court of Chile ruled that the responsible authorities should install an early warning system and evacuation plan for the dam to ensure the safety of the local population in the case of an earthquake. Los Pelambres is working with the authorities to assist them to fulfil their obligations. The Supreme Court has not required any changes to the existing operation of the tailings dam or to Los Pelambres' operations.

Los Pelambres has defended a series of unsuccessful legal claims filed by some members of the Los Caimanes community since 2008 relating to the dam's operation. Two of these claims are currently before the Courts in Chile. Details of these claims are set out in Note 37 to the financial statements.

Outlook

Production

The initial forecast for production in 2014 is for approximately 390,000 tonnes of payable copper, compared with 405,300 tonnes in 2013. This decrease is mainly due to lower expected ore grades, averaging 0.69% in 2014 compared with 0.72% in 2013. The initial forecast for 2014 molybdenum production is for approximately 7,500 tonnes, a decrease of 1,500 tonnes compared with 2013 volumes. Similarly to copper, this is primarily due to lower grade. Gold production is forecast to be 55,000 ounces, in line with 2013.

Cash costs

Cash costs before by-products for 2014 are forecast to be approximately $1.55/lb, similar to 2013 levels of $1.52/lb, and net cash costs are forecast at approximately $1.25/lb, assuming a molybdenum price of $9.5/lb and a gold price of $1,200/oz. Energy prices remain a key input cost for Los Pelambres and are largely dependent on the level of precipitation in the region, where much of the power is generated by hydroelectric schemes.

To address the energy cost increase at Los Pelambres, the Group has entered into several new power purchase agreements ("PPAs"). Los Pelambres will start to see the benefit of these in the second half of 2014 when the El Arrayán wind power plant, in which the Group has a 30% interest, commences operation. It will provide approximately 20% of Los Pelambres' energy needs at attractive, long-term prices.

During 2013, the Group also acquired a 40% interest in the Alto Maipo run-of-river hydroelectric project and, as part of this agreement, two further PPAs were signed, securing the balance of Los Pelambres' current energy requirements by the end of 2018. More information on El Arrayán and Alto Maipo are set out in Energy opportunities on page 47.

Mining division: The existing core business

1
2
3

Start of operation: **2011**
End of mine life: **2059**
Years of operation: **3/49**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

Esperanza (70% owned)

Copper production increased by 7.2% to 174,900 tonnes in 2013 compared with 2012, supported by higher plant throughput, which was partly offset by lower mined grades.

2013 Production

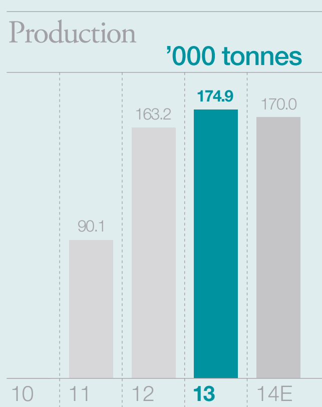
Copper tonnes (2012: 163,200)	**Gold** ounces (2012: 248,400)
7.2%	(4.6)%
174,900	237,100

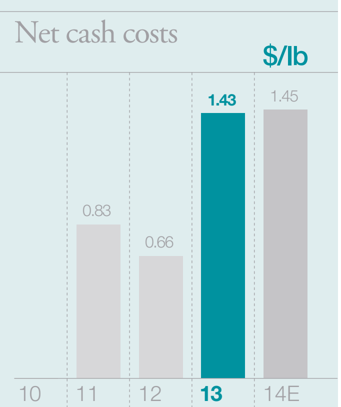
2014 Forecast

Copper tonnes	**Gold** ounces
170,000	215,000

2013 Financials

Net cash costs US dollars per pound (2012: $0.66)	**Operating profit** (2012: $878.3m)
116.7%	(46.0)%
$1.43	$474.5m





Esperanza is a sulphide deposit located in Chile's Antofagasta Region, 1,350 km north of Santiago. It produces copper concentrate (containing gold and silver) through a milling and flotation process.

2013 Performance

Operating profit

The operating profit at Esperanza in 2013 was $474.5 million, compared with $878.3 million in 2012, reflecting higher net cash costs and lower realised copper prices, partly offset by increased sales volumes as Esperanza lifted its daily throughput by 7.5% to an average of 87,200 tonnes per day during the year. The realised copper price decreased from $3.65/lb in 2012 to $3.22/lb in 2013, while the realised gold price also fell from $1,677/oz in 2012 to $1,357/oz in 2013.

Production

Esperanza produced 174,900 tonnes of copper in 2013, a 7.2% increase compared with 2012, reflecting the increase in throughput, marginally offset by lower grades. Gold production in 2013 was 237,100 ounces compared with 248,400 ounces in 2012, following the expected 14.3% drop in the gold grade, partly offset by the higher plant throughput.

Costs

Net cash costs rose significantly to $1.43/lb in 2013, compared with $0.66/lb in 2012, primarily due to higher mining costs associated with entering a new phase of the pit, which required significantly higher movement of ore, as well as a $0.35/lb drop in by-product credits due to lower gold production and the 19.1% fall in realised gold prices.

During 2013 work continued on the optimisation of the operation, including the installation of two additional tailings thickeners. As an extension of the original project, it was determined that for a minimal additional investment the daily throughput of the operation could be increased by a further 10–12,000 tonnes of ore to a daily throughput level of 105,000 tonnes. This additional amount was approved during the year, further improving the return on the project, which will be completed by the end of 2015.

Capital expenditure in 2013 was $325.3 million, which included approximately $130 million in respect of the optimisation and expansion project mentioned above. The remaining capital expenditure required for the completion of this project is approximately $300 million, with some $210 million being spent during 2014 and a further $90 million in 2015. Total capital expenditure in 2014 is expected to be approximately $460 million.

Outlook

Production

The forecast for 2014 is for production of approximately 170,000 tonnes of payable copper and 215,000 ounces of gold. This forecast is based on an average plant throughput similar to that achieved in 2013, as work continues on the optimisation and expansion, which will not benefit the operation until 2015. The mined copper grade is expected to be similar to 2013 at 0.65%.

Cash costs

Cash costs before by-products for 2014 are forecast to be approximately $2.25/lb, $0.11/lb lower than in 2013, mainly due to a reduction in mine movement activities, which were a major cost factor in 2013. Net cash costs are forecast at approximately $1.45/lb, assuming a gold price of $1,200/oz. Esperanza's net cash costs are sensitive to the gold price and production, with each $100/oz movement in the realised gold price having a $0.07/lb impact on net cash costs in 2014.

Esperanza continues to evaluate the potential for construction of a separate molybdenum plant which would produce approximately 2,000 tonnes per year of molybdenum over the remaining life of the mine. The project is currently at the feasibility study stage, however, if it is approved, production could commence from 2016.

Mining division: The existing core business

Start of operation: **2001**
End of mine life: **2022**
Years of operation: **13/22**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

El Tesoro (70% owned)

El Tesoro achieved strong production of 102,600 tonnes in 2013 at its lowest cash cost for four years, following extended mining activities at the high grade Mirador pit.

2013 Production

Copper cathode
tonnes (2012: 105,000)

(2.3)%
102,600

2014 Forecast

Copper cathode
tonnes

95,000

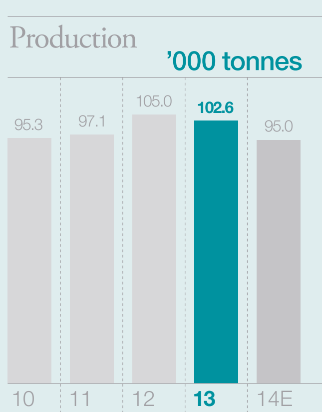
2013 Financials

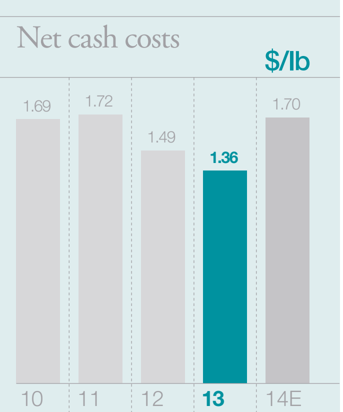
Cash costs
US dollars per pound
(2012: $1.49)

(8.7)%
$1.36

Operating profit
(2012: $446.7m)

(17.1)%
$370.5m





El Tesoro is a mine located in Chile's Antofagasta Region, 1,350 km north of Santiago, which produces copper cathodes using a solvent-extraction electro-winning process ("SX-EW"). It comprises three open pits – Tesoro Central ("TC"), Mirador and Tesoro North-East ("TNE") – which, along with oxide ore from Esperanza, feed a heap-leach operation and a Run-of-Mine ("ROM") leaching operation. Mining activities between 2011 and 2013 were focused primarily on the Mirador open pit and have now reverted to Tesoro Central ("TC") and Tesoro North-East ("TNE").

2013 Performance

Operating profit

The 2013 operating profit at El Tesoro was $370.5 million, compared to the 2012 operating profit of $446.7 million. This decrease was primarily due to lower realised prices, which fell from $3.65/lb in 2012 to $3.34/lb in 2013 and marginally lower production, partly offset by an 8.7% decrease in unit cash costs.

Copper cathode production was 102,600 tonnes in 2013 compared with the 105,000 tonnes produced in 2012, primarily due to lower copper grades, particularly in the fourth quarter when mining activities concluded at the higher grade Mirador pit and resumed at the lower grade Tesoro North East ("TNE") and Tesoro Central ("TC") pits. The average ore grade decreased to 1.52% in 2013, compared with 1.72% in 2012. Throughput at the plant from the heap-leach operation averaged 21,300 tonnes per day in 2013, compared with the 2012 throughput of 19,900 tonnes per day.

Despite lower production and grade, cash costs decreased from $1.49/lb in 2012 to $1.36/lb in 2013, supported by the lower cost and consumption of acid and favourable inventory movements.

Capital expenditure in the year was $155.6 million, including approximately $100 million relating to development and stripping costs at the TNE and TC pits, which resumed mining activities in the fourth quarter of 2013. Capital expenditure is expected to drop to approximately $90 million in 2014 following completion of development work at the TNE and TC pits in 2013.

Outlook

Production

For 2014, total cathode production is forecast at approximately 95,000 tonnes. Production from the heap-leach operation is expected to be approximately 87,000 tonnes which will comprise of ore from both the TNE and TC pits. The Run-of-Mine ("ROM") operation is expected to produce approximately 8,000 tonnes. Ore grades for the heap-leach operation are expected to decrease to an average grade of 1.14% in 2014, versus 1.52% in 2013, as mining activities focus on the lower grade pits.

To partly compensate for this fall in grade, El Tesoro will increase throughput. However, overall production will still decrease. The steady decline in production is expected to be compensated for by sourcing feed from the Encuentro Oxides deposit, which is expected to start production in 2016. This deposit is located some 15 km south of El Tesoro and will pump pregnant leach solution to El Tesoro's SX-EW plant in order to maintain production at approximately 100,000 tonnes per year. Further information on this project is included on page 45.

Cash costs

Cash costs at El Tesoro are forecast to be approximately $1.70/lb in 2014, compared with $1.36/lb during 2013. This increase is primarily due to mining activities moving to the lower grade and higher cost TNE and TC pits.

Mining division: The existing core business

Start of operation: **1959**
End of mine life: **2015**
Years of operation: **55/57**

Position within mining lifecycle

Exploration | Evaluation | Construction | **Production**

Michilla (74.2% owned)[1]

Michilla met its production guidance for the year with cash costs raised by greater stripping activity in preparation for the development of the open pit Lince mine during 2014.

2013 Production

Copper cathode
tonnes (2012: 37,700)

1.6%
38,300

2014 Forecast

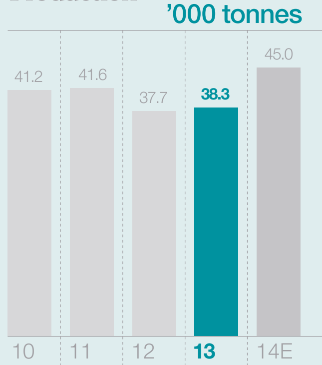
Copper cathode
tonnes

45,000

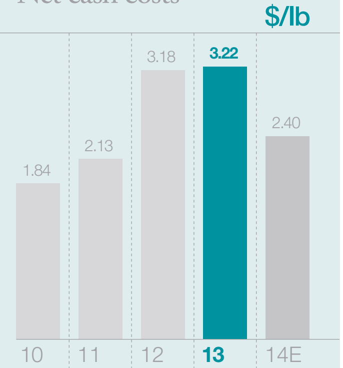
2013 Financials

Cash costs US dollars per pound (2012: $3.18)	**Operating profit** (2012: $29.3m)
1.3%	(247.1)%
$3.22	$(43.1)m

Production '000 tonnes



Net cash costs $/lb



[1] As at 31 December 2013.

Michilla is a leachable sulphide and oxide deposit located in Chile's Antofagasta Region, 1,500 km north of Santiago. It produces copper cathodes using a heap-leach and SX-EW process. The ore that is processed at the Michilla plant comes from a variety of sources – underground and open pit mines, which are operated by Michilla, and from other underground operations owned by Michilla and leased to third-party operators.

2013 Performance

Operating profit

Michilla had an operating loss of $43.1 million in 2013, compared to an operating profit of $29.3 million in 2012. The operating loss in 2013 was due to significant stripping activities during the year which were recognised in operating costs due to the short remaining mine life and accelerated depreciation. The operation is expected to return to profit during 2014, due to a significant reduction in operating costs compared with 2013, as well as a higher production base. Michilla was also impacted by a 2.4% reduction in realised prices in 2013 compared to 2012 and accelerated depreciation as the end of mine life nears. Michilla's realised copper price of $3.64/lb was significantly higher than the other operations due to hedging instruments covering approximately 80% of the production in 2013. Further details of the effects of commodity hedging are given in Note 24 to the financial statements.

Production

Total annual production in 2013 was 38,300 tonnes of copper cathodes, a marginal increase on the 2012 production of 37,700 tonnes, reflecting higher plant throughput and recoveries, offset by a decrease in grade. Production from the secondary leaching of ore that has already been through the heap-leach process was higher than in 2012, providing approximately 17% of the copper production compared to 12% in 2012. It is expected that this secondary leaching process will remain an important source of material for the Michilla plant during 2014.

Costs

Cash costs remained at a similar level to 2012, increasing 1.3% to $3.22/lb. However, the composition of the costs has changed since 2012, when a significant amount of ore was purchased from third parties, with the cost of the ore linked to the copper price and therefore higher cost than ore from Michilla's own mining operations. In 2013, most of the ore feed came from Michilla's own mines, reducing the cost of the ore during the year. Nonetheless, in 2013 cash costs included stripping activities related to the open pit Lince mine, which will be mined in 2014, which raised costs above the costs incurred during 2012.

Capital expenditure in the year was $17.2 million in 2013 compared to $58.4 million in 2012.

Outlook

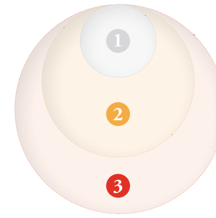
Cathode production in 2014 is forecast at approximately 45,000 tonnes. The majority of this production is expected to come from the open pit Lince mine, which commenced activities in late 2013, and from the secondary heap-leaching process.

The forecast cash costs for 2014 are approximately $2.40/lb, significantly lower than 2013, reflecting the impact of a higher production base and no planned stripping activities during the year.

Under the current mine plan, 2014 will be Michilla's last full year of operation. However, the Group is continuing to review options to extend the life of the operation beyond 2015.

The Group has acquired the minorities' interest in Michilla since the year end, taking its interests to 94.9%, to allow it greater flexibility in how it manages the closure of the mine and the utilisation of its assets, particularly those relating to its strategic coastal location, which may allow the better capture of potential synergies with the Group's other operations.

Mining division: Growth projects and opportunities



The Group is focused on developing its projects and growth opportunities, both around its existing mining districts in Chile and also beyond those areas, in Chile and internationally. The Group's primary focus is on value, to ensure that potential production from existing operations is maximised through debottlenecking and incremental expansions.

The Group also has a portfolio of longer-term growth options which are currently being evaluated as part of pre-feasibility and feasibility studies. Given the early-stage nature of some of these projects, their potential and timing is inherently uncertain and so the following outline is only intended to provide a high-level indication of potential opportunities.

The Group's exploration and evaluation expenditure remained relatively stable with $274.9 million spent in 2013 compared with $283.4 million in 2012. The 2014 full-year forecast expenditure in relation to exploration and evaluation activities is approximately $210 million. The decrease in the exploration and evaluation expense is due to the completion of the Los Pelambres pre-feasibility study at the end of 2013.

Projects under construction

3 Antucoya

Antucoya is an oxide deposit located approximately 45 km east of Michilla in Chile's Antofagasta Region. The Group has a 70% economic interest in the project.

A feasibility study on the project was completed in 2011 and construction commenced during 2012. However, during December 2012 the project was temporarily suspended while a review of the project's cost estimates was undertaken. A full impairment charge of $500 million was recognised in respect to the project's assets as at 31 December 2012 and no further adjustment has been made during 2013.

Following completion of the review and decision to resume the project in March, good progress has been made on construction with 60% total project progress (design, procurement and physical progress) and 32% construction progress as of 31 December 2013. The project is on schedule and on budget with first production expected in the first half of 2015 and will then ramp-up to full production, of 85,000 tonnes per year of copper cathodes, expected by 2016. Cash costs are expected to be approximately $1.80/lb for the first five years of operation. The mine plan includes proved and probable ore reserves of 635.8 million tonnes of 0.35% copper (using a cut-off grade of 0.21%) over the 20-year mine life.

Total development costs for the project are expected to be $1.9 billion, of which approximately $1,025 million has been incurred up to 31 December 2013. In December 2013 Antucoya completed its $650 million project financing, which was provided by a consortium of lenders for a term of 12 years as well as also securing a competitive long-term power purchase agreement from 2014.

Brownfield growth projects

Given the particular pressure on capital costs in the market at present, the Group is focused on ensuring that production from existing operations is optimised through debottlenecking and incremental plant expansions.

2 Esperanza

The debottlenecking project currently being performed at Esperanza will enable throughput at the plant to reach 105,000 tonnes of ore per day by the end of 2015. Further detail on this is provided in the Esperanza section of the Operational review.

2 Los Pelambres

During the year the Group completed the pre-feasibility study examining the options for an incremental expansion and a larger longer-term expansion of the current Los Pelambres operation. During November a feasibility study was started on the marginal expansion, which is expected to be completed by the end of 2014, with possible first production from 2018. It is currently expected that throughput could be increased to approximately 205,000 tonnes per day while at the same time modifying the plant to allow the processing of harder ore, which is expected in the later stages of the mine plan. These factors combined would support a net increase in average production of approximately 40–45,000 tonnes per year.

2 El Tesoro – Encuentro Oxides

The Encuentro Oxides deposit is located within the Centinela Mining District and is expected to produce approximately 50,000 tonnes of copper cathode per year over an eight-year period, utilising the existing capacity at the El Tesoro SX-EW plant. This could potentially enable the plant to continue to produce at full capacity of 100,000 tonnes per annum for a number of years from 2016, thereby helping to offset a decline in production that would otherwise occur due to falling mined grades.

At the site of the Encuentro Oxides deposit there will be new crushing and heap-leach facilities and a pipeline to take the leach solution to the existing El Tesoro plant for processing some 15 km away. The higher grade ore will be crushed and sent to the new heap-leach facilities while lower grade ore will be processed on a ROM leach pad. The cash costs at El Tesoro, once processing of the Encuentro Oxides deposit has commenced, is expected to be approximately $1.75/lb.

The feasibility study is expected to be completed in the first half of 2014 and pre-stripping is likely to commence in late 2014 for a two-year period, followed by first production in 2016. Preliminary indications of the potential capital cost of the Encuentro Oxides project are approximately $760 million. However, the Group is reviewing ways to reduce this capital cost, including sourcing equipment from China and the use of a larger Antofagasta-led project team (owner's team) as opposed to an EPCM contractor.

In July 2013 the Environmental Impact Assessment for the Encuentro Oxides project was approved by the relevant authorities. The results of the pre-feasibility study include an updated resource of 178.8 million tonnes at 0.44% copper.

Greenfield growth

2 Centinela Mining District development

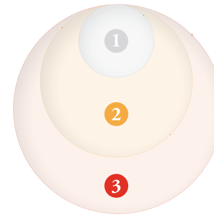
The Group's El Tesoro and Esperanza operations are located in the Centinela Mining District. This District is the main focus area for the Group's longer-term growth opportunities and includes the significant Esperanza Sur and Encuentro deposits.

During the year the Esperanza mine plan was updated to incorporate the Esperanza Sur deposit, which extended Esperanza's life by approximately 30 years. The Encuentro deposit contains a large sulphide deposit (resource of 1,193.5 million tonnes at 0.40% copper grade with gold and molybdenum by-products) and an oxide cap (Encuentro Oxides). This oxide cap will be processed at the existing SX-EW plant at El Tesoro as explained in greater detail above.

The Group is continuing to evaluate the options for the development of the Centinela Mining District. Previously the plan had been to develop Esperanza Sur and Encuentro Sulphides separately, but during the year it was decided that it would be more effective if both deposits were used to feed a single new concentrator. This concentrator plant is expected to have a daily ore throughput of approximately 90,000 tonnes per day, with annual copper and gold production of approximately 140,000 tonnes and 150,000 ounces respectively. First production could come through from 2019 onwards, with capital development costs initially estimated at $2.7 billion. The project team is continuing to review options for reducing the capital cost of the project, including the impact of using a larger owner's team, as opposed to an EPCM contractor, as well as other capital cost saving initiatives.

The Group is also continuing to evaluate other earlier-stage opportunities in the Centinela Mining District. Currently work is focused on the Polo Sur deposit, which has a resource of 1.4 billion tonnes at 0.34% copper grade (including 112.2 million tonnes of copper oxides at 0.40% copper as well as some additional leachable supergene sulphides) with gold and molybdenum by-products. This oxide deposit is situated approximately 35 km from the El Tesoro deposit and could provide additional feed for the El Tesoro SX-EW plant. The scoping study in respect of Polo Sur was completed in 2013 and a pre-feasibility study is under way.

Mining division: Growth projects and opportunities



2 Los Pelambres

Given the size of the resource base, which at 5.7 billion tonnes is more than three times the quantity of ore that is expected to be processed under the existing mine plan, there is significant scope to increase the existing plant capacity. In the longer term it is possible that the existing plant capacity could be increased by a further 125,000 tonnes per day beyond the Marginal Expansion project, with first production from this potential large-scale expansion starting at some point from 2022 onwards. No date has been decided on when to commence a feasibility study on this longer-term expansion.

3 United States – Twin Metals

The Group has a 40% controlling stake in Twin Metals Minnesota LLC ("Twin Metals"). The principal assets are the Maturi, Birch Lake and Spruce Road copper-nickel-PGM deposits, which are located in north-eastern Minnesota, USA.

Twin Metals is continuing to make progress on the pre-feasibility study. As at the end of December 2013 Twin Metals had a total resource of 2.3 billion tonnes within three of its separate deposits, with an average copper grade of 0.52%, 0.17% nickel and other significant contained precious metals (gold, platinum and palladium).

The pre-feasibility study is expected to be completed during 2014 and, if approved, Twin Metals will commence advanced studies to support the environmental permitting process. The date for commencement of construction depends on the regulatory approval process.

3 Other exploration and evaluation activities

The Group is also conducting a wide range of early-stage exploration activities in areas beyond the existing core locations of the Centinela Mining District and Los Pelambres, both through its in-house exploration team and through partnerships with third parties, to build a portfolio of longer-term opportunities across an increasingly diversified geographical area.

Chile

The Group is continuing with exploration activities to identify prospective targets on the main copper belts in Chile, focusing on the northern and central regions, which includes studies on covered copper porphyries in the Tarapaca Region. Work is continuing at the Conchi and Brujulina Sur deposits as well as in areas nearby (including the Cerro Las Papas project) to define potential resources. The area is now referred to as the Los Volcanes District and work will continue there during 2014.

During this period, work on the evaluation of a new coal deposit suitable for underground coal gasification purposes in the Magallanes area in southern Chile has stopped.

International

The Group has also continued to expand its portfolio of early-stage international exploration interests through a number of strategic alliances and earn-in agreements, with new agreements being entered into in Finland, Australia, Peru, Mexico, Zambia, Canada and United States and terminated agreements in Namibia, Australia, Ireland and Brazil.

3 Energy opportunities

During 2013 the Group has continued its programme of exploration and development of energy prospects and has made additional investments in power generation projects. Further information regarding the Chilean Energy market is included in the Key inputs section.

Energía Andina

Energía Andina S.A. is a geothermal energy joint venture with Origin Energy Limited of Australia in which the Group holds a 60% stake. To date, the exploration has demonstrated the existence of an active geothermal system at the Tinguiririca project located close to Santiago.

El Arrayán

Antofagasta has a 30% interest in Parque Eolico El Arrayán SpA ("El Arrayán"), which is engaged in the construction of what will be one of the largest wind farms in Chile, about 400 km north of Santiago. The plant will supply 40MW of power to Los Pelambres under a 20-year supply contract, accounting for about 20% of Los Pelambres' total power requirement.

The Group is responsible for its 30% equity contributions to project development costs. El Arrayán started construction in early 2012 at a total cost of $300 million, of which approximately $225 million was funded by project financing. The plant is expected to start operating in the second half of 2014.

Inversiones Hornitos

The Antofagasta Railway Company ("FCAB") group owns a 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which operates the 165MW Hornitos thermoelectric power plant located in Mejillones, in Chile's Antofagasta Region. The main offtakers of the energy are the mining operations of Esperanza and El Tesoro.

Alto Maipo

In July 2013 the Group acquired a 40% interest in the Alto Maipo hydroelectric project. Alto Maipo will construct, own and operate two run-of-river hydroelectric power stations located in the upper section of the Maipo river, approximately 50 km to the south-east of Santiago, with a total installed capacity of 531MW. As part of this transaction, the Group also signed two 20-year power purchase agreements ("PPAs") that will secure the provision of energy to Los Pelambres for up to 160MW, with the first PPA starting in 2015 and the second in 2018. The total capital cost is expected to be $2.1 billion, with $1.2 billion funded by project financing secured in December 2013.

Transport

The transport division provides rail cargo services in Chile and Bolivia, and road cargo as well as other ancillary services in Chile. In Chile, the main business during 2013 was the transport of copper cathodes from, and sulphuric acid to, mines in the Antofagasta Region. In Bolivia, the Group has a 50% controlling interest in the Ferrocarril Andino, which transports zinc and lead concentrates from Bolivia via the border town of Ollagüe.

Transport

The transport division typically provides services to customers under long-term contracts, often with agreed pricing levels which are subject to adjustments for inflation and movements in fuel prices. The division also offers cargo transfer, shipment and storage services both domestically and internationally.

2013 tonnage transported

Combined tonnage
'000 tonnes
(2012: 7,680)

(3.5)%
7,413

2013 Financials

Operating profit
(2012: $66.6m)

(5.4)%
$63.0m

The transport division's total volumes transported were lower in 2013, falling to 7.4 million tonnes, compared with 7.7 million tonnes in 2012. This decrease was primarily due to a 13.1% decrease in the road transportation volumes during the year.

Combined turnover at the transport division was $196.6 million, a 3.3% increase compared to turnover of $190.4 million in 2012, mainly reflecting an increase in tariffs, partly offset by a decrease in rail tonnage. Operating profit fell to $63.0 million in 2013, mainly reflecting the exclusion of a $5.0 million gain on land sales that had supported 2012 operating profit. Capital expenditure in 2013 was $28.7 million compared to $22.7 million in 2012.

The Antofagasta port is managed by the Group's 30% associate Antofagasta Terminal Internacional S.A. ("ATI"). ATI is a strategic investment for the Group and complements transport division's principal business as the main transporter of cargo within Chile's Antofagasta Region.

The transport division also owns Forestal S.A., which manages the Group's forestry assets. Forestal's two properties, Releco-Puñir and Huilo-Huilo, comprise 26,295 hectares of native forest near the Panguipulli and Neltume lakes, in Chile's Region de Los Lagos. During 2013, Forestal continued with its ongoing forestation, fertilisation and thinning programme to maintain these assets.

Water

Aguas de Antofagasta ("ADASA") operates a 30-year concession for the distribution of water in Chile's Antofagasta Region, which it acquired from the state-owned Empresa Concesionaria de Servicios Sanitarios S.A. ("ECONSSA CHILE SA") in 2003. The division provides potable desalinated water to domestic and commercial customers in the Antofagasta Region, obtaining water from mountain catchments and the sea and distributing it through its 1,140 km pipe network.

Water

The water division consists of two main businesses, a regulated water business supplying domestic customers and an unregulated business serving mines and other industrial users. Sales to domestic customers are priced in accordance with regulated tariff structures, while sales to industrial customers are generally priced in accordance with contractually agreed levels. The division's activities in Chile are regulated by the Superintendencia de Servicios Sanitarios (SISS).

2013 Volume sold

Water
Million cubic metres
(2012: 50.8)

+1.0%
51.3

2013 Financials

Operating profit
(2012: $65.1m)

(12.1)%
$57.2m

In 2013, the water division sold 51.3 million cubic metres of water to domestic and commercial customers, compared with volumes of 50.8 million cubic metres in 2012, mainly driven by higher demand from domestic clients.

Turnover in 2013 increased 1.9% to $135.9 million from $133.4 million in 2012, due to a number of factors including increased demand from both regulated and unregulated customers. Operating costs rose in the year due to increased depreciation and maintenance costs, partly explaining the decrease in operating profit to $57.2 million from $65.1 million in 2012. Capital expenditure in 2013 was $13.4 million compared to $8.0 million in 2012.

During 2013, studies into a second desalination plant were put on hold, as the business reviews alternative, cost-effective options to meet future demand, which include an expansion of the existing plant.

The Group's approach to sustainability

Antofagasta aims to build and maintain relationships based on trust and mutual benefit with its stakeholders. This supports its social licence to operate and grow.

The Group's current operations are only in Chile, an OECD country with strong environmental and human rights protections built into its legal framework. Compliance standards are high across most of the Group's main sustainability issues.

Recognised as a Climate Disclosure Leader by the Carbon Disclosure Project.

45%

Sea water as a percentage of total water consumption.

Guided by best practice, policies and guidelines

Preventing and managing social and environmental risks, while seeking opportunities for improvement, is critical to maintaining the Group's competitiveness and capacity to grow. Antofagasta Minerals' strategy for generating economic, social and environmental value is guided by Environmental and Social Relations Policies, and implemented through a comprehensive set of guidelines and procedures covering:

Social

- Code of Ethics
- Grievance management
- Community investment
- Crisis communication management

Environmental

- Water management
- Air quality management
- Climate change management
- Biodiversity and ecosystem services management
- Cultural heritage management
- Waste management
- Land use

These in turn are supplemented by a set of social and environmental KPIs, which monitor performance.

In early 2014 Antofagsta Minerals applied for International Council on Mining and Metals ("ICMM") membership, thus voluntarily submitting to the highest industry sustainability standards.

Ethics, compliance and human rights

The Group's Code of Ethics sets out how it conducts itself in its daily activities and interactions with stakeholders. It is also a guide to how the Group protects human rights. The aim is to stand out in the market for honesty, transparency and consistency in business conduct, and to be recognised for reaching these objectives fairly and through respect for others.

Committed to high ethical standards

The Code of Ethics was last revised in 2012, together with other internal control systems, to ensure compliance with the latest Chilean legislation and the anti-bribery requirements of the United Kingdom. The Code covers conflicts of interest, discrimination and harassment as well as protection of confidential company information. It safeguards working conditions and provides instructions for workers on reporting unethical behaviour.

All workers are required to comply with the Code, and to sign a form acknowledging that they have received and understood it. The Code of Ethics can be downloaded at www.antofagasta.co.uk.

The Ethics Committee controls compliance with corporate policies, and investigates reports of unethical conduct. In the mining division, members of the committee are the Vice-Presidents of Finance, Human Resources and Corporate Affairs and Sustainability. Their work is supervised by the Board's Audit Committee. In the Transport and Water Divisions, all such reports are investigated by the designated managers and are presented to the respective General Managers.

Human rights

The Group respects the rights of its workers and contractors as well as those of everyone that comes into contact with the business. Human rights are protected in the following ways:

EMPLOYEES

- No under-age employees
- Fair wages, good accommodation and high health and safety standards
- Good relationship with labour unions
- Training and development opportunities
- Monitoring worker satisfaction
- Preventing discrimination, harassment or bullying

CONTRACTORS

- Ensure appropriate working conditions for contractors regarding health and safety, accommodation, wages and benefits

SOCIETY

- Prevention of corruption and whistleblowing procedures
- Contributing to a positive social, economic and environmental legacy throughout the Group's business, from exploration to closure
- Preventing – and when not possible, mitigating – environmental impacts

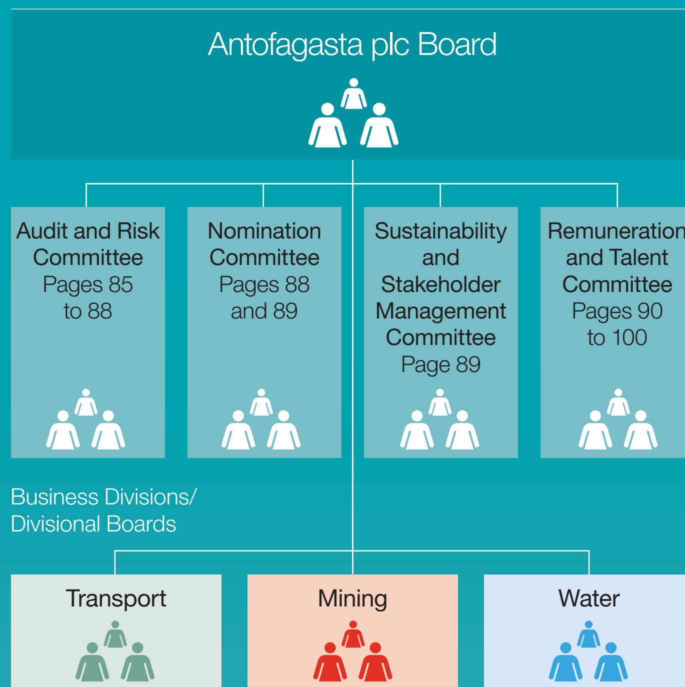
COMMUNITY

- Respecting the rights, culture and heritage of local people
- Identifying potential impacts
- Early and ongoing community engagement from exploration to closure
- Listening and responding to community grievances and other stakeholders
- Supporting community development

The Group's approach to sustainability

Underpinned by strong governance

Sustainability forms an integral part of the Group's decision-making process and supports its business strategy. The Board continues to place importance on a range of sustainability considerations, including health and safety, management of human resources, the environment and community relations. The Board has ultimate responsibility for sustainability and is supported by the Sustainability and Stakeholder Management Committee.



81%

Employee satisfaction score.

$24.4m

Invested in community projects.

44

Training hours per employee in mining division.

Focused on the issues that matter most

Antofagasta's sustainability strategy supports its business strategy by strengthening its licence to operate, delivering operational efficiency and facilitating access to resources. This strategy focuses on the risks and opportunities that are most material to the Group and its main stakeholders: workers, contractors, communities, local government and investors, identified through corporate risk assessment and regular engagement. The sustainability issues that are considered most material to the business are:

Health and safety

Protecting the health, safety and wellbeing of workers and contractors' workers.

See page 54

Talent

Attracting and retaining workers and developing their talents.

See page 57

Water management

The Group is efficient in its use and innovative in the use of alternatives to continental water, while ensuring water availability and water quality.

See page 60

Reducing environmental impact

Ensuring the Group identifies, prevents or manages its environmental impacts, including air quality, water quality and availability, greenhouse gas emissions, biodiversity and cultural heritage.

See page 62

Labour relations

Maintaining positive relations with workers and the unions that represent them, as well as encouraging contractors to do the same.

See page 56

Community relations

Maintaining positive relations with communities near to the Group's operations and investing in projects to support their education, enterprise and employability.

See page 58

Energy and climate change

Improving efficiency in energy use and searching for alternative sources of energy.

See page 61

20,660
Group workforce.

The Group's approach to sustainability

Health and safety

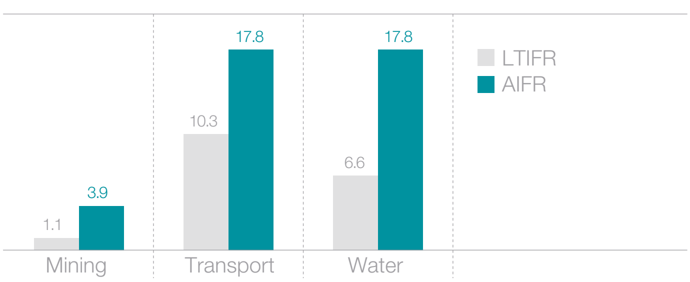
Despite a sustained decrease in the Group's accident rate, the goal of zero fatalities was not achieved. Ensuring the safety of the Group's people is a key enabler of business success and thus, embedding a risk prevention culture based on fatalities prevention throughout the Group, and ensuring contractors share this commitment to safety, remains a priority.

Why it matters

- Extracting and processing copper creates risks for worker health and safety. Public health and safety are additional responsibilities for the water and railway divisions.
- Protecting the health and safety of workers, contractors and local communities is the Group's first sustainable development principle.

Performance

Safety



In focus

Improvements in near miss reporting

The reporting of near misses improved by 65% in the last quarter of 2013, while the number of lost time accidents halved, reflecting the priority this lead indicator has been given in the mining division. In order to raise awareness, since September 2013, near misses that might have resulted in a fatal accident have been immediately reported to all managers across the division.

Performance

The Group regrets to report that in 2013 it suffered the loss of two people, a contractor in Los Pelambres and a worker in Esperanza and since the year end there was another fatality of a contractor at Esperanza. In response, the Group is further strengthening the corporate health and safety model to standardise best risk prevention practices, with a focus on eliminating fatalities and promoting reporting of significant incidents.

Key measures of the safety performance are the Lost Time Injury Frequency Rate (LTIFR) and the All Injury Frequency Rate (AIFR) that cover both workers and contractors. In the mining division, despite an 18% increase in the size of the workforce from 2012 to 2013, the number of accidents continued to decrease, achieving a 1.1 LTIFR and 3.9 AIFR in 2013. The railway division achieved a LTIFR of 10.3 and AIFR of 17.8 and the water division achieved a LTIFR of 6.6 and AIFR of 15.5.

Managing risk

Embedding a preventive culture, ensuring comparable safety standards among workers and contractors and going beyond industry best practices will enable the Group to meet and maintain its goal of zero fatalities.

The risk-based approach to managing the health and safety of workers and contractors continues to be implemented. 2013 saw the strengthening of the Corporate Health and Safety Unit to provide the operations and projects with a common strategy based on risk management and a preventive approach, focused on eliminating fatalities. A corporate health and safety management model was implemented, building on the policies, standards and guidelines previously introduced. The new model applies equally to workers and contractors. Its pillars are: risk identification with a focus on fatal accidents, adherence to standards, comprehensive and immediate reporting of near misses, and leadership with safety as a core corporate value.

Each mine has a health and safety management system aligned to OHSAS 18001. Accountability and reporting is a key part of this. Safety managers report performance to their company's General Manager on a weekly basis while the five mining company General Manager's report to the corporate Vice-President of Operations monthly. Board members receive monthly safety reports and performance is discussed in Board meetings and remuneration of senior management is linked to safety performance. Safety performance is linked to remuneration.

Contractors must also comply with the Group's Occupational Health and Safety Plan. Contractor companies compliance with these standards at the mining, railway and water divisions is monitored through internal controls and an annual external audit.

Fostering a safety culture

Anchoring safety in daily actions is central to achieving its health and safety goals. This is done by raising risk awareness and training workers and contractors to identify, mitigate and manage safety in their working environment. Regular safety management workshops are held to review near significant incidents (near misses without energy exchange) and risks, share best practice and lessons learned. During 2013 the reporting of significant incidents was strengthened as a key enabler of a preventive approach.

The Group's goal is zero fatalities and to reduce the number and severity of accidents. These goals require all contractors to comply with the Occupational Health and Safety Plan, which is monitored through a monthly audit. It is communicated through regular training and awareness campaigns for employees and contractors. An additional aim is to reach workers' families and local communities, particularly on the issue of road safety.

Occupational health

Occupational health and safety plans are in place to help employees and contractors stay healthy and avoid common injuries or illnesses. All Antofagasta Minerals workers are encouraged to take annual preventative health checks, paid for by the Company. All operations have wellness programmes in place to encourage healthy eating, regular exercise and to support workers in giving up smoking and relieving stress. Sites are designed with workers' health and wellbeing in mind with the provision of gyms, sport facilities and healthy eating options in cafeterias.

Future priorities

— Build a baseline of the general health of site workers.
— Identify the five top risk events (such as electric shocks, rocks falling, collision, etc) at each operation and do the same for each contractor company, using the new risk model.

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of fatalities				
	2013	2012	2011	2010	2009	**2013**	2012	2011	2010	2009	**2013**	2012	2011	2010	2009
Chilean mining industry*	**N/A**	2.9	3.1	3.6	4.0	**N/A**	N/A	N/A	N/A	N/A	**N/A**	25	26	45	35
Mining Council**	**N/A**	N/A	N/A	1.9	2.3	**N/A**	N/A	N/A	N/A	N/A	**N/A**	N/A	5	8	8
Mining Division	**1.1**	1.3	2.1	1.6	1.7	**3.9**	5.4	9.2	10.1	8.5	**2**	1	–	2	5
Transport Division	**10.3**	13.0	9.6	9.5	12.0	**17.7**	28.6	28.3	25.9	33.9	–	–	1	–	–
Water Division	**7.4**	5.1	5.5	5.6	7.0	**16.9**	8.3	8.2	22.4	16.8	–	–	–	–	–
Group	**2.1**	2.6	3.2	1.9	2.8	**5.5**	7.9	11.5	11.0	11.0	**2**	1	1	2	5

* Source: National Service of Geology and Mining (Servicio Nacional de Geología y Minería).
** Source: Chilean Mining Council (Consejo Minero), an industry association which represents the large mining companies in Chile.
(Data includes employees and contractors.)

Definitions:
N/A: not currently available.
LTIFR – Number of accidents with lost time during the year per million hours worked.
AIFR – Number of accidents with and without lost time during the year per million hours worked.

The Group's approach to sustainability

Labour relations

The potential for labour disputes in Chile has increased in recent years, with rising copper prices and the shortage of skilled workers resulting in increased pressure from unions. Antofagasta's ongoing engagement with workers and contractors supports its strong labour relations.

Why it matters

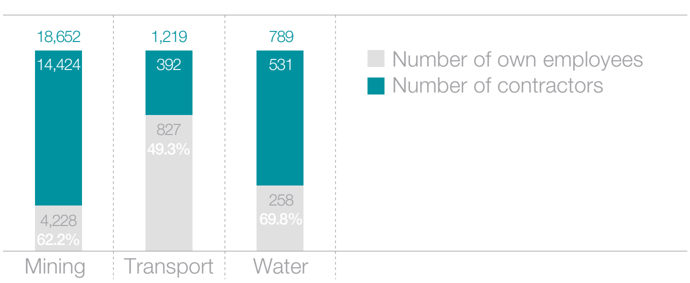
– Positive relations with workers, contractors and their representative unions maintains the operations' capacity and efficiency.

– Labour disputes pose a risk to operational continuity.

Performance

The Group had a total workforce of 20,660 people in 2013, including the Group's own employees and contractors, compared to 17,136 in 2012. The increase is explained mainly by the 2,600 contractors hired to build the Antucoya Project.

Contractors and employees by division



In focus

Internal engagement over values

In 2013, Antofagasta Minerals agreed on six Group values: Health and Safety, Sustainability, Respect, Innovation, Excellence and Forward-thinking. These were chosen through a participative process involving workers throughout the division. Representatives participated in four-hour workshops and/or answered a survey on the topic.

Strong labour relations

Good relations with employees, contractors and the labour unions representing them, is important for securing the Group's labour resource needs and ensuring the continuity of the operations. The Group has strong labour relations and has never had a strike of either its own employees or its contractors. In 2014, the four-year collective labour agreements are due for negotiation at Los Pelambres, Esperanza and Michilla.

The Group recognises workers' rights to union membership and collective bargaining and maintains an ongoing, proactive dialogue with workers and their representatives regarding all matters of mutual interest, with emphasis on ensuring their health and safety.

Some 62% of the mining division's workers are unionised. Each operation has at least one collective labour agreement that covers salaries, working hours, and variable compensation and employment benefits, among other items. Benefits agreed with the unions are extended to non-unionised workers.

At the water division 70% of the workforce are members of a union and at the railway division the rate is 49%.

In 2013 the Group issued corporate Labour Relations Policy declaring its commitment to maintaining mutually beneficial, long-term relations built on trust between the Company, its workers and their representative unions.

Listening to employees

Antofagasta Minerals maintains constructive relationships with its workers and their representative unions through regular communication and consultation. In 2013 internal communications were bolstered through the use of face-to-face meetings, the Company intranets, newsletters, bulletin boards and social events.

The Antofagasta Minerals 2013 Annual Organisational Climate survey received responses from 95% of employees, who posted an overall satisfaction score of 81%. The survey is designed to identify strengths and weaknesses in each operational unit, based on 11 dimensions. Of these, autonomy, commitment, sense of belonging, structure and vision obtained the highest scores.

Employees can also communicate their concerns confidentially through the whistleblowing procedure to report breaches of corporate ethics.

Future priorities

— Continue to strengthen relations with workers through effective implementation of the Labour Relations Policy.

— Implement action plans based on the 2013 survey to improve Organisational Climate.

Talent

The predicted shortage of skilled workers in Chile remains an issue for the mining sector. Antofagasta aims to be an employer of choice by investing in the development of its workers while also contributing to broadening the available pool of talent for the industry.

Why it matters

– A highly-skilled workforce and experienced management team are critical to maintaining current operations, implementing development projects and achieving growth.

Performance

114

People who have joined Antofagasta Minerals through its Young Professional Programme since 2010, 24% of whom were women.

In focus

Corporate Talent Management Process

In 2013 Antofagasta Minerals designed a corporate Talent Management Process to prepare succession plans for key positions in the division at the corporate head office and at its operations and projects. The process began by defining key positions, then identified high potential successors for these positions and is now in the process of developing the high potential candidates for them.

An HR strategy to support the business

Over the last couple of years, Antofagasta Minerals has significantly upgraded its Human Resources management programmes to strengthen corporate culture and ensure its alignment with the Group's business strategy. The areas of focus have been talent development, leadership and shared values.

In 2013 the mining division engaged with its employees to define a set of corporate values: Health and Safety, Sustainability, Respect, Innovation, Excellence and Forward-thinking. These values will be rolled out in 2014 and will help guide key processes such as business alignment, performance management and leadership development.

Managing and developing talent helps Antofagasta become an employer of choice. Talent development covers personal, professional and technical competencies and skills. Since 2010, Antofagasta has had in place a trainee programme, designed to recruit young professionals with potential to become future leaders of the business. As a result, the mining division has recruited 114 young professionals, 24% of whom were women.

Gender diversity

Gender diversity is a challenge in many industry sectors, including mining. Chile is no exception, with women making up just 6% of the mining workforce. Female representation within the Group's mining division exceeds the national average for the sector, but there is still more work to do. In 2013, women represented 10% of the mining division's total workforce and 14% of its supervisors. At the end of 2013 there were 599 women and 4,714 men employed by the Group. Women make up 10% of the railway division and 33% of the water division. There is one woman in senior management out of a total of 19 people at that level in the Group and she is a member of the Executive Committee. There are no women on the Antofagasta plc Board, although a search for a suitable candidate is under way.

Availability of skilled labour

The Group is committed to investing in training to make sure workers both fulfil their potential and have the skills that are needed today and in the future. During 2013 the mining division provided 44 training hours per employee, the transport division 15 hours and the water division 30 hours.

In 2013 Antofagasta Minerals continued to partner with the Chilean government and peer mining companies, through the Mining Skills Council, to increase the number and level of qualifications of new mining professionals at a technical level. Through this initiative it will invest $4 million over five years to train 12,500 new mine operators.

Antofagasta Minerals strives to hire as many local people as possible. This is more noticeable during a project's construction phase when the size of the workforce peaks. Thus at this stage, the Group's companies offer specific training opportunities for locals through its Apprenticeship Programme. In December 2013, Antucoya trained 28 people from the neighbouring Maria Elena community and hired 27 of them.

Future priorities

In 2014 efforts will be focused on building the desired culture and Group identity through the implementation of the following initiatives:

- Roll-out of the Group's shared values and leadership model
- Strengthening of talent management through a mentoring programme and increasing transfer opportunities within the Group.

The Group's approach to sustainability

Community relations

In Chile, large projects – particularly in mining and power – face growing opposition from social and environmental groups, often involving judicial action. Antofagasta is a strong proponent of early, ongoing engagement with local communities, aiming to identify and manage its impacts and establish relations based on trust and mutual benefit.

Why it matters

- Good community relations support the Group's social licence to operate.
- Future growth depends on communities being able to trust the Company's commitment to establish mutual beneficial relations with communities and other key stakeholders.

Performance

$24.4m

Invested by Antofagasta Minerals during 2013 in community projects surrounding its operations[1].

In focus

Raising awareness of grievance process

The northern companies – Michilla, El Tesoro and Esperanza – made a concerted effort to increase both internal and community awareness about the existence of their formal grievance procedures. They discussed their procedures in meetings with neighbouring communities and local authorities and distributed letters to each household informing them of the procedures. The companies also engaged with their managers to involve them in providing timely responses to the issues raised, that they are responsible for. Following this effort, the companies have seen an increase in reported and investigated grievances, from two reported in 2012 to 16 in 2013.

Managing community concerns

Responsiveness and consistency of approach in dealing with community concerns and expectations is vital in demonstrating respect for local people, building trust and preventing conflict. Antofagasta Minerals has been promoting the use of its grievance management procedure to allow stakeholders to raise their concerns and get a formal answer from the operations.

The Group identifies local concerns and expectations through ongoing dialogue, grievance management, participative monitoring, joint company-community dialogue committees and yearly perception studies, among other tools. Social and environmental considerations are an integral part of all project design standards and when applying for environmental permits the Company commits to certain impact prevention, mitigation and compensation measures that are enforceable by law.

Antofagasta's approach is guided by its Social Strategy, Social Relations Policy, corporate Ethics Code and specific standards for community investment and grievance management to ensure they are addressed consistently and transparently. Each mining operation has an external affairs team dedicated to stakeholder relations.

Managers are supported in this with the Company's Social Performance Assessment Tool. Community investment guidelines are applied by each mining company to deliver a consistent approach to social projects supported.

Investing in local development

Antofagasta is committed to enhancing its positive social impact, recruiting local workers whenever possible, investing in community projects and supporting initiatives dedicated to local development. The focus for community investment is: developing human capital through education and training, improving community quality of life and promoting local producers.

[1] Excludes donations to universities, foundations and other social contributions.

In 2013 quarterly reporting of community investment initiatives was introduced to increase effectiveness and transparency. The reporting process also facilitates the exchange of best practices and knowledge between the Group's operations and projects. In 2013, the main community investments were:

- $5 million to build a health clinic in the Choapa Valley that will be operated by the national health system
- $2.5 million to finance new potable water facilities in Sierra Gorda
- a $0.5 million contribution to the $2 million public facility to provide drinking water to Caleta Michilla, which was previously supplied by the water trucks
- $0.2 million to provide free wifi access in Sierra Gorda's main public areas such as the town square, the health clinic, in schools, the fire station and in the library
- a three-year programme to improve education quality and management in three local Choapa schools continued in 2013
- the continued provision of technical assistance and soft loans for over 200 local farmers and herders at Los Pelambres.

Future priorities

- Los Pelambres to work with multi-stakeholder alliances, including local government and community organisations, to identify suitable local projects for support.
- Publish a corporate policy or guideline for engagement with indigenous people based on ILO Convention 169 and the ICMM's position statement on indigenous people and mining.

The Group's approach to sustainability

Water

Continental water is already a scarce resource in many parts of Chile while increasing demand, non-sustainable practices and climate change are a continuing threat. Mining activities can affect the availability of water through water extraction and/or impacting water quality.

Why it matters

– Water scarcity is an environmental challenge, a highly material social issue for communities, as well as a cost issue.

Performance

Although copper production increased, water consumption decreased from 45,482 to 44,666 ('000s of m³) due to the mining division's focus on improving water efficiency.

45%

Sea water as a percentage of total water consumption.

In focus

Pioneering the use of sea water

Antofagasta Minerals has pioneered the use of sea water with two operations using non-desalinated sea water and a third (Antucoya) is about to do the same. It is also installing an innovative highly water-efficient thickened tailing deposition system at Esperanza.

Making better use of water

To address the issue of water scarcity, Antofagasta Minerals has implemented innovative solutions, pioneering the use of non-desalinated sea water and more water-efficient thickened tailings deposit technology. The Company monitors the quality of water in its area of influence and minimises its use of natural high-quality water. Water reuse rates as high as 85% are achieved at some operations.

All sites have water management plans, which include regular monitoring and detailed water accounting records. These are based on the Water Accounting Framework methodology developed by the Sustainable Minerals Institute of Queensland University and the Minerals Council of Australia.

The Company has participated in the CDP Water Disclosure Project ("WDP") since 2010, publishing its information on water use in accordance with the WDP and the Global Reporting Initiative. In 2013 Group-wide water consumption was 44.7 million cubic metres, of which 45% was sea water and the remaining 55% was low-quality continental water.

Los Pelambres has been taking actions to prepare for the potential impact of continued below-average precipitation on its water supply. Initiatives include: the improvement of water capture and transport infrastructure, research on reducing evaporation loss from the tailings dams and the feasibility of recovering more water from them, a detailed review of the operation's water balance and data collection methods and the identification of where water loss occurs and potential solutions. The Company also works with the communities to help them use water more efficiently, having financed the improvement of the local irrigation systems and lining the water channels, among other initiatives.

For the water division, maintaining water quality and pressure, as well as reducing water losses from leaks is an ongoing priority. Aguas Antofagasta is proud to be the first Latin American company to supply desalinated potable sea water. Since 2011 the Company has been certified to ISO 22000, the highest water quality standard.

The transport division operates two wastewater treatment plants at its facilities to ensure that its discharges comply with legal requirements.

Energy and climate change

Although energy demand in Chile is expected to continue growing, new power plants face strong opposition from some communities and NGOs. Antofagasta prioritises energy efficiency and is proactive in seeking opportunities to reduce consumption and incorporate new energy sources.

Why it matters

– Energy accounts for over 10% of the mining division's operating costs, so improving efficiency can have significant financial, as well as environmental benefits.

Performance

The focus in 2013 has been on improving the quality of information on which to base carbon emission reduction action plans. The mining division's carbon emissions during 2012 have been externally verified and the 2013 figures will be verified during 2014.

In 2013 Antofagasta Minerals emitted 2,229,407 tonnes of CO_2 and the CO_2 emission intensity was 3.09 tonnes of CO_2 emitted per tonne of copper produced, which represents a 5% increase compared to 2012.

CO_2 emissions by location 2013 (tonnes of CO_2 equivalent)	Scope 1 Direct emissions	Scope 2 Indirect emissions	Total emissions[2]	CO_2 emissions intensity[3]
Mining division				
Los Pelambres	179,923	551,568	731,941	1.80
El Tesoro	125,366	234,972	360,338	3.51
Michilla	60,293	115,711	174,982	4.60
Esperanza	242,977	717,620	960,597	5.49
Corporate Offices (Santiago and London)	142	835	997	–
Total for mining division	608,701	1,620,706	2,229,407	3.09
Transport division				
FCAB	94,902	2,084	96,986	13.08[4]
Water division				
ADASA	2,508	3,661	6,169	0.12[5]
Total Antofagasta	**706,111**	**1,626,451**	**2,332,562**	**390.61[6]**

Responding to the energy challenge

Rising energy prices in Chile are a significant concern for mining operations. The Group prioritises energy efficiency and is proactive in seeking opportunities to reduce consumption and incorporate new energy sources.

Chile has set a target to reduce the country's carbon emissions by 20% by 2020 and introduced the requirement for 20% of energy generation to come from renewable sources by 2025. Antofagasta is continuing to invest to understand and reduce its carbon footprint while exploring alternative energy sources.

In 2013 the Group bought a 40% interest in the Alto Maipo run-of-river hydroelectric project that will supply 60% (110MW) of Los Pelambres' energy needs under a 20-year contract starting in 2018. In 2014 some 20% of Los Pelambres' energy needs will begin to be supplied by El Arrayan, one of the biggest wind farm projects in Chile, in which the Company has a 30% equity interest and a long-term energy supply contract. The Group is also exploring for geothermal energy through its 60% interest in Energía Andina, one of the leading companies seeking geothermal opportunities in Chile.

The corporate energy unit, created in 2012, is dedicated to the analysis of different sources of energy to ensure the long-term energy provision for current operations and future mining projects. It also promotes the use of renewable energy when possible, such as at El Tesoro's electro-winning plant where a solar-thermal facility has reduced the plant's fuel consumption by half, and the whole operation's CO_2 emissions by 4%.

[2] Scope 1 + Scope 2.
[3] Total CO_2 emissions per tonne of fine copper produced (scopes 1 and 2).
[4] Tonnes CO_2 e/kiloton transported.
[5] Tonnes CO_2 e/Mm^3 water volume sold.
[6] Antofagasta's Intensity figure against 2013 turnover.

In focus

El Tesoro solar-thermal plant – a renewable energy success

One of the largest solar-thermal plants in the global mining industry was built at El Tesoro, which is in the Atacama desert, to take advantage of the very high solar radiation in the area. Designed to produce 25 thermal GWh/year the environmental benefit comes from reducing diesel consumption in the electro-winning plant by around 55% and by reducing the mine's total emissions by 4%. The facility was built with US investment of $15 million.

The Group's approach to sustainability

Reducing operations' environmental impact

The Group's mining operations generate significant amounts of waste rock, spent ore and tailings and involve moving large amounts of material. They affect natural habitats and local vegetation and animal species. However, Antofagasta has a strong track record in preventing and, when unavoidable, managing its impacts while striving to enhance environmental value in its areas of influence.

Why it matters

- Operational incidents which damage the environment pose a risk to the Group's reputation (licence to operate).
- Innovative solutions to resource needs go wider than the Company and improve the Group's reputation as part of the solution to sustainability challenges.

Performance

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Incidents with environmental impact in 2013.

In focus

Assessing the value of ecosystem services

Environmental Risk and Opportunity Valuation is a simple framework and process-based tool that helps assess the impact, dependencies, risks and opportunities associated with natural capital, such as biodiversity and minerals, and wider environmental parameters, such as noise, GHGs and dust, to assist decision-making. The methodology aligns with WRI's Corporate Ecosystem Services Review, WBCSD's Guide to Corporate Ecosystem Valuation and the IFC's Performance Standard 6, among other initiatives. The tool was developed in 2012 using three pilot studies and was applied in 2013 to two sites.

The mining division's carbon emissions are expected to increase as the average mined grade decreases, and with increasing rock hardness and waste rock and ore transportation distances as the pits get deeper. In addition, the division's total production increases as new mining projects come into operation further augmenting its emissions.

Antofagasta has measured its carbon emissions using the Carbon Disclosure Project's ("CDP") methodology since 2009, in line with standards ISO 14,064-1 and the Greenhouse Gas Protocol: A corporate Accounting and Reporting Standard. In 2013, the Company's CDP disclosure score improved by 44% reaching 92 points, and our performance score improved from band E to band C, primarily by improving the quality and transparency of the information, and by publishing the Company's Climate Change guidelines. These guidelines were introduced at the end of 2012 and have led to a more structured approach to carbon mitigation. Due to this improvement, Antofagasta was recognised by CDP as a Climate Disclosure Leader in 2013.

Future priorities

Antofagasta will continue to search for opportunities to use renewable energy sources to reduce its carbon emissions.

A strategic approach

Antofagasta Minerals' environmental strategy helps the Company reduce its environmental impact, control business costs, ensure compliance with regulations and build good relationships with local stakeholders. In 2013 the Group emphasised the application of environmental risk analysis at all of its companies and generated control plans for the identified risks. Audits were then conducted at each operation in order to assess their compliance with their plans.

The mining companies have a risk-based approach and monitor performance by tracking indicators through the Assessment of Environmental Performance ("AEP") tool introduced in 2010. Through AEP the Group controls water and air quality, recycling, and biodiversity, among others. Each of these environmental components has to comply with the Environmental Guideline approved by the Group's Executive Committee in 2012. In 2013 the Group developed specific plans for the implementation of the guidelines by each operation, which were satisfactorily completed.

Managing issues

Air quality is an important concern of the communities near to the Group's operations. An example of this can be seen at Los Pelambres where the monitoring of compliance with air quality regulations and the Company's air quality targets is conducted by a joint company-community committee that supervises the implementation of some 30 specific control measures agreed with the community. The Group also has dust-monitoring stations at all of its operations where it also applies dust prevention methods. In 2013 air quality complied with the legal limits at all of the Group's operations.

Antofagasta Minerals recognises the importance of protecting local ecosystems. The most significant impacts are at Los Pelambres where land has been restored to create a nature sanctuary, in an area of significant biodiversity, having been recognised in 2004 as a Wetland of International Importance under the Ramsar Convention.

Future priorities

This year the Group's main focus will be to address the gaps identified in Antofagasta's application to join the International Council on Mining and Metals ("ICMM"), specifically those relating to environmental management (ICMM Principle 6), biodiversity (ICMM Principle 7) and materials stewardship (ICMM Principle 8).

Financial review

Financial review

Results

	Year ended 31.12.13 $m	Year ended 31.12.12 $m	Movement $m	Movement %
Turnover	**5,971.6**	6,740.1	(768.5)	(11.4)
EBITDA	**2,702.2**	3,864.4	(1,162.2)	(30.1)
Depreciation and amortisation	**(517.7)**	(494.2)	(23.5)	4.8
Impairment	**–**	(500.0)	500.0	100.0
Net finance expense	**(74.2)**	(90.9)	16.7	18.4
Profit before tax	**2,083.5**	2,761.8	(678.3)	(24.6)
Income tax expense	**(843.7)**	(1,022.2)	178.5	(17.5)
Earnings per share (US cents)	**66.9**	105.2	(38.3)	(36.4)
Net cash	**1,311.2**	2,402.7	(1,091.5)	(45.4)

A detailed segmental analysis of the components of the income statement is contained in Note 5 to the financial statements.

The following table reconciles between the 2012 and 2013 EBITDA:

	$m
EBITDA in 2012	**3,864.4**
Turnover	
Increase in copper volumes sold	137.2
Decrease in copper realised price	(603.4)
Increase in tolling charges	(34.5)
Decrease in turnover from copper concentrate and cathodes	**(500.7)**
Decrease in molybdenum revenues	(134.4)
Decrease in gold revenues	(118.7)
Decrease in silver revenues	(23.4)
Decrease in turnover from by-products	**(276.5)**
Increase in transport division turnover	6.2
Increase in water division turnover	2.5
Increase in turnover from transport and water divisions	**8.7**
Decrease in Group turnover	**(768.5)**
Operating costs	
Increase in unit costs	(252.1)
Increase in volume sold	(69.0)
Increase in charge for closure provisions	(70.0)
Decrease in exploration and evaluation costs	8.5
Decrease in corporate costs	1.0
Increase in other mining division cost	(1.0)
Increase in operating costs for mining division	**(382.6)**
Increase in transport division operating costs	(5.0)
Increase in water division costs	(6.1)
Increase in operating costs for transport and water divisions	(11.1)
Decrease in EBITDA	**(1,162.2)**
EBITDA in 2013	**2,702.2**

Turnover

Group turnover in 2013 was $5,971.6 million, 11.4% below the $6,740.1 million achieved in 2012. The decrease of $768.5 million mainly reflected a decrease in the realised copper price as well as lower molybdenum and gold by-product revenues, partly offset by higher copper sales volumes.

Turnover from the mining division

Turnover from copper concentrate and copper cathodes

Turnover from copper concentrate and copper cathode sales decreased by $500.7 million, or 9.1%, to $4,998.0 million, compared with $5,498.7 million in 2012. The decrease reflected the impact of a lower realised price and increased tolling charges partly offset by improved volumes.

(i) Copper volumes

Copper sales volumes increased by 2.7% from 703,200 tonnes in 2012 to 722,200 tonnes this year. The uplift in sales volumes accounted for an increase of $137.2 million in turnover from copper concentrate and cathode sales. The increased production in the year was mainly due to higher production at Esperanza reflecting the improved performance of the operation with increased plant throughput.

(ii) Realised copper prices

The Group's average realised copper price decreased by 10.6% to 327.5 cents per pound (2012 – 366.4 cents), largely reflecting the lower average LME copper price, which decreased by 7.9% to 332.1 cents per pound (2012 – 360.6 cents), as well as the negative impact of provisional pricing adjustments in the current year. The decrease in average realised prices led to a decrease of $603.4 million in turnover from copper concentrate and cathode sales.

Realised copper prices are determined by comparing turnover (gross of tolling charges for concentrate sales) with sales volumes in the year. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price for future periods (normally about 30 days after delivery to the customer in the case of cathode sales and up to 150 days after delivery to the customer in the case of concentrate sales). Realised copper prices also reflect the impact of realised gains or losses of commodity derivative instruments hedge accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurements".

Provisional pricing adjustments decreased initially invoiced sales (before adjusting for tolling charges) by $127.2 million in 2013, compared with an increase of $81.3 million in 2012. The negative adjustments in the current year reflected the decrease in the copper price in the first half of 2013, partly offset by positive year end mark-to-market adjustments reflecting the increase in the price immediately prior to the year end. Further details of provisional pricing adjustments are given in Note 6 to the financial statements.

In 2013 turnover also includes a net gain of $25.4 million (2012 – net gain of $0.4 million), mainly relating to commodity derivatives at Michilla which matured during the year. Further details of hedging activity in the year are given in Note 24(d) to the financial statements.

(iii) Tolling charges

Tolling charges for copper concentrate increased by $34.5 million to $216.3 million in 2013. This reflected increased tolling charges at Los Pelambres and Esperanza, mainly due to an increase in average tolling charges during 2013, as well as a minor impact of the increased sales volumes.

Tolling charges are deducted from concentrate sales in reporting turnover and hence the increase in these charges has had a negative impact on turnover.

Turnover from molybdenum, gold and other by-products

Turnover from by-products at Los Pelambres and Esperanza relate mainly to molybdenum and gold, and a lesser extent silver. Turnover from by-products decreased by $276.5 million or 30.1% to $641.1 million in 2013, compared with $917.6 million in 2012.

Turnover from gold in concentrate (net of tolling charges) was $382.5 million (2012 – $501.2 million), a decrease of $118.7 million, which mainly reflected a decrease in the realised gold price, as well as to a lesser extent lower volumes. The realised gold price was $1,358 per ounce in 2013, compared with $1,675 per ounce in 2012, with the decrease largely reflecting the general reduction in average market prices. Gold sales volumes decreased from 300,100 ounces in 2012 to 282,700 ounces in 2013, mainly due to lower gold grades at Esperanza.

Turnover from molybdenum (net of roasting charges) was $180.3 million (2012 – $314.7 million), a decrease of $134.4 million. The reduction in turnover was mainly due to lower molybdenum sales volumes of 8,800 tonnes (2012 – 12,600 tonnes), reflecting lower molybdenum grades, as well as a decrease in the realised price to $10.0 per pound (2012 – $11.9 per pound).

Turnover from silver decreased by $23.4 million to $78.3 million in 2013 (2012 – $101.7 million). The decrease was mainly due to a decrease in the realised silver price from $31.1 per ounce in 2012 to $22.7 per ounce in 2013, partially offset by increased sales volumes of 3,500 ounces (2012 – 3,300 ounces).

Turnover from the transport and water divisions

Turnover from the transport division (FCAB) increased by $6.2 million or 3.3% to $196.6 million. This mainly reflected an increase in tariffs, partly offset by a decrease in rail tonnages. Turnover at Aguas de Antofagasta, which operates the Group's water business, increased by $2.5 million or 1.9% to $135.9 million in 2013, due to a number of factors including increased demand from both regulated and unregulated customers.

Operating costs (excluding depreciation, amortisation and impairments)

Operating costs (excluding depreciation, amortisation and impairments) amounted to $3,269.4 million (2012 – $2,875.7 million), an increase of $393.7 million. This was mainly due to increased average mining unit costs, as well as the impact of the higher mining production and sales volumes.

Operating costs (excluding depreciation, amortisation and impairments) at the mining division

Operating costs at the mining division increased by $382.6 million to $3,091.4 million in 2013, an increase of 14.1%.

Of this increase, $69.0 million is attributable to the higher mining copper production and sales volumes described above. As explained in more detail above, the additional turnover (including by-product revenues) associated with these increased volumes was $137.2 million.

$252.1 million of the overall cost increase is attributable to higher unit costs. Excluding by-product credits (which are reported as part of turnover) and tolling charges for concentrates (which are deducted from turnover), weighted average cash costs for the Group (comprising on-site and shipping costs in the case of Esperanza and Los Pelambres and cash costs in the case of El Tesoro and Michilla) increased from $1.50/lb in 2012 to $1.65/lb. This increase was mainly due to higher mine movements costs at Esperanza and higher energy prices at Los Pelambres.

Exploration and evaluation costs decreased by $8.5 million to $274.9 million (2012 – $283.4 million). This mainly reflected decreases in the expenditure on the Centinela Mining District and the pre-feasibility studies at Los Pelambres and Twin Metals, partially offset by increased early-stage exploration work in Chile in areas outside of the existing core locations of the Centinela District and Los Pelambres.

Charges to the income statement for mine closure rehabilitation costs increased by $70.0 million in 2013. Operating costs at Los Pelambres and Michilla included one-off charges totalling $58.0 million, reflecting increases in their closure provisions following updated assessments performed by external consultants during 2013.

Operating costs (excluding depreciation and amortisation) at the transport and water divisions

Operating costs at the transport division increased by $5.0 million to $119.8 million. This was mainly due to the costs of a major maintenance programme. Operating costs at the water division increased by $6.1 million to $58.2 million, mainly due to increased labour and maintenance costs.

Financial review

EBITDA and operating profit from subsidiaries and joint ventures

EBITDA

EBITDA (earnings before interest, tax, depreciation, and amortisation) from subsidiaries and joint ventures decreased by $1,162.2 million or 30.1% to $2,702.2 million in 2013 (2012 – $3,864.4 million).

EBITDA at the mining division decreased by 31.3% from $3,707.5 million in 2012 to $2,547.7 million in 2013. As explained above, this was mainly due to the decrease in the realised copper price and higher unit costs, partly offset by increased volumes of metal sold.

EBITDA at the transport division increased by $1.2 million to $76.8 million in 2013, reflecting the increased revenue as explained above. The water division contributed $77.7 million in 2013, compared to $81.3 million last year, reflecting the increased operating costs which offset the increased revenue as explained above.

Depreciation and amortisation

Depreciation and amortisation increased by $23.5 million to $517.7 million in 2013. This increase was mainly due to the increased charge at Michilla, where depreciation increased by $42.1 million compared with the prior year, partly offset by decreased depreciation at Esperanza as a result of the extension of its mine life. In 2013 there was a loss on disposal of property, plant and equipment of $12.4 million, compared with a gain on disposal of $3.3 million in the prior year.

Provision against carrying values of intangibles and property, plant and equipment (exceptional items in the prior year)

There were no impairments or other exceptional items recorded in 2013.

During the prior year, development of the Antucoya project was temporarily suspended in December 2012 while a review of the project was undertaken. An impairment review was performed in respect of the project as at 31 December 2012, and as a consequence an impairment of $500 million was recognised in respect of the project's assets at that date. The resumption of the project was announced on 27 March 2013 following conclusion of the project review. There has been no adjustment to the impairment provision recorded in 2012 during the current year.

Operating profit from subsidiaries

As a result of the above factors, operating profit from subsidiaries decreased by 24.4% to $2,172.1 million.

Share of results from associates and joint ventures

The Group's share of results from its associates and joint ventures was a loss of $14.4 million (2012 – loss of $20.8 million), an improvement of $6.4 million. This reflected improved earnings at Inversiones Hornitos, as well as lower expenditure in respect of the Tethyan joint venture.

Net finance expense

Net finance expense in 2013 was $74.2 million, compared with a net finance expense of $90.9 million in 2012.

	Year ended 31.12.13 $'m	Year ended 31.12.12 $'m
Investment income	12.6	24.6
Interest expense	(62.0)	(85.9)
Other finance items	(24.8)	(29.6)
Net finance expense	(74.2)	(90.9)

Interest income decreased from $24.6 million in 2012 to $12.6 million in 2013, reflecting lower average cash balances and average rates received.

Interest expense decreased from $85.9 million in 2012 to $62.0 million in 2013, mainly due to the decrease of interest payable at Esperanza as a consequence of debt repayments.

Other finance items comprised a loss of $24.8 million (2012 – loss of $29.6 million). A loss of $13.5 million (2012 – loss of $12.4 million) has been recognised in respect of the time value element of changes in the fair value of commodity derivative options, which is excluded from the designated hedging relationship, and is therefore recognised directly in profit or loss. Foreign exchange gains included in finance items were $2.9 million in 2013, compared with a loss of $4.8 million in the previous year. An expense of $14.2 million (2012 – $12.4 million) has been recognised in relation to the unwinding of the discount on provisions.

Profit before tax

As a result of the factors set out above, profit before tax decreased by $678.3 million or 24.6% to $2,083.5 million in 2013, compared with $2,761.8 million in 2012. Excluding exceptional items, profit before tax decreased by $1,178.3 million or 36.1% compared with $3,261.8 million in 2012.

Income tax expense

The tax charge for the year was $843.7 million (2012 – $1,022.2 million) and the effective tax rate was 40.5% (2012 – 37.0%).

	Year ended 31.12.13 $'m	Effective tax rate %	Year ended 31.12.12 $'m	Effective tax rate %
Profit before tax	2,083.5		2,761.8	
Taxes (current and deferred)				
Corporation tax	(455.0)	21.8	(703.2)	25.5
Royalty	(99.2)	4.8	(177.6)	6.4
Withholding tax	(289.1)	13.9	(141.7)	5.1
Exchange rate	(0.4)	0.0	0.3	0.0
Total tax charge	(843.7)	40.5	(1,022.2)	37.0
Effective tax rate excluding exceptional items		40.5		31.3

The effective tax rate for 2013 varies from the standard rate of Chilean corporation tax of 20%, principally due to the additional mining tax (royalty) and withholding tax.

Corporation (first category) tax

The rate of corporation (first category) tax in Chile is 20%. The effective rate of corporation tax is higher than the statutory rate principally due to the impact of exploration expenditure (in particular in countries outside of Chile) which did not give rise to tax credits.

Mining tax

The Group's mining operations are also subject to a mining tax (royalty). From 1 January 2013 production from Los Pelambres, the Tesoro Central and Mirador pits at El Tesoro and Michilla has been subject to the mining tax at a rate of 4% applied to taxable operating profit, and Esperanza has been subject to a rate of 5%. Production from the Tesoro North-East pit and the Run-of-Mine processing at El Tesoro has been subject to a rate of 5–14% of taxable operating profit based on a sliding scale with the minimum rate of 5% applying to operations with an operating profit margin of below 35% and the maximum rate of 14% applied to operations with an operating profit margin above 85%. During 2012 production from Los Pelambres, Esperanza, the Tesoro Central and Mirador pits at El Tesoro and Michilla was subject to a rate of between 4–9% of taxable operating profit, and production from the Tesoro North-East pit and the Run-of-Mine processing at El Tesoro was subject to a rate of between 5–14%, depending on the level of operating profit margin.

Withholding taxes

In addition to corporation (first category) tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile, and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less corporation (first category) tax already paid in respect of the profits to which the remittances relate. Prior to 2011 the rate of first category tax had been 17% for a number of years. Accordingly, withholding tax has been levied at a rate of 18% in respect of remittances of profits earned prior to 2011 when the corporation (first category) tax rate was 17%. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned from 2011 onwards when the current rate of corporation (first category) tax of 20% is applied.

Non-controlling interests

Profit for the financial year attributable to non-controlling interests was $580.2 million, compared with $702.4 million in 2012, reflecting lower profit attributable to the non-controlling interests as a consequence of the decrease in the earnings of the mining operations analysed above, partly offset by the impact of the portion of the impairment loss attributable to the non-controlling interests at Antucoya in the prior year.

Earnings per share

	Year ended 31.12.13 cents	Year ended 31.12.12 cents
Earnings per share including exceptional items	**66.9**	105.2
Earnings per share excluding exceptional items	**66.9**	140.7

Earnings per share calculations are based on 985,856,695 ordinary shares. As a result of the factors set out above, profit for the 2013 financial year attributable to equity shareholders of the Company was $659.6 million compared with $1,037.2 million in 2012. Accordingly, earnings per share were 66.9 cents in 2013 compared with 105.2 cents in 2012, a decrease of 36.4%.

Profit for the 2013 financial year attributable to equity holders of the Company excluding exceptional items was $659.6 million, compared with $1,387.1 million in 2012. Basic earnings per share, excluding exceptional items (detailed in Note 4 to the financial statements), were 66.9 cents in 2013 compared with 140.7 cents in 2012, a decrease of 52.4%.

Dividends

Dividends per share proposed in relation to the year are as follows:

	2013 cents	2012 cents
Ordinary		
Interim	**8.9**	8.5
Final	**86.1**	12.5
	95.0	21.0
Special		
Interim	**–**	–
Final	**–**	77.5
	–	77.5
Total dividends to ordinary shareholders	**95.0**	98.5

The Board determines the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and earnings generated during the year and significant known or expected funding commitments. It is expected that the total annual dividend for each year would represent a payout ratio based on net earnings for that year of at least 35%.

The Board has recommended a final dividend for 2013 of 86.1 cents per ordinary share, which amounts to $848.8 million and if approved at the Annual General Meeting, will be paid on 23 May 2014 to shareholders on the Register at the close of business on 25 April 2014. This gives total dividends for the year of 95.0 cents, including the interim dividend of 8.9 cents.

Capital expenditure

Capital expenditure increased by $455.2 million from $1,003.5 million in 2012 to $1,458.7 million in 2013. This was mainly due to the ongoing construction of the Antucoya project.

Financial review

Derivative financial instruments

The Group periodically uses derivative financial instruments to reduce exposure to commodity price movements.

At 31 December 2013 the Group had min-max instruments for 36,000 tonnes of copper production at Michilla covering a total period up to 31 December 2014. The weighted average remaining period covered by the min-max hedges calculated with effect from 1 January 2014 was 6.5 months. The instruments had a weighted average floor of 331.7 cents per pound and a weighted average cap of 433.0 cents per pound. The portion maturing in 2014 represents approximately 80% of Michilla's forecast production, and approximately 5% of Group copper production for that year. The Group's exposure to the copper price will be limited by the extent of these instruments.

At 31 December 2013 the Group had futures contracts for 11,205 tonnes of copper production, predominantly at El Tesoro, with the effect of swapping COMEX prices for LME prices without impacting the general market price exposure. Details of the mark-to-market position of these instruments at 31 December 2013, together with details of any interest and exchange derivatives held by the Group, are given in Note 24(d) to the financial statements.

The Group periodically uses foreign exchange derivatives to cover expected operational cash flow needs. At 31 December 2013 the Group had cross-currency swaps with a principal value of $96.0 million relating to Michilla to swap Chilean pesos for US dollars, at an average rate of Ch$544.4/$1, covering a total period up to 15 December 2014. The weighted average remaining period covered by these hedges, calculated with effect from 1 January 2014, is 6.6 months. Between 31 December 2013 and 31 January 2014 $8.0 million of cross-currency swaps matured.

The Group also periodically uses interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2013 the Group had entered into contracts in relation to the Esperanza financing for a maximum notional amount of $191.3 million at a weighted average fixed rate of 3.372% maturing in August 2018.

Commodity price sensitivities

Based on 2013 production volumes and without taking into account the effects of provisional pricing and any hedging activity, a change in commodity prices would affect turnover and profit before tax and earnings per share as follows:

	Amount of increase in price	Increase in turnover and profit $m before tax	Increase in earnings per share cents
Copper	$0.10/lb	158.9	7.9
Molybdenum	$1/lb	19.8	0.9
Gold	$100/ounce	29.4	1.5

Cash flows

The key features of the Group cash flow statement are summarised in the following table.

	Year ended 31.12.13 $'m	Year ended 31.12.12 $'m
Cash flows from operations	**2,659.2**	3,826.0
Income tax paid	(896.5)	(901.2)
Net interest paid	(43.2)	(63.3)
Capital contributions and loan to associates	(128.2)	39.8
Change in ownership interest in subsidiaries	–	351.8
Capital increase from non-controlling interest	109.9	26.8
Acquisition of available-for-sale investments	(2.1)	(1.5)
Proceeds from available-for-sale investment	–	1.4
Purchase of property, plant and equipment	(1,344.8)	(873.5)
Proceeds from sale of property, plant and equipment	10.6	9.3
Purchase of intangible assets	–	(3.9)
Dividends paid to equity holders of the Company	(975.0)	(438.7)
Dividends paid to non-controlling interests	(452.1)	(702.5)
Other items	(0.2)	0.9
Changes in net cash relating to cash flows	(1,062.4)	1,271.4
Exchange and other non-cash movements	(29.1)	(8.4)
Movement in net cash in the year	(1,091.5)	1,263.0
Net cash at the beginning of the year	2,402.7	1,139.7
Net cash at the end of the year	**1,311.2**	2,402.7

Cash flows from operations were $2,659.2 million in 2013 compared with $3,826.0 million last year, a decrease of 30.5%. This reflected EBITDA for the year of $2,702.2 million (2012 – $3,864.4 million) and the decrease in net working capital of $43.0 million (2012 – decrease of $38.4 million).

Cash tax payments in the year were $896.5 million (2012 – $901.2 million), comprising corporation tax of $528.0 million (2012 – $527.5 million), mining tax of $160.0 million (2012 – $226.5 million) and withholding tax of $208.5 million (2012 – $147.2 million). These amounts differ from the current tax charge in the Consolidated income statement of $686.0 million (2012 – $871.6 million) mainly because the cash tax payments for corporation tax and the mining tax comprise monthly payments on account in respect of the estimated current year tax charge, which is estimated based on prior year profits, as well as a settlement of any outstanding balance for the previous year.

Contributions and loans to associates of $128.2 million in 2013 are mainly related to the Group's share of the funding of the development of the Alto Maipo project, in which the Group acquired a 40% interest in 2013.

Cash disbursements relating to capital expenditure in 2013 were $1,344.8 million compared with $873.5 million in 2012. This included expenditure of $596.5 million at Antucoya (2012 – $313.6 million), $194.6 million (2012 – $164.0 million) relating to Los Pelambres, $339.4 million relating to Esperanza (2012 – $131.0 million) and $124.1 million (2012 – $132.3 million) relating to El Tesoro.

Dividends (including special dividends) paid to ordinary shareholders of the Company this year were $975.0 million (2012 – $438.7 million), which related to the final dividend declared in respect of the previous year and the interim dividend in respect of the current year.

Dividends paid by subsidiaries to non-controlling shareholders were $452.1 million (2012 – $702.5 million), consisting mainly of distributions by Los Pelambres and El Tesoro.

Financial position

	At 31.12.13 $'m	At 31.12.12 $'m
Cash, cash equivalents and liquid investments	**2,685.1**	4,291.9
Total borrowings	**(1,373.9)**	(1,889.2)
Net cash at the end of the year	**1,311.2**	2,402.7

At 31 December 2013 the Group had combined cash, cash equivalents and liquid investments of $2,685.1 million (2012 – $4,291.9 million). Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of cash, cash equivalents and liquid investments was $2,420.8 million (2012 – $3,860.2 million).

New borrowings in the year amounted to $198.7 million (2012 – $109.0 million), mainly due to new short-term borrowings at Esperanza of $125.0 million and Antucoya of $63.0 million. Repayments of borrowings and finance leasing obligations in the year were $722.2 million, relating mainly to regular repayments on existing loans at Los Pelambres of $142.2 million (2012 – $134.7 million) and the repayment of senior and subordinated debt at Esperanza of $300.6 million and $55.8 million respectively and repayment El Tesoro senior debt of $83.4 million.

Total Group borrowings at 31 December 2013 were $1,373.9 million (2012 – $1,889.2 million). Of this, $948.5 million (2012 – $1,295.6 million) is proportionally attributable to the Group after excluding the non-controlling interest shareholdings in partly-owned operations.

Balance sheet

Long-term provisions increased from $384.6 million at 31 December 2012 to $494.3 million at 31 December 2013. This was due to an increase in the provision for future mine decommissioning and restoration costs at Los Pelambres and Michilla following updated assessments performed by external consultants during 2013, partly offset by a reduction in the discounted present-value of the provision at Esperanza as a result of the extension of its mine life.

Foreign currency exchange differences

The principal subsidiaries with a functional currency other than the US dollar are Chilean peso denominated, of which the most significant is Aguas de Antofagasta S.A. Exchange rates used to translate the results of such subsidiaries are given in Note 34 to the financial statements.

In 2013 the currency translation loss recognised in net equity of $20.8 million resulted mainly from the weakening in the Chilean peso during the year from Ch$479.9 = $1 at the start of 2013 to Ch$524.6 = $1 at the end of 2013. In 2012 the currency translation gain recognised in net equity of $14.4 million resulted mainly from the strengthening in the Chilean peso during the year from Ch$519.2 = $1 at the start of 2012 to Ch$479.9 = $1 at the end of 2012.

Going concern

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the Directors' report.

Cautionary statement about forward-looking statements

This annual report contains forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance; reserve and resource estimates; commodity demand and trends in commodity prices; growth opportunities; and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which speak only as of the date of this annual report. Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions; demand, supply and prices for copper; long-term commodity price assumptions, as they materially affect the timing and feasibility of future projects and developments; trends in the copper mining industry and conditions of the international copper markets; the effect of currency exchange rates on commodity prices and operating costs; the availability and costs associated with mining inputs and labour; operating or technical difficulties in connection with mining or development activities; employee relations; litigation; and actions and activities of governmental authorities, including changes in laws, regulations or taxation. Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Past performance cannot be relied on as a guide to future performance.

Strategic report approved by order of the Board

Jean-Paul Luksic
Chairman

William Hayes
Senior Independent Director and Chairman Audit and Risk Committee

17 March 2014

Governance

Board of Directors

1

Jean-Paul Luksic

Executive Chairman 49

Committees: Nomination (C)

Appointed to the Board 1990

Jean-Paul Luksic has over 20 years of experience with Antofagasta. Prior to his appointment as Chairman in 2004 he was Chief Executive Officer of Antofagasta Minerals, in which capacity he oversaw the development of the Los Pelambres and El Tesoro mines. He plays a key role in shaping the strategic direction of the Group, and leading the Board.

He holds a B.Sc. degree in management and science from the London School of Economics.

He is Chairman of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile, and is a non-executive director of Quiñenco S.A. and other listed companies in the Quiñenco group including Banco de Chile and Sociedad Matriz SAAM S.A.

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William Hayes

Independent Non-Executive Director & Senior Independent Director 69

Committees: Audit and Risk (C), Remuneration and Talent, Nomination

Appointed to the Board 2006

William Hayes is the Senior Independent Director. He has held a wide range of finance and operational roles in the copper and gold mining industries, in Chile and North America. He was previously a senior executive with Placer Dome Inc. from 1988 to 2006. He is a former President of the Consejo Minero, the industry body representing the largest international mining companies operating in Chile, and former President of the Gold Institute in Washington, D.C.

He holds a B.A. degree in Political Science from the University of San Francisco and an M.A. degree in International Management from the Thunderbird School of Global Management.

He is Lead Independent Director of Royal Gold Inc.

3

Gonzalo Menéndez

Independent Non-Executive Director 65

Appointed to the Board 1985

Gonzalo Menéndez has extensive experience in commercial and financial businesses across Latin America.

He holds a degree in business administration from the Universidad de Chile and is a public accountant.

He is a director of several companies including Quiñenco S.A. and Banco de Chile and is Chairman of the Board of Directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex).

4

Ramón Jara

Non-Executive Director 60

Committees: Sustainability and Stakeholder Management (C)

Appointed to the Board 2003

Ramón Jara is a lawyer with wide-ranging legal and commercial experience in Chile.

He is a director of several companies including Empresa Nacional del Petróleo. He is Chairman of the Fundación Minera Los Pelambres and a director of the Fundación Andrónico Luksic A., which are charitable foundations in Chile.

5

Juan Claro

Independent Non-Executive Director 63

Committees: Remuneration and Talent, Nomination, Sustainability and Stakeholder Management

Appointed to the Board 2005

Juan Claro has extensive industrial experience in Chile, and has played an active role in the representation of Chilean industrial interests within the country and internationally.

He is a former Chairman of the Sociedad de Fomento Fabril (Chilean Society of Industrialists), the Confederación de la Producción y del Comercio (Confederation of Chilean Business) and the Consejo Binacional de Negocios Chile-China (Council for Bilateral Business Chile-China).

He is currently chairman of Coca-Cola Andina S.A. and Energia Coyanco S.A., and is a director of several other companies in Chile, including Entel Chile S.A., Empresas Cementos Melon and Agrosuper. He is also a member of the governing boards of Centro de Estudios Públicos, a non-profit academic foundation in Chile.

6

Hugo Dryland

Non-Executive Director 58

Appointed to the Board 2011

Hugo Dryland has extensive expertise in corporate finance and mergers and acquisitions within the mining sector, with over 25 years of investment banking experience in natural resources with the Rothschild group. Prior to joining Rothschild he practised law in the United States, specialising in the natural resources and infrastructure sectors, and before that worked in the energy group at the World Bank.

He holds Masters Degrees in Business and Comparative Law from the University of Warwick (UK) and the George Washington University (US) respectively.

He is an Executive Vice-Chairman at Rothschild, and is global head of Rothschild's investment banking activities in the mining and metals sector.

7

Tim Baker

Independent Non-Executive Director 61

Committees: Audit and Risk, Remuneration and Talent (C), Sustainability and Stakeholder Management

Appointed to the Board 2011

Tim Baker has significant mining operational experience across North and South America and Africa. He was previously Executive Vice-President and Chief Operating Officer at Kinross Gold Corporation and prior to that was executive General Manager of Placer Dome Chile. He has previously managed mining operations in Chile, the United States, Tanzania and Venezuela and held geological and production roles in Kenya and Liberia.

He has a B.Sc. in Geology from Edinburgh University and is an ICD.D of Canada.

He is Chairman of Golden Star Resources, and a director of Augusta Resource Corporation.

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Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)

Independent Non-Executive Director 62

Committees: Audit and Risk

Appointed to the Board 2011

Ollie Oliveira has over 35 years' experience in the mining industry, in corporate finance, operational and strategic roles. He held various senior executive positions within the Anglo American group and the De Beers group, including Executive Director – Corporate Finance and Head of Strategy and Business Development of De Beers S.A.

He holds a B.Com degree from the University of Natal (Durban) with postgraduate qualifications in Accounting and Economics. He is a Chartered Accountant and Chartered Management Accountant.

He is a non-executive director of Ferrous Resources Limited and Dominion Diamond Corporation.

9

Nelson Pizarro

Independent Non-Executive Director 73

Appointed to the Board 2012

Nelson Pizarro is a mining engineer and has held various senior executive positions in the mining sector in Chile, both in project and operational roles. Previous roles include CEO of Division Andina and Chuquicamata (both for Codelco). Between 1997 and 2003 he worked for the Antofagasta Group, firstly as CEO of Minera Los Pelambres during its construction and start-up, and then as Mining Vice-President of Antofagasta Minerals. Between 2003 and 2006 he worked for Codelco Chile, as Corporative Vice-President of the Codelco Norte Division.

He holds a Civil Mining Engineering degree from the Universidad de Chile.

He is currently CEO of Minera Lumina Copper Chile S.A. and is in charge of the construction of the Caserones Project.

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Andrónico Luksic

Non-Executive Director 59

Appointed to the Board 2013

Andrónico Luksic has extensive experience across a range of business sectors throughout Chile, Latin America and Europe. He is Chairman of Quiñenco S.A. and Chairman of Compañía Cervecerías Unidas S.A. He is also the Vice Chairman of both Banco de Chile and Compañía Sudamericana de Vapores S.A., and a director of Invexans S.A. (previously Madeco), all of which are listed companies in the Quiñenco group. He is also a director of Nexans S.A., a company listed on NYSE Euronext Paris.

Antofagasta Minerals Executive Committee

Antofagasta's mining business represents nearly 95% of the Group's earnings and is managed by the Antofagasta Minerals corporate centre, under the leadership of Diego Hernández, the CEO of Antofagasta Minerals. Members of the Antofagasta Minerals Executive Committee are responsible for executive management within the scope of their divisions, and collectively in relation to management of the Antofagasta Minerals business. The Executive Committee comprises the Antofagasta Minerals CEO, nine Vice-Presidents and the General Managers of the four operating mines and the Antucoya project. The core areas of responsibility for each of the members of the Executive Committee are set out below.

Diego Hernández

CEO – Antofagasta Minerals

Diego Hernández joined the Group as CEO of Antofagasta Minerals in August 2012.

Before joining the Group, Diego was Executive President of Codelco, President of BHP Billiton Base Metals, Executive Director of Vale do Rio Doce and CEO of Cia Minera Doña Inés de Collahuasi. Diego was also CEO of Mantos Blancos Mining Company and has also held other senior positions within the Anglo American group in Chile and with the Rio Tinto group in Brazil.

Diego was named 2010 Copper Man of the Year by the Copper Club, New York and received the gold medal awarded by the Chilean Institute of Engineers in 2013 in recognition of his contribution to the development of engineering in Chile.

Diego holds a Civil Mining Engineer degree from the Universidad de Chile and is a graduate of the École Nationale Supérieure des Mines in Paris.

Isaac Aránguiz

Vice-President – Projects

Isaac Aránguiz joined Antofagasta Minerals as Vice-President of Projects in 2013. Isaac is also on the Board of Directors of Esperanza.

Before joining the Group, Isaac was Vice-President of Development at Codelco, Project Manager at Freeport-McMoran, President and General Manager of Cia. Contractual Minera Candelaria AUREX, Technical Manager at Antofagasta Minerals and General Manager of Phelps Dodge Mining Company, Minera El Abra and Candelaria.

Isaac holds a Civil Mining Engineer degree from the Universidad de Chile and a Business Management degree from Universidad Católica de Chile. Isaac also graduated from the Business Program of the American Graduate School in Phoenix and from the International Business Program at MIT.

Alfredo Atucha

Vice-President – Finance and Administration, CFO

Alfredo Atucha joined Antofagasta Minerals as Vice-President of Finance and Administration and CFO in February 2013.

Before joining the Group, Alfredo worked at BHP Billiton where he served for eight years as the Vice-President of Finance for Minera Escondida and for two years as the Senior Manager of Base Metals Major Projects. Between 2000 and 2003, Alfredo was Finance and Administration Manager at Chilquinta Energía, a company belonging to the Sempra Energy and PSG Group. For the previous 11 years, he worked for the multinational Reckitt & Colman (now Reckitt-Benckiser) as Chief Financial Officer in Spain, Brazil and Chile. He began his career at British American Tobacco in the areas of Tax Planning & Treasury.

Alfredo is a Chartered Accountant (Universidad de Chile) and has an MBA from ESEUNE in Spain. He also holds an Economics degree from the Universidad de Chile.

Patricio Enei

Vice-President – Legal

Patricio Enei joined Antofagasta Minerals as Vice-President of Legal in February 2014.

Before joining the Group, Patricio was General Counsel at Codelco from 2011 until 2014 and Corporate Affairs Manager of Minera Escondida from 2010 until 2011. Patricio also worked as a Senior Lawyer at BHP Billiton in Chile, as Chief Legal Counsel at Minera Doña Inés de Collahuasi, at the Instituto de Normalización Previsional and in private practice.

Patricio holds a Law degree from the University of Concepción and a combined MBA from the University of Chile and the University of Tulane in the USA.

Hernán Menares

Vice-President – Operations

Hernán Menares joined the Group in 2008 as Project Development Manager for the Sierra Gorda District where he was responsible for analysing the business and growth options for the area. Hernán was appointed Vice-President of Operations in 2011. Since August 2011, Hernán has also served on the Board of Los Pelambres and Antucoya and as Chairman of the Board of Esperanza.

Before joining the Group, Hernán was responsible for leading and managing mine and plant business units and for developing the business plans of Codelco Norte, including the Chuquicamata, Radormiro Tomic and South Mine sites. Hernán has also worked in the iron ore business for Compañía Minera del Pacífico and Compañía Minera Huasco S.A.

Hernán holds a Civil Mining Engineer degree and a Master of Science in Mineral Economics from the University of Technology in Perth, Australia.

Ricardo Muhr

Vice-President – Mining Resources

Ricardo Muhr joined the Group as a Chief Geologist in 1984. In 1988 he led the evaluation of the Los Pelambres deposit. Ricardo was appointed Vice-President of Mining Resource in 1997.

Before joining the Group, Ricardo was a consultant and worked across different exploration projects in Chile and Argentina, including at the Escondida copper mine, between 1982 and 1984.

Ricardo is a member of the Chilean Geological Society and the Society of Economic Geologists in the United States.

Ricardo holds a Geology degree from the Universidad de Chile.

Ana María Rabagliati

Vice-President – Human Resources

Ana María Rabagliati joined Antofagasta Minerals as Vice-President of Human Resources in 2013.

Before joining the Group, Ana María was Corporate Human Resources Manager at Masisa, Country Human Resources Vice-President at Citigroup and also worked at the Lafarge Group. Before that, Ana María was also Human Resources Manager at the Lubricants Business of Shell Oil Latin America and also worked across several divisions and areas at Shell Chile S.A.

Ana María holds a degree in Business Administration from Universidad Católica de Chile.

Alejandro Rivera

Vice-President – Corporate Development

Alejandro Rivera joined the Group in 1997 as CFO of Los Pelambres. In 2004 he was appointed Vice-President of Corporate Finance and Business Development and in 2012 he became the Vice-President of Corporate Development. Alejandro also serves as Chairman of the Boards of both El Tesoro and Michilla.

Before joining the Group, Alejandro was Finance Manager at Corpora Tres Montes and Finance Manager at Compañía de Teléfonos de Chile.

Alejandro holds a Civil Industrial Engineer degree from the Universidad de Chile.

Gonzalo Sánchez

Vice-President – Sales

Gonzalo Sánchez joined Antofagasta Minerals as Deputy Commercial Director in 1996 and has been the Vice-President of Sales since 2004. He has 25 years of experience in marketing and hedging of metals.

Gonzalo holds a Civil Engineering degree in Structural Engineering and a Postgraduate Diploma in Business Management from Universidad de Chile.

Francisco Veloso

Vice-President – Corporate Affairs and Sustainability

Francisco Veloso joined the Group in 1993 as a lawyer at Michilla. From 1997 to 2002, Francisco was General Counsel of Los Pelambres. In 2002, he was appointed Vice-President of Legal and Corporate Affairs, and he also acted as Vice-President of Human Resources during 2012. Francisco is Chairman of the Board of Los Pelambres and a Director of Michilla.

Since 2011 he has been the alternate Director of the Chairman of Antofagasta plc at the Consejo Minero and was elected as First Vice-President of Sociedad Nacional de Minería ("Sonami") between 2010 and 2013. He is also a member of the advisory committee of Corporate Governance of Universidad Católica de Chile.

Francisco holds a Law degree from Universidad Católica de Chile and a Masters in International Business Law from the London School of Economics.

Antofagasta Minerals Executive Committee

Alberto Cerda

General Manager – Los Pelambres

Alberto Cerda was appointed as General Manager of Los Pelambres in June 2012.

Before joining the Group, Alberto was General Manager of Kinross Gold Corporation's Lobo Marte mine, Development Manager and General Manager of Xstrata Copper's Lomas Bayas mine and Planning Director and Development Vice-President at the Collahuasi mine. Alberto has also worked as Project Mine Manager of Spence and in a number of other senior positions at BHP Billiton and within the Río Algom Group.

Alberto holds a Civil Mining Engineer degree from La Serena University.

Sergio Parada

General Manager – El Tesoro

Sergio Parada joined the Group as General Manager of El Tesoro in 2012.

Before joining the Group, Sergio worked in a number of different mining companies, including at Codelco Norte as Manager of Mina Sur, and as General Manager of Radomiro Tomic. Sergio also worked as General Manager of Anglo American's Mantos Blancos mine from 2008 until 2012.

Sergio is a Metallurgical Civil Engineer and has more than 29 years of mining experience.

Patricio Troncoso

General Manager – Michilla

Patricio Troncoso joined the Group in 1989 as Chief of Projects and Mining at Michilla. Patricio worked in a number of positions at Michilla over a period of 11 years. In 2001 he was appointed Corporate Manager of Planning and Control Management in the Strategic Management area of Antofagasta Minerals. In 2012 he was appointed General Manager of Michilla.

Patricio holds an Industrial Civil Engineering degree from Universidad Católica de Chile.

Ramón Jorquera

General Manager – Antucoya

Ramón Jorquera joined the Group in 1986 and has worked as Operations Manager for Michilla, Minera Cerro Negro and El Tesoro. In 2008, Ramón was appointed General Manager of Michilla and in 2012 he was appointed as General Manager of the Antucoya project. As General Manager of Antucoya, Ramón is responsible for the construction of the project and the start-up of operations. Ramón also served as a Director of El Tesoro and Michilla from 2010 until 2012.

Before joining the Group, Ramón held various positions in the mining industry in both the operations and management of open pit and underground mines.

Ramón holds a Civil Mining Engineer degree from the Universidad de Chile and an MBA from the Universidad Católica del Norte.

André Sougarret

General Manager – Esperanza

André Sougarret joined the Group as General Manager of Esperanza in March 2012.

Before joining the Group, he worked for Codelco for 20 years at El Teniente where his last position was Assistant Director of Operations.

André holds a Civil Mining Engineer degree from the Universidad de Chile.

Transport and Water

The divisional Boards of the transport division (Antofagasta Railway Company plc) and the water division (Aguas de Antofagasta S.A.), consider matters specific to those businesses that are not reserved for the Antofagasta plc Board. Jean-Paul Luksic, Ramón Jara and Gonzalo Menéndez are members of the Antofagasta plc Board and both the Antofagasta Railway Company plc and Aguas de Antofagasta S.A. Boards. The General Manager of the transport business is Miguel Sepulveda and the interim General Manager of the water division is Hugo Masana. An overview of the operations and 2013 performance for these divisions is set out in the Operational review section of the Strategic report.

Corporate governance report

Overview

"I am pleased to present the 2013 corporate governance report. Sound corporate governance is fundamental to our long-term success. The Board and I remain committed to ensuring that the structures and procedures in place across the Group are reflective of the best principles of good governance and continue to develop as Antofagasta grows. During 2013, we commissioned our first independent externally facilitated evaluation of the Board, the Audit and Risk Committee, and the Remuneration and Talent Committee. This was a useful exercise and we are implementing recommendations raised in the reports, including strengthening the Board's focus on strategic issues."

Jean-Paul Luksic
Chairman

Key Board activities in 2013

Commissioned an independent, externally facilitated evaluation of the Board.

Reviewed and monitored the Group's operational performance with particular focus on the management of costs.

Reviewed the long-term supply of key inputs, including water and electricity, across the Group's operations.

Reviewed Group performance against KPIs, including safety indicators, and approved the implementation of a new integrated health and safety system.

Reviewed and monitored costs across the Group with particular focus on the centralisation of certain procurement processes, the reorganisation of the Group's organisational structure and the optimisation of the Group's corporate structure.

Approved key steps in the Group's growth plans, including the resumption of the development of the Antucoya project, the commissioning of feasibility studies for the Los Pelambres Marginal Expansion and the Encuentro Oxides projects, and investment in the optimisation of the Group's existing operations.

Approved the acquisition of 40% of the Alto Maipo hydroelectric project.

Approved the $650 million Antucoya project financing.

Reviewed the Group's ongoing capital management and approved $887 million of dividends that were paid out to shareholders during 2013.

Appointed Andrónico Luksic to the Board.

Corporate governance report

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 ("the Code") (available on the Financial Reporting Council website) sets out governance principles and provisions which applied to the Company during the 2013 financial year. The Company is committed to a culture of good governance, as embodied in the Code, and reports here on the extent to which it has applied the principles and complied with the provisions of the Code and explains the reasons for any non-compliance.

The Company complied with the detailed provisions contained in the Code throughout 2013 except as follows:

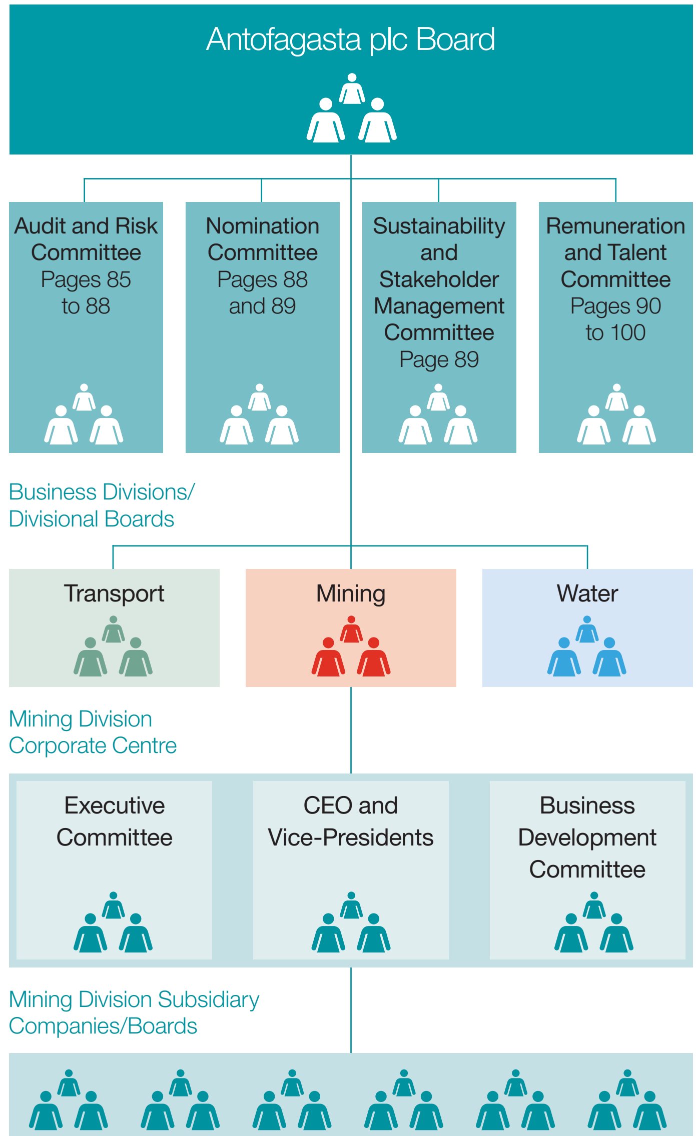
— the Board did not have a separately identified Chief Executive and hence at Board level there is no formal separation of the functions of Chairman and Chief Executive (provision A.2.1). Diego Hernández is the Chief Executive of Antofagasta Minerals (the Group's mining division, which represents nearly 95% of earnings). As such, he is invited to attend all Board meetings and is responsible for the activities of the Antofagasta Minerals Executive Committee. The Board considers that its predominantly non-executive composition, combined with the delegation of significant responsibility for operational management to Diego Hernández and the Executive Committee within the mining division and to the divisional General Managers within the transport and water divisions, achieves an appropriate balance and prevents a concentration of power in its Executive Chairman; and

— performance-related pay measures did not apply to Board members (principle D1 and provision D.1.1). The Board considers this appropriate given its predominantly non-executive composition and the role of the only Executive Director, who is a member of the controlling family, as Chairman of the Board. Performance-related remuneration applies to all of the executives within the Antofagasta Minerals Group, including the Executive Committee, as described in the Remuneration report on page 99.

Group governance structure

The Board is collectively responsible for the long-term success of the Group. It is responsible for the leadership and strategic direction of the Group, and for oversight of the Group's performance, its risks and internal control systems. The Board is assisted in the performance of its responsibilities by its four committees – the Audit and Risk Committee, the Remuneration and Talent Committee, the Nomination Committee and the Sustainability and Stakeholder Management Committee. More details on the role of the Board and its committees are set out in the following pages.

Antofagasta plc Board and Committees



As noted on page 76, the Group's mining division is managed by the Antofagasta Minerals corporate centre, under the leadership of Diego Hernández, the Antofagasta Minerals CEO. Members of the Antofagasta Minerals Executive Committee are responsible for the executive management of those elements of the mining business which fall within the scope of their own divisions, and collectively for the management of the Antofagasta Minerals business. The Antofagasta Minerals Executive Committee comprises the Antofagasta Minerals CEO, nine Vice-Presidents, and the General Managers of the Group's operating mines and the Antucoya project as set out on pages 76 to 78.

The Executive Committee reviews significant matters in respect of the mining division and approves capital expenditures by the mining operations and the corporate centre within designated authority levels, leads the annual budgeting and planning processes, monitors the performance of the mining operations and promotes the sharing of best practices and implementation of policies across the operations.

As part of a reorganisation of the Group's organisational structure, there have been some changes to the composition and responsibilities of the Executive Committee during 2013. Most recently, the Legal and Corporate Affairs Vice-Presidency has been separated into two functions to more closely align the Executive Committee's responsibilities with the strategic objectives of the mining division and further improve the Group's management structure. This change is discussed in more detail in the CEO's Statement on page 07.

Within the mining division there is also a regular Operational Performance Review process whereby the individual mining operations report their results to the Antofagasta Minerals corporate centre, providing a regular, formalised process for monitoring and control of the operations by the corporate centre.

A Business Development Committee, comprising the Group's Chairman, the Antofagasta Minerals CEO and a number of the Antofagasta Minerals Vice-Presidents, focuses on the mining division's growth opportunities. The Business Development Committee reviews potential growth opportunities – both internal projects and potential transactions, approves transactions and project expenditures within designated authority levels, recommends transactions in excess of those levels to the Board for approval and monitors ongoing projects.

Given the core role that Antofagasta Minerals plays in the management of the mining operations and projects, and that the mining division represents the large majority of the Group's business, the Antofagasta plc Directors also serve as Directors of Antofagasta Minerals. There are also Boards for all of the Group's operations and the Antucoya project which consider matters not reserved for the Antofagasta Minerals or Antofagasta plc Boards.

There are divisional Boards for the transport division (Antofagasta Railway Company plc) and the water division (Aguas de Antofagasta S.A.), which consider matters specific to those divisions that are not reserved for the main Antofagasta plc Board. Jean-Paul Luksic, Ramón Jara and Gonzalo Menéndez are members of the Antofagasta plc Board and the Antofagasta Railway Company plc and Aguas de Antofagasta S.A. Boards.

The role of the Board

The Board met nine times during 2013.

The Board is collectively responsible for the long-term success of the Group. The Chairman encourages an open culture where healthy challenge and debate are encouraged within the Board. He will always attempt to persuade the Board to act as a single team by obtaining consensus at Board meetings but, in exceptional circumstances, decisions may be taken by majority. There is a schedule of matters specifically reserved for the Board.

The Board is responsible for:

— providing leadership;
— setting the Group's strategic objectives and key policies;
— ensuring that appropriate resources are in place to enable the Group to meet its objectives;
— approving significant transactions and capital investments;
— reviewing the Group's performance;
— approving the Group's annual budgets;
— reviewing the Group's capital management including approval of dividends; and
— determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems.

During 2013 the Board:

- **regularly reviewed performance against safety indicators and recommended and approved the implementation of a new integrated health and safety system across the Group's operations;**
- **approved an antitrust protocol which now applies across the Group;**
- **oversaw the review of the Group's organisational structure and optimisation of the corporate structure to further align these with the Group's strategic objectives;**
- **approved the acquisition of 40% of the Alto Maipo Hydroelectric Project, enabling the Group to secure the provision of energy to Los Pelambres;**
- **reviewed possible opportunities for capital investment as recommended by the Business Development Committee;**
- **approved key steps in the Group's growth plans by approving the resumption of development of the Antucoya Project, additional expenditure on the feasibility studies for the brownfield expansion at Los Pelambres and the Encuentro Oxides Project and additional expenditure to optimise the Group's existing operations;**
- **continued to review and monitor the Group's operational performance with particular focus on the management of costs and securing the long-term supply of key inputs including water and electricity across the Group's operations;**
- **approved the Group's 2014 annual budget;**
- **continued to review the Group's ongoing capital management including approving dividends of $887 million, which were paid to shareholders during 2013 and approving the $650 million Antucoya project financing; and**
- **reviewed significant risks associated with achieving the Group's strategic objectives and approved expenditure and the implementation of resources to address these risks.**

Corporate governance report

The Board has delegated responsibility for implementing the Group's strategic and financial objectives to the senior management within the Group. Due to the importance of the mining division within the Group, the Antofagasta Minerals CEO is invited to attend all Board meetings and is responsible for directing and managing the Antofagasta Minerals Executive Committee.

The Board has delegated authority to its Committees to perform certain activities as set out in their terms of reference. They are the Audit and Risk Committee, the Remuneration and Talent Committee, the Nomination Committee and the Sustainability and Stakeholder Management Committee. The activities of these Committees are set out in further detail on pages 85 to 89 of this Corporate governance report and pages 90 to 100 of the Remuneration report. The terms of reference of these Committees are available on the Company's website at www.antofagasta.co.uk.

Board composition

Board balance

As at the date of this report the Board has ten Directors, comprising an Executive Chairman and nine Non-Executive Directors. The Board considers six of these Non-Executive Directors to be independent. The Board considers that this predominance of Non-Executive Directors is valuable, both in terms of providing a range of outside perspectives to the Group, and also in encouraging robust debate with, and challenge of, the Group's executive management.

The Board is also satisfied that the balance of the Board limits the scope for an individual or small group of individuals to dominate the Board's decision-making.

During 2013, Andrónico Luksic was appointed to the Board. He brings an extensive experience across a range of business sectors throughout Chile, Latin America and Europe.

Of the ten Directors, six are based in Chile, three are based in North America and one is based in the United Kingdom. Biographies of each of the Directors as at the date of this report are shown on pages 74 and 75 and demonstrate a detailed knowledge of the mining industry as well as significant international business experience. Their biographies also provide details of their Board Committee memberships as well as other principal directorships and external roles.

Chairman

Jean-Paul Luksic is Chairman of the Board. His role is that of a full-time Executive Chairman, and he has no other significant commitments that prevent him from devoting sufficient time to this role. He is responsible for leadership of the Board and for ensuring its effectiveness. He sets the agenda for Board meetings (in consultation with the other Directors) and is responsible for chairing the Board meetings.

The Group does not have a Board member who is designated as Chief Executive. The Board believes that the Company is not at risk from a concentration of power by Jean-Paul Luksic having executive responsibilities as Chairman. In reaching this conclusion, it has taken into consideration the strong presence of independent Non-Executive Directors on the Board, the structure of the four Board Committees designed to devolve away from the Chairman the responsibility and control of certain key areas of Board responsibility and the delegation of operational management to a divisional level.

Senior Independent Director

William Hayes is the Senior Independent Director. The Senior Independent Director provides a sounding board for the Chairman, if required. Where necessary, the Senior Independent Director can act as an intermediary between the Chairman and the other members of the Board. He is also an additional point of contact for shareholders: he provides a particular focus for shareholders on the Group's governance and strategy, and also gives shareholders a means of raising concerns other than with the Chairman or senior executives. Since his appointment, William Hayes has met with a number of the Group's largest shareholders, allowing him to provide his perspective on the Group's governance and strategy, and to obtain their direct feedback on the Group. Shareholders were invited to meet with William Hayes again during 2013.

Independent Non-Executive Directors

Of the nine Non-Executive Directors, six are considered by the Board to be independent – Gonzalo Menéndez, Juan Claro, William Hayes, Tim Baker, Ollie Oliveira and Nelson Pizarro. William Hayes, Tim Baker, Ollie Oliveira and Nelson Pizarro meet the independence criteria set out in the Code and the Board is satisfied as to their independence. The Board is satisfied that Gonzalo Menéndez remains independent in character and judgement, notwithstanding that he has served on the Board for more than nine years and notwithstanding that he is a Non-Executive Director of Quiñenco S.A. (a Chilean-listed company also controlled by the Luksic family) and some of its subsidiaries. This is because he does not receive any remuneration from the Group other than in a non-executive capacity, and his position in the Quiñenco group is also solely as a Non-Executive Director. The Board considers Gonzalo Menéndez's length of service to be of considerable benefit to the Board given his wealth of knowledge and experience of the Group, Latin America and the mining industry, and therefore proposes him for re-election.

The Board is also satisfied that Juan Claro remains independent in character and judgement, notwithstanding that the ninth anniversary of his appointment to the Board will fall in May 2014, shortly before the Annual General Meeting. In reaching this conclusion, the Board has noted that Juan Claro does not receive any remuneration from the Group other than in a non-executive capacity. The Board takes particular note of Juan Claro's accumulated knowledge and experience of Chilean industry, and therefore proposes him for re-election.

The Board does not consider Ramón Jara, Hugo Dryland or Andrónico Luksic to be independent. Ramón Jara provides advisory services to the Group. Hugo Dryland has provided advisory services to the Group in his capacity as a Vice-Chairman at Rothschild, which remains a financial advisor to the Group. Andrónico Luksic is the brother of Jean-Paul Luksic, the Chairman of Antofagasta plc and is Chairman of Quiñenco S.A. and Chairman or a Director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic and Gonzalo Menéndez are also non-executive directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is controlled by the Luksic family.

Information and professional development

All new Directors receive an induction on joining the Board. This typically includes briefings on the Group's operations and projects, meetings with the Chairman, other Directors and senior executives, briefings on the legal, regulatory and other duties and requirements of a director of a UK listed company and visits to the Group's key operations.

The Company provides Directors with the necessary resources to develop and update their knowledge and capabilities. In particular, the Directors are regularly updated on the Group's business, the competitive and regulatory environment in which it operates and other changes affecting the Group as a whole.

The Directors based outside Chile visit the country regularly, both to attend Board meetings and other meetings with management, and for site visits to the Group's operations. The Directors based outside the United Kingdom also regularly visit this country, normally at least once a year to attend the Company's Annual General Meeting held in London. During the year the Board receives briefings from external advisors on key changes to the regulatory and legal environment impacting the Group.

The Board and its Committees receive an analysis of the key matters for consideration in advance of each Board or Committee meeting. They also receive regular reports which include analysis of key metrics in respect of operational, financial, environmental and social performance, as well as key developments in the Group's exploration and business development activities, information on the commodity markets, the Group's talent management activities and analysis of the Group's financial investments.

All Directors have access to management and to such further information as is needed to carry out their duties and responsibilities fully and effectively. Relevant management will present to the Board and its Committees on the operational or development matters under consideration, allowing close interaction between the Board members and a wide range of executive management.

All Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Company's expense. The Company has appropriate insurance in place to cover the Directors against any legal action against them.

Board meeting attendance

	Board	
	Number attended	Maximum possible
Jean-Paul Luksic	9	9
William Hayes	9	9
Gonzalo Menéndez	9	9
Ramón Jara	9	9
Guillermo Luksic[1]	–	3
Juan Claro	9	9
Hugo Dryland	9	9
Tim Baker	9	9
Ollie Oliveira	9	9
Nelson Pizarro	9	9
Andrónico Luksic[2]	5	5

Nine meetings were held in the year.

1 Guillermo Luksic passed away on 28 March 2013 following a period of illness.
2 Andrónico Luksic was appointed to the Board on 9 April 2013.

Each Director withdrew from any meeting when his own position was being considered.
All Directors in office at the time of the Annual General Meeting attended that meeting.

Performance evaluation

During the year, the Board commissioned an independent, externally facilitated evaluation of its effectiveness. This complemented separate externally facilitated reviews of the Audit and Risk Committee and the Remuneration and Talent Committee earlier in the year.

All of these evaluations were undertaken by Independent Audit Limited (who has no other connection to the Group) and involved face-to-face interviews with all Directors, members of the Antofagasta Minerals Executive Committee, the heads of audit and risk management and the Company's external advisors. The evaluation also included a detailed review of Board and Committee papers to enable the evaluators to assess the quality and subject matter of information provided to the Board and the Audit and Risk and Remuneration and Talent Committees.

More information on the evaluations of the Audit and Risk Committee and the Remuneration and Talent Committee can be found in the relevant sections of this report on pages 86 and 96.

The review of the Board observed that the Board functions well as a group of committed Directors who combine a good mix of skills in line with the governance needs of the business and that a strong awareness of the importance of taking minority interests into account is combined with a good understanding of required governance practices. Improvements over recent years in the way the Board and Committees operate are now being reflected through a movement to place less emphasis on reviewing operational matters and more on reviewing strategy and monitoring projects. The Board spends a considerable amount of time in meetings to help ensure that these issues are fully covered.

Corporate governance report

The Board recognises, however, that this strengthening is a continuous process and has committed to an action plan for the coming year to address some of the areas identified as needing further development. These include:

— the continued development of the structure and content of the Board information packs to help the Directors identify and focus on the main issues and risks;

— a review of the process for overseeing project lifecycles;

— the introduction of a strategy away day to help strengthen the increased focus on strategic issues including the people and management development approach;

— enhancement of the Board support team; and

— more frequent Director contact with operating teams on site.

The results of the evaluation process will be used by the Chairman in further developing the effective operation of the Board, and are also used by the Nomination Committee when considering the overall composition of, and appointments to, the Board.

Relations with shareholders

The shares of Antofagasta plc are listed on the main market of the London Stock Exchange. The E. Abaroa Foundation, in which members of the Luksic family are interested, controls 60.65% of the ordinary share capital and 94.12% of the preference share capital of the Company. Aureberg Establishment, which is controlled by the Company's Chairman, Jean-Paul Luksic, holds 4.26% of the ordinary share capital of the Company. The majority of the remaining approximately 35% of the Company's ordinary shares are held by institutional investors, mainly based in the UK and North America.

Institutional shareholder location

	%
A England & Wales	36
B Scotland	6
C North America & Canada	26
D Rest of Europe	17
E Rest of World	9
F Unknown	6

Analysis of free-float investors by geographical location as at 31 December 2013.

The Company maintains a dialogue with institutional shareholders and sell-side analysts as well as potential shareholders. This communication is managed by the Investor Relations team, and includes a formal programme of presentations to update institutional shareholders and analysts on developments in the Group following the announcement of the half-year and full-year results. The Group also issues quarterly production figures. Copies of these production announcements, presentations and other press releases issued by the Company are available on its website. The Group also publishes a separate Sustainability report to provide further information on its social and environmental performance. The Board receives regular summaries and feedback in respect of the meetings held as part of the investor relations programme as well as receiving analysts' reports on the Company. The Company's Annual General Meeting is also used as an opportunity to communicate with both institutional and private shareholders.

The Company held regular meetings with institutional investors and sell-side analysts throughout the year, which included an international investor road show programme, presenting at industry conferences, a sell-side analysts' visit to Chile as well as individual investor meetings. These were attended by various members of the management team, including Jean-Paul Luksic, the Chairman of the Group, Diego Hernández, the CEO of Antofagasta Minerals, Alfredo Atucha, the Vice-President of Finance, Gonzalo Sánchez, the Vice-President of Sales, and Alejandro Rivera, the Vice-President of Corporate Development. Shareholders were also invited to meet with William Hayes, the Company's Senior Independent Director, and other Directors were given the opportunity to meet with major shareholders and attend meetings if requested to do so by shareholders.

Issues of particular focus for investors during the year included:

— the resumption of development and subsequent progress of the Antucoya Project;

— the Group's focus on brownfield development projects and the potential from longer-term growth projects;

— the capital distribution policy of the Group;

— cost reduction programmes implemented to control operating and capital cost inflation;

— potential issues around the availability of key strategic resources for the mining sector in Chile such as water, labour and energy; and

— general commodity market conditions.

Feedback from investors is considered by the Board when making decisions.

Audit and Risk Committee

Membership and meeting attendance

	Number attended	Maximum possible
William Hayes (Chairman)	6	6
Tim Baker	6	6
Ollie Oliveira	6	6

William Hayes

Chairman of the Audit and Risk Committee

"As the Chairman of the Audit and Risk Committee, I am pleased to present the 2013 Audit and Risk Committee report. The Audit and Risk Committee plays a central role in ensuring that the Group's financial reporting is transparent and of high-quality. We believe that quality reporting is critical to allowing the Group's shareholders to properly understand and evaluate our performance and goals. We also oversee the Group's risk management processes to ensure that the Group's key risks are appropriately identified, monitored and controlled."

Key Board activities in 2013

Reviewed the Group's annual and half-year results, including consideration of the carrying value of the Antucoya project, and the accounting impact of the updated reviews of mine closure plans.

Reviewed the independence and effectiveness of the external auditor.

Reviewed the activities and key findings of Internal Audit during the year, and reviewed and approved the 2014 Internal Audit work plan.

Reviewed the effectiveness of the risk management function and the Group's system of internal control, including reviews of the Group's key risks and related mitigations.

Reviewed updates from the General Managers of the Group's operations in relation to their specific key risks and control activities.

Role and responsibilities of the Audit and Risk Committee

The purpose of the Audit and Risk Committee ("the Committee") is to assist the Board in meeting its responsibilities relating to financial reporting and control. The Committee is responsible for overseeing the Group's relationship with the external auditor and monitoring the effectiveness of the Group's internal audit and risk management functions.

The Committee meets at least three times a year with the external auditors in attendance. There is a rolling agenda which covers regular matters such as the review of the year-end financial statements and half-yearly financial report, planning for the year-end reporting and external audit processes, monitoring the Group's tax strategy and processes, reviewing the internal audit work plan and reports from the risk management function, as well as providing time for ad-hoc matters requiring the Committee's consideration. The Committee held six meetings during 2013.

The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and if necessary further discuss the matters considered in detail by the Committee.

During the year the Committee undertook a review of its effectiveness and of related management functions. The review was externally facilitated by the governance specialists Independent Audit Limited.

The terms of reference of the Committee are available on the Company's website – www.antofagasta.co.uk. The terms of reference have been reviewed and updated during the year, principally to reflect changes introduced by the revised UK Corporate Governance Code and the associated Guidance on Audit Committees issued in September 2012.

Audit and Risk Committee membership

The members of the Committee and their attendance at meetings of the Committee during the year are shown in the table above. Biographical details of the members of the Committee, including relevant qualifications and experience, are set out on pages 74 and 75. All of the Committee members are considered by the Board to be independent Non-Executive Directors. William Hayes and Ollie Oliveira are considered to have recent and relevant financial experience. The Committee received briefings during the year on developments in financial reporting requirements and other relevant regulatory changes.

Corporate governance report

Committee review

At the beginning of the year the Committee commissioned an independent evaluation of its effectiveness. As noted above, this was undertaken by Independent Audit Limited and involved a review of committee papers and interviews with over 30 people including Directors, managers and advisors.

The recommendations contained in the report prepared by Independent Audit were accepted by the Committee and resulted in the execution of a detailed plan for enhancing certain aspects of the Committee's work and processes. Primarily this has involved:

— a greater focus on the risk management process, including working with the new Head of Risk Management, to strengthen procedures under the executive supervision of the Vice-President of Finance;

— more frequent "deep dives" on the management of specific risk areas;

— more emphasis on ensuring the development of a stronger internal audit function under the management of a new Head of Internal Audit, including a revised approach to reporting to the Committee on audit findings; and

— further strengthening of the Committee's liaison with the external auditors to reflect increased demands on audit committees in assessing the effectiveness of the audit process.

The Committee is satisfied with the progress made in executing the detailed plan during the course of the year and expects to complete the plan during the course of 2014.

Financial reporting

The Committee monitors the integrity of the Group's financial reporting. It reviews whether the Group's accounting policies are appropriate, and management's estimates and judgements applied in the financial statements are reasonable. The Committee assesses risks which could impact the quality and effectiveness of the Group's financial reporting process.

The Committee reviews the year-end financial statements and half-yearly financial report, as well as other relevant external financial reports. The Committee also reviews the going concern basis adopted in the year-end financial statements and half-yearly financial report, prior to its endorsement by the Board.

At the request of the Board, the Committee considered the 2013 Annual Report and Financial Statements and concluded that, taken as a whole, this was fair, balanced and understandable, and provided the necessary information to allow shareholders to assess the Group's performance, business model and strategy.

Significant issues in relation to the financial statements considered by the Committee during the year were:

— The carrying value of the Antucoya project's assets – following the impairment charge recorded in the 2012 year-end results, the carrying value of the Antucoya project's assets was reviewed as at 30 June 2013 and 31 December 2013 to ensure that no further impairment or reversal of the earlier impairment was appropriate. The impairment recorded in 2012 is discussed in Note 4 to the financial statements.

— Mine closure provisions – review of the appropriateness of the provisions recognised in respect of future mine closure costs, in particular at Los Pelambres and Michilla where detailed updated reviews of the eventual mine closure activities and costs were performed during the year. The Group's closure provisions are detailed in Note 28 to the financial statements.

— Capitalisation of property, plant and equipment and of project costs – consideration of the appropriateness of the capitalisation of significant project expenditure, in particular in respect of the commercial viability of the project. Details of additions to property, plant and equipment are set out in Note 14 to the financial statements.

External audit

The Committee is responsible for overseeing the Group's relationship with the external auditor. The Committee reviews and approves the scope of the external audit and the external auditor's terms of engagement and fees. The Committee monitors the effectiveness of the external audit process and is responsible for ensuring the independence of the external auditor. The Committee is also responsible for making recommendations to the Board for the appointment, re-appointment or removal of the external auditor. The Committee meets with the external auditor without management present at least once during the course of the year.

Effectiveness of the external audit process

The Committee has reviewed the effectiveness of the external audit process during the year, including consideration of the following factors:

— the appropriateness of the proposed audit plan and the significant risk areas and areas of focus, and the effective performance of the audit in line with the agreed plan;

— the technical skills and industry experience of the audit engagement partner and the wider audit team;

— the quality of the external auditor's reporting to the Committee;

— the effectiveness of the co-ordination between the UK and Chilean audit teams;

— the effectiveness of the interaction and relationship between the Group's management and the external auditor;

— feedback from management, including questionnaires completed by the operational finance teams in respect of the effectiveness of the unit audit processes;

— consideration of the auditor's management letter and, in particular, the view this provides of the auditor's level of understanding and insight into the Group's operations; and

— review of reports from the external auditor detailing their firm's internal quality control procedures, as well as the auditor's annual transparency report.

Independence and objectivity of the external auditor

The Committee monitors the external auditor's independence and objectivity.

The Company has a policy in place which aims to safeguard the independence and objectivity of the external auditor. This includes measures in respect of the potential employment of former auditors, the types of non-audit services which the external auditor may and may not provide to the Group, and the approval process in respect of permitted non-audit services. Non-audit services which the external auditor is not permitted to provide under the policy include internal audit outsourcing, valuation services which would be used for financial accounting purposes, preparation of the Group's accounting records or financial statements, and financial information systems design and implementation. Certain permitted non-audit services always require prior approval by the Committee, whereas certain other services require prior approval by the Committee when the related fees are above specified levels (currently $50,000 for a single engagement or a cumulative annual amount of $400,000). In addition to this approval process for specific non-audit services, the Audit and Risk Committee monitors the total level of non-audit services to ensure that neither the objectivity nor the independence of the external auditor is put at risk.

A breakdown of the audit and non-audit fees is disclosed in Note 7 to the financial statements. The Company's external auditor, Deloitte LLP, has provided non-audit services (excluding audit-related services) which amounted to $0.3 million. This mainly related to an evaluation of the risk management process. The Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor is not impaired by reason of such non-audit work.

The external auditor also provides a report to the Committee at least once a year setting out their firm's policies and procedures for maintaining their independence.

Following the review of the effectiveness of the external audit process and independence and objectivity of the external auditor during the year as set out above, the Committee has recommended to the Board that it should propose the re-appointment of Deloitte LLP as auditors at the forthcoming Annual General Meeting of the Company in May 2014.

Deloitte LLP has been auditor of the Group since 2000, following a competitive tender process in that year. The current lead audit partner will rotate off the engagement following the completion of the audit of the 2014 financial year, after five years in the role, and the Committee has decided to undertake an audit tender process at that point. In the event that Deloitte is unsuccessful in that process, the Board will appoint a successor with effect from the conclusion of the 2014 audit and shareholders will be invited to confirm this appointment at the 2015 Annual General Meeting. If Deloitte is successful, shareholders will have the opportunity to re-appoint the firm at the 2015 Annual General Meeting.

Internal audit

The Committee monitors and reviews the effectiveness of the Group's internal audit function. The Head of Internal Audit reports directly to the Committee. A new Head of Internal Audit was appointed during the year with the Committee approving the appointment. The Committee meets with the Head of Internal Audit without management present during the course of the year.

The Head of Internal Audit presents to the Committee several times during the year. The Committee reviews and approves Internal Audit's plan of work for the coming year, including the department's budget, headcount and other resources. Internal Audit then reports to the Committee on the department's performance of its work in comparison with the approved plan. Summaries of the audits undertaken during the year are presented to the Committee, as well as follow-up on management's response to Internal Audit's recommendations. All individual Internal Audit reports are also distributed to the Committee members once they have been finalised.

Risk and compliance management and internal control

The Board has ultimate responsibility for overseeing the Group's key risks, as well as for maintaining sound risk management and internal control systems. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Committee plays a key role in assisting the Board with its responsibilities in respect of risk and related controls. As discussed in the Risk management section on page 24, the Committee assists the Board with its review of the effectiveness of the risk management process and monitoring of key risks and mitigations. The Chairman of the Committee reports to the Board following each Committee meeting, allowing the Board to understand and if necessary further discuss the matters considered in detail by the Committee. These processes allow the Board to monitor the Group's major risks and related mitigations, and to assess the acceptability of the level of risks which arise from the Group's operations and development activities.

Each year the Board, with the support of the Committee, performs a review of the effectiveness of the Group's risk management and internal control systems, in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. The review covers all material controls including financial, operational and compliance controls. During 2013, a review of the risk management and internal control systems was performed by the Committee, with the Chairman of the Committee reporting back to the Board on the findings of the review.

The risk management function presents to the Committee several times during the year, including details of developments in the Group's overall risk management processes and key Group-level strategic risks. The General Managers of the Group's operations also present to the Committee, with each operation typically presenting at least once a year. The presentations include details of the operation's most significant risks and related mitigating controls and any significant control issues that have arisen.

Corporate governance report

The Committee monitors that appropriate compliance policies and procedures are being observed throughout the Group. The Committee is responsible for approving the nomination of the Group's Crime Prevention Officer and receives reports from the risk management function in respect of the Group's Crime Prevention Model, in accordance with Chilean anti-corruption legislation.

The Committee is also responsible for reviewing the Group's "whistleblowing" arrangements, which enable staff and contractors, in confidence, to raise concerns about possible improprieties or non-compliance with the Group's Ethics Code. The Committee receive quarterly reports on whistleblowing incidents. It remains satisfied that the procedures in place incorporate arrangements for the proportionate and independent investigation of matters raised and for the appropriate follow-up action.

Further information relating to the Group's risk and management systems is given in the Risk management section of the Strategic report on pages 24 to 27.

Nomination Committee

Membership and meeting attendance

	Number attended	Maximum possible
Jean-Paul Luksic (Chairman)	2	2
William Hayes	2	2
Juan Claro	2	2

Jean-Paul Luksic

Chairman of the Nomination Committee

"As the Chairman of the Nomination Committee, I am pleased to present the 2013 Nomination Committee report. The Nomination Committee plays an important role in making recommendations to the Board on the appointment of new Directors and ensuring that appointments are made on merit and against objective criteria. In 2013 the Nomination Committee recommended the appointment of Andrónico Luksic to the Antofagasta plc Board. The Nomination Committee continues to evaluate potential Board candidates to ensure that the Board remains effective and diverse."

Key activities in 2013

Appointment of Andrónico Luksic as a new Non-Executive Director.

Ongoing review of the composition and balance of the Board, and Board succession.

Role and responsibilities of the Nomination Committee

The Nomination Committee is responsible for the process for new Board appointments. It makes recommendations to the Board on the appointment of new Directors and is responsible for ensuring that appointments are made on merit and against objective criteria. The Nomination Committee also periodically reviews the composition of the Board, including the balance between Executive and Non-Executive Directors and considers succession planning for the Board.

The Nomination Committee's terms of reference are available on the Company's website – www.antofagasta.co.uk.

The Nomination Committee meets as necessary and, in any event, at least once a year.

Appointments to the Board

In making appointments to the Board, the Nomination Committee considers the skills, experience and knowledge of the existing Directors and identifies potential candidates who would most benefit the Board. It considers the candidates' knowledge and experience of Chile, the mining industry, Latin America, capital markets and the regulatory environment, and whether they have sufficient time to devote to the role. The Chairman is responsible for ensuring that any new Directors are provided with a full induction on joining the Board.

During 2013, Andrónico Luksic was appointed to the Board on the recommendation of the Nomination Committee. In this selection process there was due regard to diversity including gender, skills, experience and other time commitments. Andrónico Luksic brings extensive experience across a range of business sectors throughout Chile, Latin America and Europe.

The Nomination Committee is satisfied that it identified an appropriate candidate through its knowledge of the relevant industrial and geographical sectors and, accordingly, did not need to advertise the post or use a search agency.

Boardroom diversity

The strong and committed Board includes individuals with a diverse range of technical skills, backgrounds, expertise, nationalities and perspectives. The Board does not yet have a female director, but a suitable candidate is being sought. Appointments continue to be made entirely on merit, whether at Board, executive or operational level and the Group is confident that a candidate will be found who is selected in line with this principle. As explained in the corporate sustainability section of the Strategic report on page 57, women are represented at every level of management other than on the Board and the Group continues to employ the highest percentage of female employees at our operations of any major mining company in Chile.

Re-election

In accordance with the Code, all Directors will be standing for re-election at this year's Annual General Meeting on 21 May 2014. Having taken into account the results of the performance evaluation of the Board (see page 83), the Board is satisfied that each of the Directors continues to be effective and continues to demonstrate commitment to his role and is recommended for re-election.

Sustainability and Stakeholder Management Committee

Membership and meeting attendance

	Number attended	Maximum possible
Ramón Jara (Chairman)	5	5
Juan Claro	4	5
Tim Baker	5	5

Ramón Jara

Chairman of the Sustainability and Stakeholder Management

"As the Chairman of the Sustainability and Stakeholder Management Committee, I am pleased to present the 2013 Sustainability and Stakeholder Management Committee report. 2013 was a busy year for the Committee in which we visited the mining division's operations and projects to specifically review the Group's sustainability performance and strategies to identify and address areas of risk for the future."

Key activities in 2013

Reviewed and approved the 2012 Sustainability Report and the corporate sustainability section of the 2012 Annual Report.

Requested the external verification of the 2013 Sustainability Report.

Requested for all operational and project sites to be audited regularly by the risk management team with a particular focus on health and safety.

Reviewed and approved the new Group Health and Safety policy and reviewed health and safety performance reports for the Group's operations, projects and exploration projects.

Reviewed and approved the new corporate image for the Group's mining division.

Met on-site at the mining division's operations and projects.

Role and responsibilities of the Sustainability and Stakeholder Management Committee

The Board has ultimate responsibility for sustainability. The Board has put in place procedures and management structures at a Group and divisional level to ensure the implementation of its sustainable development principles and Antofagasta Minerals' social and environmental strategy. These arrangements are part of the overall Group governance arrangements described in the corporate governance report. The Sustainability and Stakeholder Management Committee periodically visit the Group's operations to review performance and promote good practice, particularly in relation to safety. The Chairman of the Sustainability and Stakeholder Management Committee periodically reports to the Board on the performance and activities in the matters of its competence. The Board has strengthened the current procedures and management structures of the Group to ensure the implementation of its sustainable development principles and Antofagasta Minerals' social and environmental strategy.

The Directors' responsibilities, including those relating to risk management and control, are described in the statement of Directors' Responsibilities.

The Sustainability and Stakeholder Management Committee assists the Board in its responsibilities with respect to the Group's social responsibility. The Board takes into account the community, social, environmental and ethical impact of its decisions.

The Sustainability and Stakeholder Management Committee's responsibilities include providing guidance in relation to sustainability matters generally; reviewing and updating the Group's framework of sustainability policies and strategies including safety, health, environmental, social and stakeholder issues; monitoring and reviewing the Group's performance in respect of sustainability matters, indicators and targets; escalating matters of concern to the Board and reviewing and approving the Group's annual Sustainability Report, which is published separately.

The Group's annual Sustainability Report provides further information on its social and environmental performance. More information on sustainability is set out in the corporate sustainability section of the Strategic report on pages 50 to 63.

Remuneration report

Annual Statement by the Chairman of the Remuneration and Talent Committee

As the Chairman of the Remuneration and Talent Committee, I am pleased to present the 2013 Directors' Remuneration report.

Following the recent changes to remuneration reporting requirements introduced by the UK government, this year's Remuneration report includes the Company's Directors' Remuneration Policy which, subject to shareholder approval, will take effect from the 2014 Annual General Meeting and is intended to remain in place for three years.

The Committee believes that the Remuneration Policy will enable the Company to continue to ensure that Directors are fairly rewarded with regard to their responsibilities undertaken, taking into account comparable pay levels and structures in the United Kingdom, Chile and the international mining industry. The Remuneration Policy is closely aligned with the Group's strategy to attract, retain and develop the best talent available to support the Group in the future.

The Company's Board balance remains predominantly Non-Executive, with only one Executive Director who is also Chairman of the Board. The Executive Chairman does not receive variable remuneration and the Committee continues to believe that this is appropriate given his interest in the Company's shares.

Variable remuneration is an important part of the Group's remuneration structures for the Group's executives below Board level. In order to allow shareholders to understand how the Group uses variable remuneration to align strategy and performance, we have included in the Remuneration Report an explanation of the remuneration arrangements that were in place for the Antofagasta Minerals Executive Committee in 2013. The Executive Committee are eligible to receive a combination of base salary and other benefits, an annual cash bonus based on individual and Group performance and awards under the Group's Long-Term Incentive Plan (which rewards Group performance and encourages the retention of talent over the longer term).

An external benchmarking review of the fees paid to the Executive Chairman, Non-Executive Directors and senior management was carried out by Towers Watson during the year. Following the review, some minor modifications were made to senior management compensation. However, it was once again decided not to make any changes to Directors' fees.

The Committee also commissioned an independent externally facilitated evaluation of its effectiveness during the year which was performed by Independent Audit Limited. This evaluation concluded that significant improvements had been made in the last year or so to the way in which the Committee and the Human Resources team at Antofagasta were dealing with compensation, succession planning and talent management, and led us to introduce a number of changes to further enhance the Committee's effectiveness. The outcomes of this evaluation are discussed in more detail in the Remuneration report.

The Company also implemented a review of the Group's organisational structure during 2013 which resulted in several key changes to better align roles with the Group's strategic objectives. The Committee oversaw this process which also included a wider review of remuneration levels across the Group and the development of a platform to attract and retain talent. The key activities of the Committee are further explained in the Remuneration report.

During the course of 2014, the Committee will continue to monitor the structure of remuneration arrangements to ensure that they reflect the Group's strategic objectives.

Basis of preparation of this report and compliance

This Remuneration report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also describes how the Board has applied the principles of good governance as set out in the Code. During the year under review, the Company complied with the detailed provisions set out in Section D of the Code except that as explained on page 80, the Executive Chairman, who is the only Executive Director, did not receive any reward structured to vary with individual or corporate performance (principle D.1 and provision D.1.1).

Unaudited information

Directors' Remuneration Policy

The Remuneration and Talent Committee (the "Committee") presents the 2014 Directors' Remuneration Policy (the "Policy"), which will be put to shareholders as a binding vote at the Company's 2014 Annual General Meeting. Subject to shareholder approval, this Policy will take effect from the 2014 Annual General Meeting with the intention that it will remain in place for three years. If the Committee is required or wishes to change the Policy within this period, it will submit a revised Policy to shareholders for approval. Once the Policy is approved, the Company will only make remuneration payments to current or prospective Directors, or payments for loss of office, if the payment is in line with the Policy.

The policies that are summarised in this section are consistent with those that have been in place at the Company for a number of years. The Committee believes that they are effective, simple to understand and support the continued growth of the Company. The Policy is broken into a number of sections:

— a future policy table for Executive Directors, which sets out details of the remuneration elements;
— remuneration policies that relate solely to Non-Executive Directors;
— relevant policies relating to Executive Director remuneration, including recruitment, appointment letters, service contracts and terminations; and
— statements regarding the contextual information the Committee considers when reaching remuneration decisions in respect of the Executive and Non-Executive Directors.

The Company's approach to Directors' remuneration reflects the predominantly non-executive composition of the Board.

The Company's policy is to ensure that Directors are fairly rewarded with regard to the responsibilities undertaken, and to consider comparable pay levels and structures in the United Kingdom, Chile, and the international mining industry. Corporate and individual performance is taken into account in setting the pay level for the Chairman as an Executive Director and this is reviewed annually in comparison with companies of a similar nature, size and complexity. Remuneration levels for Non-Executive Directors are also reviewed in this way, and take into account the specific responsibilities undertaken and the structure of the Board.

Remuneration report

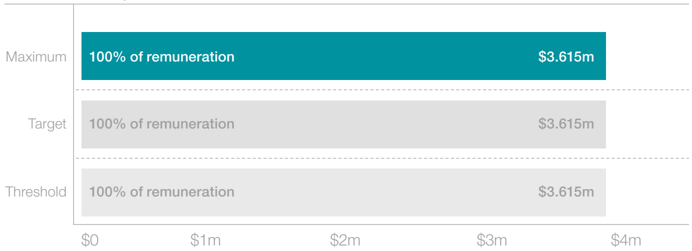
	Purpose	Operation	Maximum opportunity
Executive Chairman			
Fees	To provide appropriate compensation to reflect the responsibilities of this role and to execute the Group's strategic objectives at an appropriate level of cost. To act as the sole element of compensation. The Committee feels that this is appropriate given the Executive Chairman's interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family), which provides alignment with other shareholders.	Fees are the only element of compensation that the Executive Chairman is eligible to receive. Fees are reviewed annually, with increases, if any, typically taking effect from 1 January each year. The Committee considers the following factors when reviewing fee levels: – corporate and individual performance; and – the competitiveness of total remuneration assessed against appropriate peers in terms of nature, size and complexity. The Executive Chairman receives a base fee for services to Antofagasta plc's Board as well as additional fees for chairing or serving as a member of any of the Board's Committees. Separate base fees are paid for chairing the Antofagasta Minerals Board and for being a director or for chairing certain strategic subsidiary companies within the Group. The Executive Chairman is currently Chairman of Antofagasta Railway Company plc and Aguas de Antofagasta. The Executive Chairman also receives a base fee for services provided to Antofagasta Railway Company plc and Antofagasta Minerals (pursuant to separate service contracts). Fees are determined and paid in a combination of US dollars and Chilean pesos. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary. For comparison purposes, all compensation is in US dollars in this report.	In normal circumstances, the maximum annual fee increase will be 7%. However, the Committee has discretion to exceed this in exceptional circumstances, for example: – if there is a sustained period of high inflation; – if the Executive Chairman's fees are out of line with the market; and/or – if fees for chairing or serving as a member of any of the Board's Committees is out of line with the market. Any increases will take into account the factors described under "operation" and will not be excessive. Fee levels for additional roles within the Antofagasta Group are set based on the needs and time commitment expected and may be determined and/or paid in a combination of currencies including US dollars and Chilean pesos. Fees will also be increased to take account of Chilean inflation and may be reported as an increase or decrease as a result of the exchange rate impact of Chilean peso denominated fees, given all amounts in this report are reported in US dollars.
Variable Remuneration	The Committee does not consider it appropriate to make performance-related pay awards, such as bonuses, to the Executive Chairman given his role as Chairman of the Board and his interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family).		
Benefits	To provide appropriate benefits and reimburse expenses that are incurred in the performance of duties of the Executive Chairman.	Benefits include the provision of life, accident and health insurance. The Committee retains the discretion to provide additional insurance benefits in accordance with Company policy, should this be deemed necessary.	In normal circumstances, the maximum value of benefits will be $22,000. However, the Committee has discretion to exceed this should the underlying cost of providing the pre-existing benefits increase, or if additional benefits are provided and are deemed appropriate.
Pension	The Executive Chairman does not receive pension contributions nor is he entitled to receive pension contributions under this policy.		
Non-Executive Directors			
Fees	To attract and retain high-calibre, experienced Non-Executive Directors by offering globally competitive fee levels.	Fees are reviewed annually and the competitiveness of total fees is assessed against companies of a similar nature, size and complexity. Non-Executive Directors receive a base fee for services to Antofagasta plc's Board as well as additional fees for chairing or serving as a member of any of the Board's Committees. Separate base fees are paid for services to the Antofagasta Minerals Board (all Non-Executive Directors are members of both Boards), and for being directors of subsidiary companies and joint venture companies within the Group. Ramón Jara also receives a base fee for services provided to Antofagasta Railway Company plc and Antofagasta Minerals (pursuant to a separate service contract). Fee levels are denominated in US dollars. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary.	Non-Executive Directors' fee levels follow the same policy for increases as the Executive Chairman's fees (see above).
Variable Remuneration	Given the predominantly non-executive composition of the Board, there are no arrangements for Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through performance-related pay or to participate in long-term incentive schemes. The Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements.		
Benefits	To provide appropriate benefits required in the performance of duties of the Non-Executive Directors.	Benefits may be provided to Non-Executive Directors following the same policy as for the Executive Chairman (see above).	
Pension	No Director receives pension contributions. The Code considers that the participation by a Non-Executive Director in a company's pension scheme could potentially impact on the independence of that Non-Executive Director.		

As Directors do not receive variable remuneration, there are no provisions in place to recover sums paid or withhold payments made to Directors.

Executive Chairman – Illustrative remuneration outcomes

The Committee does not consider it appropriate to make regular performance-related pay awards to the only Executive Director, Jean-Paul Luksic, given his role as Chairman of the Board and his interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family). Therefore, the Executive Chairman's pay levels do not vary with performance and the same amount of fees and benefits are received under the threshold, target and maximum performance scenarios as follows.

Executive Chairman's total fixed pay (base salary and benefits)



The chart shows the expected total remuneration receivable by the Executive Chairman in 2014. This chart does not take into account adjustments for Chilean inflation which will occur under the terms of the Executive Chairman's service contracts or the exchange rate impact of Chilean peso denominated fees given all amounts in this report are reported in US dollars. Each bar represents remuneration receivable over a financial year plus the expected value of benefits provided.

Recruitment policy

It is not currently expected that the Board structure at Antofagasta will change during the period of the Policy. If a new Executive Chairman is appointed or additional Executive Directors are appointed, base salary levels will be set taking into account a range of factors including market levels, experience, internal salaries, interest in Antofagasta shares and cost.

Other elements of annual remuneration will be set in line with the policy set out in the Future Policy Table. The following exceptions will apply:

— in the event that an internal appointment is made, the Committee retains the discretion to continue with existing remuneration provisions relating to pension and benefits;

— as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to provide variable remuneration in line with the structure of variable remuneration provided to the Executive Committee (as described on page 99 of this Remuneration report) and in a quantum up to 500% of base salary, or where this is not sufficient to secure an appointment, to provide variable remuneration in line with companies of a similar size, nature and complexity; and

— as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation.

Letters of appointment and/or service contracts will be entered into on terms similar to those for the Executive Chairman, as summarised in the Service contracts and letters of appointment policy section on page 94.

In addition to the elements noted above, if additional Executive Directors are appointed, the Committee retains the discretion to make further cash or share awards on a one-off basis to new Executive Directors on appointment in accordance with the UKLA Listing Rules and, in exercising this discretion, will take into account the specific circumstances of the new Executive Director, including whether the Executive Director has had to forfeit existing incentive awards when accepting the appointment. There is no prescribed maximum for awards in respect of forfeited existing arrangements as it will depend on the individual circumstances of the appointee and the value of forfeited awards. Any awards made in excess of those made to "buy-out" forfeited awards on appointment will not exceed 500% of salary.

With respect to the appointment of a new Non-Executive Director, terms of appointment will be consistent with those currently adopted for the Non-Executive Directors as summarised in the service contracts and letters of appointment policy on page 94. Variable pay will not be considered and, as such, no maximum applies. Fees will be consistent with the Policy at the time of appointment.

In the unlikely event that a Non-Executive Chairman is appointed to the Board, the same considerations that apply to the appointment of new Non-Executive Directors will apply taking into account the additional responsibilities of the Chairman.

A timely announcement with respect to any Director appointment will be made to the regulatory news services and posted on Antofagasta's website.

Remuneration report

Termination policy

It is the Company's policy that the Executive Chairman has letters of appointment and/or service contracts terminable on one month's notice by either party at any time, and by payment of one month's fees in lieu of notice.

The letters of appointment for the Non-Executive Directors do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these letters is limited to one month's payment.

Service contracts and letters of appointment

All Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting (for 15 minutes prior to and during the meeting).

A summary of the key terms of the letters of appointment for all Directors are set out below:

Executive Chairman

Jean-Paul Luksic

Date of letter of appointment	12 June 2013
Notice period	One month's written notice
Remuneration	– Annual base salary for role as Chairman of the Board – Reimbursement of expenses – Entitled to receive additional fees for chairing or serving as a member of any Board Committee
Termination	Termination can occur at any time and at the discretion of either party upon one month's written notice

Jean-Paul Luksic also has a contract for services with both the Antofagasta Railway Company plc dated 1 April 2008 and Antofagasta Minerals dated 2 November 2004. Neither contract has an expiry date, but each of them can be terminated by either party on one month's notice. The amounts payable under these contracts for services are denominated in Chilean pesos and, as is typical for employment contracts or contracts for services in Chile, are adjusted in line with Chilean inflation, and are also reviewed periodically in line with the Company's policy on Directors' pay.

Non-Executive Directors

Each Non-Executive Director has a letter of appointment with the Company. The Company has a policy of putting all Directors forward for re-election at each Annual General Meeting in accordance with the Code. Under the terms of the letters, if shareholders do not confirm a Non-Executive Director's appointment, the appointment will terminate with immediate effect. In other circumstances, the appointment may be terminated by either party on one month's prior written notice. These letters require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities.

<table>
<tr><th>Name</th><th>Remuneration</th><th>Date of last re-appointment</th><th>Notice period</th></tr>
<tr><td>William Hayes</td><td rowspan="9">The letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these appointments is limited to one month's fees.</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Gonzalo Menéndez</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Ramón Jara</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Juan Claro</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Hugo Dryland</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Tim Baker</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Nelson Pizarro</td><td>12 June 2013</td><td>One month's written notice</td></tr>
<tr><td>Andrónico Luksic</td><td>12 June 2013</td><td>One month's written notice</td></tr>
</table>

There is also a contract between Antofagasta Minerals and Asesorías Ramón F Jara Ltda (formerly E.I.R.L.) dated 2 November 2004 for the provision of advisory services by Ramón Jara which does not have an expiry date but can be terminated by either party on one month's notice. The amounts payable under this contract for services are denominated in Chilean pesos and, as is typical for employment contracts or contracts for services in Chile, are adjusted in line with Chilean inflation, and are also reviewed periodically in line with the Company's policy on Directors' pay.

Consideration of employment conditions elsewhere in the Company

When the Committee reviews the Executive Chairman's salary annually, it also reviews pay conditions across the rest of the Group. This is set in the context of very different working environments and geographies and is therefore not a mechanical process. However, this acts as one input into the pay review process. The Committee does not currently use any other remuneration comparison metrics when determining the quantum and structure of the Executive Chairman's remuneration.

The Committee does not consult with employees in connection with the policy on the Executive Chairman's remuneration.

Remuneration Policy for other employees

Remuneration arrangements are determined throughout the Group based on the principle that reward should be achieved for delivery of the business strategy. A significant proportion of the Executive Committee members' remuneration is in the form of variable pay. The Executive Committee is eligible to participate in the Long-Term Incentive Plan and Annual Bonus Plan, which are both subject to performance criteria aligned with the Group's strategy. The remuneration structure for other Group employees varies according to their role, location and working environment.

Consideration of shareholder views

The Company maintains a dialogue with institutional shareholders and sell-side analysts as well as potential shareholders. This communication is managed by the Investor Relations team, and includes a formal programme of presentations to update institutional shareholders and analysts on developments in the Group following the announcement of the half-year and full-year results. The Board receives regular summaries and feedback in respect of the meetings held as part of the investor relations programme as well as receiving analysts' reports on the Company. The Company's Annual General Meeting is also used as an opportunity to communicate with both institutional and private shareholders. This ongoing dialogue allows us to respond to the needs and concerns of all shareholders throughout the year.

During 2013, the Company engaged in dialogue with shareholders and institutional shareholder advisory bodies in relation to a number of topics, including the quantum of the Executive Chairman's total remuneration and the absence of a performance-based component of his remuneration. The Committee continues to believe that the Executive Chairman's remuneration arrangements are significantly aligned with those of other shareholders and that they provide a strong link to the Group's strategic objectives and the long-term interests of the Group. Taking into account the Executive Chairman's role, when compared with companies of a similar size, nature and complexity, the Committee is satisfied that the Executive Chairman's remuneration is both fair and reasonable. The Executive Chairman's total pay level is towards the lower end of FTSE 100 Executive Director levels.

The Executive Chairman and Non-Executive Directors' pay arrangements will continue to be reviewed each year in line with the Policy, taking into account the views of all of the Company's shareholders.

Remuneration report

Remuneration and Talent Committee

Membership and meeting attendance

	Number attended	Maximum possible
Tim Baker (Chairman)	7	7
William Hayes	7	7
Juan Claro	6	7

Key activities in 2013

Commissioned an externally facilitated review of the effectiveness of the Remuneration and Talent Committee.

Commissioned an externally facilitated review of the Chairman's and Directors' remuneration levels against benchmarks.

Commissioned an externally facilitated review of senior managers' remuneration levels against benchmarks.

Reviewed the remuneration disclosure requirements set out in the new regulations introduced by the UK government.

Approved the amount of Executive Committee members' remuneration, including performance under the Annual Bonus Plan.

Reviewed the operation of the Long-Term Incentive Plan, including grants of additional awards.

Reviewed the Group's Talent Management Strategy and staff succession policy.

Oversaw the internal review and reorganisation of the Group's organisational structure.

Oversaw the alignment of the 2013 human resources plan and calendar to the business strategy and planning cycle.

Oversaw the review of all of the Group's main human resources guidelines, policies and procedures.

Oversaw the standardisation of compensation practices across the Group.

Reviewed the Group's 2014 compensation structure.

Reviewed the 2012 Directors' Remuneration report prior to its approval by the Board and subsequent approval by shareholders at the 2013 Annual General Meeting.

Role and responsibilities of the Committee

The Committee is responsible for setting the Company's Remuneration Policy and for reviewing the remuneration of any Executive Directors. If the Committee recommends changes to the Executive Chairman's remuneration, these are submitted for approval by a committee of the Board comprising of the Company's independent Non-Executive Directors. The Committee is also responsible for reviewing and approving the remuneration of the Antofagasta Minerals CEO and determining his compensation for the performance-related elements of his compensation. The remuneration for the other members of the Executive Committee including awards granted under the Long-Term Incentive Plan and Annual Bonus Plan and the performance targets for each plan are reviewed by the Antofagasta Minerals CEO and recommended to the Committee for approval. The Committee is responsible for monitoring the level and structure of remuneration of the Executive Committee, reviewing and approving performance-related compensation, reviewing succession planning for the Executive Committee, reviewing any major changes in compensation policies applying across the Group's companies that have a significant long-term impact on labour costs, and reviewing compensation and talent management strategies. The Committee's terms of reference are available on the Company's website – www.antofagasta.co.uk.

The remuneration of Non-Executive Directors is determined by the Board as a whole. No Director participates in the determination of his own remuneration.

Committee review

A review of the effectiveness of the Committee was undertaken by Independent Audit Limited in January 2013. This involved a review of the Committee's papers, observation of a meeting and interviews with 20 Directors, managers and external advisors.

Following discussion of the report in March 2013, the Committee has worked with the newly appointed Vice-President of Human Resources to introduce a number of changes to enhance its effectiveness. These included enhanced liaison with the Committee's external advisors, an increased focus on talent development and succession planning, improved information flow and more informed reporting to the full Board on the Committee's deliberations.

The Committee has monitored implementation of its development plan throughout the year and is confident that good progress is being made, particularly in the area of overseeing talent development.

Advisors to the Committee

During the year, the Committee received advice from Towers Watson. Towers Watson is the Group's existing remuneration consultant (appointed by the Committee) and provided advice to the Committee on matters under consideration by the Committee during the year, including updates on legislative requirements and market practice. Towers Watson also performed a benchmarking review of Directors' remuneration. Towers Watson's fees for this work were charged in accordance with normal billing practices and amounted to $177,383. Towers Watson is widely recognised as an independent global professional services firm and the Committee is satisfied that the advice provided was objective and independent and that no conflict of interest arose as a result of these services and that Towers Watson has no other connection with the Company.

The Company's legal advisors, Clifford Chance, also provided advice on the operation of the Group's Long-Term Incentive Plan, the new remuneration reporting requirements and other legal advice during 2013.

The Committee also received assistance from the Executive Chairman, although he does not participate in discussions relating to the setting of his own remuneration. The Committee in particular consulted with the Executive Chairman and received recommendations from him in respect of Executive Committee remuneration.

Statement of shareholder voting

The table below displays the voting results on the remuneration report at the 2013 AGM:

	Resolution
Votes for	1,016,928,786 *99.06%*
Votes against	9,599,672 *0.94%*
Votes cast as a percentage of Issued Share Capital	86.56%
Votes withheld	48,928,791

The considerable vote in favour of the Remuneration report confirms the strong support the Group has had from shareholders regarding the remuneration arrangements and the performance of the Company over the past year.

2013 Remuneration

Executive Chairman

The Executive Chairman receives a fixed base fee and the provision of benefits typical for such a position. As there is no element of variable remuneration payable to the Executive Chairman, the outcomes described below are fixed at the beginning of the year and do not vary with performance. However, the Executive Chairman's interest in the Company's shares (both via a company controlled by him and as a member of the Luksic family) provides alignment with other shareholders and aligns his interests with the long-term success of the Group.

As was the case in 2012, there was no change in the fees payable to the Executive Chairman in his role as a Director of Antofagasta plc between 2012 and 2013 or his role as director of any subsidiary companies. The single figure calculations in this report include payments for subsidiary board services and payments made to the Executive Chairman under his service contracts, which include an annual adjustment for Chilean inflation as is typical for employment contracts or contracts for services in Chile. Because some of the Executive Chairman's fees are paid in Chilean pesos, they are subject to annual exchange rate movements when reported in US dollars.

Non-Executive Directors

As was the case in 2012, there has been no change to the level of Antofagasta plc Board fees in 2013. The base Non-Executive Director's fee in respect of the Antofagasta plc Board remains at $130,000. Given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, and that Antofagasta Minerals represents the large majority of the Group's business, all Antofagasta plc Directors also serve as Directors of the Antofagasta Minerals Board. The fee payable to Directors of Antofagasta Minerals remains at $130,000 for members of the Board and $260,000 for the Chairman. Therefore, the combined base fees payable to Non-Executive Directors of both Antofagasta plc and Antofagasta Minerals amount to $260,000 per annum.

The base fee for Non-Executive Directors is reviewed annually. In 2013, the Committee commissioned Towers Watson to perform an independent review and benchmarking of Non-Executive Directors' fees. In light of review, the Board is satisfied that the current fee levels and structure are aligned with the Group's international peers. The Board are not recommending any change this year, but will continue to review fee levels from time-to-time in accordance with the Policy.

In addition to Board fees, Directors also receive fees for their contributions to Board sub-committees during the year. This table summarises Antofagasta plc Board Committee fees payable in 2013 and 2012, which were unchanged.

Role	Additional fees ($000)
Audit and Risk Committee Chairman	20
Audit and Risk Committee Member	10
Remuneration and Talent Committee Chairman	16
Remuneration and Talent Committee Member	10
Nomination Committee Chairman	10
Nomination Committee Member	4
Sustainability and Stakeholder Management Committee Chairman	16
Sustainability and Stakeholder Management Committee Member	10

The Remuneration Policy does not allow for the payment of variable remuneration to the Executive Chairman or Non-Executive Directors.

The Committee does not anticipate any changes to the implementation of the Policy during 2014.

Remuneration report

Audited information

Single figure table

The remuneration of the Directors in the year is set out below in US dollars. Amounts paid in Chilean pesos have been translated at average rates for the relevant year, which are set out in Note 34 to the financial statements.

As explained on page 97, Antofagasta plc Directors may also be appointed as directors of subsidiary companies and joint ventures within the Group and receive fees for these specific roles in addition to their Antofagasta plc and Antofagasta Minerals Board fees. These additional fees are included within the amounts attributable to the Directors within the table of Directors' remuneration below.

As explained in the Remuneration Policy on pages 91 to 95, Directors do not receive pensions or performance-related pay and are not eligible to participate in the Long-Term Incentive Plan.

	Base salary and fees		Benefits[7]		Total remuneration	
	2013 $000	2012 $000	**2013 $000**	2012 $000	**2013 $000**	2012 $000
Jean-Paul Luksic[1]	**3,575**	3,524	**40**	74	**3,615**	3,598
William Hayes	**366**	366	**–**	–	**366**	366
Gonzalo Menéndez	**338**	336	**–**	–	**338**	336
Ramón Jara[2]	**1,044**	1,014	**4**	4	**1,048**	1,018
Guillermo Luksic[3]	**–**	195	**–**	–	**–**	195
Juan Claro	**300**	333	**–**	–	**300**	333
Hugo Dryland	**260**	260	**–**	–	**260**	260
Tim Baker	**296**	296	**–**	–	**296**	296
Ollie Oliveira[4]	**270**	269	**–**	–	**270**	269
Nelson Pizarro[5]	**260**	115	**–**	–	**260**	115
Andrónico Luksic[6]	**192**	–	**–**	–	**192**	–
	6,902	6,708	**44**	79	**6,946**	6,786

1 During 2013, remuneration of $1,010,000 for the provision of services by Jean-Paul Luksic was paid to Goldbeam Finance Limited (2012 – $1,010,000). This amount is included in the amounts attributable to Jean-Paul Luksic of $3,575,000 (2012 – $3,524,000). The benefits expense represents the provision of car usage (terminated on 29 April 2013) and life, accident and health insurance for Jean-Paul Luksic.
2 During 2013, remuneration of $646,000 (2012 – $641,000) for the provision of services by Ramón Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Ramón Jara of $1,044,000 (2012 – $1,014,000). The benefits expense represents the provision of accident insurance to Ramón Jara.
3 Guillermo Luksic forewent his fees from 1 October 2012 until his death in April 2013. Following his death in April 2013, proceeds of £500,000 received from a life insurance policy maintained by the Group for Directors and certain executives were paid across to Guillermo Luksic's estate.
4 Fees payable in respect of Ollie Oliveira's service as a Director are paid to Greengrove Capital LLP, a partnership in which Ollie Oliveira is a partner.
5 Nelson Pizarro was appointed to the Board on 24 July 2012 and the amounts shown above for 2012 represent fees payable from this date.
6 Andrónico Luksic was appointed to the Board on 9 April 2013 and the amounts shown above for 2013 represent fees payable from this date.
7 All Directors are covered by Directors' and Officers' Life and Travel insurance policies generally maintained by the Group.

Unaudited information

Directors' interests

The Directors who held office at 31 December 2013 had the following interests in the ordinary shares of the Company:

	Ordinary shares of 5p each	
	31 December 2013	1 January 2013
Executive Chairman Jean-Paul Luksic[1]	**41,963,110**	41,963,110
Non-Executive Director Ramón Jara[2]	**5,260**	5,260

1 Jean-Paul Luksic's interest relates to shares held by Aureberg Establishment, an entity which he controls.
2 Ramón Jara's interest relates to shares held by a close family member.

There have been no changes to the Directors' interests in the shares of the Company between 31 December 2013 and the date of this report.

The Directors had no interests in the shares of the Company during the year other than the interests set out in the table above. No Director had any material interest in any contract (other than a service contract) with the Company or its subsidiary undertakings during the year other than in the ordinary course of business.

The Group does not currently have any director shareholding guidelines because the Executive Chairman, as the only Executive on the Board, already holds an interest in the Company's shares.

The Executive Chairman is not eligible for any short-term or long-term incentive awards and therefore does not own any shares that have resulted from the achievement of performance conditions.

Executive Committee remuneration

The remuneration arrangements in place for the Executive Committee have been structured to align remuneration with performance, the Group's strategic objectives and shareholders' interests. The Executive Committee is eligible to receive a combination of base salary and other benefits as well as variable remuneration in the form of an annual cash bonus and conditional cash awards based on the price of ordinary shares of the Company granted pursuant to the Group's Long-Term Incentive Plan.

The performance components of variable remuneration are selected to incentivise the delivery of the business strategy, reward Group and individual performance and motivate the Executive Committee.

Annual Bonus Plan

Members of the Executive Committee are eligible to receive cash awards under the Annual Bonus Plan based on Group and individual performance. The bonus plan focuses on the delivery of annual financial and non-financial targets which are designed to align remuneration with the Company's strategy and create a platform for sustainable future performance.

The performance criteria for the Annual Bonus Plan are set annually. The average maximum available award for the Executive Committee under the terms of the Annual Bonus Plan, which would reflect maximum individual and Group performance, is 71% of base salary. In 2013 the average award for the Executive Committee was approximately 42% of base salary. Individual award levels are calibrated at the conclusion of each annual performance period as part of a review of performance against the criteria set for the year to ensure that performance targets remain stretching and that high or maximum payments under each plan are only received for exceptional performance. Individual award levels are also reviewed by the Committee.

In 2013, the performance criteria for the Executive Committee under the Annual Bonus Plan were defined against quantitative criteria as follows:

— business results, including profit, production, operating expenditure and capital expenditure;
— business development, including the execution of growth projects and exploration and development; and
— sustainability, including performance against measurable lost time injury frequency rates and environmental and social indices.

The choice of these criteria, and their respective weightings reflect the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

Long-term Incentive Plan

The Company introduced a Long-Term Incentive Plan ("LTIP") at the end of 2011. Eligibility to participate in the LTIP is determined each year on an individual basis and all members of the Executive Committee currently participate. The first awards under the LTIP were granted on 29 December 2011 and awards have since been granted annually. Under the rules of the LTIP, Directors are not eligible to participate in the LTIP.

Under the LTIP, participants are eligible to receive "phantom" share awards (conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares), which are paid in cash upon vesting and may be made to participants based on the price of the Company's ordinary shares.

Awards granted pursuant to the LTIP are split between Restricted Share Awards ("RSAs") and Performance Share Awards ("PSAs"). The RSAs are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to the relevant employee remaining employed by the Group when the RSAs vest. The PSAs are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the PSAs vest.

The PSAs granted in 2013 will be measured over a three-year performance period based on the following performance conditions:

— total shareholder return relative to the Euromoney Global Mining Index;
— earnings levels;
— growth in the Group's Resources and Reserves; and
— performance against measurable criteria for project execution, development projects, sustainability and safety.

Remuneration structure

The Committee is satisfied that the remuneration arrangements in place for the Executive Committee are linked to performance, appropriately stretching and aligned to the business strategy. Variable remuneration is a core component of Executive Committee remuneration and up to 62% of the Executive Committee's total annual remuneration may be achieved under the Annual Bonus Plan and the LTIP.

Comparison of overall performance and remuneration

The following graph shows the Company's performance compared to the performance of the FTSE All-Share Index and the Euromoney Global Mining Index over a five-year period, measured by total shareholder return (as defined below). The FTSE All-Share Index has been selected as an appropriate benchmark as it is the most broadly based index to which the Company belongs and which relates to the London Stock Exchange, the market where the Company's ordinary shares are traded.

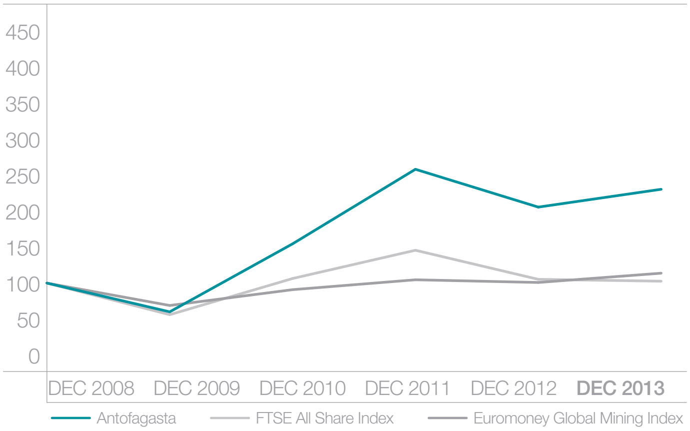
Remuneration report

Total shareholder return performance in comparison with the Euromoney Global Mining Index is one of the performance criteria for Performance Share Awards granted pursuant to the LTIP as described above.

Total shareholder return is calculated to show a theoretical growth in the value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. Total shareholder return for the FTSE All-Share Index and the Euromoney Global Mining Index is calculated by aggregating the returns of all individual constituents of those indices at the end of the five-year period.

Total Shareholder Return*

Antofagasta plc vs FTSE All-Share Index and Euromoney Global Mining Index %



*Total Shareholder Return represents share price growth plus dividends reinvested over the period
Total Return Basis Index – 31 December 2008 = 100
Source: Datastream.

	2009	2010	2011	2012	2013
Single figure remuneration of Executive Chairman $'000	3,184	3,330	3,521	3,598	**3,615**
Actual % increase					**0.5%**
Single figure fees of Executive Chairman	3,116	3,232	3,438	3,524	**3,575**
Actual % increase					**1.4%**
Single figure benefits of Executive Chairman	67	98	83	74	**40**
Actual % increase					**(46)%**

Note: The Executive Chairman is not eligible for any variable remuneration and this table does not therefore include variable remuneration.

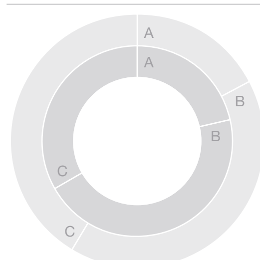
Taking into account adjustments for Chilean inflation under the Executive Chairman's service contracts, the exchange rate impact of Chilean peso denominated fees and the reduction in benefits provided, the total remuneration paid to the Executive Chairman was 0.5% higher in 2013. This comprised of a 1.4% increase in fees and a 46% reduction in benefits. The equivalent average percentage change for Group employees as a whole was an increase of 4.1%. This comprised a 4.1% increase in salaries as there was no increase in benefits for Group employees as a whole in 2013.

Taking into account the current economic environment, local practice in Chile and the UK and general themes for restraint in the market, the Committee feels that the decision not to increase the Executive Chairman's fees in 2013 was fair.

Relative importance of remuneration spend

The table below shows the total spend on employee remuneration, the levels of distributions to shareholders and the taxation cost in 2012 and 2013.

Remuneration spend



	2012	2013	% change
A Employee remuneration[1]	409.2	**440.9**	**8%**
B Distribution to shareholders[2]	971.1	**936.5**	**(4)%**
C Taxation[3]	871.6	**681.5**	**(22)%**

[1] The employee remuneration cost includes salaries, social security costs and awards under the Long-Term Incentive Plan, as set out in Note 8 to the financial statements.
[2] The distributions to shareholders represent the dividends proposed in relation to the year, as set out in Note 12 to the financial statements.
[3] Taxation has been shown above as this provides an indication of the contribution of the Group's operations in Chile to the Chilean State via its tax contributions. The taxation cost represents the current tax charge in respect of corporate tax, mining tax (royalty) and withholding tax, as set out in Note 10 to the financial statements.

This report does not disclose information in relation to the following, which was not relevant for the 2013 financial year:

- payments for loss of office – no such events occurred in the 2013 financial year;
- further details on pension arrangements – Directors do not receive pension benefits; and
- payments to past Directors – no such payments were made in the year, with the exception of the payment to the estate of Guillermo Luksic of the proceeds of the life insurance policy referred to on page 98.

Should such events occur in future, the necessary disclosures will be made at the appropriate time.

The Remuneration report has been approved by the Board and signed on its behalf by

Tim Baker
Chairman of the Remuneration and Talent Committee
17 March 2014

Directors' report

Going concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Operational review on pages 32 to 63. Details of the cash flows of the Group during the year, along with its financial position at the year-end are set out in the Financial review on pages 64 to 71. The financial statements include details of the Group's cash, cash equivalent and liquid investment balances in Note 21 to the financial statements, and details of borrowings are set out in Note 22 to the financial statements. Details of the Group's financial risk management, including details of the management of liquidity and counterparty risk, are set out in Note 24 to the financial statements.

In assessing the Group's going concern status, the Directors, with detailed assistance from the Audit and Risk Committee, have taken into account the above factors, including the financial position of the Group and in particular its significant balance of cash, cash equivalents and liquid investments, the borrowing facilities in place and their terms, the current copper price and market expectations in the medium term, the Group's expected operating cost profile and its capital expenditure and financing plans.

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Results and dividends

The consolidated profit before tax has decreased from $2,761.8 million in 2012 to $2,083.5 million in 2013.

The Board has recommended a final dividend of 86.1 cents (2012 – 90.0 cents) per ordinary share. An interim dividend of 8.9 cents was paid on 12 October 2013 (2012 interim dividend – 8.5 cents). This gives total dividends per share proposed in relation to 2013 of 95.0 cents (2012 – 98.5 cents). The total amount of dividends paid to ordinary shareholders proposed in relation to 2013 will be $936.5 million, compared with $971.1 million in 2012.

Preference shares carry the right to a fixed cumulative dividend of 5% per annum. The preference shares are classified within borrowings and preference dividends are included within finance costs. The total cost of dividends paid on preference shares and recognised as an expense in the income statement was $0.2 million (2012 – $0.2 million). Further information relating to dividends is set out in the Financial review on page 69, and in Note 12 to the financial statements.

Political contributions

The Group made political donations of $2.3 million during the year ended 31 December 2013 in relation to the presidential and local elections in Chile (2012 – donations of $1.2 million were made in relation to local elections in Chile). These donations were made via the Chilean Electoral Management Body, which anonymously transfers funds to political parties and candidates.

Capital structure

Details of the authorised and issued ordinary share capital, including details of any movements in the issued share capital during the year, are shown in Note 29 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote at any general meeting of the Company. Details of the preference share capital are shown in Note 22 to the financial statements. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. Each preference share carries 100 votes on a poll at any general meeting of the Company. The nominal value of the issued ordinary share capital is 96.1% of the total sterling nominal value of all issued share capital, and the nominal value of the issued preference share capital is 3.9% of the total sterling nominal value of all issued share capital.

There are no specific restrictions on the transfer of shares or on their voting rights beyond those standard provisions set out in the Company's Articles of Association and other provisions of applicable law and regulation (including, in particular, following a failure to provide the Company with information about interests in shares as required by the Companies Act 2006). The Company is not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The Company has the authority to purchase up to 98,585,669 of its own ordinary shares, representing 10% of the issued ordinary share capital. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2012, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. There are no significant agreements in place which take effect, alter or terminate upon a change of control of the Company. There are no agreements in place between the Company and its Directors or employees which provide for compensation for loss of office resulting from a change of control of the Company.

Directors' report

Directors' interests and indemnities

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2013 are given in the Remuneration report. No Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.

In accordance with the Company's Articles of Association and to the extent permitted by the laws of England and Wales, Directors are granted an indemnity from the Company in respect of liabilities personally incurred as a result of their office. In respect of those matters for which the Directors may or may not be indemnified, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year. A new policy has been entered into for the current financial year.

Conflicts of interest

The Companies Act 2006 requires that a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has undertaken a process to identify and, where appropriate, authorise and manage potential and actual conflicts. Each Director has identified his interests that may constitute conflicts including, for example, directorships in other companies. The Board has considered the potential and actual conflict situations of each of the Directors and decided in relation to each situation whether to authorise it and the steps, if any, which need to be taken to manage it. The authorisation process is not regarded as a substitute for managing an actual conflict of interest if one arises. The monitoring and, if appropriate, authorisation of actual and potential conflicts of interest is an ongoing process. Directors are required to notify the Company of any material changes in those positions or situations that have already been considered, as well as to notify the Company of any other new positions or situations that may arise. In addition to considering any new situations as they arise, the Board usually considers the conflict position of all Directors formally each year.

Substantial shareholdings

As at 31 December 2013 and 17 March 2014, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

Table of substantial shareholdings	Ordinary share capital %	Preference share capital %	Total share capital %
Metalinvest Establishment	50.72	94.12	58.04
Kupferberg Establishment	9.94	–	8.27
Blackrock Inc.	5.10	–	4.24
Aureberg Establishment	4.26	–	3.54

Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested. As explained in Note 39 to the financial statements, Metalinvest Establishment is the immediate Parent Company of the Group and the E. Abaroa Foundation is the ultimate Parent Company. Aureberg Establishment is controlled by Jean-Paul Luksic, the Chairman of the Company.

Other statutory disclosures

The corporate governance report on pages 72 to 89 of this annual report and Notes 24 and 38 to the financial statements are incorporated into the Directors' report by reference.

Other information can be found in the following sections of the Strategic report.

Information	Location in Strategic report
Future developments in the business of the Group	Pages 36 to 49
Subsidiaries, associates, joint ventures and FCAB branch	Pages 36 to 49
Employee consultation	Pages 56 to 57
Greenhouse gas emissions	Pages 61 to 62

By order of the Board

For and on behalf of

Petershill Secretaries Limited
Company Secretary
17 March 2014

Directors' responsibilities

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

The Companies Act 2006 requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Parent Company financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;
— make judgements and accounting estimates that are reasonable and prudent;
— state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In the case of the Group's IFRS financial statements, International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

— properly select and apply accounting policies;
— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
— provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
— make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' declaration in relation to relevant audit information

Each of the persons who is a Director at the date of approval of this annual report confirms that:

— so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
— the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Responsibility statement

We confirm that to the best of our knowledge:

— the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
— the Directors' report and the Strategic report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
— the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Jean-Paul Luksic
Chairman

William Hayes
Senior Independent Director and
Chairman Audit and Risk Committee

17 March 2014

Financial statements

Independent auditor's report to the members of Antofagasta plc

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

— the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 39 and the Parent Company Balance Sheet and related information in Note 40. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable by law and IFRSs, as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable by law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 101 that the Group is a going concern. We confirm that:

— we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and

— we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Carrying value of the Antucoya project and other capital projects The Antucoya project was fully impaired in December 2012 and the project was suspended. On completion of a project review, the Board authorised the resumption of the project in March 2013, with costs being capitalised since then. The assessment of the carrying value of Antucoya project is considered to be one of the most judgemental audit risks as small changes between the assumptions made and the actual outcomes could have a material impact on the net present value of the project. Refer to Note 4 to the financial statements.	For the assessment of the carrying value of Antucoya we have tested the impairment model supporting the net present value of the project prepared by management and tested the mechanical accuracy of the model. We performed sensitivity analysis to assess the key sensitive assumptions and we have tested these assumptions, including corroboration of acid price, copper price and foreign exchange to external data, capital expenditure and operating costs to approved budgets and assessed the appropriateness of the discount rate. We assessed other capital projects for impairment indicators.
Capitalisation of property, plant and equipment and of project costs There is a risk of inappropriate categorisation of expenditure between operating expenditure and capital expenditure, and that amounts relating to pre-feasibility, feasibility or other activities are capitalised appropriately.	For the appropriateness of capitalisation of property, plant and equipment and project costs, we assessed, on a sample basis, the split between amounts capitalised and amounts expensed and whether the amounts related to pre-feasibility, feasibility or other activities and were accounted for in accordance with IFRS 6 "Exploration and evaluation of mineral resources" and IAS 16 "Property, plant and equipment". We have assessed the property, plant and equipment for indicators of impairment.
The recognition and measurement of restoration and decommissioning provisions Restoration and decommissioning provisions are calculated using a number of different factors, some of which require judgements, for example discount rates, exchange rates, inflation and estimates for projected costs and future plans for example infrastructure, facilities and life of mine. During the year the closure study (and hence provision) for Los Pelambres was updated by the Company's advisor.	For the recognition and measurement of restoration and decommissioning provisions we evaluated the technical competence, experience, independence and objectivity of the Company's advisor who prepared the closure study provisions. We assessed the assumptions and judgements in Management's assessment (based on the studies prepared by the Company's advisor), including future estimated costs, inflation rates, discount rates and exchange rates, agreed these to external data where applicable and critically assessed the reasonableness of judgements made.

The Audit Committee's consideration of these risks is set out on page 86.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $100 million, which is 4.8% of pre-tax profit and 1.2% of equity.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of $2 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope focused primarily on the audit work at Los Pelambres, Esperanza, El Tesoro, Michilla, Antucoya, Antofagasta Minerals, Ferrocaril Antofagasta a Bolivia and Aguas de Antofagasta S.A. being the Group's principal components. These were subject to a full audit at component materiality, which is lower than Group materiality, and represent all of the Group's profit before tax, all of the Group's revenue and substantially all of the Group's net assets.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team followed a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior team member visits the component auditor in Chile at least three times a year.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration: under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the annual report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Independent auditor's report to the members of Antofagasta plc

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

James Leigh
(Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

17 March 2014

Consolidated income statement

For the year ended 31 December 2013

	Notes	2013 $m	2012 Restated[2] $m
Group revenue	5,6	5,971.6	6,740.1
Total operating costs (including exceptional items[1])		(3,799.5)	(3,866.6)
Operating profit from subsidiaries	4,5	2,172.1	2,873.5
Share of results from associates and joint ventures	17,5	(14.4)	(20.8)
Total profit from operations, associates and joint ventures	4,5	2,157.7	2,852.7
Investment income		12.6	24.6
Interest expense		(62.0)	(85.9)
Other finance items		(24.8)	(29.6)
Net finance expense	9	(74.2)	(90.9)
Profit before tax	7	2,083.5	2,761.8
Income tax expense	10	(843.7)	(1,022.2)
Profit for the financial year	5	1,239.8	1,739.6
Attributable to:			
Non-controlling interests	30	580.2	702.4
Equity holders of the Company (net earnings)	11	659.6	1,037.2
		US cents	US cents
Basic earnings per share	11	66.9	105.2
Dividends to ordinary shareholders of the Company per share	12	US cents	US cents
Dividends per share proposed in relation to the year			
– ordinary dividend (interim)		8.9	8.5
– ordinary dividend (final)		86.1	12.5
– special dividend (final)		–	77.5
		95.0	98.5
Dividends per share paid in the year and deducted from net equity			
– ordinary dividend (interim)		8.9	8.5
– ordinary dividend (final)		12.5	12.0
– special dividend (final)		77.5	24.0
		98.9	44.5
In aggregate	12	$m	$m
Dividends proposed in relation to the year		936.5	971.1
Dividends paid in the year and deducted from net equity		975.0	438.7

Revenue and operating profit are derived from continuing operations.

[1] The exceptional item included within "Total operating costs" in respect of the year ended 31 December 2012 is a $500.0 million provision against the carrying value of property, plant and equipment relating to the Antucoya Project. Excluding this exceptional item, operating profit from subsidiaries was $3,373.5 million, profit before tax was $3,261.8 million and earnings per share was 140.7 cents. Further details of these exceptional items are set out in Note 4.

[2] The prior year comparative figures have been restated as a result of the early adoption of IFRS 11 Joint Arrangements and the application of the amendments to IAS 19 Employee Benefits. See Note 1 for further details.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	2013 $m	2012 Restated[1] $m
Profit for the financial year	7	**1,239.8**	1,739.6
Items that may be reclassified subsequently to profits or loss			
Gains/(losses) in fair value of cash flow hedges deferred in reserves	24	**18.2**	(0.3)
Gain/(losses) in fair value of cash flow hedges deferred in reserves of associates		**1.9**	(1.8)
(Losses)/gains in fair value of available-for-sale investments	18	**(28.2)**	5.4
Currency translation adjustment		**(20.8)**	14.4
Deferred tax effects arising on cash flow hedges deferred in reserves	24	**(5.7)**	0.1
Items that will not be subsequently reclassified to profit or loss			
Actuarial losses on defined benefit plans		**(10.4)**	(7.6)
Tax on items recognised directly in equity that will not be reclassified		**1.8**	1.6
Total gain recognised in equity		**(43.2)**	11.8
(Gains)/losses in fair value of cash flow hedges transferred to the income statement	24	**(25.6)**	12.6
Deferred tax effects arising on cash flow hedges transferred to the income statement	24	**5.1**	(2.5)
Total transferred to the income statement		**(20.5)**	10.1
Total comprehensive income for the year		**1,176.1**	1,761.5
Attributable to:			
Non-controlling interests	30	**573.9**	709.4
Equity holders of the Company		**602.2**	1,052.1

[1] The prior year comparative figures have been restated as a result of the early adoption of IFRS 11 Joint Arrangements and the application of the amendments to IAS 19 Employee Benefits. See Note 1 for further details.

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital $m	Share premium $m	Hedging reserves $m	Fair value reserves $m	Translation reserves $m	Retained earnings $m	Net equity $m	Non-controlling interests $m	Total $m
At 1 January 2012	89.8	199.2	(3.9)	(8.1)	32.1	5,887.1	**6,196.2**	1,611.2	**7,807.4**
Total comprehensive income for the year	–	–	0.3	5.4	14.4	1,032.0	**1,052.1**	709.4	**1,761.5**
Change in ownership interest in subsidiaries	–	–	–	–	–	332.1	**332.1**	18.2	**350.3**
Capital increase on behalf of non-controlling interest	–	–	–	–	–	(31.1)	**(31.1)**	31.1	**–**
Capital contribution from non-controlling interest	–	–	–	–	–	–	**–**	26.8	**26.8**
Dividends			–	–	–	(438.7)	**(438.7)**	(702.5)	**(1,141.2)**
At 31 December 2012 and 1 January 2013	89.8	199.2	(3.6)	(2.7)	46.5	6,781.4	**7,110.6**	1,694.2	**8,804.8**
Total comprehensive income for the year	–	–	(3.2)	(28.2)	(20.8)	654.4	**602.2**	573.9	**1,176.1**
Capital increase of non-controlling interest	–	–	–	–	–	(13.3)	**(13.3)**	13.3	**–**
Capital contribution from non-controlling interest	–	–	–	–	–	–	**–**	109.8	**109.8**
Dividends	–	–	–	–	–	(975.0)	**(975.0)**	(452.1)	**(1,427.1)**
At 31 December 2013	**89.8**	**199.2**	**(6.8)**	**(30.9)**	**25.7**	**6,447.5**	**6,724.5**	**1,939.1**	**8,663.6**

Consolidated balance sheet

At 31 December 2013

	Notes	2013 $m	2012 Restated[1] $m
Non-current assets			
Intangible assets	13	133.0	157.6
Property, plant and equipment	14	7,424.8	6,513.2
Investment property	15	3.3	3.5
Inventories	19	178.3	162.5
Investment in associates and joint ventures[1]	17	175.2	106.5
Trade and other receivables	20	180.8	108.3
Derivative financial instruments	24	–	8.0
Available-for-sale investments	18	16.6	44.5
Deferred tax assets	27	76.9	103.8
		8,188.9	7,207.9
Current assets			
Inventories	19	476.5	494.9
Trade and other receivables	20	904.6	801.5
Current tax assets		121.6	32.3
Derivative financial instruments	24	12.9	35.3
Liquid investments	21	2,071.4	2,480.6
Cash and cash equivalents	21	613.7	1,811.3
		4,200.7	5,655.9
Total assets		12,389.6	12,863.8
Current liabilities			
Short-term borrowings	22	(341.0)	(447.0)
Derivative financial instruments	24	(3.4)	(6.2)
Trade and other payables	23	(776.6)	(704.5)
Current tax liabilities		(9.6)	(137.4)
		(1,130.6)	(1,295.1)
Non-current liabilities			
Medium and long-term borrowings	22	(1,032.9)	(1,442.2)
Derivative financial instruments	24	(6.4)	(13.1)
Trade and other payables	23	(4.7)	(7.4)
Post-employment benefit obligations	26	(91.2)	(81.5)
Decommissioning and restoration and other long-term provisions	28	(494.3)	(384.6)
Deferred tax liabilities	27	(965.9)	(835.1)
		(2,595.4)	(2,763.9)
Total liabilities		(3,726.0)	(4,059.0)
Net assets		8,663.6	8,804.8
Equity			
Share capital	29	89.8	89.8
Share premium	29	199.2	199.2
Hedging, translation and fair value reserves	29	(12.0)	40.2
Retained earnings	29	6,447.5	6,781.4
Equity attributable to equity holders of the Company		6,724.5	7,110.6
Non-controlling interests	30	1,939.1	1,694.2
Total equity		8,663.6	8,804.8

[1] The prior year comparative figures have been restated as a result of the early adoption of IFRS 11 Joint Arrangements. See Note 1 for further details.

Approved by the Board and signed on its behalf on 17 March 2014.

Jean-Paul Luksic
Chairman

William Hayes
Senior Independent Director and Chairman Audit and Risk Committee

Consolidated cash flow statement

For the year ended 31 December 2013

	Notes	2013 $m	2012 Restated[1] $m
Cash flows from operations	31	2,659.2	3,826.0
Interest paid		(57.2)	(88.1)
Dividends from associate	17	–	1.1
Income tax paid		(896.5)	(901.2)
Net cash from operating activities		1,705.5	2,837.8
Investing activities			
Capital contribution and loan to associates and joint ventures	17	(128.2)	(44.0)
Acquisition of available-for-sale investments		(2.1)	(1.5)
Proceeds from sale of available-for-sale investment		–	1.4
Proceeds from repayment of loan to associates		–	83.8
Proceeds from sale of property, plant and equipment		10.6	9.3
Purchases of property, plant and equipment		(1,344.8)	(873.5)
Purchases of Intangible assets		–	(3.9)
Net decrease/(increase) in liquid investments		409.2	(535.7)
Interest received		14.0	24.8
Net cash used in investing activities		(1,041.3)	(1,339.3)
Financing activities			
Dividends paid to equity holders of the Company	12	(975.0)	(438.7)
Dividends paid to preference shareholders of the Company	12	(0.2)	(0.2)
Dividends paid to non-controlling interests	30	(452.1)	(702.5)
Change in ownership interest in subsidiaries		–	351.8
Capital increase from minority interest		109.9	26.8
Net proceeds from issue of new borrowings	31	194.1	104.9
Repayments of borrowings	31	(706.6)	(365.2)
Repayments of obligations under finance leases	31	(15.6)	(12.7)
Net cash used in financing activities		(1,845.5)	(1,035.8)
Net (decrease)/increase in cash and cash equivalents		(1,181.3)	462.7
Cash and cash equivalents at beginning of the year		1,811.3	1,335.1
Net (decrease)/increase in cash and cash equivalents	31	(1,181.3)	462.7
Effect of foreign exchange rate changes	31	(16.3)	13.5
Cash and cash equivalents at end of the year	21,31	613.7	1,811.3

[1] The prior year comparative figures have been restated as a result of the early adoption of IFRS 11 Joint Arrangements. See Note 1 for further details.

Notes to the financial statements

1 Basis of preparation

a) Accounting standards applied

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") that have been endorsed by the European Union ("EU").

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the corporate governance report.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

— IFRS 9	Financial instruments
— IFRS 10 and 12 and IAS 27 (amendments)	Investment entities
— IAS 36 (amendments)	Recoverable amount disclosures for non-financial assets
— IAS 39 (amendments)	Novation of derivatives and continuation of hedge accounting
— IFRIC Interpretation 21	Levies

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets in particular as the standard introduces new classifications of financial assets.

IFRS 10 and 12 and IAS 27 (amendments), issued in October 2012, introduced an exception to the principle in IFRS 10 that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9. The Group does not expect this will have a significant impact.

IAS 36 (amendments) requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 (amendments) sets out amendments to IAS 39 Financial Instruments: Recognition and Measurement when the hedging relationship in which a derivative has been designated as a hedging instrument in accordance with IAS 39 in a circumstance in which that derivative is novated to a central counterparty (CCP) following the introduction of a new law or regulation. The Group is assessing the impact of the adoption of IAS 39 (amendments) but does not expect it to have a significant impact.

IFRIC interpretation 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Group does not expect it to have a significant impact.

b) Adoption of new accounting standards

The following accounting standards, amendments and interpretations became effective in the current reporting period:

IAS 19 (revised) Employee benefits

IFRS 13 Fair value measurement

IFRIC 20 Stripping costs in the production phase of a surface mine

The Group has elected to early adopt the following standards, which have been endorsed by the European Union but which are only mandatory for financial periods beginning on or after 1 January 2014:

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interests in other entities

IAS 27 Separate financial statements

IAS 28 Investment in associates and joint ventures

The nature and impact on the financial statements of the Group of those new standards, amendments and interpretations are described below:

IAS 19 (revised) Employee benefits
IAS 19R includes a number of changes to the accounting for defined benefit plans and termination benefits. The principal change for the Group is the requirement for all actuarial gains and losses to be recognised immediately through comprehensive income. As the Group's plan (which relates to severance indemnity obligations) is unfunded, the amendments to the standard relating to the accounting for plan assets have not had an effect on the financial statements of the Group.

The standard has been applied retrospectively according to the transitional provisions of the standard. For the year ended 31 December 2012 actuarial losses of $7.6 million have been reclassified from the income statement and included in other comprehensive income. In the year ended 31 December 2013 an actuarial loss of $10.4 million has been included in other comprehensive income.

IFRS 13 Fair value measurement
IFRS 13 establishes a single framework for measuring fair value. When an item is required or permitted to be measured at fair value by another standard, the fair value is determined according to the framework established in IFRS 13.

IFRS 13 includes a new definition of fair value that emphasises that fair value is a market-based measurement. The main impact of this for the Group has been to incorporate an element of own credit risk in the valuation of financial liabilities. In accordance with the transitional provisions of IFRS 13 the amended valuation methodology has been applied prospectively from 1 January 2013, and accordingly has not impacted the prior period comparative figures. The net impact in the year ended 31 December 2013 in comparison with the previous fair value methodology has been a gain of $0.3 million in equity relating to the Group's interest rate swaps and a loss of less than $0.1 million in profit and loss relating to the Group's commodity derivatives.

The application of IFRS 13 has not had a significant impact on any other items measured at fair value.

IFRS 13 requires specific disclosures on fair values. The Group provides these disclosures in Note 24.

IFRIC 20 Stripping costs in the production phase of a surface mine
IFRIC 20 clarifies the requirements for stripping costs in the production phase of a surface mine.

The adoption of IFRIC 20 has not had a significant impact on the accounting for operational stripping costs by the Group. The ongoing mining and development of the Group's open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste-stripping in proportion to the tonnes of material extracted. Waste-stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a significant stripping campaign which is expected to provide improved access to an identifiable component of the ore body (typically an individual phase within the overall mine plan), the costs of removing waste in order to improve access to that part of the ore body are capitalised within mining properties within property, plant and equipment. The capitalised costs

Notes to the financial statements

1 Basis of preparation continued

are then amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the component of the pit to which the stripping campaign relates.

The standard has been applied retrospectively with effect from 1 January 2012 according to the transitional provisions of the standard. As at 1 January 2012 the Group did not have any capitalised or deferred operational stripping costs. During 2012 the Group had capitalised $56.6 million of operational stripping costs. These amounts have been reviewed and are in compliance with the requirements of IFRIC 20, and accordingly no restatement of the prior period comparative figures has been required by the adoption of the new Interpretation. In the year ended 31 December 2013 a further $99.6 million of operational stripping costs has been capitalised by the Group.

IFRS 10 Consolidated financial statements and IAS 27 Separate financial statements

IFRS 10 replaces the parts of IAS 27 that dealt with consolidated financial statements. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from the investment with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of IFRS 10 has not had an impact on the consolidation of investments by the Group.

IFRS 11 Joint arrangements and IAS 28 Investment in associates and joint ventures

IFRS 11 replaces IAS 31 Joint ventures and establishes principles for financial reporting by parties to a joint arrangement. Under IFRS 11 the classification of joint arrangements has changed. Investments in joint arrangements are classified as either joint ventures or joint operations based on the rights and obligations of the parties to the arrangement.

In assessing the joint arrangements to which the Group is currently party, consideration was given to the legal form of the arrangement, the terms of the contractual arrangement and any relevant facts and circumstances. The Group has determined its interests in joint arrangements to be joint ventures in terms of IFRS 11.

Under the superseded IAS 31 the Group applied the option to account for joint ventures using proportionate consolidation. IFRS 11 removes this option and requires joint arrangements that are joint ventures to be accounted for using the equity method. The standard has been applied retrospectively in accordance with the transitional provisions of the standard. The impact on the Group financial statements for the year ended 31 December 2012 are set out in the table below.

IFRS 12 Disclosure of interests in other entities

IFRS 12 includes disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The Group has included additional disclosures to comply with the new requirements set out in IFRS 12.

Impact of accounting standards, amendments and interpretations on prior period comparatives

The following table sets out the impact of retrospectively applying IFRS 11 and IAS 19R for the year ended 31 December 2012:

	Year ended 31.12.12 as previously stated $m	IFRS 11 $m	IAS 19R $m	Year ended 31.12.12 restated $m
Adjustments to Consolidated income statements				
Total operating costs	(3,901.7)	27.5	7.6	(3,866.6)
Share of results from associates and joint ventures	6.7	(27.5)	–	(20.8)
Income tax expense	(1,020.6)	–	(1.6)	(1,022.2)
Profit for the financial year	1,733.6	–	6.0	1,739.6
Adjustments to the Consolidated statements of comprehensive income				
Profit for the financial period	1,733.6	–	6.0	1,739.6
Actuarial losses on defined benefit plans	–	–	(7.6)	(7.6)
Tax on items recognised directly that will not be reclassified	–	–	1.6	1.6
Total comprehensive income for the period	1,761.5	–	–	1,761.5
Adjustments to the Consolidated balance sheets				
Investment in associates and joint ventures	107.6	(1.1)	–	106.5
Trade and other receivables	801.9	(0.4)	–	801.5
Cash and cash equivalents	1,815.9	(4.6)	–	1,811.3
Trade and other payables	(710.2)	5.7	–	(704.5)
Post-employment benefit obligations	(81.9)	0.4	–	(81.5)
Net assets	8,804.8	–	–	8,804.8
Adjustments to Consolidated cash flow statements				
Cash flow from operations	3,806.2	19.8	–	3,826.0
Capital contribution to associates and joint ventures	(19.6)	(24.4)	–	(44.0)
Net increase in cash and cash equivalents	467.3	(4.6)	–	462.7
Adjustments to non-GAAP data				
EBITDA	3,829.3	27.5	7.6	3,864.4

The 2012 comparative figures in the notes to the financial statements have accordingly been restated to reflect the impact of the adoption of IFRS II and IAS 19R.

2 Principal accounting policies

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the use of fair values to measure certain financial instruments, principally provisionally priced sales as explained in Note 2(f) and financial derivative contracts as explained in Note 2(y).

b) Basis of consolidation

The financial statements comprise the consolidated financial statements of Antofagasta plc ("the Company") and its subsidiaries (collectively "the Group").

(i) **Subsidiaries** – A subsidiary is an entity over which the Group has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company balances and transactions. For partly-owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as "Non-controlling interests" in the consolidated balance sheet and consolidated income statement.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (ie reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Acquisitions and disposals are treated as explained in Note 2(g) relating to business combinations and goodwill.

c) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. This requires recording the investment initially at cost to the Group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of the associate's results less any impairment and any other changes to the associate's net assets such as dividends. When the Group's share of losses of an associate exceeds the Group's interest in that associate the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are accounted depending on the nature of the arrangement.

i) Joint ventures – are accounted for using equity method in accordance with IAS 28(2011) Investment in Associates and Joint Ventures as described in Note 2(c).

ii) Joint operations – are accounted for recognising directly the assets, obligations, revenues and expenses of the joint operator in the joint arrangement. The assets, liabilities, revenues and expenses are accounted for in accordance with the relevant IFRS.

When a Group entity transacts with its joint arrangements, profits and losses resulting from the transactions with the joint arrangements are recognised in the Group's consolidated financial statements only to the extent of interests in the joint arrangements that are not related to the Group.

e) Currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period within other finance items.

The presentational currency of the Group and the functional currency of the Company is the US dollar. On consolidation, income statement items for entities with a functional currency other than the US dollar are translated into US dollars at average rates of exchange. Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period in which an operation is disposed of.

On consolidation, exchange gains and losses which arise on balances between Group entities are taken to reserves where that balance is, in substance, part of the net investment in a foreign operation, ie where settlement is neither planned nor likely to occur in the foreseeable future. All other exchange gains and losses on Group balances are dealt with in the income statement.

Fair value adjustments and any goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period-end rate.

Notes to the financial statements

2 Principal accounting policies continued

f) Revenue recognition

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax.

A sale is recognised when the significant risks and rewards of ownership have passed. This is generally when title and any insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location or when any services have been provided.

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date, as explained below. For copper and molybdenum concentrates, which are sold to smelters and roasting plants for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for tolling charges. Revenue includes amounts from the sale of by-products.

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 based on the monthly average London Metal Exchange ("LME") copper price or the monthly average market molybdenum price for specified future periods. This normally ranges from one to five months after delivery to the customer. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales together with any related tolling charges are marked-to-market, with adjustments (both gains and losses) being recorded in revenue in the consolidated income statement and in trade debtors in the balance sheet. Forward prices at the period end are used for copper concentrate and cathode sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of a futures market.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from available-for-sale investments and associates is recognised when the shareholders' right to receive payment has been established.

g) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business which can be measured reliably are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as "measurement period" adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the next identifiable assets acquired and liabilities assumed. Any goodwill on the acquisition of subsidiaries is separately disclosed, while any goodwill on the acquisition of associates is included within investments in equity accounted entities. Internally generated goodwill is not recognised. Where the fair values of the identifiable net assets acquired exceed the sum of the consideration transferred, the surplus is credited to the profit or loss in the period of acquisition as a bargain purchase gain.

The Group often enters into earn-in arrangements whereby the Group acquires an interest in a project company in exchange for funding exploration and evaluation expenditure up to a specified level of expenditure or a specified stage in the life of the project. Funding is usually conditional on the achievement of key milestones by the partner. Typically there is no consideration transferred or funding liability on the effective date of acquisition of the interest in the project company and no goodwill is recognised on this type of business combination.

The results of businesses sold during the year are included in the consolidated financial statements for the period up to the effective date of disposal. Gains or losses on disposal are calculated as the difference between the sales' proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement.

h) Exploration and evaluation expenditure

Exploration and evaluation costs, other than those incurred in acquiring exploration licences, are expensed in the year in which they are incurred. When a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

Costs incurred in acquiring exploration licences are accounted for as intangible assets in accordance with the policy in Note 2(j) and are stated at cost less accumulated amortisation.

i) Stripping costs

Pre-stripping and operational stripping costs are incurred in the course of the development and operation of open-pit mining operations.

Pre-stripping costs relate to the removal of waste material as part of the initial development of an open-pit, in order to allow access to the ore body. These costs are capitalised within mining properties within property, plant and equipment. The capitalised costs are depreciated once production commences on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves for that pit at the beginning of the year.

Operational stripping costs relate to the costs of extracting waste material as part of the ongoing mining process. The ongoing mining and development of the Group's open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste-stripping in proportion to the tonnes of material extracted. The waste-stripping costs are generally absorbed into inventory, and expensed as that inventory is processed and sold. Where the stripping costs relate to a significant stripping campaign which is expected to provide improved access to an identifiable component of the ore body (typically an individual phase within the overall mine plan), the costs of removing waste in order to improve access to that part of the ore body will be capitalised within mining properties within property, plant and equipment. The capitalised costs will then be amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the component of the pit to which the stripping campaign relates.

j) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets include the cost of acquiring exploration licences. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Infrastructure assets relating to the Water concession are recorded within intangible assets, as part of concession rights. Concession rights also include an amount recognised in respect of the right to use those assets not recognised as their lives extend substantially beyond the period of the concession. Concession rights are measured as the difference between the cost of the concession and the fair values of the assets and liabilities recognised on acquisition plus the fair value of any further assets transferred to the Group by way of concession subsequent to acquisition.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

k) Property, plant and equipment

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment in the year in which they are incurred, when a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved). The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, related development expenditure is capitalised. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs. Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Interest on borrowings directly related to construction or development of projects is capitalised, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production.

l) Depreciation of property, plant and equipment and amortisation of intangible assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the operation if shorter, to residual value. The major categories of property, plant and equipment are depreciated as follows:

(i) **Land** – freehold land is not depreciated unless the value of the land is considered to relate directly to a particular mining operation, in which case the land is depreciated on a straight-line basis over the expected mine life. Any leasehold land is depreciated on a straight-line basis over the life of the lease.

(ii) **Mining properties** – mining properties, including capitalised financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

(iii) **Buildings and infrastructure** – straight-line basis over 10 to 25 years.

(iv) **Railway track (including trackside equipment)** – straight-line basis over 20 to 25 years.

(v) **Wagons and rolling stock** – straight-line basis over 10 to 20 years.

(vi) **Machinery, equipment and other assets** – are depreciated on a unit of production basis, in proportion to the volume of ore/material processed or straight-line basis over 5 to 20 years.

(vii) **Assets under construction** – no depreciation until asset is available for use.

(viii) **Assets held under finance lease** – are depreciated over the shorter of the lease term and their useful life.

Residual values and useful lives are reviewed, and adjusted if appropriate, at least annually, and changes to residual values and useful lives are accounted for prospectively.

The concession right is amortised on a straight-line basis over the life of the concession, or the useful life of any component part if less.

Notes to the financial statements

2 Principal accounting policies continued

m) Impairment of property, plant and equipment and intangible assets (excluding goodwill)

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

For mining properties, estimates of future cash flows are based on assumptions as to expected production levels, commodity prices, cash costs of production and capital expenditure. IAS 36 "Impairment of Assets" includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement-related expenditure. When calculating value in use, it also requires that calculations should be based on exchange rates current at the time of assessment. For operations with a functional currency other than the US dollar, the impairment review is conducted in the relevant functional currency.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment charge is recognised in the income statement immediately. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised in the income statement immediately.

n) Investment property

Investment property is property held to earn rentals and/or for capital appreciation and includes land held for a currently undetermined future use. The Group has elected to adopt the cost model in IAS 40 "Investment Property". Accordingly, investment property is measured initially at cost, which includes transaction costs for the acquisition of the property and, as detailed in Note 2(l) relating to property, plant and equipment, is not depreciated.

o) Inventory

Inventory consists of raw materials and consumables, work-in-progress and finished goods. Work-in-progress represents material that is in the process of being converted into finished goods. The conversion process for mining operations depends on the nature of the copper ore. For sulphide ores, processing includes milling and concentrating and results in the production of copper concentrate. For oxide ores, processing includes leaching of stockpiles, solution extraction and electro-winning and results in the production of copper cathodes. Finished goods consist of copper concentrate containing gold and silver at Los Pelambres and Esperanza and copper cathode at El Tesoro and Michilla. Los Pelambres also produces molybdenum as a by-product.

Inventory is valued at the lower of cost, on a weighted average basis, and net realisable value. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost of finished goods and work-in-progress is production cost and for raw materials and consumables it is purchase price. Production cost includes:

- labour costs, raw material costs and other costs directly attributable to the extraction and processing of ore;
- depreciation of plant, equipment and mining properties directly involved in the production process; and
- an appropriate portion of production overheads.

Stockpiles represent ore that is extracted and is available for further processing. Costs directly attributable to the extraction of ore are generally allocated as part of production cost in proportion to the tonnes of material extracted. Operational stripping costs are generally absorbed into inventory, and therefore expensed as that inventory is processed and sold. If ore will not be processed within 12 months of the statement of financial position date it is included within non-current assets. If there is significant uncertainty as to when any stockpiled ore will be processed it is expensed as incurred.

p) Taxation

Tax expense comprises the charges or credits for the period relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates for each entity in the consolidated financial statements which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (ie differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows:

(i) tax payable on undistributed earnings of subsidiaries, associates and joint ventures is provided except where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;

(ii) deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and

(iii) the initial recognition of any goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

r) Provisions for decommissioning and restoration costs

An obligation to incur decommissioning and restoration costs occurs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as financing costs. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

s) Provision for termination of Water concession

Under the terms of the Water concession from ECONSSA, certain items of working capital recognised by Aguas de Antofagasta are to be transferred to the state-owned operator ECONSSA at the end of the concession period for nil consideration. Provision is made for the estimated net present value of these assets and liabilities which are expected to be in existence when the concession comes to an end. The unwinding of the discount is charged within financing costs.

t) Share-based payment

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The Group currently does not have any equity share-based payments to employees or third parties.

u) Post-employment benefits

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a maturity period of 90 days or less.

w) Liquid investments

Liquid investments represent highly liquid current asset investments that do not meet the IAS 7 definition of cash and cash equivalents, normally because even if readily accessible, the underlying investments have an average maturity profile greater than 90 days from the date first entered into. These assets are designated as fair value through profit or loss.

x) Leases

Rental costs under operating leases are charged to the income statement account in equal annual amounts over the term of the lease.

Assets under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element is charged within financing costs so as to produce a constant periodic rate of interest on the remaining balance of the liability.

y) Other financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) **Investments** – Investments which are not subsidiaries, associates or joint ventures are initially measured at cost, including transaction costs.

    Investments are classified as either held for trading or available-for-sale, and are normally measured at subsequent reporting dates at fair value. Fair value is determined in the manner described in Note 25(b). Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Securities are classified as "held-for-trading" when they are acquired principally for the purpose of sale in the short term, and gains and losses arising from changes in fair value are included in profit or loss for the period. Other investments are classified as "available-for-sale", and gains and losses arising from changes in fair value are recognised directly in equity, within the "Fair value reserve", until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. Dividends on available-for-sale equity investments are recognised in the income statement when the right to receive payment is established.

(ii) **Trade and other receivables** – Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(iii) **Trade and other payables** – Trade and other payables are generally not interest-bearing and are normally stated at their nominal value.

Notes to the financial statements

2 Principal accounting policies continued

(iv) **Borrowings (loans and preference shares)** – Interest-bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in profit or loss or capitalised in accordance with the accounting policy set out in Note 2(k). Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

(v) **Equity instruments** – Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling denominated issued ordinary share capital and related share premium. As explained in Note 2(e), the presentational currency of the Group and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

(vi) **Derivative financial instruments** – As explained in Note 24(d), the Group uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for 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 qualify 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 are 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. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value. Changes in fair value are reported in profit or loss for the period. The treatment of embedded derivatives arising from provisionally-priced commodity sales contracts is set out in further detail in Note 2(f) relating to revenue.

(vii) **Impairment of financial assets** – Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss immediately.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss immediately to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

3 Critical accounting judgements and key sources of estimation uncertainty

Determining many of the amounts included in the financial statements involves the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is included in the principal accounting policies in Note 2 or the other notes to the financial statements, and the key areas are set out below.

a) Capitalisation of property, plant and equipment and of project costs

As explained in Note 2(k) the costs of developing mining properties are capitalised as property, plant and equipment in the year in which they are incurred, when the mining project is considered to be commercially viable. Management reviews amounts capitalised to ensure that the treatment of that expenditure as capital rather than operating expenditure is reasonable, in particular in respect of the commercial viability of the project. Commercial viability is normally considered to be demonstrable when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved.

b) Useful economic lives of property, plant and equipment and ore reserves estimates

As explained in Note 2(l), mining properties, including capitalised financing costs, are depreciated in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that were valid at the time of estimation may change when new information becomes available. These include assumptions as to grade estimates and cut-off grades, recovery rates, commodity prices, exchange rates, production costs, capital costs, processing and reclamation costs and discount rates. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

The majority of other items of property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives at least annually and, again, any changes could affect prospective depreciation rates and asset carrying values.

c) Impairment of assets

As explained in Note 2(m), the Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. The key assumptions are set out in Note 2(m) and Note 5. Subsequent changes to CGU allocation, licencing status, reserves and resources, price assumptions or other estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

d) Provisions for decommissioning and site restoration costs

As explained in Note 2(r), provision is made, based on net present values, for decommissioning and site rehabilitation costs as soon as the obligation arises following the development or ongoing production of a mining property. The provision is based on a closure plan prepared with the assistance of external consultants.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

e) Deferred taxation

As explained in Note 2(p), deferred tax is not provided for future tax payable on undistributed earnings where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future.

Management uses its judgement in estimating the probability of such remittances. These are based on Group forecasts and include assumptions as to future profits and cash flows (which depend on several factors including commodity prices, operating costs, production levels, capital expenditures, interest costs, debt repayment and tax rates) and cash requirements (which may also depend on several factors including future dividend levels). A change in the assumptions used or in the estimate as to the probability that past profits will be remitted would impact the deferred tax charge and balance sheet provision.

4 Exceptional item

The exceptional item in the years ended 31 December 2013 and 31 December 2012 and their impact on the results are set out below.

	Operating profit		Profit before tax		Earnings per share	
	2013 $m	2012 $m	**2013 $m**	2012 $m	**2013 US cents**	2012 US cents
Before exceptional item	**2,172.1**	3,373.5	**2,083.5**	3,261.8	**66.9**	140.7
Provision against carrying value of assets	**–**	(500.0)	**–**	(500.0)	**–**	(35.5)
After exceptional item	**2,172.1**	2,873.5	**2,083.5**	2,761.8	**66.9**	105.2

2012 – Provision against the carrying value of assets

Development of the Antucoya project was temporarily suspended in December 2012 while a review of the project was undertaken. An impairment review was performed in respect of the project as at 31 December 2012, and as a consequence an impairment of $500 million was recognised in respect of the project's assets at that date. The Group's attributable share of the impairment was $350 million. No tax credit was recorded relating to the impairment. The recoverable amount in the impairment review was determined by a value in use calculation prepared using management's forecasts as to capital expenditure, future commodity prices, operating costs and production volumes. The present value of the forecast future cash flows was calculated using a post-tax real discount rate of 7.5%.

The resumption of the project was announced on 27 March 2013 following conclusion of the project review.

There has been no adjustment to the impairment provision recorded in 2012 during the current year.

Notes to the financial statements

5 Segment information

The Group's reportable segments are as follows:

— Los Pelambres
— Esperanza
— El Tesoro
— Michilla
— Antucoya
— Exploration and evaluation
— Railway and other transport services
— Water concession
— Corporate and other items

For management purposes, the Group is organised into three business divisions based on their products – Mining, Railway and other transport services and the Water concession. The mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres, Esperanza, El Tesoro and Michilla are all operating mines and Antucoya is a development project. Los Pelambres produces primarily copper concentrate and molybdenum as a by-product. Esperanza produces primarily copper concentrate containing gold as a by-product. El Tesoro and Michilla both produce copper cathodes. The transport division provides rail cargo (based in Chile and Bolivia) and road cargo (based in Chile) together with a number of ancillary services (based in Chile). The water division produces and distributes potable water to domestic customers and untreated water to industrial customers in Chile's Antofagasta Region.

The Exploration and evaluation segment incurs exploration and evaluation expenses. "Corporate and other items" also comprise costs incurred by the Company and Antofagasta Minerals, the Group's mining corporate centre, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the mining division.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on the operating profit of each of the segments.

a) Segment revenues and results

For the year ended 31 December 2013

	Los Pelambres $m	Esperanza $m	El Tesoro $m	Michilla $m	Antucoya $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Railway and other transport services $m	Water concession $m	Total $m
Revenue	3,129.4	1,454.4	747.4	307.9	–	–	–	5,639.1	196.6	135.9	5,971.6
EBITDA	1,814.0	649.2	426.4	16.3	–	(274.9)	(83.3)	2,547.7	76.8	77.7	2,702.2
Depreciation and amortisation	(175.9)	(173.1)	(52.1)	(58.9)	–	–	(26.2)	(486.2)	(14.6)	(16.9)	(517.7)
(Loss)/gain on disposals	(2.8)	(1.6)	(3.8)	(0.5)	(0.7)	–	(0.2)	(9.6)	0.8	(3.6)	(12.4)
Operating profit/(loss)	1,635.3	474.5	370.5	(43.1)	(0.7)	(274.9)	(109.7)	2,051.9	63.0	57.2	2,172.1
Share of results from associates and joint ventures	–	–	–	–	–	–	(27.4)	(27.4)	13.0	–	(14.4)
Investment income	2.2	2.0	1.0	0.3	–	–	5.6	11.1	0.9	0.6	12.6
Interest expense	(8.4)	(46.0)	(3.8)	–	–	–	(3.6)	(61.8)	(0.2)	–	(62.0)
Other finance items	(7.9)	2.0	(2.6)	(6.5)	(4.2)	–	(5.8)	(25.0)	–	0.2	(24.8)
Profit/(loss) before tax	1,621.2	432.5	365.1	(49.3)	(4.9)	(274.9)	(140.9)	1,948.8	76.7	58.0	2,083.5
Tax	(374.8)	(109.6)	(84.6)	12.4	4.6	–	(216.6)	(768.6)	(64.2)	(10.9)	(843.7)
Non-controlling interests	(477.7)	(88.1)	(67.6)	11.5	1.6	–	39.9	(580.4)	0.2	–	(580.2)
Net earnings/(losses)	768.7	234.8	212.9	(25.4)	1.3	(274.9)	(317.6)	599.8	12.7	47.1	659.6
Additions to non-current assets											
Capital expenditure	208.9	325.3	155.6	17.2	678.9	–	30.7	1,416.6	28.7	13.4	1,458.7
Segment assets and liabilities											
Segment assets	3,748.9	3,373.6	1,285.2	226.6	764.4	–	2,346.3	11,745.0	409.9	234.7	12,389.6
Segment liabilities	(1,183.8)	(1,333.2)	(290.2)	(93.1)	(378.5)	–	(342.3)	(3,621.1)	(55.3)	(49.6)	(3,726.0)

For the year ended 31 December 2012

	Los Pelambres $m	Esperanza $m	El Tesoro $m	Michilla $m	Antucoya $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Railway and other transport services $m	Water concession $m	Total $m
Revenue	3,553.7	1,704.2	851.0	307.4	–	–	–	6,416.3	190.4	133.4	6,740.1
EBITDA	2,459.1	1,072.2	496.8	46.1	–	(283.4)	(83.3)	3,707.5	75.6	81.3	3,864.4
Depreciation and amortisation	(167.1)	(193.9)	(48.6)	(16.8)	–	–	(37.8)	(464.2)	(14.6)	(15.4)	(494.2)
(Loss)/gain on disposals	–	–	(1.5)	–	–	–	–	(1.5)	5.6	(0.8)	3.3
Provision against carrying value of assets	–	–	–	–	(500.0)	–	–	(500.0)	–	–	(500.0)
Operating profit/(loss)	2,292.0	878.3	446.7	29.3	(500.0)	(283.4)	(121.1)	2,741.8	66.6	65.1	2,873.5
Share of results from associates and joint ventures	–	–	–	–	–	–	(27.9)	(27.9)	7.1	–	(20.8)
Investment income	2.3	2.7	2.1	0.9	–	–	10.8	18.8	4.8	1.0	24.6
Interest expense	(12.6)	(63.5)	(6.5)	–	–	–	(3.0)	(85.6)	(0.3)	–	(85.9)
Other finance items	(10.8)	(5.0)	0.1	(14.1)	–	–	1.9	(27.9)	(1.8)	0.1	(29.6)
Profit/(loss) before tax	2,270.9	812.5	442.4	16.1	(500.0)	(283.4)	(139.3)	2,619.2	76.4	66.2	2,761.8
Tax	(595.2)	(188.4)	(106.5)	(3.7)	–	–	44.8	(849.0)	(156.1)	(17.1)	(1,022.2)
Non-controlling interests	(646.7)	(175.3)	(70.8)	(2.5)	150.0	–	43.4	(701.9)	(0.5)	–	(702.4)
Net earnings/(losses)	1,029.0	448.8	265.1	9.9	(350.0)	(283.4)	(51.1)	1,068.3	(80.2)	49.1	1,037.2
Additions to non-current assets											
Capital expenditure	178.8	130.3	130.9	58.4	440.0	–	34.4	972.8	22.7	8.0	1,003.5
Segment assets and liabilities											
Segment assets	3,689.1	3,639.7	1,089.1	270.2	113.9	–	3,285.7	12,087.7	512.5	263.6	12,863.8
Segment liabilities	(1,251.6)	(1,657.4)	(393.2)	(83.3)	(251.1)	–	(311.4)	(3,948.0)	(52.6)	(58.4)	(4,059.0)

Notes to segment revenues and results

(i) The accounting policies of the reportable segments are the same as the Group's accounting policies. Operating profit excludes the share of net loss from associates and joint venture of $14.4 million (year ended 31 December 2012 – net loss of $20.8 million). Operating profit is shown after exceptional items (see Note 4).

(ii) Inter-segment revenues are eliminated on consolidation. Revenue from the Railway and other transport services is stated after eliminating inter-segmental sales to the mining division of $2.1 million (year ended 31 December 2012 – $6.2 million). Revenue from the Water concession is stated after eliminating inter-segmental sales to the mining division of $7.2 million (year ended 31 December 2012 – $6.8 million) and after eliminating sales to the Railway and other transport services of $0.2 million (year ended 31 December 2012 – $0.2 million). Revenue from Esperanza is stated after eliminating inter-segmental sales of the Run-of-Mine oxides to El Tesoro of $6.3 million (year ended 31 December 2012 – $4.8 million).

(iii) Revenue includes the effect of both final pricing and mark-to-market adjustments to provisionally priced sales of copper and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 6.

(iv) Revenue includes a realised gain at Michilla of $25.2 million (year ended 31 December 2012 – gain of $6.1 million) and a realised gain at El Tesoro of $0.2 million (year ended 31 December 2012 – gain of $0.2 million) relating to commodity derivatives. In the prior year ended 31 December 2012 revenue also included a realised loss at Los Pelambres of $5.9 million relating to commodity derivatives. Further details of such gains or losses are given in Note 24(d).

(v) The copper and molybdenum concentrate sales are stated net of deductions for tolling charges. Tolling charges for copper and molybdenum concentrates are detailed in Note 6.

(vi) The exceptional item affecting operating profit in 2012 relates to provision against the carrying value of property, plant and equipment relating to the Antucoya Project (see Note 4).

Notes to the financial statements

5 Segment information continued

(vii) The effects of tax and non-controlling interests on the expenses within the Exploration and evaluation segment are allocated to the mine that the exploration work relates to.

(viii) The assets of the Railway and transport services segment includes $91.9 million (year ended 31 December 2012 – $80.8 million) relating to the Group's 40% interest in Inversiones Hornitos S.A. ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region and $6.7 million (year ended 31 December 2012 – $4.8 million) relating to the Group's 30% interest in Antofagasta Terminal International S.A. ("ATI"), which operates a concession to manage installations in the port of Antofagasta. The assets of Corporate and other items segment includes $24.4 million (year ended 31 December 2012 – $22.0 million) relating to the Group's 30% interest in Parque Eólico El Arrayán S.A., an energy company which has been formed to construct and operate a wind farm in Chile and $51.9 million (year ended 31 December 2012 – nil) relating to the Group's 40% interest in Alto Maipo SpA, a hydroelectric project located in the upper section of the Maipo River, approximately 50 km to the south-east of Santiago, with a total installed capacity of 531MW.

b) Entity-wide disclosures

Revenue by product

	2013 $m	2012 $m
Copper		
– Los Pelambres	2,821.0	3,091.3
– Esperanza	1,121.7	1,249.0
– El Tesoro	747.4	851.0
– Michilla	307.9	307.4
Molybdenum		
– Los Pelambres	180.3	314.7
Gold		
– Los Pelambres	77.0	85.7
– Esperanza	305.5	415.5
Silver		
– Los Pelambres	51.1	62.0
– Esperanza	27.2	39.7
Total Mining	5,639.1	6,416.3
Railway and transport services	196.6	190.4
Water concession	135.9	133.4
	5,971.6	6,740.1

Revenue by location of customer

	2013 $m	2012 $m
Europe		
– United Kingdom	15.8	35.2
– Switzerland	143.9	77.3
– Spain	208.2	225.7
– Germany	146.4	24.4
– Rest of Europe	232.4	385.6
Latin America		
– Chile	375.3	386.7
– Rest of Latin America	186.4	237.4
North America		
– United States	320.1	258.9
Asia		
– Japan	1,984.5	2,390.5
– China	1,423.9	1,508.9
– Rest of Asia	934.7	1,209.5
	5,971.6	6,740.1

Information about major customers

In the year ended 31 December 2013 the Group's mining revenues included $1,035.8 million related to one large customer that individually accounted for more than 10% of the Group's revenues (year ended 31 December 2012 – one large customer representing $1,143.8 million).

Non-current assets by location of assets

	2013 $m	2012 $m
Chile	7,962.4	6,924.1
Bolivia	37.0	34.1
USA	94.7	93.8
Other	1.3	(0.4)
	8,095.4	7,051.6

The above non-current assets disclosed by location of assets exclude financial instruments, available-for-sale investments and deferred tax assets.

Notes to the financial statements

6 Revenues

An analysis of the Group's total revenue is as follows:

	2013 $m	2012 $m
Sales of goods	5,782.8	6,558.3
Rendering of services	188.8	181.8
Group revenue	5,971.6	6,740.1
Other operating income (included within net operating costs)	18.7	14.3
Investment income	12.6	24.6
Total revenue	6,002.9	6,779.0

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. This normally ranges from one to five months after shipment to the customer. The provisional pricing mechanism within the sale agreements is an embedded derivative under IFRS. 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 Group's contracts.

In addition to mark-to-market and final pricing adjustments, revenue also includes realised gains and losses relating to derivative commodity instruments. Details of these realised gains or losses are shown in the tables below. Further details of derivative commodity instruments in place at the period end are given in Note 24.

Copper and molybdenum concentrate sales are stated net of deductions for tolling charges, as shown in the tables below.

For the year ended 31 December 2013

	Los Pelambres Copper concentrate $m	Esperanza Copper concentrate $m	El Tesoro Copper cathodes $m	Michilla Copper cathodes $m	Los Pelambres Gold in concentrate $m	Esperanza Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m
Provisionally invoiced gross sales	3,042.9	1,237.3	750.0	285.9	82.7	331.3	210.0
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	(1.8)	0.5	0.2	0.1	–	1.2	0.4
Settlement of copper sales invoiced in the previous year	(31.5)	(14.4)	1.1	0.2	(4.1)	(5.6)	0.1
Total effect of adjustments to previous year invoices in the current year	(33.3)	(13.9)	1.3	0.3	(4.1)	(4.4)	0.5
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	(72.8)	(37.1)	(5.1)	(3.4)	(1.4)	(15.8)	(14.9)
Mark-to-market adjustments at the end of the current year	27.1	8.8	1.0	(0.1)	–	(4.5)	(1.1)
Total effect of adjustments to current year invoices	(45.7)	(28.3)	(4.1)	(3.5)	(1.4)	(20.3)	(16.0)
Total pricing adjustments	(79.0)	(42.2)	(2.8)	(3.2)	(5.5)	(24.7)	(15.5)
Realised gains on commodity derivatives	–	–	0.2	25.2	–	–	–
Revenue before deducting tolling charges	2,963.9	1,195.1	747.4	307.9	77.2	306.6	194.5
Tolling charges	(142.9)	(73.4)	–	–	(0.2)	(1.1)	(14.2)
Revenue net of tolling charges	2,821.0	1,121.7	747.4	307.9	77.0	305.5	180.3

For the year ended 31 December 2012

	Los Pelambres Copper concentrate $m	Esperanza Copper concentrate $m	El Tesoro Copper cathodes $m	Michilla Copper cathodes $m	Los Pelambres Gold in concentrate $m	Esperanza Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m
Provisionally invoiced gross sales	3,144.8	1,298.1	852.8	303.1	89.8	416.5	362.5
Effects of pricing adjustments to previous year invoices							
Reversal of mark-to-market adjustments at the end of the previous year	18.0	(4.3)	0.2	0.2	–	1.6	0.1
Settlement of copper sales invoiced in the previous year	75.8	29.5	4.0	1.3	0.2	1.5	1.3
Total effect of adjustments to previous year invoices in the current year	93.8	25.2	4.2	1.5	0.2	3.1	1.4
Effects of pricing adjustments to current year invoices							
Settlement of copper sales invoiced in the current year	(23.5)	(11.7)	(6.0)	(3.2)	(4.1)	(1.6)	(29.6)
Mark-to-market adjustments at the end of the current year	1.8	(0.5)	(0.2)	(0.1)	–	(1.2)	(0.4)
Total effect of adjustments to current year 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 (losses)/gains 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

(i) 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 December 2013 sales totalling 172,000 tonnes remained open as to price, with an average mark-to-market price of $3.34/lb compared with an average provisional invoice price of $3.25/lb.

At 31 December 2012 sales totalling 203,400 tonnes remained open as to price, with an average mark-to-market price of $3.60/lb compared with an average provisional invoice price of $3.59/lb.

(ii) 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 December 2013, sales totalling 13,500 tonnes remained open as to price, with an average mark-to-market price of $3.34/lb compared with an average provisional invoice price of $3.31/lb.

At 31 December 2012, sales totalling 13,400 tonnes remained open as to price, with an average mark-to-market price of $3.59/lb compared with an average provisional invoice price of $3.60/lb.

(iii) Gold concentrates

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

At 31 December 2013, sales totalling 52,800 ounces remained open as to price, with an average mark-to-market price of $1,189/oz compared with an average provisional invoice price of $1,274/oz.

At 31 December 2012, sales totalling 42,400 ounces remained open as to price, with an average mark-to-market price of $1,676.9/oz compared with an average provisional invoice price of $1,704.8/oz.

Notes to the financial statements

6 Revenues continued

(iv) Molybdenum concentrate

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

At 31 December 2013, sales totalling 1,800 tonnes remained open as to price, with an average mark-to-market price of $9.7/lb compared with an average provisional invoice price of $10.0/lb.

At 31 December 2012, sales totalling 1,700 tonnes remained open as to price, with an average mark-to-market price of $11.4/lb compared with an average provisional invoice price of $11.5/lb.

As detailed above, the effects of 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 effect of mark-to-market adjustments on the balance sheet at the end of each period are as follows:

	Effect on debtors of year end mark-to-market adjustments	
	2013 $m	2012 $m
Los Pelambres – copper concentrate	27.1	1.8
Los Pelambres – molybdenum concentrate	(1.1)	(0.4)
Esperanza – copper concentrate	8.8	(0.5)
Esperanza – gold in concentrate	(4.5)	(1.2)
El Tesoro – copper cathodes	1.0	(0.2)
Michilla – copper cathodes	(0.1)	(0.1)
	31.2	(0.6)

7 Profit for the year

Operating profit from subsidiaries and total profit from operations and associates and joint ventures is derived from Group revenue by deducting operating costs as follows:

	2013 $m	2012 $m
Group revenue	5,971.6	6,740.1
Cost of sales	(2,859.5)	(2,464.5)
Gross profit	3,112.1	4,275.6
Administrative and distribution expenses	(563.0)	(596.0)
Closure provision	(71.0)	0.3
Severance charges	(16.0)	(14.2)
Provision against carrying value of assets (exceptional item)	–	(500.0)
Exploration and evaluation cost	(274.9)	(283.4)
Other operating income	18.7	14.3
Other operating expenses	(33.8)	(23.1)
Operating profit from subsidiaries	2,172.1	2,873.5
Share of results from associates and joint ventures	(14.4)	(20.8)
Total profit from operations, associates and joint ventures	2,157.7	2,852.7

Profit for the year is stated after (charging)/crediting:

	2013 $m	2012 $m
Foreign exchange gains/(losses)		
– included in net finance costs	2.9	(4.8)
– included in income tax expense	(0.4)	0.3
Amortisation of intangible asset included in cost of sales	(11.7)	(14.6)
Depreciation of property, plant and equipment		
– owned assets	(496.7)	(470.6)
– assets held under finance leases	(9.3)	(9.0)
Property and equipment written-off	(23.0)	(6.0)
Impairments of property, plant and equipment (exceptional item)	–	(500.0)
Cost of inventories recognised as expense	(2,035.1)	(1,753.1)
Employee benefit expense	(418.7)	(390.9)
Auditors' remuneration		
– audit and audit-related services	(1.2)	(1.3)
– non-audit services	(0.3)	(0.8)

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2013 $000	2012 $000
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(235)	(229)
Fees payable to the Company's auditor and their associates for other services to the Group		
– the audit of the Company's subsidiaries pursuant to legislation	(285)	(279)
– the audit of the Company's subsidiaries as part of the audit of the consolidated financial statements	(309)	(302)
Total audit fees	(829)	(810)
Audit-related services	(420)	(522)
Total fees for audit and audit-related services	(1,249)	(1,332)
Other non-audit fees		
– Tax compliance services	(22)	(13)
– Other taxation advisory services	(50)	(18)
– Other services	(193)	(807)
Total other non-audit service fees	(265)	(838)
Total auditor's remuneration	(1,514)	(2,170)

Audit-related services of $0.4 million in 2013 ($0.5 million in 2012) relate mainly to reviewing of the half-yearly financial report pursuant to legislation, training support in respect to IFRS (IFRIC 4 and IFRS 39) and other audit-related assurance services.

Other services of $0.2 million in 2013 relates mainly to an evaluation of the risk management process ($0.8 million in 2012, mainly fees paid by Los Pelambres for environmental advisory services relating to monitoring of compliance with environmental commitments).

Details of Company's policy on the use of auditors for non-audit services, the reason why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 85. No services were provided pursuant to contingent fee arrangements.

Notes to the financial statements

8 Employees

a) Average number of employees

	2013 Number	2012 Number
Los Pelambres	945	878
Esperanza	1,283	1,032
El Tesoro	626	571
Michilla	792	709
Antucoya	199	77
Exploration and evaluation	56	54
Corporate and other employees		
– Chile	262	246
– United Kingdom	9	12
– Other	49	48
Mining	4,221	3,627
Railway and other transport services	1,565	1,662
Water concession	312	286
	6,098	5,575

(i) The average number of employees for the year includes all the employees of subsidiaries. The average number of employees does not include contractors who are not directly employed by the Group.

(ii) The average number of employees does not include employees from associates and joint ventures.

(iii) The average number of employees includes the Executive Director but does not include Non-Executive Directors.

b) Aggregated remuneration

The aggregated remuneration of the employees included in the table above was as follows:

	2013 $m	2012 $m
Wages and salaries	(421.6)	(389.6)
Social security costs	(17.6)	(15.1)
Post-employment benefits – severance charge in the year	(16.8)	(12.1)
Long-term incentive plan – charge in the year	(1.7)	(4.5)
	(457.7)	(421.3)

During 2013, the amount relating to Minera Antucoya of $20.5 million ($13.8 million in 2012) on wages, salaries and social security cost and $0.8 million ($0.4 million in 2012) of severance charge has been capitalised.

c) Key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Directors (Executive and Non-Executive) of the Company. Key management personnel who are not Directors have been treated as responsible senior management at the Corporate Centre and for the running of the key business divisions of the Group.

Compensation for key management personnel (including Directors) was as follows:

	2013 $m	2012 $m
Salaries and short-term employee benefits	(19.0)	(23.0)
Post-employment benefits – severance charge in the year	(0.6)	(0.5)
Long-term incentive plan – charge in the year	(1.3)	(2.3)
	(20.9)	(25.8)

Disclosures on Directors' remuneration required by Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 including those specified for audit by that Schedule are included in the Remuneration report on pages 90 to 100.

9 Net finance expense

	2013 $m	2012 $m
Investment revenue		
Interest receivable	**9.0**	19.6
Fair value through profit or loss	**3.6**	5.0
	12.6	24.6
Interest expense		
Interest payable	**(61.8)**	(85.7)
Preference dividends	**(0.2)**	(0.2)
	(62.0)	(85.9)
Other finance items		
Time value effect of derivatives	**(13.5)**	(12.4)
Unwinding of discount on provisions	**(14.2)**	(12.4)
Foreign exchange	**2.9**	(4.8)
	(24.8)	(29.6)
Net finance expense	**(74.2)**	(90.9)

At 31 December 2013 an expense of $6.4 million relating to net interest expense and other finance items at Antucoya was capitalised (at 31 December 2012 – $1.3 million had been capitalised and subsequently impaired).

10 Taxation

The tax charge for the year comprised the following:

	2013 $m	2012 $m
Current tax charge		
– Corporate tax (principally first category tax in Chile)	**(382.6)**	(546.7)
– Mining tax (Royalty)	**(90.5)**	(177.5)
– Withholding tax	**(208.0)**	(147.7)
– Exchange (losses)/gains on corporate tax balances	**(0.4)**	0.3
	(681.5)	(871.6)
Deferred tax credit/(charge)		
– Corporate tax (principally first category tax in Chile)	**(72.4)**	(156.5)
– Mining tax (Royalty)	**(8.7)**	(0.1)
– Withholding tax	**(81.1)**	6.0
	(162.2)	(150.6)
Total tax charge (Income tax expense)	**(843.7)**	(1,022.2)

The rate of corporate (first category) tax in Chile is 20% (2012 – 20%).

The Group's mining operations are also subject to a mining tax (royalty). From 1 January 2013 production from Los Pelambres, the Tesoro Central and Mirador pits at El Tesoro and Michilla have been subject to the mining tax at a rate of 4% applied to taxable operating profit, and Esperanza has been subject to a rate of 5%. Production from the Tesoro North-East pit and the Run-of-Mine processing at El Tesoro has been subject to a rate of 5–14% of taxable operating profit based on a sliding scale with minimum rate of 5% applying to operations with an operating profit margin of below 35% and maximum rate of 14% applied to operations with an operating profit margin above 85%. During 2012 production from Los Pelambres, Esperanza, the Tesoro Central and Mirador pits at El Tesoro and Michilla were subject to a rate of between 4–9% of taxable operating profit, and production from the Tesoro North-East pit and the Run-of-Mine processing at El Tesoro was subject to a rate of between 5–14%, depending on the level of operating profit margin.

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile and deferred tax is provided on undistributed earnings to the extent that remittance is probable in the foreseeable future. Withholding tax is levied on remittances of profits from Chile at 35% less first category (ie corporate) tax already paid in respect of the profits to which the remittances relate. Prior to 2011 the rate of first category tax had been 17% for a number of years. Accordingly, withholding tax will be levied at a rate of 18% in respect of remittances of profits earned in previous years when the 17% rate applied. Withholding tax will be levied at a rate of 15% in respect of remittances of profits earned from 2011 onwards when the current rate of corporation (first category) tax of 20% is applied.

Notes to the financial statements

10 Taxation continued

	2013 $m	2013 %	2012 $m	2012 %
Profit before tax	2,083.5		2,761.8	
Tax at the Chilean corporate tax rate of 20%	(416.7)	20.0	(552.4)	20.0
Tax effect of share of results of associates and joint ventures	(2.9)	0.1	(4.2)	0.2
Provision against carrying value of assets not recognised for deferred tax	–	–	(100.0)	3.6
Items not subject to or deductible from first category tax	(35.4)	1.7	21.2	(0.8)
Effect of increase in first category tax rate on deferred tax balances	–	–	(67.8)	2.5
Royalty	(99.2)	4.8	(177.6)	6.4
Withholding taxes provided in year	(289.1)	13.9	(141.7)	5.1
Exchange differences	(0.4)	–	0.3	–
Tax expense and effective tax rate for the year	(843.7)	40.5	(1,022.2)	37.0

In 2013 the total charge was $843.7 million, with an overall effective tax rate of 40.5% compared with the statutory rate of corporate tax of 20%. The effective rate of corporate tax was 21.8%, principally due to the impact of exploration expenditure (in particular in countries outside of Chile) which did not give rise to tax credits. In addition, the overall effective tax rate reflects the Chilean mining tax charge of $99.2 million and the withholding tax charge of $289.1 million.

In 2012 the total charge was $1,022.2 million, with an overall effective tax rate of 37.0% compared with the statutory rate of corporate tax of 20%. The effective rate of corporate tax was 25.5%, principally due to the impact of the $500 million exceptional impairment provision, which did not give rise to a tax credit, and a deferred tax charge of $67.8 million as a result of the permanent increase in the first category tax rate in Chile from 17% to 20%. In addition, the overall effective tax rate reflected the Chilean mining tax charge of $177.6 million and the withholding tax charge of $141.7 million.

11 Earnings per share

	2013 $m	2012 $m
Profit for the year attributable to equity holders of the Company (Net earnings)	659.6	1,037.2
Profit for the year attributable to equity holders of the Company (Net earnings) – excluding exceptional items	659.6	1,387.2

	2013 Number	2012 Number
Ordinary shares in issue throughout each year	985,856,695	985,856,695

	2013 US cents	2012 US cents
Basic earnings per share	66.9	105.2
Basic earnings per share – excluding exceptional items	66.9	140.7

Basic earnings per share is calculated as profit after tax and non-controlling interests, based on 985,856,695 ordinary shares.

There was no potential dilution of earnings per share in either year set out above, and therefore diluted earnings per share did not differ from basic earnings per share as disclosed above.

Basic earnings per share excluding exceptional items is calculated on profit after tax and non-controlling interest giving net earnings, excluding exceptional items (and related tax and non-controlling interest), of $659.6 million (2012 – $1,387.2 million).

12 Dividends

Amounts recognised as distributions to equity holders in the year:

	2013 $m	2012 $m	2013 US cents per share	2012 US cents per share
Final dividend paid in June (proposed in relation to the previous year)				
– ordinary	**123.2**	118.3	**12.5**	12.0
– special	**764.1**	236.6	**77.5**	24.0
	887.3	354.9	**90.0**	36.0
Interim dividend paid in October				
– ordinary	**87.7**	83.8	**8.9**	8.5
	87.7	83.8	**8.9**	8.5
	975.0	438.7	**98.9**	44.5

The proposed final dividend for each year, which is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements, is as follows:

	2013 $m	2012 $m	2013 US cents per share	2012 US cents per share
Final dividend proposed in relation to the year				
– ordinary	**848.8**	123.2	**86.1**	12.5
– special	**–**	764.1	**–**	77.5
	848.8	887.3	**86.1**	90.0

This gives total dividends proposed in relation to 2013 (including the interim dividend) of 95.0 cents per share or $936.5 million (2012 – 98.5 cents per share or $971.1 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 9) and amounted to $0.2 million (2012 – $0.2 million).

If approved at the Annual General Meeting, the final dividend of 86.1 cents will be paid on 23 May 2014 to ordinary shareholders on the register at the close of business on 25 April 2014. Shareholders can elect (on or before 28 April 2014) to receive this interim dividend in US dollars, pounds sterling or euro, and the exchange rate to be applied to interim dividends to be paid in pounds sterling or euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 1 May 2014).

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 870 702 0159.

Further details relating to dividends for each year are given in the Directors' report.

Notes to the financial statements

13 Intangible assets

	Total intangible Concession right $m
Cost	
At 1 January 2012	241.8
Additions	3.9
Foreign currency exchange difference	20.7
At 31 December 2012 and 1 January 2013	266.4
Foreign currency exchange difference	(22.7)
At 31 December 2013	**243.7**
Amortisation and impairment	
At 1 January 2012	(86.5)
Charge for the year	(14.6)
Foreign currency exchange difference	(7.7)
At 31 December 2012 and 1 January 2013	(108.8)
Charge for the year	(11.7)
Foreign currency exchange difference	9.8
At 31 December 2013	**(110.7)**
Net book value	
At 31 December 2013	**133.0**
At 31 December 2012	157.6

The concession right relates to the 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile which the Group's wholly-owned subsidiary, Aguas de Antofagasta S.A., acquired in December 2003 and any other subsequent additions or acquisitions subject to the terms of the concession. This intangible asset is being amortised on a straight-line basis over the life of the concession, or the useful life of any component part if less.

14 Property, plant and equipment

	Land and mining properties $m	Buildings and infrastructure $m	Railway track $m	Wagons and rolling stock $m	Machinery, equipment and others $m	Assets under construction $m	Total $m
Cost							
At 1 January 2012	1,048.5	3,241.4	67.5	141.9	3,964.1	244.3	8,707.7
Additions	101.4	2.6	3.9	6.7	38.8	850.1	1,003.5
Decommissioning provisions capitalised	–	–	–	–	59.6		59.6
Reclassifications	(4.1)	154.9	–	2.7	129.1	(284.6)	(2.0)
Asset disposals	(0.6)	(0.3)	–	(4.7)	(16.2)	(0.2)	(22.0)
Foreign currency exchange difference	–	3.7	–	–	4.1	0.2	8.0
At 31 December 2012 and 1 January 2013	1,145.2	3,402.3	71.4	146.6	4,179.5	809.8	9,754.8
Additions	223.0	8.3	0.1	2.8	5.4	1,219.1	1,458.7
Decommissioning provisions capitalised	–	–	–	–	31.8	–	31.8
Reclassifications	(23.7)	125.4	3.0	9.5	317.0	(443.3)	(12.1)
Asset disposals	–	(4.3)	(2.2)	(8.5)	(32.7)	(5.1)	(52.8)
Foreign currency exchange difference	–	(3.6)	–	–	(2.5)	(0.4)	(6.5)
At 31 December 2013	**1,344.5**	**3,528.1**	**72.3**	**150.4**	**4,498.5**	**1,580.1**	**11,173.9**
Accumulated depreciation and impairment							
At 1 January 2012	(445.8)	(739.7)	(14.8)	(74.4)	(986.0)	(4.0)	(2,264.7)
Charge for the year	(50.1)	(146.7)	(2.4)	(11.2)	(269.2)	–	(479.6)
Depreciation capitalised	–	–	–	–	(8.1)	–	(8.1)
Provision against carrying value of assets (see Note 5)	(56.4)	–	–	–	–	(443.6)	(500.0)
Reclassifications	–	(2.4)	–	0.1	2.3	–	–
Asset disposals	–	0.1	–	3.5	12.4	–	16.0
Foreign currency exchange difference	–	(4.7)	–	–	(0.5)	–	(5.2)
At 31 December 2012 and 1 January 2013	(552.3)	(893.4)	(17.2)	(82.0)	(1,249.1)	(447.6)	(3,241.6)
Charge for the year	(52.2)	(152.8)	(2.5)	(10.9)	(287.6)	–	(506.0)
Depreciation capitalised in inventories	–	–	–	–	(5.5)	–	(5.5)
Depreciation capitalised in property, plant and equipment	–	–	–	–	(34.4)	–	(34.4)
Reclassifications	–	–	–	0.2	7.1	–	7.3
Asset disposals	–	4.7	1.3	4.5	19.3	–	29.8
Foreign currency exchange difference	–	0.7	–	–	0.6	–	1.3
At 31 December 2013	**(604.5)**	**(1,040.8)**	**(18.4)**	**(88.2)**	**(1,549.6)**	**(447.6)**	**(3,749.1)**
Net book value							
At 31 December 2013	**740.0**	**2,487.3**	**53.9**	**62.2**	**2,948.9**	**1,132.5**	**7,424.8**
At 31 December 2012	592.9	2,508.9	54.2	64.6	2,930.4	362.2	6,513.2
Assets under finance leases included in the totals above							
Net book value							
At 31 December 2013	**–**	**27.3**	**–**	**–**	**22.0**	**–**	**49.3**
At 31 December 2012	–	28.0	–	–	30.1	–	58.1

The Group has pledged assets with a carrying value of $3,365.2 million (2012 – $2,123 million) as security against bank loans provided to the Group.

At 31 December 2013 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $842.8 million (2012 – $748.0 million of which $421.0 million were related to the development of Antucoya project).

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was $0.5 million in 2013 (2012 – $1.3 million).

At 31 December 2013 $39.9 million (2012 – $8.1 million) of depreciation in respect of assets relating to Los Pelambres, Esperanza, El Tesoro and Michilla has been capitalised within property, plant and equipment or inventory, and accordingly is excluded from the depreciation charge recorded in the income statement as shown in Note 5(a).

The $500.0 million provision in 2012 against the carrying value of property, plant and equipment relates to the Antucoya project. Further details in respect of this are set out in Note 4.

Notes to the financial statements

15 Investment property

	2013 $m	2012 $m
Cost		
Balance at the beginning of the year	3.5	3.1
Foreign currency exchange difference	(0.2)	0.4
Balance at the end of the year	3.3	3.5

Investment property represents the Group's forestry properties, which are held for long-term potential and accordingly classified as investment property and held at cost as permitted by IAS 40.

The fair value of the Group's investment property at 31 December 2012 was $11.0 million (2011 – $11.0 million), based on an independent valuation carried out during 2008 by Gabriel Durán, who is not connected with the Group. Mr Durán is a Forestry Engineer, Valuer and Assessor of forestry properties for Banco Itau in Chile, with extensive experience of valuation in the region where the assets are located. The valuation was based on market evidence of transaction prices for similar properties.

Direct operating expenses (principally ongoing maintenance costs) arising on these properties amounted to $0.2 million (2011 – $0.2 million).

16 Investments in subsidiaries

The principal subsidiaries of the Group, the percentage of equity owned and the main country of operation are set out below. These interests are consolidated within these financial statements. The Group has restricted the information to its principal subsidiaries as full compliance with section 409 of the Companies Act 2006 would result in a statement of excessive length. A full list of subsidiaries, joint ventures and associates will be annexed to the next annual return of Antofagasta plc to be filed with the Registrar of Companies.

	Country of incorporation	Country of operations	Nature of business	Economic interest
Direct subsidiaries of the Parent Company				
Antofagasta Railway Company plc	UK	Chile	Railway	100%
Chilean Northern Mines Limited	UK	Chile	Investment	100%
Antofagasta Investment Company Limited	Jersey	Jersey	Investment	100%
Indirect subsidiaries of the Parent Company				
Antofagasta Minerals	Chile	Chile	Mining	100%
Minera Los Pelambres	Chile	Chile	Mining	60%
Minera El Tesoro	Chile	Chile	Mining	70%
Minera Michilla S.A.	Chile	Chile	Mining	74.2%
Minera Esperanza	Chile	Chile	Mining	70%
Minera Antucoya Limitada	Chile	Chile	Mining	70%
Twin Metals Minnesota LLC	USA	USA	Mining	40%
Antofagasta Minerals Canada	Canada	Canada	Mining	100%
Anaconda Peru	Peru	Peru	Mining	100%
Antofagasta Minerals Australia Pty	Australia	Australia	Mining	100%
Antofagasta Services Limited	UK	UK	Group services	100%
Aguas de Antofagasta S.A.	Chile	Chile	Water distribution	100%
Atacama Aguas y Tecnología Limitada	Chile	Chile	Water distribution	100%
Ferrocarril Antofagasta a Bolivia (Agency)	Chile	Chile	Railway	100%
Servicios de Transportes Integrados Limitada	Chile	Chile	Road transport	100%
Empresa Ferroviaria Andina S.A.	Bolivia	Bolivia	Railway	50%
Forestal S.A.	Chile	Chile	Forestry	100%

The Group exercises control over the Boards of Empresa Ferroviaria Andina S.A. and Twin Metals Minnesota LLC. Accordingly, these investments are treated as subsidiaries and are consolidated in these Group financial statements.

17 Investment in associates and joint ventures

	Inversiones Hornitos 2013 $m	ATI 2013 $m	El Arrayán 2013 $m	Alto Maipo 2013 $m	Energía Andina 2013 $m	Tethyan Copper 2013 $m	Total 2013 $m	Total 2012 $m
Balance at the beginning of the year	80.8	4.8	22.0	–	1.4	(2.5)	106.5	86.8
Capital contribution	–	–	–	52.6	21.6	7.0	81.2	44.0
Gains/(losses) in fair value of cash flow hedges deferred in reserves of associates	–	–	2.3	(0.4)	–	–	1.9	(1.8)
Interest expense capitalised by associate payable to subsidiary	–	–	–	–	–	–	–	(0.6)
Share of net profit/(loss) before tax	13.6	2.4	0.1	(0.4)	(21.9)	(5.3)	(11.5)	(18.6)
Share of tax	(2.5)	(0.5)	–	0.1	–	–	(2.9)	(2.2)
Share of income/(loss) from associates	11.1	1.9	0.1	(0.3)	(21.9)	(5.3)	(14.4)	(20.8)
Dividends received	–	–	–	–	–	–	–	(1.1)
Balance at the end of the year	91.9	6.7	24.4	51.9	1.1	(0.8)	175.2	106.5

The investments which are included in the $175.2 million balance at 31 December 2013 are set out below:

Investment in associates

(i) The Group's 40% interest in Inversiones Hornitos S.A., which owns the 165MW Hornitos thermoelectric power plant in Mejillones, in Chile's Antofagasta Region. The Group has power purchase agreements with Inversiones Hornitos for the provision of up to 150MW of electricity for Esperanza and Tesoro. Share of income from associates for the year ended 31 December 2013 included $5.2 million (2012 – $3.4 million) for the Group's share of an additional insurance compensation as a result of business interruption that occurred between 20 September 2012 and 28 December 2012.

(ii) The Group's 30% interest in ATI, which operates a concession to manage installations in the port of Antofagasta.

(iii) The Group's 30% interest in Parque Eolico el Arrayan SPA ("El Arrayán"), which will develop and operate an 115MW wind power plant. Construction of the plant commenced in July 2012 with the expectation to achieve commercial operation during the third quarter of 2014. The Group has 20-year power purchase agreements with El Arrayán for the provision of up to 40MW of electricity for Los Pelambres.

(iv) The Group's interest in Alto Maipo SPA ("Alto Maipo"), which will develop, construct, own and operate two run-of-river hydroelectric power stations located in the upper section of the Maipo River, approximately 50 km to the south-east of Santiago, with a total installed capacity of 531MW. The Group has two 20-year power purchase agreements ("PPAs") with Alto Maipo for the provision of up to 160MW of electricity for Los Pelambres. In July 2013, the Group exercised an option to acquire a 40% interest in Alto Maipo for a consideration of $50.2 million, and will be responsible for its share of development costs. During the year, the Group contributed an additional $2.4 million for a total contribution of $52.6 million in 2013. The balance due from Alto Maipo to the Group at 31 December 2013 was $47.0 million representing loan financing with an interest rate of LIBOR six-month plus 4.25%.

Investment in joint ventures

(v) The Group's 60% interest in Energía Andina, which is a joint venture with Origin Energy Geothermal Chile Limitada ("Origin") for the exploration and exploitation of potential sources of geothermal energy. The Group has classified its 60% interest as a joint venture as the terms and conditions of the partnership agreement mean that control over Energía Andina is exercised jointly by the Group and Origin.

(vi) The Group's 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan, which is now subject to international arbitration as set out in Note 36.

Notes to the financial statements

17 Investment in associates and joint ventures continued

Summarised financial information for the associates and joint ventures is as follows:

	Inversiones Hornitos 2013 $m	ATI 2013 $m	El Arrayán 2013 $m	Alto Maipo 2013 $m	Energía Andina 2013 $m	Tethyan Copper 2013 $m	Total 2013 $m	Total 2012 $m
Cash and cash equivalent	35.1	0.7	1.2	49.1	4.9	2.6	93.6	42.9
Current assets	82.0	14.2	18.4	21.7	0.3	2.3	138.9	119.2
Non-current assets	324.1	93.3	255.9	193.9	–	–	867.2	497.7
Current liabilities	(49.6)	(16.3)	(6.5)	(73.4)	(1.9)	(6.3)	(154.0)	(96.8)
Non-current liabilities	(163.4)	(69.6)	(199.3)	(64.1)	(1.4)	(0.3)	(498.1)	(286.9)
Revenue	174.3	45.0	–	–	–	–	219.3	178.7
Profit/(loss) after tax	28.2	6.3	(1.0)	(0.7)	(37.1)	(5.1)	(9.4)	(28.6)
Other comprehensive income	–	–	6.6	(1.4)	–	–	5.2	1.6
Total comprehensive income	28.2	6.3	5.6	(2.1)	(37.1)	(5.1)	(4.2)	(27.0)

Notes to the summarised financial information

(i) The summarised financial information is based on the amounts included in the IFRS financial statements of the associate or joint venture (ie 100% of the results or balances of the associate or joint venture, rather than the Group's proportionate share), after the Group's fair value adjustments.

18 Available-for-sale investments

	2013 $m	2012 $m
Balance at the beginning of the year	44.5	36.5
Additions	2.1	1.5
Movements in fair value	(28.2)	5.4
Foreign currency exchange difference	(1.8)	1.1
Balance at the end of the year	16.6	44.5

Available-for-sale investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes. The fair value of all equity investments are based on quoted market prices.

19 Inventories

	2013 $m	2012 $m
Current:		
Raw materials and consumables	201.3	192.7
Work-in-progress	214.7	243.4
Finished goods	60.5	58.8
	476.5	494.9
Non-current:		
Work-in-progress	178.3	162.5
	178.3	162.5
Total	654.8	657.4

Non-current work-in-progress represents inventory expected to be processed more than 12 months after the balance sheet date.

Inventories with a carrying amount of $144.9 million (2012 – $126.3 million) have been pledged as security for the Esperanza project financing.

20 Trade and other receivables

	Due in one year		Due after one year		Total	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Trade debtors	752.8	599.4	0.5	0.6	753.3	600.0
Other debtors	151.8	202.1	180.3	107.7	332.1	309.8
	904.6	801.5	180.8	108.3	1,085.4	909.8

The largest balances of trade receivables are held with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. The average credit period given on sale of goods and rendering of service is 45 days (2012 – 32 days). There is no material element which is interest-bearing. Trade debtors include mark-to-market adjustments in respect of provisionally priced sales of copper and molybdenum concentrates which remain open as to final pricing. Where these have resulted in credit balances, they have been reclassified to trade creditors.

Movements in the provision for doubtful debts were as follows:

	2013 $m	2012 $m
Balance at the beginning of the year	(6.1)	(3.9)
Charge for the year	(1.4)	(2.3)
Amounts written off	0.1	–
Unused amounts reversed	1.5	0.3
Foreign currency exchange difference	0.3	(0.2)
Balance at the end of the year	(5.6)	(6.1)

The ageing analysis of the trade receivables balance is as follows:

		Past due but not impaired			
	Neither past due nor impaired $m	Up to 3 months past due $m	3–6 months past due $m	More than 6 months past due $m	Total $m
2013	1,071.9	7.4	2.3	3.8	1,085.4
2012	900.0	6.6	1.4	1.8	909.8

With respect to the trade receivables that are neither past due nor impaired, there are no indications that the debtors will not meet their payment obligations. The carrying value of the trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold any collateral as security.

At 31 December 2013, the other debtors include $13.6 million (2012 – $11.8 million) relating to prepayments.

21 Cash, cash equivalents and liquid investments

The fair value of cash, cash equivalents and liquid investments are not materially different from the carrying values presented. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Cash, cash equivalents and liquid investments was comprised of:

	2013 $m	2012 $m
Cash and cash equivalents	613.7	1,811.3
Liquid investments	2,071.4	2,480.6
	2,685.1	4,291.9

At 31 December 2013 and 2012 there is no cash which is subject to restriction.

Notes to the financial statements

21 Cash, cash equivalents and liquid investments continued

The currency exposure of cash, cash equivalents and liquid investments was as follows:

	2013 $m	2012 $m
US dollars	2,505.2	4,086.7
Chilean pesos	175.0	201.6
Australian dollars	1.3	1.6
Sterling	1.0	0.9
Other	2.6	1.1
	2,685.1	4,291.9

Details of cross-currency swaps in place at the end of the year are given in Note 24(d) (ii).

22 Borrowings

a) Analysis by type of borrowing

Borrowings may be analysed by business segment and type as follows:

	Notes	2013 $m	2012 $m
Los Pelambres			
Corporate loans	(i)	(222.7)	(357.8)
Finance leases	(ii)	(17.9)	(29.1)
Esperanza			
Project financing (senior debt)	(iii)	(593.2)	(893.8)
Shareholder loan (subordinated debt)	(iv)	(190.7)	(238.1)
Finance leases	(v)	(0.7)	(5.2)
El Tesoro			
Corporate loan	(vi)	(131.5)	(214.6)
Finance leases	(vii)	(0.2)	(0.9)
Antucoya			
Shareholder loan (subordinated debt)	(viii)	(171.6)	(102.0)
Finance leases	(ix)	(1.8)	–
Corporate and other items			
Finance leases	(x)	(35.6)	(39.3)
Railway and other transport services			
Bonds	(xi)	(3.0)	(4.7)
Short-term loans	(xii)	(1.7)	(0.5)
Other			
Preference shares	(xiii)	(3.3)	(3.2)
Total		(1,373.9)	(1,889.2)

(i) Corporate loans at Los Pelambres are unsecured and US dollar denominated. These loans have a remaining term between one and three years and have an interest rate of LIBOR six-month plus margins between 0.9–1.6%.

(ii) Finance leasing at Los Pelambres are US dollar denominated, comprising $15.6 million at fixed rate of 5.48% and $2.3 million at LIBOR three-month plus 3.0%, with remaining duration of one to four years.

(iii) Senior debt at Esperanza comprises $593.2 million in respect of syndicated loans. These loans are for a remaining term of five years and have an interest rate of LIBOR six-month plus margins between 1.375–3.000%.

The Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2013 the current notional amount hedged of the senior debt at Esperanza was $191.3 million.

(iv) This balance includes long-term subordinated debt provided to Esperanza by Marubeni Corporation with duration of eight years and weighted average interest rate of LIBOR six-month plus 3.75%. Long-term subordinated debt provided by Group companies to Esperanza has been eliminated on consolidation.

(v) Finance leases at Esperanza are US dollar denominated, with a maximum remaining duration of three months and with an average interest rate of approximately LIBOR three-month plus 2.8%.

(vi) The corporate loan at El Tesoro is unsecured and US dollar denominated. This loan has approximately two years remaining, with an interest rate over the life of the loan of LIBOR six-month plus 2.8%.

(vii) Finance leases at El Tesoro are US dollar denominated, with a maximum remaining duration of two years and with an average interest fixed rate at approximately 1.5%.

(viii) This balance includes long-term subordinated debt provided to Antucoya by Marubeni with a remaining duration of 11 years and an interest rate of LIBOR six-month plus 3.65%. Long-term subordinated debt provided by Group companies to Antucoya has been eliminated on consolidation. The project finance was closed in December 2013 and its disbursements will start during 2014.

(ix) Finance leases at Antucoya are US dollar denominated, with a maximum duration of one year and with an average interest rate of approximately LIBOR three-month plus 2.8%.

(x) Finance leases at Corporate and other items are denominated in Unidades de Fomento (ie inflation-linked Chilean pesos) and have a remaining duration of 14 years and a fixed rate of 5.29%.

(xi) Railway and other transport services includes a balance of $3.0 million related to bonds issued in the Bolivian stock market to refinance short-term loans with a fixed interest rate of 5.5% and duration of one year.

(xii) Short-term loans at Railway and other transport services mainly comprise $1.5 million from local banks with an average duration of six months and with a fixed interest rate of 5.0%.

(xiii) The preference shares are sterling-denominated and issued by the Company. There were 2,000,000 shares of £1 each authorised, issued and fully paid at 31 December 2013. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding-up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.

b) Analysis of borrowings by currency

The exposure of the Group's borrowings to currency risk is as follows:

At 31 December 2013	Pesos $m	Sterling $m	Other $m	US dollars $m	2013 Total $m
Corporate loans	–	–	–	(947.4)	(947.4)
Other loans (including short-term loans)	–	–	(1.3)	(365.7)	(367.0)
Finance leases	(33.9)	–	–	(22.3)	(56.2)
Preference shares	–	(3.3)	–	–	(3.3)
	(33.9)	(3.3)	(1.3)	(1,335.4)	(1,373.9)

At 31 December 2012	Pesos $m	Sterling $m	US dollars $m	2012 Total $m
Corporate loans	–	–	(1,466.1)	(1,466.1)
Other loans (including short-term loans)	–	–	(345.5)	(345.5)
Finance leases	(37.8)	–	(36.6)	(74.4)
Preference shares	–	(3.2)	–	(3.2)
	(37.8)	(3.2)	(1,848.2)	(1,889.2)

Notes to the financial statements

22 Borrowings continued

c) Analysis of borrowings by type of interest rate

The exposure of the Group's borrowings to interest rate risk is as follows:

At 31 December 2013	Fixed $m	Floating $m	2013 Total $m
Corporate loans	–	(947.4)	(947.4)
Other loans (including short-term loans)	(4.6)	(362.4)	(367.0)
Finance leases	(52.2)	(4.0)	(56.2)
Preference shares	(3.3)	–	(3.3)
	(60.1)	(1,313.8)	(1,373.9)

At 31 December 2012	Fixed $m	Floating $m	2012 Total $m
Corporate loans	–	(1,466.2)	(1,466.2)
Other loans (including short-term loans)	(5.2)	(340.2)	(345.4)
Finance leases	(60.2)	(14.2)	(74.4)
Preference shares	(3.2)	–	(3.2)
	(68.6)	(1,820.6)	(1,889.2)

The above floating rate corporate loans include the project financing at Esperanza, where the Group has used interest rate swaps to swap the floating rate interest for fixed rate interest. At 31 December 2013 the current notional amount hedged of the senior debt was $191.3 million (2012 – $395.2 million).

d) Maturity profile

The maturity profile of the Group's borrowings is as follows:

At 31 December 2013	Within 1 year $m	Between 1–2 years $m	Between 2–5 years $m	After 5 years $m	2013 Total $m
Corporate loans	(326.2)	(188.5)	(377.3)	(55.4)	(947.4)
Other loans	(3.2)	(1.4)	–	(362.4)	(367.0)
Finance leases	(11.6)	(6.2)	(14.0)	(24.4)	(56.2)
Preference shares	–	–	–	(3.3)	(3.3)
	(341.0)	(196.1)	(391.3)	(445.5)	(1,373.9)

At 31 December 2012	Within 1 year $m	Between 1–2 years $m	Between 2–5 years $m	After 5 years $m	2012 Total $m
Corporate loans	(330.1)	(330.4)	(472.9)	(332.7)	(1,466.1)
Other loans	(104.2)	(1.5)	(1.5)	(238.2)	(345.4)
Finance leases	(12.7)	(10.3)	(21.3)	(30.2)	(74.5)
Preference shares	–	–	–	(3.2)	(3.2)
	(447.0)	(342.2)	(495.7)	(604.3)	(1,889.2)

The amounts included above for finance leases are based on the present value of minimum lease payments.

The total minimum lease payments for these finance leases may be analysed as follows:

	2013 $m	2012 $m
Within 1 year	(14.2)	(15.7)
Between 1–2 years	(8.3)	(13.2)
Between 2–5 years	(18.8)	(27.9)
After 5 years	(30.8)	(38.6)
Total minimum lease payment	(72.1)	(95.4)
Less amounts representing finance charges	15.9	20.9
Present value of minimum lease payment	(56.2)	(74.5)

All leases are on a fixed payment basis and no arrangements have been entered into for contingent rental payments.

e) Borrowings facilities

The undrawn committed borrowing facilities available at the end of each year, in respect of which all conditions precedent had been met at those dates, were as follows:

	2013 $m	2012 $m
Expiring in one year or less	1,320.9	1,254.6
Expiring in more than one but not more than two years	313.3	–
Expiring in more than two years	17.8	135.4
	1,652.0	1,390.0

The available facilities comprise general working capital facilities at the Group's operating subsidiaries all of which were undrawn at the end of each year. Of these facilities, $1,290.2 million (2012 – $1,122.7 million) are denominated in US dollars, $280.9 million (2012 – $33.3 million) in Unidades de Fomento (ie inflation-linked Chilean pesos), $9.7 million (2012 – $22.3 million) in Euros and $71.2 million (2012 – $211.7 million) in Chilean pesos.

23 Trade and other payables

	Due in one year		Due after one year		Total	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Trade creditors	(390.6)	(361.1)	–	–	(390.6)	(361.1)
Other creditors and accruals	(386.0)	(343.4)	(4.7)	(7.4)	(390.7)	(350.8)
	(776.6)	(704.5)	(4.7)	(7.4)	(781.3)	(711.9)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The average credit period taken for trade purchases is 47 days (2012 – 32 days).

Notes to the financial statements

24 Financial instruments and financial risk management

a) Categories of financial instruments

The Group's financial instruments, grouped according to the categories defined in IAS 39 "Financial instruments: Recognition and Measurement", are as follows:

	2013 $m	2012 $m
Financial assets		
Derivatives in designated hedge accounting relationships	12.9	43.3
Available-for-sale investments	16.6	44.5
Loans and receivables at amortised cost (including cash and cash equivalents)	1,699.1	2,721.1
Fair value through profit and loss (liquid investments)	2,071.4	2,480.6
Financial liabilities		
Derivatives in designated hedge accounting relationships	(9.8)	(19.3)
Financial liabilities measured at amortised cost	(2,155.2)	(2,601.1)
	1,635.0	2,669.1

b) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of each category of financial asset and liability is not materially different from the carrying values presented for either 2013 or 2012.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $m	Level 2 $m	Level 3 $m	Total 2013 $m	Total 2012 $m
Financial assets					
Derivatives in designated hedge accounting relationships	–	12.9	–	12.9	43.3
Available-for-sale investments	16.6	–	–	16.6	45.9
Debtors mark-to-market	–	36.9	–	36.9	1.8
Fair value through profit and loss	2,071.4	–	–	2,071.4	2,480.6
Financial liabilities					
Derivatives in designated hedge accounting relationships	–	(9.8)	–	(9.8)	(19.3)
Creditors mark-to-market	–	(5.7)	–	(5.7)	(2.4)
	2,088.0	34.3	–	2,122.3	2,549.9

There were no transfers between level 1 and 2 during the year.

c) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group uses derivative financial instruments, in general to reduce exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Board of Directors is responsible for overseeing the Group's risk management framework. The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(i) Commodity price risk

The Group generally sells its copper and molybdenum concentrate and copper cathodes output at prevailing market prices, subject to final pricing adjustments which may range from one to five months after delivery to the customer, and it is therefore exposed to changes in market prices for copper and molybdenum both in respect of future sales and previous sales which remain open as to final pricing. In 2013, sales of copper and molybdenum concentrate and copper cathodes represented 86.7% of Group turnover and therefore revenues and earnings depend significantly on LME and realised copper prices.

The Group uses futures, min-max instruments and options to manage its exposure to copper prices. These instruments may give rise to accounting volatility due to fluctuations in their fair value prior to the maturity of the instruments. Details of those copper and molybdenum concentrate sales and copper cathode sales which remain open as to final pricing are given in Note 6. Details of commodity rate derivatives entered into by the Group are given in Note 24(d).

Commodity price sensitivity

The sensitivity analysis below shows the impact of a movement in the copper price on the financial instruments held as at the reporting date. A movement in the copper forward price as at the reporting date will affect the final pricing adjustment to sales which remain open at that date, impacting the trade receivables balance and consequently the income statement. A movement in the copper forward price will also affect the valuation of commodity derivatives, impacting the hedging reserve in equity if the fair value movement relates to an effective designated cash flow hedge, and impacting the income statement if it does not. The calculation assumes that all other variables, such as currency rates, remain constant.

- If the copper forward price as at the reporting date had increased by 10 cents, net earnings would have increased by $17.3 million (2012 – increase by $13.3 million) and hedging reserves in equity would have decreased by $5.0 million (2012 – decrease by $4.6 million).
- If the copper forward price as at the reporting date had decreased by 10 cents, net earnings would have decreased by $20.0 million (2012 – decrease by $23.2 million) and hedging reserves in equity would have increased by $10.9 million (2012 – increase by $18.5 million).

In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 cents change in the average copper price during the year would have affected net earnings by $77.8 million (2012 – $74.8 million) and earnings per share by 7.9 cents (2012 – 7.6 cents), based on production volumes in 2013, without taking into account the effects of provisional pricing and hedging activity. A $1 change in the average molybdenum price for the year would have affected net earnings by $9.1 million (2012 – $11.8 million), and earnings per share by 0.9 cents (2012 – 1.2 cents), based on production volumes in 2013, and without taking into account the effects of provisional pricing. A $100 change in the average gold price for the year would have affected net earnings by $14.9 million (2012 – $15.6 million), and earnings per share by 1.5 cents (2012 – 1.6 cents), based on production volumes in 2013, and without taking into account the effects of provisional pricing.

(ii) Currency risk

The Group is exposed to a variety of currencies. The US dollar, however, is the currency in which the majority of the Group's sales are denominated. Operating costs are influenced by the countries in which the Group's operations are based (principally in Chile) as well as those currencies in which the costs of imported equipment and services are determined. After the US dollar, the Chilean peso is the most important currency influencing costs and to a lesser extent sales.

Given the significance of the US dollar to the Group's operations, this is the presentational currency of the Group for internal and external reporting. The US dollar is also the currency for borrowing and holding surplus cash, although a portion of this may be held in other currencies, notably Chilean pesos and sterling, to meet short-term operational and capital commitments and dividend payments.

When considered appropriate, the Group uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Group may also use these instruments to reduce currency exposure on future transactions and cash flows. Details of any exchange rate derivatives entered by the Group in the year are given in Note 24(d).

The currency exposure of the Group's cash, cash equivalents and liquid investments is given in Note 21, and the currency exposure of the Group's borrowings is given in Note 22. The effects of exchange gains and losses included in the income statement are given in Note 7. Exchange differences on translation of the net assets of entities with a functional currency other than the US dollar (the most material of which is Aguas de Antofagasta S.A.) are taken to the currency translation reserve and are disclosed in the Consolidated Statement of Changes in Equity on page 110.

Currency sensitivity

The sensitivity analysis below shows the impact of a movement in the US dollar/Chilean peso exchange rate on the financial instruments held as at the reporting date.

The impact on profit or loss is as a result of the retranslation of monetary financial instruments (including cash, cash equivalents, liquid investments, trade receivables, trade payables and borrowings). The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges, and changes in the fair value of available-for-sale equity investments. The calculation assumes that all other variables, such as interest rates, remain constant.

If the US dollar had strengthened by 10% against the Chilean peso as at the reporting date, net earnings would have increased by $0.5 million (2012 – decrease in $2.8 million); and hedging reserves in equity would have decreased by $5.2 million (2012 – decrease by $3.7 million). If the US dollar had weakened by 10% against the Chilean peso as at the reporting date, net earnings would have decreased by $0.6 million (2012 – increase in $3.4 million); and hedging reserves in equity would have increased by $6.3 million (2012 – increase by $4.5 million).

(iii) Interest rate risk

The Group's policy is generally to borrow and invest cash at floating rates. Fluctuations in interest rates may impact the Group's net finance income or cost, and to a lesser extent on the value of financial assets and liabilities. The Group occasionally uses interest rate swaps and collars to manage interest rate exposures on a portion of its existing borrowings. Details of any interest rate derivatives entered into by the Group are given in Note 24(d).

Interest rate exposure of the Group's borrowings is given in Note 22.

Interest rate sensitivity

The sensitivity analysis below shows the impact of a movement in interest rates in relation to the financial instruments held as at the reporting date. The impact on profit or loss reflects the impact on annual interest expense in respect of the floating rate borrowings held as at the reporting date, and the impact on annual interest income in respect of cash and cash equivalents held as at the reporting date. The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges. The calculation assumes that all other variables, such as currency rates, remain constant.

If the interest rate increased by 1%, based on the financial instruments held as at the reporting date, net earnings would have increased by $11.9 million (2012 – increase in $20.5 million) and hedging reserves in equity would have increased by $2.1 million (2012 – increase in $3.5 million). This does not include the effect on the income statement of changes in the fair value of the Group's liquid investments relating to the underlying investments in fixed income instruments.

(iv) Other price risk

The Group is exposed to equity price risk on its available-for-sale equity investments.

Notes to the financial statements

24 Financial instruments and financial risk management continued

Equity price sensitivity

The sensitivity analysis below shows the impact of a movement in the equity values of the available-for-sale financial assets held as at the reporting date.

If the value of the available-for-sale investments had increased by 10% as at the reporting date, equity would have increased by $1.7 million (2012 – increase in $4.6 million). There would have been no impact on the income statement.

(v) Cash flow risk

The Group's future cash flows depend on a number of factors, including commodity prices, production and sales levels, operating costs, capital expenditure levels and financial income and costs. Its cash flows are therefore subject to the exchange, interest rate and commodity price risks described above as well as operational factors and input costs. To reduce the risk of potential short-term disruptions to the supply of key inputs such as electricity and sulphuric acid, the Group enters into medium- and long-term supply contracts to help ensure continuity of supply. Long-term electricity supply contracts are in place at each of the Group's mines, in most cases linking the cost of electricity under the contract to the current cost of electricity on the Chilean grids. The Group seeks to lock in supply of sulphuric acid for future periods of a year or longer, with contract prices agreed in the latter part of the year, to be applied to purchases of acid in the following year. Further information on production and sales levels and operating costs are given in the Operational review on pages 34 to 49.

(vi) Credit risk

Credit risk arises from trade and other receivables, cash, cash equivalents, liquid investments and derivative financial instruments. The Group's credit risk is primarily to trade receivables. The credit risk on cash, cash equivalents and liquid investments and on derivative financial instruments is limited as the counterparties are financial institutions with high credit ratings assigned by international credit agencies.

All customers are subject to credit review procedures, including the use of external credit ratings where available. Credit is provided only within set limits, which are regularly reviewed.

Outstanding receivable balances are monitored on an ongoing basis.

The carrying value of financial assets recorded in the financial statements represents the maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowances for any doubtful receivables.

(vii) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and financing facilities, through the review of forecast and actual cash flows.

The Group typically holds surplus cash in demand or term deposits or highly liquid investments, which typically can be accessed or liquidated within 24 hours.

The majority of borrowings comprise corporate loans at Los Pelambres, repayable over periods of up to three years, corporate loans at Esperanza, repayable over approximately six years, corporate loans at El Tesoro repayable over approximately two years, and Antucoya long-term subordinated debt repayable over approximately 12 years.

At the end of both 2013 and 2012, the Group was in a net cash position, as disclosed in Note 32. Details of cash, cash equivalents and liquid investments are given in Note 21, while details of borrowings including the maturity profile are given in Note 22. Details of undrawn committed borrowing facilities are also given in Note 22.

The following table analyses the maturity of the Group's contractual commitments in respect of its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2013	Less than 6 months $m	Between 6 months to 1 year $m	Between 1–2 years $m	After 2 years $m	2013 Total $m
Corporate loans	(178.6)	(176.4)	(211.0)	(468.3)	(1,034.3)
Other loans (including short-term loans)	–	(3.1)	(1.5)	(579.5)	(584.1)
Finance leases	(6.9)	(5.5)	(9.3)	(48.7)	(70.4)
Preference shares	(0.1)	(0.1)	(0.2)	*	(0.4)
Trade and other payables	(774.3)	(2.3)	(3.5)	(1.2)	(781.3)
Derivative financial instruments	(1.1)	(2.3)	(3.6)	(2.8)	(9.8)
	(961.0)	(189.7)	(229.1)	(1,100.5)	(2,480.3)

At 31 December 2012	Less than 6 months $m	Between 6 months to 1 year $m	Between 1–2 years $m	After 2 years $m	2012 Total $m
Corporate loans	(187.7)	(185.6)	(363.8)	(888.0)	(1,625.1)
Other loans (including short-term loans)	(105.2)	(0.2)	(1.5)	(239.7)	(346.6)
Finance leases	(7.7)	(8.3)	(13.2)	(66.0)	(95.2)
Preference shares	(0.1)	(0.1)	(0.2)	(*)	(0.4)
Trade and other payables	(702.3)	(2.2)	(3.5)	(3.9)	(711.9)
Derivative financial instruments	(1.6)	(4.6)	(5.1)	(8.0)	(19.3)
	(1,004.6)	(201.0)	(387.3)	(1,205.6)	(2,798.5)

* The preference shares pay an annual dividend of £100,000 ($160.334) in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.

(viii) Capital risk management

The Group's objectives are to return capital to shareholders while leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged. The Group monitors capital on the basis of net cash (defined as cash, cash equivalents and liquid investments less borrowings) which was $1,311.2 million at 31 December 2013 (2012 – $2,402.7 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was $2,685.1 million at 31 December 2013 (2012 – $4,291.9 million). The Group's total cash is held in a combination of on demand and term deposits and managed funds investing in high-quality, fixed income instruments. Some of the managed funds have been instructed to invest in instruments with average maturities greater than 90 days. These amounts are presented as liquid investments but are included in net cash for monitoring and decision-making purposes. The Group has a risk averse investment strategy. The Group's borrowings are detailed in Note 22. Additional project finance or shareholder loans are taken out by the operating subsidiaries to fund projects on a case-by-case basis.

d) Derivative financial instruments

The Group occasionally uses derivative financial instruments, in general 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 profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised 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. Realised gains and losses and changes in the fair value of exchange and interest derivatives are recognised 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.

Notes to the financial statements

24 Financial instruments and financial risk management continued

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

The gains or losses recorded in the income statement or in reserves during the year, and the fair value recorded on the balance sheet at the end of the year in respect of derivatives are as follows:

For the year ended 31 December 2013

	Impact on income statement			Impact on reserves	Fair value recorded on balance sheet
	Realised gains/(losses) 2013 $m	Gains resulting from mark-to-market adjustments on hedging instruments 2013 $m	Total net gain/(loss) 2013 $m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2013 $m	Net financial (liability)/asset 31.12.2013 $m
Commodity derivatives					
El Tesoro	0.2	–	0.2	0.8	(0.4)
Michilla	25.2	(13.5)	11.7	(1.3)	11.2
Exchange derivatives					
Michilla	7.2	–	7.2	(5.3)	1.7
Interest derivatives					
Esperanza	(7.8)	–	(7.8)	8.7	(9.4)
Energy derivatives					
Los Pelambres	0.8	–	0.8	(10.3)	–
	25.6	(13.5)	12.1	(7.4)	3.1

For the year ended 31 December 2012

	Impact on income statement			Impact on reserves	Fair value recorded on balance sheet
	Realised gains/(losses) 2012 $m	Losses resulting from mark-to-market adjustments on hedging instruments 2012 $m	Total net loss/(gain) 2012 $m	Gains/(losses) resulting from mark-to-market adjustments on hedging instruments 2012 $m	Net financial (liability)/asset 31.12.2012 $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:

	2013 $m	2012 $m
Analysed between:		
Non-current assets	–	8.0
Current assets	12.9	35.3
Current liabilities	(3.4)	(6.2)
Non-current liabilities	(6.4)	(13.1)
	3.1	24.0

(ii) Outstanding derivative financial instruments

Commodity derivatives

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

(a) Min-max instruments

	At 31.12.13	For instruments held at 31.12.13			
	Copper production hedged	Weighted average remaining period from 1 January 2014	Covering a period up to:	Weighted average floor	Weighted average cap
	tonnes	Months		US cents	US cents
Michilla	36,000	6.5	31-12-14	331.7	433.0

(b) Futures – 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 31.12.13	For instruments held at 31.12.13	
	Copper production hedged	Weighted average remaining period from 1 January 2014	Covering a period up to:
	tonnes	Months	
El Tesoro	10,600	7.0	31-01-15
Michilla	605	1.0	31-01-14

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 31.12.13	For instruments held at 31.12.13		
	Principal value of cross-currency swaps held	Weighted average remaining period from 1 January 2014	Covering a period up to:	Weighted average rate
	$m	Months		Ch$/US$
Michilla	96.0	6.6	15-12-14	544.4

Notes to the financial statements

24 Financial instruments and financial risk management continued

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 December 2013 the Group had entered into the contracts outlined below.

	Start date	Maturity date	Maximum notional amount $m	Weighted average fixed rate %
Esperanza	2-15-2011	8-15-2018	191.3	3.372

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

25 Long-term incentive plan

The long-term incentive plan (the "Plan") was introduced at the end of 2011. Awards granted pursuant to the Plan form part of the remuneration of senior managers in the Group. Directors are not eligible to participate in the Plan.

Details of the Awards

Under the Plan, the Group may grant awards based on the price of ordinary shares in the Company and cannot grant awards over actual shares.

- Restricted Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares, subject to the relevant employee remaining employed by the Group when the Restricted Award vests.
- Performance Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the Performance Award vests.

When awards vest under the Plan, participants become entitled to receive a cash payment by reference to the number and portion of awards that have vested and the market value of the Company's ordinary shares on the date of vesting. There is no exercise price payable by participants in respect of the awards.

Restricted Awards can only vest in full if participants remain employed by the Group for three years from the date that Restricted Awards are granted. In ordinary circumstances, the first one-third of a Restricted Award will vest after one year, the second one-third will vest after two years and the remaining one-third will vest after three years. There are no performance criteria attached to Restricted Awards. The fair value of Restricted Awards granted under the Plan is recorded as a compensation expense over the vesting periods, with a corresponding liability recognised for the fair value of the liability at the end of each period until settled.

Performance Awards only vest if certain performance criteria are met. The performance criteria reflect a number of factors including total shareholder return, earnings levels, growth in the Group's reserves and resources and project delivery targets. The fair value of Performance Awards under the Plan is recorded as a compensation expense over the vesting period, with a corresponding liability at the end of each period until settled.

A One-off Award was granted to Diego Hernández, the CEO of Antofagasta Minerals, following his appointment during 2012. This award was granted for the same purpose as the awards granted under the LTIP but by reference to metrics which are specific to the participant's role as Chief Executive Officer of Antofagasta Minerals.

Valuation process and accounting for the awards

The fair value of the awards is determined using a Monte Carlo simulation model. The inputs into the Monte Carlo simulation model are as follows:

	2013	2012
Weighted average forecast share price at vesting date	USD 7.09	USD 21.25
Expected volatility	41.48%	18.45%
Expected life of awards	3 years	3 years
Expected dividend yields	1.60%	1.64%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life of awards used in the model has been adjusted based on management's best estimate for the effects of non-transferability and compliance of the objectives determined according to the characteristic of each plan.

The number of awards outstanding at the end of the period is as follows:

	Restricted Awards	Performance Awards	One-off Award
Outstanding at 1 January 2013	234,274	234,274	83,496
Granted during the period	305,319	305,319	–
Cancelled during the period	(35,071)	(48,559)	–
Payments during the period	(78,093)	–	–
Outstanding at 31 December 2013	426,430	491,035	83,496
Number of awards that have vested	167,877	–	–

The Group has recorded a liability for $4.8 million at 31 December 2013, of which $3.1 million is due after more than one year (31 December 2012 – $4.5 million, of which $3.1 million was due after more than one year) and total expenses of $1.7 million for the year (2012 – expense of $4.5 million).

26 Post-employment benefit obligations

a) Defined contribution schemes

The Group operates defined contribution schemes for a limited number of employees. The amount charged to the income statement in 2013 was $0.2 million (2012 – $0.1 million), representing the amount paid in the year. There were no outstanding amounts which remain payable at the end of either year.

b) Severance provisions

Employment terms at some of the Group's operations provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the obligation recognised is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

The most recent valuation was carried out in 2013 by Ernst & Young, a qualified actuary in Santiago-Chile who is not connected with the Group.

The main assumptions used to determine the actuarial present value of benefit obligations were as follows:

	2013	2012
Average nominal discount rate	5.3%	5.5%
Average rate of increase in salaries	3.3%	2.8%
Average staff turnover	4.8%	4.8%

Amounts included in the income statement in respect of severance provisions are as follows:

	$m	$m
Current service cost (charge to operating profit)	(16.0)	(11.7)
Interest cost (charge to interest expenses)	(3.9)	(3.3)
Foreign exchange charge to other finance items	8.0	(5.6)
Total charge to income statement	**(11.9)**	**(20.6)**

Movement in the present value of severance provisions were as follows:

	2013 $m	2012 $m
Balance at the beginning of the year	(81.5)	(61.2)
Current service cost	(16.0)	(11.7)
Actuarial losses	(6.9)	(9.7)
Charge capitalised	(0.8)	(0.4)
Interest cost	(3.9)	(3.3)
Paid in the year	9.9	10.4
Foreign currency exchange difference	8.0	(5.6)
Balance at the end of the year	**(91.2)**	**(81.5)**

Notes to the financial statements

26 Post-employment benefit obligations continued

Assumptions description

Discount rate

The discount rate is the interest rate used to discount the estimated future severance payments to their present value. The table below shows the principal instruments and assumptions utilised in determining the discount rate:

	31.12.2013	31.12.2012
Nominal discount rate	5.3%	5.5%
Reference rate name	20-year Chilean Central Bank Bonds	20-year Chilean Central Bank Bonds
Governmental or corporate rate	Governmental	Governmental
Reference rating	AA-/AA+	AA-/AA+
Corresponds to an issuance market (primary) or secondary market	Secondary	Secondary
Issuance currency associated to the reference rate	Chilean peso	Chilean peso
Date of determination of the reference interest rate	December 04, 2013	December 07, 2012
Source of the reference interest rate	Bloomberg	Bloomberg

Rate of increase in salaries

This represents the estimated average rates of future salary increases, reflecting likely future promotions and other changes. This has been based on historical information for the Group for the period from 2009 to 2013.

Turnover rate

This represents the estimated average level of future employee turnover. This has been based on historical information for the Group for the period from 2009 to 2013.

Sensitive analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and staff turnover. The sensitive analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

— If the discount rate is 100 basis points higher the defined benefit obligation would decrease by $7.1 million. If the discount rate is 100 basis points lower the defined benefit obligation would increase by $8.1 million.

— If the expected salary growth increases by 1% the defined benefit obligation would increase by $6.8 million. If the expected salary growth decreases by 1% the defined benefit obligation would decrease by $6.3 million.

— If the staff turnover increases by 1% the defined benefit obligation would decrease by $1.9 million. If the staff turnover decreases by 1% the defined benefit obligation would increase by $2.1 million.

27 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during 2013 and 2012.

	Accelerated capital allowances $m	Temporary differences on provisions $m	Withholding tax $m	Short-term differences $m	Mining tax (Royalty) $m	Tax losses $m	Total $m
At 1 January 2012	(456.5)	61.3	(156.9)	(5.5)	(26.2)	2.5	(581.3)
(Charge)/credit to income	(172.7)	25.7	6.0	(9.2)	(0.2)	(1.1)	(151.5)
Charge capitalised	0.3	–	–	–	–	–	0.3
Charge deferred in equity	–	–	–	1.2	–	–	1.2
At 1 January 2013	(628.9)	87.0	(150.9)	(13.5)	(26.4)	1.4	(731.3)
(Charge)/credit to income	(91.1)	21.0	(81.1)	0.2	(8.6)	(0.5)	(160.1)
Charge deferred in equity	–	–	–	2.4	–	–	2.4
At 31 December 2013	**(720.0)**	**108.0**	**(232.0)**	**(10.9)**	**(35.0)**	**0.9**	**(889.0)**

The charge to the income statement of $160.1 million (2012 – $151.5 million charge) includes a credit for foreign exchange differences of $2.1 million (2012 – includes a charge of $0.9 million).

Certain deferred tax assets and liabilities have been offset. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset):

	2013 $m	2012 $m
Deferred tax assets	76.9	103.8
Deferred tax liabilities	(965.9)	(835.1)
Net deferred tax balances	**(889.0)**	(731.3)

At 31 December 2013, the Group had unused tax losses of $235.9 million (2012 – $217.6 million) available for offset against future profits. A deferred tax asset of $4.5 million has been recognised in respect of these losses in 2013 (2012 – $7.1 million). These losses may be carried forward indefinitely.

At 31 December 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $5,124.5 million (2012 – $4,939.8 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is likely that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates are insignificant.

At 31 December 2013, the Group has deductible temporary differences of $500 million (2012 – $500 million) for which no deferred tax assets were recognised in the balance sheet. The amount relates to a provision against the carrying value of property, plant and equipment of the Antucoya project in 2012. Further details in respect of this are set out in Note 4.

Notes to the financial statements

28 Decommissioning and restoration and other long-term provisions

	2013 $m	2012 $m
Balance at the beginning of the year	(384.6)	(321.1)
Charge to operating profit in the year	(71.0)	(1.8)
Release of discount to net interest in the year	(10.3)	(9.1)
Actuarial (losses)/gain	(3.5)	2.1
Capitalised adjustment to provision	(31.8)	(59.6)
Utilised in year	5.5	6.0
Foreign currency exchange difference	1.4	(1.1)
Balance at the end of the year	(494.3)	(384.6)

	2013 $m	2012 $m
Analysed as follows:		
Decommissioning and restoration	(492.5)	(383.3)
Termination of Water concession	(1.8)	(1.3)
Balance at the end of the year	(494.3)	(384.6)

a) Decommissioning and restoration

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review. It is estimated that the provision will be utilised over a period of up to 46 years based on current mine plans.

During the year ended 31 December 2013, the decommissioning and restoration provisions at the Group's mining operations were increased by a net total of $99.2 million, of which $31.8 million related to an increase in decommissioning costs which was capitalised, and a net charge of $67.4 million within operating profit related to an increase in restoration costs. These net increases mainly reflected the impact of increased cost estimates resulting from detailed updated reviews at Los Pelambres and Michilla, partly offset by a reduction in the discounted present value of the provision recognised at Esperanza, as a result of the extension of that operation's end of mine life from 2030 to 2059. The capitalised provision balances are depreciated over the life of the corresponding asset or mine life if shorter.

b) Termination of Water concession

The provision for the termination of the Water concession relates to the provision for items of plant, property and equipment and working capital items under Aguas de Antofagasta's ownership to be transferred to the previous state-owned operator ECONSSA (formerly known as ESSAN) at the end of the concession period, and is based on the net present value of the estimated value of those assets and liabilities in existence at the end of the concession.

29 Share capital and other reserves

(i) Share capital

The ordinary share capital of the Company is as follows:

	2013 Number	2012 Number	2013 $m	2012 $m
Authorised				
Ordinary shares of 5p each	1,300,000,000	1,300,000,000	118.9	118.9

	2013 Number	2012 Number	2013 $m	2012 $m
Issued and fully paid				
Ordinary shares of 5p each	985,856,695	985,856,695	89.8	89.8

The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one vote at any general meeting.

There were no changes in the authorised or issued share capital of the Company in either 2012 or 2013. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32, are given in Note 22a(xiii).

(ii) Other reserves

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2012 and 2013 are included within the Consolidated statement of changes in equity on page 110.

30 Non-controlling interests

The non-controlling interests of the Group during 2013 and 2012 are as follows:

	Non-controlling interest %	Country	At 01.01.13 $m	Share of profit/loss for the financial year $m	Capital increase on non-controlling interest $m	Capital contribution from non-controlling interest $m	Share of dividends $m	Hedging and actuarial reserves $m	At 31.12.13 $m
Los Pelambres	40.0	Chile	980.5	477.7	–	–	(422.1)	(5.2)	1,030.9
Esperanza	30.0	Chile	397.6	88.1	–	–	–	1.2	486.9
El Tesoro	30.0	Chile	294.2	67.6	–	–	(30.0)	1.1	332.9
Michilla	25.8	Chile	50.8	(11.5)	–	–	–	(1.9)	37.4
Antucoya	30.0	Chile	(115.6)	(1.6)	–	91.1	–	(0.1)	(26.2)
Twin Metals	60.0	USA	70.4	(39.9)	13.3	18.7	–	–	62.5
Railway and other transport services	50.0	Bolivia	16.3	(0.2)	–	–	–	(1.4)	14.7
Total			**1,694.2**	**580.2**	**13.3**	**109.8**	**(452.1)**	**(6.3)**	**1,939.1**

	Non-controlling interest %	Country	At 01.01.12 $m	Share of profit/loss for the financial year $m	Change in ownership interest in subsidiaries $m	Capital increase on non-controlling interest $m	Capital contribution from non-controlling interest $m	Share of dividends $m	Hedging and actuarial reserves $m	At 31.12.12 $m
Los Pelambres	40.0	Chile	953.1	646.5	–	–	–	(622.6)	3.5	980.5
Esperanza	30.0	Chile	220.0	174.9	–	–	–	–	2.6	397.5
El Tesoro	30.0	Chile	298.8	71.7	–	–	–	(75.0)	(1.3)	294.2
Michilla	25.8	Chile	50.4	2.2	–	–	–	(3.9)	2.1	50.8
Antucoya (i)	30.0	Chile	–	(150.6)	18.2	–	16.8	–	–	(115.6)
Twin Metals	60.0	USA	72.1	(42.8)	–	31.1	10.1	–	–	70.5
Railway and other transport services	50.0	Bolivia	16.8	0.5	–	–	–	(1.0)	–	16.3
Total			**1,611.2**	**702.4**	**18.2**	**31.1**	**26.9**	**(702.5)**	**6.9**	**1,694.2**

Notes to the non-controlling interest

(i) On 14 December 2011, the Group announced that it had entered into an agreement with Marubeni Corporation under which Marubeni would become 30% partner in the Antucoya project and fund its 30% share of the development cost. The transaction closed on 31 July 2012 resulting in $359.6 million being received by the Group.

Notes to the financial statements

30 Non-controlling interests continued

Summarised financial position and cash flow for the years ended 2013 and 2012

	Los Pelambres 2013 $m	Esperanza 2013 $m	El Tesoro 2013 $m	Michilla 2013 $m	Antucoya 2013 $m
Non-controlling interest (%)	**40.0%**	**30.0%**	**30.0%**	**25.8%**	**30.0%**
Cash and cash equivalent	**192.4**	**205.9**	**300.9**	**34.0**	**47.1**
Current assets	**675.2**	**540.5**	**290.0**	**103.8**	**38.1**
Non-current assets	**2,881.8**	**2,627.2**	**698.2**	**89.8**	**680.8**
Current liabilities	**(338.6)**	**(797.5)**	**(156.5)**	**(39.9)**	**(694.9)**
Non-current liabilities	**(846.8)**	**(1,037.1)**	**(137.6)**	**(54.3)**	**(177.9)**
Accumulated non-controlling interest	**(1,030.9)**	**(486.9)**	**(332.9)**	**(37.4)**	**26.2**
Net cash flow from operating activities	**1,168.1**	**466.1**	**502.8**	**41.6**	**(24.6)**
Net cash flow from investing activities	**(160.4)**	**(217.9)**	**(292.5)**	**(17.2)**	**(574.3)**
Net cash flow from financing activities	**(1,196.2)**	**(603.1)**	**(183.7)**	**–**	**598.1**

	Los Pelambres 2012 $m	Esperanza 2012 $m	El Tesoro 2012 $m	Michilla 2012 $m	Antucoya 2012 $m
Non-controlling interest (%)	40.0%	30.0%	30.0%	25.8%	30.0%
Cash and cash equivalent	380.9	669.8	137.5	9.6	47.9
Current assets	514.1	452.5	432.1	126.5	64.1
Non-current assets	2,796.3	2,518.6	642.3	135.0	1.2
Current liabilities	(369.7)	(1,075.8)	(177.1)	(41.5)	(504.2)
Non-current liabilities	(883.9)	(1,320.3)	(220.8)	(43.4)	(1.8)
Accumulated non-controlling interest	(980.5)	(397.5)	(294.2)	(50.8)	115.6
Net cash flow from operating activities	1,985.7	863.9	397.9	(6.2)	(54.2)
Net cash flow from investing activities	(101.7)	(302.0)	(78.3)	(57.9)	(293.8)
Net cash flow from financing activities	(1,697.4)	(147.3)	(331.7)	(15.0)	395.9

Notes to the summarised financial position and cash flow

(i) The amounts disclosed for each subsidiary are based on the amounts included in the consolidated financial statements (ie 100% of the results and balances of the subsidiary rather than the non-controlling interest proportionate share) before inter-company eliminations.

(ii) Summarised income statement information is shown in the segment information in Note 6.

31 Notes to the consolidated cash flow statement

a) Reconciliation of profit before tax to net cash inflow from operating activities

	2013 $m	2012 $m
Profit before tax	2,083.5	2,761.8
Depreciation and amortisation	517.7	494.2
Provision against carrying value of assets	–	500.0
Net loss/(profit) on disposal of property, plant and equipment	12.4	(3.3)
Net finance expense	74.2	90.9
Share of income from associates and joint ventures	14.4	20.8
Decrease/(increase) in inventories	1.8	(108.8)
(Increase)/decrease in debtors	(148.2)	25.4
Increase in creditors and provisions	103.4	45.0
Cash flows from operations	2,659.2	3,826.0

b) Analysis of changes in net cash

	At 1.1.13 $m	Cash flows $m	Other $m	Exchange $m	At 31.12.13 $m
Cash and cash equivalents	1,811.3	(1,181.3)	–	(16.3)	613.7
Liquid investments	2,480.6	(409.2)	–	–	2,071.4
Total cash, cash equivalents and liquid investments	4,291.9	(1,590.5)	–	(16.3)	2,685.1
Bank borrowings due within one year	(434.3)	267.0	(162.1)	–	(329.4)
Bank borrowings due after one year	(1,377.2)	245.5	146.7	–	(985.0)
Finance leases due within one year	(12.7)	15.6	(14.5)	–	(11.6)
Finance leases due after one year	(61.8)	–	15.0	2.2	(44.6)
Preference shares	(3.2)	–	–	(0.1)	(3.3)
Total borrowings	(1,889.2)	528.1	(14.9)	2.1	(1,373.9)
Net cash	2,402.7	(1,062.4)	(14.9)	(14.2)	1,311.2

	At 1.1.12 $m	Cash flows $m	Other $m	Exchange $m	At 31.12.12 $m
Cash and cash equivalents	1,335.1	462.7	–	13.5	1,811.3
Liquid investments	1,944.9	535.7	–	–	2,480.6
Total cash, cash equivalents and liquid investments	3,280.0	998.4	–	13.5	4,291.9
Bank borrowings due within one year	(293.5)	192.1	(332.9)	–	(434.3)
Bank borrowings due after one year	(1,767.9)	68.2	322.5	–	(1,377.2)
Finance leases due within one year	(8.4)	12.7	(15.5)	(1.5)	(12.7)
Finance leases due after one year	(67.4)	–	8.5	(2.9)	(61.8)
Preference shares	(3.1)	–	–	(0.1)	(3.2)
Total borrowings	(2,140.3)	273.0	(17.4)	(4.5)	(1,889.2)
Net cash	1,139.7	1,271.4	(17.4)	9.0	2,402.7

Notes to the financial statements

31 Notes to the consolidated cash flow statement continued

c) Net cash

	2013 $m	2012 $m
Cash, cash equivalents and liquid investments	2,685.1	4,291.9
Total borrowings	(1,373.9)	(1,889.2)
	1,311.2	2,402.7

32 Operating lease arrangements

	2013 $m	2012 $m
Minimum lease payments under operating leases recognised in income for the year	23.5	20.5

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 $m	2012 $m
Within one year	23.8	16.7
In the second to fifth years inclusive	21.3	20.2
After five years	2.3	5.2
	47.4	42.1

Operating lease payments relate mainly to rental of plant and equipment by operating subsidiaries of the Group.

33 Concession arrangements

In 2003, the Group was awarded a 30-year concession to operate the water rights and facilities in the Antofagasta Region of Chile previously controlled by the state-owned operator ECONSSA (formerly known as ESSAN). The concession consists of two businesses, one an unregulated business supplying mines and other industrial users and the other a regulated water business supplying domestic customers. The concession contract was signed and control of the assets and operation assumed on 29 December 2003 by Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group.

Under the concession contract, certain assets and liabilities (mainly certain specific tangible fixed assets and working capital items) were transferred to Aguas de Antofagasta by way of sale. Other assets (mainly water rights and infrastructure) were transferred by way of concession and will devolve to ECONSSA at the end of the 30-year period.

Aguas de Antofagasta will also be required to transfer to ECONSSA any tangible fixed assets and working capital items under its ownership at the end of the 30-year concession period. A provision for the termination of the Water concession has been created for the fixed assets and working capital items under Aguas de Antofagasta's ownership to be transferred to ECONSSA at the end of the concession period. The provision is based on the net present value of the estimated value of these assets and liabilities in existence at the end of the concession. The release of the discount applied in establishing the net present value of future costs is charged to the income statement in each accounting period and is disclosed as a financing cost. Further details of this provision are given in Note 28(b).

The Chilean Water Regulator (Superintendencia de Servicios Sanitarios) sets domestic tariffs every five years following a regulatory review, including representations from the operator of the concession. The last regulatory review was completed during 2011 and there was not significant variation compared to the last regulatory review in 2006.

34 Exchange rates in US dollars

Assets and liabilities denominated in foreign currencies are translated into dollars and sterling at the period end rates of exchange.

Results denominated in foreign currencies have been translated into dollars at the average rate for each period.

	2013	2012
Year end rates	US$1.6515 = £1; US$1 = Ch$524.61	US$1.6163 = £1; US$1 = Ch$479.96
Average rates	US$1.5630 = £1; US$1 = Ch$495.00	US$1.5835 = £1; US$1 = Ch$486.75

35 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below.

a) Quiñenco S.A.

Quiñenco S.A. ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange. The Group and Quiñenco are both under the control of the Luksic family, and three Directors of the Company, Jean-Paul Luksic, Andrónico Luksic and Gonzalo Menéndez, are also directors of Quiñenco.

The following material transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms:

- the Group sold copper cathodes during the year for $6.8 million (2012 – $11.1 million) to Madeco S.A., a subsidiary of Quiñenco. The balance due from Madeco at the end of the year was less than $0.1 million (2012 – $0.1 million);
- the Group bought copper wire from Madeco for $0.8 million (2012 – for $0.3 million);
- the Group earned interest income of $0.7 million (2012 – $2.4 million) during the year on deposits with Banco de Chile S.A., a subsidiary of Quiñenco. Deposit balances at the end of the year were $48.7 million (2012 – $83.4 million);
- the Group earned interest income of $1.1 million (2012 – $0.7 million) during the year on investments with BanChile Corredores de Bolsa S.A., a subsidiary of Quiñenco. Investment balances at the end of the year were $17.3 million (2012 – $35.9 million);
- the Group bought fuel from ENEX S.A., a subsidiary of Quiñenco, of $79.2 million (2012 – $74.6 million). The balance due from ENEX S.A. at the end of the year was nil (2012 – $1.7 million); and
- the Group has contract shipping services from Compañia Sudamericana de Vapores S.A., subsidiary of Quiñenco, of $0.5 million (2012 – $6.6 million).

b) Compañía de Inversiones Adriático S.A.

In 2012, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático S.A., a company controlled by the Luksic family, at a cost of less than $0.7 million (2012 – $0.7 million).

c) Compañía Antofagasta Terminal Internacional S.A.

As explained in Note 17, the Group has a 30% interest in Antofagasta Terminal Internacional S.A. ("ATI") which is accounted for as an associate. During 2013, the Group has not received dividends from ATI (2012 – $1.1 million).

d) Antomin Limited, Antomin 2 Limited and Antomin Investors Limited

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, a company controlled by the Luksic family, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. During the year ended 31 December 2013 the Group incurred $22.1 million (year ended 31 December 2012 – $16.5 million) of exploration work at these properties.

e) Tethyan Copper Company Limited

As explained in Note 17 the Group has a 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan. During the year the Group contributed $7.0 million (2012 – $9.9 million) to Tethyan, to provide funds for Tethyan's legal advisory and administrative costs. The balance due from Tethyan to Group companies at the end of the year was nil (2012 – $0.1 million).

f) Energía Andina S.A.

As explained in Note 17, the Group has a 60% interest in Energía Andina, which is a joint venture with Origin Energy Geothermal Chile Limitada for the exploration and exploitation of potential sources of geothermal energy. The balance due from Energía Andina S.A. to the Group at 31 December 2013 was less than $0.1 million (31 December 2012 – less than $0.1 million). During the year ended 31 December 2013 the Group contributed $21.6 million to Energía Andina (year ended December 2012 – $14.5 million).

g) Minera Cerro Centinela S.A.

Minera Cerro Centinela S.A. ("Centinela"), an entity ultimately controlled by the Luksic family, has an interest of 7.973% in Minera Michilla S.A. ("Michilla"), a shareholding it has held since Michilla was created through the merger of two predecessor companies on 31 December 1993. During the year ended 31 December 2013 Michilla has not paid dividends (year ended 31 December 2012 – $1.2 million) to Centinela.

h) Directors and other key management personnel

Information relating to Directors' remuneration and interests are given in the Remuneration report on pages 90 to 100. Information relating to the remuneration of key management personnel including the Directors is given in Note 7.

i) Inversiones Hornitos S.A.

As explained in Note 17, the Group has a 40% interest in Inversiones Hornitos S.A., which is accounted for as an associate. The Group paid $167.8 million (year ended 31 December 2012 – $129 million) to Inversiones Hornitos in relation to the energy supply contract at Esperanza and El Tesoro.

j) Sale of 30% interest in Minera Antucoya to Marubeni Corporation

On 14 December 2011, the Group signed a Memorandum of Understanding with Marubeni Corporation ("Marubeni") pursuant to which Marubeni would become a 30% partner in the Antucoya project for consideration totalling $350 million and a commitment to fund its pro rata share of the development costs of the project. This transaction closed on 31 July 2012 resulting in $359.6 million being received by the Group, comprising consideration of $351.8 million (base consideration of $350 million plus interest to completion of $1.8 million) and pre-closing capital contributions attributable to Marubeni of $7.8 million.

Marubeni holds a 30% interest in Minera Esperanza and Minera El Tesoro. Marubeni is a related party of the Group for the purposes of the Listing Rules of the United Kingdom Listing Authority as it holds a significant interest in these two subsidiaries of the Group.

k) El Arrayán

As explained in Note 17, the Group has a 30% interest in Parque Eólico El Arrayán S.A. ("El Arrayán"), which is accounted for as an associate. During 2013 the Group has not contributed to El Arrayán (year ended December 2012 – $19.6 million).

l) Alto Maipo SpA

As explained in Note 17, the Group has a 40% interest in Alto Maipo SpA ("Alto Maipo"), which is accounted for as an associate. During 2013 the Group contributed $2.4 million to Alto Maipo SpA for a total contribution of $52.6 million in 2013. The balance due from Alto Maipo to the Group at 31 December 2013 was $47.0 million representing loan financing with an interest rate of LIBOR six-month plus 4.25%.

36 Litigation

Tethyan Copper Company Pty Limited

The Group holds a 50% interest in Tethyan Copper Company Pty Limited ("Tethyan"), its joint venture with Barrick Gold Corporation ("Barrick"). In February 2011, Tethyan submitted an application for a mining lease to the government of Balochistan, which was subsequently rejected in November 2011.

Tethyan is pursuing two international arbitrations in order to protect its legal rights: one against the Government of Pakistan under the auspices of the International Centre for the Settlement of Investment Disputes ("ICSID"), and another against the Government of Balochistan under the auspices of the International Chamber of Commerce ("ICC"). Tethyan is seeking monetary damages only and is no longer seeking the grant of a mining lease at Reko Diq. The ICC tribunal has scheduled a hearing on preliminary issues to take place in the week commencing 23 June 2014. The ICSID tribunal has scheduled a hearing on jurisdiction and liability to take place over a two-week period commencing 6 October 2014.

Notes to the financial statements

37 Contingent liabilities

Antofagasta plc or its subsidiaries is subject to various claims which arise in the ordinary course of business. No provision has been made in the financial statements and none of these claims are currently expected to result in any material loss to the Group. Details of the principal claims in existence either during or at the end of the year and the current status is set out below:

Los Pelambres – Mauro tailings dam

As previously announced, during 2008 Los Pelambres entered into binding settlements in respect of litigation relating to the Mauro tailings dam. Since that time, Los Pelambres has become aware of further legal proceedings which had been initiated in first instance courts in Santiago and Los Vilos by certain members of the Caimanes community located near the Mauro valley. These claims, some of which have already been rejected by the relevant courts, sought to stop the operation of the Mauro tailings dam. Two of these claims are currently ongoing and Los Pelambres is continuing to take necessary steps to protect its position.

In the first of these claims, the plaintiffs have argued that the tailings dam affects their alleged water rights and the environment. This claim was rejected by the Court of first instance of Los Vilos in a judgement issued in November 2012, which was than affirmed by the court of Appeals of La Serena in August 2013. An action to vacate this last judgement, based only on the application of the law (cassation), was later filed before the Supreme Court and is currently pending.

In the second claim, the plaintiffs are seeking demolition of the dam on the basis of the risk that its collapse would pose to the community. This case is still before the Court of first instance of Los Vilos. In considering its judgement, the Court is taking into account reports prepared by an independent expert at the request of the Court, reports prepared by experts commissioned by Minera Los Pelambres and several reports issued by the Chilean Mining Safety Authority (SERNAGEOMIN).

38 Events after the balance sheet date

During February 2014 Esperanza signed a re-financing agreement in respect of its project financing (senior debt). As detailed in Note 22, the balance of the existing project financing as at 31 December 2013 was $593 million. The re-financing has resulted in a net increase in the loan balance to $900 million, with the borrowings having a remaining term of between four and five years and an interest rate of LIBOR six-month plus 1%. As a result of this re-financing the guarantees in respect of Esperanza's fixed assets ($2,120.2 million) and inventories ($144.9 million) were released.

In March 2014 the Group acquired an additional 25.7% interest in Michilla for $30.9 million, increasing the Group's interest from 74.2% to 99.9%. This included the acquisition of the 7.973% stake held by Minera Cerro Centinela S.A., an entity ultimately controlled by the Luksic family, for $9.6 million.

39 Ultimate Parent Company

The immediate parent of the Group is Metalinvest Establishment, which is controlled by E. Abaroa Foundation, in which members of the Luksic family are interested.

Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein. Information relating to the interest of Metalinvest Establishment and the E. Abaroa Foundation are given in the Directors' report.

Parent Company financial statements

40 Antofagasta plc – Balance sheet of the Parent Company and related notes

Parent Company balance sheet

At 31 December 2013

	Notes	2013 $m	2012 $m
Fixed assets			
Investment in subsidiaries	40D	600.6	660.5
Current assets			
Debtors – amounts falling due within one year			
– amounts owed by subsidiaries	40D	121.2	581.5
Current asset investments (term deposits)		6.4	32.6
Cash at bank and in hand		3.1	2.4
		130.7	616.5
Creditors – amounts falling due within one year			
Other creditors		(0.8)	–
Amounts owed to subsidiaries		(296.9)	(301.5)
		(297.7)	(301.5)
Net current (liabilities)/assets		(167.0)	315.0
Total assets less current liabilities		433.6	975.5
Creditors – amounts falling due after more than one year			
Preference shares	40E	(3.3)	(3.2)
Total assets less total liabilities		430.3	972.3
Capital and reserves			
Called up shares capital			
– Ordinary shares – equity	40F	89.8	89.8
Reserves			
– Share premium account	40F	199.2	199.2
– Profit and loss account	40F	141.3	683.3
Shareholders' funds (including non-equity interests)		430.3	972.3

Approved by the Board and signed on its behalf on 17 March 2014.

Jean-Paul Luksic
Chairman

William Hayes
Senior Independent Director and
Chairman Audit and Risk Committee

Parent Company financial statements

40A Basis of preparation of the balance sheet and related notes of the Parent Company

The Antofagasta plc Parent Company balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles ("UK GAAP") and in accordance with UK company law. The financial information has been prepared on a historical cost basis. The financial statements have been prepared on a going concern basis. The functional currency of the Company and the presentational currency adopted is US dollars.

A summary of the principal accounting policies is set out below. There were no changes in accounting policies in 2013.

The preparation of financial statements in conformity with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, following implementation of these standards, actual results may differ from those estimates.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit after tax for the year of the Parent Company amounted to $433.0 million (2012 – $383.2 million).

40B Principal accounting policies of the Parent Company

a) Currency translation

The Company's functional currency is the US dollar.
Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

b) Revenue recognition

Interest is accounted for on an accruals basis. Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, ie in the period in which they are formally approved for payment.

c) Dividends payable

Dividends proposed are recognised when they represent a present obligation, ie in the period in which they are formally approved for payment. Accordingly, an interim dividend is recognised when paid and a final dividend is recognised when approved by shareholders.

d) Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries and long-term amounts owed by subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

As explained in Note 40D, amounts owed by subsidiaries due in foreign currencies are translated at year end rates of exchange with any exchange differences taken to the profit and loss account.

e) Current asset investments and cash at bank and in hand

Current asset investments comprise highly-liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, typically maturing within 12 months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

f) Borrowings – preference shares

The sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified as borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

g) Equity instruments – ordinary share capital and share premium

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its sterling-denominated issued ordinary share capital and related share premium.

As explained above, the presentational and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

h) Cash flow statement

The Company's individual financial statements are outside the scope of FRS 1 "Cash Flow Statements" because the Company prepares publicly available consolidated financial statements which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

i) Related party disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 "Related Party Disclosures" because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

40C Employees and Directors

Antofagasta plc had no employees during 2013 and 2012. Details of fees payable to Directors are set out in the Remuneration report.

40D Subsidiaries

a) Investment in subsidiaries

	2013 $m	2012 $m
Shares in subsidiaries at cost	57.6	57.6
Amounts owed by subsidiaries due after more than one year	543.0	602.9
	600.6	660.5

	Shares $m	Loans $m	Total $m
1 January 2013	57.6	602.9	660.5
Amounts repaid by subsidiaries	–	(59.9)	(59.9)
31 December 2013	57.6	543.0	600.6

b) Amounts owed by subsidiaries due within one year

At 31 December 2013, amounts owed by subsidiaries due within one year were $121.2 million (2012 – $581.5 million).

40E Borrowings – preference shares

The authorised, issued and fully paid preference share capital of the Company comprised 2,000,000 5% cumulative preference shares of £1 each at both 31 December 2013 and 31 December 2012. As explained in Note 40B(f), the preference shares are measured in the balance sheet in US dollars at period-end rates of exchange.

The preference shares are non-redeemable and are entitled to a fixed 5% cumulative dividend, payable in equal instalments in June and December of each year. On a winding-up, the preference shares are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes (see Note 22a(xiii)) at any general meeting.

40F Reconciliation of movement in shareholders' funds

	Called up ordinary share capital $m	Share premium account $m	Profit and loss account $m	Total $m
At 1 January 2012 (equity)	89.8	199.2	738.8	1,027.8
Profit for the financial year	–	–	383.2	383.2
Dividends paid	–	–	(438.7)	(438.7)
At 31 December 2012 and 1 January 2013	89.8	199.2	683.3	972.3
Profit for the financial year	–	–	433.0	433.0
Dividends paid	–	–	(975.0)	(975.0)
31 December 2013 (equity)	89.8	199.2	141.3	430.3

The ordinary shares rank after the preference shares in entitlement to dividend and on a winding-up. Each ordinary share carries one vote at any general meeting.

Other information

Five-year summary

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Consolidated balance sheet					
Intangible asset	133.0	157.6	155.3	311.5	311.2
Property, plant and equipment	7,424.8	6,513.2	6,443.0	6,093.4	4,873.2
Inventories[1]	178.3	162.5	104.7	–	–
Investment property	3.3	3.5	3.1	3.7	3.4
Investment in associate and joint ventures[2]	175.2	106.5	84.8	58.0	121.3
Trade and other receivables	180.8	108.3	67.7	42.9	36.6
Derivative financial instruments	–	8.0	47.6	–	47.6
Available-for-sale investments	16.6	44.5	36.5	21.8	1.2
Deferred tax assets	76.9	103.8	83.2	110.0	31.1
Non-current assets[2]	8,188.9	7,207.9	7,025.9	6,641.3	5,425.6
Current assets[2]	4,200.7	5,655.9	4,679.3	4,946.5	4,132.5
Current liabilities[2]	(1,130.6)	(1,295.1)	(985.3)	(930.7)	(995.6)
Non-current liabilities[2]	(2,595.4)	(2,763.9)	(2,912.5)	(3,131.3)	(1,897.5)
	8,663.6	8,804.8	7,807.4	7,525.8	6,665.0
Share capital	89.8	89.8	89.8	89.8	89.8
Share premium	199.2	199.2	199.2	199.2	199.2
Reserves (retained earnings and hedging, translation and fair value reserves)	6,435.5	6,821.6	5,907.2	5,881.6	5,049.6
Equity attributable to equity holders of the Company	6,724.5	7,110.6	6,196.2	6,170.6	5,338.6
Non-controlling interests	1,939.1	1,694.2	1,611.2	1,355.2	1,278.8
	8,663.6	8,804.8	7,807.4	7,525.8	6,617.4

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Consolidated income statement					
Group revenue	5,971.6	6,740.1	6,076.0	4,577.1	2,962.6
Total profit from operations and associates[2]	2,157.7	2,852.7	3,097.4	2,591.9	1,463.5
Profit before tax[2–3]	2,083.5	2,761.8	3,076.2	2,573.2	1,437.6
Income tax expense[2]	(843.7)	(1,022.2)	(946.2)	(752.5)	(317.7)
Non-controlling interests	(580.2)	(702.4)	(893.4)	(768.9)	(452.2)
Net earnings (profit attributable to equity holders of the Company)	659.6	1,037.2	1,236.6	1,051.8	667.7
EBITDA[4]	2,702.2	3,864.4	3,660.5	2,771.9	1,680.7

See footnotes on page 167.

	2013 cents	2012 cents	2011 cents	2010 cents	2009 cents
Earnings per share					
Basic earnings per share[2]	66.9	105.2	125.4	106.7	67.7

Dividends to ordinary shareholders of the Company

	2013 cents	2012 cents	2011 cents	2010 cents	2009 cents
Dividends per share proposed in relation to the year					
Ordinary dividends (interim and final)	95.0	21.0	20.0	16.0	9.4
Special dividends	–	77.5	24.0	100.0	14.0
	95.0	98.5	44.0	116.0	23.4
Dividends per share paid in the year and deducted from equity	90.0	44.5	120.0	24.0	57.0

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Consolidated cash flow statement					
Cash flow from operations[2]	2,659.2	3,826.0	3,552.5	2,433.9	1,167.8
Interest paid	(57.2)	(88.1)	(69.3)	(42.4)	(27.0)
Dividends from associates	–	1.1	1.2	0.8	0.7
Income tax paid	(896.5)	(901.2)	(1,018.1)	(427.9)	(135.2)
Net cash from operating activities[2]	1,705.5	2,837.8	2,466.3	1,964.4	1,006.3
Investing activities					
Acquisition and disposal of subsidiaries, joint venture, associates					
Available-for-sale investments, investing activities and recovery of VAT[2]	278.9	(496.0)	(1,165.9)	(188.0)	(226.4)
Purchases and disposals of intangible assets, property plant and equipment	(1,334.2)	(868.1)	(670.5)	(1,298.3)	(1,376.1)
Interest received	14.0	24.8	21.7	26.2	15.8
Net cash used in investing activities[2]	(1,041.3)	(1,339.3)	(1,814.7)	(1,460.1)	(1,586.7)
Financing activities					
Dividends paid to equity holders of the Company	(975.0)	(438.7)	(1,183.0)	(236.6)	(561.9)
Dividends paid to preference holders and non-controlling interests	(452.3)	(702.7)	(741.2)	(702.9)	(310.2)
New borrowings less repayment of borrowings and finance leases and others	(418.2)	105.6	(114.5)	562.2	1,177.1
Net cash used in financing activities	(1,845.5)	(1,035.8)	(2,038.7)	(377.3)	305.0
Net (decrease)/increase in cash and cash equivalents[2]	(1,181.3)	462.7	(1,387.1)	127.0	(275.4)

	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Consolidated net cash					
Cash, cash equivalents and liquid investments[2]	2,685.1	4,291.9	3,280.0	3,541.6	3,222.3
Short-term borrowings	(341.0)	(447.0)	(301.9)	(137.6)	(431.8)
Medium and long-term borrowings	(1,032.9)	(1,442.2)	(1,838.4)	(2,058.9)	(1,194.8)
	(1,373.9)	(1,889.2)	(2,140.3)	(2,196.5)	(1,626.6)
Net cash at the year end[2]	1,311.2	2,402.7	1,139.7	1,345.1	1,595.7

1 Non-current inventories refer to ore stockpiles that are expected to be processed more than 12 months after the statement of financial position date. The 2013 and 2012 balances have been prepared on this basis, and the 2011 balance has been restated to reflect this classification. The comparative balances for 2009 and 2010 have not been restated to reflect this classification.
2 The 2012 figures have been restated as a result of the early adoption of IFRS 11 Joint Arrangements and the application of the amendments to IAS 19 Employee Benefits in the current year. None of the years prior to 2012 have been restated.
3 In 2012 the Consolidated income statement included $500.0 million as a provision against the carrying value of property, plant and equipment relating to the Antucoya Project. Excluding this exceptional item profit before tax was $3,254.2 million.
4 EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation and profit or loss on disposals of property, plant and equipment and impairment charges to operating profit from subsidiaries and joint ventures.

Ore reserves and mineral resources estimates

At 31 December 2013

Introduction

The ore reserves and mineral resources estimates presented in this report comply with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code) which has been used by the Group as minimum standard for the preparation and disclosure of the information contained herein. The definitions and categories of Ore Reserves and Mineral Resources are set out below.

The information on ore reserves and mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. The Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears. The Competent Person for Exploration Results and Mineral Resources (except for the Twin Metals Mineral Resource Estimate) is Guillermo Muller (CP, Chile), Manager of Mineral Resource Evaluation for Antofagasta Minerals. The Competent Person for the Twin Metals Mineral Resource Estimate is Dr Harry Parker, SME, Registered Member, Technical Director of AMEC. The Competent Person for Ore Reserves is Murray Canfield (P.Eng. Ontario), Technical Manager of Mining for Antofagasta Minerals.

The Group's operations and projects are subject to a comprehensive programme of audits aimed at providing assurance in respect of ore reserves and mineral resources estimates. The audits are conducted by suitably qualified Competent Persons from within a particular division, another division of the Company or from independent consultants.

The ore reserves and mineral resources estimates represent full reserves and resources, with the Group's attributable share for each mine shown in the "Attributable Tonnage" column. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 174 to 176. The totals in the table may include some small apparent differences as the specific individual figures have not been rounded.

Definitions and categories of ore reserves and mineral resources

A "Mineral Resource" is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An "Inferred Mineral Resource" is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An "Indicated Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A "Measured Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An "Ore Reserve" is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A "Probable Ore Reserve" is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A "Proved Ore Reserve" is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Ore reserves estimates

At 31 December 2013

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Los Pelambres (see Note (a))										
Proved	**653.8**	550.1	**0.63**	0.66	**0.022**	0.025	**0.05**	0.03	**392.3**	330.1
Probable	**779.4**	938.0	**0.59**	0.59	**0.016**	0.017	**0.04**	0.03	**467.7**	562.8
Total	**1,433.2**	1,488.1	**0.61**	0.62	**0.019**	0.020	**0.04**	0.03	**859.9**	892.9
Esperanza (ex-Esperanza Sulphides, including ex-Esperanza Sur. See Note (b))										
Proved	**485.5**	219.0	**0.53**	0.61	**0.011**	0.009	**0.21**	0.26	**339.9**	153.3
Probable	**1,303.7**	512.6	**0.42**	0.45	**0.013**	0.013	**0.14**	0.16	**912.6**	358.8
Total	**1,789.2**	731.6	**0.45**	0.50	**0.013**	0.011	**0.16**	0.19	**1,252.5**	512.1
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North-East, Mirador										
Proved	**60.8**	82.9	**0.77**	0.79	**–**	–	**–**	–	**42.5**	58.0
Probable	**42.1**	31.9	**0.59**	0.60	**–**	–	**–**	–	**29.5**	22.3
Sub-total	**102.9**	114.8	**0.70**	0.74	**–**	–	**–**	–	**72.0**	80.3
El Tesoro ROM (Esperanza Oxides)										
Proved	**3.8**	8.2	**0.25**	0.29	**–**	–	**–**	–	**2.7**	5.7
Probable	**105.4**	99.3	**0.31**	0.31	**–**	–	**–**	–	**73.7**	69.5
Sub-total	**109.2**	107.5	**0.31**	0.31	**–**	–	**–**	–	**76.4**	75.3
Total	**212.1**	222.3	**0.50**	0.53	**–**	–	**–**	–	**148.5**	155.6
Antucoya (see Note (d))										
Proved	**367.8**	215.1	**0.37**	0.38	**–**	–	**–**	–	**257.5**	150.6
Probable	**268.0**	426.5	**0.32**	0.34	**–**	–	**–**	–	**187.6**	298.6
Total	**635.8**	641.6	**0.35**	0.35	**–**	–	**–**	–	**445.1**	449.2
Michilla (see Note (e))										
Proved	**6.2**	8.0	**1.15**	1.18	**–**	–	**–**	–	**4.6**	5.9
Probable	**2.6**	5.0	**0.90**	1.21	**–**	–	**–**	–	**1.9**	3.7
Total	**8.7**	13.0	**1.08**	1.19	**–**	–	**–**	–	**6.5**	9.6
Group total	**4,079.0**	3,096.7	**0.49**	0.53	**–**	–	**–**	–	**2,712.4**	2,019.4

Ore reserves and mineral resources estimates
At 31 December 2013

Mineral resources estimates (including ore reserves)

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Los Pelambres (see Note (a))										
Measured	**820.5**	558.7	**0.62**	0.66	**0.024**	0.025	**0.05**	0.03	**492.3**	335.2
Indicated	**1,396.8**	1,091.4	**0.57**	0.58	**0.018**	0.017	**0.04**	0.03	**838.1**	654.8
Measured + Indicated	**2,217.4**	1,650.1	**0.59**	0.61	**0.020**	0.020	**0.04**	0.03	**1,330.4**	990.1
Inferred	**3,496.7**	3,954.0	**0.47**	0.48	**0.013**	0.010	**0.05**	0.04	**2,098.0**	2,372.4
Total	**5,714.0**	5,604.1	**0.52**	0.52	**0.016**	0.013	**0.05**	0.03	**3,428.4**	3,362.5
El Tesoro (see Note (c))										
Tesoro Central, Tesoro North-East and Mirador										
Measured	**100.5**	97.4	**0.68**	0.78	**–**	–	**–**	–	**70.4**	68.2
Indicated	**86.9**	41.1	**0.48**	0.62	**–**	–	**–**	–	**60.9**	28.7
Measured + Indicated	**187.4**	138.5	**0.59**	0.73	**–**	–	**–**	–	**131.2**	96.9
Inferred	**43.7**	10.2	**0.25**	0.54	**–**	–	**–**	–	**30.6**	7.1
Sub-total	**231.1**	148.7	**0.53**	0.72	**–**	–	**–**	–	**161.8**	104.1
El Tesoro ROM *(Esperanza Oxides)*										
Measured	**3.8**	8.2	**0.25**	0.29	**–**	–	**–**	–	**2.7**	5.7
Indicated	**105.4**	99.3	**0.31**	0.31	**–**	–	**–**	–	**73.7**	69.5
Measured + Indicated	**109.2**	107.5	**0.31**	0.31	**–**	–	**–**	–	**76.4**	75.3
Inferred	**0.5**	0.0	**0.25**	0.28	**–**	–	**–**	–	**0.3**	0.0
Sub-total	**109.7**	107.5	**0.31**	0.31	**–**	–	**–**	–	**76.8**	75.3
Total	**340.8**	256.2	**0.45**	0.55	**–**	–	**–**	–	**238.6**	179.4
Antucoya (see Note (d))										
Measured	**462.3**	277.9	**0.34**	0.34	**–**	–	**–**	–	**323.6**	194.5
Indicated	**436.5**	737.4	**0.30**	0.30	**–**	–	**–**	–	**305.6**	516.2
Measured + Indicated	**898.8**	1,015.3	**0.32**	0.31	**–**	–	**–**	–	**629.2**	710.7
Inferred	**309.7**	90.9	**0.27**	0.28	**–**	–	**–**	–	**216.8**	63.6
Total	**1,208.5**	1,106.2	**0.30**	0.31	**–**	–	**–**	–	**846.0**	774.4
Michilla (see Note (e))										
Measured	**24.7**	26.7	**1.65**	1.61	**–**	–	**–**	–	**18.3**	19.8
Indicated	**23.5**	24.7	**1.47**	1.45	**–**	–	**–**	–	**17.4**	18.3
Measured + Indicated	**48.2**	51.4	**1.56**	1.53	**–**	–	**–**	–	**35.8**	38.1
Inferred	**15.3**	15.8	**1.69**	1.67	**–**	–	**–**	–	**11.4**	11.7
Total	**63.6**	67.1	**1.59**	1.57	**–**	–	**–**	–	**47.2**	49.8

Group subsidiaries	Tonnage (millions of tonnes) 2013	2012	Copper % 2013	2012	Molybdenum % 2013	2012	Gold (g/tonne) 2013	2012	Attributable tonnage (millions of tonnes) 2013	2012
Esperanza (ex-Esperanza Sulphides, including ex-Esperanza Sur. See Note (b))										
Oxides										
Measured	7.0	15.4	0.20	0.20	–	–	–	–	4.9	10.8
Indicated	63.4	28.5	0.24	0.23	–	–	–	–	44.3	19.9
Measured + Indicated	70.3	43.9	0.24	0.22	–	–	–	–	49.2	30.7
Inferred	10.7	1.5	0.23	0.22	–	–	–	–	7.5	1.1
Sub-total	81.0	45.4	0.24	0.22	–	–	–	–	56.7	31.8
Sulphides										
Measured	511.9	423.1	0.51	0.51	0.006	0.005	0.20	0.14	358.3	296.1
Indicated	1,784.0	1,753.3	0.39	0.40	0.004	0.004	0.12	0.05	1,248.8	1,227.3
Measured + Indicated	2,295.9	2,176.4	0.42	0.42	0.004	0.005	0.14	0.07	1,607.1	1,523.5
Inferred	948.8	1,651.9	0.31	0.31	0.007	0.004	0.08	0.03	664.2	1,156.4
Sub-total	3,244.7	3,828.3	0.38	0.37	0.005	0.004	0.12	0.05	2,271.3	2,679.8
Total	3,325.7	3,873.8	0.38	0.37	–	–	–	–	2,328.0	2,711.6
Encuentro (see Note (f))										
Oxides										
Measured	142.4	47.3	0.47	0.51	–	–	–	–	142.4	47.3
Indicated	27.8	148.7	0.31	0.38	–	–	–	–	27.8	148.7
Measured + Indicated	170.2	196.0	0.44	0.42	–	–	–	–	170.2	196.0
Inferred	8.6	17.2	0.32	0.31	–	–	–	–	8.6	17.2
Sub-total	178.8	213.2	0.44	0.41	–	–	–	–	178.8	213.2
Sulphides										
Measured	424.0	402.8	0.53	0.53	0.015	0.015	0.21	0.20	424.0	402.8
Indicated	551.8	540.2	0.35	0.35	0.014	0.014	0.13	0.12	551.8	540.2
Measured + Indicated	975.8	943.0	0.43	0.43	0.015	0.015	0.16	0.16	975.8	943.0
Inferred	217.7	192.6	0.28	0.28	0.012	0.011	0.13	0.10	217.7	192.6
Sub-total	1,193.5	1,135.6	0.40	0.40	0.014	0.014	0.16	0.15	1,193.5	1,135.6
Total	1,372.3	1,348.8	0.40	0.40	–	–	–	–	1,372.3	1,348.8

Ore reserves and mineral resources estimates

At 31 December 2013

Mineral resources estimates (including ore reserves)

	Tonnage (millions of tonnes)		Copper %		Molybdenum %		Gold (g/tonne)		Attributable tonnage (millions of tonnes)	
Group subsidiaries	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Polo Sur (see Note (g))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	90.9	–	0.42	–	–	–	–	–	90.9	–
Measured + Indicated	90.9	–	0.42	–	–	–	–	–	90.9	–
Inferred	21.3	71.3	0.30	0.41	–	–	–	–	21.3	71.3
Sub-total	112.2	71.3	0.40	0.41	–	–	–	–	112.2	71.3
Sulphides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	706.1	–	0.37	–	0.007	–	0.06	–	706.1	–
Measured + Indicated	706.1	–	0.37	–	0.007	–	0.06	–	706.1	–
Inferred	582.9	632.7	0.30	0.37	0.007	0.007	0.05	0.06	582.9	632.7
Sub-total	1,289.0	632.7	0.34	0.37	0.007	0.007	0.06	0.06	1,289.0	632.7
Total	1,401.1	704.0	0.34	0.37	–	–	–	–	1,401.1	704.0
Penacho Blanco (see Note (h))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	16.9	–	0.30	–	–	–	–	–	8.6	–
Sub-total	16.9	–	0.30	–	–	–	–	–	8.6	–
Sulphides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	280.6	–	0.43	–	0.002	–	0.05	–	143.1	–
Sub-total	280.6	–	0.43	–	0.002	–	0.05	–	143.1	–
Total	297.5	–	0.42	–	–	–	–	–	151.7	–
Mirador (ex-Mirador Sulphides (see Note (i)))										
Oxides	–	–	–	–	–	–	–	–	–	–
Measured	0.0	–	0.19	–	–	–	–	–	0.0	–
Indicated	2.0	–	0.47	–	–	–	–	–	2.0	–
Measured + Indicated	2.0	–	0.46	–	–	–	–	–	2.0	–
Inferred	17.7	–	0.24	–	–	–	–	–	17.7	–
Sub-total	19.7	–	0.26	–	–	–	–	–	19.7	–
Sulphides	–	–	–	–	–	–	–	–	–	–
Measured	1.5	–	0.38	–	0.006	–	0.14	–	1.5	–
Indicated	37.8	–	0.33	–	0.006	–	0.11	–	37.8	–
Measured + Indicated	39.3	–	0.33	–	0.006	–	0.11	–	39.3	–
Inferred	108.6	–	0.25	–	0.007	–	0.05	–	108.6	–
Sub-total	147.9	–	0.28	–	0.007	–	0.06	–	147.9	–

Group subsidiaries	Tonnage (millions of tonnes) 2013	2012	Copper % 2013	2012	Nickel % 2013	2012	TPM (Au + Pt + Pd) 2013	2012	Attributable tonnage (millions of tonnes) 2013	2012
Twin Metals (see note (j))										
Maturi										
Measured	**267.9**	–	**0.63**	–	**0.20**	–	**0.58**	–	**83.4**	–
Indicated	**702.3**	965.9	**0.58**	0.59	**0.19**	0.19	**0.61**	0.60	**271.4**	353.9
Measured + Indicated	**970.2**	965.9	**0.59**	0.59	**0.19**	0.19	**0.60**	0.60	**354.9**	353.9
Inferred	**510.2**	491.6	**0.51**	0.50	**0.17**	0.16	**0.53**	0.52	**180.2**	175.1
Sub-total	**1,480.4**	1,457.5	**0.56**	0.56	**0.18**	0.18	**0.57**	0.57	**535.1**	529.0
Birch Lake										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**90.4**	90.4	**0.52**	0.52	**0.16**	0.16	**0.86**	0.86	**25.3**	25.3
Measured + Indicated	**90.4**	90.4	**0.52**	0.52	**0.16**	0.16	**0.86**	0.86	**25.3**	25.3
Inferred	**217.0**	217.0	**0.46**	0.46	**0.15**	0.15	**0.64**	0.64	**60.8**	60.8
Sub-total	**307.4**	307.4	**0.48**	0.48	**0.15**	0.15	**0.70**	0.70	**86.1**	86.1
Spruce Road										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**435.4**	435.4	**0.43**	0.43	**0.16**	0.16	**–**	–	**121.9**	121.9
Sub-total	**435.4**	435.4	**0.43**	0.43	**0.16**	0.16	**–**	–	**121.9**	121.9
Maturi South West										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**93.1**	–	**0.48**	–	**0.17**	–	**0.31**	–	**26.1**	–
Measured + Indicated	**93.1**	–	**0.48**	–	**0.17**	–	**0.31**	–	**26.1**	–
Inferred	**29.3**	–	**0.43**	–	**0.15**	–	**0.26**	–	**8.2**	–
Sub-total	**122.4**	–	**0.47**	–	**0.16**	–	**0.30**	–	**34.3**	–
Total	**2,345.7**	2,200.4	**0.52**	0.53	**0.17**	0.17	**–**	–	**777.4**	737.1
Total Group										
Measured + Indicated	**8,965.3**	7,378.4	**0.47**	0.48	**–**	–	**–**	–	**6,249.9**	4,983.5
Inferred	**7,271.7**	7,782.1	**0.41**	0.43	**–**	–	**–**	–	**4,508.4**	4,883.9
Total	**16,236.9**	15,160.5	**0.45**	0.45	**–**	–	**–**	–	**10,758.3**	9,867.4

Ore reserves and mineral resources estimates
At 31 December 2013

Notes to ore reserves and mineral resources estimates

The ore reserves mentioned in this report were determined considering specific cut-off grades for each mine and using a long-term copper price of \$3.00/lb (\$2.75/lb in 2012), \$11.00/lb molybdenum (\$12.00/lb in 2012) and \$1,200/oz gold (\$1,100/oz gold in 2012), unless otherwise noted. These same values have been used for copper equivalent (CuEq) estimates, where appropriate.

In order to ensure that the stated resources represent mineralisation that has "reasonable prospects for eventual economic extraction" (JORC code) the resources are enclosed within pit shells that were optimised based on measured, indicated and inferred resources and considering a copper price of \$3.30/lb (\$3.30/lb in 2012). Mineralisation estimated outside these pit shells is not included in the resource figures unless they can expect to be exploited by underground methods.

a) Los Pelambres

Los Pelambres is 60% owned by the Group. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.35% copper. For 2013 the mineral resource model has been updated with 54 in-fill drill holes for a total of 17,700 metres plus an additional 25 holes for 31,300 metres, testing the ore body at depth.

The decrease of 55 million tonnes (net of depletion of 68 million tonnes) in ore reserves is due to the current restriction of capacity in the existing tailing dams, limiting the amount of mineral resource that can be converted into ore reserves.

Mineral resources increased overall by a net 110 million tonnes, including depletion. Mineral resources in the measured plus indicated categories increased by 567 million tonnes while resources in the inferred category decreased by 457 million tonnes.

b) Esperanza (ex-Esperanza Sulphides, including ex-Esperanza Sur)

Esperanza is 70% owned by the Group. The cut-off grade applied to the determination of ore reserves is 0.20% equivalent copper, with 0.15% copper used as a cut-off grade for mineral resources. Due to the proximity of the ore bodies, and the inclusion of Esperanza Sur ore reserves into the Esperanza mine plan, the consolidated Esperanza deposit will from now on be reported together for both ore reserves and mineral resources. The oxide mineral resources associated with the main Esperanza pit, at a cut-off grade of 0.20% copper, are reported separately in the El Tesoro section as "El Tesoro ROM (Esperanza Oxides)". The remainder of oxide mineral resources in the consolidated Esperanza deposit are reported by Esperanza at a cut-off grade of 0.15% copper.

Ore reserves increased by a net 1,058 million tonnes after depletion of 31 million tonnes. This is due to the inclusion of the Esperanza Sur pit ore reserves of 1,131 million tonnes into the Esperanza mine plan.

Mineral resources decreased by a net 548 million tonnes, including depletion. The optimised pit shell used to limit mineral resources is based on an integrated block model that estimates the Esperanza and Esperanza Sur mineral deposits together in one model. The decrease in mineral resources is due to a combination of new information incorporated in the resource estimate and increased operating costs used in the pit optimisation, which have further increased from 2012. The inferred resources that have been excluded from the optimised pit are relatively low grade and have a relatively high strip ratio to access them; therefore, they are sensitive to the economic parameters (costs and prices) used in the pit optimization exercise. The block model supporting the resource estimate incorporates information from an additional 50 drill holes for a total of 22,300 metres (23 drill holes for 7,200 metres in Esperanza and 27 drill holes for 15,100 metres in Esperanza Sur).

c) El Tesoro

El Tesoro is 70% owned by the Group. The ore reserves and mineral resources are made up of the El Tesoro Central and Tesoro North-East deposits, as well as part of the oxide portion of the Mirador deposit, which are processed by heap-leaching, and the Run-of-Mine (ROM) Oxide ore reserves and mineral resources from the main Esperanza pit, located five km south-east of El Tesoro. An agreement was entered into in 2008 whereby the Esperanza Oxide mineral resources were purchased by El Tesoro for a one-time payment. Esperanza delivers the ROM ore released during the pre-stripping and operating phases of the Esperanza operation to a permanent leach pad constructed and operated by the El Tesoro mine. At the request of El Tesoro, some of the higher grade Esperanza oxide ore is sent directly to the El Tesoro heap-leach pads. A similar agreement was reached with the Group in relation to Mirador oxides, allowing El Tesoro to mine an identified area of the Mirador deposit. Oxide and sulphide mineral resources falling outside this area are reported separately by the Group, as described in Note (i).

The cut-off grade used for the Tesoro Central and Tesoro North-East deposits is 0.41% copper for ore reserves (unchanged from 2012) and 0.31% for mineral resources (0.41% in 2012). The cut-off grade used for the Mirador deposit is 0.30% copper for ore reserves (unchanged from 2012) and 0.15% for mineral resources (0.30% in 2012).

Ore reserves for the El Tesoro open pits decreased by 12 million tonnes, including eight million tonnes of depletion.

Ore reserves for the El Tesoro ROM (Esperanza oxides) increased by seven million tonnes.

Mineral resources for the El Tesoro open pits increased by 82 million tonnes. This is mostly due to a decrease in the cut-off grade applied for mineral resources in all the pits.

The cut-off grade used for estimation of both ore reserves and mineral resources for the El Tesoro ROM (Esperanza Oxides) is 0.20% copper. During the year, seven million tonnes of oxide mineral resources were extracted from the Esperanza pit. A total of 79 million tonnes are in the ROM leach pads and have been partially leached, and another 14 million tonnes have been delivered to the ROM leach pads or ROM stockpiles and have not yet been put under leach.

d) Antucoya

Antucoya is 70% owned by the Group. In March 2013 the construction of the project was resumed, after a temporary suspension announced in December 2012. The cut-off grade applied to the determination of ore reserves is 0.21% copper, with 0.15% copper used as a cut-off grade for mineral resources. For 2013 the mineral resource model has been updated with 188 drill holes for a total of 43,900 metres.

Pre-stripping started in the Antucoya pit in December 2013, with no depletion of ore reserves or mineral resources in the period. Ore reserves have decreased by six million tonnes due to changes in the updated resource model. The quality of ore reserves has improved significantly, however, with 153 million tonnes upgraded from the Probable category to the Proved category.

Mineral resources have increased by 102 million tonnes, with measured plus indicated resources decreasing by 117 million tonnes and inferred resources increasing by 219 million tonnes.

e) Michilla

Michilla is 74.2% owned by the Group and its operations comprise open pit mines, underground mines and other workings. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.36 to 0.40% copper for open pits, 1.2% copper for the Estefanía underground mine and 0.8% copper for other workings.

Ore reserves decreased by a net 4.3 million tonnes, including depletion of 3.3 million tonnes. Plant feed was 4.4 million tonnes, with the difference coming from ore not considered in the mine plan.

Mineral resources decreased by 3.6 million tonnes, in line with depletion. The mineral resources estimate for Michilla includes several resource block models, incorporating the multiple deposits on the property.

Not included in the mineral resources estimate is the spent ore deposited on site. This is material that is removed from the dynamic heap-leach pads after the primary leach cycle is completed. During 2013, 9.0 million tonnes of spent ore at a grade of 0.23% was processed through the secondary leaching process. 1.7 million tonnes of this material was from the dynamic leach pads (re-leaching of ore processed during 2013) and 7.3 million tonnes from the existing spent ore dump.

f) Encuentro

Encuentro is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.15% copper.

Total mineral resources have increased by 24 million tonnes, due to the development of new geological and estimation models, supported by 79 additional drill holes, totalling 22,340 metres.

g) Polo Sur

Polo Sur is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper.

Total mineral resources have almost doubled compared to 2012, increasing by 697 million tonnes, supported by 30,900 metres of additional drilling in 46 drill holes, as well as the incorporation of 71,800 metres in 164 drill holes of validated historical information, along with geological modelling improvements. There has been a significant improvement in the quality of the resource estimate, with 797 million tonnes (91 million tonnes of oxides + 706 million tonnes of sulphides) moving into the Indicated category.

h) Penacho Blanco

Penacho Blanco is 51% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper. In 2012 Penacho Blanco was included in “Other Mineral Inventory” with a range of 60 to 100 million tonnes and 0.76 to 0.63% copper.

An additional 15,100 metres of drilling in 25 drill holes has led to an increase in the overall tonnes in the estimated mineral resources but at a lower grade than that included in the “Other Mineral Inventory” table.

i) Mirador (ex-Mirador Sulphides)

Mirador is 100% owned by the Group. A portion of the Mirador oxides are subject to an agreement between the Group and El Tesoro, whereby El Tesoro purchased the rights to mine the oxide ore reserves within an identified area. The ore reserves and mineral resources, subject to the agreement with El Tesoro, are reported in the El Tesoro section. The remaining oxide mineral resources and all of the sulphide mineral resources are reported in the Mirador section. In 2012 Mirador was included in “Other Mineral Inventory” with a range of 37 to 148 million tonnes and 0.39 to 0.28% copper. The cut-off grade applied to the determination of mineral resources for oxides is 0.15% copper and for sulphides is 0.20% copper.

j) Twin Metals Minnesota LLC

The Group has a 40% controlling interest in Twin Metals Minnesota LLC (“Twin Metals”), with the remaining 60% held by Duluth Metals Limited (“Duluth”).

The Maturi deposit and the recently incorporated Maturi South West deposit are the subjects of an ongoing pre-feasibility study being undertaken by Twin Metals. The nearby Birch Lake and Spruce Road deposits are currently not part of the pre-feasibility study programme. Twin Metals has a 70% interest in the Birch Lake Joint Venture (“BLJV”) which holds the Birch Lake, Spruce Road and Maturi South West deposits, as well as a portion of the main Maturi deposit.

Changes in the 2013 resource statement derive from the incorporation of the Maturi South West mineral resources and the upgrading of a portion of the Indicated resource category to Measured resource category at the main Maturi deposit. The 122 million tonnes of mineral resources for Maturi South West is based on information gathered from 68 drill holes for a total of 21,200 metres. Resource classification studies performed at Maturi, incorporating fence drilling data, resulted in the upgrading of 268 million tonnes from the Indicated to the Measured resource category.

The cut-off grade applied to the determination of mineral resources is 0.3% copper, which when combined with credits from nickel, platinum, palladium and gold, is deemed appropriate for an underground operation. In the resource table “TPM” (Total Precious Metals) refers to the sum of platinum, palladium and gold values in grams per tonne. The TPM value of 0.57 for the Maturi resource estimate is made up of 0.15 g/tonne platinum, 0.34 g/tonne palladium and 0.08 g/tonne gold. The TPM value of 0.30 for the Maturi South West resource estimate is made up of 0.08 g/tonne platinum, 0.17 g/tonne palladium and 0.05 g/tonne gold. The TPM value of 0.70 for the Birch Lake resource estimate is made up of 0.19 g/tonne platinum, 0.41 g/tonne palladium and 0.10 g/tonne gold. The Spruce Road resource estimate does not include TPM values as they were not assayed for.

The Competent Person for the Twin Metals Mineral Resource Estimate is Dr Harry Parker, SME, Registered Member, Technical Director of AMEC.

k) Other mineral inventory

In addition to the Mineral Resources noted above, the Group has interests in other deposits located in the Antofagasta Region of Chile, some of them containing gold and/or molybdenum. At the moment they are in exploration or in the process of resource estimation. The potential quantity and grade of each of the deposits is conceptual in nature, there has been insufficient exploration to define these deposits as mineral resources, and it is uncertain if further exploration will result in the determination of a mineral resource. These include:

(i) In the Centinela Mining District
In the Centinela Mining District the Group has two operations (El Tesoro and Esperanza) and others in exploration or under study, including Llano – Paleocanal (70% owned by the Group). The Mineral Inventory of this deposit (incorporating both oxide and sulphide mineralisation) is estimated to be in the range of 90 to 140 million tonnes with grades in the range of 0.6% to 0.4% copper. The table below details the deposit with its associated tonnage and grade ranges, the number of drill holes and associated metres drilled, as well as the Group’s ownership interest:

Ore reserves and mineral resources estimates
At 31 December 2013

Mineral deposit	Tonnage (millions of tonnes)		Grade range (% Cu)		Number of drill holes	Total metres	Ownership interest (%)
Llano – Paleocanal	90	140	0.51	0.41	361	60,560	70.0
Total	**90**	**140**	**0.51**	**0.41**	**361**	**60,560**	

(ii) In the Michilla District

In the Michilla District there are several satellite deposits to the main Michilla ore body that have been included in the Mineral Resources Table. However, there is at least one other deposit within a potentially economic radius of the Michilla mine: Rencoret, owned 100% by the Group.

Mineral deposit	Tonnage (millions of tonnes)		Grade range (% Cu)		Number of drill holes	Total metres	Ownership interest (%)
Rencoret	15	25	1.22	1.00	31	8,300	100.0
Total	**15**	**25**	**1.22**	**1.00**	**31**	**8,300**	

(iii) In the El Abra District

The Group has two mineral deposits within a few km of the El Abra ore body, located near Calama in the Antofagasta Region of Chile. Los Volcanes (ex-Conchi) is a porphyry copper mineral deposit (with oxide and sulphide mineralisation), while Brujulina is an exotic-style mineral deposit (oxide mineralisation only). The Mineral Inventory of these deposits is estimated to be in the range of 860 to 1,480 million tonnes with grades in the range of 0.6% to 0.5% copper. The table below lists each of the mineral deposits with its associated tonnage and grade ranges, the number of drill holes and associated metres drilled, as well as the Group's ownership interest:

Mineral deposit	Tonnage (millions of tonnes)		Grade range (% Cu)		Number of drill holes	Total metres	Ownership interest (%)
Los Volcanes (ex-Conchi)	810	1,400	0.62	0.50	148	57,945	51.0
Brujulina	50	80	0.65	0.53	159	15,300	51.0
Total	**860**	**1,480**	**0.62**	**0.50**	**307**	**73,245**	

l) Antomin 2 and Antomin Investors

The Group has approximately a 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors Limited"), which own a number of copper exploration properties in Chile's Antofagasta Region and Coquimbo Region. These include, among others, Penacho Blanco, Los Volcanes (ex-Conchi) and Brujulina (see Note k(iii) above). The remaining, approximately 49% of Antomin 2 and Antomin Investors, is owned by Mineralinvest Establishment ("Mineralinvest"), a company controlled by the Luksic family.

Further details are set out in Note 35(d) to the financial statements.

Mining production and sales, transport and water statistics

	Production		Sales		Net cash costs		Realised prices	
Production and sales volumes, realised prices and cash cost by mine	**2013 '000 tonnes**	2012 '000 tonnes	**2013 '000 tonnes**	2012 '000 tonnes	**2013 US dollars**	2012 US dollars	**2013 US dollars**	2012 US dollars
Copper								
Los Pelambres	**405.3**	403.7	**414.0**	396.9	**1.16**	0.86	**3.25**	3.67
Esperanza	**174.9**	163.2	**168.2**	163.0	**1.43**	0.66	**3.22**	3.65
El Tesoro	**102.6**	105.0	**101.6**	105.9	**1.36**	1.49	**3.34**	3.65
Michilla	**38.3**	37.7	**38.4**	37.4	**3.22**	3.18	**3.64**	3.73
Group total	**721.2**	709.6	**722.2**	703.2				
Group weighted average (net cash cost)					**1.36**	1.03	**3.28**	3.66
Group weighted average (before by-products)					**1.79**	1.63		
Cash cost at Los Pelambres comprise								
Cash cost before by-product credits*					**1.52**	1.39		
By-product credits (principally molybdenum and gold)					**(0.36)**	(0.53)		
Net cash cost					**1.16**	0.86		
*Includes tolling charges of $0.17/lb and $0.16/lb for 2013 and 2012 respectively.								
Cash cost at Esperanza comprise								
Cash cost before by-product credits*					**2.36**	1.94		
By-product credits (principally gold)					**(0.93)**	(1.28)		
Net cash cost					**1.43**	0.66		
*Includes tolling charges of $0.20/lb and $0.18/lb for 2013 and 2012 respectively.								
LME average							**3.32**	3.61
Gold	**'000 ounces**	'000 ounces	**'000 ounces**	'000 ounces			**$/ ounce**	$/ ounce
Los Pelambres	**56.7**	51.5	**56.7**	51.5			**1,362**	1,668
Esperanza	**237.1**	248.4	**226.0**	248.6			**1,357**	1,677
Group total	**293.8**	299.9	**282.7**	300.1			**1,358**	1,675
Market average price							**1,410**	1,669
Molybdenum	**'000 tonnes**	'000 tonnes	**'000 tonnes**	'000 tonnes			**$/ pound**	$/ pound
Los Pelambres	**9.0**	12.2	**8.8**	12.6			**10.0**	11.9
Market average price							**10.3**	12.7

Mining production and sales, transport and water statistics

Quarterly information	Q1	Q2	Q3	Q4	2013 Full year	2012 Full year
Group total						
Total copper production volume ('000 tonnes)	183.8	180.3	174.2	182.9	721.2	709.6
Total copper sales volume ('000 tonnes)	170.0	171.1	190.9	190.3	722.2	703.2
Total gold production volume ('000 ounces)	86.2	76.7	67.6	63.3	293.8	299.9
Total gold sales volume ('000 ounces)	74.8	65.6	77.2	65.1	282.7	300.1
Total molybdenum production volume ('000 tonnes)	2.6	2.0	2.0	2.3	9.0	12.2
Total molybdenum sales volume ('000 tonnes)	2.2	2.1	1.9	2.6	8.8	12.6
Weighted average realised copper price (dollars per pound)	3.41	2.90	3.45	3.31	3.28	3.66
Realised gold price (dollars per ounce)	1,588	1,287	1,319	1,210	1,358	1,675
Realised molybdenum price (dollars per pound)	11.1	10.6	8.4	9.8	10.0	11.9
Weighted average cash costs (dollars per pound)						
– before by-product credits	1.71	1.80	1.84	1.82	1.79	1.63
– net of by-product credits	1.15	1.36	1.48	1.47	1.36	1.03
Los Pelambres (60% owned)						
Daily average ore treated ('000 tonnes)	176.2	178.4	172.7	181.4	177.2	180.3
Average ore grade (%)	0.74	0.73	0.71	0.70	0.72	0.70
Average recovery (%)	88.6	89.6	91.5	90.5	90.0	90.3
Copper production ('000 tonnes)	101.2	102.5	99.7	101.9	405.3	403.7
Copper sales ('000 tonnes)	102.8	92.2	110.7	108.3	414.0	396.9
Average moly ore grade (%)	0.016	0.016	0.014	0.016	0.016	0.023
Average moly recovery (%)	80.0	79.8	85.1	86.7	82.8	81.5
Molybdenum production ('000 tonnes)	2.6	2.0	2.0	2.3	9.0	12.2
Molybdenum sales ('000 tonnes)	2.2	2.1	1.9	2.6	8.8	12.6
Gold production and sales ('000 ounces)	11.8	12.5	16.6	15.8	56.7	51.5
Cash costs before by-product credits (dollars per pound)	1.50	1.65	1.48	1.46	1.52	1.39
Net cash costs (dollars per pound)	1.07	1.30	1.17	1.10	1.16	0.86
Esperanza (70% owned)						
Daily average ore treated ('000 tonnes)	91.4	82.1	88.4	86.7	87.2	81.1
Average ore grade (%)	0.70	0.70	0.54	0.61	0.64	0.67
Average recovery (%)	88.9	90.0	83.6	86.0	87.3	87.7
Copper production ('000 tonnes)	47.9	42.2	41.0	43.7	174.9	163.2
Copper sales ('000 tonnes)	41.0	37.2	47.0	43.0	168.2	163.0
Average gold ore grade (g/tonne)	0.36	0.35	0.26	0.25	0.30	0.35
Average gold recovery (%)	84.0	85.6	68.9	69.1	78.1	77.4
Gold production ('000 ounces)	74.4	64.2	51.0	47.5	237.1	248.4
Gold sales ('000 ounces)	63.0	53.1	60.6	49.3	226.0	248.6
Cash costs before by-product credits (dollars per pound)	2.10	2.14	2.73	2.52	2.36	1.94
Net cash costs (dollars per pound)	0.85	1.14	1.94	1.88	1.43	0.66

Quarterly information	Q1	Q2	Q3	Q4	2013 Full year	2012 Full year
El Tesoro (70% owned)						
Daily average ore treated ('000 tonnes)	17.3	20.5	20.4	25.0	**21.3**	19.9
Average ore grade (%)	1.82	1.63	1.43	1.32	**1.52**	1.72
Average recovery (%)	79.1	77.2	80.5	76.4	**78.2**	75.5
Copper production – heap-leach ('000 tonnes)	23.3	24.3	22.6	23.8	**94.0**	94.3
Copper production – total ('000 tonnes)	25.4	26.4	24.8	26.1	**102.6**	105.0
Copper sales ('000 tonnes)	19.5	29.9	25.4	26.8	**101.6**	105.9
Cash costs (dollars per pound)	1.27	1.26	1.33	1.60	**1.36**	1.49
Michilla (74.2% owned)						
Daily average ore treated ('000 tonnes)	11.1	12.1	11.1	13.2	**12.0**	11.5
Average ore grade (%)	0.92	0.91	0.93	0.94	**0.92**	1.05
Average recovery (%)	76.0	77.3	78.5	79.4	**77.9**	74.2
Copper production – heap-leach ('000 tonnes)	7.7	7.8	7.2	9.2	**31.8**	33.1
Copper production – total ('000 tonnes)	9.3	9.3	8.7	11.0	**38.3**	37.7
Copper cathodes – sales volume ('000 tonnes)	6.7	11.8	7.8	12.2	**38.4**	37.4
Cash costs (dollars per pound)	3.30	3.43	3.32	2.89	**3.22**	3.18
Transport (100% owned)						
Total tonnage transported ('000 tonnes)	1,816	1,875	1,851	1,871	**7,413**	7,680
Water (100% owned)						
Water volume sold – potable and untreated (million m^3)	13.0	12.7	12.6	13.1	**51.3**	50.8

Notes

(i) The production and sales figures represent the actual amounts produced and sold, not the Group's 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 dollars 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 and gold prices are calculated on a similar basis. In the current year realised prices reflect gains and losses on commodity derivatives, which are included within revenue.

(v) Water volumes sold in 2013 do not include any water transportation.

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

Glossary and definitions

Business, financial and accounting

ADASA	Aguas de Antofagasta S.A., a wholly-owned subsidiary of the Group incorporated in Chile and operating the Water concession in Chile's Antofagasta Region acquired from ECONSSA.
ADR	American Depositary Receipt.
AIFR	All Injury Frequency Rate.
AMSA	Antofagasta Minerals, a wholly-owned subsidiary of the Group incorporated in Chile which acts as the corporate centre for the mining division.
Annual report	The Annual Report and Financial Statements of Antofagasta plc.
Antucoya	Copper project located approximately 45 km east of Michilla. The project is 70% owned by the Group.
ATI	Antofagasta Terminal Internacional S.A., a 30%-owned associate of the Group incorporated in Chile and operating the port in the city of Antofagasta.
Australian dollars	Australian currency.
Banco de Chile	Banco de Chile, a subsidiary of Quiñenco.
Barrick Gold	Barrick Gold Corporation, the joint venture partner of the Group in Tethyan.
Capex	Capital expenditure(s).
Cash costs	A measure of the cost of operational production expressed in terms of dollars per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates for Los Pelambres and Esperanza. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses and corporation tax.
CCU	Compañía de Cervecerías Unidas S.A., an associate of Quiñenco.
Centinela Mining District	Copper district located in the Antofagasta Region of Chile, where El Tesoro and Esperanza are located. Formerly known as the Sierra Gorda district.
CGU	Cash-Generating Unit.
Chilean peso	Chilean currency.
2008 Combined Code	The revised Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008, which was applicable to listed companies for reporting years beginning on or after 29 June 2008. The Combined Code was replaced with the 2010 UK Corporate Governance Code.
Compañía Minera Milpo	Compañía Minera Milpo S.A.A. of Peru is a former owner of a 18.5% interest in Caracoles, acquired by the Group in February 2009.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
Continental water	Water which comes from the interior of land masses including rain, snow, streams, rivers, lakes and ground water.
Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaced the 2008 Combined Code on Corporate Governance and was first applied by the Group for the year ended 31 December 2011.
Desalant	Desalant S.A., former owner of a desalination plant located in Antofagasta and acquired by the Group through ADASA.
Directors	The Directors of the Company.
Duluth	Duluth Metals Limited, incorporated in Canada which has a 60% non-controlling interest in the Group's subsidiary Twin Metals.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
ECONSSA	Empresa Concesionaria de Servicios Sanitarios S.A., the Chilean state-owned company which previously operated the regulated and non-regulated water distribution business in Chile's Antofagasta Region (formerly known as ESSAN).
El Tesoro	Minera El Tesoro, a 70%-owned subsidiary of the Group incorporated in Chile (a wholly-owned subsidiary of the Group until 25 August 2008, before the Marubeni transaction).
ENAP	Empresa Nacional del Petróleo, the 40% joint venture partner of the Group in Energía Andina S.A.
Encuentro	Copper oxides and sulphide prospect located in the Centinela Mining District held through Compañía Contractual Minera Encuentro, a wholly-owned subsidiary of the Group incorporated in Chile, formerly known as Caracoles.
Energía Andina S.A.	Energía Andina S.A., a 60%-owned joint venture entity of the Group incorporated in Chile.
EPS	Earnings per share.
Equatorial	Equatorial Mining Limited, a wholly-owned subsidiary of the Group incorporated in Australia.
Esperanza	Minera Esperanza, a 70%-owned subsidiary of the Group incorporated in Chile.
Esperanza Sur	Copper prospect located in the Centinela Mining District held through Esperanza. Formerly known as Telegrafo.
ESSAN	Empresa de Servicios Sanitarios S.A., former name of ECONSSA.
EU	European Union.
FCA	Empresa Ferroviaria Andina S.A., a 50%-owned subsidiary of the Group incorporated in Bolivia.
FCAB	Ferrocarril de Antofagasta a Bolivia, the Chilean name for the Antofagasta Railway Company plc, a wholly-owned subsidiary of the Group incorporated in the United Kingdom and operating a rail network in Chile's Antofagasta Region.
FSA	Financial Services Authority.
FTSE All-Share Index	A market-capitalisation weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market.

FTSE 100 Index	A market-capitalisation weighted index representing the performance of the 100 largest UK-domiciled blue chip companies.
GAAP	Generally Accepted Accounting Practice or Generally Accepted Accounting Principles.
Government	The Government of the Republic of Chile.
Group	Antofagasta plc and its subsidiary companies.
Hedge accounting	Accounting treatment for derivatives financial instrument permitted under IAS 39 "Financial Instruments: Recognition and Measurement", which recognises the offsetting effects on profit or loss of changes in the fair values of a hedging instrument and the hedged item.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Inversiones Hornitos	Inversiones Hornitos S.A., a 40%-owned associate of the Group incorporated in Chile which owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta Region.
IVA	Impuesto al Valor Agregado, or Chilean Value Added Tax (Chilean VAT).
Key Management Personnel	Persons with authority and responsibility for planning, directing and controlling the activities of the Group.
KPI	Key performance indicator.
LIBOR	London Inter Bank Offer Rate.
LME	London Metal Exchange.
Los Pelambres	Minera Los Pelambres, a 60%-owned subsidiary of the Group incorporated in Chile.
LSE	London Stock Exchange.
LTIFR	Lost Time Injury Frequency Rate.
Madeco	Madeco S.A., a subsidiary of Quiñenco.
Marubeni	Marubeni Corporation, the Group's 30% minority partner in El Tesoro, Esperanza and Antucoya.
Michilla	Minera Michilla S.A., a 74.2%-owned subsidiary of the Group incorporated in Chile.
Mirador	Copper oxide deposit which forms part of the El Tesoro operation.
Mulpun	Coal gasification project located near Valdivia in southern Chile.
Provisional pricing	A sales term in several copper and molybdenum concentrate sale agreements and cathodes sale agreements which provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price or monthly average molybdenum price for specific future periods, normally ranging from 30 to 180 days after delivery to the customer. For the purposes of IAS 39, the provisional sale is considered to contain an embedded derivative (ie the forward contract for which the provisional sale is subsequently adjusted) which is separated from the host contract (ie the sale of metals contained in the concentrate or cathode at the provisional invoice price less tolling charges deducted).
Quiñenco	Quiñenco S.A., a Chilean financial and industrial conglomerate under the control of the Luksic family and listed on the Santiago Stock Exchange.
Realised prices	Effective sale price achieved comparing revenues (grossed up for tolling charges for concentrate) with sales volumes.
Reko Diq	Reko Diq is a substantial copper-gold porphyry district in south-west Pakistan. The Group's interest is held through Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold Corporation of Canada.
Run-of-river	A type of hydroelectric plant using the flow of a stream as it occurs and having little or no reservoir capacity for storage.
Sterling	United Kingdom currency.
SVS	Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.
Telégrafo	The former name of the Encuentro copper prospect held through Esperanza and located in the Centinela Mining District.
Tethyan	Tethyan Copper Company Limited, a 50%-owned joint venture entity of the Group incorporated in Australia.
TSR	Total Shareholder Return, being the movement in the Company's share price plus reinvested dividends.
Turnbull Guidance	The revised guidance on internal control for directors on Combined Code issued by the Turnbull Review Group in October 2005.
Twin Metals	Twin Metals Minnnesota LLC, a 40%-owned subsidiary of the Group incorporated in the United States.
UK	United Kingdom.
2010 UK Corporate Governance Code	The UK Corporate Code published by the Financial Reporting Council in May 2010 and applicable to listed companies for reporting years beginning on or after 29 June 2010. The code replaced the 2008 Combined Code on Corporate Governance.
UKLA	United Kingdom Listing Authority.
US	United States.
US dollars	United States currency.

Glossary and definitions

Mining industry

Brownfield project	A development or exploration project in the vicinity of an existing operation.
By-products (credits in copper concentrates)	Products obtained as result of copper processing. Los Pelambres and Esperanza receive credit for the gold and silver content in the copper concentrate sold. Los Pelambres also produces molybdenum concentrate.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted wasted rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper cathode	Refined copper produced by electrolytic refining of impure copper by electro-winning.
Cut-off grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process by which chemicals are added to materials in a solution which are attracted to bubbles and float, while other materials sink, resulting in the production of concentrate.
Grade A copper cathode	Highest quality copper cathode (LME registered and certificated in the case of El Tesoro and Michilla).
Greenfield project	The development or exploration of a new project not previously examined.
Heap-leaching	A process for the recovery of copper from ore. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the beds to ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	Joint Ore Reserves Committee of Australia.
Leaching	The process by which a soluble mineral can be economically recovered by dissolution.
LOM or Life of Mine	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (ie comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Open pit	Mine working or excavation which is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore grade	The relative quantity, or the percentage, of metal content in an ore body or quantity of processed ore.
Ore reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate at a given date extraction could be reasonably justified and which include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and Sulphide ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore comes from an unweathered parent ores process and normally results in the production of concentrate through a flotation process which then requires smelting and refining to produce cathode copper.
Payable copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-product molybdenum.
Price participation	Part of the tolling charges for copper concentrate under a sales agreement, usually in addition to TC/RCs and calculated as a percentage of the difference between the copper price at final pricing and an agreed reference copper price, and which may result in an increase or decrease to TC/RCs.
Price sharing	Tolling charges calculated under a sales agreement as an agreed percentage of the price for the metal contained in copper concentrate, as an alternative to TC/RCs and/or price participation.
Run-of-Mine (ROM)	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent-Extraction and Electro-Winning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution; the resulting solution is then purified in the solvent-extraction process; the solution is then treated in an electro chemical process (electro-winning) to recover cathode copper.
Tailings dam	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set either on an annual basis or on a spot basis.
Tolling charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
Tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground mine	Natural or man-made excavation under the surface of the Earth.

Currency abbreviations

$	US dollar.
$'000	Thousand US dollars.
$m	Million US dollars.
£	Pounds sterling.
£'000	Thousand pounds sterling.
£m	Million pounds sterling.
p	pence.
C$m	Million Canadian dollars.
Ch$	Chilean peso.
CH$'000	Thousand Chilean pesos.
Ch$m	Million Chilean pesos.
A$	Australian dollars.
A$'000	Thousand Australian dollars.
A$m	Million Australian dollars.

Definitions and conversion of weights and measures

lb	pound.
oz	a troy ounce.
'000 m^3	Thousand cubic metres.
'000 tonnes	Thousand tonnes.
1 kilogramme =	2.2046 pounds.
1 metric tonne =	1,000 kilogrammes.
1 kilometre =	0.6214 miles.
1 troy ounce =	31.1 grammes.

Chemical symbols

Mo	Molybdenum.
Au	Gold.
Ag	Silver.

Shareholder information

Dividends

Details of dividends proposed in relation to the year are given in the Directors' report on page 101, and in Note 12 to the financial statements.

If approved at the Annual General Meeting, the final dividend of 86.1 cents will be paid on 23 May 2014 to ordinary shareholders that are on the register at the close of business on 25 April 2014. Shareholders can elect (on or before 28 April 2014) to receive this final dividend in US dollars, pounds sterling or euro, and the exchange rate that will be applied to final dividends to be paid in pounds sterling or euro will be set as soon as reasonably practicable after that date (which is currently anticipated to be on 1 May 2014).

Further details of the currency election timing and process (including the default currency for payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 87 0702 0159.

Dividends are paid gross without deduction of United Kingdom income tax. Antofagasta plc is not resident in the United Kingdom for tax purposes and dividends paid by Antofagasta are treated in the same way as dividends received from any other foreign company.

Annual General Meeting

The Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ from 10.30 a.m. on Wednesday, 21 May 2014. The formal notice of the Annual General Meeting and resolutions to be proposed are set out in the Notice of Annual General Meeting.

London Stock Exchange listing

The Company's shares are listed on the London Stock Exchange.

The Company's American Depositary Receipts ("ADRs") also trade on the over-the-counter market in the United States. Each ADR represents the right to receive two ordinary shares.

Share capital

Details of the Company's share capital are given in Note 29 to the financial statements.

Shareholder calendar 2014

23 April 2014	Ex-Dividend date for 2013 Final Dividend
25 April 2014	Record date for 2013 Dividend
28 April 2014	Final date for receipt of 2013 Final Dividend Currency elections
30 April 2014	Quarterly Production report – Q1 2014
1 May 2017	Pound sterling/euro rate set for 2013 Final Dividend
21 May 2014	Annual General Meeting
23 May 2014	Payment date for 2013 Final Dividend
30 July 2014	Quarterly Production report – Q2 2014
27 August 2014	Interim results announcement – Half Year 2014
17 September 2014	Ex-Dividend date for 2014 Interim Dividend
19 September 2014	Record date for 2014 Interim Dividend
22 September 2014	Final date for receipt of Interim Dividend Currency elections
25 September 2014	Pound sterling/euro rate set for 2014 Interim Dividend
9 October 2014	Payment date for 2014 Interim Dividend
29 October 2014	Quarterly Production report – Q3 2014

Dates are provisional and subject to change.

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Tel: +44 87 0702 0159
www.computershare.com

Website

Antofagasta plc's annual and half-yearly financial reports, press releases and other presentations are available on the Group's website at **www.antofagasta.co.uk**.

Registered office

Cleveland House
33 King Street
London
SW1Y 6RJ
United Kingdom
Tel: +44 20 7808 0988

Santiago office

Antofagasta Minerals
Av. Apoquindo 4001 – Piso 18
Santiago, Chile
Tel: +562 2798 7000

Registered number

1627889

Additional information can be found in the Shareholder Information section of the Notice of Annual General Meeting and on the Group's website.

Directors and advisors

Directors

Jean-Paul Luksic	Chairman
William Hayes	Non-Executive
Gonzalo Menéndez	Non-Executive
Ramón Jara	Non-Executive
Juan Claro	Non-Executive
Hugo Dryland	Non-Executive
Tim Baker	Non-Executive
Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)	Non-Executive
Nelson Pizarro	Non-Executive
Andrónico Luksic	Non-Executive

Company secretary

Petershill Secretaries Ltd
Plumtree Court, London EC4A 4HT

Auditor

Deloitte LLP

Solicitor

Clifford Chance LLP

Financial advisors

N M Rothschild & Sons

Stockbrokers

Merrill Lynch International

J.P. Morgan Cazenove

Banker

The Royal Bank of Scotland plc

Design and production

Radley Yeldar **www.ry.com**

Printing

CPI Colour

MIX
Paper from responsible sources
FSC
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FSC® – Forest Stewardship Council®. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

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ANTOFAGASTA PLC

Visit **www.antofagasta.co.uk**
for up-to-date investor information
including our past financial results.

Cleveland House
33 King Street
London
SW1Y 6RJ
United Kingdom